

Our reference
2011-003529

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Heerlen
July 2011

Subject

Granting of supplements (indexation)

Dear Sir, Madam,

We would like to draw your attention to the following.

In its meeting of 28 June 2011 the PDN board took decisions about the granting of supplements (indexation) to the pension entitlements of DSM employees and former members (sleepers) and to the pensions of pensioners and surviving relatives. This letter informs you about these decisions.

The board has decided to grant the following supplements with effect from 1 July 2011:

- For *DSM employees* still accruing pension benefits, the pension entitlements in the average pay scheme are increased by 3.53%.
- The pensions in payment of *pension beneficiaries* are increased by 0.69%.
- The pension entitlements accrued in the past by *sleepers* are adjusted in the same way as the benefits received by pension beneficiaries. This means that their entitlements are increased by 0.69%.

More information about the granting of supplements with effect from 1 July 2011 can be found in the annexed explanation, which discusses the above-mentioned decisions in more detail.

To better ensure balanced representation of the interests of the various groups, the board has determined new starting points for the granting of supplements. As from 2012, decisions about both the supplements for active members and those for pensioners and sleepers will always be taken early in the year. This implies that for all groups a decision will be taken at the same time of the year based on the (same) financial position of the pension fund. More information about the new starting points can also be found in the annexed explanation.

We trust that this information about the granting of supplements (indexation) meets your needs. Should you have any questions after reading the explanation, please feel free to contact us at the telephone number or e-mail address given in the heading.

With kind regards,

On behalf of the PDN board,

Jos L. Schneiders
Chairman

Ton de Boer
Deputy chairman

Supplements granted with effect from 1 July 2011

How were the supplements determined in 2011?

One of the duties of the pension fund board is to ensure that employees who are still accruing pension benefits on the one hand and pension beneficiaries and former members on the other can be certain that their interests are represented in a balanced way. In view of this, the decisions about the supplements for these groups were taken simultaneously, with 1 July 2011 as effective date.

In determining the supplements to be granted with effect from 1 July 2011 the PDN board has based itself on the funding level on 31 March 2011. On that date the level was 113%.

- ⇒ Based on the funding level of 113%, the PDN board has decided to grant a 3.53% supplement to the accrued pension entitlements of employees. This is based on the 2% wage increase with effect from 1 February 2010 and the 1.5% increase with effect from 1 January 2011. The supplement is 0.03% higher than the sum of the two increases (3.50%) because compound interest is included.
- ⇒ Based on the funding level of 113%, the board has decided to grant a 0.69% supplement to pension beneficiaries and former members, this representing part of the 1.90% price rise in 2010.

In the decision about the supplement for pension beneficiaries and former members the price rises are taken into account. These are determined on the basis of the Consumer Price Index for all households, derived (derived CPI), as calculated by Statistics Netherlands (CBS). Pension funds are under a statutory obligation to state the non-derived CPI figures from the CBS in their communications about supplements.

When do I receive the supplement?

PDN aims to pay the 0.69% supplement to PDN pension beneficiaries at the end of August with retrospective effect from 1 July 2011. DSM employees and former employees will see the supplement on the Uniform Pension Statement (UPS) they receive in 2012.



Granting of supplements at PDN

The supplements ensure that:

- ⇒ the pensions in payment of *pension beneficiaries* (including surviving relatives) and the accrued pensions of *former members* increase with prices.
- ⇒ the pension benefits that DSM *employees* have accrued so far increase with pay rises at DSM.

These supplements may be granted only if the financial position of the pension fund allows this. All decisions on supplements are subject to rules that the board has formulated after consulting the social partners (employer and employees).

The board may also decide to grant non-awarded supplements at a later time if the fund's financial position allows this. No strict rules have been laid down for such catch-up supplements. The board independently decides whether catch-up supplements are possible, so the granting of such supplements is not an obligation and does not take place automatically.

What is the supplement for pre-pensions in payment?

For the period from 1 July 2010 to 1 July 2011 the interest on the pre- (early) pension capital and the pre-pension saving and voluntary pension saving (VPS) balances was 0%, and for the period from 1 July 2011 to 1 July 2012 it is 8.3%. As a consequence, with effect from 1 January 2012 pre-pensions in payment will be increased by 0.15%, this being the outcome of the formula used for this purpose $[(0\% + 8.3\%) / 2 - 4\% = 0.15\%]$.



When can supplements be granted?

The funding level is the main indicator of the fund's financial position and partly determines whether supplements can be granted. The supplements granted are not the same for all groups as different rules apply to different groups.

- ⇒ For *pension beneficiaries* no supplement is possible at a funding level below about 110%. If the funding level is higher than about 120%, in principle the full supplement can be granted. If the funding level lies between these values, a partial supplement is possible.
- ⇒ The pension entitlements accrued in the past by *former members* are adjusted in the same way as the pensions received by pension beneficiaries.
- ⇒ For *employees* no supplement can be granted at a funding level below about 110%, while the full supplement can be granted above 110%.

These rules form the framework providing direction for the board – they are not mandatory. The board has its own responsibility and may decide to deviate from this framework.

The starting point of these rules is that priority is given to realization of a full pension for the employees. Next, the pensions of pension beneficiaries who have already accrued a full pension and the accrued pensions of former members should as much as possible be adjusted to price developments.

In its considerations the board takes due account of the fact that a funding level moving between 110 and 120% for several years may result in pension beneficiaries and former members lagging further behind in terms of supplements than employees. In deciding about the supplements in 2011 the board was aware that the employees do not lag behind in terms of supplements, whereas the pension beneficiaries and former members do. However, this was no reason for the board to deviate from the above rules in its decisions, also in view of the fund's financial position – the pension fund still has a reserve deficit. In deciding about the supplements in 2012 the board will pay express attention to the disadvantaged position of pension beneficiaries and former members.

In 2012, the supplement for employees can be at most 1% (the wage increase with effect from 1 January 2012). There will be no catch-up supplements for the employees in 2012.

Eligible for a pension as from 2011?

Pension beneficiaries who were still active DSM employees on 1 January 2011 also receive the 3.53% supplement to their accrued pension benefits, but the 0.69% supplement does not apply to this group. The effective date of the increase also is 1 July 2011.

Supplements in the past few years

There is nothing left 'on the slate' for the accrued pensions of DSM employees, but there is for the pensions of pensioners and the pension entitlements of former members. The following overview presents the granted and non-granted supplements for pension beneficiaries and former members in the past few years.

Supplements granted in the past few years				
Year in which price rise occurred	Price rise		Supplements	
	CPI (non-derived)	CPI - derived	Granted	Not granted
2007	2.03%	1.91%	1% (1 Jan 2010)	0.91%
2008	1.93%	1.44%	0%	1.44%
2009	0.82%	0.69%	0%	0.69%
2010	1.97%	1.90%	0.69% (1 July 2011)	1.21%

On the basis of PDN's financial situation the board decides whether or not catch-up supplements are granted. Granting of such supplements therefore is not an obligation and does not take place automatically.

Granting of supplements after 2012

The rule that supplements granted to pensioners and former members cannot be higher than the general wage increase at DSM has been cancelled with effect from 1 January 2011. As a consequence, the moment at which a decision is taken about granting of supplements no longer depends on this, either. This means that the supplement for the pensioners and former members no longer has to be granted with effect from the date of a general wage increase. It has therefore been decided that as from now a decision about granting of supplements will be taken simultaneously both for the employees and for the pension beneficiaries and former members. This will better guarantee balanced representation of the interests of all groups, with none of the groups taking precedence over others in terms of time. Moreover, for all groups the financial situation that is used as the starting point will be the same, while the effective date for the supplement will also be the same for all groups, namely 1 January.

This does imply that as from now the price index figure for the period from October to October will be used for determination of the supplement. Previously, use was made of the period from January to January. In the first year, the price rise in the period from January (2011) to October (2011) will be used on a one-off basis, 2011 being a transition year.

In the new situation, the decisions are taken simultaneously, the effective dates are the same, and the evaluation whether supplements can be granted is based on the same financial situation. This gives transparency, removes all ambiguity and, above all, results in a balanced approach.



Contact

If you have any questions about your pension, please have a look at our website:

www.PDNpensioen.nl or contact our Pension Desk:
tel. + 31 45 5788100 or e-mail:
info.PDN@dsm.com

We are under a statutory obligation to inform you as follows about supplements:

For pension beneficiaries (pensioners, surviving relatives, disability pensioners, former partners and pre-pensioners (excluding DSM Gist Services pre-pensioners))

Your pension fund each year tries to increase your pension in line with price increases.

This year your pension was increased by 0.69%. In the past three years your pension fund has increased your pension as follows:

- by 1% for the year 2009, when prices rose 0.82%
- by 0% for the year 2008, when prices rose 1.93%
- by 0% for the year 2007, when prices rose 2.03%.

Your pension fund pays the future increases in your pension from the returns on its investments. This increase and the expectations for the coming years do not automatically result in entitlements to future increases.

For former members:

Your pension fund each year tries to increase your accrued pension in line with price increases. This year your accrued pension was increased by 0.69%. In the past three years your pension fund has increased your accrued pension as follows:

- by 1% for the year 2009, when prices rose 0.82%
- by 0% for the year 2008, when prices rose 1.93%
- by 0% for the year 2007, when prices rose 2.03%.

Your pension fund pays the future increases in your pension from the returns on its investments. This increase and the expectations for the coming years do not automatically result in entitlements to future increases.

For DSM employees

(excluding DSM Executive Services and DSM NeoResins and including DSM Gist Services pre-pensioners and DSM Limburg employees that fall under the transitional regulation 1993 (Article 15, section 1):

Your pension fund each year tries to increase your accrued pension in line with pay increases. This year your accrued pension was increased by 3.53%. In the past three years your pension fund has increased your accrued pension as follows:

- by 3.5% for the year 2009, when prices rose 0.82%
- by 0% for the year 2008, when prices rose 1.93%
- by 2% for the year 2007, when prices rose 2.03%.

Your pension fund pays the future increases in your pension from the returns on its investments. This increase and the expectations for the coming years do not automatically result in entitlements to future increases.

For DSM Executive Services B.V. employees:

Your pension fund each year tries to increase your accrued pension in line with pay increases. This year your accrued pension was increased by 3.53%. In the past three years your pension fund has increased your accrued pension as follows:

- by 2% for the year 2009, when prices rose 0.82%
- by 0% for the year 2008, when prices rose 1.93%
- by 2% for the year 2007, when prices rose 2.03%.

Your pension fund pays the future increases in your pension from the returns on its investments. This increase and the expectations for the coming years do not automatically result in entitlements to future increases.

For DSM NeoResins B.V. employees:

Your pension fund each year tries to increase your accrued pension in line with pay increases. This year your accrued pension was increased by 3.53%. In the past three years your pension fund increased your accrued pension as follows:

- by 3.5% for the year 2009, when prices rose 0.82%
- by 0% for the year 2008, when prices rose 1.93%
- by 1.75% for the year 2007, when prices rose 2.03%.

Your pension fund pays the future increases in your pension from the returns on its investments. This increase and the expectations for the coming years do not automatically result in entitlements to future increases.