

Implementation plan

Dutch Future Pensions Act (Wtp)

Table of contents

1	Introduction	5
2	Setting up project organisation and decision-making	6
2.1	Setting up project structure for transition period	6
2.1.1	Organisational structure transition project	7
2.1.2	Key milestones	8
2.1.3	Follow-up steps to transition	9
2.2	Decision-making process adoption of implementation plan	10
3	Risk analyses and control measures	12
3.1	Risks and control measures	12
3.1.1	Description of project risks	12
3.1.2	Description of key changes in the roles and responsibilities of the pension administrator and parties in the asset management chain	14
3.1.3	Description of changes to the pension administrator's key business processes (process control)	16
3.1.4	Description of changes in governance	19
3.1.5	Description of changes in cost structure	19
3.1.6	Overview of key risks in the above areas and associated control measures	21
3.2	Opinion on technical feasibility of new pension scheme	22
3.2.1	Feasibility analysis	22
3.2.2	Description of steps still to be taken	27
3.3	Outsourcing risk	27
3.3.1	How did the Board involve its outsourcing partners in preparing for the transition (process description)	27
3.3.2	Key agreements with critical outsourcing parties regarding administration of the new pension scheme	28
3.3.3	Overview of all critical outsourcing and sub-outsourcing relationships involved in the transition, including a description of service provision	30
3.3.4	Overview of associated outsourcing risks and control measures	30
3.4	Risk analysis and financial risk management	31
3.4.1	Description of financial risks relevant to the transition	31
3.4.2	Scenario analysis indicating steps to be taken in case of financial, economic and/or other shocks during the transition period	34
3.4.3	Overview of how investment policy can be adjusted if necessary	35
3.5	Description of key legal and privacy risks regarding transition	36
3.6	Concluding opinion of the Board, key officer risk management and internal supervision on the risk analyses and risk control measures	37

4	Data and data quality	39
4.1	Description of data availability before, during and after the transition and of the management of associated risks	40
4.2	Risk analysis and control of data quality before, during and after the transition	41
4.3	Overview of key risks and 'complex cases' in data quality and control measures in place	44
4.4	Justification of the risk appetite and maximum allowable deviation with respect to data quality and a description of how a risk appetite and maximum allowable deviation with respect to data quality is applied	45
4.5	Description of pension administrator's work to establish data quality for integration of accrued rights	46
4.6	Description of the findings arising from the work performed, including how the findings have been or will be resolved	46
4.7	Steps still to be taken to get data quality to a sufficient level	47
4.8	Reporting of specific work by external auditor or external IT auditor prior to decision on integration of accrued rights	48
4.8.1	Description of engagement/activities accountant/IT auditor	48
4.8.2	Outcomes of work and findings accountant/IT auditor	48
4.8.3	The Board's assessment of outcomes and the relevant conclusions	48
4.9	Research data quality after the date of integration of accrued rights	49
4.9.1	Description of external auditor assignment	49
4.9.2	Method of how the Board deals with external auditor's findings	49
4.10	Description of how data quality issues will be resolved after actual integration of accrued rights	49
4.11	Description of how the pension fund handles the processing of any retrospective pension changes	50
5	Integration of accrued rights	51
5.1	Working method: preparations and implementation of decision on conversion methods and allocation of pension assets	51
5.2	Description of how the pension fund prefers to deal with accrued rights	51
5.2.1	What portion of capital is used to meet minimum required equity capital	52
5.2.2	What method is used for measurement of the pension entitlements and pension rights and allocation of the assets	52
5.2.3	Fulfilling the administrative space within the chosen method	53
5.2.4	Level and method of compensation for abolishing the career average system	53
5.2.5	The initial allocation to the solidarity reserve and the relevant rules	53
5.2.6	How the pension fund took into account the consequences for participants, former participants, former partners and pensioners of using bridging plans	54
5.2.7	How the pension fund has taken into account the consequences for participants, former participants, former partners or pensioners when using the option to grant a supplement in the year 2022 at a policy funding ratio above 105%	54

5.2.8	How the pension fund handles disability pension, non-contributory continuation and survivor's pension	55
5.2.9	The manner in which the pension agreement will be administered in compliance with applicable laws and regulations, including equal treatment legislation	56
5.2.10	Justification transition effects and compensation	56
5.2.11	Rationale balanced advocacy	57
5.2.12	Description and justification of equilibrium integration funding ratio	58
6	Transition-FTK and bridging plan	59
7	Transition plan (in outline)	60
7.1	Description of decision-making process regarding transition plan (how did stakeholders reach decisions and were fund bodies involved)	60
7.2	Explanation of how the Board has established a balanced transition plan and what role governing bodies (SB, VO) and Key Officers had in it	61
7.3	Explanation of how the Board determined the feasibility of the transition plan and what role fund bodies (SB, VO) and key officers played in this process	61
7.4	Test for conformity of transition plan with legal requirements	62
7.5	Reasoned explanation of whether or not the pension fund deviates from transition plan	62
7.6	Financial limits (funding ratio) conditional on transition plan	62
7.7	Agreements and course of action (specified and achievable plan) if financial limits of transition plan are exceeded	62
8	Communication	63
	Annexes	64

1 Introduction

Due to the introduction of the Dutch Future Pensions Act (Wtp), TNO's pension scheme must be adjusted. Last year, TNO, as an employer, and the TNO Works Council (hereinafter referred to as 'the social partners') made choices regarding the new pension scheme. The social partners requested Stichting Pensioenfonds TNO (TNO Pension Fund – Pf TNO) to start administering this new pension scheme as from 1 July 2026 (transition date). To achieve this, a transition plan (Annex A) was finalised on 3 February 2025. Through the transition plan, the social partners also requested that pension entitlements and rights accrued as at the transition date be integrated in the new pension scheme. Furthermore, the social partners have asked Pf TNO to compensate participants who are disadvantaged by the abolition of the career average system as explained in the transition plan.

In the transition plan, the social partners recorded the choices made, the underlying considerations and calculations for the change in the pension scheme, as well as the preferred way to deal with the pension entitlements and rights accrued up to the transition date. In addition, this transition plan sets out the justification of having what the social partners felt is a balanced transition to the new pension scheme.

In its Board meeting of 18 June 2025, Pf TNO decided to accept the social partners' mandate and grant the request for integration of accrued rights. Pursuant to Section 150i of the Pensions Act, Pf TNO has prepared this implementation plan. This also describes the process applied to reach the decision.

In this implementation plan, Pf TNO sets out the preparations made for the administration of the amended pension agreement, how the administration of the amended pension agreement will be specified, and how accrued pension entitlements and pension rights will be dealt with.

After the introduction in this chapter, Chapter 2 explains the project organisation for the transition and describes the decision-making process followed. Chapter 3 describes the impact of the transition on the organisation, processes and systems and how the identified risks of the transition will be controlled. Chapter 4 describes how Pf TNO has tested data quality and maintains it at the required level. Chapter 5 briefly describes the various aspects concerning integration of accrued rights. Chapter 6 reflects the decision not to use the so-called transition FTK (for the time being). Chapter 7 describes various aspects concerning the preparation and assessment of the transition plan by the social partners. The communication plan, which is an integral part of the implementation plan, is not included in the main text of this document. The communication plan is submitted separately to the Financial Markets Authority (AFM). Chapter 8 refers to the relevant annex for the content of the communication plan.

This implementation plan will be submitted to De Nederlandsche Bank (DNB) within two weeks from the adoption date stated below. The implementation plan is accessible to all active participants, former participants, former partners and pensioners by means of publication on Pf TNO's website. All active participants, former participants and pensioners will be informed accordingly by means of a personalised message.

2 Setting up project organisation and decision-making

2.1 Setting up project structure for transition period

The social partners and PfTNO started the Wtp project in 2022 with the aim of realising the transition from Pf TNO's current pension scheme to the new pension scheme in accordance with the Future Pensions Act.

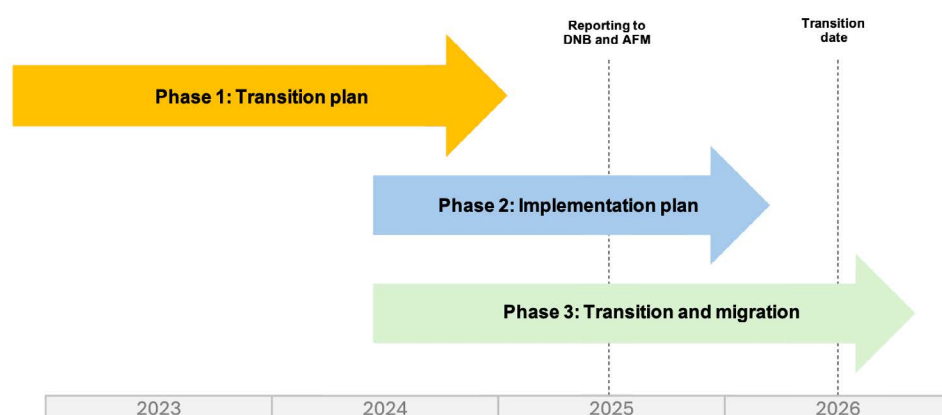


Figure 1. Phases of transition project

The Wtp project comprises of the following three phases (Figure 1).

Phase 1: Transition plan

In phase 1, the main focus was on the social partners' decision-making on the type of scheme (Solidarity Premium Scheme (SPR) or Flexible Premium Scheme (FPR)), the integration of accrued pension entitlements and rights into the new pension scheme and the details of the new pension scheme. Phase 1 was completed with the realisation of the transition plan.

Phase 2: Implementation plan

Phase 2 focuses on decision-making by the Board of Trustees of Pf TNO (hereinafter: 'the Board'). This phase concerns the further specification and decision-making on the new pension scheme. Ten work packages are identified within this project phase (Figure 2). Each of these work packages results in one or more (decision-making) documents (see section 2.2 for more information on the decision-making process of these different documents). A key milestone in this phase is finalising the implementation plan (and all related decision-making documents) and submitting it to DNB (and the communication plan to AFM). The subsequent process of completeness check, content assessment and decision-making on the notification by DNB is also part of this phase. Based on the indicative lead time of this internal DNB process of about 6 to 9 months, we intend to complete phase 2 by the end of 2025. As part of the overall assessment, Pf TNO has already completed a partial assessment with DNB on the subject of risk attitude in early 2025. This was completed on 17 April this year without any suspensive findings.

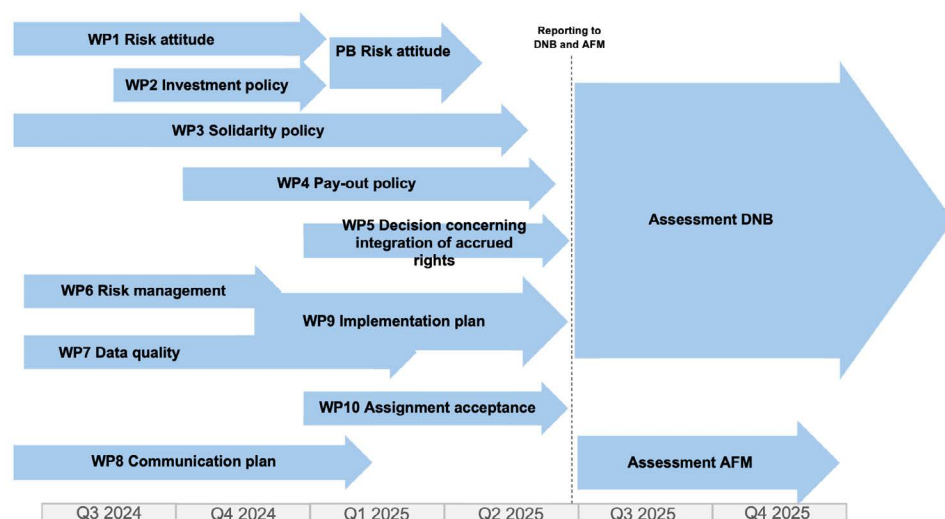


Figure 2. Components Implementation plan phase

Phase 3: Transition and migration

Phase 3 has already started in parallel with phase 2 and focuses on (preparing for) the actual transition. Phase 3 gradually intensifies towards 2026 and is implemented in close cooperation with outsourcing parties. Important activities in this phase include specifically setting up the new IT environment, monitoring data quality, data migration incl. various pilot migrations, integration calculations, implementation of the communication plan and preparation of the new website.

2.1.1 Organisational structure transition project

The project structure for the transition builds on the Fund's current organisational structure. All preparations and analyses are conducted by the administrator office, preliminary discussions take place in relevant committees, and decision-making takes place among and by the Board participants. From the beginning of the transition project, the (transition) calculations were performed for the Fund by AZL's actuarial department.

For phase 1, which focused on decision-making by the social partners, a working group was appointed consisting of representatives of the Works Council and representatives of the employer, TNO. This working group informed the full TNO Works Council and TNO Executive Board on a regular basis. The final decision-making on the transition plan was also completed on this platform. This working group was guided by the Fund's administrator office and regularly coordinated with the the Board of Trustees of Pf TNO.

In phase 2, the regular governance structure was leading (Figure 3). The administrator office also took on the project management of the entire transition process. For the purpose of adequate alignment and coordination of the transition process, an additional steering committee NPS (New Pension System) was initially appointed, which included representatives of the Executive Committee (DB) and key committees. In mid-2024, in light of intensification of the project and more frequent consultations with the entire Board, the decision was made to discontinue this steering committee.

To coordinate the work within the administrator office, regular consultations took place in the NPS working group, chaired by the project leader. The Board and administrator office engaged Pf TNO's various external advisers, many of whom also sit on the committees as advisers to advise and support the Fund. Additionally, 6-weekly meetings with key officers have been conducted since early 2024.

Furthermore, for the purpose of phase 3, a joint steering committee was appointed at the end of phase 2 between Pf TNO and AZL, including representatives of Pf TNO's Board and management, and AZL's management.

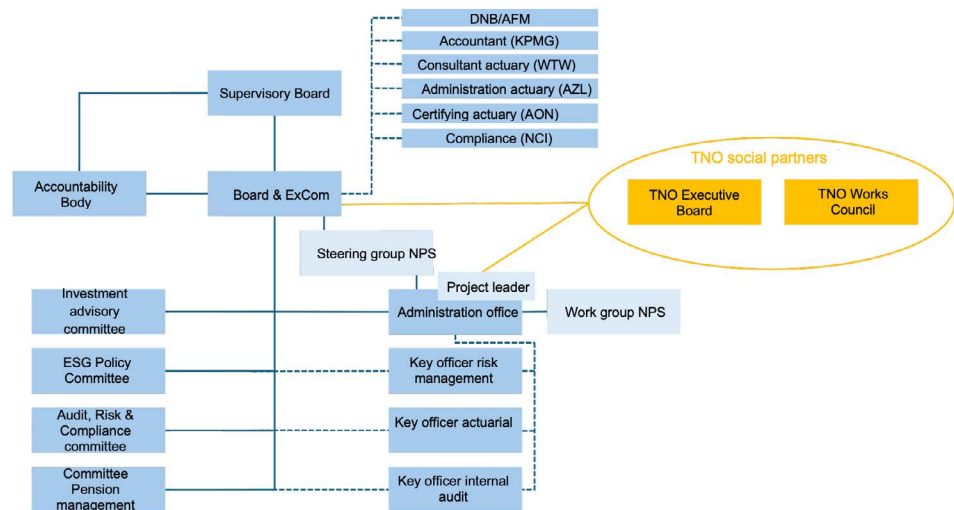


Figure 3. Integral organisation

2.1.2 Key milestones

Key (planned) milestones are listed below.

Date	(Planned) milestone
2022	Start preparation for pension transition
2022 - 2024	Many (knowledge) sessions with the social partners, the Board, VO, SB and eTNOs
26 May 2023	The social partners' principle decision on the choice of contract (SPR) and integration of accrued rights.
29 May 2024	Discussion by the Board, VO and SB on results of risk preference study (RPO) and the next steps.
18 July 2024	Establishing preliminary risk attitude and basic lifecycle by the Board
28 August 2024	Discuss preliminary risk attitude and basic lifecycle with VO and SB
11 September 2024	Proposed decision (VB) communication plan WTP by the Board
6 November 2024	Opinion of accountability body on VB communication plan
18 November 2024	Proposed decision on new pension scheme, compensation and integration of accrued rights by the social partners laid down in draft Transition Plan
2 January 2025	Reaction of eTNOs on draft Transition Plan in the context of hearing rights
17 January 2025	Decision-making document Risk attitude and Decision-making document Investment policy and allocation rules adopted by the Board
30 January 2025	Submission of partial assessment of risk attitude to DNB
3 February 2025	Transition plan finalised by the social partners
20 February 2025	Communication plan adopted by the Board
27 February 2025	Proposed decision of the Pf TNO Board regarding integration of accrued rights and allocation of assets
27 February, 1 April 2025	Explanation and discussion of proposed decision to integrate accrued rights with VO and SB
20 March 2024	Establish data quality test DB and DC plan by the Board

Date	(Planned) milestone
2 May 2025	Opinion of accountability body on proposed decision on integration of accrued rights and allocation of assets
20 May 2025	Decision-making document on solidarity policy adopted by the Board
20 May 2025	Approval of Supervisory Board of PfTNO with regard to proposed decision concerning integration of accrued rights and allocation of assets
28 May 2025	Decision-making document on pay-out policy adopted by the Board
6 June 2025	Approval of Supervisory Board of PfTNO with regard to proposed decision concerning integration of accrued rights and allocation of assets
18 June 2025	Decision-making document on pay-out policy adopted by the Board
18 June 2025	Assignment acceptance adopted by the Board of PfTNO
18 June 2025	Decision on integration of accrued rights adopted by the Board of PfTNO
18 June 2025	Implementation plan adopted by the Board of PfTNO
No later than 30 June 2025	Group asset transfer (decision on integration of accrued rights) reported to DNB with simultaneous submission of case file on decision on integration of accrued rights (template and implementation plan) and communication plan submitted to AFM
30 June 2025	Deadline for PfTNO to send the implementation plan and communication plan to De Nederlandsche Bank and the Authority for the Financial Markets respectively
Q3 2025	Engagement letter adopted by the Board of PfTNO and sent to the social partners
1 July 2026	Transition (transition date) to the amended pension scheme, including integration of existing pension entitlements and accrued rights
1 January 2028	Deadline for transition

2.1.3 Follow-up steps to transition

With the finalisation of this implementation plan and related documents, it is clear that the Board is prepared to start the transition by 1 July 2026 in terms of policy, one year before the transition date.

During the implementation phase (phase 2), the Board will still be involved in consultation with DNB on the group asset transfer request and the implementation plan.

The Board will emphatically continue to monitor financial developments and act accordingly where necessary. This includes the trend and expectation of the funding ratio. The social partners and PfTNO will enter into further consultation about integration of accrued rights 6 months before the transition date, regardless of the development of the funding ratio. The social partners and PfTNO have also agreed to convene if the funding ratio reaches 110%. In conjunction with this agreement, PfTNO will monitor whether the transition effects remain within the set ranges. This monitoring will be discussed in consultations with the social partners 6 months before the transition date. In addition, immediate consultations are convened with the social partners if a bandwidth could be exceeded.

Phase 3, transition and migration, will be further intensified. A detailed schedule will be applied for the migration and the integration of accrued rights.¹ This phase includes various milestones and decision-making moments in the aforementioned schedule.

¹ Annex G 'Migration and integration of accrued rights plan AZL' (version 07-04-2025, generic version).

2.2 Decision-making process adoption of implementation plan

In the decision-making process during the implementation phase, Pf TNO's Board took various partial decisions on data quality, communication plan, risk attitude and investment policy, integration of accrued rights and the design of the new scheme. Figure 2 shows the work packages of the implementation phase.

Each work package results in one or more (decision-making) documents. The Board has chosen to use a limited number of decision-making documents, bringing together the various considerations on subtopics. This serves to shape the design and substantiation of the Wtp policy in a balanced, clear and consistent manner. These documents have a similar structure and describe the choices made in the policy, their assessment against the legal frameworks, the justification of the choices, the alternatives considered and the decision-making process resulting in the adoption of these policy components. Table 1 offers an overview of all (decision-making) documents prepared for the purpose of decision-making on the implementation plan, also indicating which bodies and key officers were involved in the relevant documents.

The relevant (decision-making) documents indicate in more detail how the process and co-ordination for the adoption of the relevant document took place, including which bodies and key officers were involved, what advice or opinion they gave, and how this was included in the final decision.

Table 1: Overview of various (decision-making) documents per work package and the bodies and Key Officers consulted in the preparation and decision-making process.

Work package	Topic	Document	Decision	Consulted bodies or key officers	Date of decision
WP1	Risk attitude	Decision-making document risk attitude	Board	Key Officer Risk Management, Key Officer Actuarial, Accountability Body, Supervisory Board	17-Jan-25
WP2	Investment policy	Decision-making document investment policy and allocation rules	Board	Key Officer Risk Management, Key Officer Actuarial	17-Jan-25
WP3	Solidarity policy	Decision-making document solidarity policy	Board	Key Officer Risk Management, Key Officer Actuarial	13-May-25
WP4	Pay-out policy	Decision-making document on pay-out policy	Board	Key Officer Risk Management, Key Officer Actuarial	18-June-25
WP5	Integration of accrued rights	Decision concerning integration of accrued rights	Board	Key Officer Risk Management, Key Officer Actuarial, Accountability Committee, Supervisory Board	18-Jun-25
WP6	Risk management	RSA incl. NPS risks (transition RSA)	Board	Key Officer Risk Management, Supervisory Board	10-Dec-24
WP7	Data quality	Final Data Quality Test career average plan	Board	Key Officer Risk Management, Key Officer Actuarial, Key Officer Internal audit, Accountant KPMG	20-Mar-25

Work package	Topic	Document	Decision	Consulted bodies or key officers	Date of decision
WP7	Data quality	Final Data Quality Test DC plan	Board	Key Officer Risk Management, Key Officer Actuarial, Key Officer Internal audit, Accountant KPMG	20-Mar-25
WP8	Communication plan	Communication plan WTP	Board	Key Officer Risk Management, Key Officer Internal audit, Accountability Body	20-Feb-25
WP9	Plausibility	Decision-making document plausibility check	Board	Key Officer Risk Management, Key Officer Actuarial	13-May-25
WP9	Implementation plan	Implementation plan	Board	Key Officer Risk Management, Key Officer Internal audit, Supervisory Board	18-Jun-25
WP9	Template integration accrued rights	Template integration accrued rights	Board	Key Officer Actuarial Key Officer Internal audit	18-Jun-25
WP10	Assignment acceptance	Engagement confirmation	Board	Key Officer Actuarial	18-Jun-25

3 Risk analyses and control measures

This section describes and estimates the risks identified concerning the transition to the new pension system (NPS). It also provides an insight into the control measures the pension fund has in place to hedge the potential risks. Where necessary, specific attention is paid to temporarily controlling different pension environments (Compas/Festina). This view is derived from the RSA (Risk Self Assessment) that the Fund conducts annually. NPS risks are updated quarterly. In both 2024 and 2025, this update was also included in the Risk Report of the Fund's Risk Manager (also Key Officer Risk Management) (see also Annex H, Risk Report Q1 2025). Moreover, the Fund updated the Risk Self Assessment (ERB) at the end of 2024 and submitted it to De Nederlandsche Bank after review by the Key Officer Actuarial.

3.1 Risks and control measures

The transition to the new pension system is an extensive multi-year project, with the Fund facing different risks, depending on the progress of the project. As a result, risk management is not a static entity, but rather a dynamic process that moves with the different parts of the process. As a result, the RSA the Fund conducts and the updating of NPS risks based on so-called risk maps is continuously evolving. Risk maps that are no longer applicable are no longer included. For example, after final adoption by the Executive Board of TNO on 3 February 2025, the map 'failure to complete the Transition Plan on time' was no longer relevant and was subsequently no longer included. Conversely, other maps relating to technical feasibility become more urgent as we get closer to the moment of transition, shifting attention to these risks.

Several risk categories have been identified in the Fund's RSA; these are set out in various sections:

- Project risks in section 3.1.1;
- Operational risks regarding the PUO in section 3.1.3;
- Operational risks regarding costs in section 3.1.5;
- Other operational risks in section 3.1.6;
- IT risks in section 3.2;
- Outsourcing risks in section 3.3.2;
- Financial risks due to changes to the scheme in section 3.4.1;
- Financial risks during or just before the transition in section 3.4.2;
- Legal risks in section 3.5;

In the remainder of this chapter, sections describing the future situation and sections on risks and control measures will alternate, in order to form an overall picture of the current recognised risks concerning (the transition to) the new pension system and the phasing out of the current system.

3.1.1 Description of project risks

The Fund recognises several potential risks or situations that may prevent the transition to the NPS from taking place, or to be completed in time, or to be delivered to full satisfaction. The causes of such risks can be both internal and external factors. These include risks specifically related to the Wtp transition project.

Project risks

The main project risks that the Fund recognises and monitors are:

- Board changes;
Given the complexity of the NPS project, it is important to maintain sufficient knowledge within the Board. With many Board member changes, the project's progress could come under pressure.

Control measures:

- The Fund has a large Board consisting of 10 participants. This allows for easy redistribution of tasks. In addition, the term of office schedule is regularly discussed in order to start a (re)appointment process of a the Board member in good time. Through reappointments, it is possible to keep available knowledge on the Board.
- Complex decision-making, resulting in delay of implementation plan;
The number and complexity of decisions to be made for the transition to the NPS is high. The Fund depends on stakeholders, such as the social partners, the employer and the Accountability Body, for various decisions. This dependency may result in the Board not being able to make decisions on time, thus preventing the timely completion of the implementation plan.

Control measures:

- By adhering to a tight project schedule, ensure that there is sufficient time for COD (form a Concept, form an Opinion, make a Decision). Additional WTP meetings with the Board were scheduled at all COD stages. This served to ensure that decision-making in (extra) Board meetings could take place (on time).
- Balancing is one of the most complicated decision-making processes. By starting to share the balancing framework and initial outcomes of transition effects early, stakeholders are included in the Board's decision-making process.
- External consultants are hired to support the administrator office and the Board in preparing and making (partial) decisions.
- Dependence on regulators and lower-level regulations, including not receiving DNB's notification of no objection on time;
This risk is partly fuelled by the fact that the requirements are not always unambiguous and the regulator's interpretation may also change. For instance, DNB and the AFM periodically issue best practices (fact sheets and Q&As) that should, in principle, be followed. In addition, a bottleneck may arise due to the need for DNB to deal with multiple implementation plans simultaneously.

Control measures:

- Closely following DNB and AFM guidelines and newsletters. We maintain contact with DNB through consultations and e-mail in order to discuss viewpoints or bottlenecks.
- By involving various consultants in the process, external knowledge is added. Adviser WTW is more directly engaged in the NPS process due to the fact that they are the Fund's consulting actuary. Their involvement in the transition process at different tables also allows them to gain insight into experiences at other funds.
- Ensuring sufficient flexibility (agility) in the overall WTP project to be able to implement possible changes, adjustments or further interpretations of legislation to come.
- Integration of accrued rights mid-year is too complex;
The risk that the mid-year transition could create insurmountable bottlenecks or require significant additional work

Control measures:

- Coordinating with auditor on additional requirements to transition mid-year. Alignments should also be made with the PUO, actuaries and Key Officers.
- There are several funds transitioning by mid-2025. Experiences from these funds will be taken into account.

Opinion on the design, existence and operation of control measures around project risks:

The Fund has recognised various project risks and taken appropriate control measures accordingly. These control measures are expected to be sufficient to mitigate the identified risks during the residual period of the project, enabling a timely and controlled transition to the NPS.

3.1.2 Description of key changes in the roles and responsibilities of the pension administrator and parties in the asset management chain

The transition to the Wtp has major implications for the Fund and its outsourcing parties. Whereas under the FTK (legal framework), the pension administration organisation and the asset management chain were almost completely separated, the transition to the solidarity-based defined contribution plan will require the parties to exchange more data, more frequently. This is because in the new system, there is a direct link between the member's personal pension capital and the results of the asset management chain. In terms of duties and responsibilities, the change for the PUO is the most extensive. For the parties in the asset management chain, the tasks and responsibilities do not change as much as with the PUO. This is partly because the Fund opted for the solidarity-based defined contribution plan with application of the theoretical protection return. As a result, only limited adjustments to the IT architecture of the asset management chain are required. The main parties forming part of the new pension administration chain are the PUO (AZL), the strategic investment consultant (BlackRock), the administrator office and the custodian (Caceis).

PUO has the responsibility to allocate returns to participants' personal pension assets, the solidarity reserve and other reserves and provisions in accordance with the allocation rules established by the pension fund.

The strategic investment adviser advises on the strategic investment policy, ensures the implementation of the investment policy for the overlays, including interest rate hedging, and runs a shadow administration.

Because the administrator office itself has a role in selecting and monitoring managers and setting investment policy, the Fund does not have a true fiduciary. As a result, the Fund itself also has a direct role in the asset management chain.

The Custodian provides independent investment administration. These records are fed from the settlement of portfolio transactions completed by operational asset managers. Reconciliations are made with the various asset managers. Investment records are also the basis for DNB reporting and independent assessment of investment guidelines.

The SIVI report 'Consultation report standard for data exchange for pension administration & asset management parties' includes the figure below, which describes the parties involved in an SPR contract. The flows with the red dots are the main new digital data exchanges within the SPR, which will be exchanged via the SIVI standards.

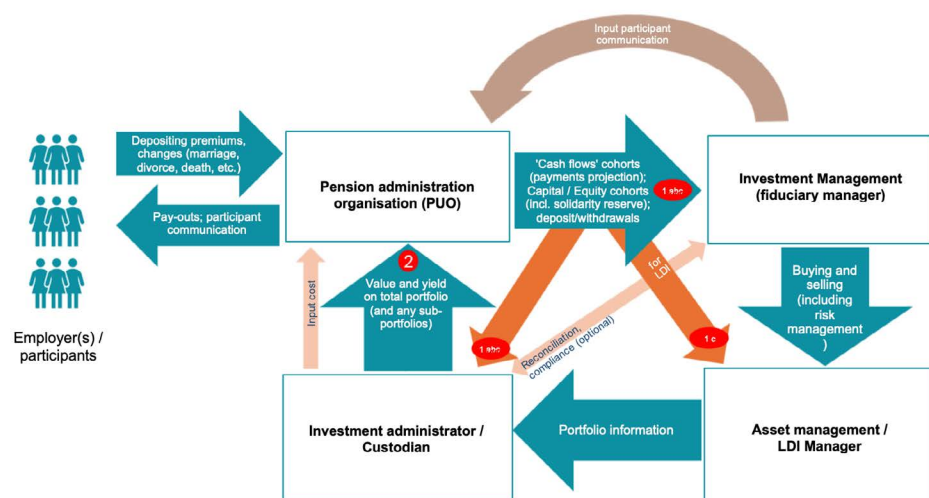


Figure 4. Relation between parties to an SPR contract.

The above image is an outline only. To capture all data flows and alignments between the chain partners within the Wtp, the Fund and the outsourcing parties establish a Target Operating Model (TOM).

Specification of Target Operating Model

The TOM identifies the activities and work of the chain partners involved in the Fund chain. It also describes their primary roles and responsibilities, the schemes they administer, and the primary work they perform for this purpose. The TOM does not describe the implementation of all activities at the parties or chain partners that are performed independently, i.e. without periodic interdependence. Such activities are described in bilateral contracts and e.g. an SLA or SLD between the Fund and the relevant chain partner.

The TOM includes:

- All that is necessary to manage the portfolio and indirectly allocate (theoretical) returns to personal pension assets and provisions or reserves.
- The exchanges and collaborations between parties insofar as these are not described and (legally) established in mutual documents.

The following chain partners are recognised in the TOM:

Type of party	Chain partner
Pension Fund	TNO Pension Fund (Pf TNO)
Investment administrator	Caceis
Custodian	Caceis
Fiduciary manager in the role of overall investment portfolio oversight/fiduciary management	TNO Pension Fund Foundation (Pf TNO)
Strategic investment advisor/Fiduciary manager in the role of overlay manager and shadow administration	BlackRock
Asset managers	BlackRock, M&G, Vanguard. Northern Trust, Neuberger, DMFCo and various real estate, private equity and direct lending managers
Reporter of portfolio information	Caceis
LDI manager	BlackRock
Main banker of pension fund	ING Bank N.V. (ING)
Main banker of asset management	Caceis
Pension administration organisation (PUO)	AZL N.V. (AZL)
Reporter DNB statements (investment data) to AZL	Caceis
Reporter DNB statements in total to DNB	AZL N.V. (AZL)
Regulator	De Nederlandsche Bank N.V. (DNB)

After transition, the implementation chain, broken down by activities by chain partners, looks as follows in detail:

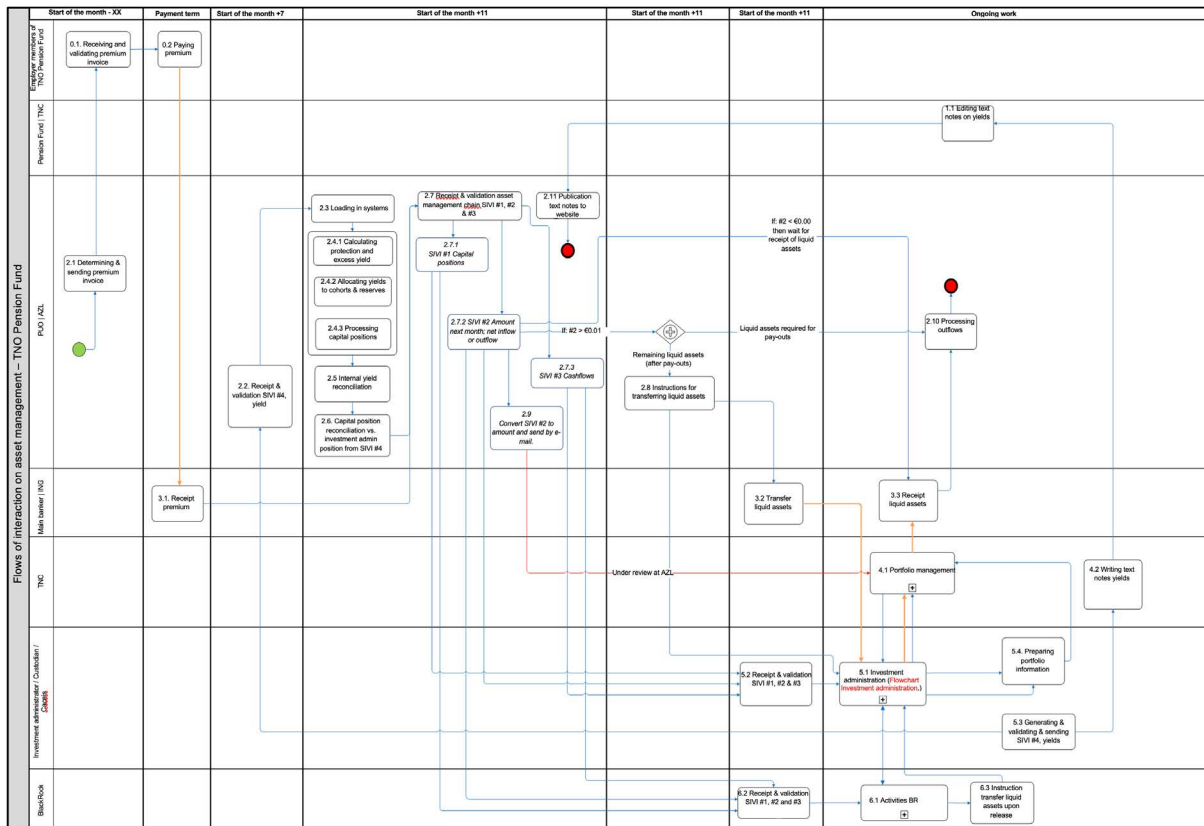


Figure 5. Post-transition implementation chain

The monthly data exchange will be in accordance with the SIVI format.

The operational risks regarding the agreements with the outsourcing parties, partly in relation to the TOM described above, and monitoring these are further specified in section 3.3.2.

3.1.3 Description of changes to the pension administrator's key business processes (process control)

The main changes in the context of the transition to the new pension scheme, for PUO AZL, concern the set-up of the new administration system and the allocation of returns in that system. AZL has launched two major innovation programmes, Innovation Pensions and Innovation IT. Within the Pensions innovation programme, AZL will set up the two new pension schemes (SPR and FPR) according to a particular product model. The first to be implemented by AZL was the solidarity-based defined contribution plan.

The programme is currently at the stage where the first fund will soon be migrated into the Wtp. For migration to the new environment (Festina) and closure of the current environment (Compas), a migration agreement will be prepared with the Fund. To carry out the work under the new solidarity pension scheme, a new outsourcing agreement including SLA will be concluded, setting out all working arrangements.

As also described in section 3.1.2, the implementation of the Solidarity Premium Scheme (SPR, solidarity-based defined contribution plan) has, among other things, an impact on processes and information flows of the various (outsourcing) partners involved in the administration of the pension scheme. In the new system, direct connection (via APIs) is necessary between the administration of pension fund assets and the administration of personal pension assets. All agreements on this will be formalised in the TOM, which is expected to be finalised in the third quarter of 2025.

AZL has chosen to revamp the overall IT platform in connection with the pension transition so that the administration is once again robust and future-proof (IT Renewal Programme). Currently, the Fund uses the Compas systems and the new system is being developed in a totally new environment. Festina and Salesforce were chosen for the implementation of the main new pension processes. What the new main IT landscape at AZL will look like is shown in the figure below.

IT Landscape AZL for Wtp in outline

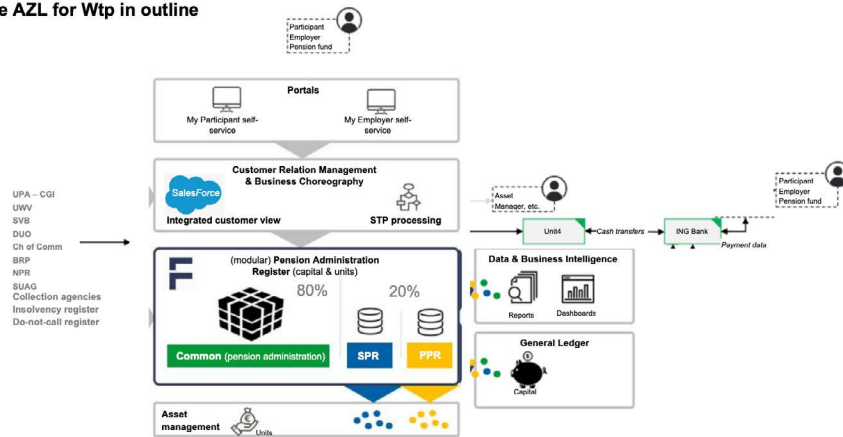


Figure 6. New main IT landscape at AZL

Currently, the functional process descriptions are being actively developed by AZL, with the involvement of various disciplines. A dynamic document, the process catalogue, which currently includes more than 200 unique work processes, is being developed. These work processes are grouped into 11 essential business processes, a concise explanation of which is given below. This is centred around the administration of the solidarity-based defined contribution plan, in which personal pension assets are administered and the effective operation of the allocation rules is important.

Investing

Compared to the current situation, this new business process will have a prominent role in the investment process, with a focus on SPR, FPR or specifically on FPR alone.

Financial Management

In particular, this business process focuses on financial activities performed specifically for a pension fund.

Employer

Focused on employer-related work processes, such as the enforcement process, UPA process and other employer-related processes.

Collection

Work processes related to amounts received by the pension fund, such as premium invoices, reinsurance, fines and amounts transferred to a bailiff.

Customer Identity Management and Access Management

This business process describes providing access to various portals, including a participant portal, employer portal and possible future Board portal.

Customer Relationship Management

Includes the management of information between the pension fund, participants, employers and third parties, including administrative actions and advisory processes.

Accrual

Work processes that may affect actual pension accrual, such as employer changes, asset transfers, disability, marriages and divorces.

Output management

Responsible for preparing and providing reports, updating systems and providing the UPO periodically.

Product Management

Shaping implementations, explementations, rule changes or other (legal) changes that may apply to a pension fund.

Granting

All processes related to a pension coming into effect, such as the start date of a retirement pension when a (former) member retires, or granting a survivor's pension when a (former) member or pensioner dies.

Payout

This business process includes all processes related to the payment of pensions, such as the calculation and pay-out of pensions, changes in account numbers or payroll tax credits, and the remittance of asset transfers from both the accrual and the allocation processes.

The detailed business processes will be recorded by AZL in an ISAE-3402 report. This ISAE description for the new pension administration is currently under development and will be tested for operation immediately from 1 July 2025, going live with the first fund. AZL's current expectation is therefore that by early 2026, they will be able to issue an ISAE-3402 Type II report on the second half of 2025. In the Type II report, not only the design of the new process descriptions is tested, but also their effective operation. Should it become apparent during 2025 that a Type II report cannot be issued, the Fund will request AZL to provide the Fund with a Type I report, so that assurance can at least be obtained on the correct and complete set-up of the new pension administration.

Operational risks concerning AZL services

In the RSA, the Fund has identified several risks related to AZL's services – risks that prevent the services from being provided as required. These are:

- Fund cannot fulfil the preferences of the social partners;
Preferences of the social partners cannot be implemented or only at a high cost, reducing confidence in the Fund.

Control measures:

- Through workshops, the social partners are given timely input into the (im)possibilities of AZL's new pension system. The Board also prepared opinions for the social partners. The Board hopes this will enable the social partners to put together a pension scheme that is viable for both the Fund and AZL, at an acceptable cost.
 - The administrator office is the author of the transition plan, engaging with the social partners, ensuring that the Fund is aware of the social partners' preferences in due time.
 - Capacity gap at PUO;
Insufficient staff at AZL, resulting in delayed transition and/or inadequate performance of regular processes, including customer service.
- #### Control measures:
- The Fund monitors this through periodic reports and interviews. The Fund also checks whether AZL has fallback options through hiring from other parties.
 - Engaging with the PUO on the SLA and agreeing which parts are crucial and which parts might be given a lower priority. This is designed to ensure that we make the best use of available capacity.
 - Customer journey planner and portal;
New planner, portal and customer journeys not ready in time, leaving participants without insight into their pensions.
- #### Control measures:
- The Fund has decided to switch from Keylane's planner to AZL's standard environment. This serves to reduce the risk of the participant information environment not being ready in time.

Opinion on the design, existence and operation of the control measures regarding the risks related to AZL's services:

The Fund has recognised various operational risks related to AZL's services and taken appropriate control measures to address them. The process around the transition plan has progressed to the satisfaction of the parties. With the go-live of the first fund at AZL, most of the digital platform also goes live, so there is a very low risk that this will not be ready in time for our Fund. AZL's lack of capacity, also given the fact that several funds will migrate simultaneously from 1 January 2026, does remain a major concern, but AZL is also well aware of this risk. The control measures taken by AZL to minimise this risk are currently considered sufficient by the Fund.

3.1.4 Description of changes in governance

For now, the Fund does not foresee any major changes in the Fund's governance as a result of the transition to the Wtp. The Fund has a joint management model in which the various participant groups (active, pensioners and employer representatives) are represented. The accountability body advises the Board and reviews its policies within the legal possibilities. In addition, the Board is monitored by the Supervisory Board. Where necessary, the Board engages external specialists for additional advice and support. In policy preparation, the Board is supported by the administrator office. This ensures the diligence and correctness of the decision-making process.

For the transition to the Wtp, an adequate process has been set up (see section 2.1) in which a periodic consultation with the Key Officers is a key element. This will allow for a governance process sufficiently involving all relevant stakeholders (including VO, SB, SP and key officers) and adequately managing transition risks. With this governance structure, the Fund has so far successfully completed the first steps in the transition to the Wtp. Additional Board meetings were scheduled for all specific decision-making files.

Therefore, the Fund does not foresee any additional or new risks regarding governance, nor are any additional control measures required.

3.1.5 Description of changes in cost structure

The Fund recognises that there are high temporary costs during the transition project and that the cost of the run will change from the current situation. The Fund incurs pension administration charges (AZL), asset management charges (BlackRock, Caceis and various managers) and fund charges.

AZL

Currently, the cost structure for the pension administration run consists of a fixed fee, which increases or decreases by an agreed percentage if the total number of participants increases or decreases by an agreed percentage. The new fee AZL will charge consists of a fixed fee for the so-called Strong Basis and an additional fee for the modular options the Fund chooses. AZL's current estimate is that the cost level under Wtp for pension administration will be similar to the current situation + or - 10%.

In addition to the future costs for the run, AZL charges for preparations for the NPS. Prior to the NPS project, indications and allocation keys were communicated by AZL regarding preparation, migration and transition costs. During the project, there were adjustments on these points. The Fund is committed to keeping the costs justifiable and under control, and accordingly asked AZL questions about the adjustments.

The final component charged to the Fund by AZL is the one-off migration costs, which consist of the following:

- technical migration;
- transition management;
- assessment of research data quality and data recovery;
- defining new Wtp regime and integration of accrued rights;

- communication plan and implementation;
- training new scheme and shadow runs;
- scaling up customer service;
- complaint management;
- retroactive changes;
- data storage of the current scheme.

The migration to the Fund's Wtp within AZL will take place under the guidance of an AZL transition manager. Half of the one-off migration costs have now been charged to the Fund by AZL.

BlackRock

For the implementation of the changes to the processes following the transition to the solidarity-based defined contribution scheme with theoretical protection return, BlackRock does not charge any additional fees. Also for BlackRock's post-implementation fee structure, the Fund does not expect any changes at this time.

Caceis

Caceis has indicated it will charge for the implementation to the Wtp in the form of actual hours spent only if the input Caceis has to provide at the various meetings be deemed excessive. At the moment, no charges have been levied. Also with regard to the implementation of the changes in the investment administration, few costs are expected to be incurred, because the number of changes to be made is small. However, additional costs are expected after transition, as the amount of information to be provided in Regulator reporting is expected to increase.

Fund costs

The Fund aims to keep the additional project costs as low as possible. One of the measures in this regard is that the administrator office serves as the manager of all work, and the additional work is performed by the administrator office where possible. For instance, the project management is entirely in the hands of the Fund. The administrator office was the author of the transition plan and the Data Quality Test, and the Implementation Plan has also been prepared by the Fund. On the other hand, there are still many additional costs that will have to be incurred, among other things for various necessary calculations, support by the consulting actuary, costs for the Risk Appetite Survey, costs for the key officers, costs for the Data APK audits, costs for the accountant regarding data quality, external support for the Accountability Body, costs relating to meetings and gatherings, etc. The amount of work involved in the transition to the Wtp is significant and this therefore entails a temporary increase in implementation costs.

In terms of regular fund costs in the new system, the Fund currently expects the costs to be at the same level as in the current system.

Operational risks relating to costs

The Fund recognises several risks related to the costs concerning the NPS project both during the transition phase and after implementation. The Fund also recognises risks in justifiability of asset management costs, as these will become more visible to participants under Wtp.

The main operational risks regarding costs that the Fund recognises are:

- Costs during the transition phase;
Due to unforeseen circumstances, transition costs are rising more than expected.
Control measures:
 - The administrator office is the direct manager of all work and, where possible, has work performed by the administrator office.
- Post-implementation costs;
There is a risk that standard administration costs will increase compared with the current cost level.
Control measures:
 - AZL presented the initial pricing for the product model and modular options in October 2023. As the Board aims for low implementation costs, limited use of customisation will be sought. The Fund will align with AZL's standard options as much as possible.

- For the pricing arrangements to be made with AZL, an external expert will be involved to support the Fund in the contract negotiations.
- In communication, include participants in a timely manner if costs seem to come out higher than expected beforehand.
- Investment fees of the Fund are high;
Under the new scheme, investment fees are allocated by age cohort. Pf TNO invests relatively heavily in illiquid products. This contributes to a high net return but also involves higher fees. The risk is that participants are or become dissatisfied due to noticing the high investment costs.
Control measures:
 - Communicate why Pf TNO invests in illiquid products, why this incurs higher fees but yields a net higher return. It is currently uncertain whether participants will be critical of investment fees, and whether we can explain the justification well enough.
 - The Board determines the maximum level of core costs (management fees and other costs) for the cohorts; allocate the portfolio accordingly.

Opinion on the design, existence and operation of control measures relating to costs:

The Fund has recognised various risks related to costs and taken appropriate control measures accordingly. Despite the control measures, the additional costs in the transition phase are significant. For the administration costs after implementation, the Fund is currently negotiating with AZL, joining a group of funds with support from a law firm.

3.1.6 Overview of key risks in the above areas and associated control measures

In this chapter, the Fund has chosen to distribute the risks and associated control measures across the various sections. In addition to the risks identified in those sections, the Fund also monitors two other risks in the RSA.

Operational risks related to data quality and communication

The Fund recognises risks related to data quality and communication with participants. For data quality, the risk recognised is that the quality of the data is inadequate, preventing existing rights from being integrated into the new system. For communication, the Fund recognises the risk that inadequate provision of information to participants may reduce confidence among participants.

Please find below a specification of these operational risks:

- Data quality;
Failure to meet data quality requirements, resulting in accountant not issuing AUP and not being able to integrate existing rights in the new system.
Control measures:
 - The Fund prepared an Action Plan (AP) on Data Quality and then started completing the steps of the Data Quality Test. When performing the Data Quality Test, the guidelines from the Pension Federation's Data Quality Framework and the DNB Good Practice Data Quality were taken into account.
- Inadequate provision of information to participants;
Confidence decreases due to unclear or late (individual) information provided to participants by the Fund
Control measures:
 - The Fund has prepared a communication plan, on communication during and post transition. This communication plan will also be reviewed by the AFM.
 - The Fund assesses whether external expertise should be involved in the field of communications. In any case, collaboration with AZL will intensify in terms of communication.
 - The Fund tries to meet participants' information needs as much as possible, by giving webinars, through video messages and by issuing newsletters.

Opinion on the design, existence and operation of control measures around data quality:

The Fund completed a thorough process for assessing data quality. This provides reasonable assurance to integrate existing rights in the new regime. For a comprehensive explanation of the process and outcomes, see Chapter 4 of the implementation plan.

Opinion on the design, existence and operation of control measures around communication:

The Fund has prepared a communication plan concerning the risk around transition communication as a key control measure and legal obligation, which comprehensively addresses the various aspects regarding communication in the context of (preparing for) the transition to the new pension system. The Fund has commissioned a legal review of the statutory aspects that must at least be reflected in the communication plan. The relevant control measures are expected to be sufficient to mitigate the risks regarding communication. This is also reflected in the opinion of the Key Officer Risk Management. However, participant communication remains a key focus before, during and after the transition, with continuous assessment of whether additional communication is desirable.

3.2 Opinion on technical feasibility of new pension scheme

3.2.1 Feasibility analysis

The pension administration system currently used within AZL is the Compas configuration model. This is a self-built system that has been developed by AZL over the years. This system could be converted into a system that could also administer an SPR. However, AZL has determined, on the basis of a comprehensive assessment, that this is the right time to modernise the IT landscape so that it will allow for a confident outlook, working with a robust IT environment again. In addition to the change in functional requirements imposed by the Wtp compared to the nFTK regime, the transition to Wtp is also an appropriate time to switch to new, more future-proof technology. Consider, for example, using a cloud infrastructure instead of a traditional computing centre. Finally, such a transition also provides an opportunity to reposition (or tighten) system architecture. These latter two measures are designed to ensure the agility, control and acceptability of the cost level of the system landscape in the longer term.

The choice and selection process conducted by AZL resulted in a target system landscape in which Festina Finance's Life & Pension Platform serves as the core system for pension administration, complemented by other best-of-breed products such as Salesforce for participant administration. The figure in section 3.1.3 provides a stylised overview. Besides the new core systems, the IT landscape in the new situation also includes systems that are already in use today, such as financial accounting and links to systems in the external world. The latter systems will be adapted to ensure that the new IT landscape interacts in a highly automated and controlled way.

In addition, AZL has built an 'entry lane', which is used to convert participants' pension entitlements into their personal pension assets, and for the controlled transfer of participants' data from the current nFTK system landscape to the new Wtp system landscape. After the transition, this entry lane will remain operational to retroactively implement changes originating in the nFTK era and transfer them to the Wtp systems.

Readiness IT environment AZL

The readiness of AZL's IT environment is demonstrated through various audits and surveys, which include:

CAS audits

To demonstrate the readiness of the IT environment at AZL, two audits are conducted on the IT environment by NN Group's Corporate Audit Services (CAS). The subsequent process

is that AZL's first line mitigates the findings and presents them to AZL's third line for closure and review. AZL's IT auditors will review the documentation. The set is then offered to NN Risk and CAS. To confirm the closed improvement actions, a non-assurance memo is prepared by CAS and shared with AZL clients. In several Assurance Services sessions for clients, feedback is given on the follow-up and resolution of the various findings.

The first audit concerns: IT renewal; Pre-implementation audit. This audit was conducted in autumn 2024 and the scope was as follows:

- The entire cloud set-up in Azure NN (Festina, portals and BI environment)
- External interfaces (including BRP, but also Cloud Services Salesforce, Unit 4 and Visma)
- CIAM (access management)
- IT security and management (incl. Festina)

The findings of this audit were fed back to the customer session on 11 November 2024. Meanwhile, all but two go-live improvement actions have been implemented, and the Fund expects to receive the non-assurance memo from the CAS on the closed improvement actions in late June/early July.

The second audit concerns: Pension management. This audit cannot take place until the first fund has gone live; this is scheduled for the second half of 2025. The Fund will receive the results of this audit before the final go/no go decision has to be made.

[Festina Life IT Software Quality Assessment ISO 25010](#)

Festina shared a recent Deloitte assessment on IT Software Quality Assessment or FestinaLife, testing these components. Festina achieved very high scores on software quality.

[ISAE 3000 report AZL migration street](#)

External auditor ACS conducted an independent audit on AZL's migration street for converting data in the existing pension administration system to the new pension systems. The external auditor also reviewed the design and existence (implementation) of internal control measures. This resulted in an assurance report in accordance with the ISAE 3000 standard. The audit concludes with a qualified opinion. This is because a number of controls have been documented by AZL and supplier Data eXcellence (DX) and their design is effective, but the construction of these controls had not been completed at the time of the audit. AZL's second line believes that the audit results are in line with the expected results, given the cut-off date of 18 February 2025. The external auditor found no discrepancies that conflicted with the existing schedule for the description and construction of controls for the migration lane. The Fund will monitor the follow-up of improvement actions by AZL's first line through Assurance Service meetings in 2025 and 2026.

[ISAE 3402 Type II report WTP Administration](#)

AZL will start delivering an ISAE-3402 Type II report for the WTP environment immediately after the first fund goes live. As this is a Type II report, in addition to its design and existence, its effective operation will be tested at the same time. The delivery of the first ISAE report is scheduled for January 2026, which is before having to make the final go/no go decision.

With the above reports, the Fund is sufficiently confident that IT will be ready in time to run the Fund's pension administration from 1 July 2026.

[Testing and acceptance criteria technical feasibility](#)

Technical configuration of the IT landscape that will be used for Pf TNO will be completed prior to the transition. This means that the processes and systems that will be used for Pf TNO will be prepared in such a way (mainly by setting parameters within the systems) that the service will meet the agreements between AZL and the Fund. This fund-specific set-up of the systems is based on the configuration agreed between the Fund and AZL, which reflects the Fund's pension rules.

To ensure that the systems work properly during and after transition, they are thoroughly tested beforehand. This concerns (1) the new pension management processes and the systems that support these processes, (2) the process of integration of accrued rights including the ‘entry lane’ used for this purpose, and (3) the data migration from the old IT landscape to the new IT landscape. The data-related tests mentioned in (2) and (3) are discussed further in section 4.1. To test processes and systems, AZL uses a test pyramid in which the different types of tests build on the results of previous tests. This combination leads to the desired level of comfort about operation. This pyramid includes:

Type of test	Explanations
Unit & System Test (UT/ST)	by development teams with synthetic data.
Functional Acceptance Test (FAT)	testing user stories including mock-up interfaces.
System Integration Test (SIT)	testing with direct links between systems.
End-to-End test (E2E)	validation of work processes with synthetic and later with migrated data.
User Acceptance Test (UAT)	performed by end-users with migrated data.
Production Acceptance Test (PAT)	shadow run with real data in preparation for going live

Security and performance tests also take place to determine that the system landscape is sufficiently secure and powerful.

The tests are process-driven and conducted by the teams involved. Progress and completeness are centrally tracked, including test planning, test cases performed, recording, resolution and retesting of any defects found, and other test results.

Acceptance criteria regarding technical feasibility

Prior to the transition, the Fund’s Board has prepared a list of criteria that will be applied to make a positive decision on the actual transition (see Annex I). These acceptance criteria are used in monitoring the progress of transition preparations. For each criterion, it tracks how (by whom and through which activities and/or documentation) it is demonstrated, and when. This is an important measurement tool for the Fund’s Board in the decision-making journey on the transition.

AZL’s fall-back plan provides a safety net in case of serious disruptions during the IT transformation programme leading up to the transition to the new pension system. It is designed to ensure continuity of the programme in exceptional situations – such as the supplier unavailability or system downtime – and still meet the deadline for the Fund’s integration of accrued rights. The fallback plan is designed to:

- Address serious risks that could halt the realisation of the IT landscape.
- Provide tools to achieve Wtp functionality while minimising delays.

If at any point the Fund’s Board decides on a ‘no-go’ of the transition, the activities needed to postpone the transition and (temporarily) continue the current nFTK services will be determined in consultation with AZL. If participants have already been informed about the upcoming transition at the time of this decision, they will also be informed about the decision to postpone.

IT risks, relating to technical feasibility, including operational readiness

The transition to the processes and systems required for the Wtp is a large and complex operation for which the Fund is preparing well. The Fund recognises several risks related to the required IT development. As a result of these risks, the IT landscape might not be ready in time to ensure fully controlled transition to the Wtp, or the migration process might not be completed to full satisfaction. The key risks recognised by the Fund are:

- IT implementation process (develop, build, test, accept and produce) is delayed;
The risk that the new pension system is not set up in due time in terms of processes and/or systems, resulting in failure to meet the planned integration date.
Control measures:
 - The Fund periodically monitors progress around IT development through the IT Innovation and Pension Innovation programme plan for the new pension system;
 - Insight into AZL's risk analysis, including updated status;
 - Based on the outcome of the risk analysis, engage additional capacity and/or expertise;
 - Periodic coordination with outsourcing parties on the developments of the new pension system, and make adjustments if necessary.
 - The Fund deliberately chose not to be the first fund to migrate. This allows more time between the delivery of Festina (and linked systems) and migrating the Fund by 1-7-2026. In this way, the Fund also benefits from the fact that any errors/inaccuracies have been resolved before the Fund itself transitions to the new pension scheme.
- Insufficient resources at the PUO for maintenance of existing software (Compas);
The risk that the PUO has limited innovation and/or insufficient capacity to further develop pension management including pension administration system, leading to (eventually) lagging services to pension fund participants and employers and/or high investment costs for the pension fund to close the gap.
Control measures:
 - AZL has set up a fall-back scenario with an external party for hiring staff, including agreements that the PUO will be given priority in any calls for external deployment.
 - Regarding the quality of regular services, continue to monitor them by implementing the Monitoring Model.
 - AZL has introduced the guideline that only implementations in Compas that are (legally) necessary will be made. Should funds come up with requests that are nice-to-have, these will not be accepted so no resources need to be spent on them.
- PUO is not ready for pension administration SPR and IT management;
The risk of the PUO not having IT systems ready SPR in time.
Control measures:
 - The Fund monitors the provision of information from AZL on the IT and Pension Renewal programme through reports, 'building together' meetings and attending the assurance service meetings dedicated to the New Pension System. The Fund uses the risk assessments prepared by AZL's second line as an indicator of status. Where deemed necessary, questions will be asked by the Fund during these meetings. The Fund also engages external support with knowledge of and experience with other WTP-related processes.
 - Before the transition, AZL provides the Fund with timely information via an AZL readiness package on its readiness on relevant aspects. However, the most important aspect is the going live of the frontrunner fund on 1-7-2025. This would give AZL indirect proof that it has established a working pension administration. In addition, in early 2026 AZL will deliver a type II ISAE 3402 regarding the new pension systems and pension processes on the effective operation of the controls over the last six months of 2025.
 - The elements on which AZL will determine readiness for migration and implementation for the Fund are:

Topic	Specification	Explanations
1. IT landscape Wtp administration	1. IT landscape Wtp administration 1.1 IT landscape Wtp administration* 1.2 Necessary functionalities for running a WTP administration* 1.3 Secure and available IT landscape*	The system is operational from 1-7-25 for the frontrunner fund. This section provides insight into the readiness of the IT systems to implement the Wtp with the configuration of the fund.

Topic	Specification	Explanations
2. Migration and entry lane integration	2.1 Migration entry lane set-up and reconciliation ensures complete and correct migration 2.2 Data migration to Wtp target systems 2.3 Migration roadmap 2.4 Transition communication First calculation	Displays the status of the critical components required to migrate the Fund to the Wtp.
3. TWK processing after integration	3.1 Post-migration processing of pre-migration changes (TWKs)	Clarity on how pre-migration changes are processed after migrations.
4. Pension administration Operational Ready	4.1 User Acceptance Testing progress* 4.2 Operational readiness PU 4.3 Work in progress 4.4 Financial management Asset management* 4.5 Financial management Credit management, Financial reporting and supervisory reporting*	User Acceptance Testing is conducted on any functionality for the Fund that is supplementary to the existing functionality for the frontrunner fund. Provides insight into the PU's readiness to start pension administration for the fund.
5. Material findings data quality	5.1 Progress on data quality	Status and planning of any outstanding data quality issues affecting the migration.
6. Ensuring controlled operations	6.1 Controlled operations before and after migration	Overview and status of safeguards put in place for controlled operations.
7. Second line opinion	7.1 Second line opinion	The view of the second line on the status of crucial elements for migration to and implementation of the Wtp.

- Define acceptance criteria by the Fund, and consider how they will be demonstrated. This leads to a set of expected justifications (over time) by AZL, which the Fund uses internally for go/no-go on decision-making.
- Monitor performance and outcomes of pilot migrations and test calculations.
- Risks around integration of accrued rights and migration;
The risk that AZL does not correctly and/or fully implement the conversion of entitlements to capitals from Compas to Festina Finance and Salesforce (including the TOP and Extra Pension schemes).
Control measures:
 - By conducting three pilot migrations. Conducting these pilot migrations seeks to maximise coverage of the number of migrated participants.

Opinion on the design, existence and operation of control measures for the risks related to the required IT development:

The Fund has recognised various risks related to the required IT development and has implemented various control measures to address these. Based on monitoring the progress of AZL's IT development process, it is currently very plausible that AZL will be ready in time for the first fund to go live on 1 July 2025. For our Fund, this means that the processes in the new system landscape (in particular Festina) have already been running for a year by the time the Fund completes the integration of accrued rights. The residual risk is estimated to be low.

Regarding the risks around integration of accrued rights and migration, the Fund still needs to map out many detailed steps in the coming year; see also section 3.2.2. The Fund considers the fact that AZL has then already migrated several other funds, which implies that extensive knowledge has been gained concerning the migration process and its planning, as an important risk-mitigating factor. The Fund is therefore confident that this process can be set up in such a way that, by the transition date of 1 July 2026, integration and migration can be fully controlled and completed.

3.2.2 Description of steps still to be taken

The outlines of the planning for the transition to the new pension scheme are visible in the 'Generic roadmap Building Together'. This planning is part of the quarterly 'Building Together' progress report that TNO Pension Fund receives.

AZL presents progress in the 'Building Together' reports and at various other times, including client sessions on this topic. AZL also indicated that limited scope exists for absorbing setbacks within the IT and Pension Renewal programme. As the first fund at AZL is scheduled to migrate to the new pension and IT environment a year earlier than our Fund, the Fund is confident that the schedule will be met for our Fund. According to AZL, the situation is now such that AZL is ready to migrate the lead fund to the new system.

In addition to the readiness of AZL's system, the system's fund-specific elements are yet to be completed. Currently, the Fund is in discussions with AZL and its consulting actuary about the configuration sheet, which is the input for Festina's customer-specific set-up. The Fund will soon start detailing the migration planning (see also the figure below for the generic migration planning already available). This also includes the migration roadmap, which must be agreed with all stakeholders six months ahead of the transition. This migration roadmap contains in detail all the steps involved in the migration, including the content, process and responsibilities for each step. Prior to the actual migration, up to 3 pilot migrations (number depends on the results) will be completed. Migration controls and reconciliations are also coordinated in advance with the Fund's auditor and certifying actuary, as clear and timely agreements on data delivery and control are crucial.

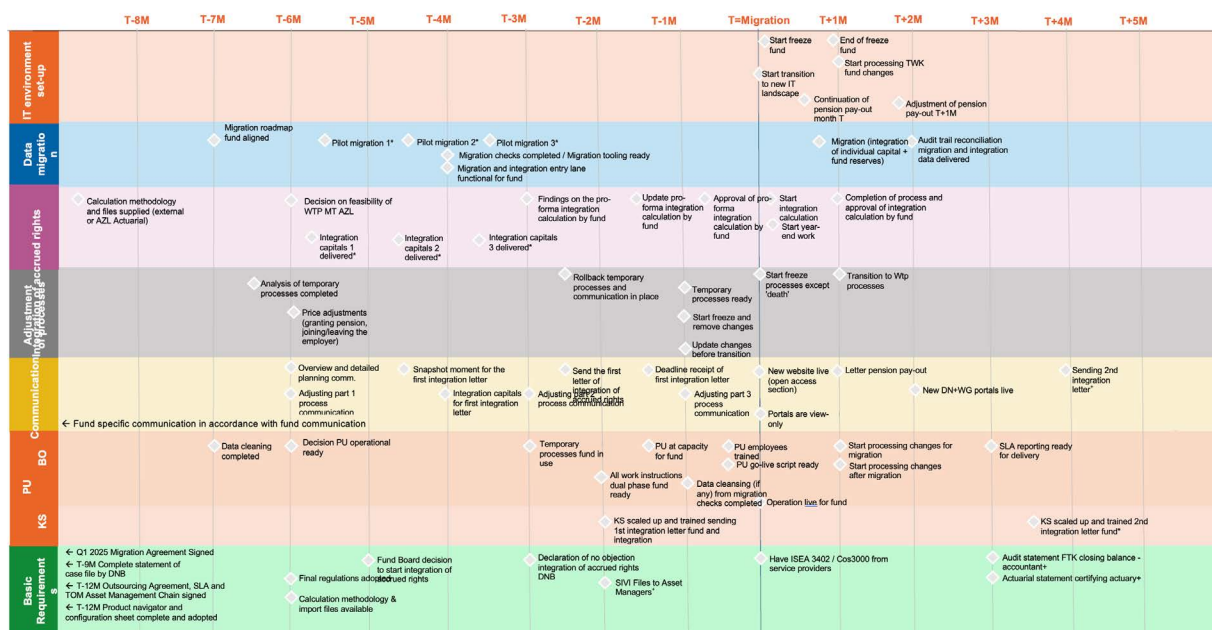


Figure 7. Generic migration planning.

3.3 Outsourcing risk

3.3.1 How did the Board involve its outsourcing partners in preparing for the transition (process description)

All the Fund's outsourcing partners were informed about, and involved in, the transition at an early stage. Various consultation platforms have been set up involving outsourcing partners and key stakeholders in the preparation and realisation of the transition to the new pension system.

- Periodic consultations take place with the relevant stakeholders (the social partners, Supervisory Board and Accountability Body) in which, in particular, the critical paths are

also discussed.

- Periodic meetings are held with the key officers, sometimes supplemented by the auditor, so that parties know in good time when input or an opinion will be requested and can be taken into account in the planning.
- The Fund periodically discusses all kinds of aspects regarding Wtp with the consulting actuary.
- Inventory discussions started early on with the Target Operating Model (TOM) parties. Meanwhile, there is a draft version of the TOM, which is expected to be finalised in the third quarter of 2025.

AZL is the main outsourcing party in the transition to the Wtp. In the preparation with AZL, the services that can be purchased in preparation for, and during, the transition were therefore carefully considered. Similarly, AZL is the partner that performs all ALM calculations for the Fund relating to both the transition plan and the implementation plan. AZL has set up an ALM for the Fund specifically for the transition to the new pension system based on the aligned assumptions. Then, as a logical next step, AZL will also compile the integration of accrued rights file for the Fund. AZL also offers services and support on preparation of the new pension rules and on (transition) communication. Choosing to purchase these services ensures that everything is perfectly coordinated. So for pension administration, AZL remains the main outsourcing partner.

In the current situation, the Fund has outsourced the participant portal to an outsourcing partner other than AZL. A link has been established between the two organisations to update the status on a monthly basis. However, in the interest of the participants, the Fund has chosen to change this situation in the new situation, outsourcing everything related to pension administration, including the website and portals, to a single partner. So in the new situation, one outsourcing partner is eliminated.

3.3.2 Key agreements with critical outsourcing parties regarding administration of the new pension scheme

In section 3.1.2, the Fund has included a description of the new tasks and responsibilities of AZL and the parties in the asset management chain. The chain partners described in the Target Operating Model specification section have been identified by the Fund as the critical outsourcing parties in terms of administration of the new pension scheme.

The main outsourcing parties with whom new arrangements will be made are the PUO (AZL) for pension administration, the Custodian (Caceis) for investment administration and BlackRock in the role of LDI manager and adviser to PfTNO.

The division of tasks will be different in the new situation. After the transition, there are more information flows between these three outsourcing parties, both among themselves and with the Fund. These information flows should be closely aligned before the transition to prevent any hiccups from the start of the new scheme. The TOM describes all information flows and specifies the responsibilities. The mutual arrangements will be laid down separately in an agreement with accompanying SLAs after establishing full clarity on the target operating model between the Fund and the parties involved.

In addition to these outsourcing parties, Goldman Sachs Asset Management (GSAM) is a key outsourcing party at PfTNO in the current situation because they operate three defined contribution schemes. The capitals of two defined contribution schemes will also migrate to the SPR. A separate solution will be used for the third scheme (net pension). GSAM is not part of the agreements to be recorded in the TOM. The risks related to these three defined contribution schemes are set out in a separate section.

Outsourcing risks

The Fund recognises several outsourcing risks, as a result of which the Fund and its outsourcing parties would not be able to finalise all agreements in due time, or as a result of which ambiguities regarding the new situation ultimately remain.

The main outsourcing risks recognised by the Fund are:

- Target Operating Model (TOM) tuned in and operational past the deadline;
Risk that the Target Operating Model between AZL, Caceis and BlackRock is not set up or not operational in time.
Control measures:
 - With AZL in charge, work on developing the TOM together with Caceis, BR and the Fund will start from October 2024. At an advanced stage of the specification process, the Fund will also involve an external consultant with knowledge of the content and legal aspects.
- Service agreements (incl. SLA) are not ready on time;
Risk that service agreements such as the migration and administration agreement are not ready in time.
Control measures:
 - Frequent consultations with stakeholders, in which the Fund is supported by an external party, giving timely insight into which parts need additional work agreements.
 - Teaming up with other funds to complete effective agreements.
 - Involve external consultant in SLAs arising from the TOM.
- Insufficient capacity of advisers and/or administrator office;
Risk of insufficient work capacity of external consultants and/or the administrator office for the WTP project, resulting in failure to outsource and potential delays in the transition.
Control measures:
 - External consultants: coordinate early and regularly with consultants on scheduling required work to ensure they can reserve the necessary capacity for the Fund.
 - Administrative office: Monitor when work could be outsourced. In addition, assess whether more staff can be reserved for the WTP project through capacity expansion.
- New tasks administrator office in cooperation with outsourcing parties not set up in time;
The monitoring and internal control activities of the administrator office should be aligned with the NPS.
Control measures:
 - The administrator office is closely involved in coordinating AZL and Caceis, creating a growing understanding of the set of tasks. By actively participating in this aspect, the administrator office gains extensive and detailed knowledge about how processes will soon run, what risks there are in processes, and what information will be required for monitoring tasks. This is expected to assure that there will soon be sufficient knowledge to set up the tasks properly.
 - The Fund has also offered to give input to AZL about communication concerning investments under the NPS. This serves to gain insight into what information needs to be provided for communication, so that the design of the processes can be considered in due time.

Opinion on the design, existence and operation of the control measures regarding the outsourcing risk of recording the agreements with critical outsourcing parties:

The Fund completed a thorough process to create the TOM. The Fund started early exploratory talks with the parties, both individually and jointly. In addition, the parties involved have now also gained extensive experience in projects at other funds. The Fund is therefore confident that the drafted TOM will fully and unambiguously set out the agreements. To get another independent opinion on this aspect, the Fund will hire an external party to assess the TOM, including legal aspects. This party will also support the Fund in translating the TOM into the commitments in the SLAs that the Fund will enter into with all parties individually. The latter is mainly aimed at preventing the risk of parties being able to point fingers at each other in case of disruptions to the regular process.

3.3.3 Overview of all critical outsourcing and sub-outsourcing relationships involved in the transition, including a description of service provision

The description of service provision by critical service providers is described in the previous sections. This section discusses the work methods relating to subcontracting.

The Fund has the responsibility to administer the new pension scheme with control and integrity for all participants affiliated to the Fund, including the transfer of pension entitlements and rights to personal pension assets. Although a significant part of the transition work has been outsourced to AZL and then through AZL to subcontractors, the Fund retains final responsibility for all aspects of the transition.

The current outsourcing agreement between AZL and the Fund stipulates that AZL must provide all necessary information for the Fund to comply with all required outsourcing rules. This will be fulfilled through the following arrangements:

- AZL has a third-party management policy, part of which includes informing funds about significant new subcontracts in due order;
- The process regarding entering into agreements with subcontractors and the monitoring of subcontractors is also reviewed as part of Supplier Management of the annual ISAE-3402 report;
- AZL provides a quarterly list of outsourcing and partnerships relevant to the Fund's pension administration through its NFR reporting.

From the remaining critical outsourcing parties, BlackRock and Caceis, a statement of the significant subcontracts and the process concerning the subcontracts is received annually via the ISAE-3402 report.

3.3.4 Overview of associated outsourcing risks and control measures

The outsourcing risks and control measures have already been described in the previous sections, along with all risks and control measures. We have therefore chosen to further explain in this section how monitoring from the administrator office on the outsourcing parties is currently structured and whether this will change under the new regime.

Monitoring of outsourcing parties in the current situation

The Fund has a Governance Policy on Outsourcing. This states that the Board is authorised to have one or more parts of the pension fund's business processes performed by third parties. If on a structural basis, such outsourcing will comply with the relevant provisions of the Pensions Act. Importantly, the Fund should ensure that it obtains sufficient safeguards to maintain control and integrity in its operations.

Resources in this context include outsourcing agreements, reviewing SLA reports, ISAE-3402 reports and NFR reports, conducting evaluation interviews and attending client meetings. AZL also participates in the Assurance Platform.

Assessing the control measures of the outsourcing parties is based on the non-financial risk reports and the ISAE-3402 reports. The Fund reviews the findings in the ISAE reports and takes the opportunity to participate in the explanatory meetings.

The Fund prepares an Outsourcing Test annually, assessing the main outsourcing parties and rating the quality of services provided through a checklist. The Outsourcing Test is a structured record of the monitoring work that the administrator office conducts annually with regard to outsourcing parties with accountability to the Board.

In addition to the above monitoring activities, the administrator office also performs substantive checks on various submissions from the outsourcing parties. This involves both controls on the pension management side, such as reviewing financial year-end work, reviewing UPOs, benefits, communications, etc., and controls on the asset management

side, such as reviewing reports, monitoring rebalancing transactions, monitoring cash flows between mandates, reconciling monthly value measurements, etc.

Monitoring of outsourcing parties in the new situation

Regarding the monitoring of SLA, ISAE and NFR reports, there will be no change in the set-up. The preparation of the annual Outsourcing Test will also be continued. The biggest adjustment in terms of monitoring work is expected by the Fund with regard to substantive checks. With the advent of Wtp, fund assets and the collective administration of personal pension assets must be reconciled on a monthly basis. The yield allocation and the cash flows provided for interest rate hedging are also processes that the Fund would like to assess through numerical analysis. In the coming year, the Fund will map out the information required on a monthly basis for such analysis, and whether the administrator office can do this itself or another party in the chain can be engaged for this purpose. However, the Fund has already started discussions with AZL, BlackRock and Caceis on this subject.

3.4 Risk analysis and financial risk management

3.4.1 Description of financial risks relevant to the transition

To meet the preferences of the social partners, the funding ratio should be sufficiently high at the time of transition. Various scenarios were discussed with the social partners. It has been established that a funding ratio of 106% and up would allow for meeting the preferences of the social partners. If the funding ratio falls to 110% in the period leading up to the transition moment, consultations will be held with the social partners to make joint preparations for a situation where the funding ratio is no longer sufficiently high.

PfTNO temporarily increased the interest rate hedge from 70% to 80% of liabilities in early 2024. When interest rates fall, the VPV rises, reducing the funding ratio. The higher interest rate hedge ensures that the assets grow relatively faster if interest rates fall, resulting in a smaller decrease of the funding ratio. This increases the likelihood that more than the VPV can be distributed on integration of accrued rights. If interest rates rise, the reverse is true. Due to the increase in interest rates, the VPV decreases, increasing the funding ratio. Due to the higher interest rate hedge, the funding ratio will rise relatively slower.

The probability of the funding ratio falling to below or close to the minimum required level is reported quarterly in PfTNO's risk report. The table below shows the sensitivity of the funding ratio to an interest rate change and/or stock market shock as at 31-3-2025. The funding ratio was 124.7% at the time. The table shows that even with a sharp 2%-point fall in interest rates across the yield curve, at 112%, the funding ratio still remains above the limit of having to consult with the social partners. Even with a 40% stock market shock, the funding ratio remains sufficiently high. Only after a combination of a substantial fall in interest rates and a negative stock market shock, critical values are reached.

Each quarter, the probability of the funding ratio falling below 107% on 1 July 2026 is also calculated. This value was chosen because at the start of the 2023 calculations, this was the assumed critical lower limit. This percentage was not subsequently adjusted to keep track of a trend in the data and because it is only a reference. The probability by the end of each quarter from the end of 2023 is shown in Figure 8.

Table 2. Sensitivity of funding ratio to interest rate change and equity returns as at end-March 2025.

		change in nominal interest rate structure								
		-2.0%	-1.5%	-1.0%	-0.5%	0.0%	0.5%	1.0%	1.5%	2.0%
yield on securities	-40%	103%	105%	107%	109%	112%	114%	117%	119%	122%
	-30%	105%	107%	110%	112%	115%	118%	121%	123%	126%
	-20%	107%	110%	113%	115%	118%	121%	124%	127%	130%
	-10%	110%	112%	115%	118%	121%	124%	128%	131%	135%
	0%	112%	115%	118%	121%	124.7%	128%	132%	135%	139%
	10%	114%	117%	121%	124%	128%	131%	135%	139%	143%
	20%	116%	120%	123%	127%	131%	135%	139%	143%	147%
	30%	119%	122%	126%	130%	134%	138%	143%	147%	151%
	40%	121%	125%	129%	133%	137%	142%	146%	151%	156%

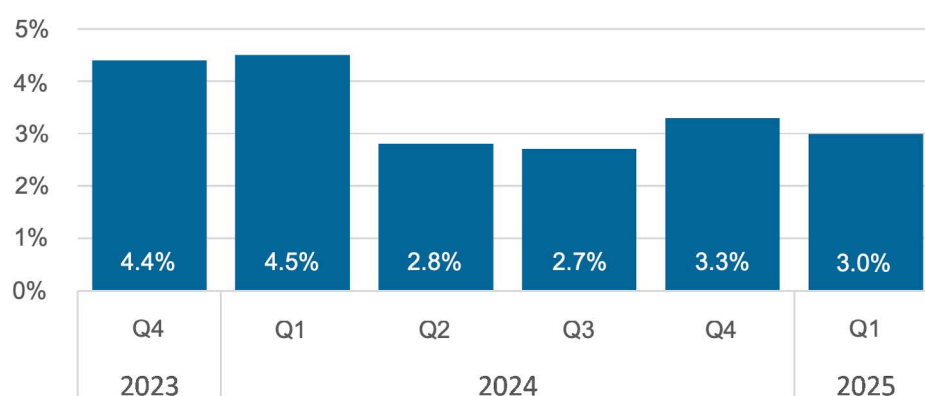


Figure 8. Probability of the funding ratio falling below 107% on 1 July 2026 at different reference dates.

Besides a higher interest rate hedge, the Board considered more options to protect the funding ratio. An interest rate hedge above 80% was also considered. However, calculations showed that higher interest rate hedging did not provide significant further protection of the funding ratio. Moreover, this would result in the Matching Portfolio having to expand, which would be at the expense of the Return Portfolio. This would also deviate from the limits of the strategic investment policy. In addition, balance also played an important role in this. A higher interest rate hedge limits the increase in the funding ratio if interest rates rise. A high interest rate at the time of integration of accrued rights puts young participants at a disadvantage, because the value of liabilities falls very sharply when interest rates rise. As a result, they receive lower capital upon integration of accrued rights. The marginally higher funding ratio does not adequately compensate for this effect.

The Board also explored the possibility of protecting the funding ratio by reducing equity risk by reducing the securities risk or by using an options strategy. The first option has been discarded because it is considered unbalanced and not appropriate within the strategic frameworks. An options strategy was also initially discarded because of the high costs involved and the possibility that the options would have to be rolled over if the transition date changed, leading to even higher costs. Setting up an option strategy will still be considered for potential application in the period just before the transition to protect the funding ratio.

Financial risks (and asset management risks) arising from the transition

The Fund recognises several financial risks, which prevent the Fund from converting existing pension entitlements and rights or cause a sub-optimal starting situation. The main risks that may hamper the transition are:

- Size of illiquid portfolio;
The total size of investment components that cannot be liquidated quickly is relatively large at Pf TNO. The sale of illiquid components is usually accompanied by large losses.

This may be an issue if the investment portfolio needs to be aligned with the lifecycle applicable to the SPR.

Control measures:

- Different levels are included in the strategic investment framework (see Figure 9). The first two levels are important for keeping the lifecycle tuned in. This can be tightly controlled. At level 3 and above are the individual asset classes that are classified to ensure that each illiquid component has a liquid counterpart. This set-up provides sufficient room to facilitate the current allocation to illiquid investments, for example by investing less in complementary liquid categories. It is expected that in the new situation, a higher rebalancing frequency is required to keep the lifecycle within the set ranges. This rebalancing can also be performed by buying and selling the liquid investment components.
- Integration of accrued rights TOP and Extra Pension is not possible;
Pf TNO operates two defined contribution schemes for which the social partners have indicated that their capitals will be invested in the SPR. There is a risk that these two schemes cannot be converted into capitals in the new main scheme, or not in time. An additional risk here is that the administrator of these schemes (GSAM) has terminated the agreement from the beginning of 2026. As a result, the administration of the DC plan cannot continue unchanged until the integration of accrued rights.

Control measures:

- The Fund, with the support of consultancy firm Montae & Partners, has gained insight into the possible solution paths regarding the TOP and Extra Pension scheme. Based on that analysis, a preferred direction has been defined, being in-house pension administration by the Fund. The detailed specification will be submitted to the key officers for Risk Management and Actuarial and the Fund's auditor.
- In order to allow for integration of accrued rights, the DC plan was also specifically included in the Data Quality Test.
- Consideration has also been given in the RPO to the risk appetite of the DC plan participants to enable integration of accrued rights in the SPR. The risk attitude of DC plan participants does not differ from the overall participant group.
- Continuation Net Pension;
The Net Pension Scheme cannot be migrated to the SPR, as the PUO does not administer Net Pensions in the SPR. Pf TNO has a very limited number of participants (approx. 30) who participate in this scheme, with a relatively small amount. A solution is currently being prepared for this aspect. Initially, we teamed up with ABP, which also has a Net Pension Scheme that cannot be continued in the new environment. In the second instance, a separate route has been prepared that allows for the current savings and benefits already in payment to be transferred to an external party.

Control measures:

- Together with a WFT adviser from WTW, we are working on an asset transfer to an external party. Apart from the active participants of the Net scheme, AZL has also indicated that it is highly desirable for the net pension pay-out to be transferred to another administrator. This will be included in this project.

Opinion on the design, existence and operation of control measures concerning the financial risks arising from the transition:

The Fund is well positioned to meet all its objectives at transition. With a limited temporary increase in the interest rate hedge, the probability of the funding ratio falling below the minimum desired level due to an interest rate cut is very low. Only limited adjustments are needed in the investment portfolio.

Options for a temporary solution for the TOP and Extra Pension were identified in time. This will still require extensive attention to ensure controlled completion.

3.4.2 Scenario analysis indicating steps to be taken in case of financial, economic and/or other shocks during the transition period

PfTNO's financial situation at the end of March 2025 is good. All the goals of the transition plan can be achieved with a significant buffer that can be used to raise additional capital from the time of integration of accrued rights. However, major financial shocks may still arise before the time of integration of accrued rights. This could hamper smooth integration and migration.

Financial risks due to financial, economic and/or other shocks during or just before transition

The Fund recognises several financial risks, due to which a transition to the SPR is not a good option.

- Low integration funding ratio;
The risk that the funding ratio upon integration is not high enough, forcing PfTNO to either cut back and/or not be able to properly initiate the new scheme.

Control measures:

- The temporary increase of the interest rate hedge to 80% in 2024 has reduced the risk of the funding ratio (FR) falling due to interest rate adjustments (see also section 3.4.1).
- The transition plan states that the plan is applicable at an integration FR from 106%. At the end of March 2025, the funding ratio was above 120%. At an FR above 110%, consultations are held with the social partners on the measures to be taken.
- In the risk reporting, the monitoring of funding ratio risk has been given a higher importance, including consideration of the additional risks that might arise if the transition date is postponed.

- Interest rate change causes us to go outside the transition plan bandwidths;
The risk that at the time of transition, the interest rate curve deviates substantially from the position for which the base calculations were performed, making the equilibrium different.

Control measures:

- Interest rate hedge temporarily increased from 70% to 80% of liabilities.
- The transition effects were calculated by ± 1 percentage point relative to the interest rate curve in the base scenario (IRTS at 1-1-2024). This shows the sensitivity to interest rate effects.
- On the way to the transition moment, the interest rate change and the effect on the funding ratio will be monitored so that, if necessary, consultations with the social partners can be started in time.

- Market situation at transition is unfavourable;
The risk that, at the time of transition, market conditions are unfavourable for the development and decrease of the portfolio (including the interest rate hedge), resulting in a financial disadvantage.

Control measures:

- In the current scheme, PfTNO uses a bucket distribution in the interest rate hedge, with long-maturity liabilities underweight and short-maturity liabilities overweight. This is partly in line with the distribution of hedging in the NPS, requiring less extensive rebalancing in the Matching Portfolio.
- PfTNO's target integration of accrued rights is set for 1-7-2026. On that date, there are no major funds in transition, so the market will be less disrupted compared with a 1 January transition.
- We will not let the new investment policy in the SPR deviate too much from the current investment policy (see also section 3.4.3).

- Financial shock after transition hurts confidence;
The risk of a financial shock shortly after the transition that reduces capitals and possibly pension pay-outs.

Control measures:

- The lifecycle ensures that the higher the age of the participant, the smaller the impact of a financial shock (and the shorter the time needed to recover from a shock).

- The solidarity reserve ensures that financial shocks have limited impact on the level of benefits in the benefit phase.
- A spreading period of 3 years is applied in the pay-out phase, thereby cushioning financial shocks.

Opinion on the design, existence and operation of control measures regarding financial risks due to financial, economic and/or other shocks during or immediately before the transition:

The Fund is well positioned to move to the NPS. Sufficient equity is in place to absorb shocks, and regular reviews are conducted to assess whether additional measures are needed to protect the funding ratio.

3.4.3 Overview of how investment policy can be adjusted if necessary

In the transition, the current investment portfolio should be suited to the portfolio that fits the SPR. Pf TNO prepared an investment plan shaping the new strategic portfolio. Five levels are distinguished in this plan (see Figure 9). For the transition, levels 1 and 3 are important. Level 1 determines the size of the Protection and Return portfolios. This comes out to resp. 20% and 80%. Level 2 describes the asset classes. Level 3 describes a liquid and an illiquid part of each asset class in the Yield Portfolio. The final adjustment required for the SPR can take place by adjusting the weighting of the liquid components.

The target investment portfolio in the SPR differs only slightly from the current strategic investment portfolio, requiring only limited adjustments.

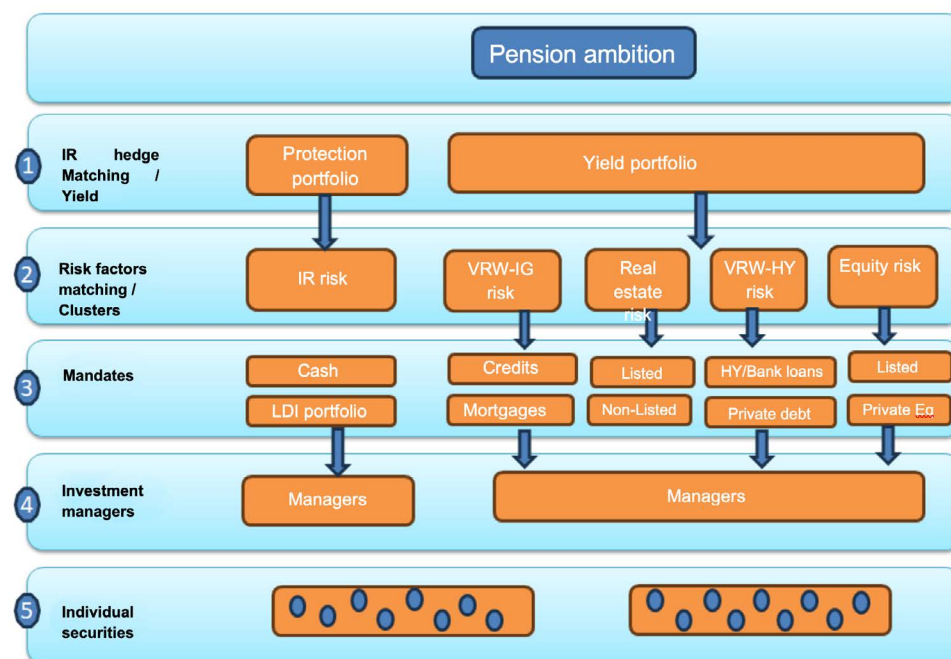


Figure 9. Strategic investment framework within the SPR.

The Protection Portfolio in the SPR will consist of cash, swaps and government bonds. The current protection portfolio also includes mortgages and Euro Credits. The latter two shift to the Return Portfolio in the SPR.

Protection against interest rate changes is different within the SPR than under the current scheme. There are two key differences. In the SPR, the percentage to be hedged is based on capitals rather than liabilities under the current regime. This leads to a higher interest rate hedge in the SPR. On the other hand, in the SPR, interest rate hedging becomes age-related. Up to age 40, 20% of the capitals are hedged and 80% from age 65. Between the ages of 40 and 65, the degree of hedging shows a straight-line increase. The result of this method of interest rate hedging is a lower hedging amount in total. In addition, the

maturity term decreases significantly, as less is hedged for younger participants. The current strategic investment framework already takes into account the transition to the SPR. Pf TNO uses a bucket distribution in interest rate hedging. The overall interest rate hedge is 80% of liabilities, but these are not the same for all maturities. Up to maturities of 30 years, the hedge is 90%, in the bucket around 40 years, the hedge is 63% and in the bucket around 50 years, the hedge is 32%.

The overall interest rate hedge in the SPR is around 68% of assets. This is only slightly lower than the current 80% of liabilities. Due to the current bucket distribution, relatively limited adjustments are needed.

PfTNO has prepared an asset transition plan showing the steps towards the new strategic portfolio. Key elements in this transition plan are the timing of adjustments. The new strategic portfolio cannot be realised overnight. The choices to be made here consist mainly of whether it is desirable to have the entire portfolio settled before the transition or after the transition. The risk in setting up before the transition is that mismatches may arise, affecting the funding ratio at the time of integration of accrued rights. The risk in setting up after the transition is that mismatches may arise that are reflected in the excess return, disadvantaging participants to different extents depending on their age. The asset transition plan specifies these risks.

3.5 Description of key legal and privacy risks regarding transition

In general, legal risk in the current pension system is controlled by various measures. The Board annually monitors developments in laws and regulations. The Board is advised by the Board committees (Pension Management Committee and the Audit, Risk and Compliance Committee). AZL also monitors legislative and regulatory developments. In addition, the Fund's external pension attorney annually reviews the extent to which TNO Pension Fund complies with elements of laws and regulations. The Board also discusses the compliance officer's report annually.

This chapter describes the main risks with regard to the transition and the related control measures.

Legal and privacy risks

The Fund recognises some legal risks in participants and the public not fully understanding about the advantages or necessity of the transition.

The main legal and privacy risks recognised by the Fund are:

- Participants sue the Fund;
Due to the complexity of the new regime and developments at other funds (increased media attention), there is a risk that participants will file complaints with the Fund or take legal action.
- Control measures:
 - Decision-making documents describe the rationale (including the effects on balance) to the best of their ability, including for options that were not chosen. In this way, it is sufficiently demonstrable that the interests of all participants are taken into account, thus reducing the Fund's risk of complaints and/or claims.
 - In an ongoing process, explain why certain choices were made:
 - o Swift response to queries and complaints.
 - o Keep Q&A up to date.
 - o Focus on balance in webinars (including by the social partners).
 - o Explain which changes are a direct result of the changes in the law, and which changes are a result of choices made by the social partners and approval of the Board's assignment acceptance.
 - Keep a close eye on developments in the funds that migrate before PfTNO, including case law, and adjust communication accordingly, for instance.

- Resistance among participants due to lack of understanding about the transition;
Risk of resistance from participants about purpose and choices in transition.
Control measures:
 - The Board makes presentations at eTNOs regions
 - Presenting webinars, where there is opportunity to ask questions. Questions are answered in FAQ.
 - The social partners organised site sessions.
- Negative media coverage;
Pension system gets negative media coverage, reducing confidence in PfTNO.
Control measures:
 - The Fund has prepared a communication plan, on communication during and post transition. This communication plan will also be reviewed by the AFM.
 - The Fund should aim to explain as much as possible in generic communications, limiting individual questions from participants.
- Risk that private data does not reach the right place;
Extensive private data is going to be communicated in early 2026. Extra important to ensure that this does not end up in the wrong place.
Control measure:
 - Monitoring privacy is part of data quality that runs through AZL.

Opinion on the design, existence and operation of control measures regarding legal and privacy risks:

PfTNO pays extensive attention to informing participants about the reason for the transition and how it will be implemented. Because the transition is very complex and because there are many negative signals about the transition in the media, there is no way to prevent participants from taking legal action against the Fund's decisions.

3.6 Concluding opinion of the Board, key officer risk management and internal supervision on the risk analyses and risk control measures

Opinion of the Board

The transition to the new pension scheme under the Future Pensions Act is an extensive and complex multi-year project. During the project, it depends on external factors such as the development of economic conditions and the enactment of lower legislation or amendments to the current Future Pensions Act. This applies to the Fund but also to its main outsourcing partner AZL. AZL is implementing two IT programmes to make the transition successful. This concerns Innovation IT and Innovation Pensions, two completely new environments for robust implementation of the two new pension contracts under the new regime. The Fund is continuously updated on the developments of these projects through Building Together meetings and also discusses the results with the AZL management. At the time, the Fund's Board explicitly chose not to take on the role of frontrunner fund for this route. As a result, we are well aware that a different fund did take on this important task and extra effort. Without a frontrunner fund, such a complex project cannot succeed. The Board would like to express its gratitude.

The success of such a project requires the involvement of all stakeholders such as the social partners of TNO, the Accountability Body and the Supervisory Board of the Fund and, in particular, the permanent external advisers with available manpower and expertise. The Fund recognises that the transition comes with significant risks, but considers them sufficiently manageable. The Fund's Board believes that the risks can be managed effectively and has set up various measures for each risk for this purpose. This control framework was achieved through an extensive preparation period. Various scenarios were thoroughly reviewed and specified with the support of (external) consultants. Careful and tight planning with a corresponding timetable, complemented by predetermined reference points, ensures a controlled and timely transition to the new pension system. Decisive steps such as determining risk attitude and the data quality process, among others, have already been completed and moved to the next stage if necessary.

Accordingly, the Board concludes that the risks are sufficiently managed to successfully

achieve the transition. In addition, the Board is also closely following the developments of the first frontrunner fund at the administrator because if they have successfully completed the transition, this also removes some risks from the Fund.

Opinion key officer risk management

In the opinion of the key officer risk management, PF-TNO is sufficiently aware of the risks associated with the transition to the new pension scheme. The Fund has taken appropriate control measures to ensure control and integrity for a transition to the new pension scheme. The risk analyses conducted have been integrated into the Fund's risk framework system. The risks and effectiveness of the control measures are periodically reviewed and assessed. The Fund is also partly dependent on adequate management of risks and co-operation in its outsourcing relationships. Consider a proper set-up with concrete agreements and responsibilities regarding the new Target operating model. In the opinion of the key officer risk management, the Fund is able to assess the effectiveness of the control measures before, during and after the transition, based on the information provided. The risks associated with the transition are well understood by the Fund. Based on the current understanding, the key officer risk management has no reason to believe that the Fund's control measures are insufficient or too limited, or that the residual risks impede control and integrity in the transition to the new pension system.

Opinion of the Supervisory Board

Regarding risk management, the Fund's Supervisory Board believes that the Board has implemented an adequate system of risk management that is actively managed as an ongoing process. For details, please refer to the extensive section with risk analyses and control measures as included in chapter 3 of the TNO Pension Fund Board's implementation plan.

4 Data and data quality

This section explains the availability and quality of data before, during and after the transition. To this end, a description of data availability and quality risks is included, as well as how those risks are specifically managed in practice, given the Board's risk appetite.

Data quality is essential for the integration of accrued and current pension rights into the solidarity-based contribution scheme of the new pension system. Without adequate understanding of the data quality prior to the integration of accrued rights, the Board is unable to make a balanced decision on the integration, and errors may arise in the calculated individual 'pension assets' of our current and former participant and pensioners. All participants of TNO Pension Fund must be confident that the conversion to individual pension assets will be done correctly and that they will get what they are entitled to, in accordance with the Transition Plan.

To ensure the quality of this data, the Board of TNO Pension Fund decided to follow the Data Quality Framework from the Pension Federation and DNB. The Data Quality Framework focuses on test moment 1 (Get Clean and Stay Clean) and distinguishes six phases with different steps to be performed within them:

Phase 1 - Set-up of data quality

Phase 2 - Risk inventory and assessment

Phase 3 - Data analyses and spot checks

Phase 4 - Reporting and assessment

Stage 5 - Performance of agreed specific work by external auditor (AuP)

Phase 6 - Decision on Data Quality for integration of accrued rights

The Fund has recorded all the steps taken in a Report Assessment Data quality Career average plan. As the Fund also has three small DC plans in addition to the main scheme, a Data Quality Test Report on DC plans has also been prepared. In phase 1, the Fund described the design of the data quality policy and determined the critical data elements for the schemes. In phase 2, a risk inventory and assessment was performed, assessing the risks from the Fund's profile and the profile of the participants. The current data quality management framework was then mapped and remaining net risks were estimated. Subsequently, any additional activities for phase 3 were determined. In phase 3, the Fund conducted various controls, data analysis and spot checks to understand the quality of the data. The results of this work were reported in phase 4. In phase 5, our regular auditor reviewed the process of producing the Data Quality Test Report, as agreed in the so-called Agreed Upon Procedures. In phase 6, it was decided that the data quality was sufficient for integration of accrued rights. All intermediate steps and the final report of both the career average plan and DC plans were discussed in the Fund's Board committees and the Board.

After conducting the Data Quality Test on DC plans, the Fund was confronted with the fact that administrator GSAM has terminated the contract from the beginning of 2026. As a result, the administration of the DC plan cannot continue unchanged until the integration of accrued rights. With the support of consultancy firm Montae & Partners, the Fund gained insight into possible solution directions for the interim period and eventually defined a preferred solution path based on that analysis. Currently, the Fund is working on a detailed specification of the preferred path, i.e. internal administration (under direct management) of the Fund. At the moment, the detailed specification is submitted to the key officer Risk Management and Actuarial and the Fund's auditor. The Board is confident that the data quality of the DC plans, in this way, can be ensured until the time of integration of accrued rights.

In the remainder of this chapter, we will limit ourselves to the description for the career average plan.

4.1 Description of data availability before, during and after the transition and of the management of associated risks

Before the transition

TNO Pension Fund was established in 1941. Logically, several major events have occurred over time, since its inception, such as group asset transfers and switching to a different pension administrator. These major events can have an effect on data quality and availability. Between 1941 and 1996, pension administration was performed in various ways appropriate to contemporary developments. From 1996-2012, the Fund was self-administered, first in an in-house system and from 2001 in Lifetime (Inovita - Keylane). The last relevant major event for TNO Pension Fund was the switch to pension administrator AZL as from 2013. Prior to switching to AZL, the Fund conducted a Quinto-P-like project² in the years 2011-2012, assessing movements from 2001 to 2012 based on data analysis and spot checks. By auditing the years from 2001 onwards, participant data prior to 2001 was also indirectly audited. The checks resulted in an orderly number of corrections and, where necessary, the data was enriched so that a reliable participant file could be transferred to AZL. This has ensured that the assessments performed by AZL on the initial position supplied have not identified any more unusual entries. In addition, after everything was converted to the pension administration at AZL, KPMG performed checks on the 2013 start file at AZL, against the 2012 end file in Lifetime's systems. This served to ensure the accuracy of the data during the transition to AZL in 2013.

During the transition

It is important that the available data is consistent before, during and after the transition. Any findings from phase 3 of the Framework should have been analysed, and, if necessary, resolved and processed, prior to the transition. To maximise data availability during the transition process, a migration schedule is put together working towards the planned transition moment. Part of the migration planning involves the migration roadmap, which must be agreed with the Fund and all stakeholders 6 months before the transition. This migration roadmap contains in detail all the steps involved in the migration, including the content, process and responsibilities for each step. Up to 3 pilot migrations (number depends on the results) will be performed prior to migration. Migration controls and reconciliations are also coordinated in advance with the Fund's auditor and certifying actuary, as clear and timely agreements on data delivery and control are crucial. Once the migration is completed, the audit trail report is delivered, including the reconciliation. Data eXcellence's migration tooling will be used for data migration (Figure 10).

² In 2011, DNB audited ten pension funds on the quality of pension administration. De Nederlandsche Bank's audit was conducted under the codename Quinto-P. The purpose of the Quinto-P assessment was to identify risks in pension administration systems and (if necessary) take additional control measures to ensure high-quality pension administration.

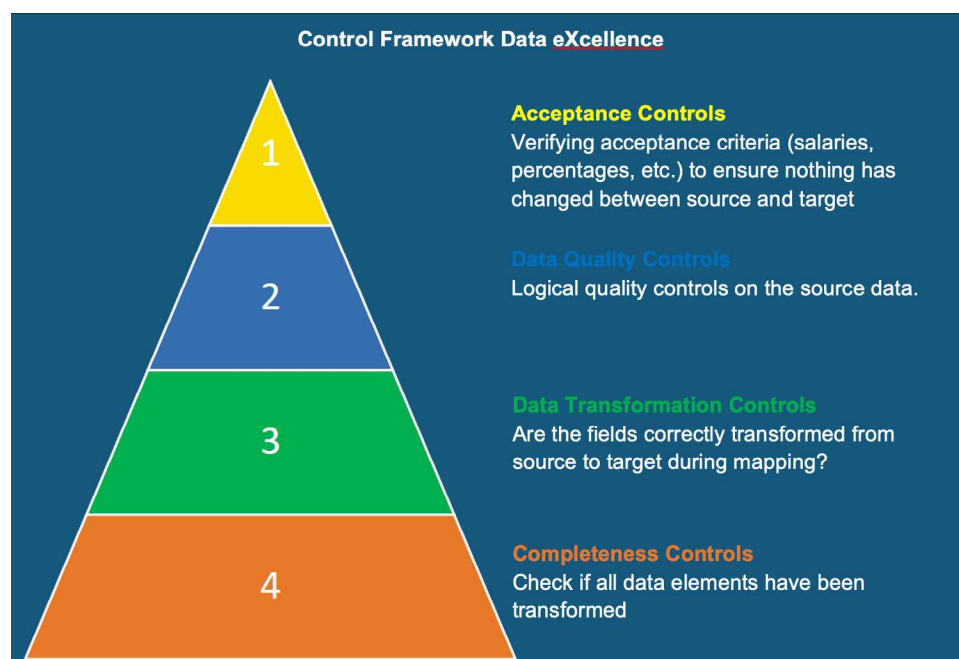


Figure 10. Controls migration tooling Data eXcellence

After the transition

The current data will remain available at AZL (for now) in the current pension administration system. The migrated data (including Data eXcellence edits) is available from AZL's new application, Festina Finance. If a change file is received after the integration of accrued rights with an event date prior to the integration date (e.g. 29-6), then this change is still processed in Compas first. Then the new migration and integration data is loaded into Data eXcellence. Data eXcellence then calculates the new entry capitals for the participant. Subsequently, via Salesforce, the data for this participant is migrated to Festina Life.

4.2 Risk analysis and control of data quality before, during and after the transition

Before the transition

Apart from data availability, there are other risks regarding data quality. To determine the data quality of the current pension administration, the following three steps were initially performed (phase 2):

1. The Fund's overall risk profile was established using the pension scheme and data quality management framework.
2. The specific participant risk indicators (DRIs) for the participant population have been established.
3. Based on the results of the previous two steps, an overall risk inventory was prepared. The various relevant information collected in the process is presented below, to provide an adequate impression of the fund-specific characteristics.

Fund profile

The participant base of the corporate TNO Pension Fund is characterised by relatively high age, relatively high number of service years and high salaries, which translates into relatively high pensions per participant.

Participant numbers as at 31 December 2023:

	Participant numbers:	Unweighted average age
Active and disabled	5,591	43.8
Sleepers	7,233	51.0
Pensioners	5,561	76.8
Total	18,385	56.6

Based on the Fund's characteristics, the Fund does not expect any issues with regard to the data, as there are few affiliated employers. This means there are few supplying parties. There is only one main scheme with hardly any transition provisions still applicable to participants. The pension administration changed pensions administrators very few times. For years, change processing was in principle automated, so the number of manual changes is very limited and a high-quality digital archive is available.

Data quality management framework

As also described in section 4.1, the Fund was self-administering from 1996 to 2012, after which the pension schemes were administered by AZL, a reputable pension administrator, since 2013. Because the Fund conducted a thorough clean-up exercise prior to the transition in the years 2011-2012, it is a valid assumption that a "clean" administration was transferred to AZL in 2013. This is evidenced, among other things, by the fact that AZL did not report any (structural) shortcomings in the pension administration to the Fund after the transition.

In the years from 2013 onwards, the pension records were filled by data from member employers, who provided employment data. Additionally data were submitted by the authentic sources the UWV/SUAG, BRP and the SVB. There is a direct link with the BRP (Basic municipal Registration of Persons). With regard to the UWV/SUAG, a monthly reconciliation takes place and with the SVB periodically to find out people's addresses, especially of people living abroad.

To gain greater certainty about the participant data processed by AZL, reconciliation took place with employers in all years for the employment data supplied and processed.

The entire data quality management framework around the Fund's data quality, from 2013, outsourcing to AZL, is shown in Figure 11.

Data quality

Data quality process PF TNO

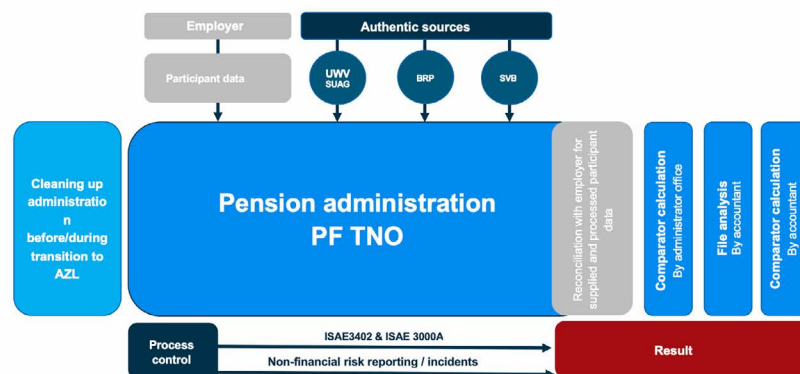


Figure 11. Data quality management framework

Throughout the period from 2013 to 2023, the Fund also monitored the pension administration performed by AZL, using:

- ISAE reports;
- periodic reports;
- monitoring work by the administrator office;
- audit work by the in-house auditor.

To give substance to the role of data owner, for which the Fund's the Board is ultimately responsible, a control model and associated control matrix were set up as part of the outsourcing of pension administration to AZL. In addition to reviewing the available ISAE 3402 and ISAE 3000 reports, as well as the reports received periodically from AZL, this control model also includes periodically performing association checks, file checks and spot checks on high-risk processes (such as occupational disability, asset transfer, marriage, divorce and equalisation, entry (t)OP). To enable such checks, the Fund has the ability to access AZL's pension records online. Carrying out these checks also gave the Fund a great deal of insight into the set-up of the pension administration, the extent of the various changes and working methods of AZL, which allowed any risks to be identified in time.

The Fund relied on all the data controls AZL has in place, but meanwhile over the past 10-15 years, also has made many strides in data identification, risk assessment, data monitoring and self-implemented data controls. The current data quality management framework is therefore at a very mature level.

Risk indicators from events

Events that can be a risk to data quality and availability include:

- the implementation of a new pension administration system,
- the transition to another pension administration organisation (PUO),
- introduction of a new or amended pension scheme.

In the Fund's history over the past 30 years, there have only been a limited number of such events, and data quality was always a core point of attention in such events. Therefore, from the events, the Fund did not identify any risk indicators.

Risk indicators from incidents and complaints

Before conducting the Data Quality Test, the Fund prepared an overview of whether there were any relevant complaints and incidents that could affect data quality. The aim of this was to establish what impact this has on data quality by determining, among other things:

- Whether this concerned structural issues or incidents,
- Whether structural measures were taken to prevent recurrence,
- Which risks are still relevant to the current data quality.

In identifying the issues and/or incidents, the Fund used the reviews already performed on ISAE 3402 reports, quarterly administrative reports reporting all complaints received and outcomes of the work performed in the control model. In particular, (minor) incidental findings were reported by the participants, noted by AZL or by the Fund. When an incidental finding was identified, consideration was always given to whether there could be a structural error or finding.

Between 2013 and 2023, the administrator office identified one more structural finding in the implementation of pension administration. The issue was analysed by AZL, which recalculated the pension calculation for all potentially affected participants. For a manageable number of pensioners, this led to corrections, which were communicated to those affected. To prevent recurrence in the future, improvements have been made to the processes.

The monitoring work performed in the period from 2013 to date, complemented by the audit work on employer change submissions, has given the Fund confidence that there are no structural issues in the pension administration.

Risk inventory participants

When performing the Data Quality Test, a risk assessment was also performed on the profile of the Fund's participants. For this purpose, we first identified which participant risk indicators (DRIs) recognised by the Pension Federation also apply to our participants. We then assessed whether combinations of DRIs could also occur. These combinations were recognised as risk groups, for which the Fund performed additional audit work in the form of spot checks and additional data analyses, in order to obtain more assurance regarding the accuracy of the data of these participants.

To determine whether there were any additional DRIs for the Fund that needed to be assessed, the Fund took a critical look at the regulations and financial year-end work and defined one additional DRI based on this.

All DRIs were assessed as to whether they are applicable to the Fund, how often they occur, and whether any particular risks are expected with regard to the DRIs. Ultimately,

the Fund identified six DRIs where the Board considers an increased risk of error possible. These DRIs cover:

- divorce/equalisation/conversion;
- resident abroad;
- occupational disability;
- cohabitation/marriage/registered partnership;
- participation in multiple pension schemes;
- flexible pension pay-out.

These DRIs had also been identified by the Fund as high-risk processes as part of the control model work. As a result, these processes were also periodically in the scope of audits over the past 10 years. Therefore, the Fund does not expect any issues regarding these DRIs, but has decided to conduct spot checks on these DRIs. The combination of the above DRIs were identified as high-risk groups, where it was established that at least one file was also selected in the selection of the spot checks, where the combination occurs.

During the transition

It is important that all data required in connection with the transition is transferred correctly and completely to the new pension administration systems. To this end, AZL and the Fund will draw up a data migration plan, including the risks and mitigating control measures during the transition. This plan also includes various reconciliation checks and checks for completeness and correctness of the data. A report will be prepared by AZL on the migration, for which an independent auditor will provide assurance. The Fund believes that in this way, data quality can be monitored during the transition.

After the transition

The Fund's current data quality management framework rests on the pillars: ISAE reports, periodic reports, audit work by the administrator office and (annual) audit work by the in-house auditor.

AZL will produce ISAE 3402 reporting on the new pension environment from 2025. AZL will supplement the periodic reports with a report on quality for data. With regard to the auditing activities of the administrator office and the regular auditor, these will take place in the same way in the new situation, on the understanding that the audits will have to be adapted to the solidarity-based defined contribution scheme and the associated applicable critical data elements (KDEs). During 2026, auditing programmes will be adapted to the new regime.

4.3 Overview of key risks and 'complex cases' in data quality and control measures in place

In section 4.2, the Fund estimated the risks regarding data quality based on the Fund's profile, the data quality management framework in place, the events, incidents that have occurred and the profile of the participants. Subsequently, a risk inventory was again performed during the Data Quality Test, but this time framed from the Fund's defined critical data elements (KDEs).

The process was performed as follows per KDE:

- Gain insight into which processes KDE is administering and making changes.
- Describe what risks may arise.
- Estimate whether the risk may occur at the Fund: gross risk.
- Identify the control measures in place and assess their effectiveness with regard to their design and operation.
- Estimate the remaining risk, taking into account the control measures in place: net risk.

This risk analysis was rated on the aspects of probability and impact (financial, reputation and feasibility), resulting in a net score of very low, low, medium or high. The Fund has estimated the net risk of 8 KDEs to be high:

- end date relationship;
- end date cohabitation;
- occupational disability rate (AO);
- pay-out rate for occupational disability;
- type of occupational disability benefit;
- disadvantage on the labour market;
- equalisation;
- conversion.

These KDEs had also been recognised as risks in Phase 2 in the DRIs, Divorce/Equalisation/Conversion, Cohabitation/Marriage/Registered Partnership and Occupational Disability. To get more certainty regarding these KDEs, a spot check was performed on these changes, including the relevant KDEs.

4.4 Justification of the risk appetite and maximum allowable deviation with respect to data quality and a description of how a risk appetite and maximum allowable deviation with respect to data quality is applied

In the Fund's data quality policy, risk appetite is defined as the maximum risk PFTNO can and/or is willing to accept for data quality in performing its stated objectives.

In the Fund's Risk Self Assessment (RSA), the risk appetite regarding the processes around pension administration, is defined as low. It concerns the risk that important processes cannot be performed with continuity or with the right quality. The above risk appetite is mainly qualitative in nature. In addition, the Fund has defined the quantitative risk appetite at a threshold of 99%. This means that a maximum of 1% of the number of elements in a data field may deviate from the set data quality requirements.

In order to translate the qualitative risk appetite for data quality into a quantitative risk appetite at the individual entitlement level, it was expressed as a maximum allowable deviation (MTA) from the individual entitlement.

The MTA is expressed as an absolute amount. In setting the MTA, the interests of individual participants were considered with due care to ensure that the impact of this maximum permissible deviation on individual pension assets was limited to an acceptable amount. The Fund opted for an amount of 4 euros pay-out per month and 48 euros deviation on the annual pension entitlement, as the Fund has relatively many high pensions. As a result, even with minor deviations/rounding, differences of a few euros can occur anyway. The Fund therefore considers a deviation of 4 euros per month acceptable.

The MTA is then used when analysing the results of the generic and specific analyses performed on the KDEs. These checks identify the effect of any incorrect KDE on the individual entitlement. If the effect of an error on individual entitlement is greater than the MTA, further analyses of the anomalies found are needed. This assessment may then lead to the need for additional analyses and/or spot checks and corrections (as per correction/revision policy). If the impact of the incorrect KDE on the individual entitlement is smaller than the MTA, then no further analysis of the error found is needed in the context of transition. A correction may well result in accordance with the correction/revision policy. This is because the MTA is not to be confused with the correction limits used for misstatements found as set out in the correction/revision policy.

In addition to the MTA, a generic quantitative threshold of 99% was applied. This means that all deviations greater than 1% are explained in the reporting of the checks performed. Deviations smaller than 1% are also analysed, but this is only reported on if actual findings are detected. Apart from the 99% threshold, an outlier analysis is performed anyway in

case of discrepancies to identify erroneous data. Both the analysis of the random checks and the outliers are tested against the MTA.

4.5 Description of pension administrator's work to establish data quality for integration of accrued rights

After discussions with several parties, the Fund opted to have the data analyses (phase 3) performed with the Data APK product through AZL. The main reason was that AZL's Data APK checks aligned well with the guidelines of the Data Quality Framework.

The Data MOT consists of:

1. Data profiling controls (249 controls) (mandatory)
2. Data analysis
 - a. 55 generic data analyses (mandatory)
 - b. 20 additional data analyses (voluntary)
3. Spot checks on high-risk groups (voluntary)

Despite the fact that, based on an estimate of the risk profile and the risk assessment performed, the Fund does not expect to find any unusual cases when performing the Data MOT, the Fund has still decided to have all components, both mandatory and voluntary, performed by AZL.

The data profiling controls per KDE, are checks for completeness, validity, data type and distribution. The outcomes of the data profiling controls are expected to be close to the standard of 100%, as these are the relevant KDEs for calculating individual claims.

The 55 generic data analyses per KDE, are the data analyses named in Annex A5 of the Framework. Expected outcomes were determined in advance. Generic analyses involve more complex analyses where the relationship between these KDEs is specifically tested for correctness, or else plausibility. If the result for a participant is outside the predetermined outcomes (outliers) then further checks are required to determine the cause.

The 20 additional analyses are data analyses on top of the generic analyses, which can provide additional insight into the quality of the data. The content of these checks is prepared by AZL.

In the risk assessment, the Fund identified 6 risk groups on which the Fund wants to gain additional assurance by conducting spot checks, namely; divorce/equalisation/conversion, living abroad, cohabitation, occupational disability, participation in multiple pension schemes and flexible pension pay-out. When selecting the spot checks, the occurrence of combinations of certain DRIs was also specifically considered.

The Fund eventually found that all the Fund's KDEs had passed scrutiny. There were 4 KDEs which were not affected by profiling controls, but these were checked with generic analyses.

4.6 Description of the findings arising from the work performed, including how the findings have been or will be resolved

The results of the Data MOT confirmed the Fund's view that there are no issues regarding data quality.

Based on the profiling controls, the score before analysis of results (gross) is 99.83% and after analysis 99.99% as a weighted average. All critical data elements (KDEs) score well above 99% after analysis. However, 422 data fields were still identified for which the data could be enriched. This includes entering the date of termination of employment if the participant is retired. Or change the partnership code to terminated due to death. Given the checked total number of data fields of 3,323,561, the number of data fields to be improved

(enriched) is acceptable. Especially since the fields in question do not otherwise affect the determination of the level of pension entitlements or benefits.

Based on the generic controls, the score before analysis of results (gross) is 96.68% and after analysis 99.84% as a weighted average. In absolute numbers, this means that of the total number of data fields examined (483,783), 16,066 showed an anomalous picture before analysis and only 747 remained after analysis. For several generic analyses, as these involve an assumption, a deviation need not immediately be an inaccuracy. The vast majority of anomalies found in the analyses:

- Entitlement NP is 70% of the retirement pension entitlement or target retirement pension.
- WZP entitlement is 16% of retirement pension entitlement.

These assumptions are not correct for our Fund, because the conversion of accrued retirement pensions from ages 65 and 67 to 68 means that these ratios no longer apply to all participants who already had accrued pension entitlements before 2018.

Of the 747 anomalies yet to be analysed further, 679 anomalies concern active participants whose 2024 salary was not yet known in the data used, as the general salary review is at a later date. It has since been established from this group that the 2024 salaries have been fully processed.

Of the 20 additional controls, 3 were found to be not applicable, there were 13 controls that scored net 100%, 3 controls that scored net between 99% and 99.99%. And there was only 1 control that scored a net 97.91%. Based on the additional checks, 213 data fields remain to be adjusted.

In the spot checks, 20 files have been checked, 19 files have no findings and only 1 file requires an additional check.

The current assessment is that further analysis of the above deviations will not identify any impact, which exceeds the Fund's MTA. Most deviations concern fields that need to be enriched or filled, but in this case there is no impact on pension entitlements or benefits. Based on all checks performed, it is concluded that no structural findings were identified

The Fund will receive monthly progress reports from AZL from November 2024 to monitor the follow-up of the above deviations. The Fund received a mapping from AZL that allows it to establish a relation between the findings per check from the Data MOT report and the numbers stated in the progress report. This allows for due tracking and monitoring of the resolution of the findings. In 2025, AZL started a structured process to further analyse the various findings. This will assess whether the missing data based on the improvement actions is also still needed in the pension administration for the implementation of the new solidarity pension scheme in the new pension system. If the data adds value to the administration of the solidarity pension scheme (SPR), the data will be supplemented. If this is not the case, then costs and benefits are reviewed. In terms of prioritisation, we started with the two issues with a potential impact higher than the MTA. These have now been completed and again no anomalies have emerged. This means that only issues that have no financial impact now remain. It is AZL's planning that all deviations will be analysed and finalised by the fourth quarter of 2025. The Fund will closely monitor this further analysis and settlement.

4.7 Steps still to be taken to get data quality to a sufficient level

For the get-clean phase, the focus is on monitoring the resolution of issues through the Progress Report received from AZL on a monthly basis; and on monitoring that these are addressed in a timely manner. AZL expects to complete all outstanding items in the fourth quarter of 2025, while the desired integration date is 1 July 2026. Therefore, the Fund does not expect any problems that the discrepancies are not sorted out in time and resolved where necessary.

Until the transition date of 1 July 2026, the Fund is in the stay-clean phase. The most important aspect to ensure data quality even in the Stay Clean phase concerns relying on

the already existing data quality framework. The Fund assumes that business as usual will continue in the period up to 1 July 2026, so the risk profile and risk assessment do not need to be changed.

This includes:

- No significant/major changes to the pension scheme, pension administration, etc;
- no occurrence of major events, such as the transition to a new PUO;
- no increase in the number of complaints and incidents specifically related to the quality of pension administration.

If the above change risks do not materialise, the Fund believes that the existing data quality framework is adequate to ensure data quality in the Stay Clean phase. This means that in the Stay Clean phase, the Fund will establish, among other things, that:

- ISAE-3402 reporting from AZL, remains of sufficient quality;
- periodic reports from AZL do not indicate increased risks;
- work Control model be continued;
- work by the Fund's regular auditor do not reveal any unusual entries.

Additionally, the Fund will have AZL conduct the "Data MOT Stay Clean." This concerns a set of basic migration controls before integration of accrued rights. These are 104 mandatory controls that are part of the 249 profiling controls audited in the AZL Data MOT. Of these 104 profiling controls, just before integration of accrued rights, it is once again determined that the data quality is still demonstrably of sufficient quality for integration of accrued rights.

4.8 Reporting of specific work by external auditor or external IT auditor prior to decision on integration of accrued rights

4.8.1 Description of engagement/activities accountant/IT auditor

Pensioenfonds TNO engaged its main accountant KPMG to perform the AUP (specifically agreed work) on the Career average plan Data Quality Test prepared by the Fund and also assess the DC plan Data Quality Test.

The process and detailed work of the AUP was performed in accordance with the reporting requirements as stated in the NBA/NOREA document "Agreed specific work Data Quality - Future Pensions Act" of 22 June 2023 as published by the Netherlands Institute of Chartered Accountants (NBA). This document provides insight into the specific steps taken during the audit and records KPMG's findings in a structured and transparent manner.

4.8.2 Outcomes of work and findings accountant/IT auditor

In conducting the AUP, KPMG found that the Fund has implemented and documented the phases and underlying steps described in the Data Quality Framework. The fact findings report contains detailed information, including references to relevant documentation with version numbers or dates. The AUP report contains no evidence of data quality shortcomings.

4.8.3 The Board's assessment of outcomes and the relevant conclusions

The Board reviewed the outcomes of the AUP and determined that there were no findings indicating data quality shortcomings. Therefore, no additional work needed to be defined

for the Get Clean phase either. However, the Fund should monitor that AZL analyses and, where necessary, resolves unresolved deviations in due course. The Board does not expect any more issues in this regard and follow-up will be reported to the Board through the monthly progress reports.

4.9 Research data quality after the date of integration of accrued rights

4.9.1 Description of external auditor assignment

The Board is aware that, pursuant to Article 46 of the Implementation Decree of the Pensions Act and the Mandatory Occupational Pension Schemes Act, it is also expected to engage an external auditor after the transition to provide an opinion on the accuracy and completeness of the transition, including at least the calculations underlying the determination and allocation of assets and, if applicable, the compensation deposit, the solidarity reserve or the risk-sharing reserve upon integration of accrued rights. In the second half of 2025, the Board will make a decision on engaging an external auditor in this context. The Fund will follow the Pension Federation's instructions, as set out in the Service Document Assessment 2, published in November 2024. Specific details are yet to be determined.

4.9.2 Method of how the Board deals with external auditor's findings

Reporting after the actual transition including integration of accrued rights could give rise to a project to rectify the omissions and issues found. At the moment, the Fund has no indication to assume this will be necessary. Should this be necessary after all, the Board will consider what steps to take.

4.10 Description of how data quality issues will be resolved after actual integration of accrued rights

During and after the transition phase, the availability of data will be continuously monitored by further implementing the data quality policy and associated periodic reports for the purpose of data quality monitoring. In the transition to the new pension system, existing rights and entitlements will be converted to personal pension assets in the new pension scheme. For the post-transition period, appropriate Critical Data Elements (KDEs) applicable within the new pension scheme are determined in advance. Subsequently, these are included in data quality policy updates and data quality monitoring reports. Should any data quality issues be identified after integration of accrued rights, these will be resolved as far as possible in accordance with the Fund's current Corrections and Revisions Policy. Should these no longer be applicable one on one due to changes resulting from the transition to the Solidarity-based defined contribution plan, the Fund will assess whether these can be treated 'in the spirit' of the Corrections and Revisions Policy. To fund any data quality issues, an estimated amount has been taken to the operating reserve for the maximum expected corrections.

4.11 Description of how the pension fund handles the processing of any retrospective pension changes

Immediately after the transition, priority will be given to processing retroactive changes for which the change date precedes the transition date. The Fund aims to minimise retrospective movements after the integration of accrued rights. To achieve this, attention will be drawn to this issue through existing communication channels, including to employers. And a so-called freeze period of up to two months is applied shortly after integration, aimed at processing any late changes before the transition date.

If any retrospective corrections and changes have financial implications, these will be credited or charged to the Operating Reserve. Given the high data quality for the transition, the efforts to keep the records up to date and all the additional controls that have been put in place, the Fund believes that the amount set aside as part of the operating reserve should be more than sufficient to absorb any financial impact.

5 Integration of accrued rights

5.1 Working method: preparations and implementation of decision on conversion methods and allocation of pension assets

The TNO the social partners made choices regarding the new pension scheme in 2023 and 2024. These choices are set out and substantiated in the transition plan (Annex A). The social partners have asked Pf TNO to implement this new pension scheme from 1 July 2026 (transition date). Through the transition plan, the social partners also requested that pension entitlements and rights accrued as at the transition date be integrated in the new pension scheme. Chapter 7 details the decision-making process concerning the transition plan.

The PfTNO Board reviewed the social partners' request against the statutory criteria (Article 150I Pw) including an independent review and rationale that the requirement of a balanced consideration of interests had been met. For the purpose of balancing interests, the DNB good practice, which was just published at the time, including a roadmap, was applied. The Pf TNO Board recorded its decision in the proposed decision to integrate accrued rights. This was submitted to the Accountability Body for advice and then to the Supervisory Board for approval in accordance with the Pensions Act. This resulted in the decision to integrate accrued rights, adopted by the Board of PfTNO on 18 June 2025 (Annex B).

5.2 Description of how the pension fund prefers to deal with accrued rights

The accrued rights will be integrated into the new scheme. PfTNO and the social partners have determined how the assets available on the transition date will be allocated. The following allocations have been defined:

- A. Minimum Required Equity Capital (MVEV);
- B. operating reserve;
- C. 100% of the Pension Liability Provision (VPV);
- D. compensation for the elimination of the career average system.
- E. initial allocation to the solidarity reserve
- F. remaining non-allocated assets are distributed among the individual capitals of current and former participants and pensioners (according to the standard methodology and equal treatment of all pensioners).

The social partners have indicated in the transition plan that the transition plan is valid for integration funding ratios between 106% and 135%. In the same line, the integration decision and this implementation plan are also based on a funding ratio between 106% and 135% upon integration. The table below shows how the pension assets will be allocated upon integration.

Funding ratio upon integration	Description
106%	A. Approx. +0.3% of assets for Minimum Required Equity Capital B. Approx. +1.5% of assets for Operating reserve C. 100% Provision for Pension Liabilities (VPV) D. +1.5% of assets to compensate for elimination of the average system E. +2% of ability to fill the solidarity reserve
Between 106% and 110%	A. Approx. +0.3% of assets for Minimum Required Equity Capital B. Approx. +1.5% of assets for Operating reserve C. 100% Provision for Pension Liabilities (VPV) D. +1.5% of assets to compensate for elimination of the average system E. step by step from +2% to +5% of assets to fill solidarity reserve
Between approx. 110% and 135%	A. Approx. +0.3% of assets for Minimum Required Equity Capital B. Approx. +1.5% of assets for Operating reserve C. 100% Provision for Pension Liabilities (VPV) D. +1.5% of assets to compensate for elimination of the average system E. +5% of assets to fill solidarity reserve F. Remaining non-allocated assets are distributed among the individual capitals of current and former participants and pensioners (according to the standard methodology and equal treatment of all pensioners). At a funding ratio of 120% upon integration, more than 9% of the funding ratio can be distributed, and at 135% approximately 23% of the funding ratio.

In addition to the current basic plan, the temporary retirement pension (TOP) scheme and extra pension scheme will also be integrated. The accrued capital within the temporary retirement pension and extra pension schemes are added one on one to the individual capitals of the respective active current and former participants and pensioners.

5.2.1 What portion of capital is used to meet minimum required equity capital

From total assets, the minimum required equity capital (MVEV) and the operating reserve will be reserved first.

Pursuant to the nFTK, a pension fund must also have a minimum required equity capital (MVEV) under the new pension system. The MVEV is lower for the new scheme than under the current scheme and will amount to approximately 0.3% of assets.

In addition to the MVEV, the operating reserve is segregated at the time of integration. Among other things, the operating reserve serves to cover potential future costs for which the pension fund cannot/should not create a provision. This concerns, for example, processing retroactive changes, the situation of 'entitlement without premium', potential data quality issues and other unforeseen financial results. The operating reserve amounts to about 1.6% of assets. The solidarity policy decision-making document (Annex C) describes all the objectives of the operating reserve and estimates the amount of this reserve to cover for the identified risks.

5.2.2 What method is used for measurement of the pension entitlements and pension rights and allocation of the assets

Upon integration of accrued rights, the default method is the preferred or default method for allocating the pension fund's grouped assets to the personal pension assets.³ The pension fund may also use the VBA method "if this method better models the particular

³ Section 150n(1) Pw.

characteristics of the pension scheme and the pension fund⁴. Pf TNO's pension scheme has no special features that call for application of the VBA method. The Board of Pf TNO therefore opted for the standard method. Another factor here is that the standard method is relatively simple in terms of calculation method, easier to explain than the more complex VBA method and offers sufficient flexibility to achieve a balanced distribution of non-allocated assets and achieve the Fund's integration objectives in a targeted way.

Regarding the spreading period, the Board concluded that the transition effects do not justify deviating from the default spreading period of 10 years.

The integration decision (Annex B) analyses and substantiates in detail these and subsequent choices regarding the distribution of undistributed assets.

5.2.3 Fulfilling the administrative space within the chosen method

Within the standard method, the administrative space allows for slightly changing the allocation of assets under conditions. One of the options in this regard is to opt for equal treatment of pensioners upon integration, as a result of which the percentage adjustments to benefits when transitioning to the new system will be the same for all pensioners.⁵ The shift must be applied within the group of pensioners.

This option was chosen by Pf TNO and the social partners because, among other things, it fits well with the choice for a group pay-out phase, ensures better explainability and simplicity in communication and ensures that the benefits of the new scheme, in terms of net benefit and average expected pension pay-out in the median scenario, are more equally distributed for all pensioners.

5.2.4 Level and method of compensation for abolishing the career average system

Under the new Pension Act, the above-mentioned career average system will be eliminated and every pension scheme will become a defined contribution scheme in which the premium is paid into a personal pension capital. Active participants above a certain age are most affected by the elimination of the career average system. 1.5% of fund assets will be used to compensate this group. This compensation is granted in a single lump sum at the transition time and applies to employees aged between 35 and 67. The compensation factors differ by age and, together with the pensionable salary base the relevant employee earns as at the transition date, this determines the amount of individual compensation. The compensation factors are shown in the decision on integration of accrued rights.

5.2.5 The initial allocation to the solidarity reserve and the relevant rules

The solidarity reserve is an important part of the Solidarity Premium Scheme. The solidarity reserve serves to ensure financial setbacks are absorbed collectively.

The solidarity reserve has the following objectives:

1. Limiting declines in the nominal benefits;
2. protecting for micro long-life risk;
3. Preventing negative equity (legal requirement).

If the integration funding ratio allows, the solidarity reserve is created with 5% of the assets at the start. This significantly reduces that the probability of a reduction in pension in payment. Even with an initial allocation of the solidarity reserve of 2%, which comes into play with a funding ratio upon integration towards 106%, there is already a sufficient

⁴ Section 150n(2) Pw.

⁵ Section 150n(5) Pw.

limitation of the probability of a reduction in pension pay-out, even in the first years after the transition. A lower probability of pay-out cuts in the first years after the transition is also important for confidence in the new pension scheme.

In addition to the solidarity reserve, a collective pay-out phase with memoryless spreading (with backstop) is applied where the spreading parameter is 3 years. A collective pay-out phase with equal adjustments for all beneficiaries has the advantage that beneficiaries receive the same adjustment of their pension pay-out every year. This offers great advantages in terms of explainability and communication to beneficiaries.

Another advantage of the collective pay-out phase with spreading is that it also offers protection for near-retirees. By combining the collective benefit phase with spreading and the solidarity reserve, the transition objective of seeking a stable pension benefit can be adequately met.

Table 3: Solidarity reserve in the new pension scheme

Component	Allocation
Amount at start	Depends on the coverage ratio on transition date. Minimum 2% increasing to 5%
Maximum amount	5% of assets
Allocation to solidarity reserve	7% of excess returns (of all members)
Distribution at maximum size of solidarity reserve	Above the maximum of 5%, the excess will be distributed by means of the excess return
Distributing to limit a decrease in nominal pay-outs	Maximum of 20% of the available assets in the solidarity reserve per year.

Table 3 also shows the allocation and distribution rules of the solidarity reserve. The design of the solidarity reserve and the assessment of its balance are detailed in the Solidarity Policy Decision Document (Annex C). The considerations and design relating to the collective pay-out phase can be found in the pay-out policy decision-making document (Annex D).

5.2.6 How the pension fund took into account the consequences for participants, former participants, former partners and pensioners of using bridging plans

PfTNO has not used the option of a bridging plan so far.

5.2.7 How the pension fund has taken into account the consequences for participants, former participants, former partners or pensioners when using the option to grant a supplement in the year 2022 at a policy funding ratio above 105%

In 2022 and 2023, in anticipation of the transition to the new system, PfTNO opted to make maximum use of the indexation decree. As a result, pensions have been indexed by over 9% (2.19% and 7.00% respectively); more than would have been possible under the rules of the current scheme. The overall indexation gap is currently limited.

To support the decision-making process in 2023 to use the indexation decree, Ortec calculated the expected value of the total indexation backlog (then 20.6%) over a 15-year period. This showed that under the current system, over a 15-year period, about 1/3 (approx. 7% point) of the gap at that point would still be caught up.

The Board decision to make (maximum) use of the indexation decree, which is part of the transition, involved complex balancing of the various interests and risks involved in light of

the transition to the new system. This took into account the calculation with regard to potential retroactive indexation and, in addition to a feasibility test, considered the impact of indexation on the probability of achieving the target funding ratio for integration.

This additional indexation granted as a result of the indexation decrees is included in both the calculations of the current and the new scheme. Therefore, its impact is not visible in the various comparative calculations (delta net benefit and delta average expected pension pay-out). The Board of Pf TNO took these allocations into account (qualitatively) in its assessment of the balance of the entire transition as included in the decision on integration of accrued rights.

5.2.8 How the pension fund handles disability pension, non-contributory continuation and survivor's pension

Occupational disability pension and non-contributory continuation

An employee who becomes occupationally disabled is eligible for a non-contributory continuation of pension accrual – just as under the current scheme. The scheme will be expanded as compared to the current scheme by fulfilling the Occupational Disability Pension Covenant (AO Covenant). This means that participants whose employment contract is terminated remain entitled to non-contributory continuation if they were already sick during the period of employment.

Under the current scheme, a supplementary occupational disability pension is in place. Employees who become incapacitated due to occupational disability receive a so-called WIA benefit that amounts to a maximum of 70% of the legal maximum daily wage. If an employee has a pensionable salary higher than the maximum daily wage, a maximum of 70% of the salary portion above this limit will be supplemented by the pension fund. This disability pension, also known as the WIA top-up scheme, will lapse after the transition because its administration will no longer be offered by the pension administrator (AZL). However, the social partners believe it is important to continue this employee benefit and will realise it outside the pension context by transferring this to an insurer. WIA supplementary benefits already in payment are subject to the principle of respectability; they will continue after the transition to the new pension scheme. These pay-outs will also be invested with an insurer. Both have no material impact on affected participant groups and/or transition outcomes.

Surviving dependants' pension

Under the new scheme, all forms of surviving dependants' pension (partner's and orphans' pensions) are required to be offered on a risk basis (insurance). The survivor's pension in payment is part of the group pay-out phase and survivors receive the same annual pension benefit adjustments as other pensioners. This includes protecting them against nominal reductions in pension pay-out from the solidarity reserve.

Pre-retirement surviving dependants' pension

Partners of active members receive a pension benefit of 35% of the deceased employee's last pensionable salary. Because this is designed on a risk basis, no entitlement is accrued for this.

Under the current scheme, entitlement to surviving dependants' pension does accrue. These entitlements will be retained after the transition to the new pension scheme. It should be noted that the nominally accrued entitlement is converted into a capital and moves with the results in the same way as pensioners' entitlements and capitals. A partner of an employee who dies after the transition will receive not only the 35% of the last pensionable salary, but also the portion that had already accrued under the current scheme. Entitlement to surviving dependants' pension (on a risk basis) continues for three months after leaving employment. This period is equal to the statutory minimum. The accrued survivor entitlement always remains when leaving the company.

Post-retirement surviving dependants' pension

For all participants with a partner, the survivor's pension is 70% of the retirement pension from retirement, unless the pensioner explicitly chooses otherwise. The post-retirement survivor's pension is realised from (part of) the deceased participant's pension capital.

Orphan's pension

Children of deceased employees receive an orphan's pension of 20% of the last-earned pensionable salary. Under the current average pay scheme, an orphan's pension is paid out until age 21. Under the new scheme, the (legally) fixed scheme end date of age 25 applies. This extension of the benefit period also applies to orphans already receiving an orphan's pension at the time of transition to the new pension scheme. For full orphans, further elaboration will be made by the social partners.

For children of a deceased member receiving a retirement pension, the orphan's pension will be based on 20% of the retirement pension.

5.2.9 The manner in which the pension agreement will be administered in compliance with applicable laws and regulations, including equal treatment legislation

The pension agreement will be administered through the new Pf TNO pension scheme. Applicable laws and regulations will be taken into account. In particular, this applies to equal treatment legislation. The recovery capital of accrued pension rights and entitlements through a group asset transfer will be independent of gender. Furthermore, the determination of the pension pay-out from the pension capital is independent of gender. The allocation of fees for micro long-life risk are also independent of gender. Finally, any distributions from the solidarity reserve are independent of gender.

5.2.10 Justification transition effects and compensation

The effects of the change in the pension agreement and how accrued pension entitlements and rights are treated were analysed primarily by reviewing the two statutory benchmarks⁶:

- **Delta net benefit** The net benefit of the new pension scheme, including the integration of accrued pension rights and entitlements, is compared with the net benefit of continuing the current pension scheme unchanged.
- **Delta average expected pension pay-out** The pension expectation of the new pension scheme, including the integration of accrued pension rights and entitlements, is compared with the pension expectation under unchanged continuation of the current pension scheme. This comparison is made in the median scenario and in the bad weather and good weather scenarios.

These transition effects were considered by participant group and age cohort. For the base case (integration funding ratio of 120%), these results are shown in the figures on page 67. It is clear that in the baseline situation, both the net benefit effect for almost all participants (except a slightly negative effect for former participants younger than cohort 1977) is positive. Looking at the expected pension benefit in the median scenario, the new pension scheme leads to a better result for all participants.

The above analyses were also performed for funding ratios of 106% and 135%. In addition, a sensitivity analysis was performed for an interest rate shock of +1% and of -1%. A detailed analysis of the transition effects is available in the integration decision (Annex B).

⁶ In addition, a number of measures were also considered specifically in the context of the probability of a reduction in pension pay-out (in both the current and new scheme) and the distribution of the gains and losses on the solidarity reserve over time. These comparators have also been used to assess the feasibility of the ambition.

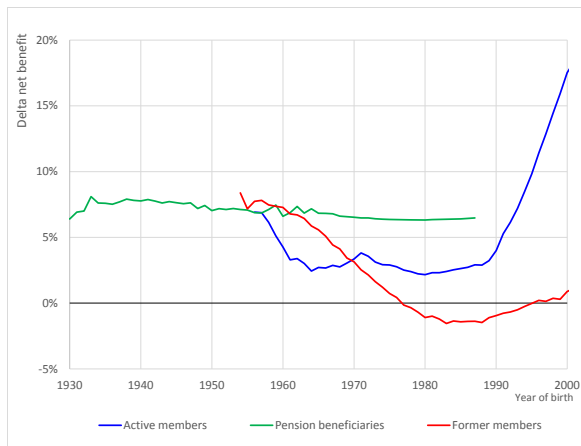


Figure 12. Delta net benefit in base situation

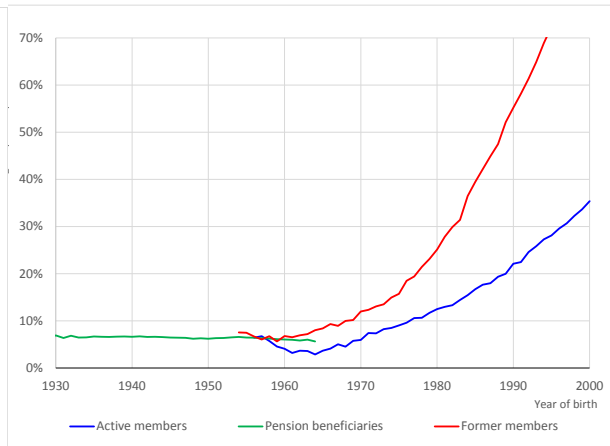


Figure 13: delta average expected pension benefit in base situation (median)

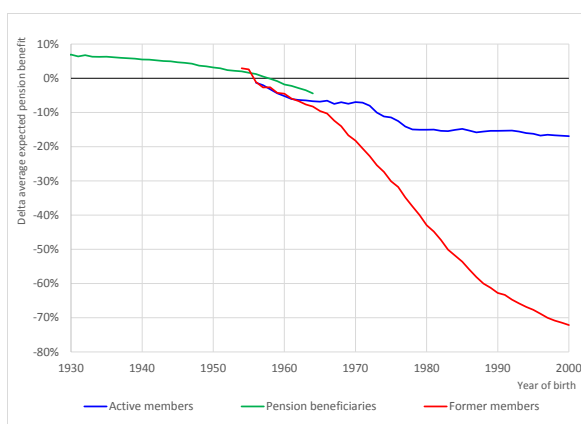


Figure 14: delta average expected pension benefit in the basic situation (bad weather scenario)

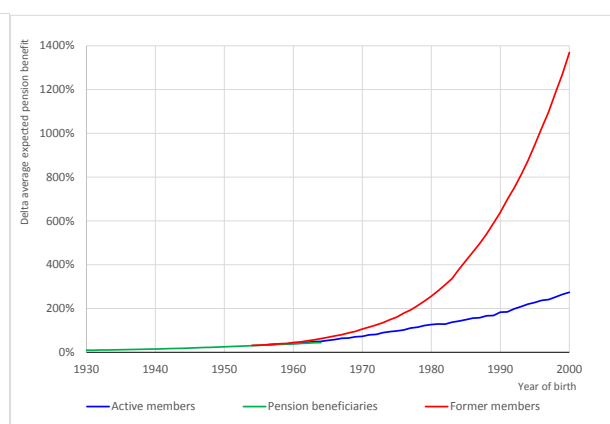


Figure 15: delta average expected pension benefit in the basic situation (good weather scenario)

5.2.11 Rationale balanced advocacy

Together with the social partners, the PfTNO Board formulated a number of principles and starting points for the transition to the new scheme, which were translated into an overall ambition for the new scheme and three transition objectives.

Ambition

For the new pension scheme, the overall ambition is to aim for an indexed pension as in the current scheme. This ambition consists of two elements.

- The first element concerns the ambition to achieve a pension benefit at retirement age of 75% of the average inflation-adjusted pensionable earnings during accrual (at 43 working years). This is also known as the replacement ratio. This ambition corresponds to the ambition in the current scheme of a benefit of 70% of the average inflation-adjusted pensionable earnings over 40 working years.
- The second element is the pursuit of an indexed pension. In other words, the aim is to keep up with an average of 2% annual inflation after the pension comes into payment, with a minimum of 75% of the inflation rate.

Transition targets

In addition to the above-mentioned ambition, the social partners, together with PfTNO, have formulated the following qualitative transition objectives:

1. At the time of transition, active participants, former participants and pension beneficiaries do not lose out compared to the current scheme: the perspective for active participants and former participants is at least the same, and the amount paid out to pension beneficiaries remains at least the same.

The aim here is to give all active members, former members and pension beneficiaries at least 100% of the Provisional Pension Liability [Voorziening Pensioenverplichting, VPV] at the transition. This is the money the fund has on hand to meet the future entitlement of all members.

2. We aim to provide stable pension benefits. We want to limit reductions in pension benefits. Pension benefits are, however, expected to rise more frequently under the new scheme.
3. There must be no unbalanced differences between member groups during and after transition. Among other things, we will review how to offset the adverse effects of the elimination of the career average system.

To assess whether the ambition and transition goals are achieved, these have been translated into quantitative targets and measures. In addition to the aforementioned statutory standards, this also considers the likelihood of a reduction in pension pay-out and the replacement ratio for a number of comparators.

In addition, bandwidths have been formulated by the social partners and PfTNO for the various measures in the context of complete decision-making. This means that for reasonably foreseeable circumstances, no further decision-making is required if the transition effects remain within these bandwidths.

5.2.12 Description and justification of equilibrium integration funding ratio

This implementation plan is based on an integration funding ratio of minimum 106% and maximum 135%. As specified in the integration decision, at these funding ratios, a balanced transition can be completed, realising all transition objectives.

If the integration funding ratio near the transition date exceeds or threatens to exceed these limits, or if the results do not fall within the set ranges, the social partners and PfTNO should reassess whether the transition is balanced. For social partners, the fact that results fall outside the bandwidths due to changed circumstances does not automatically mean that the transition is not balanced. It does give cause to reassess the balance of the transition at that time.

6 Transition-FTK and bridging plan

The Minister for Poverty Policy, Participation and Pensions has published a temporary expanded allowance scheme for granting indexation (indexation decree) in 2022 and in 2023. Based on this expansion, the Fund decided to grant additional indexations of 2.19% and 7.00% in both 2022 and 2023, respectively.

In subsequent years, the Fund has decided not to make use of the options offered by the transition FTK and therefore has not (yet) submitted a bridging plan.

However, the Board did expressly include in the decision regarding integration of accrued rights that if the indexation gap should increase towards the transition date, the Fund will be explicitly review whether this is a reason to decide to make use of the transition FTK and grant additional indexation.

7 Transition plan (in outline)

7.1 Description of decision-making process regarding transition plan (how did stakeholders reach decisions and were fund bodies involved)

The transition plan (Annex A) is the formal record of the agreements of the TNO employer and the TNO Works Council (jointly the social partners) on the new pension scheme, the integration of the accrued pension entitlements and rights to the new pension scheme and the compensation for the consequences of abolishing the career average system and any other adverse consequences of the change in the pension scheme.

A working group, consisting of representatives of the TNO Works Council and representatives on behalf of the TNO employer, together with the Board of Pf TNO and guided by the Fund's administrator office, explored the impact of the legislative changes to the new pension system and how best to shape the new pension scheme within this. In June 2023, based on these consultations, the social partners made a decision in principle on the form of contract, the solidarity-based defined contribution scheme, and on the integration of the existing pension agreements.

Further development of the pension scheme resulted in the transition plan of the social partners. In the process, exchanges took place between the social partners and the Board of Pf TNO on various topics that are part of this transition plan.

The Works Council submitted the agreement reached by the social partners to all employees for a vote in October 2024. About 20% voted, with 93% in favour of the agreement.

The Pensions Act sets out that associations of former participants or pension beneficiaries representing substantial parts of this group shall be given the opportunity to give their opinion on the transition plan, referred to as 'the right to be heard'. The TNO pensioners' association, eTNOs (www.etnos.nl), formally applied to the social partners in 2023 to exercise the right to be heard. Given that eTNOs represents a substantial proportion of participants who are pension beneficiaries, the right to be heard has been granted.

In the run-up to the draft Transition Plan, the Board of Pf TNO, accountability body, Pf TNO Supervisory Board and eTNOs were presented the main insights of the social partners in several Pf TNO knowledge workshops since 2022, and in 2024 in a number of sessions. During the period from mid-November to the end of December 2024, eTNOs exercised its formal right to be heard. The results of these hearings have been taken into account in finalizing this transition plan.

An independent transition commission has been set up by the government. The transition commission has the task of mediating between parties and/or giving binding advice to parties who agree on a pension scheme if these parties jointly request it. The social partners did not engage with this transition commission.

7.2 Explanation of how the Board has established a balanced transition plan and what role governing bodies (SB, VO) and Key Officers had in it

During the aforementioned process of creating the transition plan, the social partners and the Board of PfTNO had interviews on various relevant topics. The quantitative analyses in the transition plan were made by (the consultants of) PfTNO. Coordination also took place with PfTNO, among other things, on the ambition of the pension scheme, the transition objectives and various aspects relating to the balance and feasibility of the new scheme as well as the planning of the transition.

In addition to the ambition of the new pension scheme and the transition objectives that PfTNO defined jointly with the social partners (see section 5.2.11), PfTNO prepared a balancing framework for the purpose of balancing interests. This balancing framework was developed in a number of iterations that also included input from the accountability body, the Supervisory Board, consulting actuary and key officers. This balancing framework is set out in Annex E.

After an extensive discussion of all elements of the integration decision, separately, in conjunction and as a whole, the Board of PfTNO adopted the proposed decision on integration of accrued rights on 27 February 2025. For the purpose of this decision-making process, the key officers for risk management and actuarial gave their opinions on the proposed decision on integration of accrued rights. The recommendations of the key officers have been taken into account in the proposed decision.

As indicated above, the accountability body has been included in several knowledge workshops since 2022 and has been regularly updated about the analyses, results and progress towards the transition plan and the integration decision since early 2024. Several workshops were held by the Board together with the accountability body and the Supervisory Board. On 2 May 2025, the Accountability Body issued a positive advice on the proposed decision on integration of accrued rights, with one section taking a dissenting position. Due to the negative partial opinion of the VO section of pensioners, in accordance with the Pensions Act, the Board of PfTNO informed the social partners of this opinion and asked them to reconsider the request for group asset transfer (integration of accrued rights), taking into account all VO opinions.

On 6 June 2025, the Supervisory Board approved the proposed decision to integrate and on 18 June 2025, the Board of PfTNO adopted the decision to integrate for the purpose of notification to DNB.

7.3 Explanation of how the Board determined the feasibility of the transition plan and what role fund bodies (SB, VO) and key officers played in this process

During the social partners' decision-making process, PfTNO reviewed which adjustments to IT systems and administrative processes were required for administration of the new pension scheme and for the necessary transition. PfTNO is in close contact with AZL in

this context. Together with AZL, the intended new pension scheme and its financial set-up will be translated into a so-called configuration sheet. The configuration sheet aligns with the AZL Product Model.

Pf TNO has analysed the identified risks and risk control measures, as also shown in the previous chapters. Pf TNO is confident that the transition to and administration of the new pension scheme will be performed with full control and integrity.

7.4 Test for conformity of transition plan with legal requirements

Pf TNO explicitly tested the transition plan against the relevant legal provisions. The verdict is that the legal requirements are met. This review is included in the decision on integration of accrued rights.

7.5 Reasoned explanation of whether or not the pension fund deviates from transition plan

In agreement with the social partners, the pension fund deviates from the transition plan in one limited respect. The compensation for abolishing the career average system was initially to run until age 68 due to the fact that the actual retirement date (standard retirement date) was still before that. This meant that a member who reached that age immediately after the transition date would still receive compensation for abolishing the career average system, while someone who reached that age shortly before that date would not receive any (or limited) compensation. This situation was unintentional and was adjusted in consultation with the social partners by having the distribution of the compensation for elimination of the career average system end at age 67 instead of age 68.

7.6 Financial limits (funding ratio) conditional on transition plan

The transition plan is valid at a funding ratio as at integration date of 106% to 135%.

7.7 Agreements and course of action (specified and achievable plan) if financial limits of transition plan are exceeded

The trend and expectation of the funding ratio will be monitored closely in the coming period. The social partners and Pf TNO will enter into further consultation about integration of accrued rights 6 months before the transition date, regardless of the development of the funding ratio. The social partners and Pf TNO have also agreed to convene if the funding ratio reaches 110%. In conjunction with this agreement, Pf TNO will monitor whether the transition effects remain within the set ranges. This monitoring will be discussed in consultations with the social partners 6 months before the transition date. In addition, immediate consultations are convened with social partners if a bandwidth could be exceeded.

8 Communication

The transition affects all participants of our Fund. To ensure a smooth transition, it is important to properly inform and include all stakeholders both before, during and after the transition period in the changes and the impact on their personal situations. The communication plan describes how PfTNO achieves this. This communication plan is attached as Annex F.

Annexes

The following annexes are part of the implementation plan but are not published on the site because they are mainly technical in nature. Exceptions to this are the Transition Plan (Annex A) and the Communication Plan (Annex F). These annexes are published as separate documents on the TNO Pension Fund site.

- A. Transition plan**
- B. Decision concerning integration of accrued rights**
- C. Decision-making document solidarity policy**
- D. Decision-making document on pay-out policy**
- E. Balance framework**
- F. Communication plan**
- G. Generic migration and integration plan AZL**
- H. Risk report Q1 2025**
- I. Acceptance criteria Technical feasibility**