Dutch regulator expects number of pension funds to fall to 265

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The Dutch financial regulator (DNB) has said the number of pension funds is set to drop to 265, having fallen from more than 800 in 2005 to the current total of 325.

Speaking at an IIR seminar last week, Johanna Bovenhoff, DNB supervisor for small pension funds, said 60 pension funds were in the process of liquidation, having completed the collective value transfer of pension rights to a new provider.

Bovenhoff said the consolidation of Dutch schemes was set to continue, albeit at a slower pace.

She said the regulator was now assessing “no more than” three value-transfer applications, attributing the low number to pension funds waiting to see how the new general pension fund (APF) developed.

Bovenhoff also observed that the pension funds opting to liquidate were larger than they had been, adding that the 37 schemes that wound up last year had transferred combined assets of €7bn.

In 2015, half of the schemes relocated to an insurer.

Value transfers to sector-wide pension funds, company schemes and the PPI defined contribution vehicles occurred in 36%, 5% and 9% of the cases, respectively, according to Bovenhoff, who added that most assets (46%) were shifted to industry-wide schemes.

Bovenhoff took pains to emphasise that pension funds must inform the regulator early on about any liquidation plans and refrain from adjusting investment policies or signing new contracts.

“We don’t want to be presented with a fait accompli,” she said.

She said DNB expected companies to start initiating value transfers from insurers to the new low-cost APF once the vehicle was operational.

At the moment, the regulator is assessing six applications, for the most part submitted by insurers.

“However,” Bovenhoff added, “because the insurer’s guarantee would be replaced for a plan that includes the option of rights cuts, all individual participants must approve such a turnover of pension rights.”

Another potential problem for pension funds switching to an APF is when the company cannot afford to plug the funding gap if ring-fenced assets within the APF have a higher coverage ratio.

Bovenhoff said the scenario could occur if the value paid by an insurer failed to cover the costs of joining an APF.

According to the supervisor, the contract between the company and the insurer would determine the value of a transfer.