



Welcome! Please find the second newsletter of 2021. In this newsletter we will inform you about the latest developments in the field of pension and what this means for you and your employees.

A WORD FROM THE CHAIRMAN



UPDATE ON PENSION AGREEMENT, NEW FIGURES AND AMOUNTS, AND COMPLETE INDEXATION IN 2022

For Pensioenfonds Caribisch Nederland (PCN) the year 2021 was marked by the introduction of a new pension agreement for all our participants. On May 20,

during the Sectoroverleg Caribisch Nederland, new agreements were made about the pensions for employees in education, health care and government. It is for the first time since PCN was founded in 2010 that the pension agreement has changed.

The new pension agreement has become effective retroactively as of January 1, 2021. That is why alternative agreements for the pension accrual in 2021 have been made. You can read more about this further on in this newsletter. First I will give you an outlook to 2022.

ALL PENSIONS ARE INDEXED BY 4%

Based on the current financial situation, the board of the pension fund has decided to increase (index) all pensions and entitlements by 4% as of January 1, 2022. This is fully in line with the average price inflation of the three islands. The funding ratio has developed well; in October it was 118.7%. This time last year the funding ratio was only 96.8%. As you may know, the funding ratio indicates the relation between the capital our pension fund possesses and the capital the pension fund needs for paying out all pensions now and in the future. This means that the stock markets have recovered well after last year's dip due to COVID-19. The actuarial interest rate has also increased as a result of the development of the market interest rate. This has had a positive effect on the funding ratio.

PENSION CONTRIBUTION IN 2022

Employers and unions have agreed that in any case in 2022 and 2023, the maximum contribution from the pension agreement has to be paid for pension accrual. That means that in 2022 the contribution amounts to 38.4% of the pensionable earnings. The pensionable earnings are that part of the salary over which pension is accrued: the salary minus the offset. From 2021 the pensionable earnings of participants who earn more than approximately \$47.500 (on a full-time basis) are capped. They do not accrue pension over the salary that exceeds this maximum. That means that you have been paying less contribution for these participants since January 1, 2021. And the participants concerned accrue less pension than they used to prior to 2021. However, note that both the maximum salary and the offset are indexed annually. The amounts for 2022 are not known yet.

Lastly, there will be a new development from next year on: we will form a pension buffer together. With this buffer part of the pension accrual can be formed if necessary. For you as employer this means that the contribution level will remain predictable. The buffer will make us more resilient for the future.

Harald Linkels, *Chairman*

Background information

The pension agreement contains the agreements made by the employers and unions. PCN carries out that pension plan. That means that PCN handles the administration, collects the contributions, pays out the pensions, and invests the pension capital.

New: pension buffer for active participants

For 2022 and 2023 employers and participants contribute the maximum pension contribution to PCN. However, in practice the contribution that is required for the pension accrual changes each year. This is mainly because the actuarial interest rate moves with the interest on the financial markets. That is why the contribution that is required for the pension accrual can be lower in one year and higher in the next year. The newly to be formed pension buffer can offer a solution.

It works as follows. If the contribution that is required for the pension accrual is lower than this maximum in a particular year, a buffer is built with the rest (the contribution that is left over). This pension buffer will then be used when in another year more contribution is required than the maximum contribution. This way the contribution level will remain stable and predictable in the coming years and we will save in good times for the bad times.

Conversion message for participants

Soon (1st quarter 2022) we will send your employees a conversion message. It will state how the changes in the pension plan as per January 1, 2021 affects them personally. Needless to say that if they have any questions, they can direct them to us.



OFFICES

Bonaire office

Kaya General Carlos Manuel Piar #5, Bonaire
T +599 717 09 84
E info-bonaire@pensioenfonds-cn.com

Sint Eustatius

Mazinga Square, Oranjestad, Sint Eustatius
T +599 318 32 18
M +599 416 68 60
E info-statia-saba@pensioenfonds-cn.com

Saba

T +599 416 68 60
E info-statia-saba@pensioenfonds-cn.com

Online

F facebook.com/PensioenfondsCN
I www.pensioenfonds-cn.com

The most important changes in the pension scheme

Employers and unions have agreed the following:

- Pension is accrued over the pensionable salary up to a maximum of \$47,500 (on a full-time basis). This is the salary threshold for 2021. This amount is annually indexed;
- The annual accrual percentage is decreased by 0.04% from 1.75% to 1.71%.
- From 2030 on, the retirement age will increase by one year to 66. However, in the new pension plan a participant will still be able to advance or postpone the pension.

These adjustments will offer participants the possibility to continue accruing a pension of 70% of the average pensionable salary.

Participants with a salary exceeding \$47,500 have a lower pension accrual

than they used to. This does not only affect the old age pension; the partner pension and the orphan's pension will decrease as well as of January 1, 2021. It may be wise for these participants to conclude a separate insurance for this.

PLEASE NOTE: DIFFERENT PENSION ACCRUAL IN 2021

Different agreements have been made by employers and unions for 2021. This was necessary because the new pension agreement already took effect on January 1, 2021, but the employers and unions did not want to adjust the pension contribution retroactively. That is why the contribution for 2021 has been set at 35.6% of the pensionable earnings (based on a maximum full-time salary of \$47,500) and there is a accrual percentage of 1.35% in this year.

THE NEED FOR THESE CHANGES

The actuarial interest rate has become increasingly lower over the past years. While an interest rate of 4% applied in 2010, at the beginning of this year is it was approximately 1%. That means that now more pension contribution is required to accrue the same amount of pension. However, in 2010 the employers and unions agreed that the pension contribution should never exceed 22% of the total salaries. But the principle remained that the pension together with the AOV must amount to approximately 70% of the average earned salary (if you accrue pension from the age of 25). That is why the employers and unions deemed the adjustments appropriate.