

## Explanation of the changes in the pension plan

February 2016

In this leaflet we inform you about the pension plan changes and the background of these changes. You will also find some model calculations so you can see the effect of these changes for your pension. Finally we explain why APF has decided not to increase your pension with a supplement as of 1<sup>st</sup> January 2016.

### **A new collective labour agreement (cla); a new pension plan**

At the end of last year AkzoNobel and the unions reached an agreement on a new cla. The former agreement had terminated on 1<sup>st</sup> July 2015. The APF pension plan changes as a consequence of the new cla. The recent changes are meant to compensate for previous cuts in the pension plan, such as the decreases of the annual accrual of old-age pension in 2014 and 2015 which the pension fund had to implement due to adjustments of the fiscal rules. Or the introduction of a maximum salary ceiling of € 101.519 which meant that employees who earn more cannot accrue pension any longer over the part of their salary that exceeds this limit.

### **You accrue pension over a larger part of your salary from now on**

When you are retired, you receive a state old age benefit (AOW) from the government. That is why you do not accrue pension over your entire salary. The part over which you do not accrue pension, is referred to as *deductible* and the remaining salary is called pension base. You accrue pension over this pension base, up to a certain maximum salary. The lower the deductible, the higher your pension base and the more pension you accrue. As of 1<sup>st</sup> January 2016, the deductible has been decreased from € 13,587 to € 12,953. According to the fiscal rules the deductible may not be less than € 12,953. The following example shows the effect of a decreased deductible for pension accrual.

#### **Example**

Ben's annual salary is € 40,000. In 2015 his pension base for pension accrual was € 26,413 (€ 40,000 minus € 13,587). Because of the decreased deductible, his pension base for pension accrual in 2016 is € 27,047 (€ 40,000 minus € 12,953).

### **You accrue partner's pension from now on**

In the former pension plan the partner's pension was covered on a risk basis which meant that your partner would only receive a partner's pension if you died while still working with AkzoNobel. If you left service or retired and you had a partner, there would be no entitlement to a partner's pension in the event of your death. At that moment we therefore exchanged a part of your old-age pension so there would be a partner's pension to the size of 70% of your old-age pension.

In the new plan you accrue old-age pension and partner's pension. In the following examples you can see what this means for your pension.

**Example of risk-based partner's pension**

Wim retires as of 31 December 2015. He has accrued an old-age pension of € 10,000. In the former pension plan the partner's pension was covered on a risk-basis, so at retirement Wim's partner's pension was € 0. Wim has a partner, Stella. To have a partner's pension for Stella, he has to give up about 17.5% of his old-age pension at retirement. This is referred to as exchange. As a result, Wim's old-age pension is decreased to approximately € 8,250. The partner's pension is € 5,800 (about 70% of the old-age pension of € 8,250).

**Example of accrual-based partner's pension**

Ineke participates in the pension plan as of 1<sup>st</sup> January 2016. In the new pension plan she accrues a partner's pension of 70% of the old-age pension. At retirement Ineke will have accrued an old-age pension of € 10,000 and a partner's pension of € 7,000. Ineke's partner's pension is higher than Wim's partner's pension, because she does not have to exchange old-age pension anymore.

**Example of risk-based/accrual-based partner's pension**

Henk has worked with AkzoNobel for several years now. Until 1<sup>st</sup> January 2016 he accrued an old-age pension of € 5,000. In the new plan as of 1<sup>st</sup> January 2016 he will accrue another € 5,000 plus a partner's pension of € 3,500. He has a partner, Annet. For his partner's pension, Henk needs to give up approximately 17.5% of his first old-age pension of € 5,000. His old-age pension is then decreased to € 4,125. The partner's pension for Annet becomes € 2,900 (about 70% of the old-age pension of € 4,125). Henk receives an old-age pension of € 9,125 (€ 4,125 + € 5,000) and the partner's pension for Annet is approximately € 6,400 (€ 2,900 + € 3,500).

**The changes apply as of 1<sup>st</sup> January 2016**

The pension plan has changed as of 1<sup>st</sup> January 2016, but the new collective labour agreement is already applicable as of 1<sup>st</sup> July 2015. You will therefore receive a single extra amount of old-age pension and partner's pension for the period of service between 1 July 2015 and 1 January 2016. And you also receive an additional payment of the defined contribution for this period. This extra amount has already been processed in the UPO 2016.

Met opmerkingen [JL1]: Deze zin alleen voor BP-regeling

**You and your employer both pay for your pension**

Together, AkzoNobel and you pay the pension contribution. Every month AkzoNobel pays the contribution to APF and deducts your part of the contribution from your salary. Check your pay slip to see how much pension contribution you pay.

**Your pension is not increased with a supplement as of 1<sup>st</sup> January 2016**

APF aims to increase your pension every year with a supplement as of 1<sup>st</sup> January to make sure that your pension keeps its value. In the decision-making process for indexation, both the financial position of the pension fund as well as financial rules play a part. As of 2015 the financial rules for pensions have become more stringent, including the rules for indexation. The indexation decision is based on the fund's funding ratio as at the end of October of the previous year. This should be at least 110%. On 31<sup>st</sup> October 2015 the fund's funding ratio was 108% and therefore the pension fund had to decide not to grant any supplements as of 1<sup>st</sup> January 2016.

If you want to know more about the fund's indexation policy, please refer to [www.pensioenfondsapf.nl](http://www.pensioenfondsapf.nl).