

News items 2010

Digital newsletter

Tuesday, January 26, 2010

Digital newsletter

In January the digital newsletter of pension fund PDN was sent to the subscribers of this newsletter for the first time.

The PDN newsletter gives members and pensioners information about PDN pensions, PDN itself and other pension-related matters that are useful to know about.

If you want to read the newsletter, look [here](#).

Decision on supplements in March

Friday, February 05, 2010

According to the recovery plan that PDN has submitted to pensions regulator De Nederlandsche Bank, pensions in payment will not be adjusted to rising prices the next three years. For DSM employees, too, the recovery plan stipulates that no supplements will be granted on pension accrual (back service) for three years.

In its meeting of 30 March the PDN board will review the current situation with respect to supplementation. This will be done on the basis of, for instance, PDN's definitive figures over 2009 (including the funding level as of 31 December 2009), the restrictions imposed by the recovery plan, and PDN's situation at that moment.

PDN funding level temporarily set at 113%

Monday, March 08, 2010

PDN funding level temporarily set at 113%

Recent figures from the Dutch Central Statistics Bureau have shown that people in the Netherlands are living for longer than they used to. This is accompanied by an increase in the obligations and pension payments that pension funds, including PDN, are having to cover. PDN has calculated the temporary funding level based on the increase that has been seen in life expectancy; the funding level at the end of 2009 was therefore 1.5% lower than it would have been otherwise.

In determining their obligations, pension funds also have to take into account the fact that people may live even longer in the future. It is not yet clear, however, what effect this observed increase in life expectancy will have on any future rise. Up until now, PDN has relied upon the forecast tables produced by the Dutch Actuarial Society, but no new forecast tables are currently available. The Dutch Actuarial Society is in the process of drawing up new forecast tables.

If this information becomes available before PDN's annual report is drawn up on March 30, the PDN Board will make a more definite decision on the funding level for the end of 2009.

PDN funding level set at 111%

Friday, April 02, 2010

PDN funding level set at 111%

At the end of 2009 the funding level of the PDN pension fund was 111%.

The funding level of a pension fund shows the extent to which the pension assets of the fund cover all its future pension liabilities.

Decisions about granting supplements

Monday, April 19, 2010

Decisions about granting supplements

Recently, the PDN board made decisions about the granting of supplements for indexation of the pensions of pensioners, the pension entitlements of former members and the pension accrual of DSM employees, the so-called back service.

Pensioners, former members and DSM employees were informed by [this letter](#).

PDN funding level 110%

Wednesday, April 28, 2010

PDN funding level 110%

At the end of the first quarter of 2010 the funding level of the PDN pension fund was 110%. Three months earlier, at the end of the fourth quarter of 2009, the funding level was 111%.

The funding level of a pension fund shows the extent to which the pension assets of the fund cover all its future pension liabilities.

For more information about the funding level, see the [funding level brochure](#).

ING Bank will take over administration Employee Stock Option Plan DSM Nederland

Tuesday, May 04, 2010

ING Bank will take over administration Employee Stock Option Plan DSM Nederland

Due to a reorganization SNS Bank will, after a period of eleven years, terminate the administration of the employee stock option plans of de Social Entities within DSM Nederland. DSM and ING Bank have closed an agreement that the Stock Option Plan DSM Nederland will be administered by ING Bank. For that ING Bank will have in place a modern and user friendly web based application named "MyLeo".

The Employee Stock Option Plan DSM Nederland, recently approved by de Central Works Council DSM Nederland, will replace the (identical) Employee Stock Option Plans of the Social Entities. Content of the plan remains unchanged for the participants. From June 7th 2010 ING bank will take over from SNS Bank all operational activities as well as all not exercised stock option positions of all participants.

In May all concerned employees and (early) retired employees will be informed more in detail. Together with the salary/pension statement over the month May you will receive a letter by the Vice President HR Nederland to inform you about the main issues of coming changes. At the end of May you will get as well information from ING Bank about the operation of and the access to "MyLeo".

For questions or information call John van Lijf Tel. 045-4773446

PDN pension planner gives insight into pension

Wednesday, May 12, 2010

PDN pension planner gives insight into your pension

Pension fund DSM Nederland (PDN) has developed a pension planner. This planner enables PDN members born after 1949 to make calculations themselves on their pension on the basis of their personal pension details.

At the end of May the pension planner will be available on PDN's website.

Albert Dassen of DSM Pension Services will inform you [here](#) more about the planner.

Gerard Rutten new director DPS

Wednesday, May 12, 2010

Gerard Rutten new director DPS

On 1 June, Gerard Rutten (51) will succeed Wil Beckers as managing director of DSM Pension Services (DPS), the organisation that administers the pensions for DSM Nederland Pension Fund (PDN). Until recently, Rutten was managing director of the Stork pension fund. Beckers (60), who has been managing director of DPS since 2003, will continue to work for DSM part-time at Value Assurance Review. For more information on the change of management at DPS, please click [here](#).

Uniform Pension Statement (UPS) sent out by PDN

Wednesday, May 19, 2010

Uniform Pension Statement (UPS) sent out by PDN

In the past period (April and early May 2010) PDN has sent out the Uniform Pension Statement (UPS) to the home addresses of PDN members and pensioners. All active members, former members, members receiving an incapacity pension, pensioners, surviving relatives, post-active members and pre-pensioners receive such a statement. The number of UPS's sent out by PDN this year totals about 27,500.

A small number of PDN members will receive their UPS somewhat later, for instance because supplementary information from the employer is needed or because changes are to be introduced before the UPS can be prepared. We strive to ensure that these UPS's are sent out before 1 July 2010.

Costs and pension

Tuesday, June 01, 2010

Costs and pension

Some months ago there were newspaper reports claiming that insurers and pension funds charge hefty costs for their insurance policies and pensions. Percentages exceeding 10% were mentioned. This became known after an investigation into the matter by the Netherlands Authority for the Financial Markets.

In the PDN pension scheme no costs are deducted from the pension contributions. For individual Voluntary Pension Saving (VPS) no costs are charged, either. The full VPS savings balance including interest (the annual return) is used in its entirety for the purchase of old-age pension (and optionally also surviving dependants' pension). In determining the return on the investments, however, the investments costs are taken to be 0.15%, which amount is deducted from the interest received on the VPS savings capital.

PDN Pension Planner gives a view of your pension

Thursday, June 10, 2010

PDN Pension Planner gives a view of your pension

DSM employees born after 1949 can now easily make their own pension calculations, using the pension planner, which can be found on the PDN website (www.pdnpensioen.nl).

To access the planner you need your PDN administration number and a password. This information was recently sent out to all members at their home address.

The pension planner shows, for example, how your pension will be affected if you take early retirement. The planner calculates this for you – you don't need to enter any details yourself.

The planner is only available in Dutch.

You'll find the planner under Employees >> My Pension.

PDN funding level set at 104%

Tuesday, August 03, 2010

PDN funding level set at 104%

PDN funding level has decreased to 104% at the end of the second quarter. End of first quarter the funding level was 110%. The decrease of 6% is mainly caused by the decrease (from 3.6% to 3.1%) of the interest which is used to calculate the current value of the pension liabilities. Because of this the pension liabilities increased strongly. Furthermore the pension capital decreased slightly.

DSM issues special Pensions edition of CONNECT

Wednesday, August 11, 2010

Pensions special: Ensuring a carefree retirement

Pensions are a hot topic. Because of a combination of developments, the Dutch pension structure is in need of an overhaul. Old certainties have given way to new questions: How much pension can I expect to get? What are the risks and who is to carry them? How inflation-proof is my pension? What can I do myself to make sure that my retirement is as carefree as possible?

Under the title 'Ensuring a carefree retirement' DSM has issued a special edition of CONNECT that addresses these and many other questions, which are relevant to all of us, from Managing Board member to plant operator.

Click [here](#) to go to the Pensions special. It goes without saying that retirees who have a subscription to CONNECT can follow the developments there. But CONNECT is intended primarily for DSM's current workforce. For that reason PDN will also disseminate all information for retirees via 'Pensioencontact', the next issue of which will appear in September.

PDN Board overhaul

Monday, August 23, 2010

PDN Board overhaul

In 2009 the PDN Board initiated a comprehensive strategy study in order to reassess the strategy, mission and aims of the pension fund. This reassessment was prompted by the developments that have rapidly changed the pension world. Major examples are the financial crisis, the increasing complexity of regulations and the financial sustainability of the present pension system.

It was also decided to evaluate the Board's governance process and structure as part of this strategy study. This had already been agreed in 2008 when the new Board structure was introduced and PDN's new organizational set-up became operational. At the time, the structure was modified on the basis of good pension fund governance principles, and the Board of Interested Parties, Supervisory Board and management committees were introduced. As a result, the number of Board members was reduced to sixteen.

Higher demands

From the evaluation of the PDN Board structure and governance process it was concluded that a number of improvements were possible. To further improve its decisiveness, expertise and professionalism, the PDN Board has proposed a new governance process to its stakeholders (DSM, Central Works Council, trade unions, Board of Interested Parties, Supervisory Board). After consultation, it has been decided to form a transitional board consisting of nine board members and a chairman that will govern PDN until 1-1-2012. Each of the Board members is expected to act autonomously and independently, without having to consult other parties, and to strike a fair balance between the interests of all stakeholders when making decisions. The permanent management committees that until recently prepared the Board decisions have been abolished, so that all management tasks are now integrally performed by the Board.

Was the Board forward-looking in its proposals? We have recently seen the publication of reports by two government committees, the Frijns and Goudswaard Committees, on the Dutch pension system. One of the conclusions of the Frijns Committee was that pension fund boards should evaluate whether they are well-prepared for more difficult tasks in the future. Board members need a great deal of expertise to be able to and to be allowed to govern a pension fund in this day and age. The legal requirements to be met in terms of the expertise of current and new board members are therefore becoming ever stricter.

The introduction of this new governance process and Board composition does not affect the representation of DSM employees, pensioners and the employer. Each of these groups is represented by three Board members, with the employer supplying the chairman of the Board. In terms of votes the ratio between employer and pension fund members remains fifty/fifty. In mid-2011 the Board will make a new evaluation to arrive at a definitive optimal governance process and composition of the PDN Board based on professionalism and expertise.

Accountability and supervision

The Board's operational management and performance is supervised in various ways. Supervision for instance takes place by government bodies such as De Nederlandsche Bank and the Authority for the Financial Markets. In addition, PDN has its own Supervisory Board, with three independent external experts, and the Board of Interested Parties, in which the employer, the employees and the pensioners are represented. It is the task of the Supervisory Board to give an opinion in retrospect on how the Board has governed the fund, on how the Board handles risks, and on the policy and governance processes. However, the Supervisory Board has been given additional new tasks. One of these is to give an opinion in retrospect on the PDN Board's overall performance. In addition, the Supervisory Board will advise the PDN Board (in advance) on the governance profile and on the suitability of candidate Board members.

The PDN Board further accounts for its actions to the Board of Interested Parties. The PDN Board supports and stimulates the Board of Interested Parties to involve the parties it represents in its operations. The Board of Interested Parties will also be given new powers. In the new situation it can advise on more matters and the PDN Board will have to react to its advice. Its advice can also be made public, so that everyone can take note of it. The Board of Interested Parties itself promotes optimum representation of all social units of DSM Netherlands.

The PDN Board considers it essential that its decisions are solidly supported by the stakeholders involved. To improve the contact with these stakeholders, the Board of Interested Parties can also make use of various communication tools employed by PDN, such as the PDN website and Pensioencontact, the magazine for PDN pensioners.

More information on the PDN Board and the various pension fund bodies can be found in the [brochure](#) 'Pension fund PDN' on the PDN website.

How high is your AOW pension?

Tuesday, September 21, 2010

How high is your AOW pension?

If you have not always lived or worked in the Netherlands since age 15, this may result in your receiving a lower AOW pension from the state after you have reached pensionable age. Between the ages of 15 and 65 you build up AOW pension. For each year that you have lived or worked in the Netherlands in this period you build up 2%, so that in total you can build up $50 \times 2 = 100\%$, or a full AOW pension.

Pensioenfonds DSM Nederland (PDN) does not know whether its members have built up a full AOW pension.

To find out for yourself, you can visit the Sociale Verzekeringsbank (SVB) website, where you can get information on the level of your personal AOW pension.

Read on to find out how to proceed.

My SVB

On the SVB website (www.svb.nl) you can log in to 'My SVB'. SVB stands for Sociale Verzekeringsbank, the organization that implements the AOW pension scheme for the Dutch government. To log in, you need a DigiD code, the same code as you use for electronic tax returns, for instance.

Under 'My SVB' on the SVB website you can choose 'Log in with DigiD'. Clicking this option takes you to a log-in screen, where you have to fill in first your (DigiD) user name and then your password. This takes you to 'My SVB'. Here, you have access to some personal information, but you can also have a look at 'Opbouw AOW-pensioen', which shows how much AOW pension you have built up. If the insurance period has not yet been determined by SVB you will immediately be informed. In that case you can request SVB to send you a pension statement, for which you will need to provide digital answers to some questions, after which you can send the completed form (digitally) to SVB. SVB then determines (within 8 weeks) how much AOW pension you have built up. Once this is done (so after at most 8 weeks) you can check out your AOW pension accrual in 'My SVB'.

In addition, an SVB pension statement will be sent to your home address. This statement shows the percentage of the AOW pension that you have built up so far and the resulting monthly AOW payment. It also informs you what AOW pension you will eventually receive if you continue to build up AOW pension until the age of 65. The statement also compares the monthly AOW pension you will receive with the full AOW pension, so that you can readily see whether you will get a full or only a partial AOW pension. It also states what surviving dependants' pension any partner may expect upon the death of his/her partner. Together with the statement you will also receive the brochure 'SVB Pensioenoverzicht (Inzicht voor nu en later)'.



PDN risk policy not adjusted

Tuesday, September 28, 2010

PDN risk policy not adjusted

In its meeting of 24 August 2010 the PDN Board extensively discussed whether, in view of the current level of the funding ratio and developments in this respect, supplementary measures were needed to further reduce the downward risk. The main risks discussed were those associated with shares and the interest rate. These risks were already limited in 2009 and 2010 by opting for a relatively low equity allocation and by raising the interest hedge to 75%.

It was concluded that further limitation of these risks would conflict with the aim of fair interest representation, since it would unduly restrict the fund's recovery ability. If all risks are fully hedged, this might give more certainty as regards nominal pension payment, but it would virtually exclude the chance of recovery (and of supplements being granted) in the future because of the costs involved and/or the recovery-delaying consequences of such measures. A long period without indexation of pensions in payment may lead to imbalance.

Recoveryplan

The recovery plan submitted to De Nederlandsche Bank in 2009 aims to eliminate underfunding within a period of five years. This implies that there is a prospect of a funding ratio of 105% being achieved. The recovery plan does not include any benefit reduction measures. In the third quarter of 2010 PDN's funding ratio hovered around 105% (at the end of the second quarter of 2010 it stood at 104%). According to the recovery plan, the fund's recovery ability should lead to a funding ratio of at least 98% by the end of 2010. This is below the current level of the ratio. In view of this, benefit reduction measures are not being considered at this moment.

If a further (substantial) decrease of the funding ratio should take place, for instance due to negative equity returns and/or a further lowering of the interest rate, additional (reduction) measures cannot be excluded. The Board will continue to assess the situation in the coming period, basing itself on, among other things, the changes in the funding ratio and the (expected) market developments. It will also take into account any consequences of the new projection table for the period 2010-2060 that was recently published by the Dutch Actuarial Association.

Funding level of PDN increases to 105%

Thursday, November 04, 2010

Funding level of PDN increases to 105%

During the third quarter, the funding level of PDN rose slightly to 105%. At the end of the second quarter, the funding level still lay at 104%.

A fall in interest rates during the quarter in question meant that PDN's pension obligations rose. Investment returns achieved during the same quarter meant however that the assets of the pension fund achieved grew more rapidly than its pension obligations, which meant that the funding level rose slightly.

The funding level forms an important yardstick that enables us to gauge the financial situation of pension funds. It indicates the extent to which the pension assets of a fund are sufficient to fulfill its pension obligations in the future.

In calculating the fund's pension obligations as at September 30, 2010, no account was taken of the mortality tables recently published by the Actuarial Association [Actuarieel Genootschap - AG]. At the beginning of 2010, PDN applied an increase to its pension obligations, in response to the new mortality tables issued by Statistics Netherlands [CBS]. At the present time, the impact upon PDN's pension obligations of the mortality tables issued by the AG is being examined, so that these can be taken into account during the fourth quarter when determining the fund's pension obligations. For that reason, it is therefore to be expected that a downward adjustment of the funding level may be necessary.

The funding level – the ins and outs

Monday, November 22, 2010

The funding level – the ins and outs

The funding level is the ratio between the value of the pension fund's capital and the calculated (future) pension obligations. It is, therefore, a measure of the degree to which the pension fund can meet its future obligations. When the funding level is 100%, this means that the (calculated) obligations and the capital are exactly the same. The Dutch pensions regulator – De Nederlandsche Bank – requires pension funds to have a minimum funding level of approximately 105%. On top of that, they need to have a buffer so as to allow for lower-than-expected investment results. For PDN, the funding level including buffer must be between 115% and 120%.

There are several external factors that influence the funding level of a pension fund, such as:

- how long do we live (longevity risk)?
- how high is the interest rate?
- how high is the return on the pension fund's investments?

Below we will explain how these factors influence the funding level and what this means for the execution of the recovery plan that PDN has drawn up for De Nederlandsche Bank

We are living longer

It's no news that people are living longer, but what is news is that the life expectancy is rising faster than was thought until recently. This is good for all of us, but it does carry a hefty price tag for health care, care for the elderly, the state pension and the pension funds.

When its members live longer, the period over which a pension fund must pay pensions increases (now and in the future), so that its obligations increase. That will cost more money, money that will have to come from somewhere. By far the majority of the pension funds in the Netherlands base themselves on the life expectancy data of the Dutch Actuarial Association. This Association calculates the influence of increased life expectancy, presenting the results in so-called mortality tables. Its new mortality tables, which were published on 30 August 2010, show that life expectancy is higher than was previously assumed on the basis of the CBS (Statistics Netherlands) calculations from 2008.

What does this mean for PDN?

On the basis of the CBS data from 2008, PDN already lowered its funding level by 4% at the end of 2009. Before the end of this year it will be clear what effect the Actuarial Association's new mortality tables will have on PDN's funding level. After an extensive study into the impact of the new mortality tables, the PDN Board will decide about readjustment of the funding level. In early November we published our Q3 funding level, but this figure did not yet reflect the effects of the new mortality tables. Further downward adjustment of the funding level at the end of the year should therefore be reckoned with.

Influence of the interest rate

Another major factor affecting the funding level is the interest rate. A pension fund's obligations are determined on the basis of the market interest rate, which may fluctuate strongly from day to day. A falling interest rate makes future pensions "more expensive", as it were. Since the market interest rate may vary from to day, the funding level of a pension fund also is very changeable.

Example:

Suppose someone will retire in fifteen years and will then receive an annual supplementary pension of about €8000. To be able to pay this, the pension fund should have about €100,000 in cash at the time pension payments start. Calculation of the sum of money now needed for this, without further contributions being paid, shows that:

at an interest rate of 2.8% (the level at the end of September 2010), €66,085 is needed now;

at an interest rate of 3.7% (the level at the end of 2009) €57,985 would have been needed.

The difference is substantial: €8,100. Put in a different way: at the low interest rate of 2.8%, the contributions needed to have the same €100,000 available in 15 years' time are 14% higher than when the interest rate would now be 3.7%. So when the interest rate falls, future pensions become 'more expensive', as it were.

Influence of return on investments

The pension fund is exposed to risks when it invests the pension moneys. Why, then, don't pension funds invest more in less risky long-term bonds? One major reason is that the return on bonds is not enough to ensure a good pension at acceptable premiums. Higher-risk investments such as shares generally yield higher long-term returns than bonds. If a pension fund would invest solely in bonds, the chance that annual indexation could take place would be very slim indeed. Indexation means that the pensions are annually increased in line with (price or wage) inflation, so that buying power is maintained.

What does this mean for PDN?

PDN has a long investment horizon, spanning 35 to 40 years, and the average member pays pension premiums for about 36 years. The premiums that members and employer now pay are lower than is necessary for payment of a fully indexed pension. That is why PDN has to take risks with its investments to achieve higher returns. The long investment horizon of pension funds has a risk-reducing effect as losses in one year can be compensated by profits in other years. In this way the risks are shared by younger and older members. In good times, older members leave buffers behind in the pension fund, for the benefit of younger people who are just starting to build up a pension. And when things take a turn for the worse, this does not immediately mean that the pensions of older members are cut, since their younger colleagues help to cushion the blows. Although the credit crisis is painful and the funding level of PDN, too, has dropped considerably, it has not been necessary for PDN to cut pensions.

Recovery plans

Pension funds whose funding level was lower than the mandatory minimum level of 15% at the end of 2008, had to submit a recovery plan to the pensions regulator by 1 April 2009 at the latest. This plan should describe the measures taken to timely restore funding levels and buffers. DNB has received recovery plans from in total 340 pension funds, including PDN.

PDN's recovery plan is based on the assumption that in the longer term the returns on investments will help push the funding level up again. As before, investment risks still need to be taken to achieve returns. For more information on this, please read the news item "PDN risk policy not adjusted" on our website (www.pdnpensioen.nl). According to the recovery plan, non- or partial indexation of pensions in payment and pension accrual up to 2013 can also contribute to a higher funding level.

With the funding level at the end of September 2010, PDN's recovery plan is on course. However, this does not mean that full or partial indexation can already take place as a matter of course in the coming years. For indexation, the fund first needs to build up adequate financial buffers again.

If the funding level does not increase in line with PDN's recovery plan and it is improbable that it will reach the minimum level (105%) within the period set for this by De Nederlandsche Bank (year-end 2013), PDN will also have to take supplementary measures. In that case, cutting of the accrued pensions is no longer excluded.

By the end of this year the PDN Board will decide about indexation, basing itself on the funding level at that moment. PDN does everything it can to ensure that (partial) indexation can take place and that pensions do not have to be cut. The measures in the recovery plan aim to prevent pension cuts, but no guarantees can be given.