

## **Explanation of indexation decision as per 01-01-2024 based on AmvB (by order in council)**

An increase in accrued pensions is good news for all participants of APF Pension Fund. Everyone will receive a pension increase. Young and old, active, deferred and pension beneficiaries. APF applies an equal percentage increase for all participants. An increase is in line with our ambition of providing an inflation-proof pension. This ambition has unfortunately not been achievable for us over recent years. The relaxed measures now being offered by the government ahead of the new pension system as well as the developments in APF's financial situation, have allowed APF to grant an additional increase for pensions this year. Due to the low price inflation rate, the (additional) increase will be limited.

As with every decision, we have considered the implications for all participants. In particular, we have examined the effects of this pension increase on the different generations. In analysing these generational effects, we have identified the impact that increasing pensions will have on the different age cohorts. Here, we have looked at the difference between being able to grant an additional increase (0.12%) compared to a regular increase based on the current policy (0.08%). An additional increase is possible because of the relaxed measures provided by the temporary legislation (by order in council, AmvB) ahead of the new pension system as compared to the existing legislation (the Financial Assessment Framework (FTK)). The difference is therefore the 'additional' 0.04% increase that may be granted for all participants through the temporary legislation, and the generational effects of which are to be identified (according to this temporary legislation).

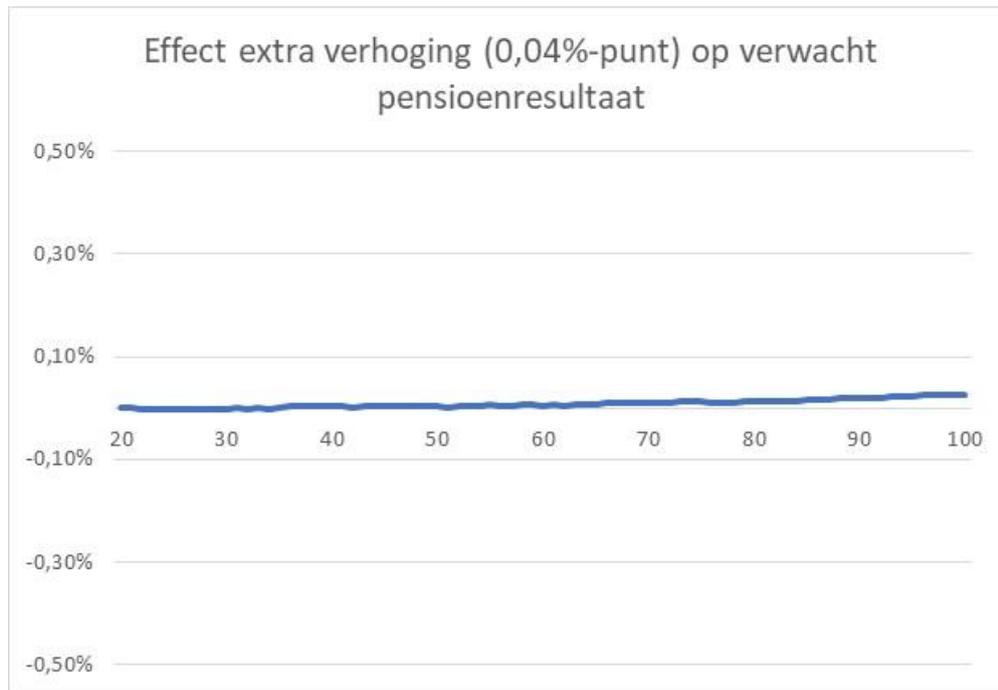
### **Generational effects as a result of additional increase**

To estimate the generational effects of the additional increase, we have considered the impact on the expected pension outcome. The pension outcome indicates the extent to which your pension is able to retain its value in the future. The expected pension outcome was calculated according to the current FTK regulations. This was done using the calculations made last year. The effects of the new system and (the timing of) the transition have not yet been taken into account. At a later stage, during the transition to the new system, the effects of the additional increase now being granted based on the order in council will be factored in, among other aspects.

Based on the calculations from last year, we estimated the impact of granting a higher indexation of 0.04% points pursuant to the order in council as opposed to the regular indexation policy. This has shown the generational effects to be almost zero (a maximum of 0.03% at very high ages).

To shed more light on the generational effects, the pension outcome was determined when an additional increase (0.12%) is granted. This was then compared to the pension outcome when the regular increase is granted (0.08%) (Figure 1).

## Effect of the additional increase (0.04%) on expected Pension Result



**Figure 1:** The effects with an increase of 0.12% instead of 0.08% on the expected pension outcome under current FTK regulations.

The figure shows that there is a small positive effect on the expected pension outcome for older members aged 55 or over (0.01%). This positive effect increases slightly as the participant gets older. But even then, the effect still remains negligible (a maximum of 0.03% at very high ages). There are no effects on the expected pension result for participants under the age of 55.

### Conclusion

Carefully weighing up the interests of all participants (active, deferred and pension beneficiaries) was a key factor in this decision to grant the increase. The Board of the APF Pension Fund has assessed that the additional increase is balanced. In its consideration, the Board factored in the estimates of the effects of the additional increase on the expected pension outcome for the different age groups, and found no conclusive arguments which would go against granting an increase. During the transition to the new system, the effects of this additional increase now granted pursuant to the order in council will be factored in, among other aspects.