FAQ

1. **What does a solidarity premium scheme entail?**

Under the new Dutch pension rules, it can be choosen between the solidarity-based and the flexible premium scheme.

Both contracts are premium schemes which means that the amount of pension premium paid in by Philips and the employee is fixed. The pension benefit depends in particular on investment results and interest rates and this pension benefit is therefore not fixed.

The main differences between the solidarity-based contribution scheme and the flexible contribution scheme are the degree of choice.

In the solidarity-based contribution scheme, the pension capital is invested collectively with the risk being reduced as the retirement date approaches. Members do not have a choice on how the pension capital is invested.

Members in a solidarity-based contribution scheme receive a pension from the retirement date that moves with the economy and is therefore higher when things are going well, but also has a chance of being lower when things are bad. Members of a solidarity-based premium scheme have no option to choose a more or less 'fixed' pension with an insurer on retirement date.

In the solidarity premium scheme, a solidarity buffer is mandatory; this buffer is used to try to minimise the probability of a reduction in pension benefits.

2. **Why a flexible contribution scheme was not chosen?**

Philips and unions have held many discussions to understand as much as possible the differences between the flexible and solidarity premium schemes.

As a result of changes to the new pension scheme, the differences between the two contract types have been reduced and more similarities between the two contracts can be identified than differences.

Partly based on the September 2023 pension survey, Philips believes that the flexible contribution scheme is the best fit for Philips' current and future employees. Employees in the survey indicated in the majority that they would like to have flexibility in terms of investments, the pension benefit and the level of pension contribution. This flexibility is best shaped in the flexible contribution scheme.

Trade unions, however, have a strong preference for the solidarity-based premium scheme, partly because the solidarity-based premium scheme entails fewer information obligations/care obligations and that not being able to offer individual choices gives peace of mind and clarity and also cannot lead to individual wrong choices that could cause employees financial problems.

Ultimately, the choice of a solidarity premium scheme is the outcome of negotiations with unions.

3. **Is a solidarity contribution scheme more disadvantageous?**

As indicated earlier, the similarities between the flexible and solidarity premium schemes outweigh the differences.

Together with the Philips Pension Fund, we carried out a quantitative analysis of the expected pension benefits under the flexible and solidarity contribution schemes. This analysis showed that there are no substantial differences in pension outcomes between the two schemes.

4. **Why is the employee contribution increased?**

The current employee contribution is 2% and compared to other companies it is very low. In contrast, Philips' pension contribution is very high. Increasing the employee contribution to 8% brings the distribution of the pension contribution more in line with other companies.

The total pension contribution does not change and is still at a high level compared to other companies.

5. **Will the increase in employee contribution have an adverse effect on my income**

The employee contribution increase is offset at the individual level so that there is no adverse effect on net income at the time of the employee contribution increase. We have prepared flyers with sample calculations to explain this.

There may, however, be a detrimental effect on net income with future changes in income. Unions and Philips opted for this adjustment anyway because the total value is greater than the current situation.

6. **Does the increase in employee contribution also have benefits?**

Because the increase in the employee contribution is offset in the gross salary, there are a number of benefits for the employee.

Due to the increase in gross salary, the allowances below are also increased:

- the basis for pension accrual
- the basis for the annual incentive
- the base for the shift bonus.

In addition, at the next annual adjustment in April, the pension base is also increased and pension accrual therefore takes place over a higher base. This is also illustrated in the examples in the flyers/

7. **How will salary scales be adjusted?**

Per grade, based on scale position 100, the difference in pension contribution between 2% and 8% pension contribution will be calculated. This difference is added to the amount of the current scale position 100. As a result, the scales are increased by the % below:

CEA Grade	SP 100 per June 2024	SP 100 per October 2024	Increase
20	39494	40811	3,33%
25	41665	43112	3,47%
27	43989	45576	3,61%
30	46433	48166	3,73%
35	51611	53655	3,96%
37	55251	57513	4,09%
40	60378	62948	4,26%
45	68273	71317	4,46%
50	73037	76367	4,56%
60	91674	96122	4,85%
70	116872	122832	5,10%
80	138964	146179	5,19%
90	166837	174052	4,32%

8. **When can I choose to put in less pension contribution myself?**

Employees with a full-time pensionable salary above the limit salary of EUR 87,500 can, from the introduction of the new pension scheme as of 1 July 2026, annually opt to reduce the employee contribution (8%) for the part of the pensionable salary above the limit salary in whole percentages (0% - 8%).

Below is an example:

Full-time pensionable salary: EUR 100,000
Borderline salary: EUR 87,500
Part of pensionable salary above limit salary: EUR 12,500
Default employee contribution above limit salary: EUR 1,000 (8% * EUR 12,500)
Employee can opt at most to pay this EUR 1,000 in monthly instalments (EUR 83.33) at the same time as the gross salary.

Employees must make another annual choice for possible reduction of the employee premium above the limit salary. By default, the employee premium is reset annually to the default of 8%.

9. **Why was the limit of €87,500 chosen?**

The salary limit of EUR 87,500 is based on the average salary of a CEA employee in the Netherlands.

Philips would have liked every employee to have a certain degree of flexibility in the level of pension contribution. Trade unions see risks for employees in opening up flexibility to all employees and therefore want to limit this risk by introducing a limit salary.

10. Can I make more pension contributions myself later on?

Yes, in the new pension scheme, we want to make it possible for employees to save the maximum pension, within tax limits. This extra premium contribution is voluntary and at their own expense.

11. Is pension consultation with unions now over?

No, the new pension rules stipulate that a transition plan must be drawn up in which all choices and considerations regarding the design of the new pension scheme and the transition of the pension assets from the current pension scheme to the new pension scheme must be described.

Philips, trade unions and the Philips Pension Fund therefore continue to have intensive discussions on the further design of the new pension scheme and the associated transition.

We aim to have the (draft) transition plan ready by 1-9-2024.