



Sample calculation of compensation for increase in pension contribution

The pension premium you pay as an employee will change from 2% to 8% from 1 October 2024. The premium paid by Philips will also change per that date, namely from 27.4% to 21.4%. As compensation, the gross salaries will be increased in such a way that there will be no net difference on 1 October 2024. We explain how this works using the calculation below.

Employee in grade 27 (shift worker)

For readability reasons, amounts have been rounded to whole euros.

Grade 27 - 5 shift schedule / all amounts on a yearly basis			
CG 27 - 5 shift schedule	Situation	New situation	Situation
	30-9-2024	incl compensation pension contribution per 1-10-2024	1-4-2025
A	€ 42.000	€ 44.534	€ 44.534
B	€ 17.774	€ 18.847	€ 18.847
C	€ 845	€ 3.378	€ 3.667
D	€ 58.930	€ 60.002	€ 59.714
E	Extra pension premium Philips		€ 772
F	Total value (D+E)	€ 60.002	€ 60.485
	Total improvement excl AI*		€ 1.556

* Your AI also goes up on an annual basis. First payment of this increase is in March 2025

Definitions used*:

- **Pension base:** your annual salary plus any fixed income elements, such as shift allowance, minus the offset. The pension base is reset every year in April for the following 12 months.
- **Offset:** the part of your salary on which you do not accrue a Philips pension. The offset is set annually and amounts to €17,545 as of 1 January 2024.
- **Taxable income:** the part of your income on which you pay tax. You pay no tax on pension contributions now, the tax you pay when your pension is paid out at retirement.

Explanation situation 30 September 2024

The gross salary (A) is your annual salary on 30 September 2024. The pension premium (C) you pay is 2% of the pension base* and in this example is [€42,000 + €17,774 minus the offset* (€17,545)] x 2% = €845. The taxable income is the salary €42,000 (A) + €17,774 (B) minus the employee's pension contribution (€845) = €58,930.

Explanation situation 1 October 2024

Gross salary (A) is your annual salary on 1 October 2024 due to the premium adjustment from 2% to 8%. The salary is increased by the difference in the pension premium from September 2024 and October 2024. In this example, €42,000 (A) + (€3,378 (C) - €845) = €44,534. The pension contribution (C) you pay is (€59,774 (A and B) - €17,545)*8% = €3,378. The taxable income* is €63,381 - €3,378 = €60,002. From October 2024, the salary is higher and therefore also the basis on which the shift allowance (B) is calculated, namely 42.32% of € 44,534 (A) = € 18,847 (B).

Explanation situation 1 April 2025

The gross salary (A) is the annual salary as it also applied on 1 October 2024. In April 2025, the pension base is reset for the 12 months thereafter, and 8% employee pension contribution is calculated on this. In this example, the calculation is as follows: [€63,381 (A and B) - €17,545 (offset*)] x 8% = €3,667. The taxable income (D) is then the salary €63,381 (A and B) minus €3,667 pension contribution. Again, the positive impact of the higher salary compared to September 2024 on the shift bonus (B) and annual incentive. Philips also pays more pension premium on the increased salary (F). This is 21.4% x (€63,381 - €59,774) = €772. The total value is the sum of D and E with a total annualised improvement of € 1,556 (exclusive AI, see under the table on the left).

Your benefits summarised

- The base on which your annual incentive is calculated will increase.
- As a result of higher salary, the base for various supplements is increased, such as shift bonus, overtime, special hours, consignment and the 5% as part of the 80-85-100 scheme.
- Also, at the next annual adjustment in April, the pension base is increased, resulting in pension accrual over a higher base.
- A higher salary is also visible on your employer's statement for a mortgage application.
- The fall in your taxable income from 1 April 2025 is more than offset by improvements in the overall package.

Disclaimer: The above is a simplified representation of reality. The calculation shows the impact of the premium change under constant circumstances. No account has been taken of any salary increases or statutory changes in offset and tax maximum pension accrual (these amounts can be adjusted on 1 January each year by tax law changes).

