# In Netherlands, industry-wide pension plans struggle

By Editor Test *Wed, Oct 26, 2011*

*Dutch pension officials ruled out Inflation-related increases in benefits and suggested that cuts were likely.*

The five largest industry sector pension funds in the Netherlands saw their funded ratios fall in the third quarter and said that indexation to wages was “out of the question,” while benefits cuts were increasingly likely, IPE.com reported.

Funding decreases were blamed on volatile markets and falling long-term interest rates—the criterion for accounting liabilities—which dropped from 3.8% to 2.7%.

Although the assets of most of the five industry-sector, multi-employer plans rose on positive investment returns, liabilities have surged.

The €235 billion civil service plan ABP—the world’s third-largest pension plan—saw its funded ratio drop by 22 percentage points to 90% at quarter-end, while its assets fell €2 billion due to a return of -2.9%. Its fixed income portfolio returned 1.3%, with government bonds, inflation-linked bonds and credits returning 3.5%, -1.6% and 1.1%, respectively.

Equities fell by 11.4%, with developed market and emerging market stocks losing 15.1% and 16%, respectively.

Joop van Lunteren, vice-chairman, said indexation was very unlikely given the situation and that measures such as a benefits reductions were on the cards if the funded ratio failed to improve this year.

Fellow vice-chairman Xander den Uijl added that ABP was now falling short of its recovery target and would consider a contribution rise.

ABP wants a review of the current accounting method for liabilities, which makes pension funds dependent on the volatility of daily interest movements.

The €39 billion metal industry plan, PMT, saw its assets rise by €2.2bn on the back of a 3% return, but closed the quarter with a funding ratio of no more than 84.3%; its recovery plan aims for a funding of 96% at year-end.

Increasing interest rates caused its funded ratio to rise to 89% at present, it noted.

PMT said it benefited from the effect of decreasing interest rates on its 58% fixed income portfolio, which generated 12.4%. The value of its equity assts fell 11%, however.

Despite a quarterly return of 5.9%, the coverage ratio of the €24.5bn metal industry plan PME dropped 12 percentage points to 86%. PME reported positive returns for fixed income and property of 13% and 4%, respectively, while equity and alternatives delivered losses of 12.5% and 5.3%, respectively.

The €103 billion healthcare sector pension plan PFZW said it returned 0.6%, but saw its funding drop 19 percentage points to 91% during the past three months.

The €31bn pension fund for the building industry, Bpf BOUW, returned -4.3% on investments, but said its final result was improved by 9.2 percentage points following its extensive interest hedge on its liabilities.

Meanwhile, pension supervisor De Nederlandsche Bank has said that pension funds will be exempt for a year from the legal obligation that their premium contribute to recovery, in case of a financial shortfall.