FAMILY SURVIVORS' BENEFIT

Family survivors' benefit

Section | Page

Why A Family Survivors' Benefit? 1
Who Is Eligible? 1
Enrollment 2
What It Costs 3
The Family Survivors' Benefit 4
Benefits For Your Spouse 4
Benefits For Your Children 5
  If You Have No Spouse At The Time Of Death 5
  If Your Spouse Dies 6
If You Have Family Coverage Under The Health Plan 7
Pension Contributions Refund 8
Disability 8
Some Definitions
  Spouse 9
  Eligible Children 9
  Pay 9
When Coverage Ends 10
Claiming Family Survivors' Benefits 10
Plan Administration 10

Why a family survivors' benefit?

When the head of a family dies, the resulting loss of income could prove disastrous. For a minimal cost, the Family Survivors' Benefit offers you a way to protect your family from such a hardship. If you die before retirement, this benefit assures your spouse or children under age 27 a substantial monthly income — 25% of your pay before death.

The Family Survivors' Benefit *includes* any amount payable under the Pre-Retirement Spouse Benefit feature of the pension plan (see page 20 of the pension section).

The Family Survivors' Benefit supplements any life insurance coverage you may have.

Who is eligible?

The Family Survivors' Benefit is part of the pension plan. As a pension plan participant, you can elect the Family Survivors' Benefit if you're married or have at least one child under age 27.

On page 9 you'll find an explanation of who is considered a "spouse" or "child" for purposes of the Family Survivors' Benefit.

Enrollment

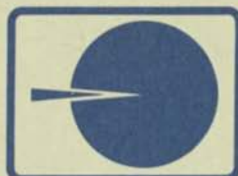
You can enroll for the Family Survivors' Benefit as soon as you join the Company.

Coverage takes effect at the same time that you join the pension plan — that is, on the first of the month after hire. (However, if you are a part-time salaried employee, you must complete one year of service to enroll.)

If you aren't married and/or don't have a child under age 27 when you join the pension plan, you may enroll in the Family Survivors' Benefit as soon as you marry or have a child. Coverage takes effect on the first day of the month after you file an enrollment form.

Enrollment forms are available from your Personnel or Employee Relations Office.

If you don't enroll when you are first eligible, you must submit evidence of good health to the Pension Committee and receive their approval before you can participate in the benefit. You may never be allowed to enroll if you are unable to provide satisfactory evidence of good health.



What it costs

You contribute a small percentage of your earnings for each month that you are covered by the benefit.

How much you contribute depends on your "earnings," as follows:

If Your Age on January 1 of the Current Year Is	Then You Contribute
Under 40	1/2% of earnings
40-54	3/4% of earnings
55 or older	1% of earnings

"Earnings" is defined on page 9 of the pension plan section of this guidebook.

As mentioned in the table, your contribution rate is based on your age as of January 1 of each year in which you participate. For example, assume you are hired in July 1986 at age 40 and you decide to enroll for the Family Survivors' Benefit. Your birthday was in May. Throughout 1986, you would contribute at the 1/2% rate since you were only age 39 on January 1, 1986. Then on January 1, 1987, you would start contributing at the 3/4% rate.

Family Survivors' Benefit contributions are deducted from your paycheck.

Your Family Survivors' Benefit contributions provide you with current protection, rather than help you build up a cash reserve. Therefore, unlike pension plan contributions, Family Survivors' Benefit contributions are not refunded if you leave the Company.

The Family Survivors' Benefit

The annual Family Survivors' Benefit, payable upon your death in active service before age 65, is 25% of your "pay."

In most cases, "pay" means your annual salary rate immediately before your death, as well as the average annual amount of any other cash compensation paid during the previous three calendar years that counted as earnings under the pension plan. Please see page 9 for a more detailed definition of "pay."

The Family Survivors' Benefit is paid in monthly installments, starting on the first of the month following your death. Payments go to your surviving spouse or to your children who are under age 27, as explained in the next two sections.

25% of pay

Benefits for your spouse

If you are married at the time of death, your surviving spouse receives the full 25% Family Survivors' Benefit. Any amount payable to your spouse under the Pre-Retirement Spouse Benefit feature of the pension plan (described on page 20 of the pension section) is *included* as part of the Family Survivors' Benefit.

The Family Survivors' Benefit is paid as long as your spouse lives, even if he or she remarries.

If your spouse dies survived by one or more of your children under age 27, payments continue until each child reaches age 27. You'll find details about how such payments are made under "Benefits For Your Children."

Benefits for your children

Any eligible child (or children) under age 27 receives a Family Survivors' Benefit if

- you have no spouse at the time of death, or
- your spouse dies after you, whether or not your spouse had remarried.

Payments begin on the first day of the month following your (or your spouse's) death.

If You Have No Spouse At The Time Of Death

These provisions apply if you have no spouse at the time of your death:

One Child. If you have one child under age 27, he or she receives the 25% Family Survivors' Benefit until age 27.

More Than One Child. If you have more than one child under age 27, the Family Survivors' Benefit is divided equally among those children at your death. Then, when each child reaches age 27, his or her share of the benefit stops. (Note that if a child dies — or stops receiving payments at age 27 — payments to any other children still entitled to benefits will not increase.)

No payments will be made to any child who has reached age 27 at the time of your death.

An Example. Assume Linda H. dies in active service before age 65 leaving no spouse. She does, however, have three children ages 8, 12 and 15. Linda's "pay" at the time of death was $36,000. The annual Family Survivors' Benefit, therefore, is $9,000 (25% of $36,000).

Since all her children are under age 27, the Family Survivors' Benefit is divided equally among all three children:

$9,000 ÷ 3 = $3,000 a year ($250 a month) for each child

Benefits for your children (continued)

Monthly payments start the month after Linda's death. Each child's payments continue until he or she reaches age 27. In summary . . .

The Child Who Is	Receives	For	Giving An Individual Benefit Of
Age 8	$3,000 a year	19 years	$ 57,000
Age 12	$3,000 a year	15 years	$ 45,000
Age 15	$3,000 a year	12 years	$ 36,000

(For simplicity's sake, these amounts have been figured as if each child had just reached the age shown.)

If Your Spouse Dies

These provisions apply if your spouse starts receiving a Family Survivors' Benefit and then dies before all your children have reached age 27:

One Child. If you have one child under age 27 when your spouse dies, your child receives the 25% Family Survivors' Benefit until he or she reaches age 27.

Your child is entitled to this benefit whether or not your spouse had remarried.

More Than One Child. If your spouse dies and more than one of your children are still under age 27, the Family Survivors' Benefit is divided equally among those children. Then, when each child reaches age 27, his or her share of the benefit stops. (Note that if a child dies — or stops receiving payments at age 27 — payments to any other children still entitled to benefits will not increase.) Your children are entitled to this benefit whether or not your spouse had remarried.

No payments will be made to any child who has reached age 27 at the time of your spouse's death.

An Example. Assume Robert M. dies in active service before age 65 leaving his spouse, Ann, and three children. Robert's "pay" at the time of death was $28,000. The annual Family Survivors' Benefit, therefore, is $7,000 (25% of $28,000).

Benefits for your children (continued)

The Family Survivors' Benefit is paid to Robert's spouse. Monthly payments of $583.33 start the month after Robert's death and continue for as long as Ann lives—even if she remarries.

Assume now that Ann dies after receiving payments for a number of years. At the time of her death, the children are ages 18, 23 and 28. In this case, monthly payments continue to the two children who are under age 27 at the time of Ann's death. Each child receives an equal share of the Family Survivors' Benefit:

$7,000 ÷ 2 = $3,500 a year ($291.67 a month)
for each child under age 27

Payments start the month after Ann's death. Each child's benefit continues until he or she reaches age 27. In summary . . .

The Child Who Is	Receives	For	Giving An Individual Benefit Of
Age 18	$3,500 a year	9 years	$31,500
Age 23	$3,500 a year	4 years	$14,000
Age 28	—	—	—

(For simplicity's sake, these amounts have been figured as if each child had just reached the age shown.)

If you have family coverage under the health plan

If you die in active service and you . . .

- had 10 years of service (your years of service will never be less than your years of eligibility service as defined in the pension section), and
- were enrolled for family coverge under the health plan,

. . . your eligible dependents will have extended health insurance. Coverage for your spouse will continue for as long as he or she lives. Coverage for your enrolled eligible children continues until their Family Survivors' Benefit stops (provided, however, that for this purpose coverage will stop no later than age 25).

Pension contributions refund

In addition to the payments that your spouse or children receive from the Family Survivors' Benefit, your beneficiary receives a refund of an amount equal to any pension plan contributions with interest plus any contributions you made for the pre-July 1974 spouse benefit. (Please see page 30 of the Pension Plan section for rules on naming a beneficiary for a refund of contributions.) Any reduction in the Pre-Retirement Spouse Benefit, due to a refund of pension contributions with interest, will not reduce the Family Survivors' Benefit.

Disability

If you go on sick leave at less than full pay or become totally disabled while participating in the Family Survivors' Benefit:

- you make no Family Survivors' Benefit contributions, and
- your Family Survivors' Benefit coverage continues in effect during your sick leave or disability.

You will be considered totally disabled for purposes of the Family Survivors' Benefit if the Pension Committee approves you for the disability provisions of the pension plan.

Some definitions

Spouse

In this summary of the Family Survivors' Benefit, the term "spouse" means the person to whom you are legally married — and not divorced. If you are legally separated, you are still considered married.

Eligible Children

For purposes of the Family Survivors' Benefit, children eligible to receive payments include your natural or adopted children who have not reached age 27. They can be single or married, and they need not be your dependents. If you have a child born out of wedlock, he or she will be entitled to benefits only if you had acknowledged parentage during your lifetime.

Any children of your spouse who are not your natural or adopted children are *not* eligible for Family Survivors' Benefit payments.

Pay

"Pay," for purposes of the Family Survivors' Benefit, includes only those earnings that are included as "earnings" under the pension plan. ("Earnings" are defined on page 9/pension.)

Pay is the sum of 1 and 2, as follows:

1. The *greater* of
   - A. your annual rate of salary immediately prior to death (or immediately prior to a period of disability or sick leave, if benefit service was granted under the pension plan)

     or

   - B. your average annual salary for the three calendar years prior to the year of death during which benefit service was granted under the pension plan

   PLUS

2. your average annual amount of any bonuses, commissions or other cash compensation includable as earnings under the pension plan during the most recent three full calendar years of active employment (or the total number of years, if less) prior to the year of your death

In no event will your pay be less than your "final average pay" under the pension plan. "Final average pay" is defined on page 9/pension.

When coverage ends

Your Family Survivors' Benefit coverage ends when you:

- are no longer married and your children are age 27 or older
- stop making contributions (unless you are on sick leave at less than full pay or are totally disabled)
- are laid off or go on leave other than sick leave or total disability
- transfer to ineligible status (e.g., hourly employment)
- leave the Company
- retire or reach age 65

If your marriage ends and you no longer have children under 27, obtain the appropriate form for stopping contributions from your Personnel or Employee Relations Office.

Claiming Family Survivors' Benefits

Should you die, your Personnel or Employee Relations Office will contact your surviving spouse or children to arrange for payment of the benefit.

Plan administration

Since the Family Survivors' Benefit is part of the North American Philips Corporation Pension Plan for Salaried Employees, the following parts of the pension plan section also apply:

- How to Apply for Benefits, page 33/pension
- Future of the Pension Plan, page 34/pension
- Plan Administration, page 36/pension
- Your Rights Under Law, page 37/pension

EMPLOYEE SAVINGS PLAN

ESP

Employee savings plan

Section	Page
WHY A SAVINGS PLAN?	1
ESP HIGHLIGHTS	2
ELIGIBILITY	4
ENROLLMENT	4
YOUR CONTRIBUTIONS	5
Tax-Saver Contributions	5
Regular Contributions	6
Tax-Saver versus Regular Contributions: Some Examples	6
Making Your Choice	8
COMPANY CONTRIBUTIONS	8
GOVERNMENT LIMITATIONS	8
DEFINITION OF EARNINGS	10
PAYROLL DEDUCTIONS	10
INVESTING CONTRIBUTIONS	11
The Guaranteed Income Fund	11
The Equity Fund	11
Changing Investment of Future Contributions	12
Reallocation of Account Balances	12
MAKING CHANGES	13
Changing Your Contribution Amount	13
Stopping Contributions	13
Resuming Contributions	13
MATURING OF COMPANY CONTRIBUTIONS	14
WITHDRAWALS	15
Withdrawal of Company Contributions	15
Taxation of Withdrawals	16
WITHDRAWAL OPTIONS	17
Option 1	18
Option 2	18
Option 3	18
Option 4	19
Withdrawal Procedures	20
TAXES ON YOUR ESP ACCOUNT	22
Your Pre-1987 Regular Contributions	22
Other Contributions and Earnings	22
Example	23
Withdrawals While You Are Employed	23
Distribution Upon Termination	24

Employee savings plan (continued)

Section	Page
CHANGES IN STATUS	25
Unpaid Leave	25
Layoffs	26
Paid Leave	26
IRS RULES	26
A Word About IRA's	27
PAYOUT OF YOUR ESP ACCOUNT WHEN YOU LEAVE	27
IF YOU BECOME DISABLED	28
IF YOU DIE	29
Your Beneficiary	29
CLAIMING YOUR BENEFIT	30
FUTURE OF THE PLAN	30
PLAN ADMINISTRATION	30
Trustee	31
Agent for Service of Legal Process	31
Appealing Denial of Your Claim	31
Plan Year	31
Plan Documents	32
Employer and Plan Number	32
YOUR RIGHTS UNDER LAW	32

Why a savings plan?

The Employee Savings Plan (or ESP) offers you the opportunity to save for your retirement and meet other long-term financial needs through convenient, regular savings.

After you read all about ESP, we think you'll agree that its combination of convenience, growth potential and tax advantages just can't be beat when it comes to investing for your future.

Convenience. You save through convenient payroll deductions—the best way to see your security grow month after month.

Growth Potential. ESP helps your savings grow even faster. The Company matches $.50 for each $1.00 you save on your tax-saver contributions of up to 6% of earnings.

Plus, your contributions and Company contributions made on your behalf are invested in a guaranteed income fund or equity fund—as you direct. Investment earnings can add even more to the value of your ESP account.

Tax Advantages. Another attractive feature of your plan allows you to shelter part of your earnings from federal income taxes. As a result, you can pay *less* in current taxes—and have *more* in spendable income. Also, you postpone taxes on Company contributions and investment earnings until you actually receive them.

This section describes your savings plan in two parts. The highlights provide you with a quick summary, and answer some of the questions you may have about the plan. The more detailed description follows the highlights. We urge you to read the entire section so you'll understand just how the plan works.

Even so, this section doesn't spell out the complete Employee Savings Plan. It's a summary. Like any summary, this one omits certain details. The actual plan document is drawn up in legal language. Together with the required provisions of applicable laws, the plan document is controlling if any conflicts arise.

This guidebook section is a summary of Employee Savings Plan provisions in effect as of January 1, 1989.

ESP highlights

When can I join?

As a full-time salaried employee, you can enroll in ESP on the first of any month after you complete six months of employment.

What do I contribute?

You may be able to contribute up to 15% of your earnings. Ten percent (10%) of your earnings can be special "tax-saver" contributions. Contributions may be limited by federal tax law as described in this guidebook section.

Tax-saver contributions actually *reduce* the amount of earnings you have to pay taxes on! It works like this: If you earn $20,000 a year and decide to save 5% of earnings as tax-saver contributions, that comes to $1,000 a year. As far as the IRS is concerned, your earnings for federal income tax purposes have been "reduced" to $19,000 ($20,000 less $1,000 saved).

To your benefit, you pay federal income taxes only on $19,000—not your full $20,000.

"Regular" contributions do not reduce your current taxes.

How much does the Company add?

The first 6% of earnings you save as tax-saver contributions are eligible for a 50% Company match. In other words, for each $1.00 you save, the Company adds another $.50 to your account. "Regular," or after-tax contributions, are not eligible for the Company match.

What happens to that money?

All contributions—yours and the Company's—are invested in one or both of these funds:

- The *guaranteed income fund* guarantees safety of principal and a fixed rate of return.
- The *equity fund,* a portfolio of common stocks, will increase or decrease in value depending on stock market results.

  You tell the Company how you want your account to be invested.

Can I make withdrawals?

Subject to plan rules, you can withdraw your regular contributions, Company contributions that have become vested and earnings on these amounts. (If you have less than 5 years of plan participation, withdrawal of some of your vested Company contributions will be restricted.)

Access to tax-saver contributions is more limited due to federal government regulations. You can withdraw those contributions *only* in case of serious financial need. You may not withdraw earnings on these contributions credited to your account after 1/1/89.

What do I receive when I leave?

If you leave after 5 years of service—you are 100% vested. You may also be 100% vested in certain other limited circumstances. This means you get *all* the money in your ESP account.

If you leave after completing between 2 and 4 years of service, you are partially vested (see page 14). If you are partially vested you receive the full value of your tax-saver and regular contributions plus the *vested portion* of your Company contributions.

All payouts are made in one lump-sum.

What happens in case of death or disability?

If you die, your beneficiary receives the full value of your ESP account. That includes your regular and tax-saver contributions, and all Company contributions (adjusted, of course, for investment earnings or losses).

In case of disability, you receive the full value of your ESP account 2½ years after your last day of work.

When do I pay taxes?

One of the main advantages of ESP is that you pay no taxes on any money while it remains in the plan. You may owe taxes, however, if you make a withdrawal or receive a payout from the plan.

6 months of service

Eligibility

Full-time salaried employees are eligible to participate in ESP after six months of employment. Employment with any Philips Company in the United States or abroad counts toward this requirement.

If you're hired as a part-time salaried employee (that is, you are expected to complete less than 1,000 hours of service a year), you will be eligible to participate if you complete one year of service. For eligibility purposes, you have a year of service if you complete at least 1,000 hours of service during a 12-month period which begins on your hire date or any January 1.

If you are a leased employee, in certain circumstances you may become eligible to participate in the plan after having completed one year of service. For details, contact the Plan Administrator whose address is listed on page 30 or your local Personnel or Employee Relations Office.

Enrollment

You may enroll in the plan on the first of any month following the date you become eligible. You can pick up an enrollment application from your Personnel or Employee Relations Department shortly before your eligibility date. Personnel or Employee Relations must receive your application at least 30 days before you want your participation to begin.

You must complete and return the form whether you choose to participate or not. If you don't join the plan when you first become eligible, you may enroll on the first of any following month by completing an enrollment application at least 30 days in advance.

You may contribute from 1% to 15% of your annual earnings in whole percent steps. Up to 10% of your earnings can be special tax-saver contributions. However, if you are considered a highly compensated employee as defined by the Internal Revenue Service, your contributions may be limited under federal tax law. (For more details, please refer to "Government Limitations" on page 8.)

You can make *tax-saver contributions, regular contributions* —or a combination of the two. Each type of contribution has its own unique advantages, as explained in the sections which follow.

Tax-Saver Contributions

First of all, your tax-saver contributions of *up to 6% of earnings* will receive the 50% Company match described on page 8.

Also, if you elect to make tax-saver contributions, the amount you contribute is not counted as income for federal income tax purposes. (And, usually, that amount is not counted as income for state or local taxes either.) This results in *lower current taxes* each time you make a tax-saver contribution.

Here's an example of how this works. You earn $20,000 a year and decide to put 5% into ESP through tax-saver contributions:

5% x $20,000 = $1,000 contribution

This results in an immediate tax advantage:

- Your income for income tax purposes is only $19,000 (not your full $20,000 in earnings).
- If you were in a 20% income tax bracket, (federal, state, etc.), you could save $200 in taxes over the year.

That $200 is yours to pocket—or to use to increase your ESP savings! Plus, since $.50 on every dollar (up to 6% of earnings) is matched by the Company, in this example the Company will credit your account with an additional $500.

You must remember, though, that making tax-saver contributions is a way to *postpone* taxes—not a way to avoid them forever. When you receive tax-saver contributions out of the plan, you will generally have to pay taxes—*unless* you make an IRA rollover as described on page 24. If you receive tax-saver contributions upon retirement, you may be in a lower tax bracket, or you may qualify for some very favorable tax rules.

But, in return for your tax advantages, the federal government requires us to limit access to your tax-saver contributions while you're working.

Please be sure to read pages 15 through 21 on withdrawal restrictions and pages 22 through 25 on taxes.

Regular Contributions

Regular contributions are not eligible for any Company matching contributions. Also, regular contributions do not decrease your current taxes. Instead, your savings come out of earnings that have already been taxed.

For example, if you earn $20,000 and want to save 4% a year—or $800:

First, take your earnings	$20,000
Subtract $4,000 in taxes (Assume that your total tax cost—federal state etc.—is 20%. 20% of $20,000 equals $4,000.)	– 4,000
	$16,000
Now make your regular contribution	– 800
Take-home pay	$15,200

As you can see, regular contributions do not reduce your taxes.

Regular contributions have their advantages, though. Because they come out of salary that has already been taxed, you owe no further taxes on regular contributions when they are paid out. Also, it is easier to withdraw your regular contributions while you're working. Of course, any investment earnings on those contributions are taxable upon withdrawal.

Tax-Saver versus Regular Contributions: Some Examples

Here are two examples. They will give you an idea of how making tax-saver contributions as opposed to regular contributions can affect your federal income taxes and your take-home pay based on 1987 tax tables.

Your contributions (continued)

Example 1. Here we've assumed you are single and earn $20,000 a year. You don't itemize on your tax return, but claim one exemption. You decide to contribute 5% of earnings ($1,000) to ESP.

	If You Make Tax-Saver Contributions	If You Make Regular Contributions
Gross earnings	$20,000	$20,000
5% tax-saver contribs.	–1,000	—
Taxable income (federal)	$19,000	$20,000
Tax owed (federal)	–2,112	–2,262
5% regular contribs.	—	–1,000
Take-home pay	$16,888	$16,738

Example 2. Assume now that you're married and earn $40,000 a year. You file a joint tax return, do not itemize deductions and claim four exemptions. You decide to contribute 5% of earnings ($2,000) to ESP.

	If You Make Tax-Saver Contributions	If You Make Regular Contributions
Gross earnings	$40,000	$40,000
5% tax-saver contribs.	–2,000	—
Taxable income (federal)	$38,000	$40,000
Tax owed (federal)	–3,876	–4,259
5% regular contribs.	—	–2,000
Take-home pay	$34,124	$33,741

As you can see, the amount you save ($1,000 in Example 1; $2,000 in Example 2) is the same whether you make tax-saver or regular contributions. However, *your take-home pay goes up* when you use tax-saver contributions in place of regular contributions. That's because of the tax savings.

Making Your Choice

Only you can decide whether tax-saver or regular contributions are best for you. Many employees will want to make *both* types of contributions. . .

- some tax-saver contributions—for long-term saving with maximum tax advantages and the Company match

AND

- some regular contributions—for savings that can be withdrawn more easily.

Company contributions

Each month that you contribute to ESP, the Company will contribute 50% of your tax-saver contributions up to 6% of your earnings. In other words, the Company will match $.50 on every $1.00 you contribute up to 6% of your earnings. This means that you can receive a contribution from the Company of up to 3% of your earnings!

For example, if your annual earnings are $20,000 and you decide to contribute 6%, or $1,200 a year to your tax-saver account, the Company adds $600 because of the 50% match—for a grand total of $1,800 in savings for the year. You earn the right to withdraw Company contributions based on your years of service and participation in the plan. (See page 15 for details.)

Contributions are credited to your account on a monthly basis. They are made from the Company's current or accumulated profits.

Government limitations

The federal government defines highly paid employees as those who earned more than $52,235 per year in 1988. Under law, this amount is reviewed by the government annually, and affected employees will be notified. Current tax law imposes certain guidelines to limit the gap between the contribution rates of highly paid employees and all other employees. The federal government also sets certain guidelines to make sure that a reasonable cross-section of employees takes advantage of ESP.

Government limitations (continued)

If these guidelines aren't met, highly paid employees *may be required to cut back on their regular and tax-saver contributions.* In the event of such a cutback, affected employees will be informed of the maximum contribution they can make. Contributions already made by highly paid employees that are in excess of these guidelines will be returned as soon as practicable following the end of the plan year.

Another requirement limits the amount you can contribute to your tax-saver account each calendar year. The Company will automatically stop your tax-saver contributions when you reach the maximum amount allowable, (This amount was $7,313 for 1988.) If you reach the maximum tax-saver contribution limit during a calendar year, you may elect to recharacterize all future contributions as regular contributions. We will notify employees who are affected by this maximum dollar amount.

If you made before-tax (tax-saver) contributions to any other employer-sponsored 401(k) plan or certain other qualified plans during the calendar year, those contributions will count toward the maximum amount allowable. It is up to you to stop tax-saver contributions when your *total* before-tax contributions meet the maximum allowable limit.

A further government regulation puts a limit on the amount that can be contributed to an employee's account (by the employee and the Company, in total) during a calendar year. This limit applies only to highly paid employees and may also result in a cutback in the amount that can be contributed or a return of excess contributions.

One further government requirement provides for faster vesting of employer contributions than described on page 14 if a disproportionate percentage of plan benefits has been accrued by "key employees" (as defined by the IRS). We are required to mention this special rule, even though it is virtually impossible that it would ever apply to this plan.

Definition of earnings

For ESP, earnings include base salary and other cash compensation, including commissions, overtime payments and shift differential up to $200,000 per year. Any before-tax dollars you contribute to a Company-sponsored benefit program also count as earnings for ESP purposes. Earnings **exclude:**

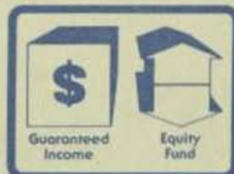
- deferred compensation and stock options
- expense reimbursement
- pension or other benefit plan payments
- bonus amounts that exceed your base salary
- other amounts which receive special tax treatment
- distributions from the NAPC Long-Term Incentive plan

As mentioned earlier, any tax-saver contributions you make are not counted as earnings for federal income tax purposes (nor for state and local taxes, in most states). However, your earnings are *not* reduced for other purposes—such as figuring Social Security (FICA) taxes and benefits, or pay-related Company benefits. For example, when figuring your Company life insurance, pension benefit, etc., your tax-saver contributions are always considered part of your earnings.

Payroll deductions

All contributions will be deducted from your paycheck. Deductions begin with the first paycheck you receive on or after your enrollment date.

You cannot make direct cash contributions to ESP.



Investing contributions

As one of ESP's many advantages, all contributions are invested in a guaranteed income fund or an equity fund. You have the flexibility to divide your account between the funds in these three ways:

Guaranteed Income Fund	Equity Fund
100%	0%
75%	25%
50%	50%

The investment choice that you make applies to your contributions and Company contributions made on your behalf. All earnings from each fund are automatically reinvested in the same fund.

The Guaranteed Income Fund

This fund guarantees safety of principal (the money you put in) *plus* a fixed rate of return. In other words, the value of your guaranteed income fund account can only go up.

The fund's guaranteed interest rate changes from time to time. We'll always announce the current rate so you can make a well-informed decision on how to invest.

The Equity Fund

Money in the equity fund is invested in an "index fund" managed by Bankers Trust Company. The fund provides investment results which closely approximate the overall performance of the common stocks in the Standard & Poor's 500 Composite Stock Index. The S&P Index consists of the common stocks of 500 companies which represent a cross-section of industries. If you wish to keep track of how the equity fund is performing, you can get a general idea by checking Standard & Poor's results in the financial section of your newspaper.

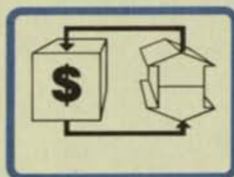
Because the equity fund reacts to the ups and downs of the stock market, neither your principal nor earnings can be guaranteed. You could earn more money than is possible with the guaranteed income fund; on the other hand, the value of your account could decrease.

The 50% limit on contributions to the equity fund lessens the risks you are taking with your money. If you invested all of your money in the equity fund, poor stock market performance might actually decrease the value of your contributions. With at least 50% of your account contributed to the guaranteed fund, the guaranteed interest rate partially compensates for possible losses in the equity fund.

Changing Investment of Future Contributions

Once in any six-month period, you may change the way you want future contributions divided between the funds. The change will take effect with the first pay date of the month. You must submit your investment change application at least two weeks before the end of the month.

For example, suppose you request an investment change on April 4. In that case, the contributions taken out of your first paycheck in May would be invested according to your new investment instructions.



Reallocation of Account Balances

You may also take money that's already in your account and transfer it between the funds, in accordance with one of the three investment combinations. This kind of change can only be made once every six months. It won't have any effect on the way future contributions are invested.

Reallocations take effect on the last day of a month. Please be sure to submit your change form at least two weeks in advance. For example, if you requested a reallocation on April 4, it would take effect on April 30.

Please Note: Changing the investment of future contributions and reallocating account balances are separate transactions. One transaction will not automatically change the other.

Making changes

Changing Your Contribution Amount

You may wish to increase or decrease the percentage of earnings you contribute—or change the type of contributions you make to the plan (e.g., regular to tax-saver).

After you first enroll, you may make either kind of change (or both together) at any time. But after that, you cannot make another change for six months.

To make a change, submit a contribution change application to the Personnel or Employee Relations Department. The new rate will be reflected in your first paycheck in the month following 30 days from the date Personnel or Employee Relations receives your application.

For example, suppose you hand in a contribution change application on September 7. Thirty days later is October 7. Your new contribution rate will be effective in the first paycheck you receive in November. The next time you'll be able to change your contribution rate will be six months later, or May of the following year.

Highly paid employees as described on page 8 may not be permitted to increase the percentage of earnings they contribute due to certain government limitations.

Stopping Contributions

You may stop making contributions at any time by submitting a contribution change application to the Personnel or Employee Relations Department. Contributions will stop with the first paycheck you receive in the month following 30 days from the date Personnel or Employee Relations receives your application.

While you're not contributing, the Company won't be making any matching contributions on your behalf.

Resuming Contributions

After you stop contributing, you can't begin contributing again for at least six months. Once the six months are up, you can start contributing again by submitting a contribution change application. Contributions will resume in the month following the 30-day waiting period.

Since a resumption of contributions is considered a change in contribution rate, you can't increase or decrease your contribution rate for six months after contributions resume. But you can still suspend your contributions, if you wish.

Maturing of Company contributions

Company contributions (adjusted for investment earnings and losses) mature based on your years of service with the Company. The following vesting schedule reflects the percentage of Company contributions you are entitled to at termination:

Years Of Service	Vested %
2	25
3	50
4	75
5 or more	100

"Service" with the Company means eligibility service as defined by the North American Philips Corporation Pension Plan for Salaried Employees. This may include employment with any member of the Philips controlled group of companies worldwide.

Withdrawals

While the plan's main goal is to help you save for retirement, you can still use ESP to save for buying a house, paying for college or other major expenses while you're working.

However, in keeping with the plan's long-term savings goal and government regulations, these restrictions apply to ESP withdrawals made while an employee:

- You can only make one withdrawal in any six-month period.
- Access to tax-saver contributions is strictly limited to hardship situations as explained later under "Option 4."
- Earnings credited to your tax-saver account after 1/1/89 are not available for withdrawal..
- There is no provision for an immediate withdrawal. It will usually take three months between the time you request a withdrawal and receipt of your check.
- You may only withdraw Company contributions as outlined below.

Withdrawal of Company Contributions

Basically, you are permitted to withdraw the vested percentage of your Company contributions or *all* of your Company contributions *minus* a 24-month "holdout," whichever is *less*. The 24-month holdout is all Company contributions made to your account during the 24 months prior to your withdrawal effective date. This holdout applies to contributions only. You are always entitled to withdraw the vested percentage of earnings on these contributions. However, once you have at least 5 years of *plan participation*, you are no longer subject to the 24-month restriction.

Example. John has been with the Company 4 years, making him 75% vested. He has been participating in the plan 3½ years and has been receiving a Company match amounting to $500 every 6 months or $1,000 per year. The amount of Company money he would be eligible to withdraw is the lesser of:

- 75% of Company contributions ($3,500 times .75) or $2,625, or
- $3,500 minus $2,000 (the amount contributed during the last 24 months), or $1,500.

Therefore, John would be entitled to withdraw $1,500 plus 75% of the earnings credited on his Company contributions.

Taxation of Withdrawals

When you request a withdrawal, regular contributions you made prior to January 1, 1987 (pre-1987) will be returned first tax-free. After that, all or a portion of the amount you withdraw will be taxable.

A special formula required by federal tax law is used to determine the taxable portion of any withdrawal which includes investment earnings on your regular contributions (Option 2 shown in the chart on page 17).

Basically, the taxable portion of your withdrawal will be based on the ratio of investment earnings on your regular account compared to your total regular account value (all regular contributions *plus* investment earnings). Please refer to the example shown on page 23 under the section "Taxes on your ESP account."

If you make a withdrawal prior to age 59½, in addition to income taxes, a 10% additional tax will generally apply to the taxable portion of any withdrawal. (For more details on taxation of withdrawals please refer to "Taxes on your ESP account" beginning on page 22.)

Withdrawal options

There are four types of withdrawals, summarized as follows:

Under This Option...	You Can Withdraw...
Option 1	regular contributions you made prior to January 1, 1987 (pre-1987) adjusted for any investment losses
Option 2	regular contributions *plus* • any investment gains or losses on those contributions
Option 3	all regular contributions and any investment gains or losses on those contributions *plus* • the lesser of vested Company contributions or 100% of Company contributions made 24 or more months before the date of the withdrawal, and • the vested amount of any earnings on all Company contributions NOTE: The 24 month restriction does not apply if you have 5 or more years of participation in ESP.
Option 4	all of the above amounts *plus* any tax-saver contributions (adjusted for investment losses) and earnings on these contributions credited prior to 1/1/89. You may not withdraw earnings credited to your tax-saver account after January 1, 1989. IMPORTANT: An option 4 withdrawal is allowed only if you can prove serious and pressing financial need (as defined by the IRS) that cannot be met through other resources available to you.

As you can see, each succeeding type of withdrawal gives you access to a larger amount of money. The type of withdrawal you make is the one that covers your financial need.

Here are more details . . .

Option 1

Option 1 is only available to those employees who have regular contributions to the plan made before 1987. The amount available for withdrawal is the actual amount you have contributed less any losses from poor equity fund performance. It doesn't include any earnings on your regular contributions.

You may request a specific dollar amount or 100% of the amount available under this option. If you request a dollar amount that exceeds the maximum available, you'll receive the maximum.

Option 2

If option 1 doesn't provide you with all the money you need, you may want to choose option 2. The amount available for an option 2 withdrawal includes all your regular contributions adjusted for investment performance. As under option 1, you may request a specific dollar amount or 100% of the amount available under option 2. If your dollar amount is more than the maximum available, you'll receive the maximum.

When you select option 2, your withdrawal is first taken from your pre-1987 regular contributions which are returned tax-free and then from your post-1986 regular contributions together with a portion of earnings on your regular contributions. This would be important if you needed a specific dollar amount. If you didn't have enough in your pre-1987 regular contributions account, the additional money needed would be withdrawn from your post-1986 regular contributions and earnings.

Option 3

If you need more money than option 2 provides, you may select option 3. An option 3 withdrawal would give you all the money under options 1 and 2 *plus:*

- any Company contributions (adjusted for investment losses if necessary) which have become available to you based on your service and participation in the plan. (Please see page 14 for details.)
- the vested amount of any earnings on your Company contributions.

Option 4

This option is available only if you can prove financial hardship.

An option 4 withdrawal includes all the money available under all three prior options *plus* any tax-saver contributions you've made (adjusted for investment gains or losses).

However, an Option 4 withdrawal cannot include investment gains on your tax-saver contributions earned after January 1, 1989, in accordance with federal requirements.

All option 4 withdrawals from the Plan must be approved by the Pension Committee. The Committee reviews applications based on Internal Revenue Service regulations. These regulations are strictly adhered to in order to protect the Plan's continued qualified status under the IRS tax code. A tax-saver withdrawal can only be made if you can demonstrate:

- There is an "immediate" and "heavy" financial need, and
- A distribution from the plan is necessary to satisfy such a need.

The IRS considers the following expenses to be immediate and heavy financial needs:

1) *Purchase (excluding mortgage payments) of a principal residence,*
2) *Medical/dental expenses of an employee, spouse or dependent to the extent not covered by insurance,*
3) *Payment of tuition for the next semester/quarter of post-secondary education for the employee, spouse or dependent,*
4) *Prevention of eviction from the employee's primary residence or foreclosure on the mortgage of the employee's primary residence.*

If your financial need is anything other than what is clearly outlined above, you must demonstrate why the need is *immediate* and *heavy*. Any relevant documents, statements, and letters which support your claim should be submitted.

Withdrawal options (continued)

Once it has been established that your financial need is *immediate* and *heavy,* it is then necessary to establish that the distribution you are requesting is necessary to satisfy the financial need. In other words, the financial need cannot be reasonably satisfied from other resources available to you. A distribution will be deemed necessary if:

1) The distribution is not in excess of the amount of the immediate and heavy financial need,
2) You have already obtained distributions other than hardship distributions (Options 1 through 3 cannot satisfy the financial need),
3) Your contributions and Company contributions to ESP must be suspended for at least 12 months after the effective date of the hardship distribution,
4) Your tax-saver contributions to the plan in the taxable year following the year of the hardship distribution is limited to the IRS Tax-saver Limit (in 1988 — $7,313) less the amount of tax-saver contributions made in the year of the distribution.

Thus, if you request a hardship withdrawal you must clearly demonstrate the amount of financial need. Then, if the Committee approves your application, *all* your contributions to the Plan will be suspended for 12 months and your tax-saver limit for the next calendar year will be reduced by the amount of the tax-saver contributions you made in the year of distribution.

Withdrawal Procedures

To make a withdrawal, you must submit a withdrawal application to your Personnel or Employee Relations Department. If you're not sure how much money you can withdraw, see your Personnel or Employee Relations Department for information about your account.

Your withdrawal will be valued on the last day of the month. No investment earnings will be credited to the amount withdrawn between the valuation date and date of payment. Be sure Personnel or Employee Relations receives your application at least two weeks in advance. You'll receive a payment within 60 days of the valuation date. For example:

- Application to Personnel — April 6
- Account valued — April 30
- Payment made by — June 30

Withdrawal options (continued)

All withdrawals will be taken proportionately from the two investment funds. For example, if you have 75% of your account in the guaranteed fund and 25% in the equity fund, 75% of your withdrawal will come out of guaranteed and 25% out of equity.

You may not re-contribute any amounts that you withdraw.

Option 4 Withdrawal. To apply for an option 4 withdrawal, you must complete and submit an "Application for Financial Hardship Withdrawal," together with proof of hardship satisfactory to the Pension Committee. After the Committee approves your application, your hardship withdrawal will be processed. In the event your request is denied, you will be notified in writing.

Your Personnel or Employee Relations Department can explain all the requirements in detail and give you the form you'll need.

Taxes on your ESP account

One of the best things you get through ESP is the benefit of matching Company contributions and the ability to save through convenient payroll deductions. In addition, under current tax law, you pay no federal taxes whatsoever on Company contributions and investment earnings credited to your account while the money remains in the plan. However, when you *do* receive plan money (either as a withdrawal while actively employed, or a payout when you leave the Company), you will generally be taxed.

Your Pre-1987 Regular Contributions

When you request a withdrawal, regular contributions you made prior to 1987 (pre-1987) are refunded to you first tax-free. However, if you have no pre-1987 regular contributions, or wish to withdraw more than that amount, all or a portion of any such withdrawal will be taxable. (For details see the explanation immediately below.)

Other Contributions and Earnings

Money that has never been taxed before will be taxed when you receive it. This includes:

- investment earnings on your regular contributions
- your tax-saver contributions, plus their earnings
- Company contributions made on your behalf, plus their earnings

Federal tax law requires that when you withdraw your regular contributions made after 1986 (post-1986 regular contributions), you must also withdraw a portion of the earnings which are taxable. Basically, the taxable portion of your withdrawal of post-1986 regular contributions will be based on the ratio of investment earnings on your regular account compared to the value of your total regular account (including earnings). The following example shows how the taxable amount of a withdrawal of your regular contributions, including earnings, is determined:

Example

John has the following ESP account balances:

Pre-1987 regular contributions (made before January 1, 1987)	$3,500
Post-1986 regular contributions (made beginning Jan. 1, 1987 and after)	1,500
Plus investment earnings	1,000
Total regular contributions worth	$6,000

John elects to make a withdrawal of $4,500. His pre-1987 regular contributions are returned first tax-free:

$4,500	Withdrawal request
3,500	Pre-1987 regular contributions returned
$1,000	Balance of withdrawal which includes a taxable and non-taxable portion

To determine the non-taxable portion:

Divide John's post-1986 regular contributions by The balance of his regular account ($6,000 – $3,500)

$$\frac{\$1,500}{\$2,500} = 60\%$$

John will, therefore, pay taxes on 40% of the remainder of his withdrawal (40% X $1,000), or $400.

John's total withdrawal request is:	$4,500
John's TAXABLE PORTION is:	$ 400
John's NON-TAXABLE PORTION is:	$4,100

Withdrawals while you are employed

The 10% Additional Tax. Generally, if you are less than age 59½ and you withdraw money that has never been taxed before, you will have to pay a 10% additional tax—as well as income taxes—on that amount.

(The 10% additional tax will not apply to any taxable amount withdrawn to the extent it is used to pay unreimbursed medical expenses which exceed 7.5% of your adjusted gross income.)

Distribution upon termination

The 10% Additional Tax. If you receive a payout upon termination of employment before age 55, the taxable amount you receive is generally subject to the 10% additional tax and income taxes. However, the 10% additional tax will not apply to ESP payouts upon termination if they are:

- paid to you at age 59½ or older
- rolled over into an Individual Retirement Account (IRA)
- paid in the event of your death or disability

Your distribution will be valued on the last day of the month in which you terminate. No investment earnings will be credited to your distribution between the valuation date and date of payment. Payments are made 30-60 days from the valuation date.

If you meet certain age requirements, you may be able to take advantage of some special tax provisions, as follows:

Income Averaging. Upon reaching age 59½, you may be eligible for 5-year income averaging if you receive a payout after participating in ESP for five calendar years or more prior to the year you receive payment.

If you were age 50 or older on January 1, 1986 and you receive a payout after participating in ESP for five calendar years or more, you may be eligible for 10-year income averaging under the 1986 tax rates. You may also have the option of using 5-year income averaging at current tax rates.

If you are eligible to use the special income averaging, the taxable amount you receive from ESP is *not* added to your other earnings as ordinary income. Instead, that money is taxed separately in the year received at a rate determined as if it were your only income and you received it over a 5- or 10-year period. For taxable distributions under $70,000 an even lower rate may apply.

Don't underestimate the value of income averaging. If you use it in place of the ordinary income method, it may significantly reduce the taxes you owe.

Individual Retirement Account (IRA) Rollover. This is another tax saving possibility you should consider (especially if you don't qualify for income averaging).

When you receive a payout due to termination of employment or retirement, you can still postpone paying taxes

by transferring—or "rolling over"—all taxable amounts into an IRA (or another qualified plan). There is *no dollar limit* on how much you can roll over. You can arrange to open an IRA at a bank, insurance company or other financial institution.

Note, though, that you must make an IRA rollover within 60 days of the date you receive your ESP check. And you can't withdraw your IRA money before age 59½ without paying a penalty. Furthermore, when you collect your IRA money, you will not be eligible for income averaging.

The above comments are only general guidelines covering some, but not all, situations. They are based on the tax rules as they exist today. Of course, when you actually terminate or retire these rules may be different. When you receive a distribution from the plan, you will receive a notice concerning special tax rules along with your distribution statement. *It is recommended that questions regarding your specific tax situation be discussed with a qualified tax advisor.*

Changes in status

If you transfer to an ineligible status, for instance to an NAPC division that doesn't participate in ESP or to a Philips Company outside of the U.S., you are not considered a terminated employee. However, your contributions remain in the plan and continue to share in investment results. Also, Company contributions already in your account continue to mature (see page 14). You may also withdraw money from your account (subject to the usual plan rules) and reallocate your account balance.

If you later return to an eligible status, you may resume making contributions to ESP immediately.

Unpaid Leave

An unpaid leave of up to one year is handled in the same way as a change in status. While you're on an unpaid leave, you can't contribute to the plan or receive Company contributions. You may leave your money in the Plan. Your contributions remain in the Plan and continue to share in investment results. Company contributions continue to mature. You can also withdraw money and reallocate your account balance in the usual manner. You may begin contributing again as soon as you return from leave.

Layoffs

Layoffs are handled in the same way as unpaid leaves. Athough you can't contribute to the Plan or receive additional Company contributions, you may leave your money in the Plan for one year following your layoff date. Your contributions continue to share in investment results and Company contributions continue to mature. If you are rehired by the Company, you may begin contributing again.

Paid Leave

If you're on a paid leave of absence (like sick leave), you continue to make plan contributions for as long as you receive a paycheck.

If you are on a monthly salary continuance program, you are considered an active employee and may continue to make contributions to the Plan. You may not terminate from the Plan until your salary continuance is over.

IRS rules

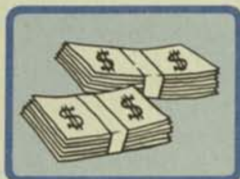
PLEASE NOTE: The special tax advantages gained through tax-saver contributions are made possible by Section 401(k) of the Internal Revenue Code. For this reason, plans like ours that allow tax-saver contributions have come to be known as "401(k) plans."

There's an important technical point you should understand about 401(k) plans. From the IRS' standpoint, the tax-saver contributions that are made by reducing your earnings are considered *"employer (Company) contributions."* In effect, the Company is making those contributions into ESP on your behalf. Calling tax-saver contributions "employer contributions" allows you to take the reduction in current taxes and use favorable tax rules when you receive a payout.

However, since tax-saver contributions come from reducing your earnings, we've choosen to call them "*your* contributions" in this guidebook. For example, when we say your contributions are always 100% vested—we mean both regular *and* tax-saver contributions are 100% vested.

A Word About IRA's

Provisions of the current federal tax law may limit or eliminate the tax deductible status of your contributions to an IRA (Individual Retirement Account) for 1987 and later years, if you participate in a tax-qualified plan such as the Company's pension plan (or this one). If you have any questions, you may wish to consult your tax advisor.



Payout of your ESP account when you leave

If you leave the Company after qualifying for normal retirement or after completing 5 years of service (eligibility service as defined by the North American Philips Corporation Pension Plan for Salaried Employees), you can receive the *full value* of your ESP account. This means *all* tax-saver contributions, regular contributions and Company contributions (adjusted, of course, for investment earnings or losses).

If you *do not* qualify for normal retirement or have less than 5 years of service, you can still receive the *vested portion* of your ESP account. The vested portion is:

- all your tax-saver and regular contributions adjusted for earnings (or losses), and
- the vested percentage of all Company contributions adjusted for earnings (or losses) (see page 14).

Although it is unlikely, if the vested amount of your Company contributions made before 1989 is greater under the old three-year maturing cycle, you will receive this higher amount.

Payment is always made in one lump sum.

Your distribution will be valued on the last day of the month in which you terminate. If you transfer to employment with a member of the Philips controlled group of companies worldwide, which does not participate in ESP, you will not be considered terminated. *No investment earnings will be credited to your distribution between the valuation date and date of payment.*

Payout of your ESP account when you leave (continued)

If you do not collect your benefit at the time you leave *you must wait* until you are age 65 to receive it. Your monies will automatically be invested in the Guaranteed Income Fund in the interim.

If you terminate your employment with the Company and are later rehired before the end of the fifth calendar year following the year in which you terminated, you are eligible for a special provision. You may repay the amount you received from ESP at termination of employment within five years of re-employment to re-establish the same account balance(s) you had when you left. This would be important if you left the Company prior to becoming fully vested. If you repay your account as specified, the Company money forfeited at termination will be restored to your account. Otherwise, your ESP account(s) will be set up as if you were a new employee.

IMPORTANT NOTE: All repayments to the Plan are deposited as regular contributions. Therefore, you are responsible for the taxable portion of your distribution in the year you receive payment, even if you repay your account in the same year.

If you become disabled

In case of disability, your entire account becomes 100% vested and payable to you 2½ years after your last day of work. (Of course, you may make withdrawals in accordance with the withdrawal provisions before that date.)

For this plan, disability means that your active service has ended because a physical or mental condition makes you unable to perform your regular job in a satisfactory manner.

About two months before you have been disabled for 2½ years, you'll receive a distribution upon termination form. You must submit this form along with evidence of your continuing disability. Acceptable evidence would be confirmation that you are receiving Social Security disability payments or are continuing to receive payments from the Company's long-term disability plan. The Pension Committee will determine whether to accept your request for payment.

If you die

If you die in active service, your entire account becomes 100% vested and payable to your beneficiary. If you die after leaving the Company but before your entire account balance has been paid out, any undistributed amount you were entitled to will go to your beneficiary. Your beneficiary will be asked to submit a certified copy of the death certificate along with the distribution upon termination form.

Your Beneficiary

If you are married, your beneficiary is automatically your spouse—unless your spouse agreed to another beneficiary by co-signing a special beneficiary designation form. If you are single, you can name anyone you wish as your beneficiary and you can change your beneficiary at any time. However, if you later marry, your spouse will automatically become your beneficiary unless you file a special form with the consent of your spouse.

If you don't name a beneficiary, or your beneficiary dies before you do, the Pension Committee may name any of the following as your beneficiary.

- your spouse (if you are married, your spouse will automatically be considered your beneficiary)
- your surviving children (equally)
- your, your spouse's or your beneficiary's executor or administrator.

Claiming your benefit

You (or your beneficiary) will receive your ESP payment as soon as possible after a request is filed. To receive your ESP benefit, you or your beneficiary should file a distribution upon termination form with the Personnel or Employee Relations Department. The value of your account is determined on the "valuation date" that falls on or immediately follows the date Personnel or Employee Relations receives the distribution upon termination form. (The last day of each month is a valuation date.) Payment is made within 60 days of your valuation date.

All payments will be made in one lump sum. Consult your tax counsel for any special tax treatment that may apply.

Future of the plan

The Company intends to continue the Employee Savings Plan indefinitely, but reserves the right to change, suspend or terminate the plan at any time. If the plan terminates, you'll become fully vested in the entire value of your account. Since there can never be any unfunded benefits under the plan, the plan is not insured by the Pension Benefit Guaranty Corporation.

Plan administration

The North American Philips Corporation Employees' Savings Plan (known as the Employee Savings Plan, or ESP) is a defined contribution plan. A plan administrator is responsible for providing participants with information on their benefits and handling other functions necessary for the plan's operation. The plan administrator is:

North American Philips Corporation
100 E. 42nd Street
New York, N.Y. 10017
(212) 850-5000

Plan administration is handled by the Pension and Investment Committees appointed by NAPC's Board of Directors. On the local level, your Personnel or Employee Relations Department takes care of day-to-day plan administration. They should be your first source for any questions you have about the plan.

Trustee
The plan trustee is Banker's Trust Company, 280 Park Avenue, New York, N.Y. 10022. Banker's Trust holds your contributions, the Company's contributions and earnings on those contributions in a trust fund. They distribute the plan's funds in accordance with the provisions of the trust agreement and legal plan document.

Agent for Service of Legal Process
For any legal proceedings, the plan's agent is:

CT Corporation System
1633 Broadway
New York, N.Y. 10019

Legal process may also be served on the plan trustee or plan administrator.

Appealing Denial of Your Claim
If your benefits claim is denied for any reason, you or your beneficiary will receive a written notice from the Plan Administrator within 90 days. The notice will explain the reason for the denial, refer to the part of the plan on which the denial is based, and review the claims appeal procedure. If you have made an error in the claim, the notice will list ways in which it can be corrected. If special circumstances exist, you may not receive a notice for up to 180 days. However, you'll know within 90 days if there will be a delay.

You are entitled to appeal a claim that is denied, and you will receive a full and fair review. You may review any documents that relate to your claim. Within 90 days of the date you receive the denial, submit your appeal, in writing, to the Pension Committee. Be sure to state why you believe the claim shouldn't be denied, and submit any data, questions or comments you think are appropriate.

You will receive a written decision on your appeal within 60 days of the time the Pension Committee receives your request. If special circumstances exist, such as the need to hold a hearing, you'll receive a notice within 60 days that a decision may take up to 120 days.

Plan Year
The plan year runs from January 1 through December 31. All records which relate to the plan are maintained on a plan year basis.

Plan administration (continued)

Plan Documents

The preceding description summarizes the major features of the Employee Savings Plan; it is intended to meet the requirement for a summary plan description under the Employee Retirement Income Security Act of 1974 (ERISA). Your local Personnel or Employee Relations Department has a copy of the plan document which details each plan provision and governs your rights if it differs from this summary.

Employer and Plan Number

For reporting plan information to the U.S. Department of Labor and the Internal Revenue Service, the Company's Employer Identification Number (EIN) is 13-1895219 and the Plan Number (PN) is 005.

Your rights under law

As a participant in the North American Philips Corporation Employee Savings Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all plan participants are entitled to:

- Examine, without charge, at the plan administrator's office and at other locations (including worksites), all plan documents including copies of all documents filed by the plan with the U.S. Department of Labor, such as annual reports and plan descriptions.
- Obtain copies of all plan documents and other plan information upon written request to the plan administrator. (The administrator may make a reasonable charge for the copies.)
- Receive a summary of the plan's annual financial report. The plan administrator is required by law to furnish each participant with a copy of this summary annual report.
- Obtain a statement indicating the amount of your account balance. The statement will also tell you the extent to which you're vested and how many years you have to work to become fully vested. This statement must be requested in writing and is not required to be given more than once per year. The plan administrator must provide the statement free of charge.

Your rights under law (continued)

In addition to creating rights for plan participants, ERISA imposes duties upon the people who are responsible for the operation of the plan. The people who operate your plan, called "fiduciaries," have a duty to do so prudently and in the interest of you and other plan participants and beneficiaries. No one may fire you or otherwise discriminate against you in any way to prevent you from obtaining a benefit or exercising your rights under ERISA.

If your claim for a benefit is denied, in whole or in part, you must receive a written explanation of the reason for the denial. You have the right to have the plan administrator review and reconsider your claim. Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials from the plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the plan administrator to provide the materials and pay you up to $100 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court. If it should happen that plan fiduciaries misuse the plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees—for example, if it finds your claim is frivolous.

If you have any questions about your plan, you should contact the plan administrator. If you have any questions about this statement or about your rights under ERISA, you should contact the nearest Area Office of the U.S. Labor-Management Services Administration, Department of Labor.

This section is only a representative summary of the Employee Savings Plan. Should any questions or conflicts arise, they will be resolved based on official policies, plan documents and applicable laws. Neither this summary nor this guidebook constitutes an express or implied contract of employment.

DENTAL ASSISTANCE PLAN

DENTAL

Your dental assistance plan

Section	Page
Why Dental Assistance?	1
Who is Eligible?	1
Enrollment	
How To Enroll	2
Changes in Family Status	
New Dependents	2
Other Changes in Family Status	2
Other Facts	3
Cost	3
Your Benefits	4
Filing Claims	4
The Deductible	5
Covered Dental Expenses	5
Preventive and Diagnostic Services (Type A)	5
Basic Services (Type B)	5
Major Services (Type C)	6
Orthodontics	6
Orthodontic Benefit Payment Schedule	6
Pre-Treatment Estimate	7
Metropolitan Preferred Dentist Program	7
Coordination of Benefits	8
What The Plan Does Not Cover	10
Limitations	11
How to File a Claim	12
How To Complete Your Dental Claim Form	12
Where To Send Your Claim	14
Procedure For Appealing Claims	14
If You Become Disabled	15
Layoffs or Leaves of Absence	15
When Your Coverage Ends	15
Optional Continuation of Coverage	16
When You May Continue Coverage	16
Eligibility Requirements	16
How Long Optional Continuation Of Coverage Lasts	17
Future of the Plan	18

Your dental assistance plan (continued)

Section .... Page

Plan Administration
- Plan Administrator 18
- Insurance Company 18
- Agent For Legal Process 18
- Plan Year 18
- Employer And Plan Number 18
- Effective Date 18

Your Rights Under Law 19

Payment Schedule 21

Why dental assistance?

Many things contribute to your physical well-being. One of those things is sound teeth. Your Dental Assistance Plan can help you—and your paycheck—when it comes time to pay for dental care. The plan pays a portion of your expenses for a broad range of services.

Who is eligible?

If you are an active, permanent, full-time, salaried employee, you are eligible for dental assistance insurance on your date of employment. ("Full-time" means you are regularly scheduled to work at least 30 hours per week.) You may also cover your "dependents" — that is, your husband or wife (unless legally separated or divorced) and unmarried children from birth up to their 19th birthday.

Superseded by New Dental SPD.

- **Children**—Children eligible for coverage include . . .
  - —your own children,
  - —stepchildren,
  - —adopted children, or
  - —any children permanently residing in your household in a parent-child relationship

  . . . provided that they are primarily dependent upon you for support.
- **Students**—Coverage will be provided for your unmarried children up to their 25th birthday while they are attending school as full-time students and are primarily dependent upon you for support.
- **Handicapped Child**—If you have a mentally retarded or physically handicapped child, coverage will be provided for as long as he or she remains handicapped and dependent upon you. When you enroll for family coverage upon employment, a form must be completed, providing satisfactory evidence of your child's handicap. This form will be forwarded to the insurance company for approval or denial of handicapped coverage. If your child is mentally retarded or physically handicapped at age 19 but before age 25, or at age 25, his or her coverage may continue for as long as he or she remains handicapped and dependent upon you. To have coverage continued, you must provide satisfactory evidence of the handicap to the insurance company. Contact your Personnel or Employee Relations Office at least 90 days before your handicapped child's normal coverage termination date.

Who is eligible? (continued)

If your husband or wife is also an employee of the Company, you may both enroll for individual coverage, or you may include each other as a dependent under family coverage. Both of you may cover your children. However, the coordination of benefits provision explained on pages 8-9 will apply.

Enrollment

How To Enroll

Coverage for you (and your eligible dependents, if you elect family coverage) will take effect on your employment date.

If you do not elect any coverage in writing you will be covered automatically for individual coverage as of your employment date. However, your dental claims (incurred on or after the date you become covered) will be reimbursed only after you have completed and submitted an enrollment form.

You and your eligible dependents will be covered as of your date of employment *only* if you complete and submit an enrollment form electing family coverage within your first month of employment.

Changes in Family Status

New Dependents

If you have individual coverage and later gain an eligible dependent (e.g., you get married or you have a child), you must enroll for dependent coverage within 31 days of the date he or she became your dependent. Coverage will be retroactive from the date you acquired the dependent(s).

If you do not enroll for family coverage within 31 days after gaining a dependent, your dependent(s) will not be covered until the January 1 following the date you requested to enroll them.

Other Changes In Family Status

If you have individual coverage and your spouse becomes unemployed (thereby losing group insurance coverage), you can immediately enroll for family coverage. If you enroll within 31 days after your spouse becomes unemployed, there is no need to satisfy a waiting period. However, you will have to provide proof satisfactory to the insurance company that your spouse terminated employment.

Enrollment (continued)

If you have a change in family status (for example, you become divorced or your child reaches the limiting age under the plan), and wish to switch from family to individual coverage, you may do so by filing a group insurance change form within 30 days of the change with your Personnel Office.

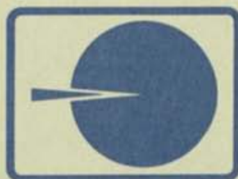
Delayed Enrollment

If you are absent from work because of injury or illness on the day your insurance would otherwise take effect, the effective date of coverage for you and your family will be postponed until the date you return to work. If a member of your family is in the hospital on the date your family coverage is to become effective, coverage for that dependent will be postponed until the date he or she is discharged from the hospital.

Other Facts

After you enroll, your participation in the Dental Assistance Plan continues automatically each calendar year *unless* you reject coverage in writing. (By electing this coverage you agree to make contributions through a reduction in your salary before taxes are taken out.)

While you are eligible to participate in the Dental Assistance Plan, you can only cancel coverage effective any December 31 by completing a change form in advance.



Cost

Individual coverage—for yourself only—is free. Family coverage—for yourself and all your eligible dependents—costs $10.00 a month. Your contributions are made through convenient pre-tax payroll deductions.

By signing up for the Dental Assistance Plan, you agree to make contributions through a reduction in your salary *before taxes are taken out.* As a result, the actual bite out of your take-home pay will be *less* than $10.00 a month.

Here are some other important points about before-tax contributions:

- "Taxes" mean federal income tax, most states' income tax and Social Security (FICA) tax. Because your before-tax contributions reduce your earnings for Social Security purposes, making such contributions may slightly decrease your Social Security benefit. Any pay-related benefits (such as life insurance or the pension plan) are not affected by the reduction in your salary.

Cost (continued)

- Before-tax contributions for dental insurance are allowed under current tax law. Should the tax law change, you will have to contribute in after-tax dollars, without the special savings just described.

Your benefits

You are covered for the following types of dental procedures, provided that they are necessary and are performed or prescribed by a dentist (Doctor of Dental Surgery or Doctor of Medical Dentistry) or legally qualified physician.

- diagnostic
- preventive
- restorative
- extractions
- oral surgery
- endodontics
- periodontics
- space maintainers
- crowns
- orthodontics (for children only)

The benefits payable for various procedures are listed under "Covered Dental Expenses" on the Schedule at the end of this section. Each covered person can receive up to $1,000 for covered dental expenses in a calendar year. With the exception of orthodontic treatment, there is no lifetime maximum on dental expenses.

Filing Claims
Details on completing a claim form can be found under "How to file a claim" on page 12. Please read this section carefully.

The deductible

In any calendar year, you pay the first $50 in covered expenses for each covered person—except for preventive and diagnostic (Type A) services (see below) and orthodontic treatment for your eligible children (see page 6). Each covered person can begin to receive benefits after this $50 deductible has been met.

When three or more members of your family incur a total of $150 in covered dental expenses (but not counting more than $50 for any individual), your family has satisfied the maximum $150 family deductible. The entire family then becomes eligible for dental benefits for the rest of the calendar year.

Covered dental expenses

The schedule at the end of this section tells you exactly how much the Dental Assistance Plan pays for specific services in each category of covered expenses. All benefit payments, of course, are subject to administrative guidelines as set forth by the insurance company. If you have any questions about coverage of a procedure that you must undergo, ask your Personnel or Employee Relations Office to find out how much the plan pays.

PREVENTIVE AND DIAGNOSTIC SERVICES (TYPE A)

This category includes methods for detecting and determining the extent of tooth decay and the health of gums and associated structures of the mouth. It covers measures taken to avoid premature loss of teeth and soft tissue breakdown. **The deductible does not apply to these preventive and diagnostic services.**

BASIC SERVICES (TYPE B)

Basic Services (Type B) include dental oral surgery, periodontics, endodontics and minor repair of teeth (such as fillings and repair of dentures). **The deductible applies to all Type B services.**

Oral Surgery. Includes operative procedures performed on the teeth, jaws and associated tissues. Fees for local anesthesia and routine post-operative care are included in the benefit for the operative or surgical procedure.

Covered dental expenses (continued)

MAJOR SERVICES (TYPE C)

Major Services (Type C) include major repair or replacement of teeth such as crowns, bridges and dentures. **The deductible applies to Type C services.**

Restorative. Restorative services involve the major repair, reconstruction or replacement of natural teeth. Gold restorations and crowns are covered only when teeth cannot be restored with a filling material.

ORTHODONTICS

Orthodontic treatment is only covered for your enrolled dependent children. The plan will pay 50% of the reasonable and customary charges for straightening teeth—up to a lifetime maximum of $1,000 per eligible dependent. **The deductible doesn't apply to orthodontic expenses.**

If the orthodontic process began before your dental coverage took effect, the plan won't pay for services prior to the effective date. It will, however, pay benefits for services provided as part of the process after the effective date. It won't pay for services after your coverage ends, even if the treatment began while coverage was in effect.

Orthodontic Benefit Payment Schedule

Orthodontic benefits are paid according to a schedule based on the duration of treatment.

Upon installation of the appliance, 25% of the total covered reasonable and customary charge is payable at the 50% rate. The balance of the covered charge is payable in monthly installments over the anticipated length of the course of treatment or until the maximum benefit of $1,000 is paid, whichever is earlier.

Monthly maintenance benefit payments are issued automatically, subject to confirmation of continuing treatment by the dentist every six months.

Pre-treatment estimate

When your dentist estimates that your dental treatment will cost $200 or more, a pre-treatment estimate should be prepared. This means that you should file a claim form with this estimate before your treatment begins. In this way, you, your dentist and the insurance company can review the proposed course of treatment and estimated fees in advance. The insurance company will inform you what expenses are covered and what your benefits will be.

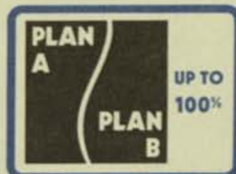
The insurance company reserves the right to determine what benefits are payable, taking into account alternate procedures, services or courses of treatment, based on accepted standards of dental practice. In some cases, X-rays, and study models will be needed to evaluate the proposed course of treatment. Your dentist will be informed when those items are required.

Metropolitan Preferred Dentist Program
As part of our Dental Assistance Plan, you may choose to take advantage of Metropolitan's Preferred Dentist Program.

Metropolitan has set up a network of dentists who have agreed to accept a predetermined schedule of maximum charges which are substantially lower than community averages. Our plan continues to pay up to the same scheduled amounts, but your share of the costs will be based on lower charges. Therefore, if you or your covered dependents decide to use a Preferred Dentist, your out-of-pocket payments will probably be lower. If you choose a Preferred Dentist, another advantage is that all periodic exams, other than the initial exam, will be provided free of charge.*

Please ask your Employee Relations or Personnel representative for Metropolitan's directory of Preferred Dentists in your area.

*Except in California, where the cost is included in the charge for other services.



Coordination of benefits

Since many companies make dental benefits available to their employees, some of you may now be covered by more than one group plan. This situation often arises when both you and your spouse are employed, and are covered under the group plans sponsored by each employer. As a result, you could receive payments in excess of your actual expenses.

To avoid such duplicate payments, our plan contains what is known as a "coordination of benefits" (COB) provision. If you or one of your family members is covered by other group insurance or similar coverage, the Dental Assistance Plan will coordinate its benefit payments with your other coverage — including no-fault motor vehicle coverage — so that you will receive no more than 100% payment for the allowable dental charges.

Here is how COB works. If you or a dependent is covered under more than one group plan, you should determine which plan pays benefits first (this is called the "primary" plan). Claims should be submitted to the primary plan first. After the primary plan has paid benefits within its limits, a claim can be submitted to the other plan. The other plan will then determine what remaining charges it will cover.

Here are the general rules used by most insurance companies to determine which plan is primary.

If you are covered by another plan that doesn't have a coordination of benefits provision, the other plan has the primary responsibility for paying claims. If both plans under which you're covered have a coordination of benefits provision, the following factors determine which plan pays first:

- A plan which insures the person as an employee pays before a plan which insures the person as a dependent.
- For children, the plan of the parent whose birthday is earlier in the year will pay first. (NOTE: A parent's year of birth is *not* considered.) For example, in the case of a child whose mother's birthday is March 5 and whose father's birthday is June 12, the mother's plan pays first. If both parents have the same birthday, the plan which covered the parent longer pays first. However, if the coordinating plan has a provision requiring that the order of payment be determined by the sex of the parents, the plan which insures the father pays first.

Coordination of benefits (continued)

- A plan which insures the person as an active employee pays before a plan which insures the person as a retiree.

If a person has two coverages through two jobs, the plan which has insured the person for a longer period of time pays first.

If you're divorced or legally separated, other factors are considered. The plan of the parent who has custody of the children pays first, a step-parent's plan pays second and the plan of a natural parent who doesn't have custody pays third. If a court decision has established financial responsibility for the children, the plan of the parent with financial responsibility pays first, the step-parent's plan pays second and the other natural parent's plan pays third.

No-fault motor vehicle coverage will be the primary payor of benefits regardless of the above guidelines — except in those states which require otherwise.

These coordination of benefits provisions do not apply to any *individual* policy you may have.

If you or a dependent has dual coverage, the person who handles medical claims at your location can help you determine which plan is primary. This will help speed up processing of your claim.

What the plan does not cover

Your Dental Assistance Plan does not cover any of the following:

- Cosmetic services or supplies, including charges for personalization or characterization of dentures
- Replacement of a lost, missing or stolen prosthetic device
- Replacement or repair of an orthodontic appliance
- Services which are covered by any workers' compensation laws or employer's liability laws, or which the Company is required by law to furnish
- The replacement of a tooth or teeth which were missing before your coverage began

- Services rendered through a Company medical department, clinic or similar facility
- Services or supplies which you are not legally obligated to pay, or for which no charge would be made if you didn't have dental coverage
- Services, supplies or treatment not recognized as generally accepted in dental care practice as necessary for the diagnosis or treatment of the patient, even if ordered by a dentist (D.D.S. or D.M.D.) or legally qualified physician
- Services or supplies which do not meet accepted standards of dental practice
- Care or treatment provided through a government program
- Any duplicate prosthetic device or other appliance
- Sealants, oral hygiene and dietary instruction
- A plaque control program
- Periodontal splinting
- Myofunctional therapy, or correction of harmful habits
- Implantology
- Services or supplies received as a result of dental disease
- Charges for the unnecessary repetition of tests, even if ordered by a dentist (D.D.S. or D.M.D.) or legally qualified physician
- Treatment of temporomandibular joint dysfunction (TMJ) pain syndrome or craniomandibular disorders.

What the plan does not cover (continued)

Limitations

In addition to the above expenses which are specifically excluded, certain limitations apply to covered expenses. These limitations are:

Restorative. If a tooth can be restored with a material such as amalgam, payment of the charge for that procedure will be made toward the charge for another type of restoration which you and your dentist may select. When cast, baked porcelain restorations, crowns, pontics or jackets are used, the following limitations apply:

- Porcelain fused to cast crowns or pontics will be limited to the six upper anterior teeth and six lower anterior teeth. Wherever porcelain fused to cast crowns or pontics are used, posterior to the cuspid teeth, a benefit equal to any acrylic veneer crown or pontics will be allowed up to and including the second bicuspid. The balance will not be payable.
- Acrylic veneer crowns or pontics will be acceptable for the upper and lower anterior teeth and for all the bicuspids (eight).
- Full cast crowns or pontics will be permitted for molar teeth. Wherever acrylic veneer or porcelain fused to cast crowns or pontics are used, posterior to the second bicuspid tooth in all quadrants, a benefit equal to a full cast crown or pontic will be allowed. The balance will not be payable.
- Replacement of crowns or inlays will be covered only if at least five years have elapsed since the date of the initial installation of that appliance.

Reconstruction. Payment will be made toward the cost of procedures necessary to eliminate oral disease and to replace missing teeth. Appliances or restorations necessary to alter vertical dimension or to restore occlusion are considered optional and their cost is not payable.

Prosthodontics.

- Partial dentures: If a cast chrome or acrylic partial denture will restore the dental arch satisfactorily, only the amount for such denture will be allowed toward a more elaborate or precision appliance that you and your dentist may choose to use.
- Dentures: If, in the provision of denture services, you and your dentist decide on personalized restorations or specialized techniques rather than standard procedures, only the amount payable for the standard denture service will be allowed.

What the plan does not cover (continued)

- Replacement of existing dentures or fixed bridgework: Replacement of an existing denture or fixed bridgework will be covered only if the existing denture or fixed bridgework is unserviceable and cannot be made serviceable. Replacement of prosthodontic appliances will be covered only if at least five years have elapsed since the date of the initial installation of that appliance.

How to file a claim

How To Complete Your Dental Claim Form

To ensure proper payment of your claim please read and follow these instructions carefully. Incomplete or incorrect claim forms and bills will be returned to you and will delay processing. *Each time you submit a claim for yourself or a covered dependent a newly completed claim form is required.*

Policy Number – Be sure to fill in the three digits at the top (right) of your claim form. Your dental claim cannot be processed without your correct policy number. Refer to your health insurance identification card, or check with Personnel or Employee Relations for your policy number.

Part I.A. – Employee Information – Fill in all items in this section. Please note:

EMPLOYEE'S SOCIAL SECURITY NUMBER – must always be entered even if the claim is for your spouse or child. Your claim cannot be processed without your (employee's) correct Social Security Number.

Part I.B. – Patient Information – Complete this section if the patient is your spouse or child.

If the claim is for a child over age 19, provide all applicable information.

Part I.C. – Other Coverage Information – Complete this section if patient is covered by any other group insurance plan.

- Provide plan name, policy number and address of any other group insurance plan.
- If the claim is for a dependent child who has school insurance, provide the plan name, policy number and address.
- You must *always* give your spouse's Social Security Number and date of birth if your spouse has other coverage.
- If the other plan pays first, attach its "Explanation of Benefits" Statement to this claim.

Please refer to your dental plan description for details on how to determine which plan is the primary payor.

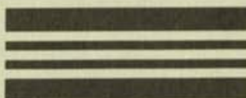
How to file a claim (continued)

Part I.D. – Employee's/Patient's Signature and Release – Always sign and date this section. Your claim cannot be processed without your signature. Your dependent must always sign the form, if he or she is the patient and not a minor.

Part I.E. – Assignment Of Benefits – If you want the insurance company to *pay the dentist directly,* sign the Assignment of Benefits section. Otherwise, benefits will be paid directly to you.

Metropolitan Life AND AFFILIATED COMPANIES

Metropolitan Life Insurance Company
Group Dental Claims



Dental Claim Form

North American **Philips** Corporation

Do not write above this line

POLICY NUMBER 2 9

I. EMPLOYEE'S SECTION

A. Employee Information

EMPLOYEE'S NAME FIRST | MIDDLE INITIAL | LAST | EMPLOYEE'S SOCIAL SECURITY NO | BIRTH DATE

MAILING ADDRESS STREET | SEX ☐ M ☐ F | CHECK ONE ☐ Married ☐ Single ☐ Divorced ☐ Widowed ☐ Legally Separated

CITY | STATE | ZIP | EMPLOYEE'S STATUS ☐ ACTIVE ☐ DISABLED ☐ RETIRED | RETIREMENT/DISABILITY DATE

CHECK IF NEW ADDRESS ☐

B. Patient Information (Complete if patient is not the employee.)

PATIENT'S NAME FIRST | MIDDLE INITIAL | LAST | SEX ☐ M ☐ F | ☐ Spouse ☐ Child | BIRTH DATE

If for child 19 or older, is he or she
☐ employed?
☐ student full-time?
☐ handicapped?

NAME/MAILING ADDRESS OF CHILD'S EMPLOYER/SCHOOL STREET
CITY | STATE | ZIP

C. Other Coverage Information Are you or any family member covered by another group plan? ☐ Yes ☐ No
If other plan is primary payor, attach its "Explanation of Benefits" statement

NAME OF PLAN | PLAN'S POLICY NUMBER

ADDRESS OF PROVIDER STREET | CITY | STATE | ZIP

SPOUSE'S NAME | SPOUSE'S SOCIAL SECURITY NO | SPOUSE'S BIRTH DATE

NAME/ADDRESS OF SPOUSE'S EMPLOYER STREET | CITY | STATE | ZIP | EMPLOYER'S PHONE ( )

D. Employee's/Patient's Signature and Release Claim can not be processed without employee's signature and Social Security number.
I hereby authorize any insurance company, organization, employer, hospital, physician or surgeon to release any information about this claim. I agree to reimburse the insurance company any payment made to me in excess of the amount payable under the group policy. I understand that false statements may be cause for disciplinary action, including discharge. **I know it is a crime to fill out this form with facts I know are false, or to leave out facts I know are important.**

EMPLOYEE'S SIGNATURE | DATE | DEPENDENT'S SIGNATURE (If patient is not a minor) | DATE

E. Assignment of Benefits I authorize payment directly to the below-named dentist.

Employee's Signature ______________________ Date __________

II. ATTENDING DENTIST'S STATEMENT ☐ DENTIST'S PRETREATMENT ESTIMATE ☐ DENTIST'S STATEMENT OF ACTUAL SERVICES

		NO	YES	IF YES, ENTER BRIEF DESCRIPTION AND DATES
DENTIST'S NAME	IS TREATMENT RESULT OF OCCUPATIONAL ILLNESS OR INJURY?			
MAILING ADDRESS	IS TREATMENT RESULT OF AUTO ACCIDENT?			
	OTHER ACCIDENT?			
CITY, STATE, ZIP	ARE ANY SERVICES COVERED BY ANOTHER PLAN?			
DENTIST SOC. SEC. OR T.I.N. / DENTIST LICENSE NO. / DENTIST PHONE NO.	IF PROSTHESIS, IS THIS INITIAL PLACEMENT?			(IF NO, REASON FOR REPLACEMENT) / DATE OF PRIOR PLACEMENT
FIRST VISIT DATE CURRENT SERIES / PLACE OF TREATMENT (OFFICE, HOSP., ECF, OTHER) / RADIOGRAPHS OR MODELS ENCLOSED? NO YES HOW MANY?	IS TREATMENT FOR ORTHODONTICS?			IF SERVICES ALREADY COMMENCED, ENTER / DATE APPLIANCES PLACED / MOS. TREATMENT REMAINING

II. ATTENDING DENTIST'S STATEMENT

Your dentist must check if this is a pretreatment estimate or statement of actual services, complete his/her portion of the form and forward it to the insurance company.

If this is a pretreatment estimate, you and your dentist will receive a statement from the insurance company indicating what expenses are covered and what your benefits will be. This way, you, your dentist and the insurance company can review the proposed course of treatment and estimated fees in advance. After your dentist completes your treatment, he or she indicates on the statement specific services performed and actual charges. You then submit the statement directly to the insurance company.

WHERE TO SEND YOUR CLAIM

Mail your completed dental claim form directly to the insurance company at the following address:

Metropolitan Life Insurance Co.
P.O. Box 1270
Two Mellon Bank Center, 5th Floor
Pittsburgh, PA 15219-1270

Please direct all questions about your dental claim to:

Group Dental Claims Unit
(412) 255-6251

Procedure For Appealing Claims

If your claim is denied, in whole or in part, the insurance company will provide you with a written notice within 90 days from the date they received your claim (or 180 days if they notified you that there would be a delay). The notice will explain the reason(s) for the denial, point out the part of the plan on which the denial is based, and outline the steps you must take to appeal the denial. If you've made an error in your claim, the notice will list ways you can correct it.

You are entitled to appeal a claim that is denied within 60 days of the date you received the denial notice. To do so, write to the person who sent you the denial notice. Be sure to state why you believe the claim should not have been denied, and submit any additional information you feel may be relevant.

You will receive a written decision on your appeal within 60 days of the time the insurance company received your request. Under special circumstances (e.g., to hold a hearing), it may take longer than 60 days to reach a decision. In that case, you'll receive written notification of the delay within 60 days.

If you become disabled

Your dental assistance insurance will continue up to the end of the third month following the month you became totally disabled. You do not have to contribute for this extended coverage unless you are receiving full pay under a Company salary continuance plan. This provision applies if you were enrolled in the Dental Assistance Plan at the time you became totally disabled.

If your dental assistance insurance ends due to total disability, you and your covered dependents may be able to purchase coverage for a limited time as described under "Optional continuation of coverage" on page 16.

Layoffs or leaves of absence

Your dental assistance insurance ends when you are laid off or begin an approved leave of absence. You and your covered dependents may be able to purchase dental assistance insurance for a limited time after your group coverage ends. For more details, please refer to "Optional continuation of coverage" on page 16.

When your coverage ends

Your insurance ends when you leave the Company, retire, die, become ineligible for coverage, or the group policy terminates, whichever happens first. Your dependent coverage ends when yours does or when a dependent is no longer eligible.

You will not have the option to convert your coverage to an individual policy when your coverage ends, but you and your covered dependents may be eligible to continue coverage as described next.

Optional continuation of coverage

If group dental assistance coverage ends for certain reasons, you and your covered dependents may be able to continue coverage beyond the normal termination date.

If you become eligible to elect continuation of coverage, you may purchase the same coverage you had before it ended. Of course, you will be required to pay the full cost of coverage (which is 102% of your group rate).

When You May Continue Coverage

You may continue coverage for yourself and any covered dependent, if coverage ends because your employment ends, either voluntarily or involuntarily, or your work status changes. If, in either case, you do not elect to continue coverage, a covered dependent may individually elect to continue coverage. Covered dependents may also elect to continue coverage, if they lose coverage due to:

- your death, divorce or legal separation
- loss of dependent status (such as reaching the limiting age) under the plan

Eligibility Requirements

If your coverage stops because your employment ends or your work status changes, you will be notified by the Company within 14 days of your last day of coverage if you are eligible to continue coverage.

If you become divorced or legally separated and your local Personnel or Employee Relations Office is notified within 60 days of either event, your covered dependents may be eligible to elect optional continuation of coverage. If a dependent child reaches the age when he or she is no longer covered under the plan and your local Personnel or Employee Relations Office is notified within 60 days of termination of coverage, your dependent child may be eligible to elect optional continuation of coverage.

Within 14 days after informing the Company of a divorce, legal separation or a child reaching the limiting age, your covered dependent(s) will be notified by the Company of their eligibility to continue coverage.

Optional continuation of coverage (continued)

If optional continuation of coverage is not elected within 60 days after receiving notification from the Company, eligibility for this option ceases.

Optional continuation of coverage is not available to anyone who is covered under Medicare or any other group plan, if you were terminated for gross misconduct, or if the Company isn't notified within the specified time limit.

How Long Optional Continuation of Coverage Lasts

If group dental assistance coverage ends because your employment ends or your work status changes, optional continuation of coverage may be purchased for up to 18 months. In the case of your death, divorce, or legal separation, or loss of dependent status, covered dependents may continue coverage for up to 36 months.

Optional continuation of coverage will end *before* the expiration of the time periods described above, if:

- you (or your covered dependent) fail to pay the required premium
- you (or your covered dependent) become covered for any other group coverage (including through marriage)
- the group policy terminates

Please see your Personnel or Employee Relations Office for further information on optional continuation of coverage.

Future of the plan

The Company necessarily reserves the right to charge for coverage or to end or amend dental assistance coverage for you or your dependents at any time.

Plan administration

Plan Administrator

A plan administrator is responsible for providing participants with information about their benefits, processing payments, implementing plan changes and handling any other functions necessary for the plan's operation. The plan administrator of your Dental Assistance Plan is: North American Philips Corporation, 100 East 42nd Street, New York, New York 10017, (212) 850-5000.

Your Personnel or Employee Relations Office handles plan administration on the local level; they should be your first source for answers to any questions you have about the plan.

Insurance Company

Your benefits are insured by the Metropolitan Life Insurance Company, One Madison Avenue, New York, New York 10010.

Agent For Legal Process

For all legal procedures, the designated agent for service of process is: CT Corporation System, 1633 Broadway, New York, New York 10019.

Legal process may also be served on the plan administrator.

Plan Year

Records for the plan are kept on a calendar-year basis ending each December 31.

Employer And Plan Number

The Employer Identification Number (EIN) is 13-1895219 and the plan number is 501.

Effective Date

This guidebook section describes Dental Assistance Plan benefits in effect as of January 1, 1989.

Your rights under law

As a participant in the Dental Assistance Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all plan participants are entitled to:

- Examine, without charge, at the plan administrator's office and at other locations (including worksites), all plan documents including copies of all documents filed by the plan with the U.S. Department of Labor, such as annual reports and plan descriptions.
- Obtain copies of all plan documents and other plan information upon written request to the plan administrator. (The administrator may make a reasonable charge for the copies.)
- Receive a summary of the plan's annual financial report. The plan administrator is required by law to furnish each participant with a copy of this summary annual report.

In addition to creating rights for plan participants, ERISA imposes duties upon the people who are responsible for the operation of the plan. The people who operate your plan, called "fiduciaries," have a duty to do so prudently and in the interest of you and other plan participants and beneficiaries. No one may fire you or otherwise discriminate against you in any way to prevent you from obtaining a benefit or exercising your rights under ERISA.

If your claim for a benefit is denied, in whole or in part, you must receive a written explanation of the reason for the denial. You have the right to have the plan administrator review and reconsider your claim. Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials from the plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the plan administrator to provide the materials and pay you up to $100 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court. If it should happen that plan fiduciaries misuse the plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the

person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees — for example, if it finds your claim is frivolous.

If you have any questions about your plan, you should contact the plan administrator. If you have any questions about this statement or about your rights under ERISA, you should contact the nearest Area Office of the U.S. Labor-Management Services Administration, Department of Labor.

The benefits description in this guidebook section does not constitute an express or implied contract of employment.

Covered dental expenses

The following pages tell you exactly how much the Dental Assistance Plan pays for specific services in each category of covered expenses. All benefit payments, of course, are subject to administrative guidelines set forth by the insurance company. If you have any questions about coverage of a procedure you must undergo, or about coverage for a procedure not found in this schedule, you should call the Group Dental Claims Unit at Metropolitan at 412-255-6251. You can also have your dentist prepare a Pre-treatment estimate as explained on page 7.

PREVENTIVE AND DIAGNOSTIC SERVICES (TYPE A)
This category includes methods for detecting and determining the extent of tooth decay and health of gums and associated structures of the mouth. It covers measures taken to avoid premature loss of teeth and soft tissue breakdown. **The deductible does not apply to these preventive and diagnostic services.**

Type A Procedure	Scheduled Payment Limit
Initial oral examination (limited to 2 visits per calendar year)	$ 28
Adult cleaning (limited to 2 cleanings every calendar year)	39
Topical application of fluoride, 1 treatment (excluding prophylaxis) (limited to one treatment per calendar year and to children under 18)	29
Space maintainers – fixed, unilateral type (limited to children under 18)	244
Palliative (emergency) treatment of dental pain – minor procedures	33
Radiographs – intraoral – complete series (including bitewings) (limited to once every three years)	68
Radiographs – intraoral periapical – 2 films	20
Radiographs – bitewings – 3 films (not more than twice every calendar year)	23
Radiographs – panoramic – maxilla and mandible, film (limited to once every three years)	57

EMPLOYEE ASSISTANCE PROGRAM

Your employee assistance program

Section — Page

Why an Employee Assistance Program? 1
Eligibility 2
Cost 2
Family Service America 3
How EAP Works
- Self-Referral 3
- Supervisory-Referral 3
- Problems Covered 4
- Going For Assistance 4

Coordination With Your Health Plan 5
Confidentiality 5
- Your Right To Privacy 5

When Coverage Ends 6

Why an Employee Assistance Program?

No one's life is completely problem-free. Fortunately, most problems are not so big or complicated that we can't handle them ourselves. Yet at some point, we may run into a problem that is just too difficult to handle alone. It could be a problem like alcoholism or drug abuse. Or it could be a personal or family conflict that needs to be resolved.

Whatever the cause, you owe it to yourself to resolve the problem *before* it takes its toll on your personal life or starts affecting your job performance. The Employee Assistance Program (EAP) stands ready to give you the help you need to achieve a healthier, more productive life—at home and on the job. This help comes in the form of *counseling* by professionals affiliated with Family Service America (FSA).

To contact FSA directly and confidentially, call their toll-free number (1-800-833-9989, 9 a.m. - 5 p.m., EST, Monday-Friday). They will give you the name, address and phone number of the FSA affiliate closest to your home or workplace.

Or, if you have any questions about this program, please feel free to contact your EAP coordinator, a company employee who has been trained to assist you with questions regarding the program.

Your EAP coordinator is:

Any EAP-related contacts — within the Company or with FSA — are your business and your business alone. No one need know that you are using EAP. **Confidentiality Is Guaranteed.**

Eligibility

You may participate in EAP anytime after you join the Company. At the same time, your eligible dependents will also be covered under EAP.

The eligibility requirements for dependents are the same as those for the health insurance plan. However, participation in the health insurance plan is not required. Please check your guidebook or health plan booklet to determine eligibility.

Cost

The Company pays 100% of the cost for up to two counseling visits each year with a Family Service America affiliate for you and each of your covered family members.

After that, if you and your counselor decide on follow-up treatments, the Company's health plan may pick up a good part of the cost (for example, if you seek psychological counseling or medical care for alcoholism or drug abuse).

Otherwise, your counselor may suggest treatment that's free or based on your ability to pay. But in any event, it's part of your counselor's job to help you find out about any follow-up costs in advance.

Family Service America

Family Service America (FSA) is one of the oldest, most respected diagnostic counseling organizations in the U.S. The Company contracted FSA to assist in the job of helping you and your family cope with problems that threaten your physical or emotional health. At FSA, you are assured that counseling will be carried out in a *dignified, professional and confidential manner.*

A psychologist, social worker or other trained, highly-skilled professional will

- listen to and assess your problem,
- help you work out a solution that fits your needs, and
- if more help is necessary, guide you toward outside resources such as further counseling, psychiatric therapy, a hospital or community group like Alcoholics Anonymous.

How EAP works

Self-Referral

Your participation in EAP can start in one of two ways. When you or one of your family members contacts FSA on your own, it's called a *self-referral.* No one else gets involved in a self-referral unless it's at your request.

Supervisory-Referral

Our hope is that EAP will help you clear up any problems *before* they start affecting your job performance. If not, you may use EAP through a *supervisory-referral.* This happens when your supervisor recommends that you participate because of unsatisfactory job performance.

Your supervisor is expected to monitor job performance. If your supervisor notices a pattern of decreasing performance (such as excessive absences or lateness, drop in productivity or conflicts with others) he or she can recommend that you contact FSA.

If this happens, it's entirely up to you to decide whether or not to follow through. You are not obligated to go. And if you do go, your visits will be confidential. However, if your performance does *not* improve, your supervisor is free to take the normal course of action.

Remember: It is not your supervisor's job to figure out if poor job performance is being caused by a personal problem, or what the problem might be. **Job Performance Is All That Counts.**

How EAP works (continued)

However, a supervisor's recommendation should be seen as a clear signal that job performance has become a matter of concern, and as a constructive effort to clarify and eliminate the cause of declining performance.

Problems Covered

EAP will help you work out any problem that is troubling you. This includes medical problems—such as alcoholism or drug abuse — or emotional, financial or marital/interpersonal issues.

In short, there is no problem too big, too small, or too unusual for EAP. If it is hurting you—physically or emotionally—you owe it to yourself to get help.

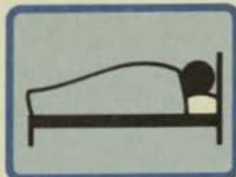
Going For Assistance

When you call an FSA affiliate, they will make an appointment for you to see one of their counselors.* You can either go alone or with one or more family members. Your counselor will meet with you, diagnose your problem and recommend a course of action.

For maximum confidentiality, you may wish to go outside of normal work hours. Or you can handle it just like a medical or dental visit. If your supervisor is involved, he or she will make it as easy for you to receive treatment as Company rules allow.

As mentioned earlier, if you are referred for further counseling or other treatment, your counselor will consider which services are covered under the Company's health insurance plan, or may recommend treatment that's free or based on your ability to pay. In any event, your counselor will help you determine what your out-of-pocket expenses will be.

*To take the first step, call FSA's toll-free number (1-800-833-9989, 9 a.m. - 5 p.m., EST, Monday-Friday). They will give you the name, address and phone number of the FSA affiliate closest to your home or workplace.



Coordination with your health plan

Sometimes a visit or two with a professional FSA counselor will be enough to get you back on the right track. At other times, follow-up treatment may be recommended.

Some follow-up treatment, such as

- inpatient or outpatient care for alcoholism or drug abuse
- professional psychiatric visits out of the hospital to a legally qualified physician, licensed clinical psychologist or psychiatric social worker.

may be covered under the regular provisions of your health plan.

Be sure to check the "Health" section of your guidebook or your group health plan booklet to see what follow-up treatment may be covered under your group insurance plan.

If you have any questions as to what is or is not covered under the health plan, please be sure to check with the personnel department or employee relations office. If you prefer, you can keep your questions completely anonymous by asking your FSA counselor to check for you. We want to be sure you don't incur any unexpected expenses.

TOTAL PRIVACY

Confidentiality

You are guaranteed that all information related to your participation in EAP will be kept strictly *confidential.* This means that your contacts with any Family Service America affiliate will remain absolutely *private.* If you go on your own, through self-referral, no one at the Company need know. And, if your supervisor refers you, there's no obligation to report whether or not you go or how you are progressing.

Plus, FSA affiliates will *never* release names of the people they see—unless an employee gives express written permission to do so. FSA only tells the Company the *number* of people they see, so we can pay the bills.

Your Right To Privacy

Your right to privacy is fully protected by law and by Company policy. Participation will not jeopardize your job or chance for promotion.

When coverage ends

Coverage for you and your family ends on the date your employment with the Company ends.

YOUR PENSION PLAN

PENSION

PENSION GUIDEBOOK SECTION

IMPORTANT INFORMATION FOR SIGNETICS EMPLOYEES

The Signetics Pension Plan was merged into the North American Philips Pension Plan for Salaried Employees on January 1, 1989. The following section of your guidebook explains the NAPC plan and applies to your service beginning on January 1, 1989. For information on pension benefits for your service prior to 1989, see below:

YOUR PRE-1989 PENSION BENEFIT

Benefits for service through December 31, 1988 have been calculated using the formulas in effect under the Signetics Pension Plan. The value of your accrued benefit through December 31, 1988 is "frozen" at this amount.

Beginning in 1989, you will earn benefits under the new formula explained in the following section. When you leave the company, your frozen Signetics benefit will be added to your NAPC benefit earned after 1/1/89, to determine your total benefit.

PREVIOUS CONTRIBUTIONS

Beginning 1/1/89, there are no contributions required to participate in the plan. However, depending on your earnings, you may have contributed in the past.

If you leave the company before becoming vested in plan benefits, any contributions will be returned to you, plus interest, shortly after you leave.
See page 13 for an explanation of vesting.

(continued)

If you leave the company after becoming vested, your contributions remain in the plan to fund a portion of your frozen Signetics benefit. When you begin receiving your pension benefit at retirement, you will have the option of taking your contributions plus interest out of the plan in a lump sum, and thereby reducing your monthly pension.

EARLY RETIREMENT REDUCTIONS

The early retirement reductions in effect under the Signetics plan on 12/31/88 continue to apply to your frozen Signetics benefit. If you retire directly from Signetics after age 60, you will receive your full (unreduced) frozen benefit. If you retire between age 55 and 60, your frozen benefit will be reduced by .5% for each month between the date you retire and the first of the month following your 60th birthday.

The early retirement reductions described on page 10 of this section apply to your benefit earned under the NAPC plan beginning 1/1/89. Likewise, if you meet the "Rule of 85" (described on page 11), the waiver of early retirement reductions applies only to your NAPC benefit. That is, if you are under age 60 when you retire, your frozen Signetics benefit will still be reduced as indicated above.

NON-EXEMPT SERVICE

If you have prior service as a non-exempt employee, your benefit for that service is figured according to the plan in effect for non-exempt employees when your employment ends. Your total benefit, then, is the sum of your non-exempt benefit, your Signetics frozen benefit, and your NAPC benefit earned since 1/1/89.

Since this section describes the standard NAPC Salaried Pension Plan, it is not specific to Signetics in certain aspects. Please take note of the following items as they pertain to Signetics.

Pg	Heading	Comment
6	Benefit Service	Only service beginning 1/1/89 is used in calculating benefits under the formulas described. Service prior to 1/1/89 is figured under a different formula.
6	Eligibility Service	All periods of participation in Signetics plan (exempt and non-exempt) count as eligibility service under this plan. The Signetics plan had age and service requirements from 1985 through 1988. If you were hired during this time, employment between your hire date and the date you became eligible to participate counts as eligibility service, provided you joined the plan when first eligible.
7	Important	Signetics plan was contributory prior to 1989. Any time that you were eligible to participate but choose not to, will not count.

(continued)

27	Refund of Contributions	Signetics plan required contributions prior to 1989, depending on your salary level. Your "guaranteed contributions" are any contributions made through 1988, plus interest.

Your pension plan

Section	Page
Why A Pension Plan?	1
Highlights	2
In Detail	4
Who Is Eligible?	5
When You Join	5
A Word About IRAs	5
Who Pays For The Plan?	
Plan Funding	6
How Your Service Counts	6
Benefit Service	6
Eligibility Service	6
Normal Retirement	8
Calculating Your Pension Benefit	8
Some Formula Definitions	9
Normal Retirement Example	9
Early Retirement	10
Calculating Early Retirement Benefits	10
Special Full Payment Provision	11
If You Become Disabled	12
If You Leave Before Age 55	13
When Vested Benefits Begin	13
Withdrawing Your Contributions	14
Lump Sum Payments	15
If You Participated In The Investment Plan	15
Survivor Protection Before Payments Begin	16
An Overview	16
Pre-Retirement Spouse Benefit — While You're In Active Service	17
Pre-Retirement Spouse Benefit — If You Leave The Company	19
Refund Of Contributions	21
Lump Sum Payments	21
How Pensions Are Paid	22
When To Choose A Payment Method	26
Government Limitations	26
Refund Of Contributions	27
At Retirement	28
Breaks In Service And Reemployment	
Breaks In Service	29
If You Are Reemployed	29
Reemployment After Pensions Payments Have Begun	29

Your pension plan (continued)

Section Page

Hours Of Service 30
Domestic Relations Orders 30
How To Apply For Benefits 31
If You Transfer 32
Future Of The Pension Plan 32
  Pension Benefit Guaranty Corporation 33
  Key Employee Provision 33
Plan Administration 34
  Plan Trustee 34
  Agent For Service Of Legal Process 34
  Plan Year 34
  Plan Documents 34
  Employer And Plan Number 34
Your Rights Under Law 35

Why a pension plan?

Retirement means different things to different people. For some, it means devoting time to a long neglected hobby. For others, buying a camper and traveling cross-country. Still others simply look forward to relaxing after years on the job.

If you're young, you probably haven't given retirement much thought. But as you get older, plans for retirement become more important. And you realize that a lot depends on your Company's pension plan. As you'll discover in the following pages, your Company plan provides substantial pension benefits. Not only does the pension plan build security for your future, but, through the Family Survivors' Benefit, you can assure your family a monthly income if you die before retirement.

This section describes your pension plan in two parts. The highlights provide you with a quick summary, and answer some of the questions you may have about the plan. The more detailed description follows the highlights. We urge you to read the entire section so you'll understand just how the plan works.

Even so, this section doesn't spell out the complete retirement plan. It's a summary. Like any summary, this one omits certain details. The actual plan is drawn up in legal language and always has the final say if any conflicts arise.

> This guidebook section is a summary of pension plan provisions in effect as of January 1, 1989. The plan may be amended from time to time, sometimes retroactively, to maintain its qualification under the Internal Revenue Code. The plan may be administered in accordance with some changes in governing law before formal amendments to the plan document are adopted.

Highlights

When am I eligible to participate?

You automatically join on the first of the month after hire as a full-time salaried employee.

What does it cost me?

The Company provides the pension plan at no cost to you. No employee contributions are required.

How much is my retirement benefit?

At your normal retirement date (the first of the month after your 65th birthday with at least five years of service), your pension is calculated under Formula 1 and Formula 2. We then compare the pension each would provide and pay you the *higher* amount.

Formula 1:

Years of Benefit Service (to a maximum of 43) X 1.0% X Final Average Pay

PLUS

Years of Benefit Service (To a maxumum of 35) X .6% X Final Average Pay Above the Average Social Security Taxable Wage Base

The Average Social Security Taxable Wage Base is determined by the government annually. It is based on an historical average of the annual Social Security Taxable Wage Bases. For 1989, this average is $16,968.

Formula 2:

Years of Benefit Service (To a maximum of 43) X 1.1% X Final Average Pay

Highlights (continued)

Can I retire earlier than 65?

Yes. You may retire anytime after you reach age 55 and complete five years of eligibility service. If you elect to receive benefits before age 65, your pension will be reduced for each month payment precedes age 65.

However, if your age when you leave (55 or older) plus your years of eligibility service total 85 or more, there is no early payment reduction.

What happens to my pension if I leave the Company before retiring?

If you leave the Company before qualifying for normal or early retirement, you must be "vested" to receive any retirement benefits. Vested means that you have a nonforfeitable right to your Company pension that must be paid to you when you reach retirement age. Vesting works like this:

If you leave and your eligibility service is less than five years, your pension is not vested. If you leave and your eligibility service is five years or more, your pension is 100% vested.

Does the plan pay benefits to my survivors if I die before retirement?

Pre-Retirement Spouse Benefit. If you're married and die in active service after you qualify for a normal, early or vested pension, your spouse is automatically entitled to a Pre-Retirement Spouse Benefit. Payments to your spouse can begin the month after you would have reached age 55—or the month after death, if you were over 55.

Family Survivors' Benefit. To provide even greater pre-retirement survivor protection, you can elect the Family Survivors' Benefit described in the next section of this guidebook. To be eligible, you must be married or have at least one child under age 27.

Protection After Termination Of Employment. If you leave after qualifying for an early or vested pension and die before payments begin, your spouse will receive a benefit—unless you made a prior election, with the consent of your spouse, not to receive the benefit.

Highlights (continued)

What if I die after retiring?

Any benefits payable after your death will depend on the form of your retirement payments. If you're married at retirement, you have a choice of payment methods. For example, with your spouse's consent, you can elect full payments with no survivor benefits payable after your death. Or you can elect a spouse benefit, which will reduce your pension in order to provide a lifetime income for your spouse after your death. If you make no payment election, your pension will be paid in a form that provides a spouse benefit and your pension will be automatically reduced so that your surviving spouse would receive one-half of your reduced benefit for as long as he or she lives.

If you're single at retirement, full payments are made for your lifetime only. But if you prefer, you can instead elect a payment option that provides a benefit on your death.

What about small benefits?

If the lump sum present value of your vested pension is $3,500 or less, the Company will pay your entire benefit in one lump sum instead of providing monthly payments, as described above.

In detail...

From here on, we're going to concentrate on the details of the plan. Please read the section carefully. That way you'll learn how the plan can help assure your financial security when you retire from the Company.

Who is eligible?

All full-time salaried employees in participating groups are eligible to participate in the pension plan.

If you are hired as a part-time salaried employee (that is, you are expected to have less than 1,000 hours of service per year), participation can start if you complete one year of service. For eligibility purposes, you have a year of service if you complete at least 1,000 hours of service during a 12-month period which begins on your date of hire or any January 1, thereafter. The term "hours of service" is defined on page 30.

You are considered a salaried employee if you are paid a regular annual salary, or if you are paid on a contractual commission basis.

When you join

If you are a full-time salaried employee, your pension plan participation automatically starts on the first day of the month following your date of hire.

If you are a part-time salaried employee, your pension plan participation automatically starts on the first day of the month following your completion of one year of service.

A Word About IRAs

Provisions of the current federal tax law may limit or eliminate the tax deductible status of your contributions to an IRA (Individual Retirement Account) if you participate in a tax-qualified pension plan such as this one. If you have any questions, you may wish to consult your tax advisor.

Who pays for the plan?

Plan Funding

The Company provides the pension plan at no cost to you. No employee contributions are required. The Company will contribute amounts that—together with any past employee contributions made under previous plan provisions—are expected to fund plan benefits on a long-range basis. An independent actuarial firm advises the Company on how much it should contribute.

How your service counts

Benefit service is used to figure the amount of your pension. *Eligibility service* is used to determine when you qualify for plan benefits. It's important, therefore, to understand what these terms mean.

Benefit Service

You receive one month of benefit service for each month of employment *as a plan participant*. You can earn up to 43 years of benefit service.

You also receive benefit service for periods of sick leave at less than full pay and future periods of total disability—provided you were a plan participant immediately before the start of your illness or disability. You will not receive benefit service for periods of layoff or leave other than certain approved leaves.

Eligibility Service

Eligibility service includes benefit service, as well as years and months of employment

- as an hourly employee of the Company, or
- as an employee of a nonparticipating group, division, or affiliate of the Company, or certain members of the Philips controlled group of companies worldwide.

If you were hired before 1986 (when there was an age and service requirement to join the plan), any employment between your hire date and the date you became eligible to join also counts as eligibility service.

How your service counts (continued)

Any portion of a month that you are employed counts as a whole month of eligibility service. Certain approved leaves of absence specified by the plan, a layoff or similar absence of up to one year also counts as eligibility service.

If your employment with the Company ends, but you return within 12 months of your last day of active service, your period of absence counts as eligibility service. If your employment ends while you are on a leave or layoff, and you return within 12 months of the day your leave or layoff began, you receive eligibility service for the time between your termination date and return date as well as for the period of leave or layoff.

IMPORTANT: Before 1986 (when the pension plan was contributory), employees were allowed to reject plan membership. Any period of time while you were eligible to participate — but elected *not* to participate — WILL NOT COUNT AS ELIGIBILITY SERVICE OR BENEFIT SERVICE.

Please be sure to read page 29 for important rules on breaks in service and rehire provisions.

Normal retirement

Your normal retirement date is the first of the month that follows your 65th birthday and completion of five years of eligibility service. You can retire with a normal retirement pension on that date or on the first day of any month after that.

If you work past your normal retirement date, you may continue to earn pension benefits. Your pension will be calculated as of your actual retirement date and will be payable the first of the following month.

Calculating Your Pension Benefit

Your annual normal retirement benefit is figured under two formulas. Then we compare the amount each would provide and pay you the *higher* amount.

Formula 1:

Years of Benefit Service (To a maximum of 43)	X	1.0%	X	Final Average Pay
		PLUS		
Years of Benefit Service (To a maximum of 35)	X	.6%	X	Final Average Pay Above the Average Social Security Taxable Wage Base

The Average Social Security Taxable Wage Base is determined by the government annually. For 1989, it is $16,968. Generally, it reflects the average of the Social Security Taxable Wage Bases over a 35-year period.

Formula 2:

Years of Benefit Service (To a maximum of 43)	X	1.1%	X	Final Average Pay

You receive your annual pension in 12 equal monthly installments.

Be sure to read pages 22 through 26 on how payment methods can affect the amount you actually receive.

Some Formula Definitions

Final Average Pay. To figure final average pay, find your highest-paid five consecutive calendar years of plan participation. Final average pay is your average annual "earnings" during those five years. (If you have less than a full year of benefit service in a calendar year, your earnings for that year will be converted to an annual amount.)

For example, assume your annual "earnings" during your highest-paid five consecutive calendar years of plan participation were $20,000, $21,700, $22,600, $24,000 and $25,700. Your final average pay, then, is $22,800 (your total "earnings" during those five years, divided by five).

If you participated in the plan for less than five years, final average pay means your average annual "earnings" for the years that you participated.

"Earnings" include your cash compensation up to $200,000 paid in a calendar year during which you earn benefit service. Any tax-saver (401(k)) contributions you make to the Employee Savings Plan — or any before-tax dollars you contribute to any other Company-sponsored benefit program — are included as earnings for pension plan purposes. Earnings *exclude* bonuses which exceed 100% of your annual base salary in effect at the time the bonuses are paid. Nor do they include expense reimbursement, deferred compensation, lump sum severance payments, stock options, or any distributions from any long-term incentive plan, or any long-term key employee compensation program.

Normal Retirement Example

Here's an example of how a retirement benefit is figured. Steve retires in 1989 at age 65 with 30 years of benefit service. His final average pay is $25,000.

Formula 1:

30 years X 1.0% X $25,000	=	$7,500.00
Plus		
30 years X 0.6% X $8,032*	=	$1,445.76
Annual Pension:		$8,945.76
		($745.48 a month)

*Steve's final average pay ($25,000) in excess of the Average Social Security Taxable Wage Base in 1989 ($16,968) equals $8,032.

Normal retirement (continued)

Formula 2:

30 years X 1.1% X $25,000 = $8,250 ($687.50 a month)

Steve's monthly benefit would be the higher of the two formula amounts: $745.48.

Please be sure to read pages 16 through 21 on reductions that would apply to provide survivor benefits for your spouse or other beneficiary.

Early retirement

You may decide to retire as early as age 55, provided you have at least five years of eligibility service. If you do, you may have pension payments begin immediately or you may defer payments to the first of any month up to your normal retirement date.

Calculating Early Retirement Benefits

Your early retirement benefit is calculated under the same two formulas used to calculate the normal retirement benefit (see page 8). You receive the higher of the two formula amounts. The higher formula produces the benefit payable to you at age 65. You may postpone receiving payments until age 65 and collect the full amount of the benefit. If you want your benefits to begin earlier, your annual pension will be reduced by .5% times the number of months between the date payments begin and your normal retirement date.

However, if you were born before 1938, the reduction for each month of retirement between age 60 and 65 is .3% and any months prior to age 60 are reduced by .5%.

For example, if you retire after your 58th birthday and elect to receive payments right away, your pension payable at age 65 is reduced as follows:

Born Before 1938	Born 1938 Or After
30% reduction (.3% times 60 months between age 60 and 65 plus .5% times 24 months between age 58 and 60)	42% reduction (.5% times 84 months between age 58 and 65)

Early retirement (continued)

The plan guarantees that the pension you receive will never be less than the pension amount you had earned through December 31, 1988, using the early payment reduction provisions in effect at that time.

In some cases, explained next, there is *no reduction* for early payment.

"Rule of 85"

Special Full Payment Provision

If you retire at age 55 or older, and meet the special "Rule of 85," you will receive your full early pension. No early payment reduction will be made.

You Meet the Rule of 85 If:

Your age when you leave (55 or older) *plus* your years of eligibility service add up to 85 or more.

For example, these age/service combinations would qualify you for an unreduced early retirement benefit: 55/30, 58/27, 62/23 and so on.

In addition, if you meet the Rule of 85 before age 62, and choose to take early retirement, you will receive a monthly early retirement supplement. This supplement will be paid until you reach age 62 to assist you until your Social Security benefits can begin.

Your pension plus your supplement will provide you with:

1.6%* X Years of Benefits Service X Final Average Pay
(To a maximum of 43)

*This percentage will be less if your pension is reduced due to participation in the Investment Plan.

The supplement is based on your years of participation in the NAPC Salaried Pension Plan only. Once you reach age 62, the supplement will stop and you will receive your unreduced pension only.

Rule of 85 Example. Laura retires in 1989 at age 58 with 27 years of eligibility service. She has 25 years of benefit service and her final average pay is $30,000. The pension and supplement paid to her prior to age 62 is figured as follows:

25 X 1.6% X $30,000 = $12,000 annually

Laura's supplement will stop once she reaches age 62 and her benefits will be computed again. Starting the next month she will receive her unreduced pension, which is figured below:

25 X 1.0% X $30,000 =	$7,500
Plus	
25 X 0.6% X $13,032* =	$1,955
Annual Unreduced Pension:	$9,455

*$30,000 minus $16,968

If you become disabled

If you go on sick leave at less than full pay or become totally disabled while participating in the pension plan, you continue to build eligibility service and benefit service during your sick leave or disability. You can earn eligibility and benefit service up to your normal retirement date (the first of the month after your 65th birthday). Because of this provision, you can continue to participate in the plan and retire on your normal retirement date with a full pension.

However, if you meet the regular eligibility requirement for early retirement, you may decide to take an early retirement pension rather than remain in the plan as a participant. If you are receiving benefits from the Company's long-term disability plan, your pension payments may reduce your long-term disability benefits.

If you recover from your disability and return to work, your pension payments stop. When you retire, your pension is reduced to account for the payments you had already received.

Initial and continuing qualification for these disability provisions requires that you provide the evidence of disability that the Pension Committee may from time to time require.

If you leave before age 55

If you leave the Company before reaching age 55, you must be "vested" to receive any retirement benefits. Vested means that you have a nonforfeitable right to your pension. Vested pensions are figured using the formulas explained under early retirement (page 10). The formulas give the amount payable at age 65. If you want payments to start before age 65, the formula amount is reduced, as described below.

Your vested rights depend on the number of years of eligibility service you have when you leave the Company.

Here's how vesting works:

If you leave before age 55 and your eligibility service is less than five years, your pension is not vested. If your eligibility service is five years or more, your pension is 100% vested.

When Vested Benefits Begin

You may have your pension payments begin at your normal retirement date (see page 8), or on the first of any month after you reach age 55.

Whether or not your vested pension is reduced depends on your age when payments begin.

- If you postpone payments to age 65, there is no early payment reduction.
- If you elect to receive payments before age 65, your pension is reduced.

The reduction is .5% times the number of months from the date payments begin to the first of the month following your 65th birthday. For example, if you want payments to begin on the first of the month after you reach age 63, the early payment reduction would be 12% (.5% x 24 months between the date payments begin and the first of the month after reaching age 65).

If you leave before age 55 (continued)

The plan guarantees that the pension you receive will never be less than the pension amount you had earned through December 31, 1988, using the early payment reduction provisions in effect at that time.

Please be sure to read pages 16 through 21 on reductions that may apply relating to survivor benefits.

Withdrawing Your Contributions

You may elect to take a refund of your contributions at the time your benefits commence. See pages 27 and 28 for more information on taking a refund.

Lump sum payments

Your entire benefit will be paid in one lump sum (instead of providing monthly payments) if the lump sum present value of your vested pension is $3,500 or less. The lump sum payment is made when you retire or leave the Company. If you receive a lump sum payment, no further benefits are payable to you or any beneficiary.

If the vested value of your vested accrued benefit is zero, you will be deemed to have received a distribution of your vested accrued benefit.

If you participated in the Investment Plan

From January 1, 1970 through June 30, 1974, North American Philips Corporation maintained an Investment Plan for Salaried Employees to which contributions were made. When contributions were discontinued, all active participants became fully vested in their accounts.

If you participated in the Investment Plan, your pension will be reduced by the projected annuity value of your Investment Plan account balance as of June 30, 1974. This reduction does not apply if your benefit is paid under Formula 2.

Survivor protection before payments begin

This section explains how the pension plan can provide survivor protection if you should die *before* your pension payments begin. Ways to protect your survivors *after* payments begin are explained under "How Pensions Are Paid" on page 25.

Please Note: In reading about survivors' benefits, keep in mind that the term "spouse" means the person to whom you are legally married — and not divorced. In case of legal separation, benefits would still be paid to your spouse.

An Overview

While you are *in active service,* you can have survivor protection in one of two ways:

- If you are married and have qualified for a normal, early or vested pension, you will *automatically* have survivor protection through the **Pre-Retirement Spouse Benefit.** The Pre-Retirement Spouse Benefit is described in this section.
- Generally, the Pre-Retirement Spouse Benefit *does not* replace a significant portion of the income that's lost when a wage-earner dies. For this reason, many employees who want to provide greater income protection for their families elect the **Family Survivors' Benefit.** The Family Survivors' Benefit, together with any amount payable as the Pre-Retirement Spouse Benefit, provides an income for your spouse (or eligible children) equal to 25% of your pay at the time of death. However, the maximum annual Family Survivors' benefit is $50,000.

  You can elect the Family Survivors' Benefit if you are married or have at least one child under age 27. Details on this important benefit can be found behind the next guidebook tab marked "Family Survivors."

Survivor protection before payments begin (continued)

This table summarizes the main features of these two forms of survivor protection.

	Family Survivors' Benefit	Pre-Retirement Spouse Benefit
Eligibility	you must be an active participant in the salaried pension plan	you must be eligible for a normal, early or vested pension
Your Cost	from 1/2% to 1% of your earnings (depending on your age)	no cost while in active service*
Benefit	25% of your pay to your spouse (or children under age 27).** This usually results in a *higher* monthly income than the Pre-Retirement Spouse Benefit alone would provide	one-half the pension you would have received under the 50% Spouse Annuity payment form. This usually results in a *lower* monthly income than the Family Survivors' Benefit would provide
When Payments Start	the month after death — regardless of age	no earlier than the date you would have reached age 55

*There is a charge for spouse's protection between the time you leave the Company and the time your payments begin. You may reject this coverage, with your spouse's notarized consent.

**The maximum benefit payable is $50,000 per year. However, if your Family Survivor is your spouse, in no event will the benefit be less than the Pre-Retirement Spouse Benefit.

Spouse's protection of the kind provided under the Pre-Retirement Spouse Benefit is also provided *after termination of employment and before pension payments begin* if you leave after vesting—or after qualifying for early retirement having deferred payments to a later date.

Pre-Retirement Spouse Benefit — While You're In Active Service

As soon as you qualify for a normal, early or vested pension, your husband or wife has Pre-Retirement Spouse Benefit protection *automatically*. The Company picks up the entire cost of providing this protection.

Survivor protection before payments begin (continued)

What Your Spouse Receives. If you die in active service after qualifying for a normal or early pension, your spouse is entitled to one-half the pension you would have received had you retired the day before your death with an immediate pension.

If you die in active service after qualifying for a vested pension, your spouse is entitled to one-half the pension you would have received had you terminated employment on the date of death and started receiving your vested pension at age 55.

The pension you would have received is figured under the 50% Spouse Annuity payment form (see page 23).

When Payments Start. If you die at age 55 or later, monthly payments to your spouse can start right away. If you die before age 55, payments can start as early as the month after you would have reached age 55. Payments continue for as long as your spouse lives.

An Example. Let's assume Jim dies at age 53 after 25 years of eligibility and benefit service and that his full earned pension at the time of death is $700 per month. Assume too, that his spouse elects to have her Pre-Retirement Spouse Benefit start the month after Jim would have reached age 55. Here is how the benefit is figured.

1. Start with Jim's full benefit.	$700
2. Make the early payment reduction described on page 16. (The reduction for early payment at age 55 is 60%; 60% x $700 = $420 reduction)	-420
	$280
3. Make a reduction for the 50% Spouse Annuity payment form. (If we assume the age difference between Jim and his spouse is less than five years, this reduction is 5%; 5% x $280 = $14 reduction)	- 14
	$266
4. The Pre-Retirement Spouse Benefit is one-half the pension Jim would have received at age 55. ($266 ÷ 2 = $133)	$133 spouse's benefit

Survivor protection before payments begin (continued)

Assume, now, that Jim was enrolled in the Family Survivors' Benefit and that his "pay" (as defined on page 4/family survivors') at the time of death was $28,000. The Family Survivors' Benefit would be 25% of his pay. That comes to $7,000 a year — or $583.33 a month. In this case, Jim's spouse would have a lifetime income that *started earlier* and was *substantially higher* than the Pre-Retirement Spouse Benefit:

	Monthly Income With Family Survivors' Benefit	Monthly Income If No Family Survivors' Benefit
payable from time of Jim's death until he would have reached age 55	$583.33	Nothing
payable after Jim would have reached age 55	$583.33*	$133

*this *includes* the $133 that would have been paid as a Pre-Retirement Spouse Benefit

If Jim had no spouse at the time of death, the Family Survivors' Benefit would be paid to his child(ren) under age 27 at the time of his death.

Pre-Retirement Spouse Benefit — If You Leave The Company

If You Are Married. The Pre-Retirement Spouse Benefit protection described above will be in effect *automatically* if you are married and

- leave after you're vested, or
- leave after qualifying for early retirement but defer payments to a later date.

However, there will be a modest charge for any period of coverage between the time you leave and the time payments begin (or the time of death, if earlier). The charge is made through a reduction in the pension paid to you at retirement or to your spouse after your death.

Survivor protection before payments begin (continued)

For Any Period of Coverage	The Charge Is
up to January of the year you reach age 35	none
from January of the year you reach age 35 up to age 45 for full years of coverage	.10% per year
from age 45 to age 55 for full years of coverage	.33⅓% per year
from age 55 to age 65 for full months of coverage	.0417% per month (.5% per year)

For example, if you leave at age 35 and continue coverage until payments begin at age 65, your pension would be reduced by 9⅓% on account of this spouse's protection. That is $9.34 per $100 of your pension.

IF YOU DO NOT WANT COVERAGE AFTER TERMINATION OF EMPLOYMENT, YOU MUST REJECT IT ON A SPECIAL FORM AVAILABLE FROM YOUR PERSONNEL OR EMPLOYEE RELATIONS DEPARTMENT. YOUR SPOUSE MUST SIGN THE FORM INDICATING HIS OR HER CONSENT TO REJECTION OF COVERAGE, AND THE SIGNATURE MUST BE NOTARIZED.

You may discontinue or reinstate coverage at any time by contacting the Company and filing the required form. The charge will apply to any period of time that coverage was in effect.

If you reject or discontinue coverage, with the consent of your spouse, and die before payments begin, *no plan benefits are payable* to your spouse or anyone else — other than a possible refund of contributions.

Survivor protection before payments begin (continued)

If You Are Single. What if you are single when you leave after vesting (or after deferred early retirement) and later marry? In that case, spouse's protection, and the charge, apply automatically to any period of marriage. If you don't want this protection along with the charge, you must reject coverage by contacting the Company for the appropriate form. Both you and your spouse must complete the form and have it notarized. Coverage (and the charge) will stop after your form is received by the Company.

Refund Of Contributions

Your spouse may request to receive your "guaranteed contributions" in one lump sum at the time of your death. In that case, his or her Pre-Retirement Spouse Benefit would be reduced to account for the refund. (See pages 27 and 28 for a definition of "guaranteed contributions.")

Lump Sum Payments

If the actuarial present value of the Pre-Retirement Spouse Benefit is $3,500 or less, your spouse will be paid in one lump sum. However, if your spouse is entitled to the Family Survivors' Benefit, monthly payments will be made.

How pensions are paid

At retirement, you may choose a payment method which provides survivor benefits. Whichever method you select, you will receive monthly pension benefits for your lifetime.

The Plan's Payment Methods. The Pension Plan has six payment methods, explained in the table on the next page.

- If you are **married** when you retire, you can elect any one of the plan's payment methods. Note that if you choose payment method 2, 3, 4 or 5, survivor benefits are payable only to your spouse. You cannot name someone other than your spouse as beneficiary under those methods.

  A special rule applies if you are married and want to elect payment method 1 or 6 (methods that do not provide a lifetime income for your spouse after your death). In that case, your spouse must co-sign your payment election form, and the signature must be notarized.

  Please see page 16 for an explanation of who is considered your "spouse."

- If you are **single** at retirement, you can elect either the "Life Annuity" or the "10-Year Certain and Life Annuity."

How pensions are paid (continued)

PAYMENT METHODS*		
Payment Method	**During Your Lifetime, You Receive**	**After Your Death, The Plan Pays**
1. Life Annuity	an **unreduced** monthly benefit	no further benefits
2. 50% Spouse Annuity	a **reduced** monthly benefit	**50%** of your reduced monthly amount to spouse
3. 66⅔% Spouse Annuity	a **reduced** monthly benefit	**66⅔%** of your reduced monthly amount to spouse
4. 75% Spouse Annuity	a **reduced** monthly benefit	**75%** of your reduced monthly amount to spouse
5. 100% Spouse Annuity	a **reduced** monthly benefit	**100%** of your reduced monthly amount to spouse
6. 10-Year Certain and Life Annuity	a **reduced** monthly benefit. However, there's a **guaranteed payment period** of 10 years.	If you die within the 10-year guaranteed period, your spouse or other beneficiary receives your reduced amount until the end of that period**

* If you leave your pension contributions in the plan, all methods guarantee that the total pension benefits paid to you, your spouse, or other beneficiary will at least equal your pension contributions (plus interest), pre-July 1974 spouse benefit contributions and any Family Survivors' Benefit contributions.

** The guaranteed payment period starts when you receive your first pension check. If you die *after* receiving payments for the full 10-year guaranteed period, your beneficiary will not receive any benefits.

Once you begin receiving your pension, you cannot change your payment method — even if your spouse dies or your marital status changes. For example, say you are married and elect the 100% Spouse Annuity. If your spouse dies before you do, your pension will continue in the same reduced amount. You cannot name a new beneficiary even if you remarry.

If you get divorced after payments begin and then die, your former spouse will receive any survivor benefit that you had elected for him or her at retirement. If you had remarried after payments begin, your new spouse would not be entitled to any benefit from the pension plan.

How pensions are paid (continued)

10 years

There is one exception, however, if you elect the "10-Year Certain and Life Annuity." If your beneficiary dies within the 10-year guaranteed period, you can name a new beneficiary. The change will have no effect on the amount you receive.

IMPORTANT: If you fail to choose a payment method before you retire, the plan is required to pay your pension under your "automatic payment form."

If you're *single,* your automatic payment form is the "Life Annuity." If you're *married,* your automatic payment form is the "50% Spouse Annuity."

IF YOU DON'T WANT YOUR AUTOMATIC PAYMENT FORM, YOU MUST ELECT AN ALTERNATE PAYMENT FORM IN WRITING BEFORE YOUR PAYMENTS BEGIN. Be sure to notify the Company at least two months before you want payments to start. If you don't make this election, your pension will be paid under the automatic form. And you can't change to a different form after your payments have started.

How Your Pension Is Reduced. As you've seen, unless you elect to receive payments for your lifetime only, your pension is *reduced.* In exchange for the reduction, you provide survivor protection for your spouse (or other beneficiary under the "10-Year Certain and Life Annuity").

Note that the reduction does *not* decrease the value of your pension. It simply covers the greater probability that payments to two people (you and your spouse or other beneficiary) will last *longer* than payments to you alone.

Here is how the reduction is figured if you are married and decide on the "50% Spouse Annuity." If the age difference between you and your spouse is *five years or less,* your benefit is reduced by 5% to provide the 50% survivor benefit for your spouse. However, if

- your spouse is more than five years *older* than you, the reduction will be *less;*
- your spouse is more than five years *younger* than you, the reduction will be *greater.*

Of course, if you want your spouse to receive a *higher* benefit after your death (under the 66⅔%, 75% or 100% Spouse Annuity), the reduction will be *larger* than under the 50% Spouse Annuity.

How pensions are paid (continued)

Payment Method Example. Here's an example that will give you a general idea of how electing the various payment methods would affect your pension.

Steve Jones retires at age 65 having earned a $500 monthly pension. Here is what Steve and his wife would each receive under the different options. (In this example, we've assumed the age difference between Steve and his wife is less than five years. If that were not the case, a different reduction would apply. For simplicity's sake, we have rounded up to the nearest dollar.)

Payment Method	During His Lifetime, Steve Receives	After Steve's Death, His Spouse Receives
1. Life Annuity	$500	Nothing*
2. 50% Spouse Annuity	$475	$238
3. 66⅔% Spouse Annuity	$460	$307
4. 75% Spouse Annuity	$450	$338
5. 100% Spouse Annuity	$430	$430
6. 10-Year Certain and Life Annuity	$488	$488**

* However, if Steve left his contributions in the plan and died before receiving payments equal to those contributions (plus interest), any pre-July 1974 spouse benefit contributions and any Family Survivors' Benefit contributions, the balance will go to his spouse.

** Paid only if Steve dies before receiving 120 payments (10 years). Payments continue only until the end of the guaranteed payment period.

How pensions are paid (continued)

When To Choose A Payment Method

Usually, employees prefer to wait until they are close to retirement before selecting a payment method. If you are nearing retirement, contact your Personnel or Employee Relations Office for a more detailed explanation of these methods.

Your actual election of a payment method cannot be made more than 90 days before the date you want payments to begin. However, you should make your election about *two months* before retirement. If you don't allow about two months, your first pension check may be delayed.

Keep in mind that the payment method you elect will have a permanent effect on your retirement income — and on your spouse's income, if you should die first. So please be sure to discuss your retirement finances and payment method with your husband or wife.

Government limitations

The federal goverment limits the amount that can be paid to a participant in any calendar year from the trust under the plan. This limit applies to the highest paid employees and may result in a reduction in benefit payments from this plan (whether or not the plan document formally incorporates this limit.) Any amounts not paid to you by the plan trustee because of this limit will be paid to you in another manner.

Refund of contributions

The plan guarantees that benefits paid on your behalf (to you, your spouse or other beneficiary) will always equal or exceed your "guaranteed contributions." "Guaranteed contributions" means any pension contributions required before 1986 at the rate specified by the government, and any voluntary contributions for the pre-July 1974 spouse benefit.

Normally, your guaranteed contributions are returned as part of the pension or survivor benefit paid to you, your spouse or other beneficiary. However, if you should die and no benefit is payable other than a return of any remaining guaranteed contributions, those contributions go to your beneficiary in one lump sum.

If you are married, your beneficiary is automaically your spouse — unless your spouse agreed to another beneficiary by giving written consent to your beneficiary designation. If you are single, you can name anyone you wish as your beneficiary and you can change your beneficiary at any time.

If you don't name a beneficiary, or if your beneficiary dies before you do, the Pension Committee may name any of the following as your beneficiary:

- your spouse (If you are married, your spouse will automatically be considered your beneficiary.)
- your surviving children (an equal share to each)
- your executor or administrator
- your spouse's executor or administrator
- your former beneficiary's executor or administrator

IMPORTANT: If you are married, your spouse is automatically considered your beneficiary for a refund of contributions. If you wish to name someone other than your spouse for the refund, your spouse must give written consent on the form on which you designate your beneficiary and the form must be notarized.

Refund of contributions (continued)

At Retirement

At normal or early retirement, you may request a refund of an amount equal to your pre-1986 contributions (if any) plus interest together with any contributions you made for the pre-July 1974 spouse benefit. If you receive a refund, your pension will be reduced to account for your refund.

However, due to changes in the tax law, even if you elect this refund, only a small percentage of it will be tax free. That's because the government will no longer permit all of the tax free portion of your pension to be returned to you before the taxable portion. All your contributions will be refunded to you, however. Your monthly pension will consist of both your contributions and Company contributions. That means a portion of each monthly pension payment will be tax free. The tax free percentage of the refund and the monthly pension is based on your contributions compared to the expected value of your pension.

If you should die before all your contributions are recovered, the unrecovered amount may be claimed as a deduction in the final tax return filed for you.

Breaks in service and reemployment

Breaks In Service

You have a "break in service" if your employment with the Company ends. However, if you return within a year, your break is erased and your period of absence is included for determining *eligibility service*. It's not included in your *benefit service*. In addition, up to one year of a layoff and certain approved leaves of absence specified by the plan are not considered breaks in service.

In the case of a maternity or paternity leave for more than one year, the second anniversary of the date you began your leave is the date you would have a break in service.

If You Are Reemployed

If you are rehired after a break in service, you automatically rejoin the plan immediately. However, if you're rehired as a part-time salaried employee, you must meet the one-year service requirement. Any prior service that is restored to you will be counted for this purpose.

Your pre-break eligibility service and benefit service are restored if

- you were vested before you had a break, or
- your break lasted less than five years

Under any other circumstances, you start out as a new employee (i.e., get no credit for pre-break service) when you rejoin the Company.

If at the time you left employment you received a distribution of all your contributions to the plan, your benefit under the plan will be reduced accordingly. However, if you return to employment and your break lasted less than five years, you may choose to buy back that portion of your plan benefit by repaying the plan the contributions paid to you plus interest within five years of again becoming an employee eligible to participate in the plan.

Reemployment After Pension Payments Have Begun

If you return to work with any North American Philips company after pension payments have started, your payments will be suspended until you retire again (unless you work less than 40 hours a month). When you retire again, your pension will be adjusted to account for any additional benefit service and for any lump sum or monthly payments you had already received.

Please note: The above rules took effect on January 1, 1985. Any pre-break service lost under plan rules in effect before 1985 will not be restored.

Your break in service begins on the date you leave the Company and ends on the date you're reemployed.

Hours of service

1000 hrs. of service

As explained on page 5, part-time salaried employees must complete one year of service before joining the pension plan. For eligibility purposes, a year of service is a 12-month period in which a part-time employee completes at least 1,000 "hours of service." (The 12-month period can be measured either from date of hire or any later January 1.)

"Hours of service" include hours for which the Company, or a member of the Philips controlled group of companies, pays you for:

— working as either a salaried or hourly employee

— absences like vacations or those due to illness or disability. But you will not be credited with more than 501 hours for any single period of absence.

You are credited with hours of service even if you work for a division or affiliate which doesn't participate in the plan. If you return to work after a period of military duty, and your reemployment rights are covered by law, your military service also counts as hours of service.

Domestic relations orders

Generally, your pension benefits are payable to you only — or to your spouse or other beneficiary — under the circumstances described in this guidebook section. For example, the plan would not pay any part of your benefit to someone you owe money to. There is only one exception: If a spouse, former spouse, child or other dependent obtains a "qualified domestic relations order" from a court, the plan may be required to pay benefits in accordance with the court order. This could happen, for example, as part of a divorce settlement or in case of nonpayment of alimony or child support.

The plan may assess a charge for the cost of providing special information about the plan and the benefits of any individual employee in the case of a divorce action.

How to apply for benefits

About three to six months before you wish to retire, you should contact your Personnel or Employee Relations Office for specific information about the benefits you can expect to receive. Your actual retirement application (including an election of a payment form) cannot be submitted more than 90 days before the date you want payments to begin. However, you should submit your application at least 60 days before that date. If you don't, there may be a delay in the start of your pension.

If you leave the Company before retirement age, and have vested benefits, you will receive a statement of your vested rights shortly after you leave. Keep Personnel or Employee Relations informed of your address. They will send you a pension application from three to six months before your 65th birthday. If you want your pension to begin earlier than 65, you must contact the Company.

In most cases, your pension application is processed and the Pension Committee informs you of the amount of your pension and confirms the date on which your payments will begin.

If your benefits claim is denied for any reason, you or your beneficiary will receive a written notice from the Personnel or Employee Relations Office within 90 days. The notice will explain the reason for the denial, refer to the part of the plan on which the denial is based, and review the claims appeal procedure. If you have made an error in the claim, the notice will list ways in which it can be corrected. If special circumstances exist, you may not receive a notice for up to 180 days. However, you'll know within 90 days that there will be a delay.

You are entitled to appeal a claim that is denied, and you will receive a full and fair review. You may review any documents that relate to your claim. Within 90 days of the date you receive the denial, submit your appeal, in writing, to the Pension Committee. Be sure to state why you believe the claim shouldn't be denied, and submit any data, questions or comments you think are appropriate.

You will receive a written decision on your appeal within 60 days of the time the Pension Committee receives your request. If special circumstances exist, such as the need to hold a hearing, you'll receive a notice within 60 days that a decision may take up to 120 days.

If you transfer

Here is what happens if you transfer to employment in a nonparticipating division or affiliate, or to hourly or other ineligible status.

You will no longer receive benefit service. However, you will continue to receive eligibility service. You may not withdraw your plan contributions. When you leave this employment and reach retirement age, you will be eligible to receive benefits based on your benefit service and final average pay at the time of your transfer.

Future of the pension plan

Federal regulations require that all pension plan summaries include a description of participants' rights in case of plan termination.

North American Philips Corporation has the right to terminate the plan at any time, in whole or in part, by resolution of its Board of Directors. If that should happen, any participating employers would have no further obligation to make contributions to the plan. Your interests would be protected at plan termination as follows:

The rights of all affected employees to benefits earned to the date of termination — to the extent then funded — will become fully vested (nonforfeitable).

Except under extreme conditions of financial distress ordinarily involving bankruptcy or reorganization under a bankruptcy court proceeding, the plan will not be completely terminated unless the trust fund's assets are sufficient to pay all benefits earned to the date of termination. In this case, any assets remaining in the trust fund after the plan pays all earned benefits will revert to the Company. If a distress termination does occur, the trust fund's assets will be used first to cover plan termination costs and then to satisfy the plan's liabilities to participants, spouses or other beneficiaries. To the extent funds are available, plan assets will be allocated among retirees, participants, spouses and beneficiaries in the order of priority set by the Employee Retirement Income Security Act of 1974 (ERISA). The rules governing these priorities are very complex. But very generally, top priority is given to payment of the portion of any benefit attributable to employee contributions and, then, to benefits that were vested at the time of plan termination. Benefits would ordinarily be paid as an annuity. But a lump sum cash-out can be made for small pensions.

Future of the pension plan (continued)

If the trust fund's assets are not sufficient to satisfy all plan liabilities, additional amounts may become payable by the Pension Benefit Guaranty Corporation (PBGC), a government corporation set up under ERISA, as explained below. Note, though, that the PBGC protection is limited to certain types of benefits and that there is a ceiling on the dollar amount of all pensions. In addition, the PBGC does not cover any benefits that became vested solely as a result of plan termination. So in the event of plan termination, it is possible that you, your spouse or other beneficiary would receive less than the full expected amount.

Pension Benefit Guaranty Corporation

Benefits under this plan are insured by the PBGC if the plan terminates. Generally, the PBGC guarantees most normal retirement benefits, early retirement benefits, vested retirement benefits, and certain disability and survivors' pensions. However, the PBGC does not guarantee all types of benefits under covered plans, and the amount of benefit protection is subject to certain limitations. For example, the PBGC does not guarantee benefits for employees who were not vested immediately before the date of termination.

The PBGC guarantees benefits which are vested immediately before termination at the level then in effect. However, if benefits have been increased within the five years before plan termination, the whole amount of the benefit increase may not be guaranteed. In addition, there is a ceiling on the amount of monthly benefit that the PBGC guarantees, which is adjusted periodically.

For more information on the PBGC insurance protection and its limitations, ask your Plan Administrator or the PBGC. Inquiries to the PBGC should be addressed to the PBGC Communications and Public Affairs Department, 2020 K Street, N.W., Washington, D.C. 20006. The PBGC Office of Communications may also be reached by calling (202) 788-8840.

Key Employee Provision

Under an IRS rule, the plan may have to provide faster vesting than described in this guidebook section if a disproportionate percentage of plan benefits has been accrued by "key employees" (as defined by the IRS). ERISA regulations require us to mention this special vesting rule, even though it is virtually impossible that it would ever apply to this plan.

Plan administration

The North American Philips Corporation Pension Plan for Salaried Employees is a defined benefit plan. A plan administrator is responsible for providing participants with information on their benefits and handling other functions necessary for the plan's operation. The plan administrator is:

North American Philips Corporation
100 East 42nd Street
New York, N.Y. 10017
(212) 697-3600

Plan administration is handled by a Pension Committee appointed by North American Philips Corporation's Board of Directors. On the local level, your Personnel or Employee Relations Office takes care of plan administration; they should be your first source for any questions you have about the plan.

Plan Trustee

The plan's trustee is Banker's Trust Company, 280 Park Avenue, New York, New York 10022. Banker's Trust holds the Company's contributions, employee contributions made before 1986 and earnings on those contributions in a trust fund. Investment managers, who are appointed by the plan's Investment Committee, invest the plan's assets.

Agent For Service Of Legal Process

For any legal proceedings, the plan's agent is:

CT Corporation System
1633 Broadway
New York, N.Y. 10019

Legal process may also be served on the plan trustee or plan administrator.

Plan Year

The plan year for record-keeping purposes runs from January 1 through December 31. All employee records which relate to the plan are maintained on a plan-year basis.

Plan Documents

The preceding description summarizes the major features of the pension plan; it is intended to meet the requirement for a summary plan description under the Employee Retirement Income Security Act of 1974 (ERISA). **Your local Personnel or Employee Relations Office has a copy of the plan document which details each plan provision and which together with applicable law governs your rights if it differs from this summary.**

Employer And Plan Number

For reporting pension plan information to the U.S. Department of Labor and the Internal Revenue Service, the Company's Employer Identification Number (EIN) is 13-1895219 and the Plan Number (PN) is 001.

Your rights under law

As a participant in the North American Philips Corporation Pension Plan for Salaried Employees, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all plan participants are entitled to:

- Examine, without charge, at the plan administrator's office and at other locations (including worksites), all plan documents including copies of all documents filed by the plan with the U.S. Department of Labor, such as annual reports and plan descriptions.
- Obtain copies of all plan documents and other plan information upon written request to the plan administrator. (The administrator may make a reasonable charge for the copies.)
- Receive a summary of the plan's annual financial report. The plan administrator is required by law to furnish each participant with a copy of this summary annual report.
- Obtain a statement telling you whether you have a right to a pension at normal retirement age (age 65) and if so, what your benefits would be at normal retirement age if you stop working under the plan now. If you do not have a right to a pension, the statement will tell you how many more years you have to work to get a right to a pension. This statement must be requested in writing and is not required to be given more than once a year. The plan must provide the statement free of charge.

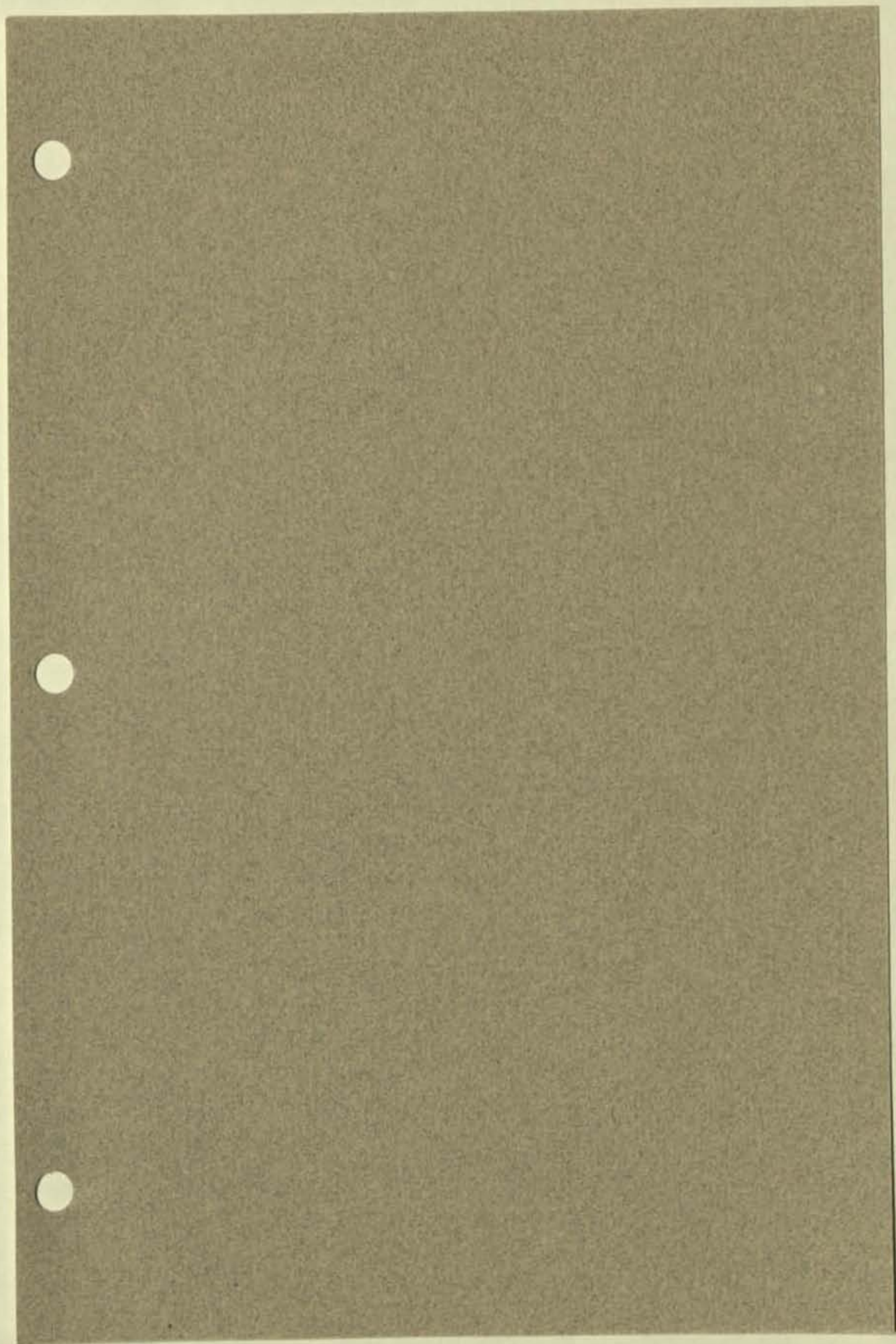
In addition to creating rights for plan participants, ERISA imposes duties upon the people who are responsible for the operation of the plan. The people who operate your plan, called "fiduciaries," have a duty to do so prudently and in the interest of you and other plan participants and beneficiaries. No one may fire you or otherwise discriminate against you in any way to prevent you from obtaining a benefit or exercising your rights under ERISA.

Your rights under law (continued)

If your claim for a pension benefit is denied, in whole or in part, you must receive a written explanation of the reason for the denial. You have the right to have the plan administrator review and reconsider your claim. Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials from the plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the plan administrator to provide the materials and pay you up to $100 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court. If it should happen that plan fiduciaries misuse the plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees — for example, if it finds your claim is frivolous.

If you have any questions about your plan, you should contact the plan administrator. If you have any questions about this statement or about your rights under ERISA, you should contact the nearest Area Office of the U.S. Labor-Management Services Administration, Department of Labor.

This section is only a representative summary of your pension plan. Should any questions or conflicts arise, they will be resolved based on official policies or plan documents and applicable laws. Neither this summary nor any detailed guidebook or employment policy constitutes either an express or implied contract of employment.



Family survivors' benefit

Section | Page

Why A Family Survivors' Benefit? 1
Who Is Eligible? 1
Enrollment 2
What It Costs 3
If You Work Past Age 65 3
The Family Survivors' Benefit 4
Benefits For Your Spouse 4
Benefits For Your Children 5
If You Have No Spouse
At The Time Of Death 5
If Your Spouse Dies 6
If You Have Family Coverage
Under The Health Plan 7
Pension Contributions Refund 8
Disability 8
Some Definitions
Spouse 9
Eligible Children 9
Pay 9
When Coverage Ends 10
Claiming Family Survivors' Benefit 10
Plan Administration 10

Why a family survivors' benefit?

When the head of a family dies, the resulting loss of income could prove disastrous. For a minimal cost, the Family Survivors' Benefit offers you a way to protect your family from such a hardship. If you die before retirement, this benefit assures your spouse or children under age 27 a substantial monthly income—25% of your pay before death.

The Family Survivors' Benefit *includes* any amount payable under the Pre-Retirement Spouse Benefit feature of the pension plan (see page 17 of the pension section).

The Family Survivors' Benefit supplements any life insurance coverage you may have.

Who is eligible?

The Family Survivors' Benefit is part of the pension plan. As a pension plan participant, you can elect the Family Survivors' Benefit if you're married or have at least one child under age 27.

On page 9 you'll find an explanation of who is considered a "spouse" or "child" for purposes of the Family Survivors' Benefit.

Enrollment

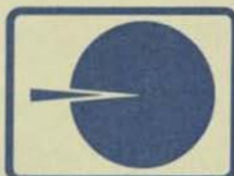
You can enroll for the Family Survivors' Benefit as soon as you join the Company.

Coverage takes effect at the same time that you join the pension plan—that is, on the first of the month after hire. (However, if you are a part-time salaried employee, you must complete one year of service to enroll.)

If you aren't married and/or don't have a child under age 27 when you join the pension plan, you may enroll in the Family Survivors' Benefit as soon as you marry or have a child. Coverage takes effect on the first day of the month after you file an enrollment form.

Enrollment forms are available from your Personnel or Employee Relations Office.

If you don't enroll when you are first eligible, you must submit evidence of good health to the Pension Committee and receive their approval before you can participate in the benefit. You may never be allowed to enroll if you are unable to provide satisfactory evidence of good health.



What it costs

You contribute a small percentage of your earnings for each month that you are covered by the benefit.

How much you contribute depends on your "earnings" as follows.

If Your Age on January 1 of the Current Year Is	Then You Contribute
Under 40	1/2% of earnings
40 – 54	3/4% of earnings
55 or older	1% of earnings

"Earnings" is defined on page 9 of the pension plan section of this guidebook.

As mentioned in the table, your contribution rate is based on your age as of January 1 of each year in which you participate. For example, assume you are hired in July 1986 at age 40 and you decide to enroll for the Family Survivors' Benefit. Your birthday was in May. Throughout 1986, you would contribute at the 1/2% rate since you were only age 39 on January 1, 1986. Then on January 1, 1987, you would start contributing at the 3/4% rate.

Family Survivors' Benefit contributions are deducted from your paycheck.

Your Family Survivors' Benefit contributions provide you with current protection, rather than help you build up a cash reserve. Therefore, unlike pension plan contributions, Family Survivors' Benefit contributions are not refunded if you leave the Company.

If You Work Past Age 65

If you work beyond age 65, you may continue to participate in the Family Survivors' Benefit at a monthly contribution rate of 1% of earnings. However, starting with your 65th birthday, the benefit payable is reduced 8% per year as shown in the chart below.

If You Die On Or After Your	Your Beneficiary Receives This % Of The Family Survivors' Benefit
65th birthday	92%
66th birthday	84.64%
67th birthday	77.87%
68th birthday	71.64%
69th birthday	65.91%
70th birthday	60.64%...and so forth

If your Family Survivor is your spouse, this benefit will never be less than the Pre-Retirement Spouse Benefit amount.

The Family Survivors' Benefit

The annual Family Survivors' Benefit, payable upon your death in active service is 25% of your "pay."

In most cases, "pay" means your annual salary rate immediately before your death, as well as the average annual amount of any other cash compensation paid during the previous three calendar years that counted as earnings under the pension plan. Please see page 9 for a more detailed definition of "pay."

Since the maximum amount of pay which the law permits us to recognize is $200,000, the Family Survivors' Benefit cannot be more than $50,000 annually.

The Family Survivors' Benefit is paid in monthly installments, starting on the first of the month following your death. Payments go to your surviving spouse or to your children who are under age 27, as explained in the next two sections.

25% of pay

Benefits for your spouse

If you are married at the time of death, your surviving spouse receives the full 25% Family Survivors' Benefit. Any amount payable to your spouse under the Pre-Retirement Spouse Benefit feature of the pension plan (described on page 17 of the pension section) is *included* as part of the Family Survivors' Benefit.

The Family Survivors' Benefit is paid as long as your spouse lives, even if he or she remarries.

If your spouse dies survived by one or more of your children under age 27, payments continue until each child reaches age 27. You'll find details about how such payments are made under "Benefits For Your Children."

Benefits for your children

Any eligible child (or children) under age 27 receives a Family Survivors' Benefit if

- you have no spouse at the time of death, or
- your spouse dies after you, whether or not your spouse had remarried

Payments begin on the first day of the month following your (or your spouse's) death.

If You Have No Spouse At The Time Of Death

These provisions apply if you have no spouse at the time of your death:

One Child. If you have one child under age 27, he or she receives the 25% Family Survivors' Benefit until age 27.

More Than One Child. If you have more than one child under age 27, the Family Surviors' Benefit is divided equally among those children at your death. Then, when each child reaches age 27, his or her share of the benefit stops. (Note that if a child dies—or stops receiving payments at age 27—payments to any other children still entitled to benefits will not increase.)

No payments will be made to any child who has reached age 27 at the time of your death.

An Example. Assume Linda H. dies in active service before age 65 leaving no spouse. She does, however, have three children ages 8, 12 and 15. Linda's "pay" at the time of death was $36,000. The annual Family Survivors' Benefit, therefore, is $9,000 (25% fo $36,000).

Since all her children are under age 27, the Family Survivors' Benefit is divided equally among all three children:

$9,000 ÷ 3 = $3,000 a year ($250 a month)
for each child

Benefits for your children (continued)

Monthly payments start the month after Linda's death. Each child's payments continue until he or she reaches age 27. In summary . . .

The Child Who Is	Receives	For	Giving An Individual Benefit Of
Age 8	$3,000 a year	19 years	$57,000
Age 12	$3,000 a year	15 years	$45,000
Age 15	$3,000 a year	12 years	$36,000

(For simplicity's sake, these amounts have been figured as if each child had just reached the age shown.)

If Your Spouse Dies

These provisions apply if your spouse starts receiving a Family Survivors' Benefit and then dies before all your children have reached age 27.

One Child. If you have one child under age 27 when your spouse dies, your child receives the 25% Family Survivors' Benefit until he or she reaches age 27.

Your child is entitled to this benefit whether or not your spouse had remarried.

More Than One Child. If your spouse dies and more than one of your children are still under age 27, the Family Survivors' Benefit is divided equally among those children. Then, when each child reaches age 27, his or her share of the benefit stops. (Note that if a child dies—or stops receiving payments at age 27—payments to any other children still entitled to benefits will not increase.) Your children are entitled to this benefit whether or not your spouse had remarried.

No payments will be made to any child who has reached age 27 at the time of your spouse's death.

An Example. Assume Robert M. dies in active service before age 65 leaving his spouse, Ann, and three children. Robert's "pay" at the time of death was $28,000. The annual Family Survivors' Benefit, therefore, is $7,000 (25% of $28,000).

Benefits for your children (continued)

The Family Survivors' Benefit is paid to Robert's spouse. Monthly payments of $583.33 start the month after Robert's death and continue for as long as Ann lives—even if she remarries.

Assume now that Ann dies after receiving payments for a number of years. At the time of her death, the children are ages 18, 23 and 28. In this case, monthly payments continue to the two children who are under age 27 at the time of Ann's death. Each child receives an equal share of the Family Survivors' Benefit.

$7,000 ÷ 2 = $3,500 a year ($291.67 a month) for each child under age 27

Payments start the month after Ann's death. Each child's benefit continues until he or she reaches age 27. In summary . . .

The Child Who Is	Receives	For	Giving An Individual Benefit Of
Age 18	$3,500 a year	9 years	$31,500
Age 23	$3,500 a year	4 years	$14,000
Age 28	—	—	—

(For simplicity's sake, these amounts have been figured as if each child had just reached the age shown.)

If you have family coverage under the health plan

If you die in active service and you . . .

- had 10 years of service (your years of service will never be less than your years of eligibility service as defined in the pension section), and
- were enrolled for family coverage under the health plan,

. . . your eligible dependents may be eligible for extended health insurance. Please see page 42 of the Health section of this guidebook.

Pension contributions refund

In addition to the payments that your spouse or children receive from the Family Survivors' Benefit, your beneficiary receives a refund of an amount equal to any pension plan contributions with interest plus any contributions you made for the pre-July 1974 spouse benefit. (Please see page 27 of the Pension Plan section for rules on naming a beneficiary for a refund of contributions.) Any reduction in the Pre-Retirement Spouse Benefit, due to a refund of pension contributions with interest, will not reduce the Family Survivors' Benefit.

Disability

If you go on sick leave at less than full pay or become totally disabled while participating in the Family Survivors' Benefit:

- you make no Family Survivors' Benefit contributions, and
- your Family Survivors' Benefit coverage continues in effect during your sick leave or disability.

You will be considered totally disabled for purposes of the Family Survivors' Benefit if the Pension Committee approves you for the disability provisions of the pension plan.

Some definitions

Spouse

In this summary of the Family Survivors' Benefit, the term "spouse" means the person to whom you are legally married—and not divorced. If you are legally separated, you are still considered married.

Eligible Children

For purposes of the Family Survivors' Benefit, children eligible to receive payments include your natural or adopted children who have not reached age 27. They can be single or married, and they need not be your dependents. If you have a child born out of wedlock, he or she will be entitled to benefits only if you had acknowledged parentage during your lifetime.

Any children of your spouse who are not your natural or adopted children are *not* eligible for Family Survivors' Benefit payments.

Pay

"Pay," for purposes of the Family Survivors' Benefit, includes only those earnings that are included as "earnings" under the pension plan. ("Earnings" are defined on page 9/pension.)

Pay is the sum of 1 and 2, as follows:

1. The *greater* of

   A. your annual rate of salary immediately prior to death (or immediately prior to a period of disability or sick leave, if benefit service was granted under the pension plan)

   or

   B. your average annual salary for the three calendar years prior to the year of death during which benefit service was granted under the pension plan

   PLUS

2. your average annual amount of any bonuses, commissions or other cash compensation includable as earnings under the pension plan during the most recent three full calendar years of active employment (or the total number of years, if less) prior to the year of your death

In no event will your pay be less than your "final average pay" under the pension plan. "Final average pay" is defined on page 9/pension.

When coverage ends

Your Family Survivors' Benefit coverage ends when you:

- are no longer married and your children are age 27 or older
- stop making contributions (unless you are on sick leave at less than full pay or are totally disabled)
- are laid off or go on leave other than sick leave or total disability
- transfer to ineligible status (e.g., hourly employment)
- leave the Company
- retire.

If your marriage ends and you no longer have children under 27, obtain the appropriate form for stopping contributions from your Personnel or Employee Relations Office

Claiming Family Survivors' Benefits

Should you die, your Personnel or Employee Relations Office will contact your surviving spouse or children to arrange for payment of the benefit.

Plan administration

Since the Family Survivors' Benefit is part of the North American Philips Corporation Pension Plan for Salaried Employees, the following parts of the pension plan section also apply:

- How to Apply for Benefits, page 31/pension
- Future of the Pension Plan, page 32/pension
- Plan Administration, page 34/pension
- Your Rights Under Law, page 35/pension