The new pension system:
the pension schemes of Pensioenfonds PGB

What choices will you make before 1 December 2024?

We are working on an income for the future that is in line with the new pension rules, and with you as an employer and your employees. We aren't doing this alone, but together with you: all of us together, for all of us.

The new pension rules to came into effect on 1 July 2023. We expect we will transition to this new pension on 1 January 2027. There is a lot that needs be done in the meantime - both by us, and by you, the employer. This document explains what the new Pensioenfonds PGB pension schemes will look like.

The route

- The Legislative proposal Future Pensions Act comes into effect on **1 july 2023**
- Pensioenfonds PGB has adopted the new **PGB pension schemes**
- This document sets out the new PGB pension schemes and **the choices you can make**
- Please send us your transition plan with employment condition agreements **before 1 December 2024.**

Will you join us on our journey towards the new pension?
Visit our special page

SCAN QR-CODE

Guidance for you and your employees: our principles at a glance

Pensioenfonds PGB makes life easier through pre-selection

Your pension is an important employee benefit and not every company has the same requirements. Too much choice makes discussion about employment benefits difficult. Complexity and customisation are expensive. This is why we preselect various options, allowing you to choose from a finite number of possibilities. This is because we are cost-conscious, and understand that pensions must also be affordable. By offering a select number of options, we make it easier for you to find a transition plan that suits you.

Balanced transition, for all groups

We believe in the power of solidarity and collectivity. We think it is important that the choices are not imbalanced for anyone. Some choices offered by law may have undesirable consequences for us, for example, when a certain group is favoured over another. These options are therefore not reflected in our product range. This also contributes to more rapid and efficient implementation, which benefits all of us.

Clear difference in schemes

We have elaborated the contribution schemes in such a way that they offer you a good choice. We are asking you to make a clear choice. We provide you with information necessary for you to make informed decisions.

Predictable benefits

In the new pension system, we will continue to invest the pension assets of participants, even after the retirement date. As a result, the benefit may increase or decrease every year. The law provides several options to protect pension recipients against the reduction of their benefits as much as possible. Pensioenfonds PGB takes advantage of these options, in line with the risk appetite of its participants. This is how we provide financial support to our participants.

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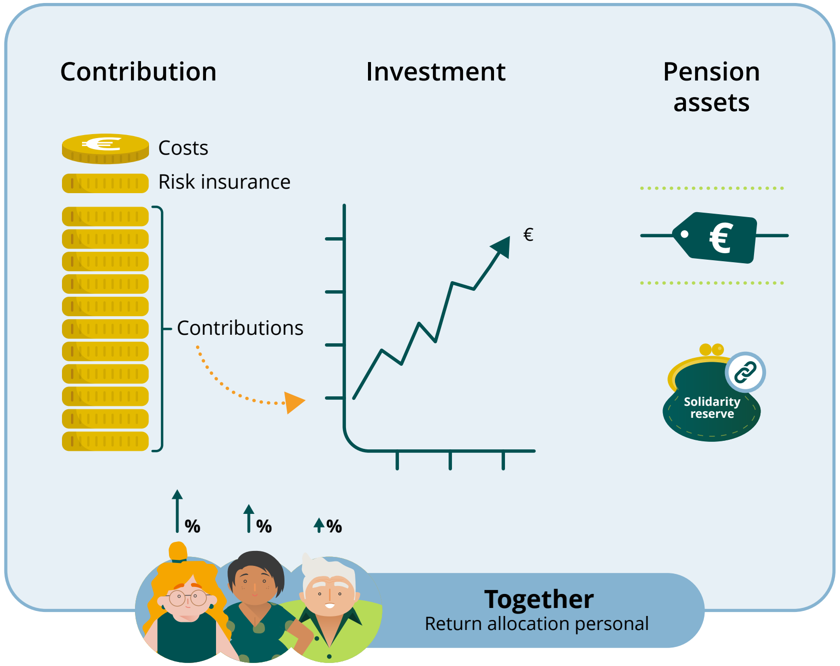
The solidary and flexible contribution scheme at Pensioenfonds PGB

In both schemes, participants accrue personal pension assets. As an employer, together with your employees, you choose either the solidary or the flexible contribution scheme.

Solidary contribution scheme

Under the **solidary contribution scheme** , we invest in a collective pot. We divide the return on investment on the collective pot into excess return and protective return. Excess return is intended for capital growth and purchasing power retention. Protective return is intended to protect against interest rate risks. Younger participants receive relatively more of the excess return achieved than older participants. These returns can also be disappointing. For example, younger participants carry more risk. This is because they can invest over a longer period of time before their pension is paid out than older participants. Older participants receive a relatively higher protective return, which contributes to a predictable pension benefit.

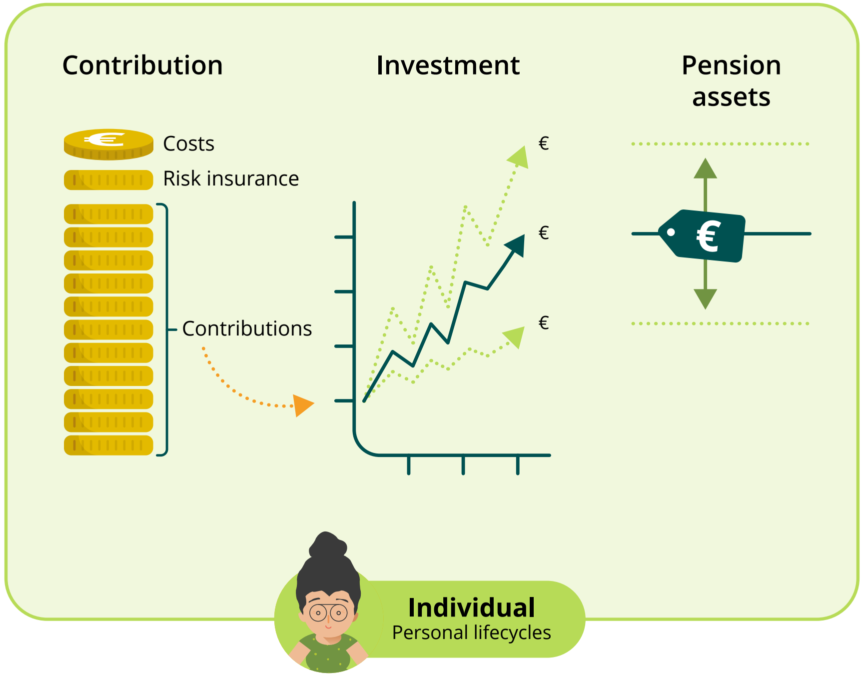
Part of the **solidary contribution scheme** is the solidarity reserve The solidarity reserve is a joint asset with which we share risks. Pensioenfonds PGB uses the solidarity reserve to minimise the chance of reductions in benefits for pension recipients. Read more about this on page 3 under 'Solidarity Reserve in the Solidary Scheme'.



Flexible contribution scheme

Under the **flexible contribution scheme**, participants choose which investment profile suits them. By choosing an investment profile, the participant indicates how much risk they want to take when investing their pension contributions. Pensioenfonds PGB invests the deposited amount monthly based on the participant's investment profile.

The focus is on returns if the participant is young, and there is more emphasis on security as the participant's retirement date approaches. This is because the investment risk is automatically reduced. Under the flexible contribution scheme, Pensioenfonds PGB offers a joint reserve to absorb disappointing results. At the retirement date, the participant chooses either a stable or a variable benefit.



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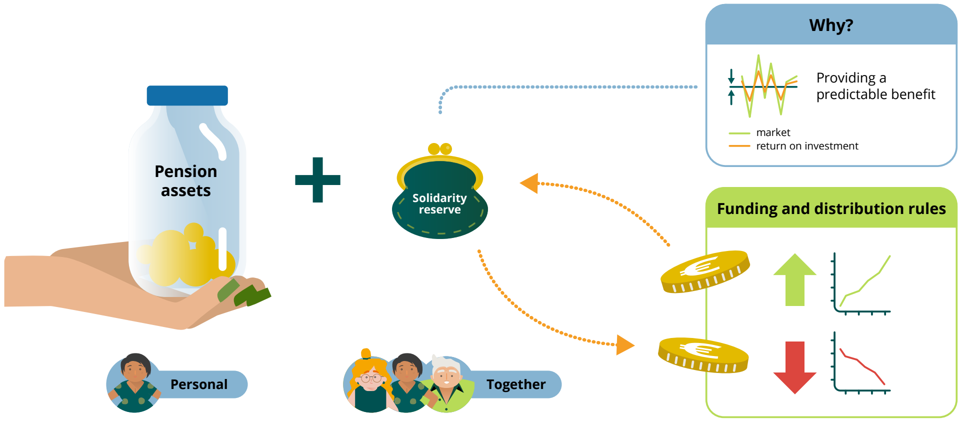
Solidarity reserve in the solidary contribution scheme

The **solidary contribution scheme** has a joint reserve: the solidarity reserve.
Pensioenfonds PGB supplements the solidarity reserve with up to 10% of surplus returns.

Pensioenfonds PGB uses the solidarity reserve to minimise the chance of reductions in pensions as much as possible. Together, we ensure predictable benefits.



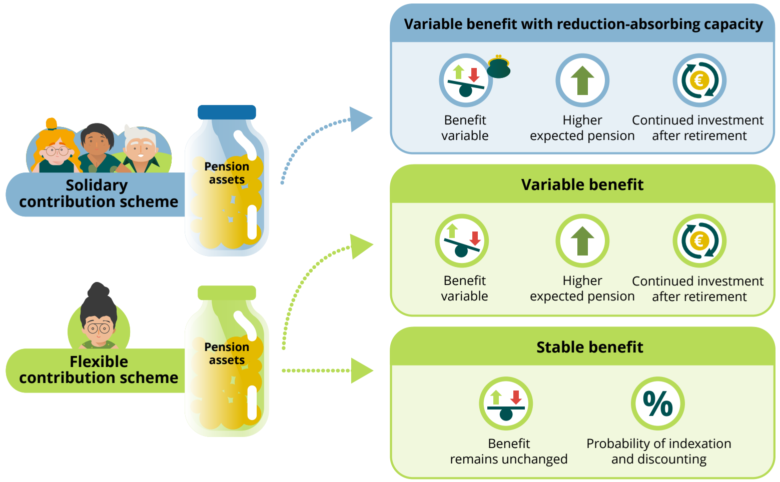
The pension benefit

Under the **solidary contribution scheme**, the participant receives a variable benefit on their retirement date. The personal pension assets are reinvested after the retirement date. In the new system, we continue to invest the benefits. That means that benefits for retirees can move up and down every year. Pensioenfonds PGB uses the solidarity reserve to prevent a reduction in benefits as much as possible. If benefits were to be reduced by negative returns on investment, we would supplement this benefit from the solidarity reserve. This is only possible as long as the solidarity reserve is sufficiently filled.

Under the **flexible contribution scheme**, the participant chooses either a ***variable*** or ***stable*** benefit at retirement date.

If the participant opts for a ***variable benefit***, the amount of interest and the size of the capital also determines the amount of the benefit in the first year. The assets are reinvested after the retirement date. As a result, the benefit increases or decreases every year. This choice is more risky, but can yield higher benefits. We expect that the variable benefit will initially start higher than the stable benefit.

In the case of a ***stable benefit***, the interest rate at the time and the accumulated personal pension assets determine the amount of the pension for the rest of the participants life.
This pension can be slightly increased or decreased. This takes place in line with the same rules that currently also apply to the average earnings pension scheme.

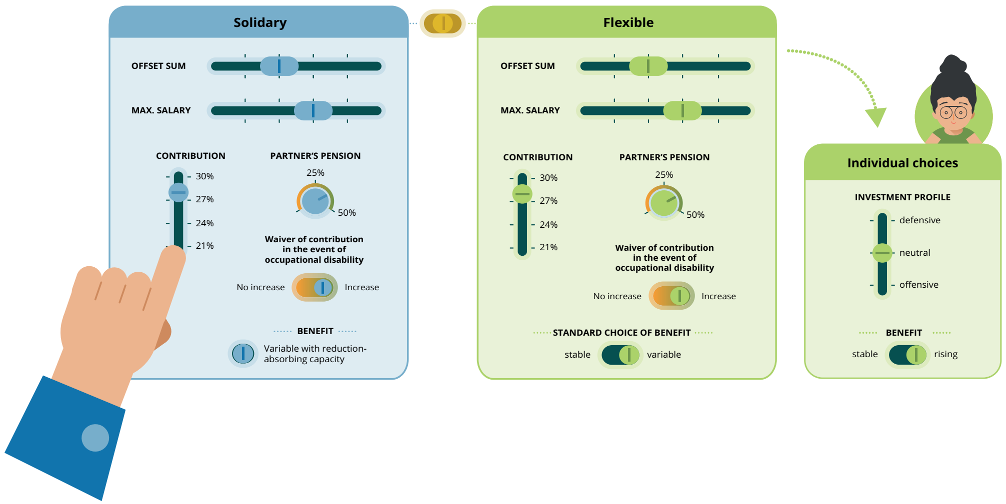


The choices per scheme

As an employer, together with your employees or the trade unions, you choose either the **solidary** or **flexible** contribution scheme. Within these schemes you can make different choices about:

- The offset sum (part of salary over which no pension is accrued)
- The maximum pensionable salary
- The amount of the contribution for the retirement pension
- How much partner's pension is insured
- Waiver of contribution in the event of occupational disability

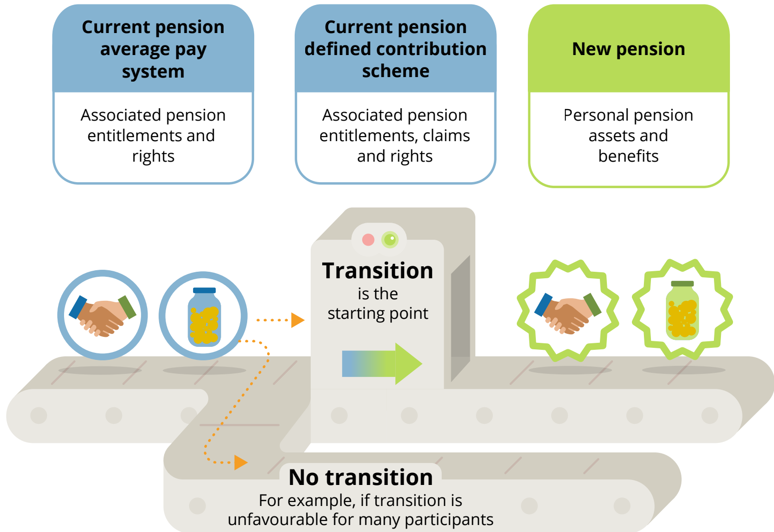
In the case of the **flexible** contribution scheme, as the employer you choose a standard benefit: a ***stable*** or ***variable*** benefit. The employee can decide to deviate from the employer's standard choice for the benefit. In addition, the employee can choose from different investment profiles.



Converting current pension: transition

Transitioning means converting existing pension capital, entitlements and rights into a pension that is in line with the new pension system The principle is the transition of pension entitlements accrued under current legislation. Non-transition is possible only if the social partners submit a request to the pension fund to that effect. In their request, they must be able to demonstrate that transition is unbalanced for particular groups.

If you have already decided against transition,
you should let your account manager at Pensioenfonds PGB know as soon as possible. Alternatively, contact our Relationship Management department.



Do you have an average pay system?

Dividing the collective assets upon transition

If you (also) have a defined contribution scheme, **see page 6.**

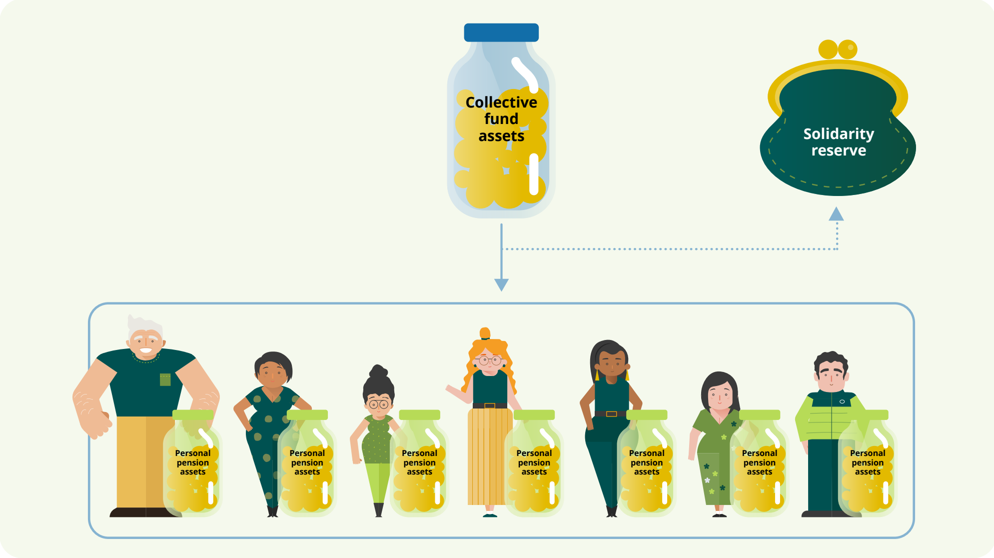
If you decide together with your employees to transition the accrued pensions to the solidary or flexible contribution scheme,
then Pensioenfonds PGB calculates the value based on the standard method. The standard transition method is a simple, balanced and easy-to-explain way to convert accrued pension capital, entitlements and rights into personal pension assets. With the standard method, each participant receives the value of their pension entitlements and rights (in the case of an average pay system) or pension capital (in the case of a defined contribution scheme) as personal pension assets.
This is based on the calculation rules as we know them today.

If you currently have an average pay system and the coverage ratio is approximately 103% or lower at the time of transition,
there are sufficient collective fund assets for all participants not to have to cut pension entitlements and rights. The extra 3%-point coverage ratio buffer is expected to be needed to fill the reserves required by law (the minimum required capital and the operational reserve). If the coverage ratio lower than 103% at the moment of transition, then Pensioenfonds PGB must reduce the pension assets. It does not matter whether you choose the **solidary** or **flexible** contribution scheme.

If you currently have an average pay system, and the coverage ratio is higher than 103% at the time of transition,
then how this surplus is used depends on the pension scheme you choose.

If you opt for the flexible contribution scheme,
then a surplus is available to increase the pension assets of participants.

If you opt for the solidary contribution scheme,
then a surplus is available to first fill the solidarity reserve, up to 3%. If a surplus remains after that, then we partly increase the personal pension assets of participants and partly fill the solidarity reserve to 5%, the maximum. If the solidarity reserve has reached its maximum, the entire surplus is used to increase the participants' personal pension assets.



Do you have a defined contribution scheme?

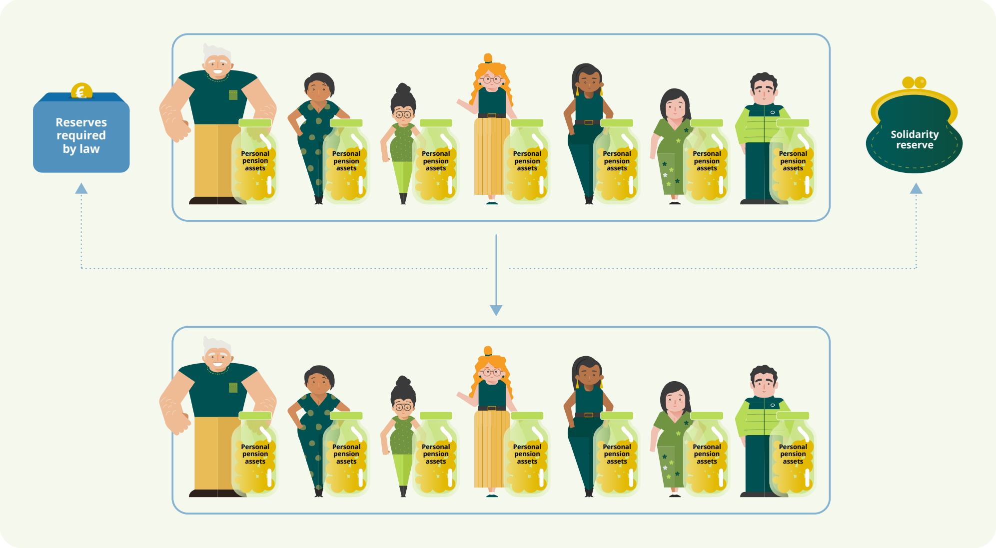
Transitioning the current pension capitals

Each participant will receive the accrued pension capital in the current defined contribution scheme as personal pension assets in the new pension scheme. We calculate the value of the accrued pension entitlements and rights that have been gradually purchased with the pension capital in the last 10 years before the retirement date on the basis of the standard method. An explanation of the standard method can be found on page 5.

If you opt for the flexible contribution scheme,
then we convert the accrued pension capital and the purchased pension entitlements and rights into personal pension assets in the new pension scheme. You also contribute to filling the reserves required by law (including operational reserve) at the moment of transition. Part of the value of the accrued pension capitals and the purchased pension entitlements and rights is used for this purpose.

If you opt for the solidary contribution scheme,
then you also contribute to filling the collective reserves at the moment of transition. Part of the value of the accrued pension capitals and the purchased pension entitlements and rights is then used to fill the reserves required by law (including the operational reserve) and the solidarity reserve. The amount of the filling depends on the coverage ratio of Pensioenfonds PGB.
The rules for distributing a coverage ratio surplus or deficit can be found in our coverage ratio table on page 12 'Choices for transition and compensation'.

If you (also) have an average pay system, **see page 5.**



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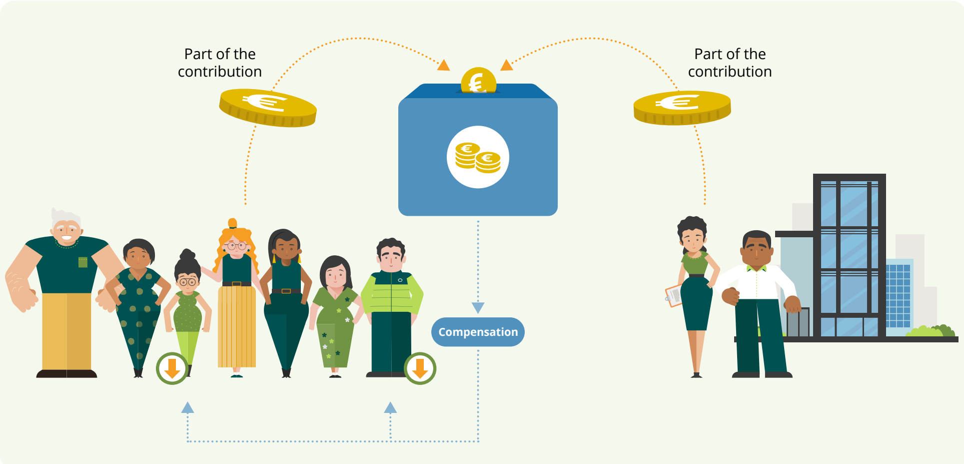
Do you have an average pay system?

Compensation scheme for abolishing the average system

If you (also) have a defined contribution scheme, **see page 8.**

The average system in the current average pay system will be abolished in the new contribution schemes. In the average system, everyone pays the same contribution and everyone accrues the same pension. Because the same contribution is paid for everyone, a young participant actually accrues 'too little' and an older participant 'too much'. The abolition of the average system may therefore lead to a decline in the pension achievable for participants who accrue a pension. This is especially true for employees who always paid 'too much' and were just about to benefit from the cross-sectional system. We call this compensation burden.

If there is a compensation burden for certain groups of employees after the switch to the new scheme, you can opt for a compensation scheme. In this way, you compensate employees who are disadvantaged by the abolition of the average system. You can only use the compensation for employees who are still accruing a pension, or occupationally disabled persons who are accruing non-contributory pension. You can make compensation agreements in the pension or wage setting, a combination of both is also possible. You make agreements about compensation together with your employees or trade unions.



If you opt for compensation in the pension setting?

Then your current and future employees, who will be disadvantaged, will accrue extra pension. They will receive a supplement to their personal pension assets in the new pension scheme. This supplement is a percentage of their pensionable earnings. Your employees receive this compensation per age group (for example 35-40).
All employees and occupationally disabled persons in an age group are entitled to the same compensation. Even if they are employed after the compensation period has already started. The compensation must be divided equally over the agreed compensation period. This period runs from the commencement date of the new pension agreement until 31 December 2036 at the latest. If you opt for compensation in the pension setting, you also make agreements about its financing. This can be done, for example, through an extra contribution on top of the regular deposit and/or a one-off deposit from an existing designated account with Pensioenfonds PGB.

If you opt for compensation in the wage setting?

Then your employees will receive an extra reward, for example, in the form of extra salary. You choose whether this only applies to your current employees, or also to new employees. There are fewer statutory conditions for compensation in the wage setting. The compensation takes effect from the commencement date (1 January 2027) of the new pension agreement and may continue until your employee leaves employment or retires. You may also pay the compensation as a lump sum.

Do you have a defined contribution scheme?

Transitional arrangement and options in the event of increasing contribution sliding scales

If you (also) have an average pay system **see page 7.**

If you already have a (partially) defined contribution scheme with progressive contribution sliding scales (meaning a contribution that increases as your employees get older, in steps of 5 years) by 1 July 2023, then you can opt for the transitional arrangement. We also refer to this as the 'fair effect progressive contribution sliding scales'. In the new contribution schemes, the contribution is the same for all ages (flat contribution sliding scales).

Transitional arrangement

"Fair effect progressive contribution sliding scales"

NO

One scheme for all employees

- You can choose between the ***solidary contribution scheme*** and the ***flexible contribution scheme***, with flat contribution sliding scales
- You make choices within the scheme
- You make arrangements about transition
- You make arrangements about compensation from progressive (increasing) contribution sliding scales to flat contribution sliding scales

YES

Employees employed before 01/01/2027

- You may keep the current defined contribution scheme with progressive (increasing) contribution sliding scales
- This arrangement is a ***flexible contribution scheme***
- You make additional agreements about partner's pension and transition
- You don't have to compensate

Employees employed from 01/01/2027

- You can choose between the ***solidary contribution scheme*** and the ***flexible contribution scheme***, with flat contribution sliding scales
- You make choices within the scheme
- You don't have to compensate

If you opt out of the transitional arrangement?

You opt for the same pension scheme for all employees: ***solidary contribution scheme*** or ***flexible contribution scheme***. Your current employees may be disadvantaged because they pay a constant instead of an increasing contribution under the new pension scheme. You can compensate for this in the pension setting or in the wage setting. You can read more about this on page 7.

If you opt for the transitional arrangement?

Your current employees will continue to accrue pension in the progressive contribution sliding scales. New employees from 1 January 2027 accrue a pension in the new scheme with flat contribution sliding scales. This means you then have 2 pension schemes running alongside each other. The pension scheme for current employees will become a ***flexible contribution scheme***. For new employees, you can also opt for a ***solidary contribution scheme***. You also make agreements about the new survivor's pension for both groups of employees.

The advantage of the transitional arrangement is that you do not have to compensate your current employees. This is because their pension accrual will not change in the new pension system. Please bear in mind that the pension scheme for current employees is becoming more and more expensive per employee due to the progressive contribution sliding scales.

You can opt for additional collective schemes and products

Together with your employees, you determine what your new pension scheme will look like. You make this choice on the basis of this proposal. Pensioenfonds PGB will then implement your solidarity or flexible contribution scheme. In addition to the scheme you have chosen, you can opt for collective schemes and products for your employees. Here's a summary of the options.

Top-up scheme

Under this scheme, you can make additional agreements for your employees above a certain salary level (in addition to the solidary contribution scheme or flexible contribution scheme with a maximum pensionable salary). All your employees above a certain salary level (up to the tax maximum) accrue additional pension under this scheme.

It is only possible to take out a top-up scheme that is the same type of contribution scheme as the basic scheme. A combination of a solidary contribution scheme and a flexible contribution scheme is not possible.

Temporary partner's pension (Anw-Plus insurance)

With this insurance, you arrange additional partner's pension if one of your employees dies. This pension supplements the partner's pension. The additional pension stops once the partner starts receiving a retirement pension. You can determine the amount insured yourself up to a maximum of € 21,805 (2024) per year. The contribution is currently 1.2% (2024) of the insured amount per participant per year. All your employees are automatically insured.

WIA additional income insurance

If your employees earn more than € 71,628 (amount 2024) per year, their income will drop considerably if they become occupationally disabled.

For employees who become occupationally disabled and earn more than the WIA maximum, this insurance pays 70% of the most recently earned salary in excess of € 71,628 on top of the WIA benefit paid by the government. The contribution is currently 1.2% (2024) on all part-time salaries above € 71,628 of all your employees. All your employees are automatically insured.

Combining both contribution schemes in your organisation

As an employer, you can also choose to offer both contribution schemes for different groups of employees. This can be done on the basis of job categories or the date of commencement of employment.

For example: you opt for the solidary contribution scheme for some of your employees in a certain job category and the flexible contribution scheme for the other category.

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Product specifications: **solidary contribution scheme**

Scheme elements	Explanation
RETIREMENT PENSION AND SURVIVORS' PENSION	
Contribution retirement pension and survivor's pension from the retirement date	Age-independent % of pension base **Choice:** Free choice of % within tax maximum Tax maximum retirement pension 30% Tax maximum partner's pension 70% of retirement pension
Survivors' pension during accrual phase	Age-independent % of salary **Choice:** Free choice of insured % within tax maximum Tax maximum partner's pension 50% of the salary Tax maximum orphan's pension 20%
WAIVER OF CONTRIBUTION OCCUPATIONAL DISABILITY	In line with the Employee Insurance Agency, six categories; 100%: After the waiver of contribution has taken effect, the occupational disability salary is indexed annually on 1 January with the annual change over the previous year in the consumer price index (CPI) for all expenditures. **Alternative choice:** A constant occupational disability basis: at the start of the waiver of contribution, the basis on which the waiver of contribution is granted is determined once.
SOLIDARITY RESERVE	
Number of reserves	One common solidarity reserve for all solidarity contribution schemes.
Maximum size	5% of the fund assets in the solidarity contribution scheme.
Initial funding	Funding ratio dependent, with the reserve being funded with part of any coverage ratio surplus at the time of transition. The rules for apportioning a coverage ratio surplus or deficit in the solidarity contribution scheme can be found in our coverage ratio sliding scales on page 12 under 'Choices for transition and compensation'.
Funding and distribution rules	**Funding rule** Following statutory maximum of 10% of positive surplus returns. Filling the solidarity reserve stops when the maximum is reached. **Distribution rule** Distribution to prevent pension recipients' benefits from falling.

Scheme elements	Explanation
BENEFIT PHASE	
Projected returns	Interest term structure (without surcharge or reduction). The aim is to provide pension recipients with a limited higher initial benefit, without leading to a high probability of benefit decline.
Spreading of shocks	Spreading shocks over 3 years. The aim is a predictable benefit, which means that spreading is desirable. With a 3-year spread, positive excess returns lead to an increase in the payment rather than a longer spreading period.
INVESTMENTS	
Investment building blocks	As much as possible use of the same investment building blocks within both the solidary and flexible contribution scheme (return and matching portfolio).
Protection return	Investment profile for ages up to 45: 15% protective return, then accruing to 90% on the retirement date. Protective return based on indirect method.
Surplus return	Investment profile for ages up to 45: 100% excess return, then reduced to 35% on the retirement date.
LONGEVITY	
Sharing micro and macro longevity risk	Via allocation rules protection and surplus return for longevity.

Product specifications: **flexible contribution scheme**

Scheme elements	Explanation
RETIREMENT PENSION AND SURVIVORS' PENSION	
Contribution retirement pension and survivor's pension from the retirement date	Age-independent % of pension base **Choice:** Free choice of % within tax maximum Tax maximum retirement pension 30% Tax maximum partner's pension 70% of retirement pension **Choice:** Transitional arrangements progressive contribution sliding scales in accordance with existing offer of Pensioenfonds PGB, insofar as appropriate within tax maximum sliding scales.
Survivors' pension during accrual phase	Age-independent % of salary **Choice:** Free choice of insured % within tax maximum Tax maximum partner's pension 50% of the salary Tax maximum orphan's pension 20%
Risk-sharing reserve	No risk-sharing reserve
Type of benefit	Default (standard) type of benefit **Choice:** stable or variable benefit
WAIVER OF CONTRIBUTION OCCUPATIONAL DISABILITY	In line with the Employee Insurance Agency, six categories; 100%: After the waiver of contribution has taken effect, the occupational disability salary is indexed annually on 1 January with the annual change over the previous year in the consumer price index (CPI) for all expenditures. **Alternative choice:** A constant occupational disability basis: at the start of the waiver of contribution, the basis on which the waiver of contribution is granted is determined once.
STABLE BENEFIT	
Notional interest rate	Interest term structure (Financial Assessment Framework benefit)

Scheme elements	Explanation
VARIABLE BENEFIT	
Projected returns	Interest term structure (constant benefit) or interest term structure - reduction (increasing benefit). **Choice:** default (standard) benefit pattern
Spreading of shocks	Spreading shocks over five years. The aim is a predictable benefit, which means that spreading is desirable. With five year spreads, some stability is achieved and positive returns are more likely to lead to an increase in the benefit rather than a longer spreading period.
Benefit collective	Collective benefit phase with gradual redemption (carousel).
INVESTMENTS	
Investment building blocks	As much as possible use of the same investment building blocks within both the solidary and flexible contribution scheme (return and matching portfolio).
Accrual phase	Three investment profiles in the direction of the stable benefit and three investment profiles in the direction of the variable benefit.
Benefit phase	Return portfolio 35% and matching portfolio 65% for both the stable benefit and the variable benefit.
LONGEVITY	
Sharing micro and macro longevity risk	In the accrual phase via individual allocation. In the benefit phase via the pension recipients' benefit collective.

TRANSITION

Transition method	Standard method
Transition moment	A single transition moment: expected to be 1 January 2027. Social partners and employers who do not take a decision or do not want to transition are left in the current scheme (Financial Assessment Framework environment).

COVERAGE RATIO SLIDING SCALES

Rules about apportioning surpluses or deficits	The rules for apportioning a coverage ratio surplus or deficit in the solidarity and the flexible contribution schemes can be found in this coverage ratio sliding scales. This applies to the entitlements accrued under an average pay system. It also applies to the purchased entitlements (for employees aged 58 and over) in the defined contribution scheme. These rules also apply to current benefits.

		Solidary contribution scheme		Flexible contribution scheme
Funding ratio	**MCR* and operational reserve**	**Personal pension assets**	**Solidarity reserve**	**Personal pension assets**
And further per -1%	3%	-1.00%	0.00%	-1.00%
103%	3%	100.00%	0.00%	100.00%
104%	3%	100.00%	1.00%	101.00%
105%	3%	100.00%	2.00%	102.00%
106%	3%	100.00%	3.00%	103.00%
107%	3%	100.75%	3.25%	104.00%
108%	3%	101.50%	3.50%	105.00%
109%	3%	102.25%	3.75%	106.00%
110%	3%	103.00%	4.00%	107.00%
111%	3%	103.75%	4.25%	108.00%
112%	3%	104.50%	4.50%	109.00%
113%	3%	105.25%	4.75%	110.00%
114%	3%	106.00%	5.00%	111.00%
And further per +1%	3%	+1.00%	maximum reached	+1.00%

** MCR: minimum capital requirement*

COVERAGE RATIO SLIDING SCALES (CONTINUED)

Rules about apportioning surpluses or deficits	With a coverage ratio of approximately 103%, there are sufficient pension cuts assets for all participants not to have to cut pension entitlements and rights. The extra 3%-point coverage ratio buffer is expected to be needed to fill the reserves required by law (the minimum required capital and the operational reserve).

COMPENSATION

Compensation scheme options

Choice: Compensation
- From employer-specific deposit use of existing deposit to be reallocated)
- From annual contribution (up to 3% on top of the tax allowance for the retirement pension, until no later than 31 December 2036).

DON'T HESITATE TO ASK QUESTIONS

Want to know more?
We are always happy to help!

THE NEW PENSION AT PGB

pensioenfondspgb.nl/en/thenewpension-employers

Or scan the QR-code!

Your account manager at Pensioenfonds PGB or contact our Relationship Management department at pensioenfondspgb.nl/en/employers/service--contact

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