



# Brochure

# Indexation



# Indexation

## Why indexation?

Indexation (the increase of your pension) is a way of ensuring that pensions retain their purchasing power. Indexation is also referred to as 'increase'. The purchasing power of a pension is maintained by increasing pensions over time.



Without indexation, the value of the pension would go down. After all, prices rise almost every year by one or a few percentage points (inflation). If prices rise by 2% a year for ten years and your pension remains the same, your pension will lose more than 20% of its purchasing power in that time.

## Indexation paid from return on pension investments

The pension contributions that have always been paid for your pension are not enough to pay higher pensions every year. PDN can only index pensions if there is a sufficient return on the pension investment and 'money in the pot'. Whether there is sufficient 'money in the pot' is partly determined by legislation and regulations.

The pension funds are invested in shares or bonds, for instance. The money the fund earns from this can be used to increase pensions in order to maintain purchasing power as much as possible.

For more information on investments: see ['investment policy'](#) on the PDN website.

### Members and deferred members

Members are employees who are accruing a pension under PDN's pension scheme. Deferred members are former employees who are no longer accruing pension under PDN's pension scheme.



## Indexation not only for Pensioners

Indexation is not only important for pensioners already receiving a pension, but also for members who are still accruing pension and deferred members who have accrued pension.

## Indexation is conditional

Indexation is granted 'conditionally'. This means that PDN only grants indexation if a number of conditions are met.

One of these conditions is that the funding level is high enough.

The funding level indicates whether the fund has enough 'money in the pot' to meet all its current and future pension commitments.

Each year, PDN's board decides whether to grant indexation on pensions. It is therefore not possible to say with any certainty beforehand whether the Board will index the pensions in a given year and by how much.

PDN can also decide to apply a curtailment. In that case PDN will reduce the pensions.

## When is indexation granted?

The fund's Board decides on indexation, mainly on the basis of the policy funding level (statutory provision). The policy funding level is the average funding level over the past twelve months. The Board decides on the indexation on the basis of the following rules:

### Policy funding level lower than 110% as of December 31:

No indexation granted. If the policy funding level is too low, pensions may even be reduced. This reduction can be spread over several years.

### Policy funding level between 110% and approximately 125% as of December 31:

The accrued pension of members can be increased by part of the general wage increase at DSM.

The pension of pensioners and deferred members may be increased by part of the price increase.

### Policy funding level higher than approx. 125% as of December 31:

The accrued pension of members can be increased by the general wage increase at DSM.

The pension of pensioners and deferred members may be increased in line with the price increase.

For more information about the funding level and policy funding level, see '[Funding level and other financial figures](#)' on the website.

## When will a curtailment apply?

The fund's Board decides on curtailment annually (reduction of the pensions). In accordance with the Pensions Act, a pension fund must reduce the accrued pension entitlements if a fund does not satisfy the Recovery Plan. The critical funding level is the minimum funding level needed to recover without introducing a curtailment within the set recovery period. If the funding level on December 31 is lower than the critical funding level, PDN must reduce the pensions.

To date, PDN has not lowered its pension payments.

This brochure contains more detailed information on indexation in the:

- Basic pension scheme
- Net Pension Scheme
- Pre-Pension Scheme

## BASIC PENSION SCHEME

### A. The indexing level for pensioners and deferred members

#### Indexing for pensioners and deferred members

- the pension benefits (with the co-insured pension entitlements)
- the PPS benefits
- the pension entitlements of deferred members
- the special partner's pension entitlements and equalized pensions of former partners



Inflation is also important for this group. Statistics Netherlands calculates how much prices have risen each year. The outcome of that calculation is known as the 'Consumer Price Index for all Households, Derived', abbreviated as 'CPI Derived'. The indexing of pensions in a year is no higher than the 'CPI Derived' over the previous year. Each year, PDN tries to increase the pensions of pensioners and deferred members in line with price developments. PDN only decides to grant indexation if the financial resources allow.



### Indexing in recent years

The pensions of pensioners and deferred members were not increased in 2021 (over 2020). Inflation in 2020 was 1.12%. In the three years preceding 2021, PDN also did not increase the pensions:

	Indexing	Inflation (in previous year)
2020	0.00%	1.73%
2019	0.00%	1.68%
2018	0.00%	1.34%

### B. The indexing level for members

#### Indexing for members

- The accrued pensions (including the equalized retirement pension)



PDN pays the future increases in the accrued pensions of members from the return on investment. Each year, PDN tries to increase the accrued pensions of employees who are still accruing pension by indexation equal to the general wage development at DSM. If DSM's wages rise as a result of new CLA agreements, this constitutes a general wage rise.

## Indexing in recent years

The accrued pensions were not increased in 2021 (over 2020). Wage rises in 2020 amounted to 4.03%.

In the three years preceding 2021, PDN also did not increase the accrued pensions:

	Indexing	Wage rise (in previous year)
<b>2020</b>	0.00%	3.00%
<b>2019</b>	0.00%	3.00%
<b>2018</b>	0.00%	2.00%

## Missed indexing can be made up for members, pensioners, and deferred members

PDN can grant catch-up indexation in the basic pension scheme to compensate for indexation not granted in the past. This is done if it has no effect on future indexation and if, in addition, the policy funding level maintains at least the level of the required capital.

No more than one fifth of the available capital is used for catch-up indexation. Catch-up indexation is only granted if no or less indexation has actually been granted in the past.

The catch-up indexation to be granted is expressed as a percentage of the indexation not granted in the past.

## NET PENSION SCHEME

### I. FIXED PENSION BENEFIT

#### A. The indexing level for pensioners and deferred members

##### Indexing for pensioners and deferred members

- the net pension benefits (with the co-insured net pension entitlements)
- the net pension entitlements of deferred members
- the net special partner's pension entitlements and equalized net pensions of former partners.



PDN has increased or reduced your net pension capital each month based on life cycle returns. For an overview of the returns, click [here](#).

For deferred members (who left employment before 2019), the available net pension capital was converted into fixed net pension (net retirement pension and net partner's pension).

If you retired prior to January 1, 2019 you will receive a fixed net pension payment. If you retired after January 1, 2019, you could decide to convert your net pension capital into a fixed or variable net pension payment on the pension date.

If you receive a fixed net pension payment, inflation is important. Statistics Netherlands calculates how much prices have risen each year. The outcome of that calculation is known as the 'Consumer Price Index for all Households, Derived', abbreviated as 'CPI Derived'. The indexing of pensions in a year is

no higher than the 'CPI Derived' over the previous year.

### Indexing in recent years

The pensions of pensioners and deferred members were not increased in 2021 (over 2020). Inflation in 2020 was 1.12%. In the three years preceding 2020, PDN also did not increase the pensions:

	Indexing	Inflation (in previous year)
2020	0.00%	1.73%
2019	0.00%	1.68%
2018	0.00%	1.34%

### B. The indexing level for members

#### Indexing for members

- The accrued net pensions (partly purchased annually from ten years before pension age) and the equalized net retirement pension.



PDN pays the future increases in the accrued pensions of members from the return on investment.

Until January 1, 2019, members could partially convert the net pension capital into net pension in the ten years prior to the pension age. Each year PDN tries to increase the accrued net pensions with indexing equal to the general wage rises at DSM. If DSM's wages rise as a result of new CLA agreements, this constitutes a general wage rise.

### Indexing in recent years

The accrued pensions were not increased in 2021 (over 2020). Wage rises in 2020 amounted to 4.03%.

In the three years preceding 2021, PDN also did not increase the accrued pensions:

	Indexing	Wage rise (in previous year)
2020	0.00%	3.00%
2019	0.00%	3.00%
2018	0.00%	2.00%

### Missed indexing can be made up for members, pensioners, and deferred members

PDN can grant catch-up indexation in the net pension scheme to compensate for indexation not granted in the past. This is done if it has no effect on future indexation and if, in addition, the policy funding level maintains at least the level of the required capital.

For more information, see also the notes to the basic pension scheme.

## II. VARIABLE PENSION PAYMENT

### A. The indexing level for pensioners

#### Indexing for pensioners

- The variable net retirement pension and joint-insured partner's pension
- The former partner's variable equalized net retirement pension
- The former partner's variable special net retirement pension



If you retired after January 1, 2019, you could decide to convert your net pension capital into a fixed or variable net pension payment on the pension date.

If you receive a variable net pension payment, you will join the group of all pensioners who receive a variable net pension payment. Within this group, all results and investment results are shared.

The results achieved in a year form the foundation for the adjustments to all variable net pension payments. PDN then spreads these results out over the following five years.

The results achieved in 2020 amount to -3.11%. As PDN spreads these results out over five years (the period from 2021 to 2025 inclusive), the reduction is 0.65% per year.

### Adjustments in recent years

The result achieved in 2020 was -3.11% and over 2019 was -10.47%. In short this means the following:

I Achieved result

	Total result	Adjustment per year
2020	-3.11%	-0.65%
2019	-10.47%	-2.28%

II Adjustment variable pension

Adjustment	January 1, 2020	January 1, 2021
2020		-0.65%
2019	-2.28%	-2.28%

### How will the adjustment affect your variable net pension payment?

If your variable net pension payment started in 2019, PDN will adjust your payment from January 1, 2021 by -2.28% and -0.65%. If your variable net pension payment started in 2020, PDN will adjust your payment from January 1, 2021 by -0.65%.

### What is the effect of spreading out the results?

Results are spread across five years. It may therefore occur that your variable net pension payment still falls in a year in which there was a positive result, due to negative results in previous years. And vice versa, your variable net pension payment can also increase in a year in which there was a negative result.

## Difference in variable net pension adjustment and remaining pension

As the adjustment to your variable net pension payment is related to the annual results and investment results of the group, your payment will be adjusted on January 1 of each year. Your remaining pension will only change on January 1 if PDN grants an increase or applies a reduction (curtailment). This depends on the fund's financial situation.

## PRE-PENSION SAVINGS SCHEME

### The indexing level for on your PPS payment

If you receive a PPS payment, you can view the indexing level for your PPS payment under A. the level of indexation for pensioners and deferred members.

### Return on your PPS balance

This PPS balance is subject to returns (positive or negative).

The level of returns paid monthly on the PPS balance depends on the return PDN makes on its investments of the PPS balance. The monthly return (positive or negative) is calculated according to the investment result for the previous month on the first day of each month.

If that return is positive, PDN credits returns. If the return is negative, PDN deducts the returns. In other words, if there are negative returns, your PPS balance decreases. The PPS balances are not invested in the same way as the rest of PDN's fund capital; instead it is invested with another investment mix. This investment mix is tailored to the members group in the Pre-Pension Savings Scheme. The PPS investment mix is tailored to the goal (a PPS payment) and the target group. PDN expects that the investment returns will be low (because of a prudent investment mix) and does not rule out the possibility of negative returns on your pre-pension capital. PDN subtracts the investment costs from the monthly returns. The monthly return (after deduction of investment costs) given [here](#).

## Indexation at PDN

Each year, PDN endeavors to raise the pensions of pensioners and deferred members to compensate for **price** developments, and to raise the accrued pensions of members to account for **salary** changes. The pensions and accrued pensions have not been increased in recent years. The table below shows the shortfall in indexations granted.

The total backlog in indexation not granted has accrued to 18.74% for the pensioners and deferred members and 22.48% for members. If PDN's financial situation improves, the Board may decide to add additional indexation in compensation for indexation not granted in previous years. The overview below shows both the granted and not granted indexations of the previous years. The next time the Board will discuss the granting of indexation is on January 1, 2022.

The gap that has gradually emerged has diminished the purchasing power of our pensions and the pension accrual. Because we are subject to specific legal requirements and required buffers in relation to this area, as things look now the chances of increasing the pensions in any of the coming years are remote. Before it is possible to grant indexation again, PDN's financial situation as expressed by the policy funding level will have to improve.

### Indexing (not for the variable pension)

In (year)	Over (year)	Pensioners and deferred members			Price increase (CBS – price index 'CPI not derived')***	Members		
		% indexation	Price increase CPI derived (basis for granting indexation at PDN)	Not surcharges granted		% indexation	General pay increase DSM (basis for granting indexation at PDN)	Not surcharges granted
2021	2020	0.00	1.12%	1.12%	1.22%	0.00%	4.03%	4.03%**
2020	2019	0.00%	1.73%	1.73%	2.72%	0.00%	3.00%	3.00%
2019	2018	0.00%	1.68%	1.68%	2.10%	0.00%	3.00%	3.00%
2018	2017	0.00%	1.34%	1.34%	1.33%	0.00%	2.00%	2.00%
2017	2016	0.00%	0.36%	0.36%	0.42%	0.00%	0.00%	0.00%
2016	2015	0.00%	0.41%	0.41%	0.63%	0.00%	3.00%	3.02%**
2015	2014	0.00%	0.75%	0.75%	1.05%	0.00%	1.50%	1.50%
2014	2013	0.00%	0.90%	0.90%	1.56%	0.00%	1.00%	1.00%
2013	2012	0.00%	2.03%	2.03%	2.91%	0.00%	2.00%	2.00%
2012	2011	0.00%	2.74%	2.74%	2.94%	0.00%	1.00%	1.00%
2011	2011					3.53%	1.50%	0.00%
	2010	0.69%	1.90%	1.21%	1.97%		2.00%	
2010	2009		0.69%	0.69%	0.82%	3.50% (or 2.00%*)	0.00%	- 3.50% (or -2.00%*) (catch-up)
	2007	1.00%	1.91%	0.91%	2.03%			
2009	2008	0.00%	1.44%	1.44%	1.93%	0.00%	3.50% (or 2.00%*)	3.50% (or 2.00%*)
Backlog in indexation not granted				17.31%	Backlog in indexation not granted			20.55%
Backlog in indexation not granted (incl. indexation over indexation)				18.74%	Backlog in indexation not granted (incl. indexation over indexation)			22.48%

\* The 2.00% indexation applied to DSM Executive Services B.V.

\*\* The wage increases started at different times of the year, so the percentages here are a fraction higher than the general wage increase granted.

\*\*\* These figures are not used for PDN but must be provided at the request of the Netherlands Authority for the Financial Markets.

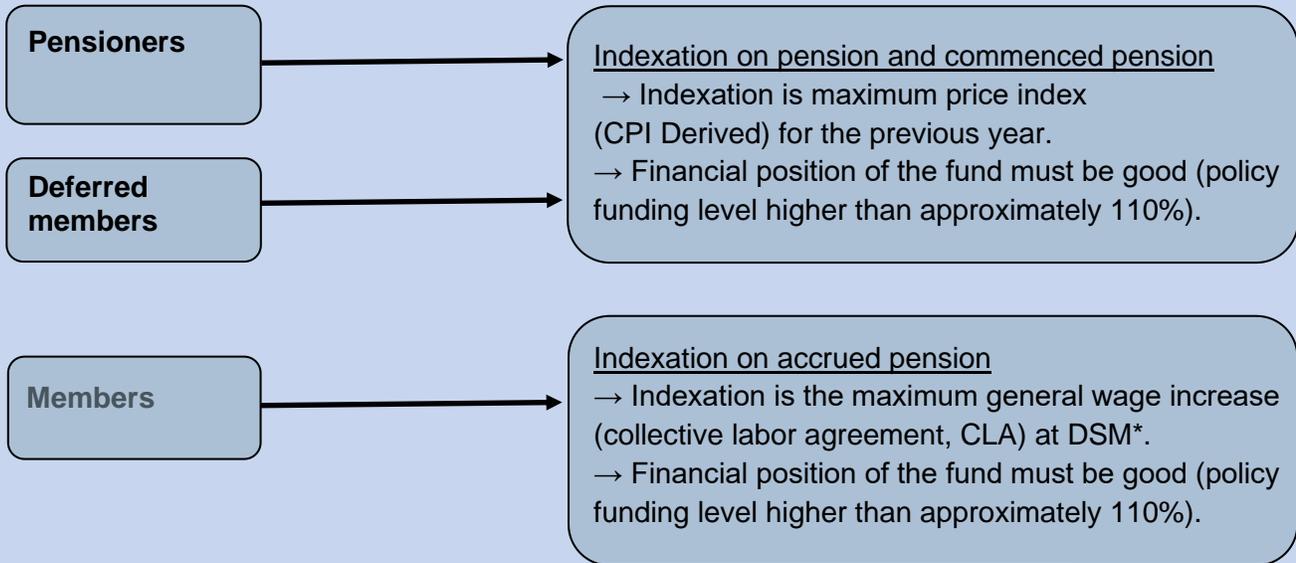
\*\*\*\* The general wage increase at DSM was 2% as of July 1, 2020 and the nominal increase was €1,000 gross as of July 1, 2020 and as of January 1, 2021; this nominal increase for the indexation was converted into a 1% general wage increase.

PDN pays the future increases in the pensions and accrued pensions of members from the return on investment. As a member, deferred member, or pensioner, you are not immediately entitled to future increases as a result of these increases and the expectations for the coming years.

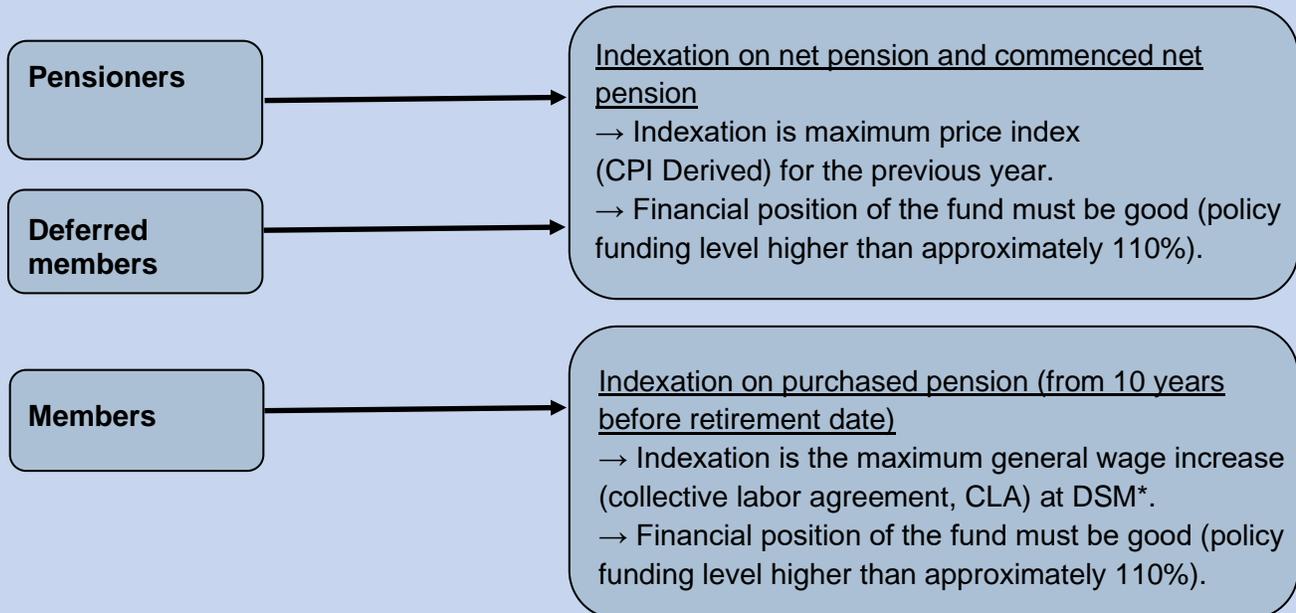
More information about indexation can be found in the PDN basic pension regulations on the website.

# Overview of conditional indexation

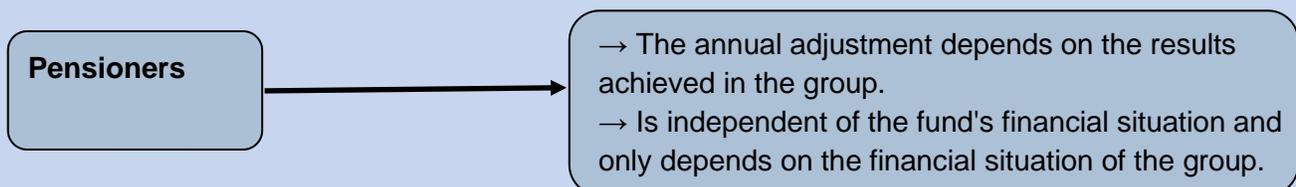
## Basic pension scheme:



## Net Pension Scheme (fixed):

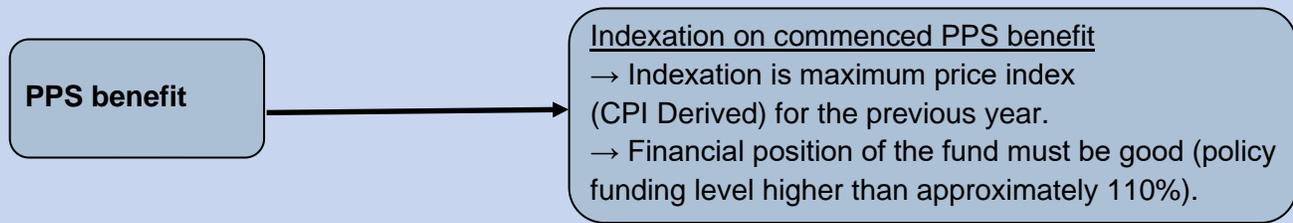


## Net Pension Scheme (variable):



\* This also applies to DSM-affiliated companies.

## Pre-Pension Savings Regulations



## Contact



If you have any questions about your pension, please visit our website: [pdnpensioen.nl](https://pdnpensioen.nl) or contact the Pension Desk, phone: +31 (0)45 – 5788100 email: [info.PDN@dsm.com](mailto:info.PDN@dsm.com)

## Pension Regulations



Click on the icon for more information about indexation in the pension regulations.

## Net pension regulations



Click on the icon for more information about the net pension scheme in the net pension regulations.

## Disclaimer

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