

## Concise recovery plan PDN 2020

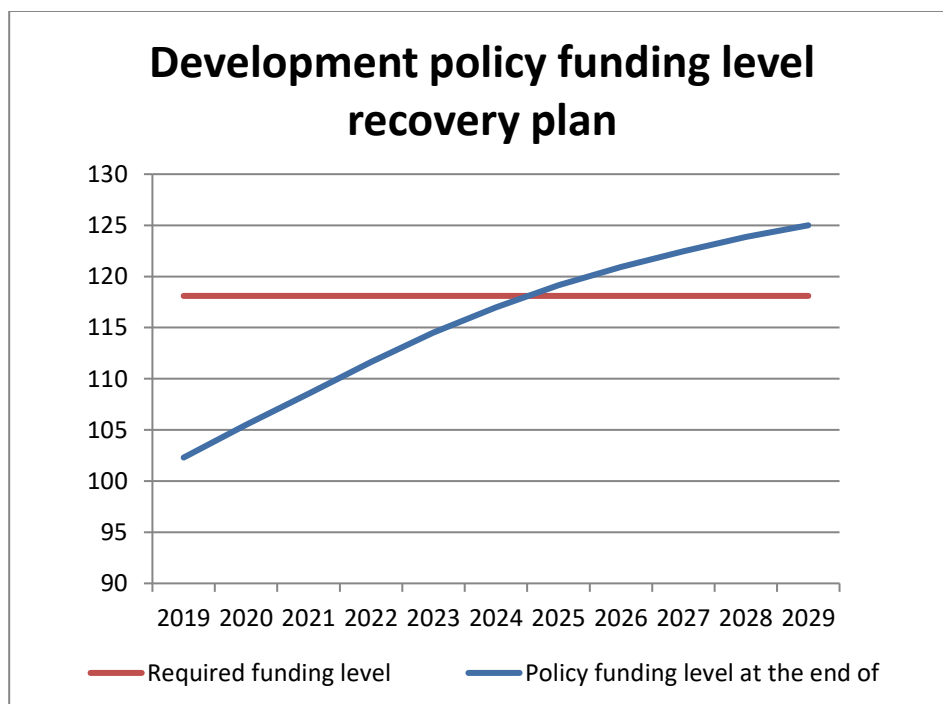
At the end of 2019, PDN had a reserve shortfall. According to the Dutch *Pensioenwet* (Pensions Act, Pw), pension funds with a reserve shortfall must submit an up-to-date recovery plan each year, in which the fund in principle observes the same recovery term as the one chosen in the previous recovery plan. This means that PDN must prove that it is in a position to recover the required funding level (around 118%) within the chosen 10-year term.

The recovery plan makes a prognosis of the funding level based on the contributions policy, investment policy, and indexation policy. According to a decision by the Board in January 2017, the investment returns in the recovery plan are based on the legally permitted maximum values. Following the instruction from De Nederlandsche Bank (DNB), the interest rate development follows the forward curve, as follows from the published interest term structure.

The completed recovery plan template shows that there is sufficient recovery power to recover the required funding level within the 10-year recovery term. This means there is no reason for cuts in 2020.

On 1 January 2020, PDN's (preliminary) funding level was at 104%. With this percentage there is no reason for cuts, as the fund's power to recover is assumed adequate to build up the required policy funding level of circa 118% within a recovery period of 10 years. The recovery of the fund's financial position is determined especially by the combination of assumed return on investments and the fund's investment policy.

Below is a graphical presentation showing the expected development of the policy funding level on the basis of the recovery plan. By the end of 2025 the policy funding level is expected to exceed the required level.



## Concise recovery plan PDN 2020

The table below represents the funding level development the fund has submitted to the DNB. For every year of the recovery plan the table indicates the factors assumed to contribute to the development of the funding level.

Year	Funding level primo	Δ funding level (causes for mutations of the funding level)						Funding level at the end of	Policy funding level at the end of
		Contribution	Benefit	Indexation	Interest rate development	Return	Miscellaneous		
		M1	M2	M3	M4	M5	M6		
%	Delta %	Delta %	Delta %	Delta %	Delta %	Delta %	%	%	
2019	105,0	-0,2	0,2	0,0	-12,8	13,6	-1,8	104,0	102,3
2020	104,0	-0,5	0,1	0,0		3,3	0,1	107,0	105,5
2021	107,0	-0,5	0,2	0,0		3,4	-0,0	110,1	108,6
2022	110,1	-0,5	0,3	-0,3		3,4	-0,1	112,9	111,6
2023	112,9	-0,6	0,4	-0,8		3,4	0,1	115,4	114,5
2024	115,4	-0,6	0,5	-1,2		3,4	0,0	117,5	117,0
2025	117,5	-0,6	0,6	-1,5		3,4	-0,0	119,4	119,1
2026	119,4	-0,7	0,7	-1,7		3,3	-0,1	120,9	120,9
2027	120,9	-0,7	0,8	-2,0		3,3	-0,1	122,2	122,5
2028	122,2	-0,7	0,8	-2,2		3,3	0,1	123,5	123,9
2029	123,5	-0,7	0,9	-2,3		3,2	-0,2	124,4	125,0

### Contribution M1

This column indicates the expected effect of pension accrual and contributions on the funding level.

### Benefit M2

This column indicates the expected effect of pension benefits on the funding level.

### Indexation M3

Pension indexation is costly and impacts the funding level.

### Interest rate development M4

The expected interest rate development follows the yield curve prescribed by the DNB. No impact on the funding level is expected from this.

### Return M5

The expected effect of return on investment on the funding level.

### Miscellaneous M6

Impacts of cross-effects M1 to M5 in particular.

### Future developments

The recovery plan was defined according to applicable laws and regulations and, based on the fund's financial situation at year-end 2019, assumptions made and estimates used, represents the fund's expected recovery. In case reality and expectations deviate, recovery may progress differently.

Recovery may take place sooner than expected, but slower too. In the latter case additional measures may be required. In extreme cases only pension cuts are required.