Introduction

There is a new law applicable to pensions, the Dutch Future Pensions Act (*Wet toekomst pensioenen - Wtp*). As a result, Bpf Koopvaardij's pension scheme is changing. The employer and employee organisations in the merchant shipping sector (the 'social partners') have made arrangements regarding the new pension scheme. The arrangements made are set out in a transition plan.

You can find the transition plan on our website: www.koopvaardij.nl/en/new-pension-system. We have summarised these arrangements and have included the most important information for you.

The most important arrangements

- The new pension scheme will commence on 1 January 2026.
- The new scheme is a solidarity-based defined contribution scheme. This means that social partners have agreed on how much you will pay for your pension (the contribution). We absorb windfalls and setbacks together (we call this 'solidarity').
- A reserve is in place to keep the pensions paid by Bpf Koopvaardij stable.
- If you pass away, your partner will receive a partner's pension of 25% of your salary on which your pension is based.
- If you pass away, your children will receive an orphan's pension of 8% of your salary on which your pension is based.
- There is appropriate compensation for groups that lose out due to the abolition of the average contribution system.
- The pensions from the old pension scheme will transfer to the new pension scheme.

What do the social partners consider important in the new pension scheme?

The social partners have made several arrangements regarding the targets of the transition to the new pension scheme. Below you can read a summary of these targets. Bpf Koopvaardij uses the order of these targets to determine how much capital is available for each target.

The social partners have commissioned calculations to understand the effects of the new pension scheme in various situations. When things are going very well, for example, or very badly. What risks can the groups absorb together? And for which groups might the social partners have to arrange something extra?

The social partners believe that all targets will be sufficiently met and will lead to balanced outcomes. But that is the case only if the funding ratio is higher than 106%.

Target 1	**Pensions in the new pension scheme must not fall below those in the current pension scheme as a result of the transition**
Explanation	The social partners consider it important that pensions in the new pension scheme will not be lower than they would be in the current pension scheme. This applies to pensions still to be accrued *and* to pensions already being paid out by Bpf Koopvaardij.
Views of social partners	The social partners believe that this objective will be achieved by transferring at least 100% of pension liabilities to the new pension scheme. This is the case when the funding ratio is 102% or more. This is because a small mandatory buffer must also be taken into account.
Target 2	**Active members who lose out due to the abolition of the average contribution system will receive compensation**

Explanation	Under the current pension scheme, all members pay the same contribution percentage and accrue the same pension. But the value of pension accrual of younger members is lower than the value of pension accrual of older members. Younger members subsidise older members. This is called the average contribution system. In the new pension scheme, all members will still pay the same contribution percentage. This contribution will go only towards their own pension. As a result, older members will receive less pension than they would under the current pension scheme. The social partners believe it is important that this group of members be compensated for this.
Views of social partners	The social partners believe this objective will be achieved by making 2% of the funding ratio of Bpf Koopvaardij available for compensation. By providing compensation, the expected pension for active members in the new pension scheme will be better in almost all situations than in the current pension scheme. To achieve target 1 *and* target 2, the funding ratio must be at least 104%.

Target 3	**Pensions paid by Bpf Koopvaardij may not decrease**
Explanation	In the new pension scheme, the amount of the pension we pay out will depend on the returns on the investments and the policies of Bpf Koopvaardij. This also applies if you receive a pension. If you are retired, the social partners do not want the pension we pay to you to decrease. If the economy deteriorates, it is important to absorb setbacks as much as possible.
Views of social partners	According to the social partners, this objective will be achieved by creating a solidarity reserve. This reserve will prevent pensions we pay out from being reduced or reduced excessively. At the start of the new pension scheme, we will top up the reserve. Subsequently, we will replenish the reserve each year with 10% of the surplus return we make on investments in that year. The social partners have calculated that topping up the solidarity reserve in this way is an effective means of preventing pension we pay out from being reduced.

Target 4	**Pensions will increase immediately upon transition, both now and in the future**
Explanation	If the funding ratio at the time of transition to the new scheme exceeds a certain limit, the social partners want Bpf Koopvaardij to distribute this capital to all members. So that applies not only to those who have not yet retired, but also to those who are already receiving a pension. This way, everyone can benefit from a good funding ratio.
Views of social partners	The social partners have made arrangements on how the pension fund's capital will be distributed during the transition. How much capital can be distributed depends on the funding ratio. We use part of the capital first for targets 1 to 3. If capital remains, we can distribute that excess capital to the members. This means target 4 can also be achieved.

Social partners' arrangements regarding the new pension scheme

1. The new scheme will commence on 1 January 2026

The social partners want the new pension scheme to commence on 1 January 2026 when the old pension scheme will end. If you are employed by a merchant navy employer on 1 January 2026, you will accrue pension in accordance with the arrangements of the new scheme from then on.

2. The new scheme is a solidarity-based defined contribution scheme

The social partners consider the care concept within the pension scheme as important. That is why they opted for a solidarity-based defined contribution scheme. The social partners believe that the care concept can be better fulfilled in a solidarity-based defined contribution scheme than in a flexible defined contribution scheme. A defined contribution scheme means that the social partners have agreed on how much you pay for your pension (the contribution). So the agreements are not about the amount of your pension. We absorb windfalls and setbacks together. We also share risks together. We call this 'solidarity'.

In the new pension scheme, you will have your own pension pot. You can see more clearly how much capital you are accruing for your pension and what that means for your pension when you retire.

Together with your employer, you pay an amount each month for your pension. We invest the contributions paid as a single unit. In doing so, we take different age groups into account. The capital for your pension grows through the contributions paid and the returns on investments. As you get older (and especially if you are already retired), we take less and less risk with investments. This will make the capital for your pension and the pension we pay out to you later more stable. The risks of having to reduce your pension are therefore small.

From the time you receive a pension, we invest the pension pot for all members who have retired in the same way. We are therefore no longer considering a difference in age. Nor do we do that when calculating how much pension you will receive in a year. Should we need to adjust the pension (upwards or downwards) that we pay to you later, the adjustment will apply to everyone receiving a pension in the same way.

3. Your pension will move more in line with economic trends

Your pension pot will move more in line with economic trends. If things go well, your pension is more likely to increase. If things go badly, your pension could also decrease. If you are retiring or nearing retirement, the movements are no longer so great.

We calculate each year how much pension you are expected to receive. We base that calculation on the capital you have already accrued and the capital you are still expected to accrue. If you are young, this estimate may fluctuate or fluctuate considerably. If you are older, we opt for investments with less risk. We reduce the risk step by step. As a result, the estimate of your pension fluctuates less and less the older you get.

We invest in such a way that there is a reasonable chance that your pension will increase every year. And that the likelihood of your pension decreasing in a year is very small. If pensions do decrease, we will make the reduction in steps. Your pension will then decrease slightly each year over three years.

So we will not reduce your pension in one go. If your pension can increase, we will also do that in steps, spread over three years. We call this 'spreading' windfalls and setbacks.

4. <u>The new scheme has a solidarity reserve</u>

The social partners have made arrangements regarding a reserve. The reserve is a separate pot, protecting pensions that we pay out. We call this reserve the solidarity reserve. This reserve has two purposes:

- *Keeping pensions already being paid stable*
  By using the reserve, we can ensure that pensions do not fall or fall excessively in bad years.
- *Protecting against longevity risk*
  This is the risk of people living longer than expected. It may be that you grow older than we have anticipated in our calculations. Even then, you don't want your pension to be lower or excessively lower. The reserve ensures that the pension we pay out to you does not fall or fall excessively because we have to pay your pension for longer.

The social partners believe a reserve of 5% of the total amount we invest is enough to prevent pensions from falling in any one year. But things could also be disappointing for several years. That is why the social partners want to top up the reserve a little further to a maximum of 7.5%. Each year, Bpf Koopvaardij is allowed to use up to 25% of the reserve to replenish the pension to the level of the previous year's pension. This will allow us to absorb several bad years. The risk of pensions falling in any one year is therefore very small.

The social partners intend to top up the reserve in the following manner:

- At the start of the new pension scheme, we will use part of the capital of Bpf Koopvaardij. You can read more about this at point 11 below.
- Every year, 10% of the surplus return we receive from the investments goes into the reserve. This is the return we achieve in addition to the return we expect to achieve.
- If the reserve exceeds 7.5% in a given year, we will divide anything above this limit among all members.

5. <u>The contribution you will pay remains the same</u>

You and your employer jointly contribute 25.9% of pensionable earnings:

- your pension;
- a pension for your partner and children after your passing; and
- partially continuing your capital for your pension if you become occupationally disabled.

Pensionable earnings are the part of your salary on which your pension is based. You and your employer both pay half the contribution.

6. <u>The target of the new scheme is 53% of your average salary on which your pension is based</u>

The social partners' objective is that when you are retired, you can continue to live the same way as you do now. By means of this scheme, the social partners try to arrive at a pension of 53% of the average salary on which your pension is based.

7. <u>If you pass away, your partner will receive a partner's pension of 25% of the salary on which your pension is based</u>

The social partners want there to be a pension not only for you, but also for your partner. We call this the partner's pension, and it takes effect after your passing. Your partner will receive this pension every month for as long as he or she lives. As long as you accrue pension with us, your partner will receive a partner's pension. This partner's pension is 25% of the salary on which your pension is based. It does not matter how long you have been a member of the pension scheme.

Have you already accrued a partner's pension?
In the current pension scheme, you also accrued a partner's pension. This amount will remain at the start of the pension scheme for your partner at that time.

Are you leaving employment and are not a member of another pension scheme?
If so, the partner's pension cover will automatically continue for you for six months after you leave employment. This means that if you pass away during this period, your partner will be entitled to a partner's pension. If you pass away after this period, there will be no pension for your partner. If you want this period to be longer, you can have the partner's pension continue yourself.

If you have a new job with a pension scheme, you usually do not need to continue coverage. In your new pension scheme, you are often given a partner's pension again.

Are you retiring?
If so, the partner's pension is by default 70% of the pension you purchase for yourself with your pension pot when you retire. You and your partner can also choose a different ratio, for example, less partner's pension for your partner and more pension for yourself.

If you have no partner
In that case the partner's pension automatically goes to the pension for yourself. Your own pension will then be higher.

8. <u>If you pass away, your children will receive an orphan's pension of 10% of the salary on which your pension is based.</u>

There is also a monthly pension for your children in the event of your passing. As long as you accrue pension with us, your child will receive an orphan's pension until he or she reaches the age of 25. The amount of this orphan's pension is 10% of the salary on which your pension is based. It does not matter how long you have been a member of the pension scheme.

Had you already accrued an orphan's pension?
Under the current pension scheme, you also accrued an orphan's pension. This amount will remain for your child at the start of the new pension scheme.

Are you leaving employment and are not a member of another pension scheme?
In that case, the orphan's pension cover automatically continues for you for six months after you leave employment. This means that if you pass away during this period, your children will be entitled to an orphan's pension. Like the partner's pension, you can continue the pension for your children yourself.

Are you retiring?
If so, the orphan's pension is by default 14% of the pension you purchase for yourself with your pension pot when you retire.

9. <u>There is appropriate compensation for groups that lose out due to the abolition of the average contribution system</u>

Under the current pension scheme, all members pay the same contribution percentage and accrue the same pension. But the value of pension accrual of younger members is lower than the value of pension accrual of older members. Younger members subsidise older members. This is called the average contribution system.

We are abolishing this average contribution system. In the new pension scheme, all members will still pay the same contribution percentage. This contribution will go only towards their own pension. As a result, older members will receive less pension than they would under the current pension scheme. The social partners believe it is important that this group of members be compensated for this.

The calculations show that members aged 34 and over could be disadvantaged (or less advantaged) by the abolition of the average contribution system. The social partners want the transition to be as fair as possible for everyone. Therefore, they have agreed that capital will go into the pension pot of this group if it is financially possible. This group will then receive 'compensation'. The amount of compensation the member receives is determined per age. This table is included in Appendix 2 of the transition plan. We pay this compensation from the capital of Bpf Koopvaardij. 2% is available for this purpose. Whether compensation is possible depends on how much capital we have on hand on 1 January 2026. If it is possible, the group will receive the compensation in one go.

10. <u>The pensions from the current pension scheme will transfer to the new pension scheme</u>

We will convert the pension you have accrued up to the start of the new pension scheme into a pension pot in the new pension scheme. This also applies to the pensions we already pay out. Nothing will be lost during transfer. We accurately calculate the value of the pension you have accrued. That value will transfer to the new pension scheme. We then add up the values of all pensions. We compare that total amount with the capital we have on hand.

Is there more capital than the values of all pensions combined?
If so, we will distribute the capital that remains. The social partners have agreed how the capital will be distributed (see point 11 below).

Is there too little capital?
The social partners and Bpf Koopvaardij will then agree on what happens next. It may be that all pensions will be reduced or decreased slightly. The new pension scheme may also be postponed for a while.

11. <u>If there is capital remaining on the transition date, we will distribute it according to set rules</u>

At the time the new scheme commences, the level of the funding ratio is important. The funding ratio is the ratio of Bpf Koopvaardij's liabilities to the capital we have 'on hand'. Liabilities are all pensions that Bpf Koopvaardij is required to pay now and in the future.

If the funding ratio is 106%, there is just enough capital for a small legally required reserve. We must also set aside a portion for risks that have nothing to do with investing, and for compensation and the solidarity reserve.

If the funding ratio is above 106% at the start of the new scheme, there is capital ‘left over’. Bpf Koopvaardij can then distribute this capital. The social partners have agreed the following regarding the distribution of capital:

Funding ratio	Mandatory reserve	Compensation (actives)	Solidarity reserve (pensioners)	Increase pensions (all members)
106%	2%	2%	2%	0%
107%	2%	2%	3%	0%
108%	2%	2%	3%	1%
109%	2%	2%	3%	2%
110%	2%	2%	4%	2%
111%	2%	2%	4%	3%
112%	2%	2%	5%	3%
113%	2%	2%	5%	4%
114%	2%	2%	5%	5%
115%	2%	2%	5.5%	5.5%
116%	2%	2%	6%	6%
117%	2%	2%	6.5%	6.5%
118%	2%	2%	7%	7%
119%	2%	2%	7.5%	7.5%
120%	2%	2%	7.5%	8.5%

If the funding ratio exceeds 120%, anything above that 120% is used to increase the pensions of all members.

Do you want to know more about the new pension scheme? If you want to know more about the new pension scheme, read the complete transition plan, or visit our website: www.koopvaardij.nl/en/new-pension-system.