PDN
Pensioenfonds DSM Nederland

Well-balanced decision to increase pensions from January 1, 2023

As we indicated earlier, the decision on the percentage increase depends on several factors and conditions. PDN's Board has a duty to carefully consider the interests of all members and weigh them up carefully in its decision-making.

The starting point for determining the percentages granted is the fund's current financial assessment framework (FAF) policy, as included in the fund's pension regulations. This accounts for about 50% of the benchmark. This benchmark is set by the social partners (DSM and trade unions) and also determines the fund's fiscal space for the level of indexation. For active members, this benchmark is wage inflation; for pensioners, it is price inflation. In the course of 2022, these benchmarks differed markedly.

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. Given the fund's financial position, the Board wants to take advantage of this. In doing so, the fund intends to grant both active and non-active members the same extra indexation over and above the outcome of the current policy. This means an extra indexation of 1.55% for both active and non-active members. As a result, active members will receive 3.11% (the full benchmark) and non-active members will receive 10.02%. On balance, this indexation reasonably balances out the total indexation of the various categories over the period 2007 - 2022.

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 is deteriorating 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 soon be less money to distribute and this will be less beneficial for those members who are currently working. PDN wants to avoid reductions in the future as much as possible and instead maximize the likelihood of an increase. This means that the Board will also take into account pensions to be paid in the future.

Increase as of January 1, 2023, for accrued pensions and payable pensions of former employees, based on price inflation:
Inflation was 16.93% in 2022.
In June, the decision was taken to grant a 1.64% increase on pensions currently being paid and on former employees' accrued pensions (click here for the news release). As of January 1, these members will receive an increase of 10.02%.
(Calculation: 50% of 16.93% = 8.465% + 1.555% extra is 10.02%)

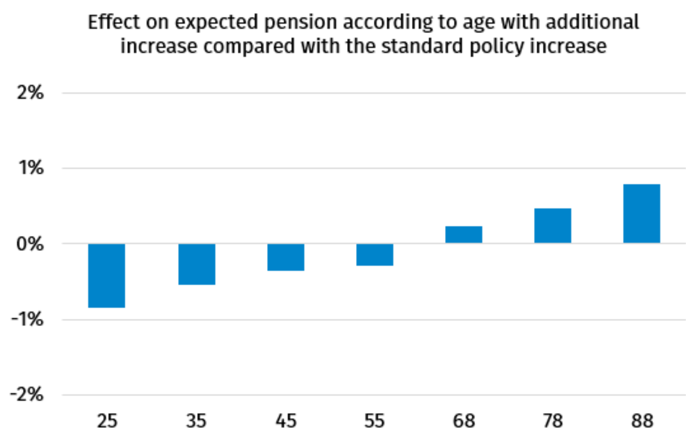
Increase as of January 1, 2023, for employees' accrued pensions, based on wage inflation:
The average wage increase at DSM was 3.11% in 2022.
As of January 1, the accrued pensions of these members will increase by 3.11%. In June, the Board reached the decision to grant a 1% increase of employees' accrued pensions. Click here for the news release.
(Calculation: 50% of 3.11% = 1.555% + 1.555% extra is 3.11%)

This increase is locked in, which means that it will apply for life as of January 1.

Balanced weighing of interests

The PDN board believes that this decision balances the interests of all stakeholders. Not awarding the full benchmarked increase to pensioners and former employees increases the likelihood that sufficient assets will remain, in order to ensure a smooth transition to the new pension system. This is in the interests of all members. Moreover, because pensioners and former employees do not get the full increase, the difference in increase between them and employees is less. However, granting the additional increase primarily serves the interests of pensioners, who will receive an immediate increase in their payments as a result.

The decision results in a limited shift from young to old. This is mainly because pensioners' payments will increase immediately. They will immediately receive a higher pension. Strictly speaking, therefore, the increase penalizes young members to a certain extent, as the increase reduces the fund's assets. We are paying out more money now, which means there will be less capital when we move to the new system. This is shown in the visual below. This shows the effect of the additional increase on the expected pension for the different age groups. And then set against the increase based on standard policy.



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. However, 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.