

Explanation of effects of indexation decision as of 31 December 2024 for different age groups

An increase in accrued pensions is good news for all participants of the APF Pension Fund. Everyone will receive a pension increase. Young and old, active and former participants 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. But we are also looking to the future. We want to switch to the new pension rules in 2026 while having sufficient assets available. As we switch to the new pension rules in 2026, we are allowed to take advantage now of the more lenient rules set by the government. APF has adjusted its policies accordingly. This gives us 1.49% extra room to increase pensions. These relaxed rules allow us to increase pensions by 3.5%.

As with every decision, we have considered the implications for all participants. In particular, we have examined the effects of this extra 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 groups.

Generational effects due to the additional increase

To identify the generational effects of the additional 1.49% increase, we used the net benefit method. We have to use this method to assess the overall balance of the transition to the new pension system (for APF in 2026). Net benefit reflects the difference in the value of premiums paid and benefits paid over the remaining life for each generation. The change in net benefit shows which age groups benefit and which do not. The following charts clearly show these effects.

The following charts show the net benefit effects of using the transitional Financial Assessment Framework compared to continuing with the current Financial Assessment Framework.

Chart 1 Net benefit effect - pension beneficiaries

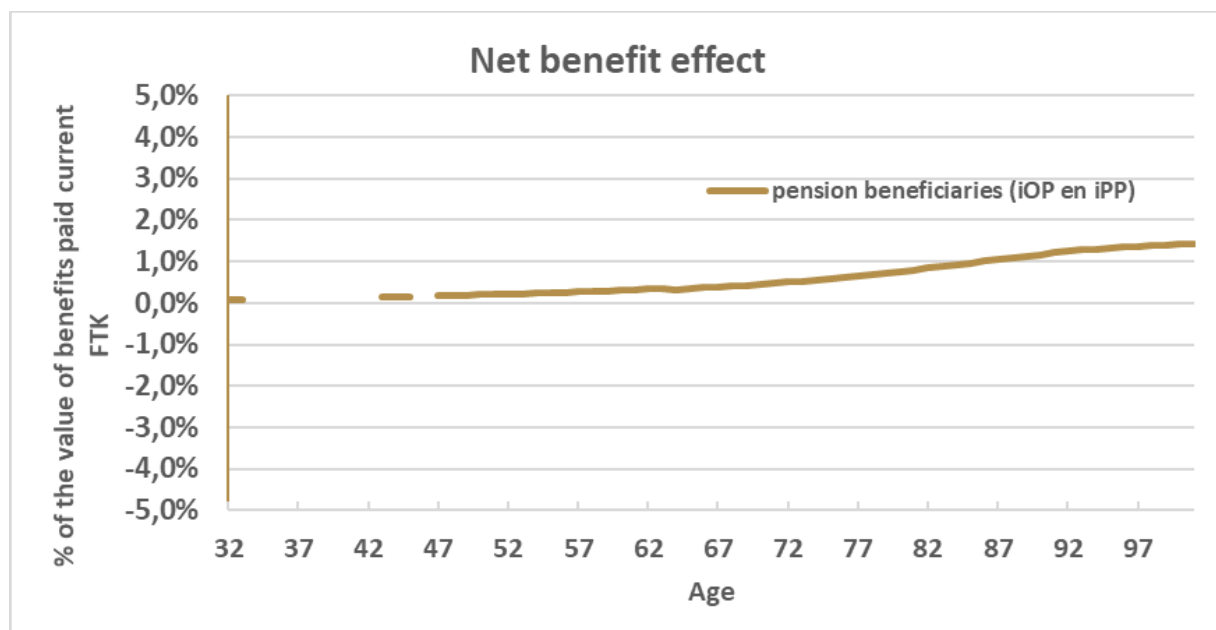


Chart 2 Net benefit effect - active participants

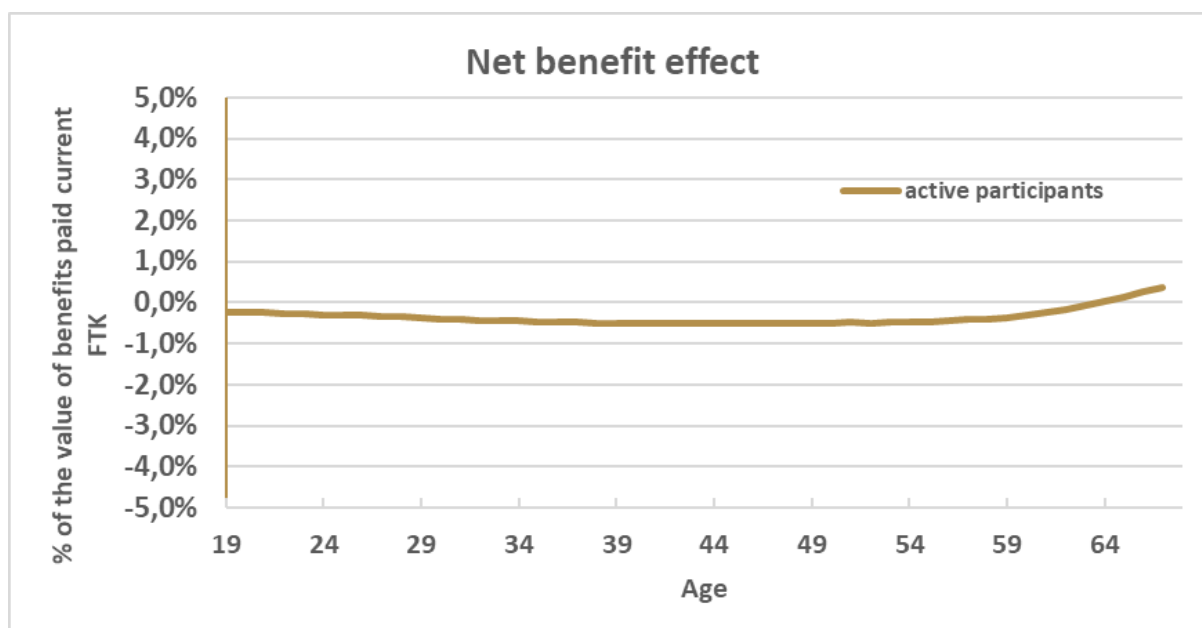
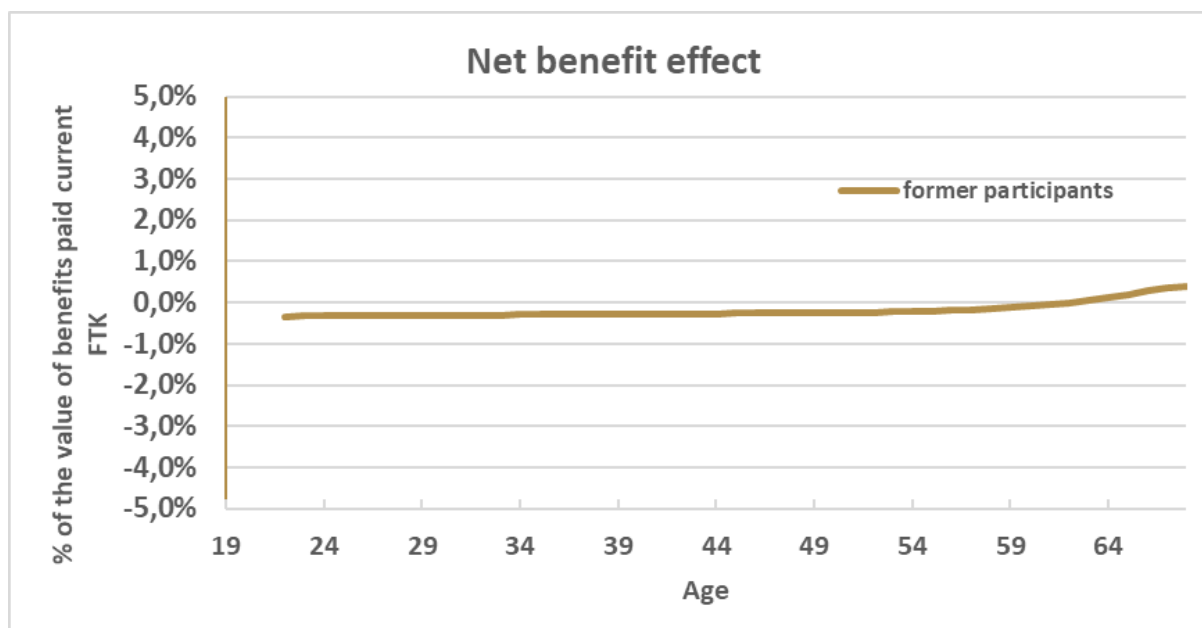


Chart 3 Net benefit effect - former participants



The graphs show that the net benefit effect is relatively limited.

- There is a (relatively limited) redistribution between retirees and (young) active participants (a maximum of about -0.5%) and former participants (a maximum of about -0.3%);
- For retirees, the higher supplement has a positive net benefit effect, rising to about 1.4%. Retirees benefit directly from the higher supplement. This positive effect increases as participants get older. Participants then suffer less from the lower funding ratio resulting from the higher supplement.
- A negative net benefit effect can be seen for active and former participants up to the age of around 60 years as a result of the additional supplement. The effect for active participants is slightly more negative than for former participants. For them, a higher supplement now, and therefore a lower funding ratio, combined with a lower missed indexation, results in a lower supplement being granted later on higher entitlements and a higher probability of a reduction.

Conclusion

Carefully weighing up the interests of all participants (active and former participants and pension beneficiaries) was a key factor in this decision to grant the supplement. 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 net benefit for the different age groups, and found no conclusive arguments which would go against granting an additional increase. The effects of this additional increase, which are positive for retirees in particular, will be taken into account when transitioning to the new system.