

STICHTING PENSIOENFONDS ELSEVIER-ONDERNEMINGEN

Message to members, ex-employees and pensioners
Unofficial translation of an original document in Dutch

Amsterdam, 11 February 2009,

Subject: Situation of Stichting Pensioenfonds Elsevier-Ondernemingen

Dear Member, Ex-Employee or Pensioner,

In the past few weeks, numerous articles have appeared in the national press regarding the financial position of pension funds. Many pension funds are experiencing problems due to the turbulence on the financial markets, which has had a negative impact on the return on investments. The Elsevier Pension Fund Foundation (*Stichting Pensioenfonds-Elsevier Ondernemingen*, SPEO) has also been affected by the volatility of the financial markets.

What is the impact on the position of SPEO?

The Elsevier Pension Fund Foundation is in a very difficult position. According to the Dutch pension law a minimum funding ratio of 105% is required. The funding ratio is the ratio between the invested capital and the pension liability, which is the total amount needed to pay out future pensions.

SPEO is no longer in a position to meet the 105% funding ratio requirement. Due to the shortfall on the financial markets, the SPEO funding ratio had declined to around 84% by the end of December 2008. Consequently, we are now working out a recovery plan to submit to the Netherlands Central Bank (DNB); in this plan the Fund has to explain how it intends to deal with the financial situation currently confronting it.

Below, we have provided information about the Fund's position at the end of December. Given that the accounts for 2008 have not as yet been finalised, the figures below are provisional.

Why has the funding ratio declined so far?

The fall in the funding ratio is attributable to a combination of two factors which, in conjunction, have exacerbated the situation:

- **Negative return on investment**

Due to the negative investment results, the Fund's capital has been reduced. At the end of December, the Fund's capital was approximately € 436 million, which was a decline of around 20% when compared to the previous year. By implementing a prudent investment policy and maintaining a wide investment spread, SPEO attempts to invest the money of its members in a responsible way. SPEO spreads the risks by, amongst other things, investing in equity, government bonds, corporate bonds, real estate and commodities. Returns were negative on almost all these categories in 2008, with the exception of government bonds.

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- **Decline of interest rates**

The fall in the rate of interest has also had a significantly negative impact on the funding ratio. The lower the interest rate the more money the Fund requires to meet its pension liabilities. In the course of 2008, the interest rate fell from 4.85% to 3.53%, causing the Fund's total liabilities to rise by 32% to approximately € 522 million.

What are the implications for my pension?

Together the pension capital and the pension contributions are sufficient to cover pension payments for the coming years. However, the pension fund will need to reinforce its financial position in order to secure the long term pension commitments.

In view of the current funding shortfall value transfers have been temporarily suspended. This means that if you change jobs, it is not possible to transfer your pension entitlements to another pension fund. Similarly, it is not possible to transfer any previous pension entitlements into SPEO.

How does this affect my indexation?

On the basis of the current funding ratio, your pension entitlements will not be index-linked in 2009.

The level of indexation is dependent on the funding ratio. When the funding ratio is below 105%, there is a funding shortfall and no indexation is possible. If the funding ratio is above 130% full indexation can be granted, and between 105% and 130% we can award partial indexation.

That means that your pension entitlements will not be indexed the coming years, or only to a limited extent.

Will the Fund be able to recover in time?

In part, the Pension Fund will be able to recover as a result of the contribution income and the investment returns. The investment returns do, of course, remain an unpredictable factor. On the basis of the contribution income and investment returns, we expect to be able to recover by approximately 10% points within a three-year period. That would, however, be insufficient to satisfy the requirements of the DNB. Supplementary measures are, therefore, necessary.

What supplementary measures is the Board going to take?

Currently, we are consulting Reed Elsevier Nederland (the employer) regarding the supplementary measures to be taken in order to bring the Fund's position into line with the DNB's requirements. The measures being considered with the employer are increasing the contributions and/or the employer providing additional payments into the Fund. So far, no agreement has been reached in respect of these measures.

What will happen if no agreement is reached with the employer?

If no agreement can be reached with the employer regarding the supplementary measures, then the possibility that the Fund may have to reduce the active members' accrual and the pension rights already accrued cannot be ruled out. In the worst-case scenario, it could result in the DNB compelling the Fund to lower the pensions already being paid out.

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The Board is of the opinion that reducing the pension accrual and pension rights are entirely undesirable measures. Consequently, we intend to devote all our efforts to finding a solution which avoids having to reduce the pension accrual and the pension rights. However, in an extreme situation, the Board may feel that it has no other alternative than to consider these serious measures.

By means of newsletters, we will keep you up to date about developments in the Fund.

Should you have any questions, please do not hesitate to contact us, either by phone (020-515 9499) or by e-mail: info@speo.nl.

On behalf of the Board of Trustees of

Stichting Pensioenfonds Elsevier-Ondernemingen

Fokko Covers
Director