

## **PDN funding level developments in 2022**

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As announced previously by PDN, the fund's funding level increased in 2022 from 115.5% in early 2022 to 123.7% at the end of 2022. The funding level at the end of 2022 took into account the decisions to increase benefits in July and at the end of 2022. These decisions to increase benefits, the accrued entitlements of deferred members, and the entitlements of members accruing pension had a negative impact on the funding level of around 10%.

The contributions paid to PDN for the accrual of new entitlements by members accruing pension had a negative impact on the funding level of 0.4%. The contributions were therefore insufficient to maintain the funding level of 115.5%.

The payment of pensions to pensioners increased the funding level by 0.5% as more cash was available (funding level above 100%) than was needed to pay the pensions.

### Increased interest rates in 2022

The increase in interest rates, used to calculate all pension obligations, had a positive impact on the funding level of 43.3%. The fund's pension obligations fell by €1.9 billion in 2022 due to the increased interest rates.

### 2022 investment results

PDN's total return on investments for 2022 was negative, amounting to -13.8%. This was 1.2% above the benchmark against which investments are benchmarked. The negative return on investments was mainly due to increased interest rates, combined with the pursued interest rate risk hedging policy. Indeed, the matching portfolio, through which the fund links part of its investments to its obligations, showed a negative return of -20.5%. The return portfolio showed a negative return of -8.4%.

These negative returns resulted in a decrease in PDN's invested assets of €1.1 billion. The effect of this on the funding level was -15.5%.

De Nederlandsche Bank has published the 2022 return figures of all individual pension funds. In this comparison and despite the negative returns, PDN performed better than 97% of all Dutch pension funds. Only five other pension funds performed better than PDN. This is mainly due to PDN's relatively low interest rate hedging compared with many other pension funds.

Other funding level development effects, including the mortality assumptions, amounted to -9.4%.

### **Investment in banks**

Several banks (notably Silicon Valley Bank and Credit Suisse) received negative media attention recently. As confidence disappeared, these banks were no longer able to meet their obligations. PDN's investment in these banks was extremely low (less than 0.01% of the invested assets).