ExxonMobil scheme cites Dutch rigidity for plan to decamp to Belgium

31 March 2016By Maarten van Wijk

Oil company ExxonMobil has said increasing financial-buffer requirements in the Netherlands fail to recognise the company's "unique" funding agreement with its €2.5bn Dutch pension fund.

The company cited this as one of several reasons why it wishes to relocate the scheme to Belgium.

Under the agreement, ExxonMobil is to plug any funding gap if the scheme's coverage ratio falls below 125%.

If funding exceeds 125%, the scheme is to return the surplus back to the company.

The pension fund said it would aim for financial reserves of 20% in Belgium, as opposed to 25%.

It pointed out that the reduced buffer would match its current asset mix of 60% fixed income and 40% equity, and that the 25% reserve had been drawn on the asset allocation of 2006, when equity exposure stood at 70%.

According to ExxonMobil, however, Belgium will provide more certainty for the scheme, as rights cuts would be ruled out and additional payments by the sponsor would become mandatory.

It added that, at the Belgian scheme, "Dutch" assets would remain separate and unaffected if one of the sponsors went bust.

As another motive for the planned move, ExxonMobil cited its desire to avoid the imposition of a supervisory board (RvT), which will become compulsory for company schemes in the Netherlands from next year.

It said the requirement to have independent experts on the RvT was at odds with its desire to have a pension fund exclusively "run by and operating for" ExxonMobil.

It also claimed that governance at the Belgian OFP would be "as similar as possible" to that in the Netherlands.

Under the new set-up, it said, the IORP's board would comprise five company representatives, while a "pensions council" of equally represented workers, employers and pensioners would have the right to a binding advice on the discount rate for liabilities, financial buffers and applied longevity tables.

It said the right of say of its Dutch works council (OR) would be extended to adjustments to the pension fund's regulation, as well as the cancellation of the pensions-provision contract.

ExxonMobil also cited increased efficiency and lower costs as expected benefits from the relocation, referring to "ever-increasing" regulation and requirements for trustee expertise in the Netherlands.

The pension fund, known as Protector, said it expected a decision about a collective value transfer to the Belgian OFP to be made after a general meeting for its 5,000 participants and pensioners, scheduled for June.