

Amsterdam, November 2019

Dear Sir / Madam,

You are a former participant of Stichting CRH Pensioenfonds. Former participants receive an overview of the accrued pension entitlements once every five years.

You will find enclosed your Uniform Pension Overview (UPO) with effect from 1 January 2019. You will find an explanation of the UPO on our website [www.crhpensioenfonds.nl](http://www.crhpensioenfonds.nl). We also take the opportunity to inform you about a number of current topics.

### **The financial position of CRH Pensioenfonds**

The financial position of the pension fund is expressed in the coverage ratio. The coverage ratio represents the ratio between the invested capital and the pension benefits that the pension fund must pay from that capital (the liabilities).

#### *The current coverage ratio*

Every month, the pension fund calculates the current coverage ratio. The current coverage ratio as of December 31, 2018 was 98.3%.

In the course of the year 2019, the current coverage ratio fell further. This was caused by the lower interest. As a result, the investment income that the pension fund is expected to achieve in the future falls. The pension fund must therefore already have more money in cash. The value of the liabilities of the pension fund therefore increases. At the end of the third quarter of 2019, the current coverage ratio was 90.0%.

#### *The policy funding ratio*

The current coverage ratio is a snapshot and can fluctuate considerably. For important decisions, the pension fund therefore relies on the policy funding ratio. This is the average of the current coverage ratio over the past 12 months. The policy funding ratio as of December 31, 2018 was 104.0%. In the course of the year 2019 the policy coverage ratio to 96.9% at the end of the third quarter.

### **Can your pension be reduced?**

Under the current rules, your pension can be reduced in two situations.

The law distinguishes between the concepts of required capacity and minimum required capacity

1. If the policy funding ratio of the pension fund does not recover within a period of ten years to the required capital level of approximately 118%

The policy coverage ratio amounted to 104.0% as at 31 December 2018. The financial position did not therefore meet the legal requirements. We were therefore obliged to draw up a recovery plan in early 2019. Based on the financial position as at 31 December 2018, CRH Pensioenfonds expected to have the required reserves again within the statutory term of ten years. A reduction in pensions was therefore not necessary at that time.

In the course of 2019, both the current funding level and the policy funding level decreased further. In addition, the pension fund is expected to base its recovery plan on lower expected returns (in accordance with the advice of the Parameters Committee). In March 2020, CRH Pensioenfonds must submit a recovery plan to De Nederlandsche Bank. At that time, it will be known whether and, if so, how much the pensions should be reduced. On the basis of the policy funding ratio at the end of the third quarter of 2019, a reduction of the accrued pensions under the current regulations unfortunately seems inevitable. Unless the regulations are yet being adjusted by the politic. A possible reduction will then be implemented in the fourth quarter of 2020.

2. If the policy funding ratio of the pension fund (at year-end) is continuously below the level of the minimum required capital of approximately 104.3% for five years.

The policy funding ratio as at 31 December 2018 was 104.0% and was therefore below the minimum funding ratio of 104.3% for the third year in a row. CRH Pensioenfond's has two more options, namely on December 31, 2019 and December 31, 2020 to achieve this minimum required policy funding ratio at year-end. If that does not work, we must reduce the pensions, unless the current coverage ratio at 31 December 2020 is at least 104.3%.

As a result of the lower interest rates, the policy funding ratio fell further in the course of 2019. This amounted to 96.9% at the end of the third quarter. The chance that CRH Pensioenfond's will have to lower pensions on the basis of this requirement in the coming years has thus become considerably larger. We will know at the beginning of 2021 whether the policy funding ratio actually has been continuously below 104.3% for five years.

#### **Granting of supplements (indexation) as of January 1, 2019**

The CRH Pensioenfond's scheme has conditional indexation. Conditional means that the board decides annually whether it is possible to provide indexation. This decision is based, among other things, on the policy funding ratio of the fund. No money is reserved or an extra premium is requested to increase the pension in the future. No right to any future increases may be derived from the increase in any year.

To be able to index (in part), the policy funding ratio must be at least 110%. Because the policy funding ratio as at December 31, 2018 was 104.0%, the board of CRH Pensioenfond's was unable to increase pensions as of January 1, 2019. We will probably not be able to increase your pension in the coming years either.

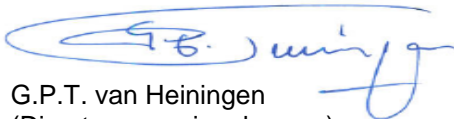
#### **Pension agreement**

A pension agreement was concluded in 2019. Herein, broad agreements have been made about a new pension system. These agreements will be further elaborated by a steering group from the Dutch cabinet and social partners. It has also been agreed that the state pension age will rise less rapidly. More information about the AOW can be found on the website of the Sociale Verzekeringsbank: [www.SVB.nl](http://www.SVB.nl). We follow these developments closely and will inform you as soon as more is known.

#### **Contact**

If you have any questions regarding your Uniform Pension Overview or this letter, please contact the pension office on telephone number: 020-3045 100 or 020-3045 145 or per e-mail: [info@crhpensioenfond's.nl](mailto:info@crhpensioenfond's.nl). For current developments, also check our website.

Met vriendelijke groet,  
Stichting CRH Pensioenfond's  
Namens het bestuur



G.P.T. van Heiningen  
(Directeur pensioenbureau)