Witteveen+Bos

MEMORANDUM

Subject	Summary of the draft transition plan
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Author(s)	Social partners
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To	Participants in Stichting Pensioenfonds Witteveen+Bos
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1 SUMMARY OF THE DRAFT TRANSITION PLAN

In 2023, the Future of Pensions Act was passed. Due to this law, the pension scheme of Witteveen+Bos Ri B.V. must be adjusted. The social partners (board of directors and Works Council) have made agreements about a new pension scheme and the distribution of assets during the transition to the new scheme.

The transition plan outlines the choices made by the social partners and the considerations and calculations underpinning them. In this regard, the social partners have sought advice from consultants and representatives of Witteveen+Bos's pension fund and the retirees. Wherever possible, efforts have been made to align with the current pension scheme. The social partners presented – after consulting the pensioners - the transition plan to the pension fund to ask whether it is willing to implement the plan. The pension fund will assess whether the plan is feasible and balanced. This document contains a summary of the transition plan.

The full transition plan is available on the Witteveen+Bos's pension fund website.

1.1 The agreements of the social partners

1.1.1 Stop and start

The social partners would like the new pension scheme to begin on 1 January 2027 and the old pension scheme to conclude on that date. From that date, if you are employed by Witteveen+Bos Ri B.V., you will begin accruing pension capital under the new pension scheme.

1.1.2 Type of scheme

The new pension scheme is a defined contribution scheme. This means the social partners have agreed on contributions (the premium), not on the amount of your pension. Are you an employee of Witteveen+Bos Ri B.V.? You and your employer will contribute an amount each month towards your pension. That amount will be deducted from your gross salary, just like now. The pension fund invests the contributions.

This doesn't change either. The capital for your pension grows through the monthly contributions and the revenue from investments. When you start your pension, this capital will generate your pension.

As you get older, the pension fund takes fewer risks with investments. This means the capital for your pension fluctuates less and less in value. You still decide when to start your pension from Witteveen+Bos's pension fund. This can be as early as your 55th birthday and no later than your 67th.

The social partners have chosen the 'flexible contribution scheme'. During the pension accumulation phase, you can choose to take more or less risk than the pension fund typically assumes for someone of your age. Another feature of a flexible contribution scheme is that you choose between a fixed and a variable pension. If you choose a variable pension, the pension fund will continue to invest the capital for your pension even after you have retired. The combined funds of all pensioners are invested as a single pool. The pension fund calculates your pension amount annually. The amount depends on the revenue from the investments, the interest rate and the life expectancy of the retirees. Your pension can increase, but it may also decrease if circumstances deteriorate. However, on average, there are more good years than bad ones. Therefore, the expectation is that a variable pension is an inflation-proof pension: your pension retains its purchasing power.

When the economy is doing well or poorly, the pensions that the fund pays out under the new scheme do not suddenly increase or decrease. Instead, the pension fund spreads any increase or decrease over several years, preventing large fluctuations in the payout.

If you choose a fixed pension, you use the accumulated capital to purchase a pension from one of the insurers that offer this (not from Witteveen+Bos's pension fund). This option provides certainty about the amount, but your pension will not increase with inflation after it begins.

1.1.3 Amount of the contribution

You and Witteveen+Bos contribute 27.6% of your pensionable earnings. You pay 9.8%, just like in the current scheme, and Witteveen+Bos pays 17.8% of the pensionable earnings. The contribution primarily goes towards the capital for your pension. The pension fund also uses the contributions to insure a survivor's pension and to ensure that your pension continues to accrue if you become 80% or more unable to work. Additionally, a (small) portion is used to cover the costs of administering the pension scheme.

The pensionable earnings is the salary that counts towards your pension (pension salary) minus the state pension offset. The state pension offset is determined anew each year. In 2024, the state pension offset is nearly EUR 20,000.00.

1.1.4 Goal

The goal of the social partners is for you to receive at least 60% of your average salary as income once you retire under the new pension scheme. The target is 70%. Your income in this case is your pension plus your state pension (AOW). Note: This is an aim, not a promise.

1.1.5 Income for your partner if you die

The social partners want not only a pension for yourself but also a benefit for your partner: the partner's pension. If you pass away while still working at Witteveen+Bos, your partner will receive 28% of the pensionable salary you earned before you died. This benefit is paid for as long as your partner lives. In addition, your partner will receive EUR 17,000 annually until they begin receiving a state pension (AOW).

If you had already built up a partner's pension when the new scheme was introduced, your partner retains this right in addition to the insured partner's pension under the new pension scheme.

If you leave your job and do not join another pension scheme, the insurance for the partner's pension will automatically continue for three months. After that, you can choose to continue insuring the partner's pension yourself. This is unnecessary if you find a new job with a pension scheme. Your new employer will provide a partner's pension under their scheme.

Once you retire, and if you later pass away, your partner will receive a standard partner's pension that equals 70% of your own pension. This remains unchanged from the current scheme. At the time of retirement, you can also choose to adjust the balance between your partner's pension and your own pension, opting for less partner's pension and more for yourself. This option is already available under the current scheme.

1.1.6 A benefit for your children if you die

After your death, your children will receive 10% of the pensionable salary you earned before you died, until they turn 25. If you leave your job and do not have a new pension scheme, this insurance (just like the partner’s pension) will also continue for a maximum of three months. You can also choose to continue insuring the benefit for your children yourself if you are no longer employed.

1.1.7 Are you 80% or more unable to work?

If you are 80% or more unable to work, you will continue to build up capital for your pension. The pension fund will then take care of the contributions.

1.1.8 All accrued pensions will be converted

All pensions accrued up to the start of the new pension scheme will be converted into a personal pension capital under the new scheme. This process is also referred to as *invaren* (conversion). This concerns the pension for yourself and the pension you have built up at that time for your partner and children.

No money will be lost during the conversion. The pension fund calculates the value of a pension accurately, and this value will be transferred to the new scheme. Next, the pension fund will assess the actual available assets (the total fund assets). If there is more money than the value of all pensions combined, the surplus will be distributed according to the agreements made by the social partners (see the points below). If there is a shortage of money, the social partners will engage in discussions to consider making new agreements.

1.1.9 Agreements on compensation

Currently, everyone receives the same amount of pension accrual for the money deposited with Witteveen+Bos's pension fund. Or, put differently, one euro of contributions always yields the same pension, regardless of whether you are young or old.

This will change under the new scheme. The amount of your pension in the new pension scheme will depend on how long the pension fund can invest the money for you. This change means that almost everyone currently accruing a pension will face a disadvantage due to the transition. After all, you have already passed the early years when contributions could have been invested for a long time. This disadvantage is most significant for employees aged between 40 and 55. For older employees, the impact is smaller because they have already built up a substantial portion of their pension.

The new pension law requires adequate compensation to be provided in cases of disadvantage. Therefore, the social partners have agreed that all employees who are (expected to be) disadvantaged by the transition to the new pension scheme at the time of the switch will receive compensation, if possible. The compensation will take the form of extra starting capital. The social partners want this compensation to be funded from the assets that Witteveen+Bos's pension fund manages. When the new pension scheme starts, the compensation will be awarded in one lump sum.

1.1.10 Distribution of assets

Step 1
If the coverage ratio upon the transition to the new pension scheme (conversion coverage ratio) is 105% or higher, everyone receives the value of their accumulated pension as starting capital. This value is 100% of the coverage ratio.

Step 2
Afterwards, the pension fund must establish two (small) mandatory reserves, amounting to approximately 2% of the fund's assets.

Step 3
We calculate how much money is needed to compensate everyone who is expected to be disadvantaged by the transition. We then distribute the money that is left after Step 2 as follows:

Table 1.1

Coverage rate*	Distribution rule
105%	30% of the amount needed for compensation goes towards the compensation. If there is any money left afterwards, half of the remaining amount will be used for compensation. The compensation must not exceed the (expected) disadvantage. The remainder is equally distributed among everyone with a pension at Witteveen+Bos's pension fund (employees, former employees, and pensioners). This is referred to as the conversion bonus.
108%	40% of the amount needed for compensation goes towards the compensation. If there is any money left afterwards, half of the remaining amount will be used for compensation. The compensation must not exceed the (expected) disadvantage. The remainder is equally distributed among everyone with a pension at Witteveen+Bos's pension fund (employees, former employees, and pensioners).
110% or higher	50% of the amount needed for the compensation goes towards the compensation. If there is any money left afterwards, half of the remaining amount will be used for compensation. The compensation must not exceed the (expected) disadvantage. The remainder is equally distributed among everyone with a pension at Witteveen+Bos's pension fund (employees, former employees, and pensioners).

* The initial coverage ratio is the ratio between the pension fund's assets and its liabilities (the value of all pensions that must be paid out now and in the future) at the time the new scheme starts. For intermediate coverage ratios, interpolation is used.

1.1.11 Is the coverage ratio lower than 105 %?

The social partners find it important that everyone entitled to compensation actually receives it. Therefore, the social partners have agreed to reconvene if the coverage ratio falls below 105%. At that time, they will review the agreements and the distribution of the fund assets.

1.1.12 The considerations of social partners

The social partners want the agreements to be balanced, with an 'eye on the present' and an 'eye on the future'. By 'eye on the present', the social partners mean that the starting capital must at least equal the value of the pension accrued at the time of the transition. By 'eye on the future', they mean that no specific groups should be given extra advantages or disadvantages compared to others due to the transition to the new pension scheme.

Calculations have shown that retirees are expected to receive a higher pension under the new scheme than under the current one. The new pension scheme allows for (slightly) riskier investments. Young employees and former employees (who are no longer employed) are expected to benefit even more from this than retirees, but they also face greater risks. The switch to a scheme where the revenue from the contribution depends on the number of years it can be invested is disadvantageous for employees actively contributing to their pension. However, these employees will receive tailored compensation.

The social partners conclude that the agreements are balanced and take into account the interests of all employees, former employees and pensioners (including retirees and survivors).