

Indexation depends on speed of recovery

Owing to the low funding ratio the Board of the Pension Fund has decided not to grant conditional indexation this year in respect of the pensions of pension beneficiaries and former participants. All parties affected by this decision were notified by means of a personal letter in April 2009. The recovery plan contains no concrete measures preventing indexation in the coming years. The plan assumes that indexation will be applied as soon as possible and justifiable. This is where the recovery plan differs from those of many other pension funds, which have often determined already that no indexation will be applied during the next three to five years.

The Board of the Shell Pension Fund makes a new decision about indexation every year. A funding ratio of at least 105% is necessary to make indexation possible. But that does not mean indexation will be applied automatically: in making its decision in this regard, the Board always takes the Pension Fund's current financial position into consideration.

The restoration of the funding ratio is currently being realised in the first place through additional payments from Shell. But if the world economy and the financial markets successfully recover, for example by means of rising share prices and increased interest rates, this will also be very beneficial for the restoration of the funding ratio. In such a situation the Pension Fund may consider indexation sooner.

Shell deposits two billion Euros in Pension Fund's coffers

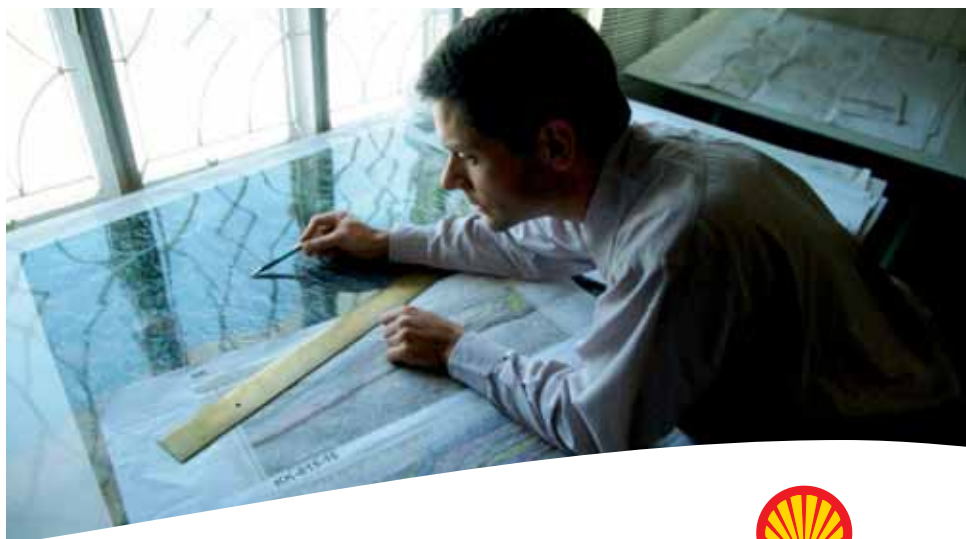
During the second quarter of 2009, Shell companies made additional payments to the Shell Pension Fund totalling two billion Euros. These payments are part of the package of measures put in place by the Pension Fund to return its funding ratio to the minimum requisite level of 105% within three years. Due in part to these payments, the Pension Fund's funding ratio increased to 105% as of June 30, 2009.

Even for a large concern as Shell these are enormous sums of money. By way of comparison: two billion Euros equals more than twice the fixed annual salaries or the pension contribution basis of the participants in the pension scheme. The Pension Fund will not be out of the underfunding position unless the funding ratio has been above 105% for three quarter ends.

Phased supplementary payments

Further to the payments referred to above, Shell will make additional phased payments over coming months if the funding ratio will drop below 105%. Should this prove necessary, the additional payments will be made on a quarterly basis, for a maximum of ten quarters. These additional new payments, should they prove necessary, are constantly aligned with any existing or new deficit. Every quarter, the Pension Fund calculates the total amount necessary to make up for the current deficit. During the first of the ten quarters, Shell pays one tenth of the total amount required at that moment. During the next quarter, one ninth of the total amount required at that time will be paid, and so on for subsequent quarters.

The payments are in addition to substantial increases in the employers' contribution. This had already been increased from 5% to 23.6% as of January 1, 2009 and has been increased further to 32.1% as of July 1, 2009. In line with the Regulations, the participant's contribution is currently 2% for that part of the salary up to EUR 74,881 and 8% for that part of the salary above this. ■



Questions & Answers

1 *When will the Pension Fund apply indexation again?*

Indexation is possible if the funding ratio is higher than 105% and the financial situation permits this. In principle, the Board takes a decision about indexation once a year, during the second quarter, in order that this may be applied as of July 1 of that year. So the next decision about this will be taken during the second quarter of 2010.

2 *Is it possible to make good the indexation that was not applied as of July 1, 2009?*

Yes, based on the indexation policy the Pension Fund may grant indexation that it failed to apply in a particular year up to five years later. To that end, the funding ratio must be higher than 115% and must not fall below that level as the result of catch-up adjustment. Again, catch-up adjustments are not applied automatically. The Board always determines whether granting (catch-up) indexation is justified.

3 *Is the Pension Fund now investing more prudently?*

Yes, this is part of the recovery plan. The Pension Fund is investing less in equities, and more, for example, in fixed-yield securities, such as bonds. Moreover, borrowed money will in future no longer be used for a part of the Pension Fund's investment.

4 *Are earlier newsletters about the financial crisis still available?*

Yes, you can read all previous newsletters again via the Pension Fund's website: www.shell.nl/pensioenfonds

Recovery plan approved by De Nederlandsche Bank

In the second newsletter about the financial crisis and the consequences for the Pension Fund published in April 2009, we informed you that the Pension Fund submitted a new recovery plan to DNB on March 31, 2009. The Plan contains concrete recovery measures to restore the funding ratio to 105% within three years and to increase it to the requisite level of 127% within fifteen years. DNB has given its approval for this recovery plan, which combines short-term and long-term recovery measures. This means the first recovery plan, submitted to DNB at the end of December 2008 focusing solely on short-term recovery, no longer applies.

The recovery plan was compiled on the basis of insights and prospects at that time. These remain uncertain of course. The possible development of the economic crisis in particular adds to that uncertainty. This development may impact the speed at which the Pension Fund will fully recover. ■

Almost no value transfer between pension funds

When an employee moves to a new employer, he may transfer his accrued pension entitlements to his new employer's pension scheme. In this way, he can minimise the consequences of a pension discontinuity. However, the law does not permit such value transfer if the funding ratio of the pension fund in question is less than 100%.

Many pension funds currently find themselves in this situation. This is why value transfers between pension funds have more or less come to a halt over recent months. Employees who have entered Shell service in recent months may arrange for the value transfer from their previous employer as soon as the financial position of both the former pension administrator and the Shell Pension Fund permits this. In the coming months, the Pension Fund will start processing value transfers that had been suspended, if the funding ratio is above 100% and is anticipated not to fall below that level in the foreseeable future. The employees in question will be notified about this individually.

Employees who have left Shell service in recent months may approach the pension administrator of their new employer to inquire whether value transfer is possible (again). ■

Next month you will receive the publication '2008 in short' in which you can read more about the Pension Fund and the events in the past year.

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The English version of this newsletter is only available in digital format.

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