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PDN MAGAZINE

“Increased perspective through new regulations”

Inflation and your pension increases

Investing in times of crisis and war



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These are turbulent times. In the world and in our pension world. We awake to new developments every day, good and bad news, predictability, and unpredictability.

How do you handle these rapid and far-reaching changes? And, you're probably wondering, how do we do that as a pension fund? This PDN Magazine edition covers the various developments. We'll inform you about how we, as the pension fund, are handling the war in Ukraine, and other crises in general. What are the consequences? What choices are open to you?

TURBULENT TIMES

We'll also inform you about the issues relating to the new pension system, because there's a lot to tell about that. And we shed light on the indexation situation, or your pension increases. Why is it that money isn't added automatically every year so you can keep up with inflation?

In addition to all the serious stuff, there's plenty of space for the people behind our fund, within DSM and affiliated companies. In the 'Sooner or later' column, we get to know Jan and Melissa from DSM in Emmen. And we also visit Covestro, where Liesbeth and Gerjo are proud to talk all about how "their" company contributes to a better world.

This time, Leo Hensgens takes us on his pension journey. He tells an almost unbelievable story about his greatest passion: Cycling. Since he retired, he's covered no fewer than 352,000 kilometers on his trusted bike.

Enjoy life, just like Leo. However unpredictable or troubled it can be. And in these turbulent times, let's take the time to care for each other.

Happy reading,
Babette, Karin, Monique & Mark

Visit our PDN website for more detailed information about your pension. Take a look at what has been arranged for you and what you can do yourself, for now and later.

Scan the QR code to visit the PDN website.





Inflation and your pension increases: what's happening?

PDN aims to offer its members and pensioners a pension that retains its value. This means that your pension or pension accrual grows according to price increases. The periodic increase in your pension is known as "indexation." Although indexation is a high priority for PDN, it's not always been possible to increase pensions in recent years. Why? What is involved in the decision of whether to increase the pension? And do we know what will happen in the future?

We asked Rein Pikaart, PDN Board member on behalf of the pensioners.

More pension when prices increase: That sounds logical and ideal. It means that you won't feel the impact of price increases for fixed expenses and groceries. Unfortunately, it's not that simple, explained Rein. "As a pension fund in the Netherlands, you can't simply decide to increase the pensions. We need to adhere to strict legislation and regulations, and that's something we can't avoid. On the one hand that can be rather annoying, because of course

we'd like nothing better than to increase the pensions each year. But on the other hand, it's good that there are rules, because these protect us as fund and they protect our members. You should only increase pensions when that's really possible. This responsibility lies with us as the Board. The last thing you want is to increase pensions one year and then face a year with lots of setbacks, forcing us to reduce them again the next year. People will definitely notice that in their wallet."

Statutory conditions

What are the regulations surrounding indexation? A pension fund can only increase pensions if it meets the statutory conditions. If you want to increase the pension, the pension fund's policy funding level must be higher than 110%. This policy funding level is different than the funding level: It is the average of the funding levels over the past twelve months. So, if the funding level at end December is 114% but the average over



Rein Pikaart

the past twelve months is 108%, as fund you cannot increase pensions on January 1.

Indexation

Even if you're allowed to increase the pension if the policy funding level is above 110%, you're still bound by certain rules. First of all, the increase for pensioners is maximized according to the increase in the consumer price index (2021: 3.28%). A graduated scale also applies. This is done pro rata: For example if the level is 112%, you can introduce a partial increase. If you're above a certain level at the end of the first quarter, for example at 131%, you can introduce a full increase. This upper limit is inflation-dependent and is therefore variable.

No increase

2021 was a good investment year for PDN. The funding level was 115.2% at the end of 2021, the highest funding level since 2007. The policy funding level rose from 95.5% at the end of 2020 to 108.8% at the end of 2021. Despite this favorable development, PDN was unfortunately unable to increase pensions due to statutory conditions. Rein continued: "That feels annoying because as fund and as the Board that is our ambition. It's not good that pensions haven't been indexed for so long. We're living in uncertain times with the war in Ukraine,

the financial world is in turmoil, and inflation is increasing sharply. Especially those on lower pensions will start to feel that. What they're currently 'missing' in pension would perhaps cover the higher energy bills expected next year. As a pension fund we'd like to do something about this, but instability in the world means there are many uncertainties over which we have no influence. We need to deal with that. Certainly if the funding level is just around the set statutory level, it's really best to be careful."

Increased perspective

So whether we can increase or not depends on certain legislation and regulations. The Van Dijk motion recently adopted by the Dutch House of Representatives means there's clearly an increased perspective on the horizon. This motion is part of draft legislation on the new pension system (The Future Pensions Act). The motion should make it possible for pension funds to increase

PDN will increase pensions depends on how the motion develops into changed legislation, the associated criteria, such as the reference date of the policy funding level, and a carefully considered decision by the PDN Board. You can read more about this in the article on the current status of the new pension system (page 22 in this magazine).

Careful policy choices

What the future will bring? That's difficult to predict, as often applies in the world of pensions, funding levels, and investments. "Not indexing pensions in recent years is affecting people substantially. As the Board we are certainly aware of this and this is something we're working on actively," stated Rein. "We're making careful policy choices and hope that these will work out well. Our main goal as a pension fund is to offer the very best pension. We're doing everything we can for this."

"When raising pensions, we need to adhere to strict legislation and regulations"

pensions even if the policy funding level is lower (from 105%). This can also be introduced with retroactive effect from early 2022 and possibly with an adjusted indexation regime. Whether and when



Pierre Caelen

New “lump sum” option

Take out part of your pension in one go

When you retire, you're entitled to make various choices such as determining your own retirement date (early or postponed retirement) or having higher pension payments in the earlier years than in the later years (the high/low plan). Another option will be available soon: The “lump sum” option. What is it and what does it entail? We talked to Pierre Caelen, quality expert at DSM Pension Services and we answer various important questions.

What does the new “lump sum” option entail?

“If you opt for the new ‘lump sum’ option, as PDN member, you are entitled to receive up to 10% of the value of your retirement pension in one go on your retirement date. This option is expected to take effect from January 1, 2023.”

What are the advantages?

“The new option increases your freedom of choice in using your pension. It enables you to ensure that your pension is a better match for your personal situation. You can decide for yourself what you spend the “lump sum” on. For instance, you

could use it to pay off all or part of your mortgage, or for a renovation, a new car, or to go travelling.”

Are there also disadvantages? And what do you need to watch out for?

“The remaining life-long pension payment will immediately be reduced as a consequence of withdrawing the ‘lump sum.’ If you opt for a ‘lump sum’ of 10% (or less) of the value of your retirement pension, you’ll still receive 90% (or more) of your life-long pension payment when you retire. A condition also applies that you cannot combine the ‘lump sum’ option with the high/low or low/high plan option. As pension is income, the ‘lump sum’ can also have consequences for your income tax and for benefits such as healthcare or rental allowance. So it's important that you make sure you're well informed in advance and that you make the choice that's best for you.”

“We provide all the information you need to make a considered choice”

How does PDN support me in making these and other choices?

“The pension funds have a duty of care to provide members with correct information about pension options and about the financial consequences of choices such as the ‘lump sum’ option. The process of applying for your pension starts around half a year before your desired retirement date. This gives you enough time to make choices that are a good match for you. As PDN, we'll guide and support you in this, for instance during a personal interview. We'll take you through all the options and the financial consequences of choices you make. And, of course, we do this as well and as carefully as possible. If necessary, we'll also refer you to bodies that can provide more information about your personal situation, such as the Tax Office, the municipality or the Sociale Verzekeringsbank. This will help you make well-considered and appropriate decisions about your pension.”

Your pension: fact and fiction

You must have the wage tax credit applied to the highest income.

One of the few certainties in life is paying taxes. You pay taxes over your income. We refer to this as wage tax. Your income includes your salary, state pension, or your PDN pension. Fortunately there's also the wage tax credit.

The wage tax credit is a credit toward the income tax you have to pay. You, therefore, pay less tax if you apply wage tax credit. If you receive income from various bodies, you can only apply the wage tax credit to one of these incomes sources. If you don't do that, you'll have to pay additional taxes later.

The Tax and Customs Administration states on its website that it's best to apply the wage tax credit to the highest income. That's usually the case, but it doesn't always apply. It depends on your personal situation. Do you have a partner or are you single? Is your gross pension at PDN lower than €12,500, is it higher than €27,000, or is it somewhere in between? These are important questions in making choices for the wage tax credit. That's why you should make sure you're properly informed by the tax authorities or by a tax advisor as we're unable to inform you about this in detail.

So you don't need to pay additional taxes later, you can also decide to ask PDN to deduct more wage tax each month. However, we cannot calculate the amount by which we need to adjust the wage tax as we don't know your other income sources. That's why you should calculate the adjustment yourself, or with the assistance of a financial advisor, and inform PDN of this.



Leo Hensgens' pension journey

He worked at DSM for almost forty years. Can you call it work? Leo explained that it was his hobby. He's now been retired for almost thirty years and will be eighty-eight in June. He's hardly sat still over the past decades. On the contrary, if you listen to Leo's story, it sounds as though you're listening to the life story of three different people. A great interview about the past, the present, and his greatest passion: Cycling.

The friendly village of Havert-Selfkant is just over the border in Germany. Leo (or Lei for DSM staff) Hensgens' home is located at the end of a quiet street between expansive meadows in a gently sloping landscape. Spring flowers are blooming in abundance in the garden and the sun is shining warmly on the terrace, with views across the meadows. Indoors, the table is set invitingly with cups and saucers and a huge plate of cookies. Seated in a comfy chair at the table, Leo talks with a twinkle in his eye about his time at DSM and about what he did afterwards. He talks with modesty and pride. Every now and then, he stands up to grab papers or photos to illustrate his story. His granddaughter Kim ("my only grandchild!") keeps an eye on grandpa and pours the coffee.

Work as hobby

"My work was always my hobby," Leo began. "My wife always said: 'You enjoyed going to work every single day.' And that was true. I had a fantastic time at DSM. Although I'm German, I always felt part of the group. I had fantastic colleagues and I was given every opportunity: I started right at the

bottom and eventually ended up at quite a high level."

Started at the bottom

After completing the pre-university education in Germany, Leo went to "the technical school" and started as "worker" at DSM in 1953. In his spare time, he studied Chemical Technology

at PBNA in Arnhem, where he obtained his diploma when he was 29. He later studied Environmental Science in Heerlen. That's how he ended up in the DSM chemical staff and made it to senior staff level. At a certain point, he switched from the chemical staff to business economics. He became, as he says himself, a financial man with



In the Augusta plant in the US

a technical background. He worked as controller of the Caprolactam product group until the end of his DSM career. Leo stated: "At the time, it was the DSM cash cow." His career also took him abroad, including to DSM in America, Poland, Slovakia, the Czech republic, and the former East Germany. "Great times," he reminisced.

role that he was hardly home at that time. "I worked during the day and in the evenings. I was active in the labor union and the Works Council. I actually didn't see my children grow up. That's the downside of all those activities."

Leo is certainly proud of his children. He talked about where they live and

"I always really enjoyed what I did. Until I became sixty-five and decided that enough was enough. I then stopped with everything, apart from the refereeing. And in 1996 when I was asked to do something for the church here, I did that too: I was treasurer for twenty-six years."

Leo received a special distinction for all his commitment to the community: Das Bundes Verdienstkreuz. It's a royal distinction, like we have in the Netherlands, but in Germany these distinctions are not handed out very frequently.

Cycling every day

We then moved on to the stories about his greatest passion: Cycling. Because Leo has done that every day for most of his life. He cycles around fifty to sixty kilometers from his home every day. On Tuesdays it can reach a hundred because that day is reserved for his beloved cycle club, which he co-founded: Die Radwanderfreunde Havert. "It's a club with some eighteen people between seventy and eighty years. We go on trips together to Mechelse Heide, Bokrijk, Snowworld, Hasselt, Liège, Weert, castles and other destinations. And I cycle in front. We enjoy a picnic en route and take a seat at a cafe to enjoy a beer at around 4:00 PM. Just sitting around talking, it's so nice."

"I've cycled some 352,000 kilometers since I retired"

Leo keeps a tally. It's all written neatly by pen with lists of dates and



Day trip around Augusta

Leo's career at DSM ended relatively early in 1992, when he was fifty-eight. "People needed to leave and I was one of them. I didn't like it at all. I couldn't sleep properly for a month and felt as though they were taking my hobby from me. But that changed quickly as it also gave me the opportunity to do lots of other things I like doing. Looking back, I'm pleased I stopped working so early. I traveled a lot with my wife to Egypt, Morocco, Israel, Moscow, Sicily. We went everywhere."

Alongside work

Alongside the work he enjoyed so much Leo also dedicated himself to the people within DSM. He played a major role in the labor union (de Unie BLHP), the Works Council, the Central Works Council, and later in Stichting Fonds van Social Instellingen. Such a major

how all three ended up doing what they love. Leo's son Jurgen, Kim's father, lives close by and comes in for a coffee during the interview. He started listening to Leo's story. Because on top of his work and particularly after his retirement, Leo led a more than full life. "Dad never sits still," stated Jurgen. "He's invincible."

From referee to treasurer

What was Leo's personal life like, before and after his pension? He used to be a referee at the local soccer club. He blew the whistle at matches for forty years, until he became seventy. "I ran faster than the players!", he explained. Leo was also a member of the municipal council from 1963 to 1999 and was "vice-mayor" for twenty-five years. He also served as a civil judge and juvenile court judge.



Leo whistled football matches for over forty years

kilometers covered by bicycle. It's very impressive. For instance, in 2021, he cycled some 21,000 kilometers and in other years between 10,000 and 20,000. And while almost unbelievable, it is true: Since his retirement - some thirty years ago - Leo has cycled some 352,000 kilometers. "And almost all of that on a standard bicycle. I only got an

e-bike when I reached eighty. It's a nice one though, a red one."

A new life

One time things went badly wrong during his favorite hobby, Leo explained. "I fell on the asphalt, on my head. The doctors in the hospital were very concerned, but amazingly I recovered

well. That was in 2006. I was given a new life then; that's how I see it."

And what a life. It could hardly be richer. After the photo shoot for this story, Leo put his "red baron" back in the shed. Not for long though, because he was due to go on another trip.

Passport - Leo Hensgens

Born: June 22, 1934

Town/city: Selfkant-Havert in Germany - just over the border at Sittard
Widow with two sons, one daughter, and one granddaughter

Career:

- "Started at the bottom" as DSM worker;
- Studied Chemical Technology and Environmental Science;
- Member of the chemical and business economics staff within DSM;
- Controller Caprolactam product group;
- Member of DSM Works Council and Central Works Council;
- Board member of the labor union (de Unie BLHP);
- Board member of Stichting Fonds van Sociale Instellingen (FSI).

Took early retirement in 1992, aged fifty-eight.

**Jurgen:
"Dad never sits still.
He's invincible."**



Jan Siebum and Melissa Dijks

SOONER OR LATER

Sooner...

Name: Jan Siebum
Age: Fifty-five
Position: Interim Senior operator at the DAP factory, DSM in Emmen
Retirement: in eleven years, in 2033. Preferably earlier, if possible.

Tell us a bit about yourself.

"I started here in 1985 when I was nineteen. I grew from assistant operator to where I am now and I'll be here for some time I think. My wife is two years older than I am, so she can

retire earlier. I'm considering retiring earlier too. My pension will probably allow this. Our children (a twenty-three year old daughter and a thirty year old son) both have good jobs, so we don't need to worry about them. I'll just wait and see because you can't look into the future anyway.

What is your dream plan for your pension?

"Above all, I hope that we stay healthy; my wife and I. And if we no longer need to work, we'll plan our days differently. I think we'll miss the social contacts from work so it's important that you find these somewhere else. In association life, for example. I've already had experience with that as I was a volunteer firefighter in Klazienaveen for ten years. That took up quite a lot of time next to my work. When my children said,

'I only see you in the village,' I stopped. When I retire later, I'll get active in association life again. I also like working in the garden, doing DIY in and around the house, and I have a nice, clean car."

"Things always turn out differently than you think"

What have you done to make that retirement dream come true?

"I didn't think much about my pension for a long time. I hadn't given it much thought. Even when colleagues retired. But now I'm older I'm monitoring things more, via such things as the Pension Planner. When I look at what my pension will be in the future, I know things will be fine. I also have a bit of concrete - our house - and we've almost finished the mortgage repayments. So we'll get a bit of money from that soon too. The biggest items of expenditure were when our children started studying but that time is behind us now."

What will your life be like when you've retired?

"Quieter than now, I think. With more freedom to decide what you do each day. Doing voluntary work, going out with

my wife. I'm not someone who says: 'I'd like a camper van or a boat'. As long as we're both in good health; that's something that's important to me. At that point, we'll work out what our lives will be like. Maybe by then I'll write a book about my life, just like Kieft or Derksen, ha ha."

Looking back, is there anything you felt you should have done differently?

"No. I wouldn't do anything differently. You know, you can't look into the future anyway. Just look at what's happening now: everything's becoming more expensive and there's a war raging. And you also don't know how old you'll become. Things always turn out differently than you think. So in my opinion you should live now and make sure that things are right for you now. Just take later as it comes."

Do you have any tips for Melissa?

"Melissa and I were in the Works Council together for a while, so we know each other. I think she's more than capable of managing her own affairs. When I was the same age as she is now, like Melissa, I wasn't really thinking about my retirement. If I were to say something to her, it would be: 'Stay at DSM. Everything's really well-arranged here.'"

... or later

Name: Melissa Dijks
Age: Twenty-nine
Position: Operator at the DAP factory, DSM in Emmen and Works Council secretary

Tell us a bit about yourself.

"I'm an all-round operator, but I've not seen the inside of the factory for a while now. I'm currently seconded to a secondary school for three days a week. I give the first years lessons in nature and technology and I'll keep doing that until the end of the school year. It's great, I've learned so much doing this. I'm used to saying 'this is what we're going to do and this is how we're going to do it', but it's really different with the first years (she smiled). After this secondment I'll probably return to the factory and I love that too, and I work for the Works Council for one day a week. Busy? I certainly don't have time to get bored, that's for sure."

Do you think about your retirement?

"Not really. I'm still too young. I just assume that everything's well-arranged at DSM. It's not something that keeps me busy. My boyfriend is self-employed and we did talk about pensions recently. We then thought that we'd just make sure that we have some property that we rent out and build our pension

like that. I'm really not worried about it."

What is your dream plan for your pension?

"First let's wait and see what the state pension age is then. And what the world looks like by then. It's changing fast and will have changed even more in all kinds of ways before I'm able to retire. I'll see what happens then."

"I just assume that everything's well-arranged at DSM"

What have you already done to make that retirement dream come true?

"Nothing, apart from accruing pension at DSM. When I'm forty or fifty I'll see if there's more I can do to add to that pension."

Do you have any questions for Jan or will you do anything differently after this interview?

"No. I know Jan really well from our time together in the Works Council. So if I have any questions, I know where to find him."



Ask Petra

Do I need to forward address changes to PDN?

Petra Damoiseaux, Senior Pension Officer at DSM Pension Services:

“Whether you need to forward an address change to us depends on which address this concerns and where you live. Do you live in the Netherlands or abroad? Does this concern your home or postal address? The answer to these questions determines whether you need to do something yourself.”

Do you live in the Netherlands and you are moving to another address within the Netherlands?

“Then that’s the easiest one to answer. You do not have to inform PDN of anything. Inform the municipality of your new address. We’ll then receive the address change from them automatically.”

Are you moving abroad or do you live abroad already?

“Then please send a change of address notice to PDN. You must also include a copy of a valid proof of identity. Then we know for sure that it’s you that wants to change the address.”

What should you do if your postal address changes?

“In principle, PDN sends all mail to your home address, unless you have opted to have the mail delivered to another address. You could opt for the latter if you live abroad and would like to receive mail in the Netherlands, or if you want your mail to be delivered to your family. If you’ve changed your postal address, but your home address remains the same, you will need to notify PDN of this. You must also include a copy of a valid proof of identity.”

Can’t this be done in an easier way?

“Changing your home address in the Netherlands is as easy as it can be, because you don’t need to do anything. However, it’s a lot simpler to inform us of an address abroad or a postal address via our website. On our website go to your digital pension folder ‘My PDN Pension’ and select ‘My data.’ Enter the new address under ‘change postal address’ or ‘Change address abroad.’ It couldn’t be easier! You then also don’t need to include a copy of a valid proof of identity.”

Job hopping: Good or bad for your pension?



Ayesha Malik

People often used to stay working for the same employer for decades but these days employees change jobs and companies more often. They want to grow, realize their dreams, and use their qualities elsewhere. But how will job hopping affect your pension? And what does a young DSM professional think of this?

She was “born and raised” in Pakistan: Ayesha Malik (30). After having worked for several years in brand marketing and digital marketing in her home country, she came to the Netherlands for the International MBA study program at Nyenrode. And she stayed. She’s been working at DSM for four years now. First in Geleen and in recent years as marketing and communications manager at DSM Food & Beverage in Delft. “I’d always wanted to work in a western economy. I love this country and the international environment within DSM.”

Keep learning

The ambitious Ayesha still sees herself working at DSM for now, but she also doesn’t rule out moving to another country or another company. “I can still move in lots of directions here and keep on developing myself. But if a great

opportunity comes up somewhere else, I’ll go for it. I want to keep learning. I’ll take that next step when I’m ready for it or if I feel I’ve learned everything there is to learn in a position.”

“The current situation in the world has led me to focus more on my pension”

Certainty in the future

Does she consider her pension when making her career choices? “The current situation in the world has led

me to focus more on these types of topics. If you’d asked me two years ago whether I was thinking about pensions, I’d have given a resounding ‘no.’ But we’re now a pandemic further and there’s so much happening in the world. That makes me consider the financial picture more and think about certainty in the future.”

“This interview also triggered me to think about this even more. How an employer arranged the pension was never a decisive factor for me. And it’s also often quite complicated stuff that’s not easy to get to grips with, certainly for an English-language speaker like me. Where do you start? Where can you find information? It would help a lot if new employees were made aware of how pensions are arranged at DSM. What do you need to think about? What is the situation exactly? Cover it in the



onboarding program*, for example. Then you'll have been informed as employee and this will encourage you to think about your pension more often so you can take charge of matters relating to your retirement."

***Note from the editor:**

Each new DSM employee is shown a film about PDN when they start work. This film is also made available to the affiliated companies. Each new employee also receives an introductory letter and a pension journey approximately six to nine months after their appointment.

Job hopping and your pension

These days, it's less common to stay working for the same employer for a long time. This has implications for your pension. Your new employer will probably have a different pension plan. It could be that the pension fund at your new job is not as good, and the contributions or the risk of pension payment cuts may be higher. These are things you need to check. By changing employer more frequently, you accrue pension with various pension administrators. Such a pension could be "large" (> €503.24 gross per year) or "small" (< €503.24 gross per year). From 2020, the pension administrator may transfer the value from a "small" pension to the pension administrator at which you are currently accruing pension. This value transfer happens automatically. For a "large" pension, you can request the value transfer yourself. This enables you to transfer your entire pension to one pension fund.

You can read about how value transfer works at PDN in the "Value transfer" brochure on PDN's website . If you want to know more about your situation, check [Mijnpensioenoverzicht.nl](https://mijnpensioenoverzicht.nl).

Pension payment dates

PDN makes pension payments on the 27th of the month (with the exception of December). If the 27th falls on a weekend, your pension will be paid before then.

2022 payment dates

June.....	27	October.....	27
July.....	27	November.....	25
August.....	26	December.....	21
September.....	27		

PDN funding level

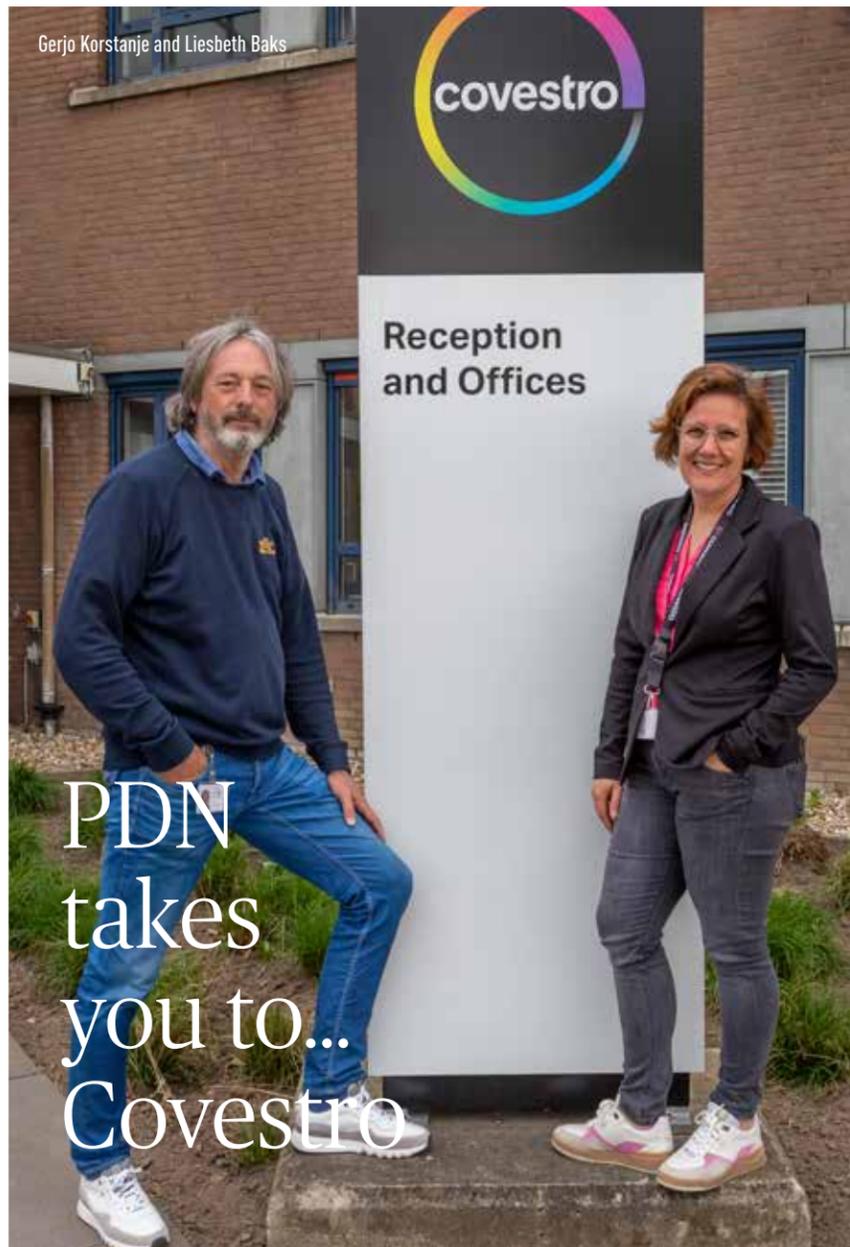
One important indicator of a pension fund's financial health is the funding level. This shows the relationship between PDN's pension assets and PDN's pension obligations, both now and in the future. If the funding level is 110%, for example, then for every €100 PDN has to pay to pensioners, PDN has €110 worth of assets. PDN publishes the figures on the website quarterly.

The table below shows the funding level from 2018 towards:

As at end of	Funding level	Policy funding level	Interest rate	Max yield
2018	105.0%	109.3%	1.3%	-1.8%
2019	10.04%	102.3%	0.7%	12.7%
2020	99.7%	95.5%	0.1%	4.0%
2021	115.5%	108.9%	0.5%	8.2%
Q1 2022	123.1%	112.5%	1.1%	-3.2%

When making decisions on paying top-ups or making cuts, pension funds must refer to what is called the "policy funding level." This funding level is the average of the funding levels over the past twelve months.





Gerjo Korstanje and Liesbeth Baks

PDN
takes
you to...
Covestro

Did you know that there are more than fifteen different employers affiliated with PDN? So it is not just DSM employees in the Netherlands who have a pension with PDN. Employees of the other affiliated companies do too. In this column we take you to one of the affiliated companies each issue. This time we chose Covestro. We tagged along with Liesbeth Baks, senior advisor to the managing director, and Gerjo Korstantje, project manager for operations and buildings.

Covestro is originally a German, globally-operating and leading producer of advanced polymers and high-quality plastics. The company acquired the sustainable coating resins business - Resins & Functional Materials - from DSM in April 2021. The acquisition made Covestro one of the biggest suppliers of sustainable coating resins. Covestro's coatings, adhesives, and other special raw materials can be found in and on all kinds of products that we all use every day. From tables, mattresses, cars, potato chip packs, and solar panels to paper coffee cups. Sustainability and innovation are a high priority for the company. Employees are always innovating. They search for ways to reduce environmental impact and ensure that Covestro products really add value.

Useful

Liesbeth and Gerjo are so proud to tell us that it's particularly those aspects that make working at Covestro so fantastic. Liesbeth began: "We have fifty production locations across the world, with some 18,000 employees, 800 of which are in the Netherlands. This means we're always close to our customers. Innovation and sustainability are really important for us, and what we make must be useful. You can find our high-tech materials in the car industry, for instance. Construction is another important sales market. We supply products for paints and varnishes. We are also in the electronics sector and have various smaller units that focus more on sports & leisure, and cosmetics. Our focus in the

Netherlands is on the production of coatings and Covestro accommodates several smaller business units in Geleen. For instance, we have 'additive manufacturing', a unit that's involved in 3D printing. They make things such as mouth guards for ice hockey players."

Valuable applications

"What I find simply fantastic, is that our products really make a valuable contribution to many applications in our daily lives," explained Gerjo. "Take a bag of potato chips from Lays, for instance. The printer ink on that is ours. The same applies to the seal and the layer on paper coffee cups is ours too. These are all things you use daily and they didn't exist or couldn't function without the many things we produce."

Looking ahead

Covestro is always looking ahead to new developments in the world and in products. What do we need to do for these? What works? What will help? Gerjo continued: "For example, we have a paint for doors in the construction industry. The doors that have been painted can be stacked wet in the factory and transported like that, resulting in efficiency and time gains. I think that's amazing. When you see the finished products in our displays at Hoek van Holland, it makes me really proud. Fiber optic cables with a high-quality coating, for example, can transmit a clear signal dozens of kilometers away.

Big ideas

"At Covestro, there's always a huge motivation to come up with better solutions and products that contribute to a better world," explained Liesbeth. "What's more, there's lots of space for employees to forge their own role in this. We're great on big ideas that often start by being implemented on a small scale, and that's fantastic."

Liesbeth introduces herself

Employer:

"I'm senior advisor to the managing director of Covestro in the Netherlands. I'm her right-hand man in so many things that happen here. I've worked in supply chain functions at DSM for the past fifteen years but now I have a more general role. It's so much fun. I now deal with lots of HR-related topics and can act as an observer at the Central Works Council and during the CLA negotiations. The chemical industry is such an interesting sector to work in. You can be part of changes that impact so many people across the world."

Pride:

"What I find most appealing about my work is the company's objective. We really aim to contribute to a better world. That's important to me and I couldn't work for a tobacco producer, for instance. I'm really proud of what we do and make here."

Own pension:

"I don't think a lot about my pension but I think that's because of my age. I know that I'm accruing pension and vaguely how this is arranged, but that's all. The pension rules could change a few times before I retire and I find my work so great right now that I don't really think about pensions. It'll all be fine."

Personal life:

"Forty-three years old, married, mother of three children, aged eleven, nine, and five."

Gerjo introduces himself

Employer:

"This year, I'll have been working for Covestro and its predecessors for some thirty-three years. As a project manager for operations and buildings ('the hardware side') I do projects for Waalwijk, Hoek van Holland, and Geleen. This is the fifth acquisition I've gone through, so I'm quite relaxed about it. Things always work out fine, even though you do have to deal with various changes as employee. It's now a year on and things are going well. Everyone already feels part of Covestro."

Pride:

"I'm really proud of what we make. High-quality components for products that last a long time, work well, are strong, and that are easy to recycle after the end of their service life. UV-curable paint, for example, or coatings for solar panels. It's fantastic to be able to contribute to this in my work."

Own pension:

"I wasn't very much interested in my pension until a couple of years ago when quite a few colleagues retired. I started learning more about pensions from that point and had talks with a financial advisor."

Personal life:

"Fifty-eight years, married, no children."

"Our products really make a valuable contribution to many applications in our daily lives"



Investing in a world full of uncertainties

The consequences of war and crisis

Bob Puijn

As a pension fund you invest in different areas and in a range of countries. But what happens if a crisis emerges in a country, or a war, such as that between Ukraine and Russia? What are the direct and indirect consequences? What choices are open to you? We talked about this with Bob Puijn, head of investment at DSM Pension Services.

“In the event of a war, like the one between Russia and Ukraine, in the first instance you consider the humanitarian consequences,” explained Bob. “But as DPS, of course, we also consider the financial consequences. You’re always faced with the direct and indirect consequences of a crisis. We look at our investments in a crisis or war zone and the direct implications of this. It’s also important to know that, as a pension fund, we already have an Exclusion Policy. We use UN and European sanction legislation to exclude certain companies and countries. For instance, we don’t invest in companies that are involved in producing tobacco or controversial weapons. This means we’ve not invested in Russian state bonds for some time because of European sanction legislation, but we do still invest in Russian shares and corporate bonds.”

Selling positions

Bob continued: “At the start of the war and together with the Board we carefully examined the Russian business community and how independent the companies can operate, independent from the Russian state. In other words: Are companies in Russia under the direct or indirect influence of the Russian state? For us, the answer to that was ‘yes,’ which is why the Board decided to no longer invest in Russian shares and corporate bonds. This means that we will be selling all positions as soon as the Russian stock exchange opens again. The size of the investments we still have in Russian shares and bonds is relatively small. If you look at the position at the end of March 2022, we invested less than €1 million in Russia. And our portfolio is worth €8 billion.”

Major indirect consequences

According to Bob, the consequences are much higher when you consider the indirect consequences of a war like the

one in Ukraine. “This includes economic growth, inflation, interest rates and share prices. For Europe, the consequences in these areas are greater than for other regions because we’re located closer to Russia and are dependent on such things as Russian gas. What hurts the most are the consequences for inflation. This was clearly increasing in late 2021/early 2022, but has now increased further, which means that interest rates will also increase. And this creates a strange situation because an interest rate increase is actually very good for a pension fund.”

Funding level increase

Why? A pension fund is like a balance sheet. The investments are on the asset side and the pension obligations are on the liabilities side. Bob continued: “These future pension obligations are discounted against the market interest rate. As the market interest rate is increasing, the current value of our obligations is lower. This results in a huge increase in our fund’s funding level. At the end of last year, we had a funding level of 115.2%. Now in mid-April 2022, this has increased to a level of some 130%. Our balance sheet as a pension fund is now looking much better but, at the same time, we’re also facing unprecedented high inflation and many uncertainties.”

A world full of uncertainties

It’s strange how things work with the direct and indirect consequences. “The world is full of uncertainties,” stated Bob. “We know that a crisis or war can break out somewhere at any time. That’s why we, as a pension fund, make sure that we have an investment policy in which we spread our investments. Our investment policy is also designed for the long term instead of the short term. And, if something happens, we look carefully at what we want. You can’t pull out of something from one day to the next because you don’t agree with it; there are structures and agreements at play. Take the current situation in Russia for instance. We’re going to sell our Russian shares and corporate bonds but we can’t do that immediately because the Russian stock exchanges are closed.”

“You need to act in a business-like way,” stated Bob. “If you act based on emotion, which is very logical and human, as a pension fund you’ll get nowhere. You need to consider changes carefully when the time is right and ensure a diversified investment portfolio. That keeps you strong as a fund and you’re not dependent on things such as one sector, country, or company, and you limit the impact of a crisis or war.”

“A war or crisis can break out at any time. Our investment policy ensures that the impact is limited.”

It is expected that the new pension rules will take effect in our country from January 1, 2023. These new rules emerged from the pension agreement that the cabinet adopted in 2019 together with employer and employee organizations. This will make our pension system more transparent and personal. What is the status of the new rules? And how is PDN preparing for this? We asked Eiko de Vries, operational Board member at PDN.

Carola Schouten, Minister for Poverty Policy, Participation and Pensions, took an important step on March 30, 2022, when she presented the details of the new pension rules of the Future Pensions Act to the Dutch House of Representatives. Once the House of Representatives and the Senate approve this, the new Pensions Act will enter into force. This is expected to be from January 1, 2023.

This means quite a change for pension funds and pension insurers. They need to adapt their administration systems and pension plans to the new legislation. The employers and the labor unions (social partners) and the pension administrators will be given four years to do this; until January 1, 2027. Eiko stated: "PDN is already very busy making preparations so that we're ready to go when the new act enters into force. Throughout the process, we'll make sure we safeguard the interests of all parties involved as far as possible and that, as a Board, we take balanced and carefully considered decisions."

Preparations in full flow

"As the new pension rules have been presented to the House of Representatives, we know the key and underlying legislation," explained Eiko. "This is an important external basic development. As well as developments in The Hague, we've also been thinking a lot recently within PDN about when to introduce the new rules. DPS, PDN's administrator, indicated that they'd need year-and-a-half to implement the new rules. If we aim to start with the new rules on January 1, 2025, or January 1, 2026, which is the aim of the DSM social partners, we need to have clarity on various issues very quickly. The social partners and the PDN Board play an extremely important role here."

Making choices

We need to make choices based on the new legislation. For instance, the social partners need to choose between two contracts that will soon be available: The solidarity-based contribution plan and flexible contribution plan. In the solidarity-based plan, as members you share the risks together, for example with respect to investments. In the flexible plan, you share the risks less and you make more of your own investment choices. The social partners will first determine which

"The social partners and the board are now facing important choices"

contract to go for and the PDN Board will then be responsible for developing and introducing the new pension plan. Eiko continued: "If we want to be ready for implementation on January 1, 2025, the social partners need to have made a choice between the two possible contracts prior to September 30, 2022. After that, we can continue making arrangements and engaging internal and external capacity to convert our administration systems. We'll have a lot to do and we need people and time for that."

Steering group

A steering group was established last January to keep this extensive pension system transition within PDN on track. The group includes two members on behalf of the employer, two on behalf of the Union Organizations, and three on behalf of the fund: A representative of pensioners, a representative of active members (Eiko himself), and someone nominated by the employer. The three groups in the steering group also all have their own advisor. The steering group will soon be supplemented with an independent Chairman. "As the steering group, we're monitoring the entire process," Eiko continued. "What do the social partners need to decide and when? How can we facilitate this as fund? This should ensure that the various processes are integrated seamlessly so we can hopefully

New pension rules: PDN has a lot to arrange

Eiko de Vries

make the transition on January 1, 2025, or January 1, 2026, at the latest."

Member surveys

Two member surveys are part of the process. After the summer, all PDN members will be given a questionnaire to identify their risk appetite. There may also be a joint member survey from the social partners facilitated by the Board on member preferences for the contract form. Eiko continued: "We're facing several important changes that concern the future of our members' pension plan. We think it's really important that we ask them what their preferences are."

Van Dijk motion

The Van Dijk motion was recently adopted in anticipation of the new pension legislation (see the article on this on page 4 of this magazine). The motion should make it possible for pension funds to increase pensions even at a lower policy funding level (from 105%). This can be introduced with retroactive effect from early 2022. "As a pension fund, you can decide whether to do this as of July 1, 2022," stated Eiko. "As the Board we will be considering very carefully in the coming period whether PDN should increase pensions this year and, if so, by how much and from what point this takes effect. It

seems logical to do that as everyone, of course, wants extra pension, certainly in the light of the current inflation. And yet, you do need to consider all the aspects involved. We are taking a realistic view of the future with the new pension system, including our funding level, the effects on the various groups and whether this is well-balanced. In doing this, we're also consulting with the Accountability Council and the Supervisory Board, and substantiating our decision to our external regulator, the Nederlandsche Bank. I've now had a discussion with the DSM Pensioners' Association (VDP). We take their views into account when forming our decision, as we do any Union Organization views. We're doing this in a very considered way. The last thing we want to do is increase pensions this year and then have to make pension payment cuts the next."

Would you like to know more about the new pension system? We'll keep you informed on our website, in this magazine, and in our other forms of communication.

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Column by Irene van den Berg

Are pensions like cars or not?

When I started the car to collect my daughter from the after school care, an orange light appeared on the dashboard. Damn, I'm already late. I decided to ignore the light on the assumption that if it were important it would've been a red light. But I didn't feel comfortable about it. When I got home my husband immediately saw that the tire pressure was the problem. "It's easy to resolve. I'll drive it to the pressure pump in the morning."

Pensions are sometimes compared with a car. Pension funds and employers are required by the government to communicate more and more about our pensions. The question is though: Do employees and pensioners really want this? Are we overloading them with information? Critics suggest that to be able to drive a car, you don't need to know exactly what's going on under the hood. It should be no different with pensions. As employee, surely you don't need to understand exactly how your pension is formed?

The first question is whether it's wise to drive a car if you've no idea how it works. You then need to just trust that it lets you know clearly when something's about to go wrong and that you pick up the car's signal. As car driver it's handy if you know the difference between windshield fluid and brake fluid, and that you know what a brake disc is. By the way, I am writing this mainly to myself.

It's exactly the same with pensions. Those who have more understanding of how their retirement provisions are put together are smarter and more independent. I can understand that it doesn't always feel like that. As member, you don't determine yourself how much you pay in contributions, how your money is invested, and when you receive pension payments. As employee or as pensioner, it's possible that you feel more like you're sitting in the back seat of a car with tape over your mouth, while the driver is taking you to an unknown destination. Whatever is happening under the hood is then the last thing on your mind.

But that's not entirely correct and, as reader of this magazine, you'll be aware of that. For example, it's really important that you understand what job hopping does with your pension, as you can read in this edition. Then you can take that into consideration in your decisions as to whether it's a good idea to apply elsewhere. And if you had lots of short contracts one after the other you could consider supplementing your pension in a different way, so you don't have any financial worries later. Because a red lamp is annoying, but being in the red on your bank account is much worse.

Irene van den Berg is a journalist and columnist, specialized in money and psyche. In her articles she examines our economic behavior. Irene writes for AD, Radar+, and Psychologie Magazine.