

CUSTOMISED EMPLOYMENT CONDITIONS (CEC) 2009

(Appendix 6 to the CBA for Research Centres)

EXPLANATORY NOTES ON SOURCES AND OBJECTIVES FOR CEC

(Please read these notes when making your choice(s) and when completing the form "request for amendment of employment conditions".)

N.B.: No rights may be derived from the examples given in the explanatory notes.

GENERAL

Employees may participate in the CEC scheme and submit an options form at any time. An application may be submitted once a year, which means that there must be at least one year between successive CEC applications. All CEC applications will be checked to see whether they comply with the applicable tax conditions.

The CEC form may be submitted at any time, but the choices made, such as purchasing a bicycle, can only be implemented once you have received confirmation of the approval of your CEC request from NWO.

Choices for the current year must be made by 1 December, because of the closing date for the payroll in December.

Notes on "amending your employment conditions"

The employment conditions applicable to you have been laid down in your employment contract/appointment decision. (Reference to a collective arrangement, CBA or collection of implementation regulations also constitutes the stipulation of agreements about your employment conditions.) The CEC scheme is based on the principle that you agree with your employer that you will receive a lower salary for a certain period of time or will relinquish a number of days of holiday for a certain period. You get something in return for this, such as extra holiday, a higher commuting allowance, a bicycle and/or a reduction in your contribution towards study costs.

Note re page 1

In order to participate in this scheme, you must have the prospect of at least 6 months' employment with the prospect of extension as from the time at which the choice comes into effect. The CEC options form may be submitted at any time.

NOTES ON SOURCES

Notes on source 1: Vacation-leave hours

You can contribute a minimum of 16 and a maximum of 80 hours of holiday. For part-time employees, the minimum and maximum number of hours to be contributed, as well as the remaining balance of vacation-leave hours, is adjusted pro rata to the number of hours worked. Full-time employees must have a remaining balance of at least 160 vacation-leave hours for a year, in terms of which both already accrued leave and future leave can be used.

Agreements about the use of vacation-leave hours will be made for the period of one year. The agreement can however be made for 2 or 3 years if the hours are being used for the objectives private bicycle or the reduction of your contribution towards study costs.

N.B.:

1. A maximum of 80 hours can be used per year. These hours can be taken from accrued leave, future leave or a combination of the two.

The source vacation-leave hours cannot be used for the objectives commuting expenses or trade union dues.

* Before 1 January of every year with the approval of the most convenient Works Council it is decided on opening payment of a maximum of 120 vacation leave hours.

2. Extra leave to a total of 200 hours may be contributed per year on the basis of an individual employment conditions arrangement. However, this applies only to employees in scales 16, 17 and 18, for the purpose of reducing backlogs of accrued leave.

Likewise the payment of a maximum of 200 vacation leave hours for scale 15 has to be decided before 1 January of each year with the approval of the most convenient Works Council.

3. 2 extra days of holiday (16 hours) can be paid out per year. However, this applies only to those employees who can prove that they make use of regular childcare for their children.

The following limiting conditions apply to all employees who may sell a maximum of 200 leave hours:

- selling more than 80 hours will only be considered within the framework of solving the problem of great build-ups of accumulated leave;
- selling more than 80 hours (per person, per calendar year) requires the consent of two parties (employee and supervisor);
- actual participation in this broadened AVOM will only take place if it is in line with the current government Guidelines for top incomes.

Value of an hour of holiday

If an hour of holiday is to be used as money, the value of that hour is determined as follows. The point of departure is the full-time monthly salary plus certain allowances as applicable to the employee at the time at which the CEC request is granted. The holiday allowance and the end-of-year payment are added to this. If the agreement is made for 2 or 3 years, then the set hourly wage will remain the same for the purposes of the CEC scheme. The result is divided by 165. (This is the number of hours per month for a full-time employee, $38 \times 13/3 = 165$.)

Example: A participant works 4 days a week. He is classified in scale 9, rung 8 (€ 3,373). If we add his holiday allowance and end-of-year payment, that gives us $1.1633 \times € 3373 = € 3,574,82$ in total. One holiday hour is worth $€ 3,574,82/165 = € 21.66$. This employee may contribute a maximum of $80 \times 80\% = 64$ hours of holiday per year. By doing this for one year ($€ 21.66 \times 64 = € 1,386,24$), the employee can, for example, pay for a private bicycle with a value of € 749 plus accessories to the value of € 82 (per year) and comprehensive insurance for three years (€221) entirely from his vacation-leave hours.

The cost of objectives must always be equal to the amount obtained from sources. Only full vacation-leave hours may be used. The amount obtained from a certain number of vacation-leave hours will not always be the same as the cost of the chosen objectives. If the vacation-leave hours used do not yield a large enough amount, the difference will be deducted from your salary in the manner indicated by you. This means that you choose to top up the amount obtained from your vacation-leave hours by using the source gross salary.

If the amount yielded by your vacation-leave hours is more than you need to pay for your chosen objectives, the balance will be paid out to you after deducting tax and social security contributions. The required deductions (tax and social security contributions) will also be made if you have applied to be paid out for your vacation-leave hours (objective 2: money).

Notes on source 2: Gross salary

Since your salary is reduced, the amount of tax and social security contributions deducted will also be less. This means a benefit for you if the reduction in salary is being used as money (to acquire objectives 3 to 7).

Example: The employee makes a CEC agreement about purchasing a bicycle for € 749. At the same time, his gross salary is reduced by a total of € 749 for one month or over a period of 12 months. This means that his tax and social security deductions are, for example, € 314.58 less. The employee's net salary is therefore reduced by $€ 749 - € 314.58 = € 434.42$.

The bicycle priced € 749 therefore costs the employee € 434.42.

Your salary can be reduced for different periods of time, depending on the objectives you have chosen. It is only possible to use the source salary to fund the objectives commuting expenses and trade union dues if your salary is reduced by a fixed amount each month.

Your salary will be reduced with effect from the month in which the CEC choice comes into force. You only need to choose the objectives commuting expenses or trade union dues once, and this choice will then remain in effect until there is a change in circumstances or this choice is terminated in writing.

You can choose between 1 month or 12 months for the other objectives. If you choose a 1 month salary reduction, you can specify which month this should be. For example, it is possible for your salary to be reduced in the month in which your income is higher than usual, such as in the month of May, when the holiday allowance is paid out. If you choose to have your salary reduced for 12 months, the reduction will take effect from the next salary payment. If you want to use the reduction in salary to pay for a bicycle or to lower your study costs, you can also choose to spread the reduction over two or three years.

Please note the following when making your choice:

- *As of 2009 NWO applies the tax option that participating in the CEC scheme in a year will not have any effect on your pension in respect of the gross salary used for the CEC scheme.*
- The specified period cannot extend beyond the end of your employment.
- If you have a specific objective in mind, choosing to have the relevant amount deducted in 1 month will mean a greater reduction in your salary in that month. This reduction is limited by the statutory requirement that you must be paid at least the minimum wage each month (€ 1,381,20 gross).
- A reduction in the gross salary must not lead to a holiday payment that is less than the minimum holiday payment (€ 134,38 per month).
- A reduction in your wage during the six months prior to the end of your employment will affect the amount of any unemployment benefit paid out.

N.B.: A reduction in your gross salary may, depending on when this takes place, have consequences for your pension, social security cover and other items which are based on your income, such as a housing subsidy. A number of common points will be dealt with below. Should you have any further questions about these matters, please contact your personnel officer.

- **Unemployment benefit.** The amount of any unemployment benefit paid out depends on your income during the last six months of employment. Employees who know the date on which their employment contract will end can avoid the risk of receiving lower unemployment benefits by stopping their participation in the CEC scheme during the last six months prior to the end of their employment. As an indication, reducing the total gross salary by a certain percentage over the last six months prior to the end of the employment contract will lead to an unemployment benefit payment that has been reduced by approximately the same percentage.
- **Incapacity for work.** The employee will receive 100% of his salary during the first 12 months that he is unable to work. Any agreements about reducing the employee's wage will remain in force during this period. Once the employee has been unable to work for more than 12 months, his salary will be reduced to 70% in a number of cases. If, in the employer's opinion, the reduction in income within the framework of the CEC scheme leads to an obviously unreasonable situation, an amended agreement may be made based on the hardship clause (CBA for Research Centres, clause 1.9). If the incapacity for work leads to the termination of the employment contract, any financial obligations pursuant to the agreement on reducing the employee's wage must be settled. If, in the employer's opinion, this leads to an obviously unreasonable situation, an amended settlement agreement can also be made on the basis of the hardship clause (CBA for Research Centres, clause 1.9). Once the employment has ended, the employee is entitled to various payments which depend on:
 - the amount of the income;
 - whether or not the employee is redeployed;
 - the degree of disability;
 - the extent to which the employee has taken out additional insurance to cover incapacity for work.

It is difficult to give a general idea of the effect of a reduction in salary on these payments.

Under the tax rules, if the employment is terminated during a period in which the employee's salary has been reduced, the remaining obligations must be paid net.

Example: The employer advances the purchase price of € 749 for the bicycle referred to in the previous example. The employee 'pays back this advance' via a reduction in his gross salary amounting to € 20.81 per month for 36 months. His employment ends halfway through this period. Unlike in the previous example, his tax and social security contributions have therefore only dropped by € 148.58, and not € 314.58. This means that the employee's net salary has been reduced by a total of € 749/2 - € 148.58 = € 225.92 over a period of 18 months. Half of the advance of € 749 (= € 374.50) has been paid off. The balance (€ 374.50) must be paid net. The bicycle with a price of € 749 therefore costs the employee € 225.92 + € 374.50 = € 600.42 after 18 months.

Notes on purchasing objectives, payment and spreading the payment via an interest-free loan

The "objectives" purchased under the CEC scheme are paid for using the "sources".

The source vacation-leave hours can be contributed once a year. The source salary can be contributed for the objective vacation-leave hours over a period of at least 1 month and no more than 12 months.

For the objectives private bicycle and reduction of the employee's contribution towards study costs, the source salary is contributed over a period of at least 1 month and a maximum of 36 months. For the objectives reduction of the employee's contribution to commuting expenses and trade union dues, the salary is contributed on a monthly basis for an indefinite period of time. Some objectives require a single payment (to the supplier of the bicycle, for example), while others involve a spread payment (reduction of the employee's contribution to commuting expenses and trade union dues). In cases where the objective must be paid for in a single payment, and is financed from a reduction in the employee's gross salary over a certain period, the employer provides an interest-free loan that the employee repays via the reduction in his salary.

NOTES ON OBJECTIVES

Notes on objective 1: Vacation-leave hours

You can increase your vacation-leave hours by a maximum of 80 hours per year. A lower maximum applies to part-time employees and is calculated pro rata. It does not matter how much leave you are entitled to take. The hours you buy will expire in the same way as your "ordinary" hours of holiday.

You can work out what an hour of holiday will cost you as follows. The point of departure is your salary plus certain allowances, as applicable at the time at which the extra hours are granted. Your holiday allowance and the end-of-year payment are added to this. The result is then divided by 165.

Example: A full-time employee is classified in scale 7, rung 5 (€ 2,339,- gross per month). One week of holiday will cost the employee $\text{€}2,339/165 \times 40 \times 1.1633 = \text{€} 659,63$ gross, which is just over € 382 net and therefore approximately € 31,85 per month.

Notes on objective 2: Money

You can have a maximum of 80 hours* of the new vacation-leave hours to be allocated paid out to you. (A prerequisite is of course that you have 80 hours of holiday to use for this.) You can also use hours of leave accrued in previous years, subject to the statutory maximum contribution of 80 hours. A lower maximum applies to part-time employees and is calculated pro rata. What you will be paid for an hour of leave is explained in the notes on source 1 Vacation-leave hours.

Employees who can prove that they make use of regular childcare may also have a further 2 days (16 hours) paid out to them.

* Before 1 January of every year with the approval of the most convenient Works Council it is decided on opening payment of a maximum of 120 vacation leave hours.

Notes on objective 3: Reduction in commuting expenses

The tax regulations applicable to regular commuting were amended on 1 January 2004. Commuting is regarded as business travel. As is the case for business journeys, an amount of € 0.19 per kilometre may be paid out tax-free for commuting, regardless of the means of transport used.

Employees who live more than 10 km from their place of work receive a tax-free allowance towards their commuting expenses from the employer. This allowance is less than the maximum amount that an employer may pay its employees tax-free. If you choose this CEC objective, you will receive a commuting allowance that is equal to the amount that the employer can pay out to you tax-free.

Employees who travel more than 10 km and who use public transport and a bicycle to travel to work and back and who submit an income tax return, can claim a deduction for commuting expenses. Any allowances received from the employer must however be deducted from the amount claimed. Such employees will not always benefit from an increase in the commuting allowance. If you use public transport, you must submit a copy of your (zoned) public transport season ticket with the options form. If you do not have a season ticket, you must keep the various individual tickets for the month in which the CEC arrangement took effect and submit these as proof at the end of that month. You must keep your tickets for the other months and submit these for checking on request.

N.B.: You can only use the source gross salary for this objective. The source vacation-leave hours cannot be used for this objective. It is furthermore only possible to contribute the source salary in order to obtain the objective reduction in commuting expenses if your salary is reduced by a fixed amount each month. Your salary will be reduced with effect from the month in which the CEC choice comes into force, until you give written notice of termination or until the arrangement is terminated by your employer because the reason for paying a commuting allowance no longer applies.

Notes on objective 4: Private bicycle

You can only choose the objective private bicycle once every 3 years.

N.B.: You can only buy the bicycle once you have received confirmation of your CEC choice from your employer.

Bicycle

With this objective, the employee buys a new bicycle for travelling between home and work. The employee can buy the bicycle himself at a bicycle store, in which case the employee pays the purchase price for the bicycle in advance and is subsequently reimbursed by the employer after submitting the receipt/proof of payment.

The employee can also order the bicycle via Nationale Fietsprojecten BV (NFP), in which case the employer will pay NFP directly.

There are certain limits applicable to the payment for a bicycle. The CEC scheme covers a maximum of € 749 of the purchase price of a bicycle. This means that if the bicycle costs more than this, the excess amount will not be covered by the scheme and will be deducted from your net salary in the month in which the CEC arrangement takes effect. You can choose the bicycle yourself at an authorised bicycle dealer (please note that mopeds are not allowed). You can purchase the bicycle once you have been informed that your choice of this objective has been approved.

If you choose to buy a bicycle via NFP, then NFP will deal with the administrative aspects of this objective. This means that the bicycle chosen by you will be ordered and delivered via one of the many (more than 1400) bicycle dealers affiliated with NFP (you can find all the addresses on the internet). You must therefore use a special numbered application form for this objective. You can obtain the NFP application form from the Human Resources department of your agency or institute.

You must return the completed form to your employer, who will approve the application and forward it to NFP for processing. In due course you will be notified that you can collect your chosen bicycle from the bicycle dealer. Your employer will transfer ownership of the bicycle and accessories to you with immediate effect. This means that the bicycle is yours from the outset. It is not possible to use the bicycle form to buy a bicycle from a bicycle dealer who is not affiliated with NFP. Should you have any questions about this, please contact the NFP helpdesk on telephone number 0513-653444.

Conditions for participating in the objective private bicycle

To be eligible for this CEC objective, you must use the bicycle to travel (part of) the distance between home and work for more than half the number of days that you work. More than half can mean:

- you cycle to work and back 3 days a week and use your car or public transport two days a week.
- you use your bicycle in spring, summer and autumn and use public transport in the winter.

Part of the distance between home and work can also be understood to mean: you travel by train but cycle to the station. Or you cycle to a carpool site and then travel with someone else the rest of the way.

It is reasonable to assume that employees who live up to 15 km away from work will actually use their bicycles for commuting.

Accessories

If you order a bicycle via NFP, you can also purchase "national bicycle vouchers" from NFP for up to a maximum of € 82 per year. You can then spend these vouchers on accessories (locks, saddlebags and suchlike), repairs and servicing for your bicycle at bicycle dealers affiliated with NFP.

If you do not buy your bicycle via NFP, you can still spend up to € 82 a year yourself on accessories for business use (such as rainwear, a saddlebag or an extra lock, but not accessories such as children's saddles, nylon jackets, caps, hats, scarves, gloves or fleece jackets). Your employer will refund the relevant amount to you once you have submitted your receipt and/or proof of payment.

Insurance

If you wish, you can also take out comprehensive or theft insurance. If you buy your bicycle via NFP, you can simply indicate that you want to take out insurance on the NFP bicycle form.

You should bear in mind that if you buy a bicycle that costs more than the maximum of € 749 permitted under the tax regulations, the amount payable for the bicycle insurance will be adjusted. For example, if your bicycle costs € 900 and the insurance for this bicycle is € 195, you will have to pay € 749 - € 900 = € 151 net for the bicycle (16.78%). If the bicycle had cost € 749, then the insurance would have been € 162.28. This means that to insure a bicycle that costs € 900, you must pay € 195 - € 162.28 = € 32.72 net (16.78%).

Notes on objective 5: Reduction of your contribution towards study costs

You may receive a payment towards the costs of a course of study or training course. The amount of these payments is given in section 6 of the CBA for Research Centres. In some cases, the full course costs will be paid. The costs will not necessarily be paid in full if you decide, on your own initiative, to follow a course of study geared towards increasing your employability inside or outside the organisation. In such cases, you can top up the payment received to cover the full amount of the study costs by using vacation-leave hours or by relinquishing part of your salary (salary reduction).

You can therefore only choose this objective where a payment towards study costs has been or will be granted. When submitting your application, you must therefore submit an application form for the payment of study costs or a copy of the letter in which your employer has agreed to pay part of your study costs.

Notes on objective 6: Trade union dues

If you belong to a trade union, you can use your gross salary for your monthly union dues. If you choose this objective, you must submit a copy of your membership certificate, plus proof of your monthly payment, each year. You must however pay the actual union contribution to your trade union yourself; your employer will not arrange to do this for you.

N.B.: You can only use the source gross salary for this objective. The source vacation-leave hours cannot be used for this objective. It is furthermore only possible to contribute the source salary in order to obtain the objective trade union dues if your salary is reduced by a fixed amount each month. Your salary will be reduced with effect from the month in which your CEC choice comes into force, until you give written notice of termination. If you terminate your trade union membership, you should immediately notify your personnel advisor so that your salary can be adjusted.

Notes on objective 7: Life-cycle savings scheme

The life-cycle savings scheme came into effect on 1 January 2006.

What does the employee have to do to participate in the life-cycle savings scheme?

- The employee must open a life-cycle savings account or take out life-cycle insurance at a bank/with an insurance company chosen by him.
- The employee cannot participate in both the life-cycle savings scheme and the salary savings scheme in the same year.
- The employee must apply to participate in the life-cycle savings scheme by completing the CEC form and submitting it to the employer.

What is the maximum amount that can be saved and what happens to the money?

The employee may save up to 12% of his gross annual salary under the life-cycle savings scheme. The sources that can be used for this are vacation-leave hours (maximum of 80 per year) and/or salary (maximum of 12%). If the employee chooses to use his vacation-leave hours, these will be converted into a cash amount. The total credit balance in the life-cycle savings account may not under any circumstances exceed 210% of the employee's gross income.

The employee indicates the gross amount that he wants to save. The employer will then deduct employees' insurance and pension contributions from this, but not wage tax. The balance will be paid into the employee's life-cycle savings account or life-cycle insurance.