

APF Pension Fund submits bridging plan to DNB

APF Pension Fund expects to transition to the new pension system on 1 January 2027. To ensure a smooth transition, we may apply amended statutory rules until that date. We refer to these as 'the Transition FTK'. FTK stands for Financial Assessment Framework, the current 'rules of the game' that pension funds must currently comply with.

These statutory rules concern the adjustment of accrued and current pensions, both upwards and downwards, until we transition to the new pension rules. The legislator's intention is to allow pensions to keep pace with inflation from this year onwards, even if there are insufficient buffers under the old rules. At the same time, we must ensure that there are sufficient assets in our fund so that no one is worse off on 1 January 2027. Because that is when we will transition to the new pension scheme.

The new rules have advantages and disadvantages. That is why we have carefully ('balanced') examined what they mean for the pensions of all members, including those already in receipt of a pension. After all, it is not compulsory to make use of these new, temporary rules.

Transitional plan

In order to take advantage of the new rules, we had to submit a transitional plan to De Nederlandsche Bank by 1 April 2026. This plan sets out how our fund's financial situation is expected to develop in the period leading up to the transition, and what this means for members.

The following points regarding our fund's funding ratio are important in the transitional plan:

- From **110%**, an increase can be granted under the old rules.
- From **135%** onwards, a full increase can be granted under the old rules. A full increase means an increase equal to inflation. Where the funding ratio is between 110% and 135%, the increase is proportional: at a funding ratio of 122.5%, the increase is 50% of inflation.
- The minimum 'initial funding ratio' of **103.5%** as set out in the transition plan drawn up by the employers and the trade unions. This funding ratio is necessary to build up the minimum reserves required for the transition to the new pension rules. This definition of the funding ratio is new.
- The 'target funding ratio' of **112%**; our board does not want the funding ratio to fall below 112%. This 112% is necessary to ensure that the interests of all members, including pensioners, are properly taken into account during the transition to the new pension scheme. The key objectives can then be achieved. This definition of the funding ratio is also new.

The new rules now allow for a full increase above the target funding ratio of 112%. However, the funding ratio must remain above 112% following this increase.

Please note that it is not certain that we will be able to grant this increase. There may be circumstances that lead our board to decide otherwise. Our board has that discretion. To give you a clear picture: on 28 February 2026, our funding ratio stood at 128.4%.

What exactly does this mean in the context of a pay rise?

In the example below, it is assumed that inflation will be 2% at the end of September 2025.

- Suppose the coverage ratio is 112%. Under the old rules, there would be an increase of $2\% \times (112\% - 110\%) / (135\% - 110\%) = 0.16\%$. Under the new rules, no increase can be granted.
- Suppose the funding ratio is 113%. Under the old rules, there would be an increase of $2\% \times (113\% - 110\%) / (135\% - 110\%) = 0.24\%$. Under the new rules, an increase of 1% may be granted (as the funding ratio must not fall below the target funding ratio of 112%).
- Suppose the funding ratio is 114%. Under the old rules, there would be an increase of $2\% \times (114\% - 110\%) / (135\% - 110\%) = 0.32\%$. Under the new rules, a full increase of 2% can now be granted.
- Suppose the funding ratio is 120%. Under the old rules, there would be an increase of $2\% \times (120\% - 110\%) / (135\% - 110\%) = 0.8\%$. Under the new rules, a full increase of 2% can now also be granted (the increase cannot exceed the rate of inflation).

Our board will decide at the end of 2026 whether a fee increase will be implemented as of 31 December 2026. If so, it will determine the amount of the increase. Key factors in this decision will be price inflation over the period from September 2025 to September 2026 and the cost recovery ratio as at 30 September 2026. Our board cannot approve a fee increase that exceeds the maximum permitted under the regulations.

What exactly does this mean in the case of a reduction?

- Will the funding ratio be below 103.5% at the end of 2026? But do we expect the funding ratio to be above 103.5% as at 30 June 2026? If so, a reduction is not necessary.
- If the funding ratio at the end of 2026 is below 103.5%, and we expect the funding ratio as at 31 December 2026 to be below 103.5%, then a reduction will be necessary. In that case, our board will determine the extent of this reduction, within the rules laid down by law. As at 31 December 2026, the funding ratio must in any event be at least 103.5%.

Under the old rules, we would have to reduce pensions if:

the policy coverage ratio remains below the minimum required coverage ratio for five consecutive years and the current coverage ratio in the fifth year is also below the minimum required coverage ratio.

This is not the case at present; as explained above, the rules have now changed. Under the new, temporary rules, the likelihood of a reduction until the transfer to the new pension scheme is, however, higher.

A 'balanced' decision

As a pension fund, we are free to choose whether to apply the new rules. One advantage of these new rules is that we can increase pensions by a greater amount if the funding ratio exceeds 112%. But increasing pensions costs money. This means there will be less money to distribute when we transition to the new pension scheme on

1 January 2027. That is a disadvantage of the new rules. Another disadvantage is that the likelihood of a reduction in accrued pensions and benefits is slightly higher.

We did not take the decision to apply the new rules lightly. We first assessed whether that decision was 'balanced' – in other words, whether we were properly taking into account the interests of all participants, both now and in the future. This is because the impact of the new rules may vary between participants and age groups. In our fund, however, the differences are not particularly significant. This is partly because we expect to apply the new rules for only a very short period.

What does this mean for each age group?

How much of an 'advantage' or 'disadvantage' do the new rules present for each group and age bracket? This was calculated last year and is shown in the graphs below. Please note: this is what we expect. We will only know for certain what it means for you once our funding ratio is known on 31 December 2026.

At the end of 2025, we compiled 10,000 scenarios (we had to do this for De Nederlandsche Bank). The result is that the probability of a reduction prior to the transition to the new system is approximately 1%.

The graphs below show the effect of the new rules on pensioners, former members and working people for each age group, calculated using the so-called 'net benefit' method.

Chart 1: Net benefit effect for pensioners

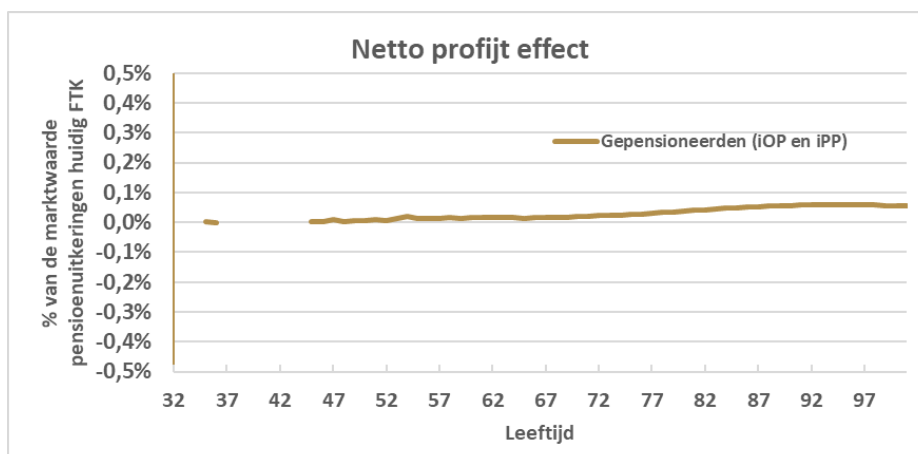


Chart 2: Net benefit effect for former participants (inactive members)

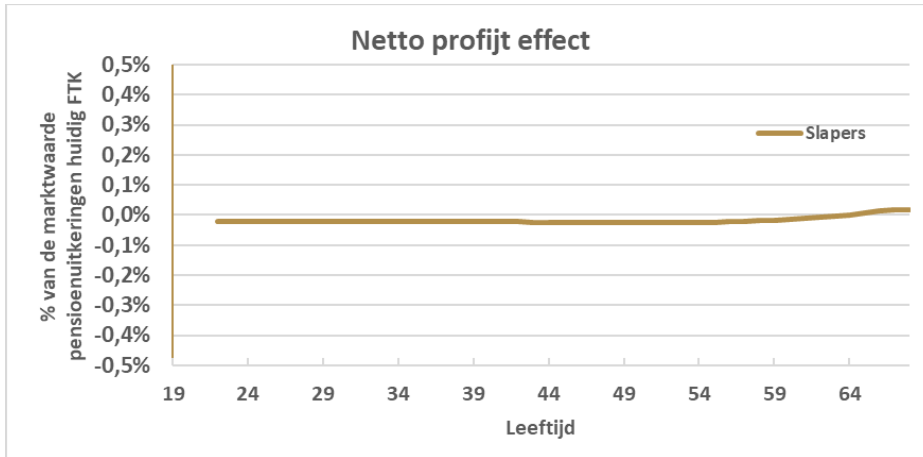
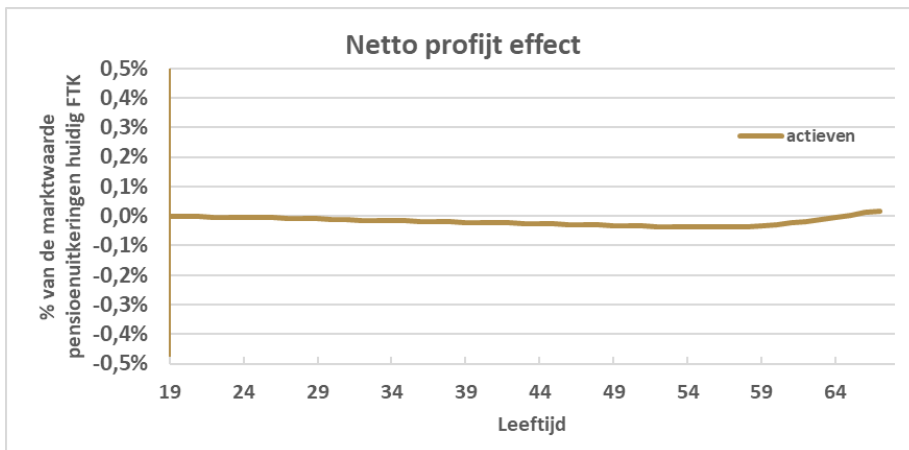


Chart 3: Net benefit effect for the working population (those in employment)



For almost all working people and former participants, there is a limited negative impact. For almost all pensioners, there is a limited positive impact. Pensioners benefit immediately from the (higher) benefits.

Please note that the effects described here reflect the situation over the next 20 to 30 years. These calculations require us to take such a long period into account. Consequently, any adverse effects over this period are very limited, **according to these calculations.**

Conclusion

The decision to make use of the new rules will affect your (expected) pension. However, as you can see from the graph, the differences are not expected to be very significant in the very long term (between -0.05% and 0.1%). You can therefore expect a higher increase at the end of 2026. For this reason, our board has decided that it is prudent to have the option of making use of the new rules. As in 2025, the accountability body has also issued a positive recommendation for 2026.