

Questions and answers relating to the indexation decision at PDN

Why has it been decided not to award full indexation?

The Board needs to take various aspects into account in making its policy choices. We need to take careful consideration of the interests of all members. The current uncertainties also need to be taken into account. There are currently very many uncertainties. What will the new pension contract look like and how can we finance everything? Financial markets are unstable because of the war in Ukraine, shortages of raw materials, falling share markets, and significantly increasing interest rates. It is the Board's responsibility to take this into account in decision-making.

Is there a more detailed explanation of the decision not to go for full indexation?

The Board is always making decisions about the future, including the investment policy or, for example, the development of all current and future payments, which are also known as the fund's obligations. The Board must weigh up all interests to ensure that it takes balanced decisions. The interests of all pension beneficiaries must be considered in our decisions, including employees (also called active members), as well as the interests of deferred members (people who once worked for DSM or an affiliated company and therefore also accrued a pension with us). For the Board it is a major challenge to find a good balance in this. The Board certainly wants to prevent awarding an increase that later needs to be reclaimed if necessitated by the fund's future financial situation.

The Board has decided to proceed on the basis of the current policy framework. These are the rules that are 'generally' used to decide on whether or not to increase pensions. Considering all the uncertainties at this time, it has been decided not to deviate from that policy framework; a steady line is being maintained. It has, however, been decided to use the possibility offered by the new legislation to observe a policy funding level of 105% in calculating the percentage of the increase. By using this, the Board was able to award a somewhat higher increase, without deviating from the existing policy. Based on this funding level, PDN can increase the pension payments and the entitlements of deferred members by 1.64% and the entitlements of active members by 1% with effect from July 1, 2022. This increase is future-proof, which means that it will count for life from June 1.

Does the Board understand the members' disappointment that pensions are not being fully indexed?

The Board does understand this disappointment and would like to do nothing more than award full indexation. But the Board has the obligation to weigh up the interests of all members carefully in its decision-making.

The members that are pensioners have not had a pension increase in some fourteen years and this group is feeling the immediate impact of the current product price increases. Does it not feel unjust that, despite the high funding level, this group has not been fully compensated for the price increase over 2021?

The Board regrets that the pensioners have not received an increase in their pension for years and is delighted that at least a partial increase can now be granted. At the start of this year, this was not possible because the financial position did not allow this. An interim increase can now take place because the government, in the run up to the new system, has recently relaxed the rules and our financial position has improved. At the end of this year, we will examine whether we can increase pensions in 2023. Then, based on the fund's financial situation at that time, and on new insights, knowledge, and decisions regarding the new pension contract, a decision will be taken as to whether pensions can be increased and, if so, by what percentage. As always, the interests of all members will be carefully considered with respect to the decision about whether or not to award an increase and the level of this. By then, the Board will have a better idea of the consequences of decisions regarding any increases as of January 1, 2023, and January 1, 2024, that are still on our Board's agenda prior to the introduction of the new pension system at our fund on January 1, 2025.

What about the employees? They are also disappointed!

The active members are also affected by the indexation arrears. The older active members have an indexation arrears that is, in many cases, higher than the arrears among pensioners. Perhaps they will not notice the impact of this immediately but, combined with a non-maximum tax accrual, it is very uncertain whether this backlog can ever be cleared.

Several pension funds have taken a decision to introduce full indexation over 2021. There are even funds with a lower funding level that have managed to introduce full indexation or are intending to do this. How is this possible?

It certainly feels uncomfortable as PDN Board that we cannot introduce full indexation while some other funds are doing that. However, the Board is taking its own responsibility in this and is following its own policy choices regarding increasing pensions. We are making well-informed choices in which we carefully consider all interests and take into account the uncertainties that we will be facing in the near future.

Is PDN being too careful in only granting half of the possible increase?

The Board needs to take various aspects into account in making its policy choices. We need to take careful consideration of the interests of all members. The current uncertainties also need to be taken into account. There are currently very many uncertainties. What will the new pension contract look like and how will everything be financed? Financial markets are unstable because of the war in Ukraine, shortages of raw materials, and falling share markets. The Board is obliged to take this into account in its decision-making.

Will the Board take a new decision at the end of the year and what can the members expect then?

The Board will be taking another decision in December of this year with respect to increasing pensions. Then, based on the fund's financial situation at that time, and on new insights, knowledge, and decisions regarding the new pension contract, a decision will be taken as to whether pensions can be increased and, if so, by what percentage. As always, the interests of all members will be carefully considered with respect to the decision about whether or not to award an increase and the level of this. By then, the Board will have a better idea of the consequences of decisions regarding any increases as of January 1, 2023, and January 1, 2024, that are still on our Board's agenda prior to the expected introduction of the new pension system on January 1, 2025.

The Board particularly does not want to raise expectations about an increase as of January 1, 2023. In recent weeks, PDN has also consciously not wanted to raise expectations about the increase as of July 1, 2022, by clearly indicating that there are several possibilities with respect to whether or not pensions are increased. These varied from introducing full indexation to no indexation and all possibilities between this. In its decision-making the Board must take into account the fund's financial situation, the risks, and carefully consider all interests.

Why is PDN not increasing pensions with retroactive effect to January 1, 2022?

Increasing with retroactive effect leads to many additional actions and complexity in our administration and communications. For instance, members may have died, separated, or left employment in the first half of 2022.

How did PDN arrive at the percentage of 1.64% for pension beneficiaries and deferred members, and 1% for active members?

With respect to increasing the pensions of pension beneficiaries and the entitlements of deferred members, the Board determined this indexation based on the percentage by which the consumer price index rose last October compared to the percentage in October of the previous year. The price increase over that set period was 3.28%.

With respect to increasing the pension accrual for active members, the basic principle is the general salary increase at DSM NL Services B.V. in the period from January 2 of the previous calendar year up to and including January 1 of the calendar year in question. The CLA salary increase amounted to 2% over this period.

The Board also examines the financial position and the interests of all members are carefully considered. The Board has decided to proceed on the basis of the current policy framework. These are the rules that are 'generally' used to decide on whether or not to increase pensions. Considering all the uncertainties at this time, it has been decided not to deviate from that policy; a steady line is being maintained. It has, however, been decided to use the possibility offered by the new legislation to observe a policy funding level of 105% in calculating the percentage of the increase. By using this, the increase amounts to 50% without deviating further from the existing policy. Based on the policy funding level, PDN can increase pension payments and the entitlements of deferred members by 1.64%, and the entitlements of active members by 1% with effect from July 1, 2022.

To what extent does this increase make up for the current price increases/salary increase?

The increases are separate from the price increases and salary increases so far in 2022. In increasing pensions we always examine the price and salary developments over the previous year. We would have liked to implement this increase (3.28% for pension payments and the entitlements of deferred members and 2% for the entitlements of active members in 2021) as early as January 1, 2022, but at that time our financial position was not yet sufficient. At the end of this year, the Board will decide whether the pensions can be increased from January 1, 2023. Then, based on the fund's financial situation at that time, and on new insights, knowledge, and decisions regarding the new pension contract, a decision will be taken as to whether pensions can be increased and, if so, by what percentage. As always, the interests of all members will be carefully considered with respect to the decision about whether or not to award an increase and the level of this. By then, the Board will have a better idea of the consequences of decisions regarding any increases as of January 1, 2023, and January 1, 2024, that are still on the Board's agenda prior to the expected introduction of the new pension system at PDN on January 1, 2025.

What is PDN doing about the missed increases over the past few years?

If the fund's financial position allows for this, in the first instance the annual increase will be awarded. PDN's financial position is still a long way from being able to award so-called catch-up indexation. We will examine at the end of this year whether pensions can be increased from January 1, 2023. During the decision-making process, the financial situation and price and salary increases in 2022 will then be taken into account and the interests of all members will be carefully considered.

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