Pensioenfonds DSM Nederland

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Newsletter

Information on new pension scheme for pensioners

As from 1 January 2011 a new pension scheme applies to PDN members and pensioners. The introduction of the new scheme has consequences both for DSM employees who are building up a pension and for pensioners who are already receiving a pension. In the past few weeks, DSM and the trade unions have informed the employees about the scheme. Since pensions in payment will also be affected, it is important that pensioners are also informed about the how and why of the new scheme. This is done by means of this extra issue of the PDN Newsletter.

In the coming period, more information will be given about the new scheme, both in Pensioencontact and, for people with internet access, on the PDN website (www.pdnpensioen.nl) or in PDN's digital newsletter. If you do not yet receive the digital newsletter, you can subscribe to it on the PDN website. DSM employees will be informed about the new pension scheme via the Connect website (www.connect.dsm.nl), which can also be visited by pensioners.

New pension scheme has consequences for members as well as pensioners

It's not strange that the new scheme has consequences not only for DSM employees but also for pensioners. For many years, this group, together with the employer, has paid premiums that were based on an average life expectancy after retirement. The latest calculations of the Dutch Actuarial Association have shown, however, that people in the Netherlands live years longer than was thought until recently. No premium has been paid in the past for these extra years. Nevertheless, pensioners just have to receive their pension for as long as they live.
Moreover, PDN aims to index pensions in line with price rises, if enough money is available for this. No premium is paid for this indexation – the money needed for it comes from the pension fund's returns on the invested pension premiums. For a long time this was not a problem, for these returns were good. The financial crisis has put an end to this: the returns are lower, and therefore there is less money for pension indexation.

Contact

For questions about your pension, please visit our website: www.pdnpensioen.nl or contact our Pension Desk: tel. 045 - 5788100, e-mail: info.PDN@dsm.com.

Centenarians!

"Congratulations, centenarian". The number of people receiving this congratulation is on the rise. Dutch people are living longer; this is a process that started many years ago and that PDN has always taken into account. However, of late it has been found that this process is accelerating, and this acceleration is something that pension funds, including PDN, have been insufficiently able to take into account. Speaking about centenarians: they are in ample supply at PDN. At this moment, fourteen PDN pensioners or surviving dependants are one hundred years or older.

Making the pension scheme more shock-resistant

De Nederlandsche Bank is imposing ever stricter requirements on Dutch pension funds. One of these requirements is that pension funds must have enough money to be able to pay all future pensions to which current and future pensioners are entitled.

One of the factors being considered when calculating how much money is needed for this is the interest rate. If the interest rate is low, pension funds need to have more assets than when the rate is high. In the past period, the interest rate has dropped sharply. Although it has meanwhile recovered somewhat, it is uncertain if and when we will see a structural recovery of the interest rate. And there are more reasons why pension funds need to have more assets. Since people are living longer than was though until recently, pension fund liabilities increase.
In addition, the returns on investments are low because of the financial crisis.

Continuation of the old scheme proves to be infeasible. The scheme needs to be adapted to make it affordable and keep it affordable in the long run. That's why measures need to be taken, measures that will affect both the members and the pensioners. By adapting the scheme now, its shock resistance will be enhanced. As a result, the fund's recovery strength will increase and the fund will be better able to cope with future setbacks.

What is going to change?

The new scheme will involve some changes for DSM's current employees. Their pension, for instance, will be based on average pay rather than final pay. Furthermore, as from 1 January 2012 the retirement age will be raised from 65 to 66 years. Employees will still be able to retire at age 65, but the pension they receive will be somewhat lower then. DSM has financed transition arrangements on a one-off basis that result in a 2% premium reduction. To reinforce the fund's financial position, the annual contribution is raised and PDN receives an extra payment of 25 million euros, while the premium paid by the employees is raised by 1%.

The pensioners are also asked to make a contribution to a more shock-resistant scheme. In their case this means a change in the indexation arrangements. Until now, pensions could partly be increased to reflect price developments (inflation) if the funding level was higher than 105%, with full indexation taking place at a funding level above 116%. These percentages have been raised in the new scheme, partial indexation now taking place at a level of 110% or higher and full indexation at 121% or higher. A similar adaptation of the indexation rules is also introduced for the accrued pensions of DSM's current employees.
Other rules governing indexation are also making themselves felt for both PDN members and pensioners. After its assets dropped to below the minimum level of 105% in August 2010, PDN now is in a recovery phase, and this implies that no indexation will be possible until mid-2011.