

## Press release

### ABP recovery plan submitted to supervisory authority DNB (Dutch Central Bank)

#### Main points

- According to ABP's recovery plan, recovery from its underfunding situation within approx. 4 years, and rectification of its shortfall in reserves within approx. 13 years
- Temporary increase of one percentage point as of 1 July 2009, with an extra increase of two percentage points as of 1 January 2010, unless recovery progresses more quickly
- Reduction of risk profile of investment portfolio
- No reductions of pension rights currently feature in the recovery plan

**Amsterdam, 31 March 2009 – Like many other pension funds, ABP has been hit hard by the crisis within the financial markets. The fund therefore feels compelled to take measures to improve its financial position. In a so-called recovery plan, ABP has determined which measures are required to bring about the desired recovery of the financial position. This plan has been submitted to the supervising authority – De Nederlandsche Bank (the Dutch Central Bank) – for approval. In its recovery plan, ABP has opted for a period of five years within which to restore the coverage ratio to the legally required minimum level of approx. 105%. The most striking measures in ABP's recovery plan are the temporary increase in the premium for old-age and surviving dependants' pensions and a slight reduction in the investment risk. No reductions of pension rights currently feature in the recovery plan.**

Even without changes in the contribution policy, indexation policy, and investment policy, the fund should be able to recover from the underfunding situation within the prescribed legal frameworks and within five years. Partly in view of the great fluctuations in the coverage ratio (after the end of 2008), however, the ABP Board of Governors believes it would be irresponsible to wait any longer and wishes to use the entire recovery period to reinforce the financial position of the fund. Consequently, the chance that the coverage ratio will actually exceed 105% again within five years is increased, and the necessity for taking additional interim measures is reduced. For this reason, concrete measures are already being taken this year.

There will be a temporary increase in the premium for old-age and surviving dependants' pensions, to be paid by employers and employees jointly. As of 1 July 2009, the premium will increase by 1%, and from 1 January 2010 to 1 January 2014, it will increase again by 2%. If the recovery progresses faster than indicated in the plan, this temporary increase in the premium may be lower.

As long as ABP remains in a situation of underfunding, pensions cannot be adjusted in line with wage trends. This has consequences for the pension payments to pensioners, as well as for the accrued pension rights of employees and former participants.

The risk profile of the investment portfolio has been adjusted slightly in the investment plan for 2009 and the following years, whereby the risk of a fall in the coverage ratio is reduced.

Chairman of the Board of Governors, Elco Brinkman: "We must now take measures to make ABP healthy again in both the short and long term. We will do all we can to avoid reductions of pension rights. Unfortunately, the measures have consequences for our participants and former participants. We will explain this further during meetings to be held all over the Netherlands. We have strived to distribute the worst effects in as balanced a manner as possible between employers, employees, former participants and pensioners."

Today, ABP has submitted the recovery plan to De Nederlandsche Bank (the Dutch Central Bank) for approval. ABP is obliged to do this. At the end of 2008 (the reference date for the recovery plan), ABP's coverage ratio was 90%. The plan needs to ensure that the fund has a coverage ratio of at least 105% after five years and at least 125% in 15 years' time. When drawing up a recovery plan, basic principles are prescribed with regard to the expected returns, inflation/wage inflation and the valuation of the liabilities. The calculations show a recovery of the fund from the underfunding situation after approximately four years. This is longer than the maximum term of three years prescribed in the Pensions Act. ABP has therefore decided to make use of the possibility offered by the Minister of Social Affairs and Employment, Mr Donner, to work on the basis of a term of five years. Recovery from the shortfall in reserves is foreseen after approx. 13 years.

The ABP Board of Governors will of course closely monitor the development of the financial position. The Financial Assessment Framework (FTK) for pension funds will be evaluated in the autumn of 2009. This could give rise to a change in the rules for the assessment of the financial health of a fund. This can also impact upon the level of the coverage ratio, alongside the developments on the financial markets.

If ABP recovers from the underfunding situation faster than foreseen, the Board of Governors will consider on an annual basis whether there is scope to allow the pensions to grow beyond the indications of the indexation scale. If recovery progresses at a slower rate than indicated in the recovery plan, the Board will need to take additional measures. Possible measures that could be considered include a further increase in the temporary increase in the premium and a reduction in the pension rights. The ABP Board of Governors is doing everything within its power to avoid having to reduce pension rights.

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