Witteveen+Bos Pensioenfonds

Newsletter

November 2024

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Your expected pension: current vs new scheme

'Pensions will become more uncertain.' Comments like this are regularly made in the media. What do they mean? And is what they are saying necessarily a bad thing? In this newsletter, we talk about your expected pension and the difference between the current and new pension schemes.

How it currently works
Currently, every year you accrue part of the pension that you will later receive. How much you accrue each year depends on your salary: the more you earn, the more pension you accrue. It makes no difference whether you are young or old. Two people who differ in age by 30 years but receive the same salary, for example, accrue the same amount of pension annually.

Your pension is not guaranteed in the current system, but you at least know how much you have 'on the books'. If a negative financial situation persists for a longer period, your pension may have to be reduced. But this is an extreme measure. Pensions are only reduced if the fund has a deficit for an extended period of time – in other words, if there is not enough money to cover all the pensions we currently pay out and have to pay out in the future. As you can see, we are always looking ahead.

Currently, we are required by law to maintain a reserve. Only when that reserve is full are we allowed to maximally increase pensions. In recent years, our reserve has not been quite full. As a result, pensions could only occasionally and partially be raised. On the one hand, then, the current system offers a considerable degree of certainty. But that certainty costs money.

How it will soon work
In the new pension scheme, you will no longer directly accrue the pension that you later receive. Rather than directly being converted into a pension, your contributions are put into a personal pension pot.

This pension pot grows each year as a result of both new contributions and returns on investments. If you are young, we take a little more risk with your investments; if you are older, we minimise this risk. As a result, the value of your investments fluctuates less and less as you get older, allowing us to better estimate the pension you will ultimately receive.

Incidentally, you could soon be able to choose an alternative to this standard approach. You might be able, for example, to indicate that we should take less risk than is usual for someone your age.

Certainty costs money. Slightly less certainty is expected to result in higher pensions.

Why is the new scheme expected to be better?

Though we cannot make any promises, as things currently stand the new scheme should result in a higher pension for you. This is because less money will be needed for the reserve. Returns on investments will go directly into your pension pot. Your expected pension will also be higher because we will take more risk when investing on your behalf. Of course, we will continue closely assessing how much risk is justified, always taking your age into account.

Your estimated pension will fluctuate more
In the current scheme, your pension accrues in a largely predictable manner. As long as you continue earning the same salary, your pension grows by roughly the same amount each year. In the new scheme, however, developments in the economy will be more visibly reflected. Returns on investments will be an important factor in developing capital for your pension, and interest rates will be important for estimating the pension you will eventually receive.

Accruing pension is a long-term process
On average, there are more good years than bad. As strange as it may sound, bad years are actually part of the deal. We could, of course, limit fluctuations as much as possible, but then your pension would be considerably lower. You can compare it to insurance: if you don't need it, insurance is just a waste of money. That is why we only take a more cautious approach to investments as you get older.

Good to know: your estimated pension will fluctuate, especially if you are young.

Compensation if possible

The plans for the new scheme include compensation for the abolition of average contributions. If we are in good financial shape when it is time to change schemes, we will provide compensation.

To be clear: not everyone will receive equal compensation. The more disadvantaged you are by the abolition of average contributions, the more you will be compensated. How does it work?

Here is an example: a twenty-year-old's money can be invested over a very long period. By the time the twenty-year-old retires, the invested money will have grown to a considerable sum. Currently, however, a twenty-year-old does not see that reflected in their pension: everyone accrues the same amount of pension for each euro they contribute, regardless of age. This is called the 'average contributions system'. In this system, the length of the period during which contributions can be invested is not taken into account: the accrual your contributions result in is the same for everyone.

In the new scheme, however, this will be different. The contributions young people make will result in much more pension than in the current scheme. If you are older, on the other hand, we can only invest your contributions for a short period of time.

New scheme must be fair for all
Our social partners want the transition to the new scheme to be fair. That means that no groups should be significantly advantaged or disadvantaged relative to other groups. One of the measures agreed on to ensure this involves compensating people affected by the abolition of average contributions if financially possible.

To begin with, you receive the value of the pension you have accrued. If any money is left over (i.e. if there is a reserve), then you might receive compensation. In determining compensation, we look ahead: What is the expected difference in future accrual between the current and the new scheme? Any compensation provided should make up for that difference as much as possible.

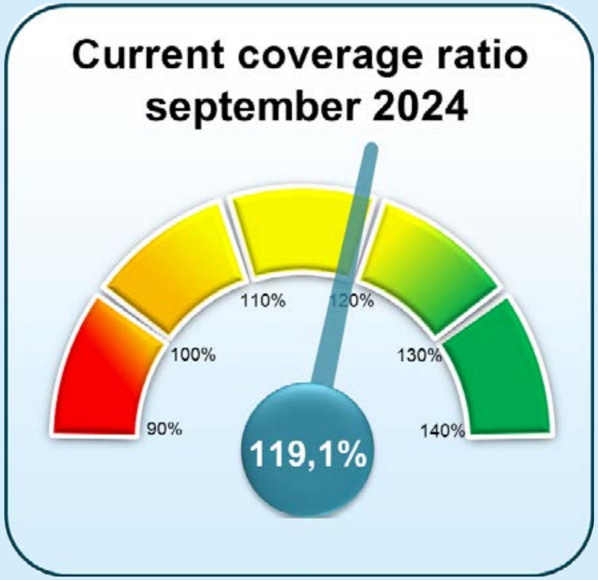
Current status of new scheme

Agreements for the new scheme are expected to be finalised by the end of November.

It looks as though the new scheme will be a flexible contribution scheme. More information on this type of scheme can be found on the www.werkenaanonspensioen.nl website (in Dutch).

Once the new scheme has been finalised, we will organise roadshows that visit every office. Our social partners (board of directors and works council) will explain during these events what the new scheme entails.

For the time being, the scheduled date for making the switch is 1 January 2026.



How do things stand?

At the end of September, the coverage ratio was 119.1 %. This coverage ratio is an indicator of the fund's financial health.

We calculate the coverage ratio by taking all the money we manage and dividing it by our 'liabilities'. Our liabilities consist of all the pensions we have to pay out now and in the future.

The higher the coverage ratio when we switch to the new scheme, the more money we will have to distribute among everyone with a pension at Witteveen+Bos's pension fund.

New website

In closing, the pension fund’s website has been completely revamped! You can now more easily find the information that is relevant to you. All texts have also been rewritten in clearer language. Be sure to take a look!

pensioenfonds.witteveenbos.nl