PDN
Pensioenfonds DSM Nederland

Brochure

Choices for your PPS Balance

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Introduction

Members and deferred members who have accrued a PPS balance (formerly known as pre-pension capital) at PDN are faced with the conversion of that balance into a pre-pension payment prior to the commencement of their retirement pension. This early payment is further referred to as the PPS benefit in this brochure. The PPS benefit starts 'as standard' three years before reaching your state retirement age. We refer this starting age as the PPS age. The PPS benefit ends no later than the state pension age (temporary benefit for a maximum of three years).

Members and deferred members
Members accrue pension under PDN's pension scheme. Deferred members no longer accrue pension with PDN, have not yet retired, and have since left DSM*.

PPS balance

Until 2006, employees of a number of DSM companies could save under a pre-pension scheme or accrue entitlements via an early retirement scheme in order to take early retirement.
The PPS balance is stated in the annual Uniform Pension Statement (UPS).

What is a '*doorwerkverklaring*'?
You can use a *doorwerkverklaring* (declaration of employment continuation) to inform PDN that, after reaching the PPS age, you are still receiving the same income from current work or that you are still generating the same amount of income from your own business.

Choices in the PPS scheme

The PPS balance must be converted into a PPS benefit by law on reaching PPS age. Members and deferred members with a PPS balance receive a letter from PDN before reaching their PPS age. That letter sets out what PDN needs in order to pay out the PPS benefit. You also have two other options (deferment and conversion: see below). You can only make use of these options if you are still in paid employment.

**'DSM' can be read as another affiliated company as listed in appendix 1 of the PDN pension regulations.*

What the standard entails and how and under what conditions it can be departed from are set out below. This is also shown in diagram form at the end of this brochure.

For the current state retirement ages, please see the website of the Social Insurance Bank (SVB).

STANDARD AT PPS AGE:
Converting a PPS balance into a PPS benefit

The PPS benefit is paid from your PPS age until your state retirement date. You can have your retirement pension begin as soon as the PPS benefit ends.
If you choose to terminate the PPS benefit earlier than your state retirement pension age, you can also bring forward the starting date of the retirement pension.

If you continue to work after your PPS age, the PPS benefit is additional to your salary. This is not always desirable. There are ways of deferring the benefit, but only if you work. This is explained below. It is important to note that the PPS benefit can never be higher than your pension income at the time the benefit starts.

PPS BENEFIT BEFORE THE PPS AGE: BRINGING FORWARD THE PPS BENEFIT

If you want the PPS benefit to start earlier than three years before your PPS age, you will need to apply for this yourself. In that case, you must fill out the ‘application form for PPS benefit‘ and send it to PDN between three and six months before you want the PPS benefit to start. You can download this form from the PDN website (PDNpensioen.nl).

If you retire fully or partially before the date on which you reach the state retirement pension age minus five years, you must fully or partially terminate your paid activities.

Use the pension planner
This brochure explains the use of the accrued PPS balance in a PPS payment. There are various options for this and many mutually influencing factors can play a role here. That’s why it’s worth knowing that ‘My PDN pension‘ (and in particular the pension planner it contains) allows you to use your own pension details to consider the possibility of taking early retirement and using your PPS balance.

DEFERMENT AT PPS AGE:
Convert PPS balance later into a PPS benefit, but no later than at the age of 65

You can choose not to take your PPS balance at your PPS age, but to have it paid out later. This is referred to as ‘deferment’. As long as the deferment applies, interest is allocated on the PPS balance (positive or negative; for more information see the brochure ‘Indexation‘. Only members and deferred members who are still in paid employment at the PPS age are eligible for this deferment. This can be paid work under an employment contract (with DSM or another employer) or if you have your own company (e.g. as a self-employed person). You are required to certify that you are continuing to work to the same extent. You can do this by means of a written statement to that effect. You and your employer must sign this '*doorwerkverklaring*' and send it to the pension fund. The employer's signature is of course not required if you have your own company (e.g. as a self-employed person). If you then start working less or stop working entirely during the period after your PPS age, you will need to report this to the pension fund. In that case ,your full or partial PPS balance must still be converted into a PPS benefit. If you fail to report this, you will face a tax risk.

PPS balance at the age of 65

If you have opted for deferment and therefore continue to work until the age of 65, you must use your PPS balance on the day prior to reaching the age of 65. You will receive a letter from PDN in good time before reaching that age. The letter sets out your options: Either convert your PPS balance into a PPS benefit, or convert your PPS balance into a retirement pension and temporary or permanent partner's pension. This is the case even you are single. On commencement of the retirement pension, you will then have the option of exchanging the temporary or permanent partner's pension, or part of it, for an extra retirement pension. Whatever choice you make, you will no longer have a PPS balance at the age of 65.

CONVERSION AT PPS AGE:
Converting a PPS balance into a lifelong pension

You can also choose to convert your PPS balance at your PPS age into a retirement pension and temporary or permanent partner's pension. We refer to this as conversion. This is the case if even you are single.

On commencement of the retirement pension, you will then have the option of exchanging the temporary or permanent partner's pension, or part of it, for an extra retirement pension.
Only members and deferred members who are still in paid employment at the PPS age are eligible for this conversion. This can be paid work under an employment contract (with DSM or another employer) or if you have your own company (e.g. as a self-employed person).
You are required to certify that you are continuing to work to the same extent. You can do this by means of a written statement to that effect. You and your employer must sign this '*doorwerkverklaring*' and send it to the pension fund. The employer's signature is of course not required if you have your own company (e.g. as a self-employed person).
Converting the PPS balance into a retirement pension and temporary or permanent partner's pension is only possible if your retirement pension is still placed with PDN. Deferred members who have transferred their pension to another pension fund and have left the PPS balance with PDN are therefore unable to use this option.
If you opt for conversion, you no longer have a PPS balance.

Concurrence of PPS benefit with other benefits/income

You can also opt to have the PPS benefit start if you are still working. In that case you receive the PPS benefit as well as the salary you receive from your employer.

If your PPS benefit is paid at the same time as a statutory benefit, please contact the benefit agency (UWV) to find out whether your statutory benefit is subject to reduction.

If you want to take early retirement and still have a PPS balance, you must first convert your PPS balance into a PPS benefit; when your PPS benefit ends, you can have your retirement pension start early once your PPS benefit ends.
Receiving a PPS benefit and retirement pension simultaneously may have tax implications.

PPS balance in the event of death

If you die before you have converted your PPS balance (into a PPS benefit), this balance will be converted into a temporary or permanent partner's pension for your partner. This applies if you are married or have entered into a registered partnership, but also if your partner with a cohabitation contract has been registered with PDN.
This is not the case for deferred members who are not entitled to a partner's pension at PDN. In that case, the PPS balance falls to PDN.

The rest of the PPS benefit also falls to PDN if the PPS benefit has already started at the time of your death. From that moment on, your partner receives the regular partner's pension.

Rates for usage PPS balance

If you use your PPS balance for a PPS benefit or for lifelong retirement pension and temporary or permanent partner's pension (see ‘conversion’), the PPS balance is converted on the basis of a cost-covering rate based on the market interest rate. This rate is generally set quarterly and may therefore change over time.

In addition to the market interest rate, a surcharge for collection costs and for policy funding level are taken into account when setting the rate. Changes in these base rates can lead to significant changes in the rate.

If the market interest rate is low when converting the PPS balance into pension, the return on pension is lower than if the market interest rate were higher.

PPS balance and incapacity for work

If you are ill and subsequently leave employment in connection with your incapacity for work, there are options to use your PPS balance on the date that you leave the company. See ‘Disability’ on PDN’s website.

Using the PPS balance

Choice before PPS age

EARLY RETIREMENT Have the PPS balance converted into a PPS benefit <u>before</u> the PPS age (possible from the age of 60)

If you want the PPS benefit to start earlier than your PPS age, you will need to apply for this yourself.

If you have the PPS benefit take effect before the state retirement age minus 5 years, you will have to stop working.

A cost-covering rate, based on market interest rates, is used for the conversion.

Choice at PPS age

1) Converting a PPS balance into a PPS benefit

Compulsory if you are not in paid employment.

Not compulsory if you are in paid employment (in that case, PPS benefit as well as salary).

The maximum benefit is 100% of the pension income.

A cost-covering rate, based on market interest rates, is used for the conversion.

2) DEFERRAL: Have the PPS balance converted into a PPS benefit <u>after</u> the PPS age

This is only possible if you are in paid employment.

You will need to complete and send off a declaration of employment continuation.

You retain the PPS balance and interest (until the age of 65 at the latest).

You must let PDN know if you stop working or reduce your working hours.

A cost-covering rate, based on market interest rates, is used for the conversion.

3) CONVERSION: Converting a PPS balance into a lifelong retirement pension and temporary or

This is only possible if you are in paid employment.

You will need to complete and send off a declaration of employment continuation.
You no longer have a PPS balance. This is possible for as long as the retirement pension is placed with PDN.
It is not possible if your retirement pension has been transferred to another pension fund.

A cost-covering rate, based on market interest rates, is used for the conversion.

Choice at '65 years'

1) Convert the PPS balance into a PPS benefit the day before reaching the age of 65

If you want your PPS benefit to start, this will continue until your state retirement age at the latest.

You no longer have a PPS balance.

A cost-covering rate, based on market interest rates, is used for the conversion.

2) Convert the PPS balance the day before reaching the age of 65 into a retirement pension and temporary or permanent

This is possible for as long as your retirement pension is placed with PDN.
It is not possible if your retirement pension has been transferred to another pension fund.

You no longer have a PPS balance.

A cost-covering rate, based on market interest rates, is used for the conversion.

Don't be caught by surprise if you take early retirement!

WHAT DO YOU NEED TO CONSIDER?

Payment

Unlike what you may be used to, you will not receive a thirteenth or fourteenth month bonus in addition to the monthly PPS benefit. These benefits are already included in the calculation of the monthly benefit. The payment date for your PPS benefit is no later than the 27th of each month. For the current payment schedule, please click here.

Indexation

If the fund's financial situation allows, you will receive a supplement to your benefit in line with inflation. More information is available in the 'Indexation' brochure on the PDN website.

Health insurance

If you terminate your employment when your PPS benefit starts, your (and your co-insured family members') collective health insurance ends as well. In that case, you can still make use of the collective health insurance. If you want to continue using the collective health insurance, you must inform Zilveren Kruis Achmea (ZKA) yourself. In that case, the collectivity number you have to specify is 205 256 667. You can also obtain more detailed information about health insurance from ZKA (phone: +31 (0)71 7510052).
If you receive your retirement pension after the PPS benefit, you no longer need to notify ZKA of any changes.

The payment of health insurance contributions has also been changed. You pay two types of contribution under the Dutch Healthcare Insurance Act. These are the '*income-dependent contribution'* and the *'nominal contribution'*. We deduct the income-related contribution from your PPS benefit. You pay the nominal contribution to your health insurer.
The income-related contribution is 5.75% (2021) of your pension up to and including a maximum of €58,311 (2021). The maximum annual contribution is €3,352.88 (2021) PDN deducts this contribution from your PPS benefit.

Taxes

The pension fund deducts wage tax from your PPS benefit.

Concurrent benefits/income

If you receive other benefits/income in addition to your PPS benefit, you can only have the wage tax credit applied at one institution. But even in this situation, you may be paying too little tax. This is because the various benefit agencies do not let each other know who deducts what amounts. If you have not paid enough tax, you will receive an additional tax assessment from the Dutch Tax and Customs Authority. Depending on the amount of your benefit, this can run up to a considerable sum. An attachment to this brochure explains how a subsequent tax assessment could arise and how you can avoid it, at least in part.

Living abroad

Foreign account

If you live abroad, we can transfer your PPS benefit to a foreign account. The amount is transferred in euros. Within the European Union, banks do not charge any fees for this. This may be different with banks in other countries.

Wage tax

You can also apply to the Dutch Tax and Customs Authority for exemption from Dutch taxation. This will prevent you from paying double taxation, i.e. paying tax both in the Netherlands and in the country in which you are residing.

The application form for this exemption can be found on the website of the Tax and Customs Administration (belastingdienst.nl). Please fill out this form, sign it, and send it to the Dutch Tax and Customs Authority. If you are entitled to an exemption, the Dutch Tax and Customs Authority will send the original exemption to you and a copy of the exemption to the pension fund. The pension fund will then withhold no income tax and social insurance contributions from your PPS benefit.

Citizen Service Number (BSN)

When paying a pension benefit, PDN is obligated to include your Dutch Burgerservicenummer (BSN) in its records. Without this number, we cannot pay out a pension to you. If your passport, identity card, or driver's license was issued in the Netherlands, it will state your BSN.
If you do not have a BSN or if you do not know your BSN, you can request it from the Belastingdienst Particulieren / Ondernemingen buitenland, Postbus 2865, 6401 DJ Heerlen.

CAK

The pension fund will also be notified if you still owe a contribution towards your health insurance. In that case, the pension fund will register you with Zorginstituut Nederland (CAK). The CAK determines contributions you pay for your health insurance; this is a fixed contribution and an income-related contribution. You will need to bear in mind that we are instructed by the CAK to deduct these contributions monthly from the PPS benefit. You will find more information at the CAK's website.

Life certificate (in Dutch: 'attestatie de vita')

At the start of the PPS benefit, you must also arrange for an annual form (an 'attestatie de vita') to be completed that shows that you are still alive. You will be notified of this by the pension fund.

Report changes

Even if you have taken early retirement, you may have to contact your pension fund. If, for example, your bank account number changes, you must report this.
If you live abroad, you will need to report matters to us more often. If you move abroad to a different address, you must let us know.
There are also some other matters you have to report to PDN, such as the termination of your marriage, registered partnership, or notarial cohabitation contract or if your partner dies.
More information about this is given in the brochure 'Reporting events to PDN'.

APPENDIX: Notes on subsequent income tax assessments

Why have I received an additional income tax assessment?

The Pension Desk is regularly called by pensioners with a question about additional income tax assessments. ‘Why have I received an additional tax assessment?’ The most frequently heard comment is: ‘Surely a monthly wage tax is deducted from the benefit?’.
We explain below how it is possible that despite the deduction via the wage tax, you may receive an additional income tax assessment.

Four aspects play an important role here: wage tax, wage tax credit, income tax return, and the progressive tax system.

Wage tax

This is the tax that is deducted from your salary or benefit.

Wage tax credit

This is the discount on the wage tax payable (the part of your income on which you do not pay tax).

Income tax return

The total amount of wage tax withheld is reported and checked.

Tax rate

The higher your income, the higher the tax rate. Unlike income tax, wage tax does not take personal circumstances into account. When filing your income tax return, you must declare the total income you have received in a certain year.

At least two sources of income

If you have taken early retirement, you sometimes receive two or more benefits. When determining wage tax, no account is taken of the fact that you have multiple incomes. Each benefit agency, including PDN, determines the wage tax independently on the basis of the tax tables. Because of the progressive nature of the tax system, a situation can arise in which you have paid too little wage tax on an annual basis.

Avoiding subsequent tax assessments

How can you avoid being confronted with an additional tax assessment? If the withholding tax is higher or almost equal to the general wage tax credit per year (this depends on your income), you can consider not having the wage tax credit applied to your PPS benefit.

You can also choose to have PDN deduct more wage tax each month. You can also send a written request to this effect to PDN, Antwoordnummer 110, 6400 VB Heerlen (or from abroad: postbus 6500, 6401 JH Heerlen) or by e-mailing info.PDN@dsm.com. PDN cannot calculate the adjustment you must make to your tax and social insurance contributions for this purpose. You must personally, or with the assistance of a financial advisor, calculate the adjustment and specify this to PDN, by letter or by email. Another way of avoiding an additional tax assessment is to have a provisional assessment by the tax authorities take into account the fact that the deductions from your pension are too low.

Contact

If you have any questions about your pension, please visit our website: **PDNpensioen.nl**
or contact our Pension Desk:
phone: +31 (0)45 – 5788100
email: **info.PDN@dsm.com**

Pre-Pension Savings Regulations

Click on the icon for more information about the PPS benefit in the pre-pension savings regulations.

Pension Regulations

Click on the icon for more information about retirement pension and PPS in the pension regulations by clicking the icon.

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