

Quarterly Report

Improvement of ABP's Financial Position Continues

- Current coverage ratio as of Q3 105.3%
- Return until Q3 inclusive 6.7% (+€33.1 billion)
- Available assets €528 billion
- No expectation of pensions being reduced or an increase in pensions next year
- Transfers of accrued benefits are in sight

Heerlen/Amsterdam, October 21, 2021. As in the first half of this year, the upward trend in ABP's current coverage ratio continued in the third quarter. The coverage ratio rose slightly by 0.8% to reach 105.3% by the end of September. Compared with the coverage ratio in the third quarter of 2020 (88.2%), the coverage ratio as it now stands is significantly greater: over 17% greater in fact. Despite the gradual improvement of the pension fund's financial position, an increase in pensions does not seem plausible next year. As the interest rate remained approximately the same, our pension liabilities barely changed. The positive results of the investments slightly increased the coverage ratio in the third quarter. The return in the third quarter was +1.1% (+€5.5 billion). Over the first three quarters of 2021, this figure was +6.7% (+€33.1 billion).

Chairman, Corien Wortmann-Kool: "The improvement of our financial position is continuing. This means that the probability of pension cuts for next year is low. Unfortunately, this also applies to pension increases. We understand the calls for pension increases, but the reality is that the rules currently in place, which apply to all pension funds, do not offer us the opportunity to do so. The policy coverage ratio is inching towards 100%. When that threshold is passed, then we will be able to offer participants who change jobs the option to transfer accrued benefits to another pension fund. In the past few years, we could not do that."

Pensions are not expected to be raised or lowered in 2022

Pensions will remain unchanged in 2021. This is expected to be the case for 2022 as well. The probability of pensions being reduced is negligibly small because ABP's current coverage ratio of 105.3% is far removed from the critical limit of 90%.

ABP does not expect to be able to raise pensions in line with indexation next year. Partial indexation is not possible until the policy coverage ratio, now at 98.8%, exceeds 110%. The limit for full indexation is 123%. The policy coverage ratio has fallen behind because the lower current coverage ratio of the previous twelve months is included in the policy coverage ratio. During the third quarter, the policy coverage ratio increased from 94.6% to 98.8% (see appendix).

Transfer of accrued benefits possible once more if coverage ratio continues to increase

Many of those who change jobs and start accruing pension with another fund would like to transfer their pension assets to their new pension fund. This is known as a transfer of accrued benefits. Pension funds are permitted to perform a transfer of accrued benefits if both the pension funds concerned have a policy coverage ratio of 100%. For a long period of time, ABP has had a policy coverage ratio beneath that limit, but the pension fund now has a policy coverage ratio of 98.8% and is approaching the required minimum limit. If the current coverage ratio continues to rise and the policy coverage ratio therefore also continues to rise, then transfer of accrued benefits for individuals may be resumed in November.

There are approximately 50,000 applications for transfer of accrued benefits on hold.

ABP will refine its climate and energy ambitions

In the third quarter of this year, the UN climate panel (the IPCC) published its report. This report is another important reminder of the urgency for an ambitious climate policy. ABP is also experiencing the increasing urgency, and diverse groups of participants and employees are asking to see such a policy from ABP. Prior to the summer, the pension fund announced its intention to raise the bar for this reason. ABP will provide further information on this topic during this year.

How did ABP's investments and liabilities fare?

ABP's available assets also rose during the third quarter, from €523 billion at the end of June 2021 to €528 billion at the end of September 2021. In this quarter, ABP posted a positive return of 1.1%, which equates to €5.5 billion. All asset classes (with the exception of risk hedging) were slightly in the green in the third quarter. The subcategories of commodities and Private Equity stood out above the rest (see appendix). In the third quarter, the actuarial interest rate remained at practically the same level as it was in the second quarter (0.5%). This interest impacts the value of the pensions that ABP has to pay out now and in the future. The liabilities therefore increased slightly from €500 billion at the end of June 2021 to €502 billion at the end of September 2021.

Investment outlook

The pension fund's financial position has improved slightly. Despite a resurgence of the pandemic, the most important market risk for the pension fund would be a rapid withdrawal of monetary support measures by central banks – for example in response to significant price rises. That would cause the value of the investment portfolio to decline. However, that would result in a positive effect of the value of the pensions to be paid out declining as well. If the value of the investments falls by more than the value of the liabilities, this could weaken the financial position of the pension fund.

Key figures	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
Current coverage ratio (%)	88.2	93.5	100.5	104.5	105.3
Policy coverage ratio (%)	88.7	87.6	89.8	94.6	98.8
Available assets (€ billion)*	463	495	499	523	528
Liabilities (€ billion)	525	530	497	500	502
Notional interest rest (%)	0.2	0.2	0.5	0.5	0.5

* the main reasons for change in available assets are achieved investment returns, contributions, and pension payments.

Appendices:

Appendix 1. Participant focus (Q3)

(a selection of data from the third quarter of ABP's participant base)

Q3 2021 in cijfers



Meest besproken onderwerp:
De pensioenberekening → 
(offerte voor pensioen)

Zoveel deelnemers
werden 100 jaar:

93 x



Aantal uitgekeerde nabestaandenpensioenen:


205.597
(bijzondere) partner-
pensioenen


7.747
wezenpensioenen

 14.830
deelnemers met pensioen

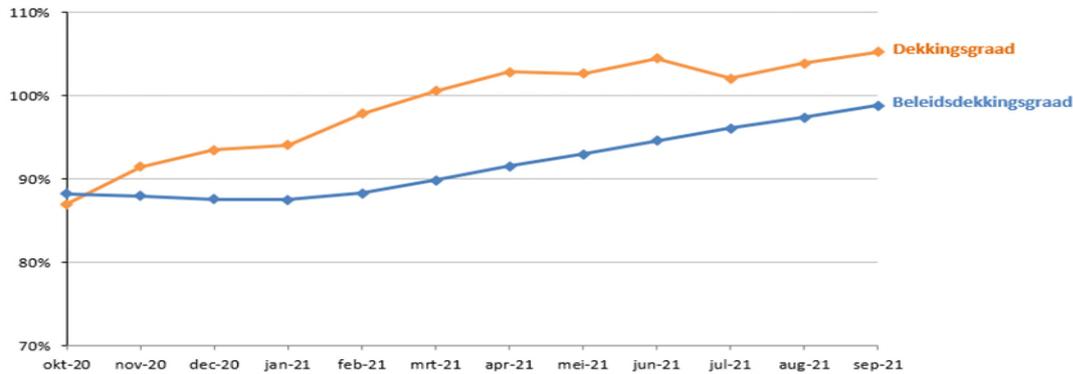
 26.787
nieuwe deelnemers

Totaalbedrag uitgekeerd
aan pensioenen

€ 2,5 miljard

Appendix 2.

Ontwikkeling dekkingsgraden per maandeinde



1. De beleidsdekkingsgraad is gebaseerd op een 12 maandsgemiddelde van de aan DNB gerapporteerde maanddekkingsgraden.

2. De week- en maanddekkingsgraden zijn gebaseerd op voorlopige cijfers van de beleggingen en de VPV. Bijkwartaal ultimo 's zijn de cijfers gebaseerd op definitieve cijfers.

Appendix 3. Investment portfolio composition and returns

	Weight in %	Q3 2021		2021		2020	
		Return in %	Return in € billion	Return in %	Return in € billion	Return in %	Return in € billion
Fixed-income securities	39.5	0.4	0.8	-1.7	-3.2	3.7	6.3
Government bonds	8.0	-0.1	-0.1	-3.5	-1.6	4.2	1.8
Long-term government bonds	11.5	-0.4	-0.4	-8.4	-4.5	11.6	4.2
Corporate bonds	14.0	1.7	1.3	3.8	2.7	1.3	0.7
Emerging market bonds	5.8	-0.2	-0.1	0.6	0.2	-4.3	-0.6
Inflation-linked bonds	0.2	2.5	0.0	2.3	0.0	2.8	0.3
Equities	30.9	0.1	0.3	14.5	24.4	8.7	13.8
Equities, developed countries	23.8	2.1	3.1	17.8	22.9	8.2	9.8
Equities, emerging markets	7.1	-6.7	-2.8	3.5	1.5	10.7	3.9
Alternative investments	20.7	7.1	7.4	24.8	22.2	0.2	1.1
Private equity	7.6	12.6	4.5	27.0	8.6	21.0	5.4
Commodities	6.1	5.1	1.7	40.2	9.9	-20.5	-3.1
Infrastructure	3.8	3.0	0.6	9.4	1.6	-1.3	-0.2
Hedge funds	3.2	3.8	0.6	12.6	2.0	-4.2	-0.9
Real estate	9.5	1.3	0.6	12.0	5.3	-10.2	-4.8
Real estate	9.5	1.3	0.6	12.0	5.3	-10.2	-4.8
Portfolio return (before overlay)	100.5	1.8	9.2	9.8	48.7	3.6	16.5
Overlay	-0.5	-0.7	-3.7	-3.1	-15.5	3.0	14.1
Interest and inflation hedge		0.0	-0.2	-1.2	-5.8	1.1	5.1
Currency hedging		-0.7	-3.5	-1.6	-8.1	1.7	8.0
Cash and other		0.0	0.1	-0.3	-1.7	0.2	1.1
Total	100.0	1.1	5.5	6.7	33.1	6.6	30.6