

Individual investments  
for your pension or a  
collective pension fund?

# ‘Like comparing apples and pears’

At PDN we accrue our pension together in a collective pension fund. This offers certain assurances and advantages. Individual investments for your pension are also becoming more popular. What is better or wiser? Investing yourself or accruing a collective pension? Can you actually choose? And what are the differences, risks, and advantages? We asked Eiko de Vries, external Board Member at PDN and nominated by the DSM’s Central Works Council, and Monique van Heeswijk, PDN Board Member for DSM.

‘It’s a bit like comparing apples and pears,’ stated Eiko. ‘Or, in other words, comparing handball with soccer. You practice both sports with a ball, but the differences are huge. In that sense, you can’t make a comparison between individual investment and collective investment in a pension fund. They are two completely different worlds.’

#### Private investing is popular

Investing yourself has become increas-

ingly popular in recent years, particularly among young people. This is because we no longer receive interest on our savings. At the same time, what happened on the stock markets last year is strange, explained Eiko. ‘When Covid-19 arrived, share prices fell. You could have thought: ‘They must be asleep at that pension fund.’ But don’t forget that these developments occurred within a very short time frame of a year. Very much short term. People who started

investing in this past year have mainly invested in shares and have only experienced success. But there will come a time when things don’t go so well.’

#### Short versus long term

Eiko: ‘If you look at a pension fund, it is the case that we invest for a longer term. We take risks into account and we spread these risks. We don’t put all our eggs in one basket, so to speak. We invest a little in wind turbines, in



Eiko de Vries

# ‘We don’t put all our eggs in one basket’

bonds, in real estate, in mortgages. This ensures that we run less risk and the returns we receive are more level; average. This is how we make sure that everyone affiliated with PDN will soon get a good pension. After all, this does concern our members’ pot of money. Good housekeeping is an essential concept for us.’

#### Advantages

An advantage of PDN’s collective

character is also knowledge; knowledge that you, as an individual, often have to a lesser extent. Monique: ‘In our Board, we use externals who have extensive experience of investing, economic developments, and of the pension world. As an individual investor, you don’t just have that knowledge.’

#### Funding Level

Eiko recognizes that it is difficult that PDN members don’t see a pot with

money on their overviews, but see a funding level. ‘That will all change with the new pension agreement; then there’ll be no funding level anymore. You’ll soon have much more clarity about what happens with your assets. What you accrue for yourself will all be much more transparent.’

#### Imagine: You want to invest yourself for your pension. Can you actually do that?

‘If you work at DSM, you are obliged



Monique van Heeswijk

to take part in the collective pension fund,' explained Monique. 'That is what DSM and that the social partners have agreed. An advantage of this is that you are also insured in the event of disability and that your surviving dependent's pension is arranged. This offers assurances that you don't have as an individual investor. Of course, you're

free to choose what you do on top of your pension accrual at PDN.'

#### No guarantees

Eiko stated: 'Of course, individual investments can result in short term returns but we all know that returns achieved in the past offer no guarantees for the future. As PDN is a long-term investor,

the returns are really not bad. If you're going to start investing yourself, make sure you take a good look at the risks.'

## The facts

1. PDN has opted for a worldview and a strategic investment policy with a low risk of further falls in interest and, therefore, a relatively low interest rate hedging. This meant that the fund profited less from the fall in interest rates than other pension funds. If interest rates rise, PDN will profit more than average.
2. PDN is a pension fund with an average older population and therefore has relatively short-term obligations. This means that the fund profited less from the fall in interest rates. PDN cannot influence this aspect, and this is largely independent of its chosen investment policy.
3. In recent years, we saw relatively high returns through a continued fall in interest rates and high returns on high-risk investments. PDN's returns lagged behind compared with other funds that have average and higher interest rate hedging and a higher weighting toward the return portfolio, in keeping with a younger membership portfolio.