Pensions increased as from 31 December 2023

PDN sees the importance and aims to maintain the purchasing power of the pension of all members.

The decision for the increase depends on several factors and conditions. The Board has a duty to carefully consider the interests of all members in its decision-making.

The starting point for determining the percentages is the so-called benchmark. This benchmark is set by the social partners (dsm-firmenich and trade unions) and also determines the fund's fiscal space for the level of the indexation. For active members, this benchmark is wage inflation; for pensioners, it is price inflation. As in 2022, these benchmarks differed markedly over 2023.

The declaration of intent received from the social partners regarding the anticipated transition to the new pension system means that, by law, the fund has the ability to grant a higher indexation than under the current FAF policy[1]. Given the fund's financial position, the Board wants to take advantage of this.

When calculating, PDN looks at the inflation (benchmark) for 2022 and 2023. Given the large deviations from the past two years, this makes more sense. In 2023, a change occurred within the price index benchmark relating to the increase. Statistics Netherlands (CBS) altered the measurement of the benchmark on which PDN based its decision-making over the past year. The Board has therefore based the increase (one-off) on the full compensation of the price or wage increase for all members over two years. The wage increase for active members amounts to 14.36% over two years and the price increase for pensioners and deferred members amounts to 14.60% over two years. We explain this in more detail below.

The fund grants both active and non-active members the full benchmark. By doing so there is no major gap between the indexation percentages for active members or for pensioners and deferred members for both years

Every increase costs money and affects the fund's funding level. As a result of the current decision to increase pensions, the fund's financial position has diminished and the balance in the pension savings account (pension pot) is falling. In 2026, PDN plans to transition to the new pension system. The current decision to increase pensions also affects this. There will, therefore, soon be less money to distribute in the pension pot and this is expected to be less beneficial for those members who are currently working.

Increase as of 31 December 2023 for payable pensions and accrued pensions of former employees, based on price inflation:

We will increase these pensions by 4.16%.
Inflation was -1.98% in 2023.
Over 2022, these members also received a pension increase of 10.02%. Together with the increase over 2023 of 4.16% and taking interest on interest into account, they will receive the full benchmark of 14.60% over these two years. Pensioners will see this increase incorporated into their payments as of January 2024.

[1] FAF policy: The Financial Assessment Framework (FAF), part of the Pensions Act, sets the legislative financial requirements on pension funds. The FAF sets conditions on the financial health of a pension fund and is based on the principles of market value, risk-based financial requirements and transparency.

Increase as of 31 December 2023 for accrued pensions of employees, based on wage inflation:

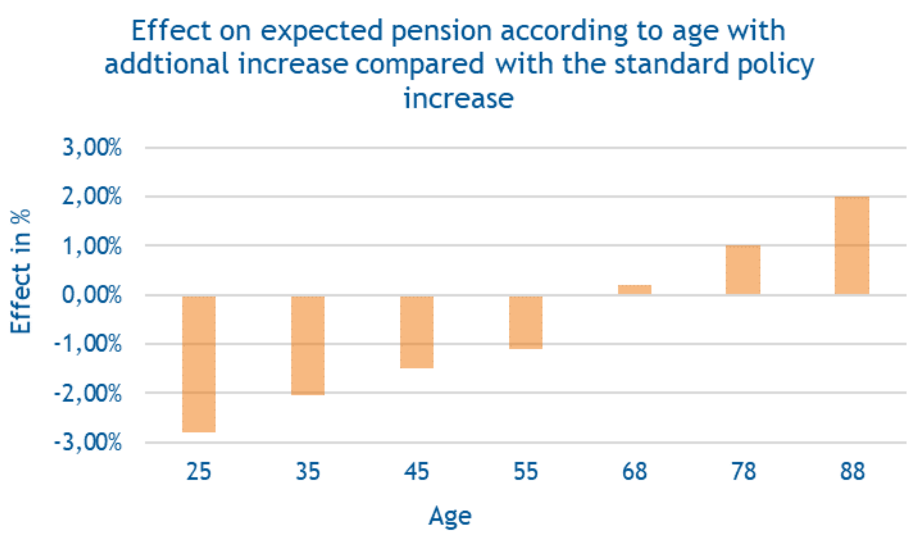
We will increase these pensions by 10.91%.
In 2023, the average wage increase at dsm-firmenich was 1.75% as of 1 April 2023 and 9% as of 1 October 2023.
Over 2022 these members also received a pension accrual increase of 3.11%. Together with the increase over 2023 of 10.91% and taking interest on interest into account, they will receive their full benchmark of 14.36% over these two years.

Balanced weighing of interests

The PDN board believes that this decision has included the interests of all stakeholders. They also took into account that sufficient assets remain in order to ensure a smooth transition to the new pension system. This is in the interests of all members.

The decision results in a limited shift from young to old. The visual below shows the expected effect of the additional increase on the pension on 31 December 2023 compared to the application of the current so-called Financial Assessment Framework (Dutch 'FTK'). This depends on a person's age and the amount of the (accrued) pension. The older the participant, the more positive the effect. This is mainly due to the (provisional) assumption that the Future Penions Act (Dutch: 'Wtp') transition uses a statutory standard method with a 10-year spread period. For pensioners, it is better to receive an increase immediately now instead of at the time of the transition with the assumed spread. For active and especially younger active members, the opposite is true.

The visual shows an expectation based on what we know now, a snapshot. Given the limited effect of the shift and the longer period in which the pension pot can further develop, the PDN board believes that this decision is balanced.



Might my pension be lowered in the future?

If developments on the financial markets take a turn for the worse, this may have a negative impact on PDN's financial position. If PDN's financial position is too weak, PDN must lower pensions, although this measure will be rolled out on a 'last resort' basis. PDN is, however, expecting the funding level to stay at the required level, even after the increase in pensions.

Please visit the PDN website for more information or read the Brochure Indexation.