

Summary Transition Plan – pensioners Final Pay Plan

New law, new pension plan

Much has changed in Dutch society in recent decades. People are becoming older, the ratio of retired to working people is changing. Those who are working are changing jobs more often. The Future Pensions Act (Wet Toekomst Pensioen, Wtp) aims to match this changing society. The basic principle remains that pensions are accrued collectively and financial risks are shared. The Wtp aims to make the system more balanced, flexible, personal and transparent. All Dutch pension schemes must comply with the new legislation no later than January 1, 2028.

How it is being handled at Mars

Mars and the Works Councils agreed on the content of the new pension plan in the Transition Plan. They believe the Transition Plan leads to a balanced transition for all stakeholders. The Transition Plan was also submitted to the Mars Seniors Club's hearing committee as part of the statutory right to be heard.

Mars Pension Fund will evaluate the Transition Plan for feasibility and balanced interests before accepting the mandate to implement the new plan. Once that decision is made, the pension fund will let you know.

The planned transition date to the new plan is January 1, 2027.

Choice of solidarity-based plan

The Wtp offers a choice between a solidarity-based plan and a flexible plan. After careful consideration, Mars and the Works Councils chose the solidarity contribution scheme. Such a plan has a collective investment policy and a solidarity reserve, which reduces the risk of lowering pensions and contributes to stable benefits in the years of retirement. The solidarity reserve can help cushion risks that are difficult for an individual member to bear. Such a plan also provides more opportunities for better investment returns.

From pension commitment to contribution plan

With the introduction of the Wtp, only contribution plans are allowed. These are plans in which agreements are made to pay contributions. The pension fund invests that money. In this way you accrue a pension capital that you can convert into a pension benefit on your retirement date.

The current final pay plan works the other way around: in it, agreements are made about the level of pension benefits, and the contribution is adjusted accordingly. Such a plan is no longer allowed. Therefore, the current final pay plan will be replaced by a contribution plan.

Pension at least as good

The objective of the transition is for members to accrue and receive at least the same or a better expected pension in the new plan than they do now. Negative effects due to the transition will be compensated as much as possible. The ambition is also that the new plan should be easy to explain and not unnecessarily complicated.

Partner's pension and orphan's pension

As for the partner and orphan pension, the choices you made at retirement remain unchanged.

Personal pension asset capital

The standard approach in the new pension law is that personal pension assets are formed from the total assets of the pension fund. Mars and the Works Councils agree with this approach. Those personal pension assets consist of all accrued pensions. In this way, you can take full advantage of the benefits of the new system. This mainly concerns the possibilities of increasing pensions earlier and more in the event of positive economic developments. If things are not going well, this will also have a negative effect.

The adjustment of the amount of your pension will soon depend on the fund's investment results. There will no longer be indexation, as there is now.

Solidarity reserve as a buffer

However, that negative effect can be limited thanks to the so-called solidarity reserve. This is a buffer that can help cushion risks that are difficult for an individual member to bear, especially if you are retired.

The solidarity reserve is formed at the start of the transition from the total pension assets. This is a minimum of 1% and a maximum of 5% of the total pension assets, depending on the funding ratio at the time of the transition on January 1, 2027.

Compensation when needed

To ensure a balanced transition to the new plan for all member groups, Mars and the Works Councils agreed on a compensation arrangement. For pensioners, future indexation (75% of the increase in consumer prices, up to a maximum of 3%) is compensated. The amount of compensation depends on the funding ratio at the time of the transition on January 1, 2027.

This is how the assets are distributed

The total assets of the pension fund are used to ensure a good pension for all members, both now and in the future. In order to distribute that in the best possible way, a distribution key and a priority have been determined. The distribution looks broadly as follows.

- 1 First, it is determined whether the total assets of the pension fund are sufficient to form the personal pension assets in a responsible and balanced manner. In doing so, the members' initial situation at the transition to the new plan must be similar to that in the existing plans. Also, 1% of the total assets are used to form an initial capital for the solidarity reserve.
- 2 Then, first, a portion is used for half of the future indexation. In total, this is 75% of the increase in consumer prices, up to a maximum of 3%.
- 3 A next part of the assets is used for the compensation arrangement for active members.
- 4 Next, part of the assets are used for the other half of the future indexation of pensions accrued in the final pay plan.
- 5 After that, the remaining assets are used first to increase the solidarity reserve to the maximum of 5%.
- 6 If any assets remain thereafter, Mars reserves the right to examine the extent to which those assets can flow back into the company. If not, it will be used to further increase individual pension assets.

The funding ratio determines what can be done

How much capital is actually available depends on the funding ratio at the time of transition to the new plan.

- At a funding ratio of 126.8%, there is a financially equivalent situation for all members, with respect to accrued rights. There will also be enough money for half of future indexation, for the compensation agreement and to fill the solidarity reserve with 1% of the total assets. Mars guarantees these goals if there is not enough capital within the fund for conversion to personal pension assets.
- At a funding ratio of 138.5%, there is enough money to meet the first five goals of the distribution (see above) and the solidarity reserve is filled to the maximum.
- Above a funding ratio of 138.5%, there is also money for the sixth goal.
- At this time, the funding ratio at transition is not yet known; the percentages above are based on the 2024 calculations.