

Newsletter

Pension increase uncertain... and it's not only due to the corona virus

Hedda Renooij has now been the managing director of the Unilever pension fund for over six months. In the first letter you received from her, she reported that your accrued pension could not be increased on 1 January. Future increases are also uncertain, partially due to the corona pandemic. But there is another reason. Hedda explains this in this interview.



Why this message? Unilever has a solid pension fund?

In recent years we have been in a healthy financial position and able to increase pensions. Rather special; not many pension funds have been able to do this. In the coming years, however, the odds of a full increase (indexation) are small. We want to be clear about this in advance.

Is the corona virus having such a big impact on pensions?

The financial markets have collapsed due to the corona virus and our assets have fallen sharply although Forward was able to realise a return of 22% last year (see reverse). However, our financial position is not only determined by our assets; our pension obligations also play a major role.

These obligations are largely determined by the interest rate. This fell to below 1% in 2019. At this very low interest rate, we need much more money to generate the same pension; this means that our obligations have therefore risen sharply. In combination with the background of our declining assets, this is not a favourable starting point for future increases.

Is Unilever going to do something to improve the situation?

Unilever pays the contribution required for the agreed pension accrual, along with a substantial surcharge. Because of this surcharge, it has been agreed that Unilever will not make additional payments if Forward is facing harder times. The contribution is very high this year (due to the low interest rate), as much as 40% of the total salaries of you and your colleagues combined.

When it was founded in 2015, Forward did receive a pot of money from Unilever, specifically for increasing the pensions (indexation) of employees. That pot still contains enough money for at least part of our target of 3.27% (that is the increase in CLA wage this year) in 2021. The rest depends on our financial position. From 2022 our pension increases will depend entirely on this.

Would it help to adjust the investment policy?

You start to build up pension at a young age and you hope to still receive a pension from us at the age of 85. Our investment policy is therefore aimed at the long-term and takes financial shocks into account. So, we are sticking to our policy. Of course, this does not alter the fact that we follow developments closely and will make adjustments where necessary.

How definitive is a missed indexation?

Suppose our financial position is not good enough for a full pension increase on 1 January of a given year. What happens then?

→ As soon as our financial position has recovered sufficiently, we will still grant the missed (full or partial) increase. We have 10 years to do this.

40% premium!?

You pay 3% of this every month, via your salary. Unilever pays the rest (see interview on the left).

Who is our director?

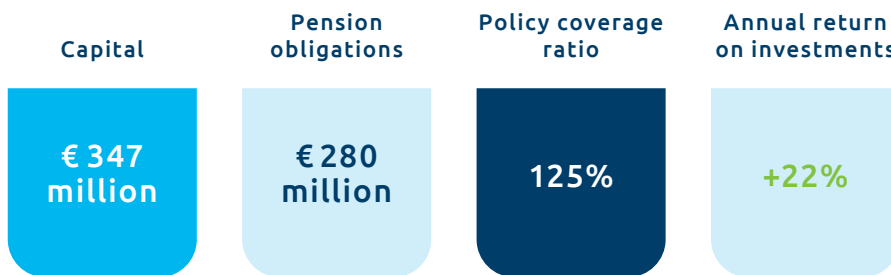
Read the interview with Hedda Renooij on our website.

 [Unileverpensionfonds.nl/Forward](https://unileverpensionfonds.nl/Forward)

Search term: 

Financial position of Forward at the end of 2019

Despite the good investment result of 22%, our policy coverage ratio (see on the right) fell from 140% to 125% in 2019. The reason for this fall is the very low interest rate, which you can read about in the interview on the front. If the interest rate is low, a pension fund needs more money to be able to pay all pensions in the short and long term.



These are provisional year-end figures. We will publish the final figures in the 2019 annual report on our website by June at the latest.

[Unileverpensioenfondsnl/Forward](https://unileverpensioenfondsnl/Forward) > [Documenten](#) > [Publicaties](#)

What increase at which policy coverage ratio?

The law states that a full pension increase is only permitted if the policy coverage ratio is above a certain limit. At Forward this limit is currently 129%; only above that may we fully increase pensions. You can see this in the thermometer graphic on the right, the green part.

Policy coverage ratio fell further to 120%

The policy coverage ratio has fallen further in recent months, in particular due to the collapse of the stock markets as a result of the corona crisis. At the end of March, the meter was positioned in the orange part, at a reading of 120%. In this situation, only a partial increase would be possible.

Position in October is decisive

On the front of this newsletter you can see that the target increase of 3.27% in 2021 is at least partly possible thanks to the remainder in the pot of money available for this. The position at the end of October determines whether anything will be added to this. This is the case with a policy coverage ratio above 110%; from that limit, partial indexation is permitted.

If the policy coverage ratio falls below 110%, then in 2021 there will only be a partial increase from the designated pot of money. Only when the percentage drops below 100% will any reduction be considered.

What is a (policy) coverage ratio?

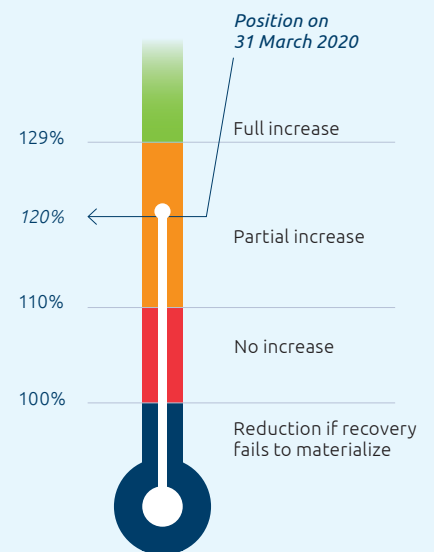
The pension fund's financial position is expressed in the coverage ratio.

Our coverage ratio is determined by our assets on the one hand and our pension obligations on the other. This percentage is therefore a simple calculation:

$$\frac{\text{Assets}}{\text{Pension obligations}} \times 100$$

The policy coverage ratio is the average coverage ratio of the last 12 months.

What increase at which policy coverage ratio?



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