Definitions

Annual margin
If you have not built up enough pension in a certain year, you are sometimes allowed to build up additional pension via an annuity premium for example. This premium is deductible from your income. This possibility is called the annual margin. You need to know the factor A to determine how big your annual margin is.

Annuity
A provision that can be taken out with an insurance company on a voluntary basis. The is built up via regular payments of premiums or deposited via a lump sum. Periodic payments can be made as of a certain age and for as long as the person lives.

Anw
Surviving Dependents Act (in Dutch Anw or Algemene nabestaandenwet) is the statutory basic facility for surviving dependants in the event of a pension holder’s death. Not everyone is eligible for Anw as this is dependent on the family situation and the partner’s income. The Anw is paid out until the surviving dependant receives AOW.

Average salary scheme
Type of pension in which the amount of the (achievable) old age pension is based on your average pensionable salary during your membership of PDN.

Collective pension scheme
PDN has a collective pension scheme for all employees. This scheme offers a pension accrual over a gross annual salary up to €107,593 (2019 limit). This is a gross scheme. You pay your tax when you start receiving your pension payments.

Deductible
The amount that does not count towards your pension accrual. This is because you will also receive a state pension. For this reason, the amount of the deductible is connected to the amount of the state pension. The amount that remains after the subtraction of the deductible is called the "pension base." The annual pension accrual is calculated on this amount.

Disability risk
This is the financial risk resulting from disability. Possible risks are the addition to the income during the period of disability on the one hand, and the continuation of pension accrual during this period on the other.

Earlier retirement pension
Arrangement of employees born on or after 1 January 1950 which allows them to retire before the ‘official’ retirement date.

Factor A
This is the factor that indicates the amount of pension accumulation in a certain year. This is stated in the (annual) Uniform Pension Statement (UPO). The factor A is needed to calculate the annual margin that is needed in order to save up extra pension capital.

Fixed income
The fixed income is generally the fixed annual salary.

Fixed pension benefit
A fixed pension benefit does not change unless the pension fund indexes the benefit or – in exceptional situations – must curtail it.
**Former participant**
A former participant is someone who is no longer employed and therefore does not build up pension via the PDN pension scheme. The former participant does remain entitled to the amount that they have built up as participant of pension entitlements. A different name used in the pension world for a former participant is an early retirer of early retiree.

**Funding Level**
A yardstick for judging the financial position of a pension fund, expressed as a percentage. This percentage is the ratio between the pension fund's capital and all current and future pension commitments. The certainty that a fund can pay the granted pensions increases with its funding level.

**Indexation (granting of supplements)**
A pension fund's increase of the accrued pension rights to retain the purchasing power. The pension benefits are then adjusted at periodic intervals – usually annually – according to the wage or price level (inflation). PDN has adopted conditional indexation: once a year PDN determines whether, depending on the financial position of the pension fund, indexation can take place in full or in part.

**Investment return**
The direct and indirect investment yields. These can be interest on bonds, dividend on shares or the increase or decrease in the market value of a pension fund's capital.

**Investment risk**
Investment is never without risk, as you do not yet know the final value of your investments.

**Member**
An employee who takes part in a pension scheme and for whom a pension is accrued.

**Net Pension Scheme (NPS)**
A pension scheme for net pension accrual over a gross annual salary above €107,593 (2019 limit). You pay tax on your and your employer's contribution. The pension is no longer taxed from the retirement date and is paid net.

**Orphan's pension**
Benefit for the children of an employee who has not reached a certain age upon their death. The age limit is set at 18 years and for children studying at 27 years.

**Partner**
A "partner" eligible for a PDN Partner's pension is the person who before your death:
- was your spouse;
- was your registered partner;
- was the partner with whom you lived together. This must be laid down in a cohabitation agreement drawn up by a civil-law notary. You must submit a copy of this to the pension fund.

A "partner" is not a person you marry, with whom you enter into a registered partnership, or conclude a cohabitation contract after your retirement date.

**Partner's pension**
Periodical benefit paid to the member's partner after his/her decease. This benefit is also called dependent's pension, widow's pension or widower's pension.

**Pension accrual**
You accrue your pension by becoming a member of a pension scheme and paying a contribution. This later results in a pension benefit.
Pension base
The gross annual salary (fixed salary + fixed bonuses/allowances) less the deductible.

Pension benefit
The amount that you periodically receive on the basis of a pension.

Pension capital
The amount available for the purchase of a pension benefit on the start date of your pension. This pension capital is formed during the accrual phase.

Pension contribution
The amount that your employer and/or you pay into the pension fund.

Pension entitlements
The pension to which you have a right after your retirement date.

Pensionable salary
The gross annual salary, or the salary components that are included in the buildup of the pension.

Pension loss
If the pension buildup is incomplete this is called a pension loss. This could be caused due to changing employment. In this case the old pension is not fully adjusted to price or salary trends. If an employee has not worked or has worked less, this could create a pension loss. This is because during this period no pension or a lower pension is built up.

Pension scheme rules and regulations
The legal text of the pension scheme. This explains how a pension is built up and can be calculated.

Pension shortfall
A financial shortfall that can arise if you have less purchasing power after retirement than before.

Policy funding level
The policy funding level is the average of the twelve most recent monthly funding levels.

Retirement date
The date on which your retirement pension starts.

Retirement pension
Periodic payment with effect from the retirement date, that a pension fund awards to the member or deferred member. The retirement pension is paid out until your death.

Returns
The direct and indirect investment returns. These can be interest payments (on bonds), dividends (on shares invested) or the increase or decline of the market value of the assets on a pension fund.

Salary limit
The gross annual salary that sets the limit between membership of the collective pension scheme and membership of the Net Pension Scheme. In 2019, this salary limit is set at €107,593. It is adjusted on January 1 of each year according to the increase in the state pension in the previous year.
**Special partner’s pension**
The partner’s pension to which your former partner is entitled, after a relationship has ended. Just like the 'normal' partner’s pension, the special partner’s pension is paid out after your death.

**State pension**
The General Old Age Pensions Act (AOW) provides for a basic state pension for all Dutch residents who reach the state pension age. You accrue a full state pension when you have lived and/or worked in the Netherlands in the 50 years before you reach state pension age. Your state pension is reduced by 2% for each year that you miss. The Sociale Verzekeringsbank (SVB) grants and pays out your state pension.

**State pension age**
Your state pension age will gradually increase to age 67 in 2024. From 2025, your state pension age will depend on life expectancy.

If you born after December 31, 1957, your state pension age will be at least 67. Your exact state pension age will be known five years ahead of time. For this reason, check in January of each year to see whether your state pension age has changed. Please visit [https://www.svb.nl/int/en/aow/wat_is_de_aow/wanneer_aow/index.jsp](https://www.svb.nl/int/en/aow/wat_is_de_aow/wanneer_aow/index.jsp) and enter your date of birth to see what your state pension age is now.

**Supplementary pension**
Pension provisions supplementary to the retirement pension (AOW).

**Surviving dependents’ pension**
Periodic payment to your surviving dependents. Catch-all term for widow's pension, widowers’ pension, partner's pension, and orphan’s pension.

**Switch option**
Switching one type of pension for another. For example switching the partner’s pension for extra retirement pension.

**Temporary partner’s pension**
Provides a benefit for any surviving dependants until that person reaches the state pension age.

**Variable income**
The variable income is the part of your income that is not fixed income. It usually depends on targets or performances. Examples include a profit distribution, production or performance bonus, commission, or share of turnover (DVO).

**Value Transfer**
A value transfer implies that you move your accrued pension entitlements to your new pension provider, for example in case you switch jobs and thus change your pension provider. There are certain condition attached to value transfers.

**WIA**
The WIA (Work and Income Act) is based on a person’s capacity to work. The WIA also provides income protection in the event of occupational disability. The act consists of two parts:
- the Return to Work for the Partially Disabled Scheme (WGA) and
- the Persons Wholly Unit for Work Income Scheme (IVA).