What exactly is the difference between PDN's types of pension contributions?

PDN has a number of types of pension contribution. Pension contribution, also known as the premium, is the amount paid by the employer toward their employee's pension accrual. This contribution is currently 24.17% of an employee's gross salary. As an employee, you only pay about a quarter of that contribution yourself.

The cost-effective contribution is the contribution required for PDN to cover the cost of pension accrual and maintain the funding level, based on interest rates at the time. As a result, the cost-effective contribution can vary annually due to changing interest rates.

The Pensions Act (*Pensioenwet*) allows pension funds to test pension contributions against a cushioned cost-effective contribution rate. PDN makes use of this opportunity. The cushioned cost-effective contribution is not based on the interest rate at the time, but on a multi-year forecast, or expected return. PDN does this to exclude annual changes. Based on the cushioned cost-effective contribution, the fund tests whether the pension contribution paid is sufficient to cover the cost of pension accrual in a year.

If the pension contribution received does not cover costs and therefore does not comply with the law, PDN will consult with its social partners to find a solution. There are two options: raise the pension contribution, or reduce the costs of pension accrual. A pension fund can only do this by reducing the accrual rate.

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