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PDN PENSIOENFONDS

PDN MAGAZINE

Board member Eiko de Vries on the transition to the new pension scheme:

‘We prioritise due care over speed’

Investing in the new pension system

Ten questions for Piet Molenaar

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We see the signs all around us: nature is reawakening. Trees are becoming green again, spring flowers are appearing and, as always, this all symbolises a fresh and new beginning. The world keeps on turning despite the many geopolitical and other developments and changes we're facing.

A NEW SPRING, A NEW BEGINNING

This is also the case in the pension world. Preparations for the transition to the new pension system are in full swing at Pensioenfonds PDN. You can read about the impact of this in various articles in this magazine. Board members Eiko de Vries and Piet Molenaar bring you up to speed on the current situation as well as the expectations for the near future.

We've also covered various stories that inform you about current developments within and outside our fund. These include what investing in gold brings us, and the younger generation's views on their pensions and how they're contributing to this. We'll be exploring Paul Merk's pension journey, where you can read how his commitment to a worthy social cause means he's never had a moment of boredom.

We'll also reflect on the past, as Monique van Heeswijk recounts her experiences and the changes she witnessed in her twelve years as a board member. As well as many other activities for the fund, she was also a member of this magazine's Editorial team for many years. We'd like to extend our sincere thanks to Monique for this. We'll badly miss her keen eye for detail and valuable contributions.

Enjoy the spring! And happy reading,

Annemiek, Babette, Karin & Mark

Scan the QR code to go directly to the Pensioenfonds PDN website.

Board member Eiko de Vries on the transition to the new pension scheme:

‘We prioritise due care over speed’

Pensioenfonds PDN is aiming to introduce a new pension from 1 January 2027 that complies with the new Pensions Act. The employers affiliated with PDN and the employees represented by the unions or the Works Council describe in their transition plan how they aim to make the switch to the new pension scheme. Why is the new pension needed? And, as a Pensioenfonds PDN member, how can you be sure that the board carefully considers your interests? We discussed this with Eiko de Vries who, on the board, is Project Leader of the transition to the new pension.

Why is the current pension not suited to these times?

‘First of all, the way in which we pay contributions in the current pension system is great for people who stay working for one employer for forty years’, explained Eiko. ‘After those forty years, you’ll have paid exactly the contributions needed for your pension. But if you don’t complete those forty years, you pay too much or too little, depending on your age. These days, it’s the latter situation that increasingly occurs; at PDN too. For example, I’ve worked for three employers and have been self-employed for ten years. And this applies even more to young people. They change employers more quickly and are more likely to opt for part-time work. The second reason is that, in the current system, we are often unable to increase members’ pension payments, even if we have a good return on investment. Why? Because apart from the returns, we also need to consider interest rates. If the interest rate falls, the funding level falls too, despite any good returns. In the current system, this means you can’t increase pensions (indexation). That’s particularly unpleasant if the cost of living is actually increasing. Finally, in the current pension system, you can’t see how much pension capital the pension fund has set aside for you. The new system is designed to change all of this.’

Who decides what the new Pensioenfonds PDN pension will look like?

‘The employers and unions are making the agreements about the new pension. As pensioners’ pensions are switching to the new scheme as well, the Association of DSM Pensioners (VDP) is also being consulted. The Pensioenfonds PDN Board is delighted that both the social partners and the VDP have taken this consultation so seriously in the interests of our pensioners’, stated Eiko. Once the employers and unions have finalised the agreements on the new pension, they will ask Pensioenfonds PDN to implement them.

What is the essence of the new pension system?

Eiko responded: ‘In the new pension, your pension contributions are paid into your own pension pot. Together with the return on investment, you accrue pension capital from which your retirement income is paid when you stop working. It’s worth noting here that this pension pot can never become empty, no matter how old you become. As pension funds also no longer need to retain such large buffers, investment profits are more likely to result in a higher pension, although investment losses are also more likely to result in a lower pension. We do, however, have several safety nets to reduce the risk of a lower pension. One of these is the solidarity reserve, which we can use to prevent us needing to lower pension benefits. This reserve is reassuring, certainly for those already receiving a pension. I wonder whether we'll be able to explain pensions better than now, as the new system remains complex.'

Is it at all possible to develop a simple pension system?

'There are disadvantages associated with opting for a relatively simple pension system', Eiko explained. 'This would mean a system without solidarity, which makes it more likely that there will be many major shocks in people's pension levels. As we can opt for a solidarity contribution scheme in the Netherlands, which has fewer risks, this almost automatically results in more complexity. In this system, we're creating a buffer for any future setbacks. The social partners need to agree on how they want to distribute this buffer, which is difficult. It seems to me that the new system could have been simpler, but we shouldn't forget that this is a major transition with huge implications for an incredible number of people.'

We also need to organise the transfer from the old to the new pension properly. Eiko responded: 'As we've chosen a transitional arrangement in which we convert existing pensions to pensions in the new pension scheme, this adds to the complexity. We also need to distribute the buffer that the pension fund will have at the moment of transfer to the new pension. The total pension capital, apart from the lower solidarity buffer, actually needs to be distributed across all the individual pension pots. Pensioners and everyone accruing a pension all have their own individual interests in this. The regulators, social partners and representatives also have an opinion about this. It's a huge challenge to take careful consideration of all the interests involved in this transition.'

The social partners approved the transition plan in October 2024. What has happened since then?

'The transition plan did seem to have been finalised last October', responded Eiko. 'Unfortunately, the regulator, De Nederlandsche Bank (DNB), went on to introduce new guidelines as a result of its experiences with those funds that were the first to make the transition on 1 January 2025. As a consequence, the social partners needed to make further additions to the transition plan and we received a draft of the updated plan in mid-March 2025. Apart from this, we of the board decided to postpone the transition to the new pension scheme by one year, to 1 January 2027. As the risks associated with a transition on 1 January 2026 were unacceptable, we decided to prioritise due care in the transition process over speed. This does mean that the size of the potential buffer that we can distribute will remain unclear for longer. For pensioners, the distribution of that potential buffer will immediately result in an increase in the pension they receive. So for them, whether their pension can be increased and by how much will be uncertain for longer. To address this, the Pensioenfonds PDN Board is seriously considering relaxing its indexation policy. The most important question then is whether the board considers it equitable to award full indexation in 2025.'

How do members know that you, as a board, are carefully considering their interests?

Eiko responded: 'It's our task to consider the interests of everyone involved in our pension fund: pensioners, employees and former employees, young and old, men and women, etcetera. And we need to uphold our good reputation. It is the very essence of a pension fund board member's role to do this seriously and with due care. As well as exercising due care, the board is also accountable to the Accountability Council and we are monitored by both the Supervisory Board and external regulators (DNB and the Netherlands Authority for the Financial Markets).'

What can members expect from Pensioenfonds PDN in the coming period?

'We are working on this major transition in close coordination with the Accountability Council, the Supervisory Board, social partners and stakeholders such as the VDP. In the coming period, we will keep all members informed on what the new pension will entail. However, we will only be able to provide personalised and specific clarification of what this will mean for everyone in the final quarter of 2026. That's rather frustrating, particularly as three Dutch pension funds are already working with the new system. But as I said earlier, we're taking extra care because this concerns everyone's income for now or later. You shouldn't do such things by halves.'

> 'We're taking extra care because this concerns everyone's income for now or later'

Twelve years a PDN board member: a whole experience richer

Monique van Heeswijk was a Pensioenfonds PDN board member for 12 years: a role she viewed as a welcome addition to her daily work grew into three eventful terms on the fund's board. She was involved in many developments in the pension world. 'Whatever happened, I always did my best to represent the interests of all members in a balanced way', she said. This PDN Magazine looks back on those past 12 years together with Monique.

What drove you to become a board member?

'I viewed my work for the pension fund as a welcome addition to my daily work. I started as a board member on behalf of the employer in March 2012. Prior to that, I'd been a member of the Accountability Council, which is where I first became acquainted with the pension world. When I started, I had no idea that I'd be doing this for so long.'

How do you look back on those 12 years?

'The first six years were relatively calm. Things got busier after that and there was a lot at stake, particularly from 2020 onwards. We considered our strategy carefully: in what form should we continue as a fund and what board composition did we need for this? This led to the appointment of external, professional board members and an independent Chairman. There were also key external developments, such as the investment investigations conducted by De Nederlandsche Bank (DNB) and dsm-firmenich's sale of the pension administrator, DPS. And, of course, the introduction of the new pension system also had a huge impact on us as a board. My second term ended in the middle of these turbulent years. I really needed to consider everything carefully when I was asked if I wanted to add a third term to this. Being a board member actually takes a lot of time and I knew things wouldn't be getting any the less busy. But particularly because there were still so many challenges, I decided to go for a third term after all.'

In all those years, what have you seen in terms of development with respect to PDN pensions?

'A lot changed within the fund. We went from twelve to eight board members. External board members were appointed within the employer and employee groups and we're now working with an independent Chairman. All of this was to ensure decisive leadership and a stable high level of pension and investment expertise on the board. The cooperation with the Accountability Council also changed. The Accountability Council is now involved much more often at an early stage in topics that are important to the fund, whereas we previously informed them afterwards. It's a much more constructive way of working. There's also much more contact with the affiliated companies - former DSM companies that were sold but that are still affiliated with Pensioenfonds PDN. They follow the pension scheme as arranged by dsm-firmenich. Pensioenfonds PDN is currently the fund for all affiliated companies, including dsm-firmenich.'

What does being a board member involve?

'Developments in the pension world and the supervision of this call for a professional approach; and that's something you really notice. As a board member, you need to put more and more time into the fund to stay on top of things and prepare for meetings. The training requirements for board members are also increasing, as you need a high level of knowledge to understand pension issues. You're engaged in a continuous learning process. Apart from this pressure, our outside world is also changing. For example, as a pension fund board member, you're increasingly confronted with polarisation in society, the fact that nuance is often lost and that solidarity between generations is declining. The trend towards "sensationalised media" and insufficient fact-finding don't help either, I believe. These developments place even more pressure on board members than previously and you need to be able to cope with that.'

Looking back, what are you most proud of?

'As a board member, I always did my best to represent the interests of all members in a balanced way. But I'm most proud of the process relating to the purchase of our pension administrator, DPS. As a fund, we managed to complete the purchasing process and establish sound governance regarding DPS under considerable time pressure. I was a member of the negotiating team for the purchase and got to help conduct the interviews for both the new DPS Director as well as the members of the new Supervisory Board to be formed. It was an extremely stressful period with very tight deadlines, but I really enjoyed it.'

'Was I able to put my mark on something? I'm a huge proponent of an open meeting culture and I consider "boardroom dynamics" extremely important. When I joined the fund, it was a real man's world. I was the only woman on the board and was the youngest too. The issues relating to pensions were also complex, which meant that I had difficulty following the discussions early on. This combination meant that I didn't always feel free or certain enough to say something. Things have now certainly changed and I was able to make an important contribution in that regard, as my initiative has resulted in "boardroom dynamics" becoming a regular item on our agenda. We now have an open meeting culture.'

What was difficult or challenging for you?

'The process of reaching supported and balanced decisions. This can be incredibly difficult and often demands patience and subtlety, but it's certainly a fantastic process in which you have to set aside your own ego and focus on just one task: balanced decision-making for all members.'

> 'As a board member, I always did my best to represent the interests of all members in a balanced way'

What's your view of the new pension system? What do you think it will bring?

'The biggest change is that the pension that you accrue will increase more quickly when the economy picks up but will also decrease more quickly if there's a downturn. Your pension will be clearer and more personalised and will better match your personal career. I think the biggest challenge is how we get there. Pension funds are currently very busy organising all the administration and systems. Not everything is clear yet and there's still some political uncertainty. However, the social partners (employer and unions) and Pensioenfonds PDN together with DPS are working hard to arrange everything in time. I wish my former board member colleagues every success and sound judgement.'

Do you have new plans now that your work as a board member has come to an end?

'Ha-ha, I'm not retiring! I'll still be doing my normal work; a full forty-hour working week. So I won't get bored. I'll have more free evenings and weekends though because I won't need to wade through all those meeting documents. For now, I'm just going to let everything take its course and I've resolved to first enjoy having a "normal" working week, although I'm very curious as to what will come my way.'

New board member, Ivo Nelissen

'Following a period as a tax advisor, I made the switch to the DSM tax department at the head office in Heerlen in 2008. In 2020, I became responsible for the DSM global tax department and, in 2023, for dsm-firmenich. As I grew up in Sittard/Geleen, close to the Chemelot site, it was a great honour for me to start working at DSM in 2008. Now, many years later and in a completely different environment, I'm still enjoying my work just as much as I did in 2008. I've been a board member of Pensioenfonds PDN since January 2025, as an employer representative of dsm-firmenich. With my financial-tax background, I always found the topic of pensions interesting. Individually and from a societal viewpoint, accruing a pension is a hugely important topic. My ability to contribute to this really energises me. I live with Stéphanie and our twins Elize and Emilie (aged 11).

Town: Genk, Belgium
Age: 46 years
Position: Global Head of Tax, dsm-firmenich

Investing in gold: a golden opportunity

Pensioenfonds PDN invests in a carefully compiled investment portfolio to achieve the highest and most stable returns for our members and pensioners. The fund has also been investing in physical gold since 2020. And with success, as the returns on gold investments now amount to over 70%, a large proportion of which we achieved in 2024.

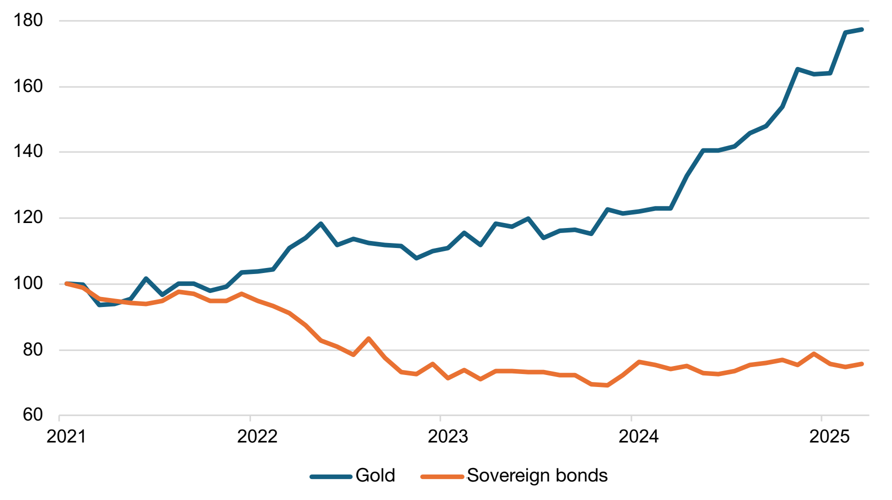
The decision to start investing in physical gold was made in 2020, when the Pensioenfonds PDN Board decided to invest less money in state bonds and to actually add gold to the investment portfolio. Why? The interest on state bonds was negative and, in 2020, we observed that governments and central banks were creating a lot of money to mitigate the impact of the COVID pandemic. This could lead to increasing inflation in the subsequent years. A 2020 study showed that investments in gold would reduce the risks. This is because, in various scenarios, gold responds differently from other investments in our fund's total portfolio. The long-term correlation between gold and listed investments such as shares, real estate and bonds is almost zero. Gold is also considered to be a safe haven in turbulent times.

Physical gold

When we made the decision to start investing in gold, the board assessed various options to arrange the investment. Pensioenfonds PDN opted for physical gold in a high security safe at a Swiss bank. We purchased so-called 'Good Delivery' gold bars: gold bars of approximately 12.5 kg per bar with a purity of at least 99.5%. Adhering to this standard enables us to purchase or sell gold at very low cost. 'Good Delivery' gold bars also meet certain standards in terms of responsible purchasing, which takes human rights and environmental protection into account. By late 2024, Pensioenfonds PDN owned 414 of these gold bars (a total of 5,185 kg) with a value of €420 million.

Good returns

How did 'gold fever' work out? In 2020 and 2021, Pensioenfonds PDN purchased gold in various transactions, in which the average buying rate amounted to €49,600 per kg. By the end of February, the gold price was €87,600 per kg, a return of over 70%. The state bonds that we sold actually achieved negative returns over this period due to increasing interest rates. We can identify several factors



Development of returns, Pensioenfonds PDN
[the x axis are the years and the y axis is the development of 100 euros]

for gold's good returns, such as high demand from central banks and increased geopolitical risks.

Since our investment in gold, several Dutch pension funds have contacted our fund to learn more about this, although the number of pension funds that have since also started investing in gold is limited. In the Netherlands, it's mainly the central bank that has a large gold allocation. DNB has over 600 tonnes of gold as part of its reserves. We are aware of various other pension funds that are investing in gold in Germany, Switzerland and the United Kingdom.

> Since our investment in gold, several Dutch pension funds have contacted our fund to learn more about this

It is also not the case that any future fall in the gold price will form a major risk for Pensioenfonds PDN. At 5% of our assets, gold is ultimately only a minor part of the total investment portfolio, but one that has made a clear positive contribution to the total returns achieved in recent years.

Pensioenfonds PDN goes green

RWE is a German energy company with a focus on generating and supplying electricity. The company invests in renewable energy including wind and solar power but also operates gas-fired and coal-fired plants. Pensioenfonds PDN is investing in RWE via a green bond. The returns from this bond are only used for investments or expenditure that concern the purchase, design, construction, development and installation of renewable energy sources. Renewable energy sources comprise onshore and offshore wind power, and solar energy via sunlight and solar heat.

By investing specifically in this green bond and not in a 'grey bond', Pensioenfonds PDN contributes to the transition to sustainable energy. We also help RWE achieve its goal to be carbon-neutral by 2040. This is in line with SDG 7.2 (Sustainable Development Goal), which aims for a considerable increase in the share of renewable energy in the global energy mix.

Why do I need a DigiD?

Paul Bartholomé,
Senior Pensions Officer -
Pensions and Communication at DPS

Your personal DigiD provides a secure way to arrange your online affairs with the Dutch government, healthcare institutions, educational institutions and Pensioenfonds PDN. Even when you're abroad. You can also authorise someone to arrange your affairs for you.

'Digital communication is now a firm feature of our daily lives, such as doing a quick search for something or registering for that interesting evening course. Pensioenfonds PDN also uses digital tools to communicate with you on such things as changes to your pension. Or for sharing general information and news. This digital information is always accessible for everyone. It can also be quickly supplemented or updated with the latest data. Your personal information and details are accessible at all times in the pension portal, but are only accessible to you after logging in with DigiD.'

'With the arrival of new pension regulations, it's important that everyone stays informed. For now we can only share general information. So we mainly do this via the Pensioenfonds PDN website and online newsletters. Later, we'll be able to share more personalised information about what the new regulations mean for you. The fastest and most secure way to do this is via the pension portal. So make sure you stay well connected.'

Apply for your DigiD

DigiD is easy for everyone to use via a computer or mobile device. Apply for your DigiD now and activate it via digid.nl. If you live abroad, it has become easier to apply for a DigiD. You no longer need to visit a service desk in the Netherlands and can also arrange the application via video call from abroad. The Ministry of the Interior and Kingdom Relations manages the DigiD operations and is responsible for processing personal data for DigiD.

Scan the QR code for more information or go to: digid.nl/aanvragen-en-activeren/

Is the new pension a "casino pension"?

The introduction of the new pension is regularly featured in the news. The media sometimes refer to this as a "casino pension", by which they mean that the new pension will move more in line with stock market results, which can be either positive or disappointing.

When you retire, the pension you will have accrued depends on the contributions paid and the investment results achieved. Your pension will therefore actually change in line with the economy, but we will limit the risks. If your pension has not yet started, Pensioenfonds PDN will use two instruments to reduce the risk of negative investment results (losses) during the accrual of your pension. A third instrument comes into play if you are already receiving your pension.

How will Pensioenfonds PDN reduce the risk if you have not yet started receiving your pension?
The first instrument is the investment policy itself. Pensioenfonds PDN invests all of the pension pots together. We will seek an optimal balance between achieving the best possible return and an acceptable risk. This balance differs per age category. A 25-year-old member can take more risks to achieve a higher return than a 55-year-old member. The 25-year-old member still has considerable time to compensate for any disappointing investment results (long-term investment horizon), while we know that a higher risk will also be rewarded with higher returns. For the 55-year-old, who is somewhat closer to retirement, a good balance of investments is one that involves less risk but also lower returns (shorter investment horizon). That is why a 25-year-old shares in the returns of more high-risk investments for a larger portion of their pension pot than the 55-year-old.

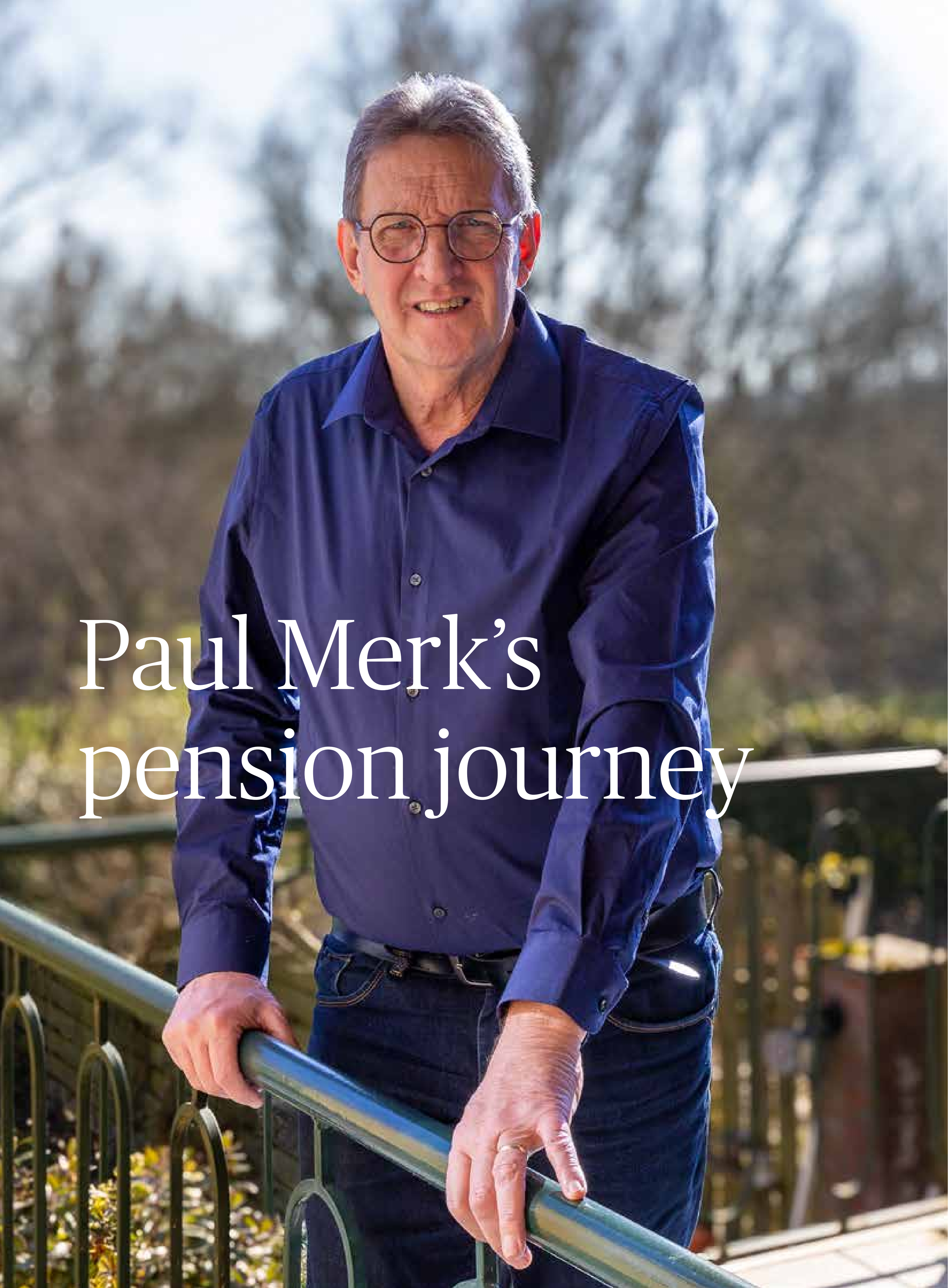
The second instrument is the solidarity reserve. This is a buffer for the joint pension pots. If economic conditions are disappointing, the employers and unions want to ensure that a potential loss on the so-called excess returns cannot exceed 15% in a year. If that does happen, Pensioenfonds PDN will use the solidarity reserve to limit the investment losses on the excess returns to 15%.

What third instrument will be used for those already receiving a pension?
If you are already receiving your pension, we will spread any increases or decreases in your pension over a three-year period to ensure that your pension does not fluctuate too much. If your pension still needs to decrease after this three-year-period spread, we will prevent this by using the solidarity reserve to supplement your pension. Pensioenfonds PDN expects to be better able to retain your pension's purchasing power with the new pension than with the current pension.

And another important point:
Your pension pot can never run out, as we all share the "risk" that you will live for a long time and, as a result, will need more pension payments than average.

Good to know

You can also always find all the latest information on the Pensioenfonds PDN website under 'New pension'. We will notify you as soon as it's clear how and when your pension will change, which is why you should make sure we can contact you. To check whether we have your correct contact details, visit 'My PDN Pension' and check under 'My details'. Be sure to check your email address, too. If it's missing, please enter it. If your email address is shown, check that it's correct. Tip: send us your personal email address.



Paul Merk's pension journey

From music teacher to DSM employee at the interface between processes and IT. From a forty-hour week working "for the boss" to full-time voluntary work in traffic calming for improved liveability in Heuvelland, South Limburg. That, in a nutshell, is Paul Merk's story. 'Have I been sitting around twiddling my thumbs since my retirement? Ha-ha, I really have no time for that!'

Although this wasn't Paul's first career break, he felt completely at home at DSM. 'I originally started as a music teacher after graduating from the academy of music. Following several years as a music teacher at a secondary school in Lelystad, I felt that this type of teaching really wasn't for me. So I retrained in production logistics and IT, working for consultancies and as a freelancer for a while. I ended up at DSM somewhere around 2000. I spent more than half my career there, always at the interface of processes and IT. The process side particularly appealed to me. IT is great, but it's what lies behind a system, who uses it and why that are particularly interesting. I eventually completed a course in quality management and ended my career as a quality officer.'

Transformation

How does Paul reflect on his time at DSM? 'I always felt at home, but I also witnessed a lot of change at the company. When I joined DSM, it had already been a listed company for some ten years. In my early days, employees took centre stage, everything was arranged really well and we had excellent terms of employment. DSM gradually transformed to become more of a shareholder-driven organisation, with much more focus on costs and efficiency. In those days, the company also started outsourcing and divesting certain divisions. That was fine for DSM as a company, but many employees found all those simultaneous changes difficult.'

> 'I always felt at home at DSM, but I also witnessed a lot of change at the company'

'I actually have very fond memories of my work and worked on some fantastic projects, such as the Apollo project. Investigating business processes and being able to play a role in improvements was something I really enjoyed. I learned a lot about how to approach change processes and still use a great deal of that knowledge today. My colleagues and I were motivated and committed, and we worked hard. I always had a great time and lots of fun.'

Stichting Verkeersleefbaar Heuvelland

This motivation and commitment is still very apparent in Paul's life. He fills his time with conducting a small choir ('they asked me to be the conductor and I said yes'). His house is also being renovated and he does a huge amount of voluntary work for Stichting Verkeersleefbaar Heuvelland. 'If you compare my life now with the period at DSM, I'm working in a totally different area. Much more socially involved. I no longer think so much about costs, efficiency and profit as about regional social issues. This includes the noise nuisance resulting from the traffic in Heuvelland. This is an increasing problem for a tourist area that's all about nature, peace and tranquillity.'

In contact with the municipality

The voluntary work started around 2016 in Euverem, the small village in which Paul lives. 'Local residents came to me and we discussed the busy tourist traffic here. "Can't we go to the municipality and see if we can do something about it?" was the key question that emerged from this. Before I knew it, I was sitting around the table with a municipal official and several residents. It then became apparent that the municipality of Gulpen-Wittem needed to update its traffic plan. As residents, we were also given a say in this. I became the spokesperson for the focus group in that project. I really enjoyed it, as you can do something incredibly meaningful for your own municipality, for the place where you live.'

‘I no longer think so much about costs, efficiency and profit as about social issues’

Traffic calming for improved liveability comes first

The involvement of Paul and other residents has paid off. Traffic calming for improved liveability was the central theme of the mobility policy adopted by Gulpen-Wittem. A project involving several municipalities started later: Verantwoord op Weg, involving traffic calming for improved liveability in Eijsden-Margraten, Gulpen-Wittem and Vaals. ‘There, too, we contributed from a residents’ perspective to the question “how do we use traffic calming to improve liveability?”. I immersed myself in the subject matter and began to explore it in greater depth. We’re now in touch with various important players, including Visit Zuid-Limburg and Veilig Verkeer Nederland, as well as other municipalities such as Bloemendaal and Amerongen. And we’re in discussion with German partners to see how they address this theme. We decided to establish a foundation, Stichting Verkeersleefbaar Heuvelland, to keep everything related to this issue on track. It takes me more than a full week’s work. With a core group of nine people, we’re now making excellent progress. It’s not always easy work, because you’re confronted with all kinds of interests and opinions, but it does give you a sense of satisfaction. We aim to work with municipalities, residents and social organisations to introduce traffic calming measures to make and keep the area liveable. Not only by offering ideas and knowledge, but above all by taking and supervising initiatives. That’s a fantastic goal.’

‘So you can see that boredom is not part of my vocabulary. I’ll be happy to do things for this region and the areas around it. South Limburg is too beautiful to allow it to deteriorate into a theme park for motorised and non-motorised traffic. That’s my mission.’

Life story: Paul Merk

Born: 9 January 1958
Town: Euverem (Gulpen-Wittem)
Married. A daughter aged 37 and a son aged 33. A granddaughter aged 7.

Career:
- Started as a music teacher after graduating from the academy of music.
- Worked as a consultant and freelance consultant.
- Started at DSM’s Corporate ICT around 2000.
- He then worked at DSM Business Support (DBS) as business process engineer.
- He spent the last few years of his career as quality officer at DBS.

Paul retired on 9 January 2025, aged 67.

Ten questions for Piet Molenaar, Pensioenfonds PDN’s Operational Board Member

The arrival of the new pension system will bring many changes. Will this also apply to the fund’s investment policy? We asked Piet Molenaar, Operational Board Member for investments at Pensioenfonds PDN, several questions about this.

The fund invests on behalf of its members to enable everyone at Pensioenfonds PDN to accrue a pension. How does this work in the current system?

'We currently invest in the same way for everyone in the fund, whether you're working and accruing pension or whether you're already retired and receiving a pension. Our investments comprise a mix: we invest around 50% of our money in risk-free products (bonds) and 50% in high-risk products (shares, property, gold, etcetera). In the long term, the returns we achieve with this approach are a good match for our ambitions and our risk appetite.'

If this works well, why do we need to switch to a new system?

'There are several disadvantages to the current system. The system we have now is based on "intergenerational solidarity". This means that we try to ensure that all successive generations within our pension fund receive a pension that retains its purchasing power. That's why our fund currently needs to maintain buffers. Someone aged thirty who is paying contributions wants to get something back for this in forty years, when they retire. This is why we create a buffer so we can be certain that all future generations will have a pension that enables them to pay for their fixed outgoings and shopping. Basically, we can't simply spend all our money during the good times to maintain current pensioners' purchasing power, because we need to keep something in reserve for a rainy day and for future generations.'

Is that a disadvantage?

'Yes. Pension funds' obligation to maintain such a buffer has resulted in us being unable to increase people's pension benefits (indexation) for several years. Despite inflation, we were unable to increase pensions in line with these higher costs. So people haven't seen their pensions increase in years. The buffer, which must be around 25% of the pension fund's capital, is actually "dead money". We receive enough in contributions and the returns are high enough, but we can't pay out any extra because of the requirement for a buffer.'

That will change with the arrival of the new system?

'Yes, it will. The requirement for a high buffer has been dropped in the new system. Whereas we currently need to maintain a 25% buffer, in the new system this only needs to be around 5%. We'll switch from a large buffer to a so-called solidarity reserve, which will enable us to increase pensions earlier.'

So we're abandoning intergenerational solidarity in the new system?

'Yes. We're switching from the principle of intergenerational solidarity (sharing of profits and losses over different generations) to personal pension pots. This doesn't, however, mean that everyone will have their own pension pot with their own bank account, or that everyone can start investing themselves. Your pension pot will continue to be part of the fund's collective capital and we will continue to invest it for you. But you can see what part of that capital is reserved for you and how this develops in response to contribution payments and investment results. We'll also be handling the investment results differently. Currently, everyone shares equally in the total investment result, whereas in the new pension, we'll allocate investment returns based on the investment risk that someone can accept. This will be linked to age.'

How does the allocation of investment returns work?

'We'll tailor the investment policy to our members' age and the corresponding investment risk, and will switch from collective risk-sharing to individual risk-taking. We currently view all our members as one, regardless of whether you're 31 or 72. The investment risk will soon be adjusted much more towards individuals. If you're thirty you still have a long way to go before you can retire. This means you can accept high-risk investments because we know that this will ultimately result in better returns and it's not really a problem if your pension pot fluctuates when you're thirty. You still have plenty of time to offset any disappointing investment results. People approaching retirement or who have already retired won't want to take that risk. And this is exactly what we'll do. Here's an example; in the new system we'll invest 100% in shares and 0% in bonds for someone aged thirty. For a 75-year-old, we'll apply a policy of 70% in bonds (risk-averse to minimise the risk of their pension decreasing) and 30% in shares (higher risk to increase the chance of maintaining purchasing power). The older someone becomes, the less investment risks we'll take. Because if someone is currently receiving their pension (and they need to live from this), we need to minimise the risk of their pension payments being reduced. Should poor investment results mean that the pension does need to decrease at any point, we can fall back on the solidarity reserve. That is the 5% buffer I mentioned earlier. We can use that buffer to supplement the pension if necessary. In the new pension system, this buffer can be much lower than it is now because we can target our use of the buffer for individual situations instead of using it for the entire population across generations.'

What will happen with the much higher buffer that the pension fund currently has?

'The part of the buffer that we don't need for a balanced transfer to the new pension (which is the case if the funding level is above 109%) will be paid out to everyone who has a pension with us. Those already receiving their pension will notice this straight away, as their monthly pension income will increase immediately. Those not yet receiving their pension will see that more money has been transferred to their pension pot.
The new system also has advantages for those still working, as we'll invest in

'We aim to have the highest possible buffer when we transfer to the new system on 1 January 2027'

higher-risk portfolios for them. Younger workers in particular will therefore have a better chance of a higher pension than under the current system. On the other hand, they also run the risk that investments will be disappointing and that their pension will be lower than it is now. It's up to the pension fund to find the right balance for everyone; achieving good returns at an acceptable risk.'

There's a lot of debate on social media and in politics. It's even suggested that the new system will lead to a "casino pension". What's your opinion of this?

'That's simply not true. I could imagine that an active member who is currently accruing pension may feel as though they're in a pension casino when they look at the size of their personal pension pot. Let's say you're fifty, you've already been working for quite some time on a good salary and you've accrued a pension. There could well be 200,000 euros in your pension pot. If interest rates then rise or stock markets fall, you could see those 200,000 euros decrease to 150,000 euros from one year to the next. But don't forget, you still have an investment horizon of around 25 years. Moreover, your pension pot falling doesn't necessarily mean that your pension will also be lower. This depends not only on the level of your pension pot but also on such things as the interest rate when your retirement starts. And, as far as the pensions that are being paid out are concerned, we have enough measures to ensure that these won't fluctuate dramatically, as several "defence lines" have been built in.'

Can you give examples of the protective measures for pensioners?

'Of course, it's always possible that we will need to reduce pensions: the financial markets may experience prolonged setbacks, for example, or interest rates may fall dramatically. But we don't want pensioners to suffer too much from this, which is why we'll invest more defensively for older people than for younger people, with less risk in the diversified investment portfolio.
We'll also be using a spreading method. If the returns on a total portfolio decline by 10% in one year, we'll spread that 10% over three years, so that those receiving their pension will receive 3.33% less rather than suddenly receiving 10% less. We'll do the same in the two subsequent years. If the situation improves in the years after that, we can reverse that reduction. At the same time, we can use the solidarity reserve to supplement the 3.33% deficit to prevent us having to reduce pensions as far as possible. In this way, we minimise the risks for pensioners.'

It will take some time before we transfer to the new system. Will anything change in the run-up to the transfer?

'We aim to have the highest possible buffer when we transfer to the new system on 1 January 2027, in the interests of all members. In the meantime, the world and the financial markets will still be changing. We can't put all our money in the bank now and take no more risks. That's also not desirable for younger members: if shares go up, you want to be able to benefit from that. And it's also not desirable for older members: if interest rates increase, you want to be able to benefit from that too. What we have done, however, is reduce our sensitivity to changes somewhat. We're now investing in slightly less high-risk assets than before and have reduced our sensitivity to interest rate changes. This doesn't mean that we are no longer so sensitive to market changes, but we are taking slightly less risk. We hope that this will enable us to distribute the highest possible buffer when we transfer to the new system. Until then, we'll keep our members informed.'

Investing for your pension yourself

Save young to benefit later

If we're honest, we all want to retire earlier than the pension age. It's a goal that an increasing group of younger and older people are aiming for. For example, within the FIRE movement (Financial Independence/Retire Early). Or, in a less extreme way, by saving for your retirement and building an extra pot. Luuk Montizaan, Technical Application Representative at Covestro, a Pensioenfonds PDN affiliated company, is also thinking carefully about his pension. And he's still "only" 25.

Pension issues are always difficult to grasp. The approaching new pension system is rather complicated and you think: 'It'll take so long before I get to retire, I'll just see what happens.' That's still the trend among most young people. However, some young people at the start of their career are already working to add that bit extra on top of their pension. As is Luuk. 'I've concerned myself with money for as long as I can remember. It started with those two euros that I regularly received from my grandfather and grandmother for my piggy bank. That interest in economics and personal finance is something I still have. I listen to podcasts about the topic and at some point read about FIRE, but I found that a bit extreme. For me, it's going a bit too far to have to live on crumbs now so I can stop work some decades in the future. That's not for me. But I do think that everyone should start investing at the youngest possible age, if they can. I suspect that our generation won't get very far with just the pension we accrue with our employer.'

Now for later

Since his twentieth, Luuk has been investing money every month in ETF (Exchange Traded Fund). If you invest in an EFT, you're investing in a kind of "basket" of shares. This basket usually comprises shares in companies listed on a stock exchange index, such as the Dutch AEX. But it can also be a basket of shares in companies in a certain sector, such as energy.

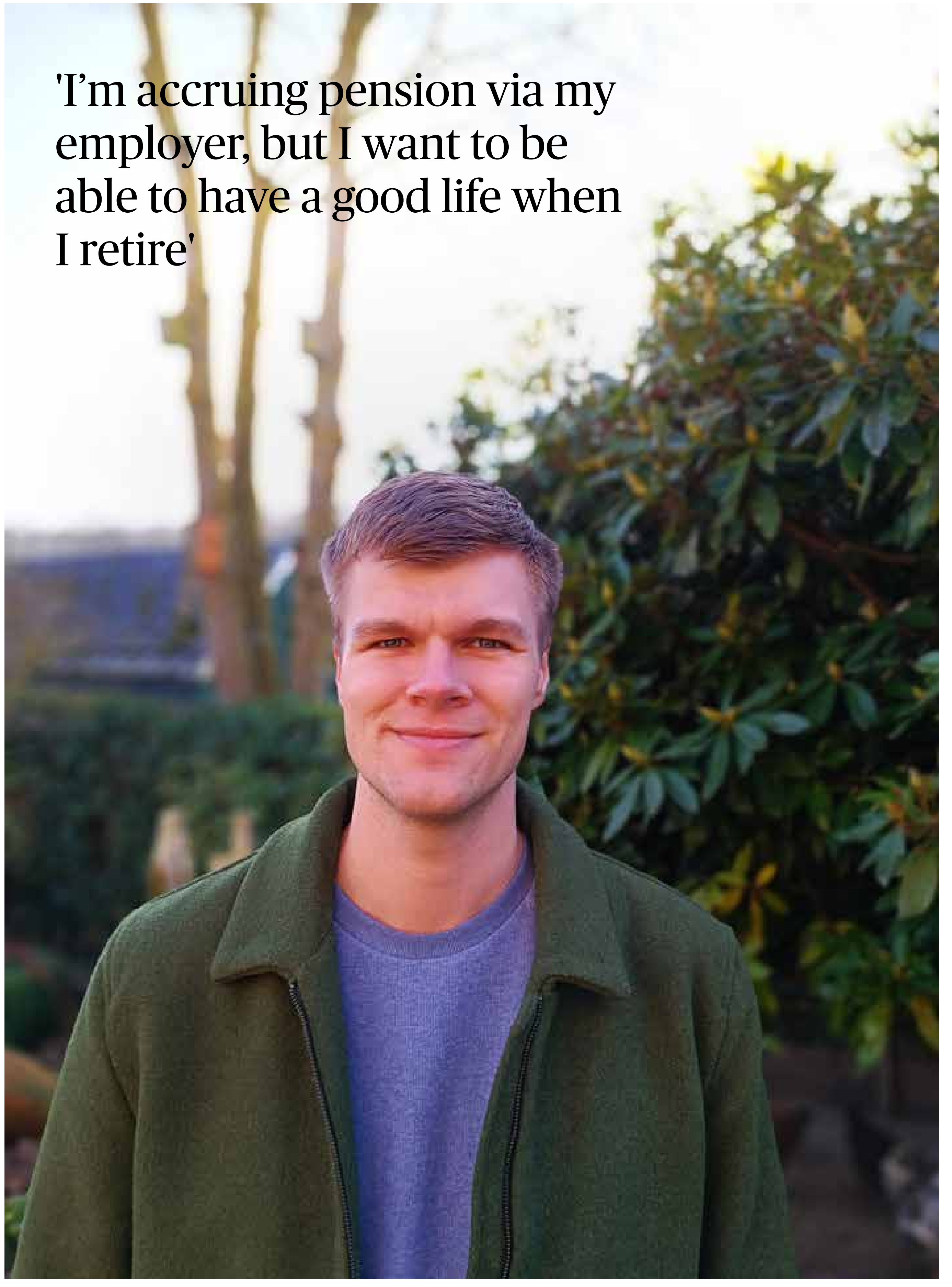
'The pensionable age is now 67 and I'm expecting this to keep increasing. I don't need to retire a lot earlier, but stopping on or just after my sixtieth would be something. I realised quite early on that if I want to do that, I'll need to do something myself for this. Of course, I'm accruing pension via my employer, but I want to be able to have a good life when I retire. My girlfriend and I have bought a house and we're expecting a baby. Everything costs money, even in the future if we're no longer working. That's why I want to accrue my own funds, in addition to the investments being made for me via my pension fund.'

Making your own arrangements

So, it's ETF for Luuk. He'd prefer to arrange his total pension accrual in this way. 'If it were up to me, I'd invest that few hundred euros that I currently pay into my PDN pension myself. But I'm simply a mandatory member of the scheme. That's fine for now, but it's something I'm thinking seriously about.'

High returns

Luuk knows that several of his colleagues and friends are also accruing their own pension. 'But most of them really aren't bothering with this, although it's something I'd certainly advise my generation to do. I know I'm privileged because I can manage without that money every month and not everyone has that luxury. I'm well aware of that. But really, if you can, you should do it. Your returns are exponentially higher if you start investing when you're young. The money you accrue by doing this will always be useful, even if you decide to keep on working for longer.'



'I'm accruing pension via my employer, but I want to be able to have a good life when I retire'

Want to know more? Check out pensioenduidelijkheid.nl.

Or go to the special tile about 'Nieuw Pensioen' [New Pension] on the Pensioenfonds PDN website via the QR code.

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