

# Explanatory notes

## Uniform Pension Overview 2010 Philips flex pension

*Balance as at 31 December 2009*

Philips Pensioenfond's has outsourced its pension administration to Hewitt Associates. If you have any questions regarding your pension or your Uniform Pension Overview, you can contact the Service Desk of Hewitt Associates:

Hewitt Associates  
P.O. Box 80040  
5600 JP Eindhoven

Visiting address	: Beukenlaan 143 5616 VD Eindhoven
Phone	: 0800 – 023 15 01 (Netherlands) : + 3140 – 265 38 70 (Abroad) (during working days from 9.00 AM until 5.00 PM (CET))
Fax	: + 3140 – 265 38 77
E-mail (pension questions)	: pensioen.ppf@hewitt.com
E-mail (brochures)	: brochures.ppf@hewitt.com
Internet	: <a href="http://www.philipspensioenfond's.nl">www.philipspensioenfond's.nl</a>

# Contents

## Introduction

- Things you need to know about your pension
- What events will affect your pension?

## Explanatory notes to your Uniform Pension Overview Philips flex pension

- The nature of your pension plan
- For whom is this overview intended?
- What data is used in your pension overview?
- What pension can you expect upon retirement?
- What pension can you expect in the event of death?
- What pension can you expect upon disability?
- What are your flexible options?
- How does your pension keep its value?
- What is your pension accrual (Factor A)?
- Do you have questions?

## Explanatory notes to your Uniform Pension Overview pre-retirement scheme

- Differences from the Pension Planner
- The nature of your pension plan
- On what data has your pension overview been based?
- What capital can you accumulate?
- What pension can you expect upon retirement?
- What pension can you expect in the event of death?
- What pension can you expect upon disability?
- What are your flexible options?
- What is your pension accrual (Factor A)?
- Do you have questions?

## Appendix

- Glossary

# Introduction

In these explanatory notes we give an explanation on your Uniform Pension Overview. The explanatory notes follow the same sequence as your Uniform Pension Overview. You may have accrued a capital in the pre-retirement scheme. If so, you have received two overviews: one overview providing information about the accrual in the flex pension and a second overview with information about the pre-retirement scheme. From page 9 of these explanatory notes more information can be found about the pension overview of the pre-retirement scheme.

At the end you will find a glossary explaining the notions used. The Uniform Pension Overview 2010 reflects your pension situation per 31 December 2009. You will receive your Uniform Pension Overview after expiry of each calendar year.

## Things you need to know about your pension

The Uniform Pension Overview gives you clarity in what you will receive upon retirement and disability. This overview also states what your partner and/or children will receive upon your death. You will receive this pension overview every year, providing you with a quick and clear insight into your current and future pension situation.

Pension overviews must be easily comparable and adding up the amounts must be simple. That is why insurance companies and pension funds developed the Uniform Pension Overview together. All pension funds and insurance companies use this pension overview. Do you have pension plans with different pension funds or insurers? In that case you can simply add up the amounts in the various pension overviews and likewise those of your partner, if any.

The benefits stated in the pension overview are gross amounts per year. This means that social security contributions and taxes must be paid over these amounts; how much, will depend on your personal circumstances. If you have a pre-retirement capital with Philips Pensioenfond, the 'Projected capital sum' and the 'Accrued value' of the capital form the total amount instead of amounts per year.

We advise you retain all the pension overviews carefully and together. Also those of other pension plans. This way you will keep a good overview of your pension.

General pension information can be found at [www.pensioenkiijker.nl](http://www.pensioenkiijker.nl).

## What events will affect your pension?

Some life events will affect your pension, for example if you should become disabled for work or die. The impact of such events can be seen in the pension overview. Other events such as marriage, cohabitation, divorce and a change of job will also influence your pension or survivor's pension. More information about all this can be found at [www.philipspensioenfond.nl](http://www.philipspensioenfond.nl). Do you have any questions, please contact the Service Desk of Hewitt Associates.

### Transfer of value

If you accrued a pension elsewhere and you submitted a request for transfer of value, this may not have been processed in your pension overview yet. You receive a confirmation as soon as the transfer of value has been processed. If you received the confirmation in 2009, the transfer of value has been incorporated in your pension overview.

## Explanatory notes to your Uniform Pension Overview Philips flex pension

### The nature of your pension plan

#### What pension do you have?

The Philips flex pension scheme 2005 is a defined benefit agreement in the form of an average pay plan. In an average pay scheme you annually accrue a pension over your gross annual salary. So, you receive a pension that is based on the average salary earned by you. This concerns the average salary during the years of your participation in this pension plan.

The standard retirement age is 62.5. You can also opt for a different retirement age, provided it is between the age of 60 and 65. However, this will have consequences for the level of your pension benefit.

At present, you do not pay any contribution for your pension scheme as an employee. The full pension contribution (excluding the ANW shortfall insurance) is paid by Philips.

### For whom is this overview intended?

Here you see your personal details. If you have a partner his/her data are also stated in the Uniform Pension Overview. Your partner is the person you are married to, with whom you entered into a registered partnership or with whom you cohabit without being married. Your pension overview states the partner data as known to us on 31 December 2009. Your personal situation may have changed between 31 December 2009 and the time of sending this pension overview. If you passed on this change to Philips Pensioenfond, it has been processed in our administration, but is not shown in your Overview. Are your partner's data missing or incorrect? Please contact the Service Desk of Hewitt Associates. More information about registering your partner can be found at [www.philipspensioenfond.nl](http://www.philipspensioenfond.nl).

### What data is used in your pension overview?

The following data is used for calculating the amounts on your pension overview.

#### Start pension accrual

This is the date on which you started to accrue a pension with Philips Pensioenfond.

**Part-time percentage**

The percentage you are working compared with full-time employment. An example: someone is working 24 hours a week and full-time employment is 40 hours. Then the part-time percentage is 60%. If you work part-time you accrue a pension in proportion to your part-time percentage. The projected pension amounts in your Uniform Pension Overview are based on the part-time percentage stated here.

**Full-time pensionable salary**

This is the part of your gross annual income on the basis of full-time employment that counts for your pension accrual. The pension scheme rules define what parts of the salary count for the pension accrual and as a result are pensionable. In the Philips flex pension this is your full annual salary increased by part of your personal budget (your holiday allowance and thirteenth month).

Your gross pensionable salary stated in the pension overview does not include part of your personal budget (such as your leave of absence days) and your variable income components (such as bonus payment). These are included in the variable income components.

**Variable income components**

Here the variable income components paid to you in 2009 are mentioned. These consist of part of your personal budget - your days of absence - and other variable income components, such as your bonus payment. The pension accrual over these paid income components has been included in the amounts in your Uniform Pension Overview.

**Full-time offset**

This is the part of the pensionable salary over which you do not accrue a pension, as the state will provide an AOW benefit from age 65.

**Full-time pension base**

The full-time pensionable salary minus the offset. This is the part of the gross pensionable salary over which you accrue a pension.

**Accrual percentage**

The percentage of the pensionable salary that is accrued by you as a pension every year.

**Divorce**

If you are divorced or your registered partnership has terminated you may have made agreements on the division of your pension with your former partner. If we have been informed about the desired division and this division has been confirmed by us, your former partner will receive the agreed portion from us. Upon payment, this portion is deducted from the pension upon retirement as shown.

So, in that case you will receive a lower pension than stated in the overview. If your divorce has been registered with Philips Pensioenfond, and your ex-

partner is entitled to part of your retirement pension, you will receive a separate statement informing you of the consequences.

Alternatively, you may have agreed with your former partner that part of your pension will be converted into a personal pension for your former partner. This is named conversion. If we confirmed the conversion, the pension intended for your former partner has been deducted from your pension. In that case, the pension stated in the overview will be paid out to you in full.

**What pension can you expect upon retirement?**

The amounts stated in your pension overview are total amounts and may include the following pension components: retirement pension, bridging payment, retirement pension from voluntary contributions, allowance towards premium compensation, and final-pay guarantee.

More explanation about the various pension components can be found in the 'Glossary' or at [www.philipspensioenfond.nl](http://www.philipspensioenfond.nl).

**Projected pension**

This is the annual pension amount to be received by you from the retirement age stated in the pension overview. You will receive this amount if you continue working until that age and continue accruing a pension in your current pension plan. The circumstances as stated under 'What data has your pension overview been based on?' will be assumed. Your pension takes effect from the first day following the month during which you attain the retirement age.

**Accrued pension**

This is the amount of annual pension accrued by you up to and including 31 December 2009. Suppose, your employment has terminated on 31 December 2009, then this is the benefit you can expect to receive upon retirement. If you continue working in your current employment, your pension accrual in this scheme also continues. Your pension takes effect from the first day of the month following the month during which you attain the retirement age.

**Single person's pension**

If you accrued a pension in the final-pay scheme you may be entitled to a single person's pension. This is an amount to be received by you if you are single on the retirement date. It is a supplement to your projected pension. For the calculation the so-called singles' offset was taken into account which applied until 1 April 1999. The single person's pension may be lower than the pension for participants with a partner.

That is because the bridging payment for singles is lower than for participants having a partner.

If such is the case in your situation, you will see a negative amount at 'Single person's pension' in your Uniform Pension Overview.

#### **Pension Planner**

In this overview your various pension components are stated from the start date applicable to these various components (this may be the age of 60, 62.5 or 65). In practice you will probably prefer to have all your pension components take effect from one date; the date on which you stop working and retire. In the Pension Planner you can calculate what your pension situation will look like at that time. You can see for example how much pension you will receive if you retire at age 62.5. Your current pension data can also be viewed in the Pension Planner. These data are updated monthly.

#### **Old Age Pensions Act (Algemene ouderdomswet - AOW)**

From the age of 65 you will receive an AOW benefit from the authorities which can be seen as a basic income. The level of the AOW benefit is dependent on your personal circumstances, such as the number of years you have been living or working in the Netherlands. Did you live abroad between the age of 15 and 65? In that case you may receive less AOW. Everybody who turns 65 before 2015 and has a younger partner is entitled to the AOW supplement. The AOW supplement for the younger partner will not apply to all those who turn 65 on or after 1 January 2015.

As from 1 January 2010 the level of the gross AOW benefit on an annual basis is:

- € 9,282 (with partner);
- € 13,310 (single);
- € 8,871 (AOW supplement).

The National Insurance Institute (Sociale Verzekeringsbank - SVB) administers the AOW on behalf of the authorities. For more information about the AOW and (the expiry of) the AOW supplement see [www.svb.nl/aow](http://www.svb.nl/aow).

### **What pension can you expect in the event of death?**

#### **If you continue your current employment**

##### **In the event of your death before the age of 65**

###### *Your partner receives*

Following your death your partner and/or children, where appropriate, are entitled to a benefit. This is the survivor's and orphan's pension.

Your partner is the person you are married to, with whom you entered into a registered partnership or with whom you cohabit without being married.

The definition of cohabitation is in line with the definition in the General Surviving Dependents Act (Algemene nabestaandenwet). This Act provides that there must be question of 'care for each other' and 'carrying on a joint household'. If you cohabit without being married or you live abroad, you must register your partner yourself with Philips Pensioenfondsen. The partner registration form can be downloaded from [www.philipspensioenfondsen.nl](http://www.philipspensioenfondsen.nl).

Until the age of 65 you are insured for the survivor's pension through risk insurance. This insurance guarantees a lifelong benefit for your partner amounting to 50% of your pensionable salary (possibly adjusted according to your part-time percentage).

The amount received by your partner until his/her 65th birthday includes the benefit from the ANW shortfall insurance if you took out this insurance. For more information see 'ANW shortfall insurance' on page 6.

If you still have a paid-up pension from the Philips final-pay plan, you have an 'accrued survivor's pension'. If you should die before the age of 65 the survivor's pension is supplemented from the final-pay scheme to 50% of your pensionable salary.

Your partner will only be entitled to a benefit if you are still employed by Philips at the time of your death. If you leave the employment you can opt for exchanging part of your retirement pension for a survivor's benefit for your partner.

###### *Your children receive per child*

If you have children they will receive the orphan's pension as a standard. Your Uniform Pension Overview shows until what age your children are entitled to the orphan's pension. If you die before the age of 65, the orphan's pension amounts to 10% of your gross pensionable salary (possibly adjusted according to your part-time percentage). In the case of full orphans (children whose parents have both died) the amount is doubled.

##### **In the event of your death after the age of 65**

###### *Your partner receives*

The risk insurance for the survivor's pension continues until you attain the age of 65. If you have a partner at that time who has been registered with Philips Pensioenfondsen, Philips Pensioenfondsen will exchange part of your retirement pension for a survivor's pension (75%) as a standard. In that case your retirement pension will become lower in exchange for a survivor's pension. You will be given the opportunity of deviating from this standard option (see 'Flexible options'). In your pension overview this standard exchange has been taken into account.

The amount to be received by your partner until his/her 65<sup>th</sup> birthday includes the payment from the ANW shortfall insurance, provided you took out this insurance.

**Please note!**

If, at the age of 65, you do not opt for insuring a survivor's pension, there will no longer be any benefit for your partner from Philips Pensioenfond's following your death!

*Your children receive per child*

If you have children, they will receive the orphan's pension as a standard. Your Uniform Pension Overview shows until what age your children are entitled to the orphan's pension. If you die after the age of 65, the orphan's pension amounts to 15% of your retirement pension before your potential choice for exchange. For full orphans (children whose parents have both died) the amount is doubled.

**If you terminate your current employment**

*Your partner receives*

Upon termination of employment the risk insurance for the survivor's pension and the ANW shortfall insurance will end. If you have a partner at that time who has been registered with Philips Pensioenfond's, Philips Pensioenfond's will exchange part of your retirement pension for a survivor's pension (75%) as a standard. Then, your retirement pension will become lower in exchange for a survivor's pension. You will be given the possibility of reversing this standard option (see 'Flexible options'). This standard exchange has been taken into account in your pension overview.

More information about the survivor's pension following termination of employment can be found at [www.philipspensioenfond's.nl](http://www.philipspensioenfond's.nl) in the section 'Uit dienst' (leaving the employment) of the Philips flex pension scheme.

*Your children receive per child*

If you have children who are younger than 21 at the time of your death, they will receive the orphan's pension as a standard. The orphan's pension is based on the retirement pension accrued by you until 31 December 2009. This amount is paid to your children until they attain the age of 21. In the case of full orphans (children whose parents have both died) the amount is doubled.

**General Surviving Dependents Act (Algemene nabestaandenwet - ANW)**

In the event of your death your partner and/or children may be entitled to a statutory benefit from the authorities. This is provided by the General Surviving Dependents Act (Algemene nabestaandenwet - ANW).

Your surviving partner may be eligible for an ANW benefit if he/she:

- is younger than 65; and
- was born before 1950; or
- has a child that is younger than 18; or
- is disabled for at least 45%.

The level of the ANW benefit depends on the income of your partner. The ANW benefit for your children is independent from the income of your partner. The level of the full gross ANW benefit as from 1 January 2010 on an annual basis is:

- € 14,081 without child(ren) younger than 18;
- € 17,283 with child(ren) younger than 18.

Your partner must apply for this benefit at the Sociale Verzekeringsbank (SVB). This institution administers the ANW on behalf of the authorities. For more information see [www.svb.nl/ANW](http://www.svb.nl/ANW).

**ANW shortfall insurance**

You may have taken out an ANW shortfall insurance. This insurance is intended to compensate for the shortfall or lacking of a benefit by virtue of the ANW. Following your death we pay out an insured amount to your partner until he/she attains the age of 65. The premium is dependent on your age. It is also possible to opt for partial insurance of 1/3rd or 2/3rd of the insured amount. In that case, the premium also amounts to 1/3rd or 2/3rd of the full premium. You can take out this insurance if your partner was born in or after 1950. Besides, it can only be taken out at specific times: upon entering the employment or a relationship (marriage, registered partnership or cohabitation without being married) or upon the birth or adoption of a child.

In your pension overview the benefit from the ANW shortfall insurance is included in the amount your partner receives from your death until his/her turning 65.

*Expatriate*

If you are working abroad for Philips as an expatriate you cannot take out the insurance for the ANW shortfall insurance with Philips Pensioenfond's. Besides, there is no entitlement to a benefit by virtue of the General Surviving Dependents' Benefits Act.

**What pension can you expect upon disability?**

Have you been ill for more than two years (statutory 104 weeks) and declared disabled for 35% or more? In that case, you are eligible for a disability benefit. You receive this benefit from the Workers Insurance Authority (UWV) on behalf of the authorities by virtue of the Work and Income according to Fitness for Work Act (Wet Werk en Inkomen naar Arbeidsvermogen - WIA).

The level of this benefit is dependent on your disability percentage and your income before you became disabled.

Besides this benefit and any salary you receive a supplementary disability benefit after dismissal due to disability: the disability pension. If your employment terminates (not due to disability), the cover of the disability pension terminates as well. The benefit ends if your disability falls below 35% or upon retirement. The level of the disability pension amounts to 5% of the pensionable salary. If your income exceeds € 48,447 you receive 5% of this amount plus 75% of your income above € 48,447.

If you become partially disabled, you receive a disability pension on the basis of your disability percentage.

#### *Continuation of pension accrual under a waiver of premium payment*

If your employment at Philips terminates (partially) due to disability, your pension accrual is (partially) continued under a waiver of premium payment. You continue to accrue your pension until your retirement age. The survivor's pension remains insured as well.

More information about the consequences of disability can be found at [www.philipspensioenfond.nl](http://www.philipspensioenfond.nl).

## **What are your flexible options?**

### **Selecting the retirement age**

Deviation from the normal retirement age is possible. In the Philips flex pension scheme it is possible to retire between the age of 60 and 65. From age 58 you can select your preferred retirement age. If you choose to retire earlier your annual pension will become lower than stated in the pension overview. After all, your pension must then be paid over a longer period of time and you miss out on a number of years of pension accrual. If you retire later, your pension accrual will end at age 62.5. Philips Pensioenfond must be notified of your preferred retirement age at least one year before your retirement and at the age of 62.5 at the latest through your HR manager.

#### **Pension planner**

The financial effects of your selected retirement age can be seen in the Pension Planner. The Pension Planner gives you an insight into your personal pension situation and can help you in selecting your retirement age.

### **Part-time retirement**

The Philips flex pension scheme offers the possibility of retiring partially during the last period of your working life until your full retirement. For the part you continue working your pension accrual will be continued for as long as you will be working.

The part-time pension must always be agreed with the employer and is a one-off option. If you opt for part-time retirement, Philips Pensioenfond must be notified at least one year before your preferred part-time retirement date and at the age of 62.5 at the latest through your HR manager.

### **High-low arrangement**

Through the high-low arrangement you are given the opportunity of adjusting the level of your retirement pension according to your personal wishes. In this scheme your retirement pension is increased until a specific age and reduced in the following period. If you wish to make use of the high-low arrangement, you must indicate so on your retirement date. In the Pension Planner you can choose this option. The Pension Planner then gives you insight in the consequences of this choice for the level of your pension.

### **Exchange of retirement pension for survivor's pension**

Upon attaining the age of 65 or leaving the employment, risk insurance for the survivor's pension will terminate. If you have a partner at that time who has been registered with Philips Pensioenfond, Philips Pensioenfond will exchange part of your retirement pension for a survivor's pension as a standard (75%). Then, your retirement pension will be lower in exchange for a survivor's pension. If you do not have a partner or your partner has not been registered with Philips Pensioenfond, no survivor's pension is arranged for you as a standard. In that case the retirement pension is not reduced. Three months before your 65th birthday or at the time of leaving the employment you will receive an overview stating the amounts applicable to you. At that time you will be given the opportunity of deviating from this standard choice.

If the standard option is agreeable to you, no action from you is required. If you do not agree with this standard option, you must indicate such in the option form. Upon attaining the age of 65 you can opt for a survivor's pension amounting to 75%, 50%, 25% or 0% of the (reduced) retirement pension. Dependent on the personal situation of you and your partner you choose the level that suits you best. If you leave the employment you can opt for a survivor's pension amounting to 75% or 0% of the (reduced) retirement pension.

Upon leaving the employment the amounts will depend on your age at that time. For the exchange at age 65 the percentages apply as stated on the next page. The consequences of exchange are illustrated in an example.

If you still have a paid-up pension from the final pay plan, the presence or absence of a partner will also be taken into account. If no partner has been registered, the survivor's pension will be converted into a retirement pension.

*Table 1 Percentages for exchange at age 65<sup>1</sup>*

Survivor's pension in percentage of the reduced retirement pension	Reduction percentage retirement pension
75%	15.8%
50%	11.1%
25%	5.9%

**Example**

Suppose, you have a retirement pension of € 20,000 and you would like a survivor's pension of 75% of the reduced retirement pension.

1. First you calculate the amount of your reduced retirement pension:  $(100\% - 15.8\%) \times € 20,000 = € 16,840$  retirement pension;
2. Next, you calculate the amount of the survivor's pension:  $75\% \times € 16,840 = € 12,630$  survivor's pension.

If at age 65 you opted for exchanging your retirement pension for survivor's pension, this cannot be reversed later on.

**Pension planner**

With the help of the Pension Planner you can calculate the financial consequences for your personal situation of selecting or not selecting a survivor's pension from age 65.

**How does your pension keep its value?**

Your Uniform Pension Overview shows how your pension will keep its value when participating in the Philips flex pension plan. Your pension will be adjusted in a different way if you participate in the Philips flex pension scheme no longer (we then speak of a 'paid-up pension') or if you are receiving a pension already (we then speak of 'pension in payment').

In some situations the paid-up pension with Philips Pensioenfonds is included in the Uniform Pension Overview. For example, a paid-up pension in the former final-pay scheme or from an employment with Philips before. This paid-up pension is also adjusted in a different way. In the Uniform Pension Overview the paid-up pension is included in the total amounts. In the Pension Planner you see the level of your paid-up pension in the screen 'Opgebouwd pensioen'.

**Increase of paid-up pensions and pensions in payment**

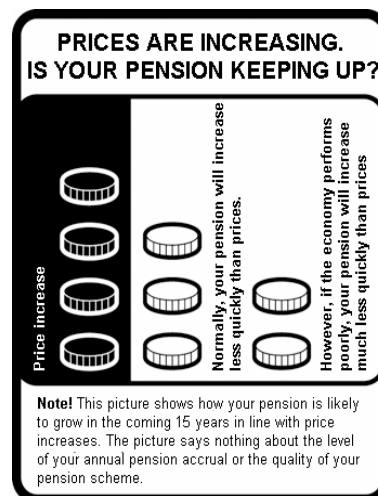
Philips Pensioenfonds seeks to increase these pensions by the increase of the CBS derived consumer price index each year. This is the target of Philips Pensioenfonds. These pensions have been increased by 0.68% on 1 April 2010. Prices increased in the period from January 2009 up to and including January 2010 by 0.85%. During the past three years Philips Pensioenfonds has increased these pensions as follows:

- On 1 April 2009 by 1.45%. Our target was 1.45%.  
Prices increased in the period from January 2008 up to and including January 2009 by 1.93%.
- On 1 April 2008 by 1.90%. Our target was 1.90%.  
Prices increased in the period from January 2007 up to and including January 2008 by 2.03%.
- On 1 April 2007 by 1.25%. Our target was 1.25%.  
Prices increased in the period from January 2006 up to and including January 2007 by 1.42%.

Part of the future increases of these pensions is paid by Philips Pensioenfonds from the return on investments and part from the pension contributions.

No rights with respect to any future increases may be derived from this year's increase and the expectations for the coming years.

*The expected increase*



Please note: this concerns the expected increase, which is an average over 15 years. The actual increase may differ from year to year. If and to what extent this increase will occur, depends on the annual decision-making by the Board of Trustees.

<sup>1</sup> These are the percentages applicable up to and including 31 December 2009. The percentages may change in the future.

Would you like more information about the increase of these pensions? See [www.philipspensioenfondsnl/indexatie](http://www.philipspensioenfondsnl/indexatie)

## What is your pension accrual?

### Factor A

Would you like to know how much tax allowance applies to you for supplementing your pension with annuities? In that case you need the amount of the annual pension accrual, the Factor A. You need the amount in the pension overview for your tax return over the year 2010. Would you like to make a calculation? Use the calculation program for annuities (Rekenhulp Lijfrentepremie) of the tax authorities (Belastingdienst), which can be found at [www.belastingdienst.nl](http://www.belastingdienst.nl). Or turn to your financial adviser for assistance.

## Do you have questions?

Do you have questions after reading your Uniform Pension Overview? Please contact Hewitt Associates, the pension provider of Philips Pensioenfondsnl. You can find the contact details on the first page of these explanatory notes.

## Explanatory notes to your Uniform Pension Overview pre-retirement scheme

This section is only relevant to you if you have a capital in the pre-retirement scheme. If so, you have received an extra pension overview with information about the pre-retirement scheme. By adding up the amounts in the overviews you will find the amount to be received by you from retirement.

## Differences from the Pension Planner

You will see differences between the amounts stated in the Uniform Pension Overview pre-retirement scheme (page 6/8) and the Pension Planner. We are legally obligated to calculate the level of the future capital and the pension that can be purchased by it according to a specific method, which differs from the calculation method used for calculating the amounts in the Pension Planner. In the Pension Planner you see the amounts based on the actual Philips calculation method (tariffs and discount rate), including the expected yield of the Dymix-system which is more conservative than the yield of 4% operated in the Uniform Pension Overview. Besides, the Pension Planner is up-to-date and the amounts stated in the Uniform Pension Overview are based on the balance as at 31 December 2009. You can find the up-to-date amounts in the section 'Uw huidige situatie' in the Pension Planner.

## The nature of your pension plan

The pre-retirement scheme is a so-called 'defined contribution agreement'. This means that a capital is being saved which is invested. The investment value depends among other things on price developments. On the retirement date the investment value must be used for purchasing a pension (periodic benefit). So, the definitive pension amount will only be known at the time of retirement.

## On what data has your pension overview been based?

The following data is used for calculating the amounts on your pension overview.

### Full-time pensionable salary

This is the portion of your gross annual income on the basis of full-time employment that counts for your pension accrual. The pension scheme rules define what part of the salary count for the pension accrual and as a result are pensionable. For a further explanation of the amount mentioned, see page 4 of these explanatory notes.

### **Savings percentage**

The percentage of your pensionable salary saved by you monthly in the pre-retirement scheme per 31 December 2009.

## **What capital can you accrue?**

### **Model capital at age 62.5**

This is a calculation of your pension capital on the basis of the yield stated in the Uniform Pension Overview (4% yield). This is a model yield. The actual yield depends on the price developments of the investments. So, it may be higher or lower. The basis for the calculation is the accrued value as at 31 December 2009. Besides, we assumed that you will continue working. The model capital in the Uniform Pension Overview is likely to be higher than the actual capital on your retirement date because the Dymix-system is more conservative than the yield of 4% operated in the Uniform Pension Overview.

### **Accrued value**

The accrued value is your pension capital on 31 December 2009. The value of an investment unit is determined by the price developments of the underlying fund. More information about the value of the investments can be found at [www.philipspensioenfond.nl](http://www.philipspensioenfond.nl) in the section 'Prepensioneringskapitaal' (pre-retirement capital) and in the quarterly overview which you receive four times a year.

### **Pension Planner**

In the Pension Planner in the section 'Uw huidige situatie' (your current situation) you see the current level of your pre-retirement capital and pension based on the current tariffs and interest rate. These data are updated on a monthly basis.

## **What pension can you expect upon retirement?**

### **Pension indication**

In your Uniform Pension Overview a pension indication is given in a situation where you continue your employment, as well as in a situation where you terminate your employment. For calculating these pension indications statutory regulations will be followed.

Upon continuation of the employment the model capital referred to above is used for purchasing a pension on your retirement age. The tariffs currently applicable and the interest rate stated in the pension overview are operated (4% interest rate). This is a model interest rate. For the actual pension purchase we assume the tariffs and interest rate level as applicable at that time with Philips Pensioenfond.

Your pension takes effect from the first day of the month following the month during which you attain the retirement age.

Upon termination of your employment a pension to be deferred until the retirement date is purchased immediately on 31 December 2009 by using the accrued value. The tariffs currently applicable and the interest rate stated in the pension overview are operated (4% interest rate). This is a model interest rate. For the actual pension purchase we assume the tariffs and interest rate level as applicable at that time with Philips Pensioenfond.

Since the model capital mentioned is higher at age 65 than the accrued value as at 31 December 2009, one would expect the pension indication upon continuation of the employment to be higher than the pension indication upon termination of the employment. However, this is not always the case. The cause for this difference lies in the time of purchase (31 December 2009 or your retirement age).

## **What pension can you expect in the event of death?**

### **If you continue your current employment**

#### **In the event of your death before the age of 62.5**

##### *Your partner receives*

Following your death your partner is entitled to a benefit. He/she receives this benefit on top of the survivor's pension from the flex pension scheme (see page 5). Your partner will receive this survivor's pension every month until his/her own death. Tax rules apply to the maximum level of the survivor's pension upon death. The model pension in the pension overview is likely to be higher than the amount your partner will receive as from your death (see 'Differences from the Pension Planner' on page 9).

##### *Your children each receive*

In principle, your children only receive the orphan's pension of the Philips flex pension scheme following your death. So, they do not receive any supplement from the pre-retirement scheme. That is why you see € 0 in the pension overview. However, if you die before your retirement date and do not have a partner, the accrued value of the pre-retirement capital is used for purchasing an orphan's pension. In that case your children are entitled to a supplementary benefit. They will receive this benefit every month until the age of 21. The level of this benefit depends on the level of the capital, the number of children younger than 21 and the age of the children.

### **In the event of your death after the age of 62.5**

On the retirement date, the capital is only used for purchasing a retirement pension. At the age of 65 a standard option for exchanging part of your retirement pension for survivor's pension is applied, dependent on your personal situation. If you have a partner the retirement pension from the pre-retirement capital is also partially converted into a survivor's pension. Here, you see an indication of the amount of this survivor's pension.

For more information about exchange see 'Exchange of retirement pension for survivor's pension' on page 7.

### **If you terminate your current employment**

Your partner will only receive a benefit if you are still employed by Philips at the time of your death. If you leave the employment, only a retirement pension will be purchased with the capital at that time.

Dependent on your personal situation a standard option regarding the exchange of part of your retirement pension for a survivor's pension is applied. If you have a partner the retirement pension from pre-retirement capital is also partially converted into survivor's pension. Here, an indication is given of the amount of this survivor's pension. For more information about exchange see 'Exchange of retirement pension for survivor's pension' on page 7.

### **What pension can you expect upon disability?**

You are insured for a benefit upon disability via the Philips flex pension scheme (see page 6). You do not receive a supplementary benefit from the pre-retirement scheme. However, upon disability your capital will remain invested until your retirement date.

### **What are your flexible options?**

#### **Voluntary contributions**

As a participant of flex pension you can monthly save part of your gross pensionable salary in the pre-retirement scheme. You can opt for a savings percentage of 3%, 5% or 7% of your gross pensionable salary. You are free to alter the percentage at any given time. In addition, each month you have the option of making an extra payment. The total of these extra payments may not exceed 3% of your gross pensionable salary per year, whilst each extra payment should be at minimum equal to € 136. Saving in the pre-retirement scheme is possible up to at most two months before the chosen, early retirement date. In all cases the possibility of savings in the scheme expires at the age of 62 and 4 months. If you wish to change your savings percentage or make an extra payment, you can indicate this via Philips à la carte.

### **Selection of investment profile**

You can change your investment profile. When and how often, depends on the investment profile applicable to you. If you selected the passive investment profile (Dymix), you can change to one of the active profiles once per calendar year as a maximum, on the first working day of October. The change from one of the active profiles to Dymix can also be made only once a year (on the first working day of October). Within the active investment profiles you can change once every quarter at any time you like. Switch costs will be charged for the change of investment profile. For more information see [www.philipspensioenfondsnl](http://www.philipspensioenfondsnl).

### **Selecting the retirement age**

Deviation from the standard retirement age is possible. In the Philips flex pension scheme it is possible to retire between the age of 60 and 65. From the age of 58 you can select your preferred retirement age. If you choose to retire earlier your annual pension will become lower than stated in the pension overview. After all, your pension must then be paid over a longer period of time. Philips Pensioenfondsnl must be notified of your preferred retirement age at least one year before retirement and at the age of 62.5 at the latest through your HR manager.

### **What is your pension accrual?**

#### **Factor A**

The Factor A is calculated on the basis of your pension accrual in the flex pension scheme only. Any contributions you made towards the pre-retirement scheme are not considered. So, for the tax return over 2010 you only need the Factor A of the Philips flex pension (see page 9).

### **Do you have questions?**

Do you have questions after reading your Uniform Pension Overview? Please contact Hewitt Associates, the pension provider of Philips Pensioenfondsnl. You can find the contact details on the first page of these explanatory notes.

# Appendix

## Glossary

### **Allowance for premium compensation**

The allowance for premium compensation (Tegemoetkoming Premiecompensatie - TPC) used to be a compensation for social security contributions which will be lower for over 65s than for under 65s. Until 1 April 1999 members accrued the TPC from the age of 50, provided specific tax conditions were met. After 1 April 1999 the TPC was abolished as part of the CLA changes in the pension schemes.

### **ANW**

General Surviving Dependants Act (Algemene nabestaandenwet). Statutory basic provision for Dutch citizens who lose their partner due to death. See page 6 for the amounts.

### **AOW**

Old Age Pensions Act (Algemene Ouderdomswet). This is a statutory basic provision which you receive from age 65. Full AOW is accrued if you live and/or work in the Netherlands from the age of 15 up to 65. See page 5 for the amounts.

### **Average pay plan**

Pension scheme in which the level of your (projected) retirement pension is based on your average income during the period you were a member Philips Pensioenfond. See page 5 for the amounts.

### **Bridging payment**

Temporary pension to be received from your retirement age until the age of 65 to compensate for the lack of AOW benefit.

### **Defined benefit agreement**

Type of pension agreement between you and your employer (Philips). Defined benefit agreement means that the level of your pension benefit is an established fact.

### **Defined contribution agreement**

Type of pension agreement between you and your employer (Philips). Defined contribution agreement means that a capital is saved which is used for purchasing a pension on your retirement date. So, the level of the pension benefit is uncertain until the retirement date.

### **Final pay guarantee**

The final pay guarantee applies to all those who are actively participating in the Philips flex pension scheme as from 1 January 2005. The final pay guarantee is a potential additional retirement pension based on a specific guarantee formula.

### **Offset**

Part of the income over which you do not accrue a pension, as the AOW benefit will provide this part from age 65. By deducting the offset from your pensionable salary, the AOW benefit is taken into account for the accrual of the pension from Philips Pensioenfond. The offset amounts to € 15,300 on 31 December 2009.

### **Partner**

Your partner is taken to mean the person to whom you are married, with whom you entered into a statutory registered partnership or with whom you cohabit without being married. The definition of cohabitation is in line with the definition in the General Surviving Act. This Act provides that there must be question of 'care for each other' and 'carrying on a joint household'.

### **Orphan's pension**

Temporary pension benefit for your children in the event of your death.

### **Paid-up pension**

Pension benefits that are no longer being accrued and for which no premium is paid (any longer). These pension benefits are adjusted according to the indexation policy and will be paid to you from your retirement age.

### **Pre-retirement scheme**

Scheme within the Philips flex pension scheme in which you invest part of your income with the aim to retire earlier on the basis of a desired pension level. Within this scheme you can choose how your capital is invested.

### **Retirement pension**

Pension you will receive from your retirement age.

### **Standard retirement age**

This is the age on which your pension scheme is based. However, within the flex pension scheme you can opt for a different retirement age, provided it is situated between age 60 and 65.

### **Survivor's pension**

Pension for your partner in the event of your death. Your partner is entitled to this pension if you are married or cohabit without being married and a survivor's pension has been insured.

### **Voluntary purchase**

Through voluntary purchase you can buy an additional lifelong retirement pension.

### **WIA**

Work and Income according to Labour Capacity Act (Wet Werk en Inkomen naar Arbeidsvermogen). Statutory basic provision upon disability.