

# A Clear Understanding of Your Pension Plan

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Frequently asked questions about the HP Pension Plan and their answers

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# Introduction – Your pension

Besides the salary, the pension is the most important employee benefit. This is hardly surprising, as the income after retirement is concerned here, which you will want to enjoy for the rest of your life. You are now accumulating that income in the HP Pension Plan, a fine and flexible plan which offers sufficient opportunities to optimally tailor your pension to your individual wishes and possibilities. To enable you to make responsible choices with respect to your pension, the contents of the HP Pension Plan are explained clearly and to the point in this brochure.

We cannot stress often enough how important we feel it is that you really understand the ins and outs of the pension plan. Should any items prove to be unclear after having read this brochure, please feel free to ask the administration of the pension fund (there is a list of contacts at the back of the brochure).

Whereas the course of life plan is not administered by the pension fund, this brochure also includes a brief explanation of this plan, as there are some areas of contact with the pension plan.

With kind regards,

Peter Prakken,  
Chairman of Stichting Pensioenfonds Hewlett-Packard Nederland

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# The pension plan – 54 questions about your pension

As from 1 January 2006, Pensioenfonds Hewlett-Packard Nederland has a new pension plan. Your total pension may include two parts, namely a pension from a basic plan and a pension from a top-up plan. In the basic plan you accrue a pension over your salary up to € 54,746 (2008). This basic plan has been placed with the pension fund. In the top-up plan you accrue a pension over the part of the salary exceeding the above-mentioned salary limit. HP placed the top-up plan directly with Delta Lloyd, so outside the pension fund. However, we did include information about the top-up plan in this brochure in order to give you a total image of your pension.

If you have more questions about the top-up plan, please contact Delta Lloyd (this brochure has a list of contacts at the back). The basic plan is an indexed career average plan; the top-up plan is a defined contribution plan.

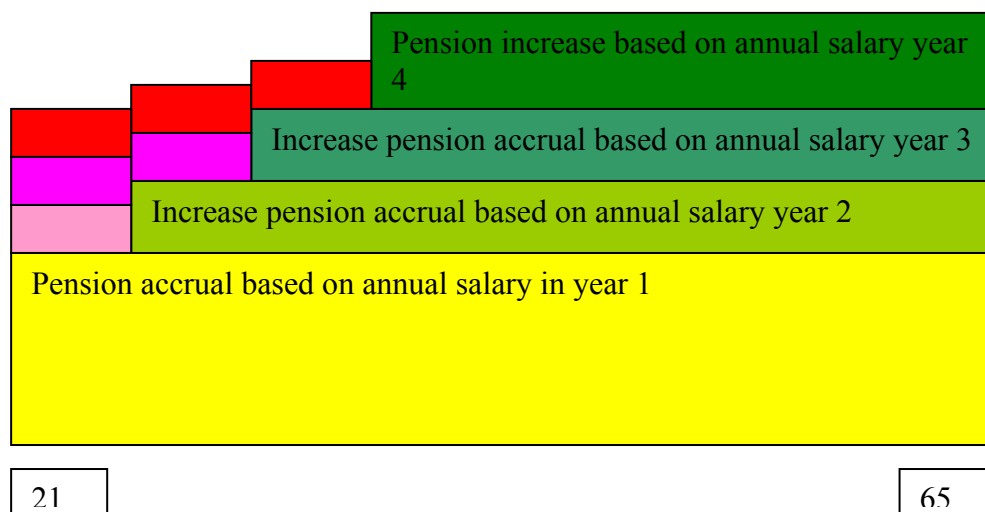
## 1. What is an indexed career average plan?

The basic plan is an indexed career average plan. In a career average plan a portion of the retirement pension is accrued during every year you are participating in the pension plan. This portion of the retirement pension is based on your salary during that year. (For more about the accrual of pension see question 10 and onward.) This means that if you are given a salary raise next year, that raise will only count for the years following the date the raise was granted and not for any previous years. So, the pension you accrued during previous years is not automatically adjusted to your salary increases.

To prevent the pension benefits already accrued from losing too much of their value (due to inflation), they are increased each year by an indexation granted under specific conditions.

As long as you are an active participant (employee) the indexation is unconditional. The amount of the indexation is based on the increase in salaries in conformity with the ICK CLA, or the increase of the consumer price index, should this be higher. If you are a deferred participant (also named 'early leaver') or a retiree, the granting of indexation is conditional. This means that the pensions are only increased under specific conditions. An important condition is that the financial situation of the pension fund must, according to the assessment of the board, allow the indexation being granted. No designated reserve is formed for indexation and no premium is charged for this purpose. That is why a conditionally indexed career average plan is spoken of. The level of this indexation is based on the movements in the consumer price index. More information about the granting of indexation can be found at question 47 and onward.

In a diagram the pension accrual looks as follows:



- = indexation of the pensions accrued in earlier years, granted in year 2
- = indexation of the pensions accrued in earlier years, granted in year 3
- = indexation of the pensions accrued in earlier years, granted in year 4

In year 1 the pension accrual is based on the pensionable salary in that year. If your pension base changes no longer, the annual pension accrual remains the same until your retirement date (yellow area). If your salary is higher in the second year, the annual pension accrual is also adjusted. The pension you accrued in the first year is increased in year 2 by an indexation (pink area).

The total of agreements on the pension between employer and employee is called the pension agreement. As for pension agreements, the Pension Act distinguishes the below main types:

- **A defined benefit agreement:** here the pension entitlement is determined according to for example a career average plan or final pay plan. There is a fixed benefit; the premium is determined on the basis of the pensions to be purchased.
- **A capital agreement:** a capital is saved which is used for purchasing a pension on the retirement date.
- **A defined contribution agreement:** here a fixed premium is paid. The level of the pension is not known in advance. The pension is derived from the premiums paid.

The basic plan of HP Pension Fund is a defined benefit agreement within the meaning of the Pension Act. The top-up pension plan is a capital agreement (see question 2).

## **2. What is a defined contribution plan?**

For the sake of clarity: the top-up plan is not administered by the pension fund. The employer has placed this plan with an insurer directly, in this case Delta Lloyd.

In the basic plan the pensions are the basic principle. The pension fund determines the premium which is to be paid by the employer to the pension fund on the basis of the pensions to be granted. The basic principle of the top-up plan is the exact reverse; here the premium is the basic principle. The employer pays a premium to the insurer (in this case Delta Lloyd). The level of the premium deposited for you depends on your age. This premium is used for purchasing a portion of pension capital every year. The pension capital grows due to the annual premium deposits and the profit-sharing gained on it. On your capital you gain a guaranteed return of 3% per year (in the capital which is insured for you if you continue the employment until your retirement date, this guaranteed return has already been taken into account).

If the actual return is higher, you will profit as well (up to a maximum return of 7%). With this capital you will purchase a pension on the retirement date when the following will obviously apply: the higher the capital on your retirement date, the higher the pension benefit that can be purchased by using the capital. For more questions about the top-up plan please contact Delta Lloyd. The top-up plan of HP is a capital agreement within the meaning of the Pension Act.

## **3. What does the pension fund use the premium for?**

The pension fund uses the premium not only for funding the accrual of pension benefits but also for paying the costs of administering the pension plan. Furthermore, the pension fund uses the premium received to pay the risk insurance costs with respect to death and disability. Besides, the pension fund is obligated to maintain sufficient reserves to be able to pay the pension benefits, also in the future. If, for example, the stock markets collapse, you still want to be certain that you will actually receive your pension on your retirement date. The level of the reserves to be maintained by the pension fund is determined by law.

## **4. How much is the premium?**

### **Basic plan**

The employer is charged for the actuarial, break-even premium. Part thereof is charged by the employer to the participants. This participant's contribution is withheld from your salary. The participants pay (from age 21) a participant's contribution of 6% of the fulltime salary exceeding the amount of € 14,831. The participant's contribution is calculated over the fulltime salary up to € 54,746 (2008) as at maximum. Over the salary exceeding this maximum no participant's contribution needs to be paid for the basic plan.

### **Top-up plan**

The top-up plan is a defined contribution plan. The premium that is deposited for you depends on your age. As you get older the premium (sharply) rises. The premium table was set up in such a way that you can attain a retirement pension from age 65 of about 90% of your average salary earned exceeding € 54,746 (2008) plus a partner's pension at average expected returns over the full duration.

Once again: there is no guaranteed final result in this part of the pension plan. Much will depend on the profit-sharing.

Annually, you will receive a guaranteed return of 3% on the capital in any case. If more return is gained, you will also profit. As a result, you may receive another 4% of extra return per year. If the profit-sharing of the surplus interest should be higher than this 4%, the surplus will be reserved for any years where less return is gained.



The set-up of the premium table is such that a pension accrual over this part of your salary of 2.25% per year is pursued. This accrual percentage is the highest percentage allowed by the tax authorities. The premium provides the accumulation of a capital for retirement pension and partner's pension. However, you are not obligated to also purchase a partner's pension once you retire – if you do not, your retirement pension will be higher.

The amount of premium deposited for you in the top-up plan depends on your salary and your age. The older you are, the higher the premium percentage. Here you see the premium tables as applicable to participants participating in the basic plan of Plan Rules A, Plan Rules B, respectively. (See question 10 for an explanation of plan A and B).

Age	Pension plan A % over salary exceeding € 54,746	Pension plan B % over salary exceeding € 54,746
21-24	8.6%	6.9%
25-29	10.4%	8.4%
30-34	12.6%	10.0%
35-39	15.2%	12.2%
40-44	18.3%	14.6%
45-49	22.2%	17.6%
50-54	27.0%	21.3%
55-59	32.8%	25.8%
60 <	37.0%	31.5%

Example: a participant in plan B is 42 years old, his salary is € 60,000. HP deposits 14.6% of (€ 60,000 – € 54,746) = € 767.08. Next, part thereof is withheld from the participant's salary. The participant's contribution from the employee is equal to 6% of the part of the salary exceeding € 54,746, or € 315.24.

## 5. What happens if the employer is no longer able to pay the premium?

The employer annually pays a premium to the pension fund. Nevertheless, circumstances may arise forcing the employer to decrease the premium payment.

In the event of a radical change of circumstances the employer may decide to diminish the contribution or terminate it in full, for example if the government makes new or amended statutory provisions for retirement, survivor's and orphan's pension.

If the employer intends to decrease the contribution or fully terminate premium payment, the board of the pension fund and those whose pension or entitlement to a pension is affected as a result will be notified in writing by the employer immediately. If the fund intends to decrease the accrued pension benefits such will also be communicated in writing immediately to those whose pension or entitlement to a pension is affected as a result, as well as the management board and the affiliated companies. This decrease can only be realized one month after the above-mentioned notification has been sent.

## The participant

### **6. When am I a participant in the pension plan?**

You automatically participate in the pension plan of HP Pension Fund if you are 21 years old or over and you are employed by a company that is associated with the pension fund. You do not have to take any action yourself. Your employer takes care of your registration. Next, you receive written confirmation from the pension fund. Besides this brochure, you can also receive the applicable Pension Plan Rules at your request. The Pension Plan Rules have been included in the HP Intranet. When administering the pension plan, the pension fund distinguishes between active participants and deferred or retired participants:

- The active participants are the current employees who are accruing a pension with the pension fund (including those employees who are in the employment no longer due to disability, but are still accruing a pension).
- The second group is formed by the deferred participants and retirees. The retirees receive a pension benefit from HP Pension Fund. The deferred participants, also called early leavers, are the former employees who have not yet retired and left their accrued pension benefits with HP Pension Fund.

### **7. What happens to the pension benefits I accrued earlier with another employer?**

At your request, you can have the value of the pensions you accrued with your former employer transferred to HP Pension Fund. In that case, the value is converted into pension entitlements according to the pension plan of HP. If you decide that transfer of value should happen, you must file a request with HP Pension Fund for this purpose within 6 months after commencement of your participation in the plan of HP. Next, these pension entitlements will annually be indexed, just like the other accrued pension benefits (see question 47).

### **8. When does the participation end?**

Active participation ends upon termination of your employment at your current employer (for example because you resign and start working for another employer) or because you retire. Obviously, participation also ends if you should die.

### **9. Should I inform the pension fund about any changes in my personal situation?**

Yes. For a correct administration of the pension plan it is essential that the pension fund will have the correct personal details at its disposal. The pension fund is registered with the Municipal Personal Records Database (Gemeentelijke Basis Administratie-GBA). Via the GBA system the pension fund is kept informed in principle of any changes in your personal situation. However, not all information is passed on through this system, such as information about cohabitation and addresses abroad. So, always pass on any changes in your personal situation that may affect your pension (marriage, cohabitation, divorce, change of address) to the pension fund.

Also check your annual pension overview. If it contains any incorrect data, please contact the pension fund (see the list of contacts at the back of this brochure).

# Pension provisions

What pensions form part of the pension plan? The premium paid by yourself and your employer jointly is used by the pension fund for the accrual of the retirement, partner's, orphan's and disability pension. Below we explain what these pensions include exactly and how they are calculated. At the end of this brochure various sample calculations are given that may be used as a basis for calculating your own pension.

## Retirement pension

### 10. When does the retirement pension start?

As a result of amended legislation HP Pension Fund has two plans. A standard retirement age before age 65 is no longer allowed, except for those employees who were born before 1 January 1950. For that reason, the pension plan has been divided into 2 plans.

For the older participants the old pension plan is in fact being continued. This plan was laid down in Pension Plan Rules A. Pension Plan Rules A apply to all participants who already participated in the HP Pension Plan on 31 December 2005 and were aged 55 or over at that time. For the participants in Pension Plan Rules A the pension takes effect from age 61. Since you do not yet receive an AOW (Old Age Pensions Act) benefit before age 65, a temporary retirement pension is paid until age 65, besides the retirement pension. For the younger participants the pension fund had to find a different solution as a retirement age of 61 was no longer allowed for them. This solution has been found in the form of a higher pension accrual. (also see question 12).

Pension Plan Rules B apply to all other participants. The retirement pension takes effect from the first day of the month of your 65th birthday and is paid until death.

From age 65 you will receive the retirement pension jointly with the AOW state benefit and any provisions made by yourself. The level of the retirement pension to be received from the pension fund differs for each participant and depends on the number of years during which you accrued a pension and the salary level. The top-up plan, which is not administered by the pension fund, has 2 elements. The premium table applicable to the over 55's (participants born before 1 January 1950 and already participating in the plan on 31 December 2005) differs from the one applicable to all other participants (also see question 4). Here as well, the differences are formed by the retirement age (61 versus 65) and the level of pension accrual, albeit that in the top-up plan the latter has been arranged by a different defined contribution (see question 4).

### 11. Over what income components do I accrue a pension?

You can determine your pension base by taking your pensionable salary and deduct a fixed amount, the offset. The pensionable salary stands for 12 times the fixed gross monthly salary increased by the holiday allowance and any variable salary components to be indicated by the employer. The offset is a fixed amount to be deducted from your pensionable salary as you will receive an AOW state benefit over this part of the salary from age 65. So, you do not accrue a pension over this part of the salary at HP Pension Fund. The offset is linked to the offset operated by the ICK industry-wide pension fund. The offset is identical for all participants in the plan (in 2008: € 14,831).

## **12. How much retirement pension will I receive from the career average plan after age 65?**

In a career average plan a portion of pension is accrued each year you participate in the pension plan. This portion is a specific percentage of the pension base (the part of your salary that you do accrue a pension over).

### **Pension Plan Rules A**

For the participants in Plan Rules A, HP Pension Fund operates an accrual percentage of 1.75%. If you retire after 40 years of service, you will arrive at (40 x 1.75% =) 70% of your pension base on the basis of an unchanged salary and unchanged offset.

### **Pension Plan Rules B**

For the participants in Plan Rules B, HP Pension Fund operates a higher accrual percentage than in Plan Rules A, namely an accrual percentage of 2.25%. If you retire after 40 years of service, you will arrive at (40 x 2.25% =) 90% of your pension base on the basis of an unchanged salary and an unchanged offset. The pension accrual in Plan Rules B is higher than in Plan Rules A. The accrual of retirement pension has been increased to compensate for the increase of the retirement age from age 61 to 65. This extra portion of pension is intended for making it possible to retire before the age of 65.

So, for calculating the retirement pension accrued by you in a year, there is the following formula:

- $1.75\% \times (\text{your pensionable salary in that year} - \text{offset in that year})$  (Plan Rules A).
- $2.25\% \times (\text{your pensionable salary in that year} - \text{offset in that year})$  (Plan Rules B).

The pension benefits accrued in earlier years are increased annually as long as you are a participant (see question 47 and 48). The pension plan of HP Pension Fund operates a maximum salary of € 54,746 (2008) for determining the pension base.

The pension to be received from the top-up pension plan is fully dependent on the capital accrued by you on the retirement date (also see question 4).

## **13. How does the pension plan work out for part-timers?**

Do you work part-time? In that case your pension accrual is proportionate. For part-timers the accrued benefits are calculated in proportion to the part-time percentage. First, the pensions are determined as if you were working fulltime. Then the part-time salary is recalculated to a fulltime salary. To determine the pension base, the offset is deducted from this fulltime salary. This pension base serves as a basis for determining the annual pension accrual. For part-timers this pension is next multiplied by the part-time percentage.

## **14. How will I keep informed about the level of my pension accrual?**

In the pension overview which you receive from the pension fund annually you can see how much pension you have accrued. The amount of pension that can be attained if you continue to participate in this pension plan until retirement is also indicated. Deferred participants will receive this overview once every 5 years. You can also find an overview of your accrued pension benefits on the website YBR (the website's address is stated in the list of contacts and at foot of the pages).

Furthermore, the overview states how much partner's pension your surviving relative will receive in the event of your death. Likewise, the consequences of occupational disability are stated.

### **15. How will the pension be paid out?**

The pension is paid in 12 monthly instalments, each time in the second half of the month. The holiday allowance is not paid separately, but included in the monthly pension payment. The pension fund withholds taxes and social security contributions, so you will receive a net amount in your account.

## **Temporary retirement pension**

### **16. When does the retirement pension start?**

It is only those who are participating in Pension Plan Rules A who are still accruing entitlements to a temporary retirement pension (bridging pension). The temporary retirement pension takes effect from the first day of the month in which you become 61 and is paid until the last day of the month in which you turn 65, however, until the date of your death at the latest. It is also named bridging pension, as this pension bridges the period during which you do not yet receive an AOW benefit.

### **17. What is the basis for the temporary retirement pension?**

The retirement date for participants in Pension Plan Rules A is the first day of the month during which they attain the age of 61. As you will only receive an AOW benefit from age 65, a bridging pension is required for the period between your retirement date and your 65<sup>th</sup> birthday. This is accrued in ten years' time at HP, namely from age 51 to 61. The level of this pension is not dependent on your salary. A full bridging pension is equal to 77% of the offset for all participants in Plan Rules A. This is about the same as the AOW benefit for single persons, which is, of course, exactly as intended. So, your pension income before age 65 (HP retirement pension plus bridging pension) is about equal to your pension income from age 65 (HP retirement pension plus AOW benefit).

## **Partner's pension**

### **18. Is my partner eligible for partner's pension after my death?**

In the event of your death your partner will receive a partner's pension lifelong until your partner's subsequent death. Your partner will only be paid this pension if you were married to each other, had a registered partnership, or conducted a joint household, which has been laid down in a notarial deed by a civil-law notary. This obligation must have been recognized by the pension fund. So, please see to it that the pension fund has all the information.

## **19. How much partner's pension will my partner receive after my death?**

The level of the partner's pension is different for participants, deferred participants and retirees:

- The partner's pension for participants amounts to 70% of the retirement pension you would have accrued on the basis of your most recent pension base, had you remained a participant until your retirement date. All pension years until your retirement date will count.
- For deferred participants the level of the partner's pension is 70% of the retirement pension the deferred participant would enjoy on the retirement date. So, if you die after termination of the employment, your partner is only entitled to the partner's pension accrued by you until the date the employment terminated.
- For retirees the partner's pension is equal to 70% of the retirement pension enjoyed by the retiree at the time of death (unless you decide on the retirement date to exchange the partner's pension for a higher retirement pension! See question 45).

The top-up plan includes a partner's pension as well. The partner's pension from the top-up plan is administered by the pension fund. This partner's pension is only paid to your partner in the event of your death (as a participant) before the retirement date.

The partner's pension from the top-up plan is equal to 1.225% of the top-up pension base multiplied by the number of projected years of participation in the pension fund (a sample calculation of partner's pension is included at the back of this brochure).

Upon termination of participation due to leaving the employment or retirement this entitlement to partner's pension ceases to exist. Upon leaving the employment the accrued capital is converted into a mixed capital which will also be available as from your death. In the event of death before the retirement date, this capital will be used for purchasing a partner's pension.

## **Orphan's pension**

### **20. How much is the orphan's pension?**

Following your death, your surviving children are entitled to an orphan's pension which amounts to 17.5% of the (projected) retirement pension. The orphan's pension is paid until the child's 18th birthday. If both parents have died, the orphan's pension is doubled. Any children that are studying or disabled receive an orphan's pension until their 27th birthday at most. The top-up plan also includes an orphan's pension. This orphan's pension is only paid to the orphan in the event of your death (as a participant) before the retirement date. Upon termination of participation due to leaving the employment or retirement, this entitlement to orphan's pension will cease to exist. The orphan's pension from the top-up plan is equal to 0.30625% of the top-up pension base multiplied by the number of projected years of participation in the pension fund (a sample calculation of orphan's pension is included at the back of this brochure).

## Disability pension

### 21. When am I eligible for a disability pension?

If you become fully or partially disabled, you are no longer able to work fully or partially. In that case you may be eligible for a benefit by virtue of the WIA (Work and Income according to fitness for work Act). This benefit is received through the UWV (Employee Insurance Administration Agency). The level of the WIA benefit is dependent among other things on the salary earned by you at the time you became disabled. Moreover, a specific maximum salary applies for being eligible for a state benefit (€ 46,204.83).

For people whose salary exceeds this maximum salary the pension plan includes a supplementary disability pension. This pension takes effect as soon as you are entitled to a WIA benefit and is paid for as long as this WIA benefit is received. The benefit stops when you retire (for participants in Plan Rules A at age 61 and for participants in Plan Rules B at age 65). After all, you will receive an AOW benefit from that time onwards (or a bridging pension) and retirement pension. In the case of full disability, the level of this disability pension is 70% of the difference between your most recent annual salary and the maximum under WIA. In the case of partial disability the level is dependent on the extent of remaining fitness for work (also named 'residual earning capacity'). A sample calculation of the disability pension is included at the back of this brochure.

### 22. What happens to my pension accrual if I become disabled?

As long as you are entitled to a WIA benefit your participation in the pension plan and your accrual of your retirement pension are continued. Likewise, your partner and children continue to be insured for partner's and orphan's pension. The pension fund takes care of the pension premium due from you and your employer for the percentage of your disability. The waiver of premium payment takes effect from the first day you receive a WIA benefit. Whether you are eligible for this waiver of premium payment and for how long will depend on your situation.

The extent of continuation under waiver of premium payment is determined according to the below table:

<b>Extent of disability</b>	
<b>Within the meaning of the WIA</b>	<b>Extent of continuation under waiver of premium payment</b>
0 to 35%	0%
40%	35 to 45%
45 tot 55%	50%
55 tot 65%	60%
65 tot 80%	72.5%
80 tot 100%	100%

# Death

For your partner and/or children it is reassuring to know that they are assured of an income in the event of your death. For your partner there is the partner's pension and for your children the orphan's pension.

## **23. Is my partner eligible for partner's pension following my death?**

Yes, provided you and your partner were in a relationship the nature of which has been recognized by the pension fund. Such is the case if you were married to your partner, if you had entered into a registered partnership, or if you were carrying on a joint household which has been laid down in a notarial deed by a civil-law notary. This obligation must have been recognized by the pension fund. The partner's pension is paid lifelong until your partner's subsequent death.

## **24. How much is the partner's pension?**

If you are an active participant in the pension fund, the partner's pension is equal to 70% of the retirement pension you would have accrued, had you continued to participate until your retirement date. For a deferred participant the level of the partner's pension is equal to 70% of the retirement pension accrued by the deferred participant until the time the participation ended. For retirees the partner's pension is equal as a standard to 70% of the retirement pension enjoyed by the retiree at the time of death. For retirees the partner's pension is also dependent on the choices they made on the retirement date (see question 44 and onwards).

## **25. How much is the partner's pension if I marry at 65 or later?**

If you are married, start cohabitating, or enter into a registered partnership on or after the age of 65, your partner will be eligible for partner's pension. However, if you are still single at age 65 you are likely to opt for a maximum retirement pension and having the accrued partner's pension converted into retirement pension. In that case, if you should marry or start cohabitating at a later time, your partner will not be paid any partner's pension following your death.

The level of the partner's pension from the top-up plan cannot be stated in advance. This depends on the one hand on the level of the pension capital on the retirement date and on the other hand on how you appropriated this capital on the retirement date. As a standard the pension capital is used for purchasing a retirement pension and a partner's pension, which partner's pension amounts to 70% of the retirement pension. However, in the top-up plan as well you may opt for having this partner's pension exchanged fully or partially for an extra retirement pension.

So, here the same reservation applies as in the basic plan. If you are single at age 65, you are likely to opt for a maximum retirement pension by having the full partner's pension exchanged for retirement pension. Should you marry after that, this exchange cannot be made undone.



## **26. How much is the partner's pension if I am disabled?**

If you are disabled and the pension accrual is continued for you under a waiver of premium payment, any surviving relatives are entitled to a benefit following your death. Your surviving partner receives a partner's pension and your children an orphan's pension. In that case, the partner's pension is equal to the partner's pension of an active participant, namely 70% of the retirement pension you could have attained, had the participation continued until the retirement date. The risk cover of partner's pension from the top-up plan is also continued upon disability.

## **27. When does my partner qualify for a (statutory) Anw benefit?**

If your surviving partner is younger than 65 he/she may be entitled to a benefit by virtue of the Dependants Benefits Act (Algemene nabestaandenwet - Anw). This is the statutory basic provision from the Dutch authorities for people who lose their partner due to death. Your surviving partner will only be eligible for an Anw benefit if he/she:

- Was born before 1 January 1950, or
- Has a child younger than 18, or;
- Is disabled for at least 45%.

The Anw benefit is stopped when your partner turns 65. From that time he/she will only receive an AOW benefit (Old Age Pensions Act). The Anw benefit also terminates in the event your partner no longer meets the second or third condition.

## **28. How much are the statutory Anw benefits?**

The statutory Anw benefit amounts to € 13,290.84 per year (in 2008), including holiday allowance. The Anw benefit is however dependent on any income received by your surviving partner. If your partner has an income of his/her own, this will first be deducted from the Anw benefit by the authorities. If your partner is still caring for a child younger than 18, the Anw benefit includes a half-orphan benefit, namely € 16,395.24 per year (in 2008). Full orphans are also entitled to an Anw benefit. The annual Anw benefit for full orphans is dependent on their age.

- Orphan's benefit up to age 10: € 4,253.04 per year;
- Orphan's benefit from age 10 up to age 16: € 6,379.56 per year;
- Orphan's benefit from age 16 up to age 21/27: € 8,506.08 per year.

## **29. How much is the orphan's pension?**

Following your death, your surviving children are entitled to an orphan's pension. This orphan's pension amounts to 17.5% of the (projected) retirement pension for each child. The orphan's pension is paid until the 18th birthday of the child. If both parents have died, the orphan's pension is doubled. Children who are students or disabled receive an orphan's pension until their 27<sup>th</sup> birthday at the latest. The orphan's pension to be paid in total cannot exceed the retirement pension.

The top-up plan also includes an orphan's pension. This orphan's pension is only paid to the orphan in the event of your death (as a participant) before the retirement date. Upon termination of participation due to leaving the employment or retirement this entitlement to orphan's pension will cease to exist. The orphan's pension from the top-up plan is equal to 0.30625% of the top-up pension base, multiplied by the number of projected years of participation in the pension fund.

# Divorce

Entering into a relationship will affect your pension. However, the same holds true for termination of the relationship. You are obligated to notify the pension fund immediately about a divorce, termination of a registered partnership or joint household.

## **30. What will happen to my entitlement to retirement pension if I divorce or terminate a registered partnership?**

If you are going to be divorced or the registered partnership is terminated, your former partner is legally entitled to half the retirement pension accrued by you during the period you were in a relationship as recognized by law. In principle, the pension fund is informed through the Municipal Personal Records Database (Gemeentelijke Basis Administratie-GBA) about your divorce. The pension fund will then send you a written request to fill in a form jointly with your former partner and return it, so that your divorce can be processed in the pensions administration. Upon your retirement your former partner in principle receives half of the pension accrued by you during the relationship.

This provision does not apply to a termination of a jointly conducted household. In that case no division of pension will occur.

## **31. What will happen to the partner's pension if I divorce or terminate a registered partnership?**

Your former partner is entitled to the partner's pension accrued until the date of divorce. This is called the special partner's pension. Special, because your former partner will receive the pension following your death, while he/she was no longer carrying on a relationship with you. The same applies if the joint household is terminated. If you remarry or enter into a new relationship, the amount of special partner's pension to be received by your former partner will first be deducted from the partner's pension of your new partner.

## **32. What is a divorce covenant for?**

The division of the pension accrued by you during the marriage or registered partnership is a statutory right, not an obligation. If you and your partner decide not to divide the retirement pension or divide it in a different way in the event of a divorce, such must be laid down in a divorce covenant signed by both of you. You can also make agreements with your partner about the assignment of a special partner's pension and have these laid down in the covenant.

# Termination of employment

Resigning or dismissal will affect your pension situation. HP Pension Fund continues to manage the pension benefits accrued by you until the date your employment terminated. Provided the financial situation of the pension fund allows, the benefits are adjusted according to the rise of the consumer price index (see questions 47 and 48).

## **33. What happens to my pension if I resign?**

If you resign from your job yourself your participation in the pension plan terminates. The accrual of the retirement, partner's and orphan's pension with the pension fund also terminates. You will continue to be entitled to the retirement, partner's, and orphan's pensions accrued by you until the time of termination of the participation. The accrued entitlements are made 'paid-up' and remain with the pension fund until you retire.

Some elements of the pension plan no longer apply after termination of the employment. You are no longer entitled to waiver of premium payment upon disability and your entitlements to disability pension also cease to exist. Likewise, the entitlement to partner's pension by virtue of the top-up plan is discontinued.

## **34. What will happen to my pension if I am dismissed?**

As soon as you have been dismissed and have become unemployed your participation in the pension plan of HP Pension Fund terminates. The pension accrual is terminated and to you the same applies as to participants who themselves resign.

Besides, the following applies to you: if you are dismissed on or beyond the age of 40, you are entitled under specific conditions to a financial contribution from the Foundation for the Funding of Continuation of Pension Insurance (Stichting Financiering Voortzetting Pensioenverzekering – FVP). This contribution is used by the pension fund for purchasing pensions for you. However, this arrangement will only be valid until 1 January 2010. Employees who become entitled to a benefit under the Unemployment Act (Werkloosheidswet – WW) on or after 1 January 2010 will no longer be eligible for a contribution from the FVP.

## **35. Can I take my accrued pension benefits to a next employer?**

Yes, you can opt for having the pension benefits accrued by you with HP Pension Fund transferred to the pension insurer or the pension fund of your new employer. This is called 'transfer of value'. You will have to arrange this within two months following the date of entering the service of your new employer. If you prefer not to have a transfer of value carried out, your accrued pension benefits will remain with HP Pension Fund.

## **36. What if I do not take my accrued pension benefits to a next employer?**

If you resign and start working elsewhere, you can take the accrued pension benefits to your next employer or leave them with HP Pension Fund. These accrued pension benefits, which are then paid-up, are increased conditionally each year.

If small pension benefits are concerned (less than € 406.44), the pension fund is entitled to surrender these pensions after a period of 2 years following termination of your participation in the pension plan. This means that the value of this pension is paid out to you directly. After surrender of these pensions you are no longer entitled to any pensions from HP Pension Fund.

# Disability

Becoming disabled will be a source of concern, not only in a personal, but also in a financial sense. HP Pension Fund has made a number of financial provisions to ease your worst concerns about your income.

## 37. What will happen if I become disabled?

If you are ill and unfit for work, your employer will continue to pay (part of) your salary during 2 years. After expiry of this period you will be medically examined by the Employee Insurance Administration Agency (Uitvoeringsinstituut Werknemersverzekeringen - UWV). During this examination the UWV determines the percentage by which you are less able to earn your salary than before (the 'salary loss'). On the basis of this percentage you are placed in a specific disability category. Dependent on the disability category, you will be eligible for a WIA benefit or not. There are 6 disability categories divided as follows:

- If your salary loss is *less than 35%*, you are not disabled according to the WIA and you do not receive a benefit (category 1).
- If your salary loss is *at least 35% but less than 80%*, you are considered partially disabled. You are eligible for the Resumption of Work Regulation for Partially Fit Persons (Regeling werkhervatting gedeeltelijk arbeidsgeschikten - WGA). Under this regulation it is assumed that you try to earn an income to the extent that you are still fit for work. This is called the 'residual earning capacity' (categories 2 through 5).
- If your salary loss is *80% or more*, you are fully disabled. You are eligible for the Income Support Provision Regulation for Fully Disabled Persons (Regeling Inkomensvoorziening Volledig Arbeidsongeschikten - IVA) (category 6).

A specific maximum has been set for the salary over which you receive a benefit from the authorities (€ 46,204.83 in 2008).

## 38. When will I be eligible for a disability pension?

The WIA benefit is calculated over a salary of € 46,204.83 as a maximum. If your salary is much higher, the decrease of income in the case of disability may be considerable. For that reason the HP Pension Plan provides a disability pension to supplement the WIA benefit for employees receiving a salary exceeding the maximum salary under WIA. This pension starts as soon as you are entitled to a WIA benefit and is paid for as long as this entitlement will continue, however, until your retirement date at the latest. Upon full disability the pension is equal to 70% of the difference between your most recent salary and the maximum over which you receive a WIA benefit. In the case of partial disability, the pension level is dependent on the extent of disability.

If you are entitled to a WIA benefit due to disability of	You receive the below percentage of disability pension
80% or more	100%
65% – 80%	72.5%
55% - 65%	60%
45% - 55%	50%
35% - 45%	40%

(A sample calculation of the disability pension can be found at the back of this brochure).

### **39. What happens if my new income is less than 70% of the salary I earned at the time I became disabled?**

In the event of partial disability your income level depends on the extent you are still fit for work and actually working. If you do not use this residual earning capacity your WIA benefit will diminish. As a result, your total income may be considerably less than the salary you earned at the time you became disabled. This is called the WGA shortfall. The employer has taken out WGA shortfall insurance for this. This insurance is not provided via the pension fund. For more information please contact the HR section.

### **40. What will happen to my pension accrual if I become disabled?**

During the period of your disability you continue to be a participant in the pension plan. No premium is payable for this by you or your employer. The pension accrual is continued and the death risk remains insured. It will depend on your situation whether you are eligible for this waiver of premium payment and for how long. The extent of non-contributory continuation is determined according to the below table:

<b>Extent of disability within the meaning of the WIA</b>	<b>Extent of non-contributory continuation</b>
0 tot 35%	0%
35 tot 45%	40%
45 tot 55%	50%
55 tot 65%	60%
65 tot 80%	72.5%
80 tot 100%	100%

### **41. Will I still be eligible for the WAO?**

The WIA is applicable to those employees who fell ill on or after 1 January 2004. It is only those employees who fell ill before 1 January 2004 who continue to fall under the old Occupational Disability Act provisions (Wet op de Arbeidsongeschiktheidsverzekering - WAO). The payment of the WAO shortfall pension and/or disability top-up pension as existent in the old plan, are continued. The pension accrual is continued for them in accordance with the pension plan as laid down in Pension Plan Rules A.

### **42. What should I do if my disability increases or decreases?**

If you are declared more disabled or less by the UWV at any time, you must notify the pension fund, for this may have consequences for your pension accrual and your disability pension. Send a copy of the final decision of the UWV stating the extent of your disability to the pension fund. Obviously, the same applies if you are declared fully fit for work again.

# Options on the retirement date

Obviously, you can retire at the standard retirement age. However, it is also possible to retire earlier. Besides, your partner's pension may be exchanged for an additional retirement pension. Furthermore, you can opt for a variable pension level.

## 43. What happens at 65?

Once you have become 65, you will receive an AOW benefit from the authorities. In addition to this benefit you will receive from age 65 the retirement pension accrued by you as a participant in the pension plan of HP Pension Fund.

If you are a participant in the plan as described in Pension Plan Rules A, you will retire at age 61 as a standard. From that time you will receive a retirement pension and a temporary retirement pension. The retirement pension is paid lifelong. The temporary retirement pension is paid until the age of 65. From age 65 you will receive an AOW benefit (the AOW amounts are stated at the back of this brochure). You will receive the retirement pension from the fund every month.

The taxes and social security contributions payable by law are withheld from the pension payment, so you will receive the net amount.

## 44. Can I retire earlier or later?

Yes, it is possible to have your retirement pension commence earlier, even from age 55. However, it would mean that your monthly pension amount diminishes as the full amount of retirement pension must be divided over several years. Besides, it would mean less years for accruing a pension. You should also bear in mind that you will only receive an AOW state benefit from age 65.

As a participant in the plan as described in Pension Plan Rules A it is also possible to retire later than at age 61. Your pension will commence at age 65 at the latest. You must notify the pension fund about any advancement or deferment of your retirement date at least 6 months before the desired pension start date. All this also needs to be agreed with your employer in advance, so that your retirement date is clear to all.

See by way of illustration the below examples of Pension Plan A and Pension Plan B.

### Example: Pension Plan A

Suppose your retirement pension amounts to € 1,000 per month from age 61. If you decide to retire at age 62 instead, this means that you will receive a retirement pension of € 1,083 instead of € 1,000. In the table the proportions between the various retirement ages as applicable in this example are given. These proportions are identical for both men and women.

Desired retirement age	Retirement pension from age 61 to be recalculated	Retirement pension to be received from the desired retirement age
60	E 1,000	E 926
61	E 1,000	E 1,000
62	E 1,000	E 1,083
63	E 1,000	E 1,176
64	E 1,000	E 1,280
65	E 1,000	E 1,397

If you advance or defer your retirement pension, the start date of the temporary retirement pension (TOP) changes as well. In that case, this temporary retirement pension is also recalculated.

Desired retirement age	TOP to be recalculated from age 61	TOP to be received from the desired retirement age
60	E 1,000	E 779
61	E 1,000	E 1,000
62	E 1,000	E 1,369
63	E 1,000	E 2,110
64	E 1,000	E 4,336

It is also possible to exchange the temporary retirement pension for a lifelong retirement pension. If you consider retiring earlier or later, it is possible to request once only that the pension fund calculate your pension on the desired retirement age.

#### **Example: Pension Plan B**

Suppose, your retirement pension is € 1,000 per month from age 65. If you decide to retire at 62 instead, this means that you will receive a retirement pension of € 775 instead of € 1,000. In the table the proportions between the various retirement ages as applicable in this example are given. These proportions are identical for both men and women.

Desired retirement age	Retirement pension to be recalculated from age 65	Retirement pension to be received from the desired retirement age
60	E 1,000	E 663
61	E 1,000	E 716
62	E 1,000	E 775
63	E 1,000	E 842
64	E 1,000	E 916

If you consider retiring earlier or later, it is possible once only to request that the pension fund calculates your pension on the desired retirement age.

Note: If you were already in the employment on 31 December 2005 and were born on or after 1 January 1950 you have entitlements in Pension Plan "A" (age 61) as well as in Pension Plan "B"

(age 65). In that case the choice to be made by you in due course with respect to the start date of your pension applies to both plans. So, there is only one single date on which your pension can commence.

#### **45. Can I exchange the accrued partner's pension for a higher retirement pension?**

Yes. As a participant or deferred participant you are given the one-off opportunity of changing (part of) the accrued partner's pension into retirement pension on the retirement date. This is called pension exchange. This might for example be an alternative if you do not have a partner or if your partner has sufficient income of his/her own. If you exchange for example € 1,000 of partner's pension at age 65, your retirement pension will increase by € 246. These proportions are identical for both men and women. If you do have a partner, his/her consent is required for such an exchange.

Any request for pension advancement or deferment and/or pension exchange must be submitted to the pension fund at least six months before the intended (advanced) retirement date. It is possible to request once only that the pension fund calculate the effects of this exchange for your situation in advance.

#### **46. Can I make the level of the retirement pension vary?**

Yes, that is possible too. You might opt for receiving a higher pension first and less pension later on (or the other way round), but not every proportion is allowed. The low pension must at least be equal to 75% of the high pension. This choice does not change the total value of your pension. Quite a few variants are possible; too many to explain here in great detail. All options are also listed in the appendix to the Pension Plan Rules, including all recalculation factors.



# Indexation

Supplements, also referred to as indexation, are pension increases. The increases are intended for maintaining the purchasing power of the pension as much as possible. Indexation may be granted to the accrued pensions of the active participants and deferred participants, as well as to the pensions in payment of the retirees. The granting of indexation to the accrued pension benefits for deferred participants and retirees is explicitly conditional and does not constitute any right. Moreover, indexation can only be granted provided such is allowed by the financial situation of the pension fund. The board decides on the potential granting of indexation.

## 47. What types of indexation are there?

The pension fund distinguishes two types of indexation: the unconditional indexation for the accrued benefits of the active participants in the pension plan and the conditional indexation for the accrued benefits of those who are not active participants, namely the deferred participants and retirees. The accrued benefits of the active participants are increased each year. The entitlements to partner's and orphan's pension linked to the retirement pension, as well as the entitlements to special partner's pension and equalized retirement pension are adjusted to an equal extent. The indexation will be granted on the basis of the maximum of:

- a. The percentage of the general increase in salaries as laid down in the CLA of the Information, Communication and Office Technology industry, granted during the period from the day following the previous date of increase up to and including the new date of increase;
- b. The percentage by which the consumer price index (CPI all households, derived series), of the month of October of the previous year deviates from the said price index figure of the month of October of the year before that.

If and in so far as the board holds the opinion that the pension fund's resources allow such to happen, the accrued pension benefits of the deferred participants, as well as the pension of the retirees already in payment can also be increased by an indexation. The entitlements to partner's and orphan's pension, as well as the entitlements to special partner's pension and equalized retirement pension, linked to the retirement pension, are adjusted to an equal extent. For determining the percentage of the indexation, the percentage will be assumed by which the consumer price index (CPI all households, derived series) of the month of October of the previous year deviates from the said price index figure of the month of October of the year before that.

The price index figures are determined by Statistics Netherlands (Centraal Bureau voor Statistiek - CBS). For the unconditional indexation arrangement for the active participants a load is included in the premium. No designated reserve is formed. The indexation arrangement for the deferred participants and retirees is explicitly conditional. For the granting of this indexation no component has been included in the premium and no designated reserve is formed. In the case of non-contributory continuation of the pension accrual upon disability the accrued pension benefits are based in first instance on the pension base applicable at the time you became disabled. Next, provided the resources of the fund allow, the pension base is annually recalculated as from the reference date on the basis of the current facts.

The pensionable salary is increased on the basis of the salary increases as laid down in the ICK CLA, granted during the period from the day following the previous date of increase up to and including the new date of increase.

#### **48. What does granting of indexation on an explicitly conditional basis mean?**

As stated earlier, the indexation of your accrued pension benefits is **explicitly conditional** once you are a deferred participant or retiree. This means that the indexation percentage is determined by the board each year for the period of one year. It also means that indexation is not a right, but will depend on the financial resources available to the pension fund. Hence, it is uncertain for the long term whether and to what extent indexation will occur. Therefore, a board resolution to grant indexation does not form any guarantee for future years. No capital is reserved for future indexation.

So, you should take into account that your pension might not be increased, or to a lesser extent, in the future than you might expect on the basis of the increase of the price index figure. The pension fund expects the realization of the indexation to amount to 80% of the index on average. Even when a (full) indexation is granted during a great number of consecutive years, no expectation for the future may be derived from that fact.

# Board

The pension fund is a foundation (*stichting*). Stichting Pensioenfonds Hewlett-Packard Nederland is managed by a board.

## **49. Who are on the Board of the pension fund?**

The pension fund is managed by a board which comprises eight people. Four board members are appointed by the employer. These people do not necessarily belong to the group of participants. The other four board members act as employee representatives. These four are appointed by the Works Council. They may be participants or deferred participants. The sitting period is four years. Next, board members can be reappointed twice as a maximum. As from June 2008 one of the four employee seats will be taken by a retiree who will be elected directly by and from the retirees.

## **50. What are the duties of the Board?**

The duty of the board is to see to it that the pension plan is administered in a proper way. Among other things, the board is responsible for the pensions administration, the sound investment of the incoming capital, making pension payments and providing information to the participants, deferred participants and pension beneficiaries. The board must see to it that the financial situation of the pension fund remains sound. This means for example that investment buffers must be maintained in order to be able to absorb any decreases in the value of the investments. The financial situation of the fund is also expressed by the term funding ratio. The board has outsourced part of its duties to external providers, but final responsibility remains with the board.

## **51. Who supervises the Board?**

Pension is a major term of employment. Hence, you want to be sure that your pension is in reliable hands. That is why pension funds are under strict supervision, which has various aspects. Internal supervision is taken care of by De Nederlandsche Bank which supervises all pension funds and insurers in the Netherlands. The supervision by De Nederlandsche Bank focuses on the financial set-up and the financial situation of the pension fund. For the internal supervision a Review Committee will be instituted by the board (see question 54). This Review Committee mainly focuses on the processes and procedures followed by the board with respect to decision-making and policy implementation. Besides, the board is accountable to an Accountability Body. The Accountability Body is authorized to express its opinion on the acts, the policy conducted, and the policy options of the board on the basis of among other things the Annual Report.

## **52. What does the Participants' Council do?**

The Participants Council of HP Pension Fund consists of eight people. Out of these eight members six are elected by and from the employees who participate in the foundation. One member represents the deferred participants and is selected by this group. One member represents the pension beneficiaries who receive a pension benefit or partner's pension from the fund and is also elected by this group. The Participants Council has the right to prior consultation. The Participants Council can advise the board on matters concerning the pension fund, such as amendment of the Trust Deed or Plan Rules, the adoption of the Annual Report, the adoption or adjustment of the indexation policy and such.

### **53. What are the duties of the Accountability Body?**

In the Accountability Body the participants, retirees and affiliated employers are represented. The Accountability Body has six members.

The two representatives of the participants and the two representatives of the retirees are appointed by the Participants Council.

The employer's representatives in the Accountability Body are appointed by Hewlett-Packard. The Accountability Body can express its opinion on the acts of the board on the basis of the Annual Report, the Annual Accounts and the policy conducted.

The periodic accountability concerns the policy conducted, more particular the question whether the board has considered the interests of all stakeholders in its decision-making in a well-balanced way. The latter is a statutory requirement for the boards of pension funds. The board gives account to the Accountability Body about the policy conducted.

The Accountability Body is authorized to advise the board with respect to:

1. Determination and adjustment of the expense allowance scheme for board members;
2. Policy adjustment with respect to the Accountability Body;
3. Form, organization and structure of the internal supervision;
4. Establishment and modification of an internal procedure for complaints and disputes;
5. Determination and adjustment of the policy on communication and the provision of information.

### **54. What is a Review Committee?**

For carrying out the internal supervision a Review Committee is appointed. The Review Committee assesses the processes and procedures resulting in management and policy-making. The Review Committee wishes to have a clear insight into how decisions are made, how policies are adopted (for example with respect to indexation), how the fund is organized and in how the management supervises any outsourced working activities. Does the board have sufficient insight into long-term risks, for example with a view to the funding ratio of the pension fund? Is there sufficient expertise among board members? These are the questions that the Review Committee wants answered. To be able to fulfil this supervising task properly a certain extent of expertise and managerial experience is required.

## **Any other questions?**

A pension plan is no simple matter. In this brochure we have tried to explain everything as clearly as possible. Should you still have any questions, for example about your individual situation, please feel free to contact the participants' administration of HP Pension Fund. The contact data can be found at the back of this brochure.

## **More information?**

If you would like more information about the ins and outs of the pension fund, the below information can be gained from the pension fund as well:

- The Pension Plan Rules (also to be found at HP intranet);
- The Annual Report and the Annual Accounts of the pension fund;
- The Administration Agreement between the employer and the pension fund;
- Information about the financial situation of the pension fund (funding ratio);
- If the financial situation is insufficient: the short term or long term recovery plan.

## **Pension information site: YBR**

Pension is and always will be a tricky subject. It is essential that you are and remain well informed especially about your own pension. That is why HP Pension Fund launched a site a few years ago: Your Benefits Resources (YBR). Through this site HP Pension Fund intends to give you a better insight into your pension. Here you find all information relevant to you, for example what you are entitled to, how much pension you will receive in the future and what to do in specific situations. In short, all information about pension in general and focused on your individual pension situation, in a conveniently arranged and accessible way.

### **An easy and quick way to get an insight into your pension**

Currently, you receive the information about your pension each year through a pension overview. This overview provides information, among other things about the level of your retirement pension at that time. Since the overview is provided annually, you cannot gain a clear insight into your (accrued and future) pension between times, for example if there is a change in your individual situation. Perhaps you were married or started working part-time, all events that have an impact on your pension. Surely it would be convenient to be able to see the effects of such a change on your pension right away. On the YBR site you can.

A great advantage of the site is its dynamic character. In other words: the information is always up-to-date. So, if there is a change in your situation, whether it concerns work or your private life, you can see the effect on your pension right away. The information about the basic pension plan on this site is always up-to-date and accessible by night and day. In so far as applicable, the individual data of the top-up plan at Delta Lloyd and the old Digital-Flexioen plan at Robeco are also imported regularly on this site. This way you are able to look into your current pension situation at any time of the day.

### **The possibilities of YBR**

The YBR site contains all key information relevant to your own pension situation. Only you can access these data. That is why you received a personal log in number and password for accessing the site. You can visit the site if you want to find out more, for example about your accrued pension benefits or about what to expect when you retire. Other relevant information about your pension, such as personal details, can also be found here.

For all queries about YBR send an e-mail to [geert.hoogestijn@hewitt.com](mailto:geert.hoogestijn@hewitt.com) or [edwin.ton@hewitt.com](mailto:edwin.ton@hewitt.com). The address of the YBR site is: <https://delivery.hewitt.com/hpnl/>

# Glossary

- **Anw** –Dependants Benefits Act (Algemene Nabestaandenwet)
- **Anw shortfall** – Formerly, widows and orphans would fall under the Widows and Orphans Benefits Act (Algemene Weduwen- en Wezen Wet - AWW). This Act was replaced by the Dependants Benefits Act (Anw). Some widows and orphans received a benefit under the old AWW but no longer under the new Anw. The difference between both benefits is called the Anw shortfall.
- **AOW** – Old Age Pensions Act (Algemene Ouderdomswet – AOW). By virtue of this Act you are entitled to an AOW state benefit from age 65. You are entitled to full AOW if you lived and/or worked in the Netherlands between the age of 15 and 65. If not, your AOW benefit will generally be cut by 2% for each full year missed.
- **AOW shortfall** – The AOW is not dependent on your income or property but on your social situation. If you are married or cohabiting you are entitled to an AOW benefit of 50% of the net minimum wage. If both you and your partner are 65 years old or over, you will jointly receive an AOW benefit of 100% of the net minimum wage. If you are 65 years old and you have a younger partner, you may receive a supplement to your own AOW. This supplement is 50% of the net minimum wage as a maximum; in total you will then receive 100% of the net minimum wage. If and how much AOW supplement you receive depends on the income of your younger partner. From a specific income there is no right to the supplement any longer. Note: those who turn 65 in 2015 (or later) will no longer receive any supplement for their younger partner. This is called the AOW shortfall.
- **Course of life** – By the course of life plan, which became effective from 1 January 2006, you save time or capital yourself for financing future unpaid leave. You may also use your course of life plan for care leave or a sabbatical. Besides, it is an attractive method for financing earlier retirement now that the VUT and pre-pension have been abolished. As pension funds are not allowed to offer course of life as a product, HP cooperates with ABN AMRO for administering the course of life plan.
- **Deferred participant** – (also named early leaver) If you resign or are made redundant, you become a deferred participant. Your participation in the pension plan is terminated and your accrued pension benefits are made paid-up. You no longer accrue a pension under this pension plan. You can have your accrued pension benefits transferred to your new employer.
- **Defined contribution plan** – The pension is funded from this contribution. Under a defined contribution plan the employer pays a (fixed) pension contribution. The level of the eventual pension to be received by the employee is dependent on the contributions made available by the employer and any contribution made by the employee him/herself.
- **Designated reserve** – A reserve formed for financing a specific purpose designated in advance, for example for granting indexation.
- **Disability pension** – If your annual salary exceeds the maximum under WIA (€ 46,204.83 in 2008), you will receive this supplementary pension upon disability. The pension level is dependent on the extent of disability.
- **Funding ratio** – A standard for the financial situation of the pension fund. The funding ratio is the proportion between on the one hand the assets of the fund (investments) and on the other hand the fund's liabilities (pension obligations). If the funding ratio is 100%, the assets are equal to the liabilities. The situation is sound if the fund has sufficient investment buffers as well.
- **Indexation** – Other term for granting pension supplements (see Supplement).

- **Investment buffer** – To ensure that the pension fund is still able to pay the pensions even after a decrease in value of the investments, the pension fund must maintain an investment buffer.
- **IVA** – Income Support Provision Regulation for Fully Disabled Persons (Plan Inkomensvoorziening Volledig Arbeidsongeschikten).
- **Joint household** – You and your partner must be cohabiting during at least six months; the partner must live at the same address according to an extract from the Registry of Births, Deaths and Marriages (Bevolkingsregister); and the cohabitation must have been laid down in a cohabitation contract by a civil-law notary. In the cohabitation contract the partner must have been designated as the beneficiary of the partner's pension, under revocation of any earlier nomination of beneficiaries. There must be question of a relationship between two persons who are no relatives by blood or affinity in the ascending or descending line or to the second degree in the collateral line.
- **Offset** – An amount to be determined annually by the board of the pension fund which is deducted from the pensionable salary to get the pension base. You do not accrue a pension over the offset, because you will receive AOW over that part later on.
- **Orphan/orphans** – The children of the deceased participant (includes any step and foster children of the participant).
- **Partner's pension** – The pension that is paid to your partner following your death (also called survivor's pension or spouse's pension).
- **Pension Act** – Pension funds and pension plans are subject to legislation and regulations. A large portion of this legislation has been laid down in the Pension Act (which replaced the Pension and Savings Funds Act).
- **Pensionable salary** – The total annual salary plus the holiday allowance plus bonus/profit-based bonus.
- **Pension base** – That part of the salary over which you accrue a pension (– pensionable salary minus offset).
- **Pension beneficiaries**– Those who receive periodic benefits in the form of retirement, partner's, orphan's, or disability pension by virtue of the Plan Rules of the pension fund.
- **Pension premium** – The premium which is paid and saved, so that the pension can be paid at a later time.
- **Retirees** – Those (former employees) who receive periodic payments in the form of retirement pension by virtue of the Plan Rules of the pension fund.
- **Retirement date** – The date on which you stop working and retire.
- **Retirement pension** – The pension you receive from age 65 (or sooner), once you stopped working.
- **Supplement** – Also named indexation, which serves to maintain the value of the accrued pension benefits and pensions in payment. The value of the pension will diminish due to inflation. The pension fund increases the accrued pension benefits under specific conditions to fully or partially dampen this effect.
- **Survivor** – This may be your spouse, a partner who has been registered as required by law, or the partner with whom you have concluded a cohabitation contract recognized by law.
- **UWV** – Uitvoeringsinstituut Werknemersverzekeringen (Employee Insurance Administration Agency).
- **WAO** – Wet op de Arbeidsongeschiktheidsverzekering (Occupational Disability Act) - replaced by WIA.
- **WGA** – Regeling Werkhervatting Gedeeltelijk Arbeidsgeschikten (Resumption of Work Regulation for Partially Fit Persons).

- **WIA** – Wet Werk en Inkomen naar Arbeidsvermogen (Work and Income according to fitness for work Act) - replaces the WAO.



# Examples

## Core figures 2008

Offset	€ 14,831
Maximum pensionable salary	€ 54,746

In the below examples we explain how the pension is calculated.

For this purpose we took Pension Plan Rules B as an example. The pension calculation in Pension Plan Rules A is made in a similar way (only with a pension accrual of 1.75% per year).

### Example 1:

#### Pension accrual (Pension Plan Rules B)

Suppose, you are working on a fulltime basis and you receive a gross monthly salary of € 2,000 upon commencement of participation at age 25.

In that case your pensionable salary is:

12 x € 2,000	€ 24,000
Holiday allowance (8% of € 24,000)	<u>€ 1,920</u>
Pensionable salary	€ 25,920

For calculating the pension base, the basis of your pension, the offset is deducted from the pensionable salary next.

$$\text{Pension base} = € 25,920 - € 14,431 = € 11,489.$$

The accrual percentage is 2.25% per year. In the first year you accrue a retirement pension of  $2.25\% \times € 11,489 = € 258.50$ . If we assume that your pension base remains unchanged until your retirement date (age 65) you will receive a retirement pension of  $(40 \times € 258.50)$  so € 10,340 after 40 years of service. If you are married and your partner is also aged 65 or over at the time you retire, you will, apart from the retirement pension, jointly receive the AOW benefit for couples, which is equal to € 17,092 in 2008. In total you will then receive from age 65 an income of € 27,432.

Up to now we assumed in this example that your pension will remain unchanged until your retirement date. In reality this will not be the case. Suppose your pension base has increased to € 12,500 in the second year of your participation, then the accrual in the second year becomes  $2.25\% \times € 12,500 = € 281.25$ . The retirement pension accrued by you in the first year is indexed in the second year to maintain the value of the pension. If the indexation percentage is for example 2%, the retirement pension accrued during the first year is increased to  $€ 258.50 + 2\% = € 263.67$ .

At the end of the second year you have accrued a retirement pension of  $€ 263.67 + € 281.25 = € 544.92$  in total.

The projected retirement pension on the retirement date is then equal to the pension accrued by you during the first year multiplied by indexation and another 39 years of pension accrual on the basis of the pension base in the second year, or:  $€ 263.67 + (39 \times € 281.25) = € 11,232.42$ .

In the third year your pension base is determined anew and the pension accrual in that year is based on it. The total retirement pension accrued by you during the first two years of service may then be indexed again. These steps are repeated every year. All (indexed) amounts together determine the final level of the retirement pension on your retirement date.

### **Partner's pension**

The partner's pension amounts to 70% of the retirement pension you would have accrued on the basis of your most recent pension base had you continued to participate until your retirement date. So, at the commencement of participation the partner's pension is equal to 70% of € 10,340 = € 7,238.

*Note: If your salary exceeds the maximum pensionable salary (€ 54,746 in 2008) an extra partner's pension at risk-base is insured for you in the plan of HP Pension Fund. For an explanation we refer to question 19.*

*This extra partner's pension amounts to 1.225% of the part of the salary exceeding € 54,746 multiplied by the number of projected years of participation. The extra orphan's pension is equal to 0.30625% of the part of the salary exceeding € 54,746, multiplied by the number of projected years of participation. If your salary is for example € 60,000 and the number of years of participation is equal to 20, then the extra partner's pension is equal to € 1,287 and the extra orphan's pension € 322.*

### **Orphan's pension**

The orphan's pension amounts to 17.5% of the retirement pension you would have accrued on the basis of your most recent pension base had you continued your participation until your retirement date. So, upon commencement of participation the orphan's pension is equal to 17.5% of € 10,340 = € 1,809.50.

### **Example 2:**

#### **Partner's pension (Pension Plan Rules B)**

In this example we use the same data as in example 1.

Suppose your pensionable salary is € 25,920. For calculating the pension base, the basis for your pension, you deduct the offset from the pensionable salary.

Pension base = € 25,920 - € 14,431 = € 11,489.

The accrual percentage is 2.25% per year. In the first year you accrue a retirement pension of 2.25% x € 11,489 = € 258.50. If we assume that your pension base remains unchanged until your retirement date (age 65) you will receive a retirement pension of (40 x € 258.50) so € 10,340 after 40 years of service.

If you should die as an active participant, the partner's pension to be paid to your survivor is equal to 70% of the retirement pension you could have attained on the retirement date, so 70% of € 10,340 = € 7,238.

If you terminated the participation after 10 years, you have accrued a retirement pension of 10 x € 258.50 = € 2,585 (for the sake of convenience we do not consider any salary increases and indexation during that period). This retirement pension is your entitlement upon termination of the employment, or paid-up entitlement. If you die after termination of the participation your partner will receive a partner's pension amounting to 70% of € 2,585 = € 1,809.50 per year.

Once you have retired, you will annually receive (in this example) a retirement pension of € 10,340. In the event of your death, your partner receives a partner's pension amounting to 70% of the retirement pension that was being paid to you, in other words 70% of € 10,340 = € 7,238, unless you exchanged the partner's pension for a higher retirement pension on the retirement date. In a number of cases the survivor also receives an Anw benefit from the authorities.

The survivor receives an Anw benefit if the survivor:

- Has an unmarried child under the age of 18 which does not belong to the household of anybody else, or
- Is pregnant, or
- Is disabled for at least 45% and the disability will last at least 3 months, or if the survivor was born before 1 January 1950.

The Anw-benefit for a survivor without children amounts to € 13,290.84 (2008) as a maximum. The Anw-benefit for a survivor with children amounts to € 16,395.24 (2008) as a maximum. Besides, the Anw-benefit is dependent on the survivor's income.

If the survivor is aged 65 or over, he/she will no longer receive an Anw benefit. In that case he/she is eligible for an AOW benefit.

### **Example 3:**

#### **Disability pension (Pension Plan Rules B)**

If you become disabled, you will receive a benefit by virtue of the WIA (see question 21).

The salary over which the WIA benefit is calculated has been maximized to € 46,204.

If your actual salary is higher, the drop of income may be considerable. For that reason the pension plan includes a supplementary disability pension.

In the case of full disability, the maximum WIA benefit is equal to 75% of € 46,204 or € 34,653. If your annual salary is for example € 70,000 the (gross) drop of income would be equal to € 35,347. The disability pension from the HP Pension Plan is equal to 70% of the difference between the annual salary (€ 70,000) and the maximum wage for the WIA (€ 46,204). The disability pension is then 70% of  $(€ 70,000 - € 46,204) = € 16,657$ . In the case of full disability the total income is then equal to  $€ 34,653 + € 16,657 = € 51,310$ , or about 73% of your annual salary.

# Course of life plan

## Outline of the course of life plan

Before describing the course of life plan and the interface between the course of life plan and your HP Pension te bespreken, we first explain the outlines of the course of life plan and how to make use of it, in combination with your pension from HP Pension Fund or not. For more information contact HP or see the website of the Ministry of Social Affairs and Employment: [www.szw.nl](http://www.szw.nl) .

Under the course of life plan you save part of your gross salary. This savings capital may be used for financing any type of unpaid leave, such as:

- Long-term care leave;
- Sabbatical;
- Parental leave;
- Educational leave;
- Other unpaid leave;
- Leave prior to the pension.

## Joining the course of life plan

HP placed a collective course of life plan with ABN AMRO. Due to scale advantages this may be more favourable than an individual course of life plan. If you join the course of life plan, HP withholds the savings amount from your gross salary before transferring this amount to the course of life account in your name. You are allowed to save up to 12% of your gross salary as a maximum and in total 210% of your gross annual salary as a maximum. If your age was 51 but not yet 56 on 31 December 2005, you are allowed to save more than 12% of your gross salary, however, no more than the maximum of 210%.

## Taxes and social security contributions

Saving for the course of life plan is exempt from taxation. It is only when you withdraw capital for financing the unpaid leave that you will pay payroll tax and the income-dependent contribution for your health insurance. HP withholds the premiums for the employed persons' social security contributions from the deposits in the course of life plan. Hence, the course of life plan has no consequences for any WW benefit or disability benefit.

## Taking leave

If you want to take unpaid leave, the approval of HP is required. This does not apply to parental leave.

## **Seven practical points of contact between the course of life plan and your HP pension**

Right from the start of participation in the course of life plan there will be some points of contact with the HP pension plan. We will discuss seven of these below.

For the sake of convenience “your deposit in the course of life plan” and “your savings balance” is spoken of in the explanation, but only as a manner of speaking. You will decide yourself if you wish to make use of this plan or not. Maybe you prefer using the old save-as-you-earn plan. Your choice once made will be valid for one year, after which you must indicate your choice anew each year. Besides, the authorities do not allow you to join the course of life plan if you are also participating in the save-as-you-earn plan.

- 1. Level of the pension premium during participation in the course of life plan.**  
The pension premium is linked to your gross salary. Your deposits in the course of life plan have no consequences for the level of your pension premium and do not affect your pension accrual.
- 2. Payment of the pension premium during unpaid leave**  
Payment of your pension premium is continued during that period. The payment is released from the savings balance of your course of life plan.
- 3. Continuation of pension accrual during unpaid leave**  
Your pension premium is paid to the pension fund from your savings balance during the unpaid leave. Because of the continued payment, your pension accrual is continued unimpaired on the basis of the same terms and conditions as before the leave was taken.
- 4. Partner’s pension upon death during unpaid leave**  
The insurance of the partner’s pension also continues unchanged during the leave. So, you do not run any risk of your partner being faced with less partner’s pension all of a sudden as a result of your death during unpaid leave.
- 5. Continuation of pension accrual in the event of disability during unpaid leave**  
Provided the participant meets all conditions; the HP Pension Plan includes the provision that the pension fund will continue the pension accrual in the event the participant becomes disabled. The same applies if such should happen during unpaid leave.
- 6. Using your course of life balance for increasing your pension benefits**  
If you participate in the course of life plan but do not use it for taking leave, you are allowed to use your savings balance for purchasing additional pension. However, the authorities set the condition that there must be question of a pension shortfall.
- 7. Using your course of life balance for retiring earlier**  
Taking your leave immediately before retirement will enable you to retire earlier. You then stop working at an earlier point in time and receive your monthly income from your course of life balance through your employer. After the leave period has expired your retirement commences immediately. The Ministry of Social Affairs and Employment has developed a course of life indicator to help you calculate how much leave can be accumulated and how much all that will cost. [www.spaarvooruwverlof.nl](http://www.spaarvooruwverlof.nl)

## **More information about the course of life plan**

In this article we gave you a broad outline of the course of life plan, in particular regarding the interface between this plan and the HP pension. Whether the course of life plan is attractive to you or not will depend on your personal situation and wishes.

Information brochures about the course of life plan may be requested from the payroll administration, phone 030 – 222 5772 or via [netherlands.payroll@hp.com](mailto:netherlands.payroll@hp.com)

For content-related questions about the ABN AMRO course of life plan please contact the Customer Contact Centre of ABN AMRO via 0900-0024 (local rate).

### **AOW figures (2008)**

- AOW benefit for couples (jointly) including holiday allowance: € 17,092.56
- AOW benefit for singles, including holiday allowance : € 12,462.48
- AOW benefit for singles with a child younger than 18, including holiday allowance: € 15,502.08

### **ANW figures (2008)**

- Anw benefit for singles, including holiday allowance : € 13,290.84
- Anw benefit for survivors with a child younger than 18, including holiday allowance : € 16,395.24

# List of contacts and important addresses

## Basic pension plan

Hewitt Associates B.V.  
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1100 AB AMSTERDAM  
Phone: 020 –660 9400  
Fax: 020 – 698 1675

## Pension payments:

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## Participants' administration:

- Geert Hoogestijn  
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- Edwin Ton  
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## General/Board matters:

- Frank Heijnis  
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## Top-up plan

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P.O. 1000  
1000 BA AMSTERDAM  
Phone: 020 – 594 9111  
Fax: 020 – 693 2705

## YBR-site

<https://delivery.hewitt.com/hpnl/>

## Board

- Peter Prakken, chairman  
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### **Actuary:**

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## **Participants' Council**

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## **Accountability Body**

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