4TH QUARTER 2022

# QUARTERLY REPORT PGB

pensioenfonds PGB

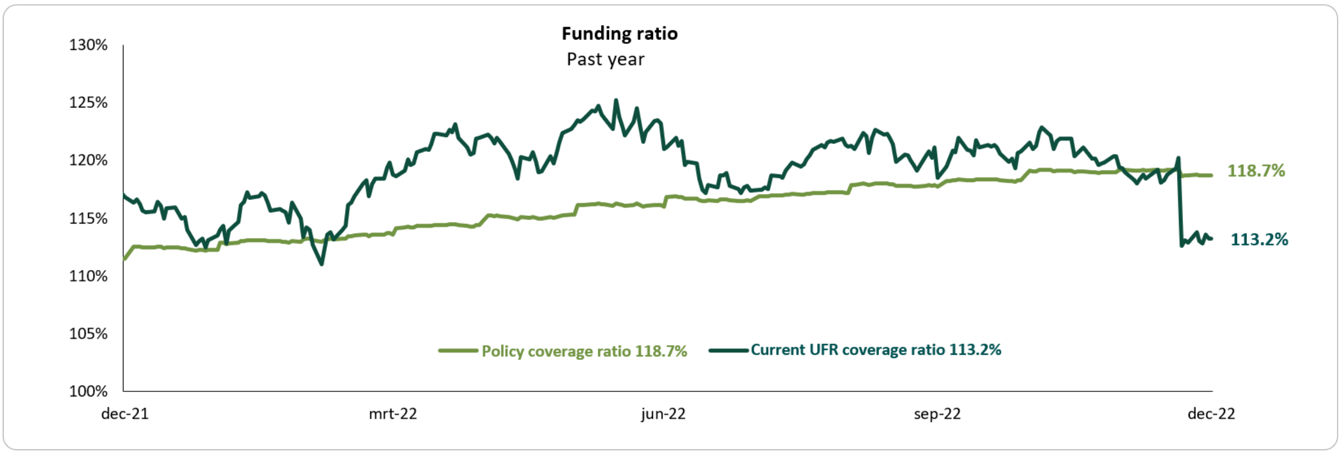
## *Main points:*

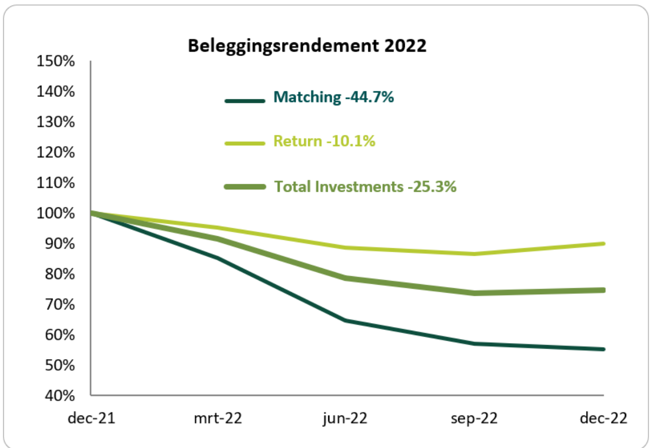
- *Policy funding ratio 31 December 2022: 118.7% (7.3% increase compared to the end of 2021).*
- *Present UFR funding ratio 31 December 2022: 113.2% (3.6% increase compared to the end of 2021).*
- *Return on investments since the end of 2021: -25.3%.*
- *Invested assets 31 December 2022: € 28.8 billion.*
- *In December, the Board decided to increase all pensions by 7% from 1 January 2023. This increase has been incorporated in the coverage ratio for December.*

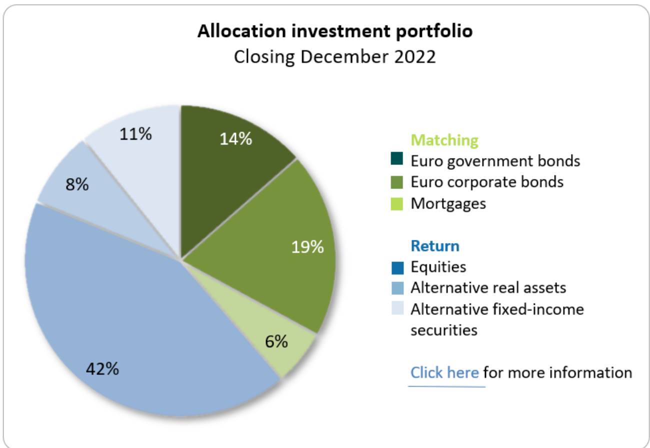
Jochem Dijckmeester, Chairman of the Board of Pensioenfonds PGB: “We can safely say that 2022 was a turbulent year. The war in Ukraine unfortunately has a lot of human suffering and has been going on for almost a year now. Closer to home, our participants noticed the effects of high inflation, with more expensive groceries and rising energy prices. As a pension fund, we saw a lot of unrest in the financial markets. The year 2022 also had contradictions. It was a bad year for our assets. This was largely caused by the sharp rise in interest rates. Assets therefore decreased by -25.3%. But rising interest rates also had another effect, because it means we have to reserve less money for the pensions of now and in the future. For the first time since the economic crisis of 2008, we were able to increase pensions twice in a short period of time. The total increase in 2022 amounted to 3%. To better compensate for the persistent inflation, the Board decided in December to adjust the indexation policy, also with a view to the new pension system. This made it possible to increase all pensions by 7% from 1 January 2023. The Board has carefully considered how this will work out for all generations, so sufficient money remains in cash for the payment of pensions in the future.”

## Overview Financial Position and Investment Return

*See the appendix on page 4 for an explanation of the most important terms.*



## Explanation of Financial Position and Investment Return

**Financial Position**

Because of the improved financial situation at the end of 2021, the board decided to increase the pensions by 0.23%. In July 2022, it was also decided to apply an additional increase of 2.77%. This brought the total increase in 2022 to 3%, with retroactive effect from 1 January 2022. At the end of 2022, the Board decided to increase all pensions by 7% from 1 January 2023. Over the full year 2022, the current UFR funding ratio decreased from 116.8% to 113.2%. This was because our liabilities increased as a result of the pension increases in 2022 and 2023. The increase in pensions in 2023 has been incorporated in the funding ratios for December. The policy funding ratio increased from 111.5% to 118.7% over the same period. The two coverage ratios do not move evenly because the present UFR funding ratio is a snapshot (end of December) while the policy funding ratio is the average of the present UFR funding ratios of the past twelve month-ends. These coverage ratios are criteria for any indexation or discounting (an increase or decrease in the pension). It is tested annually whether this is the case.

**Investment return**

The return on the investments is -25.3% over the full 2022 calendar year. The investments to hedge the interest rate risk (Matching Portfolio) achieved a return of -44.7%. This is the result of the considerably higher interest rate. The value of the Matching Portfolio decreases when interest rates rise. When interest rates fall, the value rises. The Return Portfolio, mainly consisting of equities, achieved a return of -10.1% over the full 2022 calendar year. The share market was under pressure from the war in Ukraine, higher interest rates and fears of a recession.

**Distribution of investments**

The value of the pension liabilities rises or falls as a result of interest rate movements. As of 31 December, 67% of the effect of this movement on our financial position will be absorbed (interest hedging) through investments in the Matching Portfolio, including Euro government bonds. The aim of the Return Portfolio, which largely consists of equities, is to create extra return on investments in order to be able to increase pensions. The value of the total investments is € 28.8 billion at the end of 2022. This is a decrease of € 8.3 billion compared to the end of 2021 as a result of a negative return on the Matching Portfolio in particular.

## Investment Returns Defined Contribution Schemes

Some of the participants have a pension capital through a defined contribution scheme. The details depend on the pension scheme. An appropriate investment portfolio has been drawn up for each age category. In addition, younger participants invest a larger part of their capital in the Return Portfolio (RP). This involves a bigger risk. Older participants invest more in the portfolio with less risk (Matching Portfolio, MP), so their pension capital is better protected against falls in interest rates and falls in share prices. Conversely, the pension capital of an older participant is more affected by the rising interest rate. This explains the relatively greater loss of return for older participants.

| Result per age cohort | Weight | | |
|---|---|---|---|
| | MP | RP | 2022 |
| Age up to and including 49 | 15% | 85% | -15.2% |
| Age 50-55 | 25% | 75% | -18.7% |
| Age 56-61 | 35% | 65% | -22.1% |
| Age from 62 | 45% | 55% | -25.6% |

### Pension liabilities

Liabilities (UFR): The value of the liabilities decreased from €31.9 billion at the end of 2021 to €25.6 billion at the end of 2022. The notional interest rate of De Nederlandsche Bank increased from 0.56% at the end of 2021 to 2.58% at the end of 2022. The interest rate increase results in a lower market value of the pension liabilities. The indexation also has an increasing effect on the market value of the pension obligations.

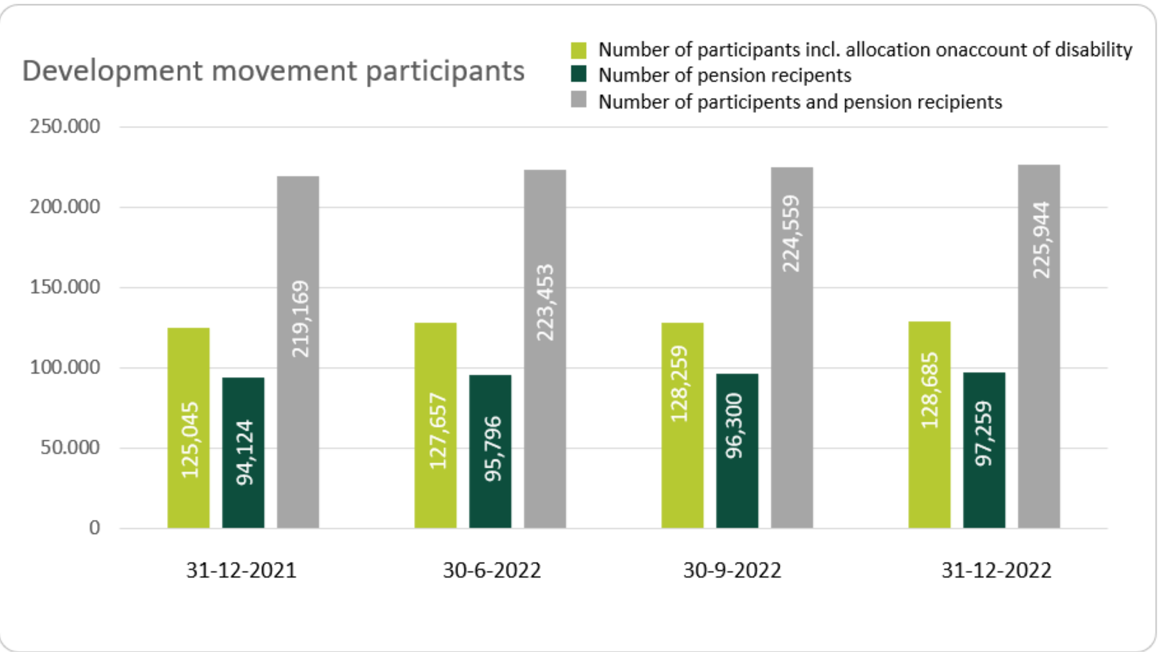
## Developments at Pensioenfonds PGB

New pension rules one step closer: Lower House agrees
In 2023, your pension goes up by 7%
Want an instant and complete picture of your financial future? You can!
Tim van Dijk new board member Pensioenfonds PGB
2022 annual statement digitally or by post (Dutch only)

## Development participants

The number of participants accruing pension with Pensioenfonds PGB - including allocation due to occupational disability - increased with 426 in the 4rd quarter, from 128,259 to 128,685. The number of participants receiving a pension increased in the 4rd quarter of 2022 from 96,300 to 97,259, an increase of 1.0%.
At the end of December 2022, a total of 225,944 participants were accruing or receiving a pension.

***Table 2:** development participants (31 December 2022)*




The total number of participants - including participants who left their pension with Pensioenfonds PGB (deferred members) after leaving - came to approximately 444,000 at the end of December 2022.

## Explanation of the most important terms

**Matching (Portfolio)**
Investments that depend in particular on interest rate movements, such as Euro government bonds. The Dutch government issues loans and these are financed by, for example, Pensioenfonds PGB. The risk on these investments is limited, as it is customary for governments to repay the loans. Pensioenfonds PGB mainly invests in bonds of the Dutch and German governments. All these investments are in Euros.

**Return (Portfolio)**
These investments should provide extra returns. This category mainly consists of equities (worldwide), private real assets (mainly immovable property and infrastructure) and high-interest-bearing assets (mainly bonds from emerging countries). These investments are mainly in Euros, US Dollars and British Pounds.

**Interest rates**
The value of the pension liabilities and the Matching Portfolio changes with an interest rate movement. An interest rate increase generally has a positive effect on the funding ratio, even if the value of the Matching Portfolio decreases as a result, because the liabilities fall more sharply in value. It works the other way around when interest rates fall.

**Real assets**
These are equities and private real assets that are part of the Return Portfolio.

**Disclaimer**
The figures in this quarterly report are provisional figures, based in part on estimates, and have not been verified by the certifying auditor and external actuary.