stichting **pensioenfonds avery dennison**

Active members

contact person	direct dialing number	our reference
Ellen van de Kerkhof	013 -462 36 34	OPFRB.2009.PFA.BRI.1085
subject	date	your reference
Financial crisis and recovery plan	25 May, 2009	

Dear

With this letter Stichting Pensioenfonds Avery Dennison would like to inform you about the financial crisis and the consequences thereof for your pension.

1. General

Pension funds have been hit hard by the financial crisis. The problem with the pension funds has two different reasons, one being the decrease of the interest and the other the decrease in share prices. Many pension funds have seen their funding ratio decrease strongly. The funding ratio of a pension fund shows the proportion between the assets on the one side and the current and future pension benefits on the other side. If the assets and obligations of a pension fund are exactly the same, the funding ratio is 100%.

If the funding ratio is too low, the pension funds have to prepare a recovery plan. In that plan they have to indicate what they will do to make sure that the funding ratio will be high enough again within five years. Subsequently, the pension fund sends the plan for approval to the Dutch Central Bank, the supervising authority.

The required funding ratio for our pension fund is approximately 114%. At this level, the pension fund has sufficient financial reserves for bad times. The pension fund’s minimum funding ratio as required by the supervisor is 105%. This means that the required cash reserve has to be at least € 1.05 for each euro paid out as pension benefit.

Postal address P.O. Box 90170 5000 LM Tilburg |visiting address Dr. Hub van Doorneweg 195 5026 RE Tilburg |
e-mail e.vd.kerkhof@interpolis.nl | fax (013) 462 36 01 | bank 56.62.96.934 |’kvk 41166415

2. What does this mean for your pension fund?

Avery Dennison Pension Fund has also been affected by the financial crisis. The funding ratio has dropped from 138% on 31 December, 2007 down to 92.7% on 31 December, 2008.
The current funding ratio dropped further down to approximately 92% on 30 April, 2009. The fund has five years to get back to the minimum funding ratio of 105%.

This means that Avery Dennison Pension Fund has also prepared a recovery plan. In this plan we indicate the measures we will take in the next five years to bring the fund's financial position back to the minimum level. In this letter we inform you about these measures for the next five years.

3. How does this affect you?

a) Will your pension benefit/accrued pension decrease?
No, that is currently not under discussion.

b) Will your pension increase with the wages / prices in the next few years?
Each year the pension fund tries to increase your accrued pension in line with either the development of the CLA wage at the employer or the development of the derived Consumer price index figure all households, whatever is the highest percentage. But the wages or the prices can only be increased if the pension fund has sufficient financial reserves. The board of the pension fund has decided that the retirement benefits and the accrued pensions cannot be increased as per 1 January, 2009, nor will they be increased in the next few years. For you as a member of the pension scheme, this means that the pension already accrued by you will not be increased in line with the increase of the wages or of the prices. Hopefully, the fund will be able to catch up the missed indexation of the retirement benefits and the accrued pensions in later years.

c) Will your pension premium be increased?
Pension funds are obligated to calculate a self-funding contribution that is sufficiently high to pay for the annual pension accrual. If you are accruing pension, you can see on your wage slip how much contribution you pay. The calculation of the contribution is based on the market interest rate. Until 1 January, 2009 the calculation was based on an interest rate of 4%. Since the interest rate has dropped considerably, however, the contribution is higher. Extra capital is now also required to improve the fund's financial position. The board of the fund has therefore decided to set the contribution at 21.6% of the pension base as per 1 April, 2009. In 2009 the contribution was18% of the pension base, so this is a raise of 20%.

You and your employer each pay a part of the contribution. The employer pays 2/3 of the contribution. The part paid by your employer increases from 12% to 14.4%. The employees pay 1/3 of the contribution. The part that you pay goes up from 6% to 7.2%. Consequently, your pension contribution will increase.

For the first quarter of 2009 the board has set the total contribution at 24% of the pension base. However, this was a single increase while the fund was waiting for the figures of the recovery plan. But as we already mentioned, as of 1 April, 2009, the total contribution will be 21.6% of the pension base.

d) Will the employer make an additional contribution?

It has been agreed with the employer that the employer will deposit additional capital if the recovery plan shows that - without these additional contributions - the pension fund cannot recover in three years time until the required minimum level of 105%. This means that the employer will deposit a total amount of 7.8 million euro in the fund. The pension fund expects it will be able to recover in three years to a minimum required funding ratio of 105%.

Without this additional contribution by the employer, the fund would be able to recover within the mandatory period of five years. The board of the fund and the employer have decided that the additional contribution by the employer is necessary.

e) Change of employment: what does that mean at het moment?

Changing employer's often also implies a change of pension fund or pension insurer. As a member you are entitled to transfer the value of the pension you already accrued to your new pension fund or insurance company.

This right to value transfer may not be executed if one of the pension funds involved has a funding ratio below 100%. Have you changed jobs recently or do you intend to do so in the near future? Please contact your pension fund or pension insurer for more information about the consequences for your current situation.

f) Emergency measures

The recovery plan is based on the current insights and calculations. However, the future is unpredictable. The economical situation could deteriorate even further, but it may also improve. The board of the pension fund will continuously monitor whether the recovery proceeds as expected. Should the recovery be insufficient, the board will have to decide again whether additional measures are required. These measures will have to be taken ultimately on 1 January, 2012. It is still too early to say anything about the measures that will have to be taken in that case, but one can think e.g. of adjusting the investment policy, economising the pension scheme, further postponing indexation, further increasing the pension contributions, additional contributions from the employer and curtailing pension rights. If these measures are required, we will of course inform you again in time.

4. Conclusion

The measures in this letter have been laid down in the recovery plan submitted for approval to the Dutch Central Bank by Avery Dennison Pension Fund on 31 March, 2009. If the fund needs to adjust the plan, we will inform you again by letter.

Kind regards,

Lydia van Leeuwen
Chairman

For an English translation of this letter about the consequences of the financial crisis for your pension we refer to the website of the pension fund: www.pensioenfondsaverydennison.nl.

It is the pension fund's ambition to annually increase your accrued pension in line with either the development of the CLA wage at the employer or the development of the derived Consumer price index figure all households, whatever is the highest percentage. However, the increase will never exceed 3%. This year the accrued pension (over 2008) has been increased by 0%. In the last three years your pension fund has increased the accrued pension as follows:

- Over 2007 by 2.50%. Our ambition was 2,50%. Prices then rose by 1.61%.
- Over 2006 by 1.75%. Our ambition was 1,75%. Prices then rose by 1.16%.
- Over 2005 by 1.25%. Our ambition was 1,25%. Prices then rose by 1.67%.

Your pension fund pays the future increases of your accrued pension from the returns on investments. Despite of this increase and the expectations for the next few years you are not automatically entitled to any increases in the future.