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Dutch pensions face possible benefit cuts

By Editorial Staff *Thu, Nov 22, 2018*

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Falling equity markets and lower interest rates hurt the funding levels of the four largest Dutch pension funds in October, prompting them to contemplate benefits cuts to participants, IPE.com reported.

Two metal industry pensions, PMT and PME, drew closer to imposing benefit cuts in 2020 after figures published last week showed that their funding ratios had declined three percentage points, to about 101%.

PME said it had already been communicating to members the risk of cuts through all its information channels during the past year. “We are trying to find a balance between warning and unnecessarily worrying our participants,” it said. Cuts can be spread out over a 10-year period, but they are unconditional and cannot be reversed.

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Civil service pension ABP saw the value of its assets drop 2.8% to €407bn, while its liabilities rose 0.1% to €399bn. To avoid benefit cuts, its funding ratio must rebound to the required minimum of about 105% by year-end. Benefit cuts must be applied when a plan has been underfunded for five consecutive years.

To PMT and PME, their funding at the end of 2019 will be crucial to avoid cuts. At the end of October, their coverage ratios stood at 102.5% and 101.7%, respectively, compared to the required 104.3%.