PDN
Pensioenfonds DSM Nederland

# Separate investment plan for Pre-pension savings scheme effective since 1 October 2016

Under the Pre-pension savings scheme (PPS) applicable until 1 October 2016 last, investment results were credited to the savings balance in accordance with the investment policy of the (basic) pension scheme. As the former pre-pension scheme featured a 0%-return guarantee, preventing negative returns from directly affecting pre-pension capital savings and given its long-term character, the scheme allowed for the same investment policy that applied for the basic pension scheme; with considerable stakes in stock market shares and real estate. The investment policy governing the pension scheme implied year-to-year return fluctuations that were between minus 20% and plus 20% (for example: in 2008 the return was -19 whereas it was +18 percent in 2014). In this scenario, the odds of considerable negative results were quite realistic. However, under the former PPS scheme, these were covered by the 0% guarantee. Thus, a decrease of the PPS capital was impossible. Negative investment results were retained and compensated with future positive returns.

Partly by order of the DNB, the PPS regulations were amended on 1 October 2016 last. Amongst other things, the 0% return guarantee has been lifted. Now, as negative returns directly affect the pre-pension capital since, this may have a considerable impact on the future pre-pension benefits of scheme participants. In order to contain this risk, it was decided to invest PPS capital in a less hazardous way from 1 October 2016.
To this end, the capital has been invested in solid European government loans and corporate bonds instead. As a consequence, return fluctuations can be limited to about plus or minus 7 percent (annually). On the downside, though, the expected return to be yielded will be lower as well.
In its communications on the subject during 2016, the fund phrased this as: *“PDN expects positive investment results to be low after the PPS scheme adaptation. The fund does not exclude negative returns on pre-pension capital.”*