



Pensioenfonds Caribisch Nederland

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**contact**

H.W.T. Linkels

**telephone number**

00599 717 0984

**subject**

Reduction of your pension

**date**

Dear Mr./Mrs.....,

In July 2016 we sent you a letter in which we mentioned that your pension possibly has to be reduced. In that letter we also mentioned that we are discussing the possibilities of preventing a reduction with the Dutch State. These conversations are still ongoing, but as long as no concrete agreements have been made with the State, we have to follow the current legislation. We therefore inform you that we have to reduce your gross pension payment by 3.5% as per April 1, 2017. The pension entitlements of the participants whose pension has not started yet, will also be reduced by 3.5%. Should the State make a commitment before April 1, then the reduction may possibly be prevented.

In this letter we explain why the pensions have to be reduced and what this means to you. Before April 1 you will receive another letter with the consequences for your individual pension.

It is regulated by law that a pension fund has to hold sufficient funds. At this moment, PCN has less funds than required by law. For this reason, PCN has drawn up a recovery plan. This recovery plan describes which measures are being taken to bring PCN's funding ratio to the desired level. These measures concern the investment policy, the contribution policy and the indexation policy. Unfortunately, due to changed circumstances in the (investment) markets,

**Stichting Pensioenfonds Caribisch Nederland**

Bonaire  
Kaya General Carlos Manuel Piar 5  
Telefoon 00 599 717 09 84  
secretaris@pensioenfondscn.com

Sint Eustatius  
Mazinga Offices  
Telefoon 00 599 318 32 18  
statia-office@pensioenfondscn.com

Saba  
-  
Telefoon 00 599 416 68 60  
saba-office@pensioenfondscn.com



these measures do not yet result in a sound financial position within the term set by the law. We are therefore forced to reduce the pensions by 3.5% as per April 1, 2017.

### **Why is a reduction necessary?**

PCN has enough funds to pay out the pensions in the coming years. However, PCN does not have enough funds to also pay out the pensions of participants that will retire in the (far) future. To make sure that PCN is able to pay out the pensions in the (far) future as well, PCN must have a funding ratio of at least 100% at the end of 2018. That means that PCN will then have exactly enough funds. PCN's funding ratio was approximately 77% at the end of December 2016. In order to reach a funding ratio of 100% at the end of 2018, according to the law PCN must implement a reduction of 3.5% in any case in April 2017. Possibly, PCN has to apply another reduction on April 1, 2018 in order to reach a funding ratio of 100% at the end of 2018. Whether this is necessary, depends on the development of the funding ratio in 2017 and 2018 and a possible agreement with the State.

### **Why is it that PCN's funding ratio is so low?**

There are several causes for the low funding ratio. The most important causes are the reduction of the actuarial interest rate and the increased life expectancy. In addition, the circumstances in the (investment) markets play a role as well.

When PCN was founded on October 10, 2010 the Dutch State calculated the pension commitments. In 2013 the Dutch central bank however, indicated that the assumptions that were used for the calculations of the pension commitments, were not prudent enough: according to the Dutch central bank PCN must take into account a lower interest rate and a higher life expectancy than was assumed by the Dutch State when the liabilities were transferred to PCN. PCN is of the opinion that the State paid too little in 2010 because the interest rates it assumed were too high and the life expectancy too low. PCN feels that the State has to provide the extra money to PCN. This would increase its funding ratio. We have been discussing this issue with the State for some time now, but without any results yet.

### **Can reductions be reversed?**

If PCN's funding ratio recovers well, and if it meets the legal requirements, the reduction can be reversed. The pensions will then be increased to the original amount. When the reductions have been reversed, and the funding ratio is sufficient, PCN can grant indexation to the pensions as well.

#### **Stichting Pensioenfonds Caribisch Nederland**

Bonaire	Sint Eustatius	Saba
Kaya General Carlos Manuel Piar 5	Mazinga Offices	-
Telefoon 00 599 717 09 84	Telefoon 00 599 318 32 18	Telefoon 00 599 416 68 60
secretaris@pensioenfondscn.com	statia-office@pensioenfondscn.com	saba-office@pensioenfondscn.com

**What are the financial consequences for you in 2017?**

If you receive a pension payment from PCN, the effect on your net income will be less than a reduction of 3.5%. This is because you also receive an AOV benefit. In February 2017 you will receive a letter with further information about the consequences of the reduction.

If you are not retired yet, your entitlements will be reduced. You will not notice this in 2017, but you will when you retire.

Do you have any questions concerning this letter? Please contact our official secretary Mrs. Frederique van den Steen, by e-mail to [secretaris@pensioenfondscn.com](mailto:secretaris@pensioenfondscn.com) or by telephone at 00 599 717 09 84.

Do you live in Sint Eustatius or Saba? Please call Mrs. Ingra Bennett at 00599 318 32 18.

Yours sincerely,



Harald Linkels  
Chairman Stichting Pensioenfonds Caribisch Nederland

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