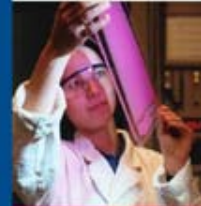


DSM's pensionfunds

Henk van Dalen
Managing Board DSM

Vaalsbroek, October , 2003



DSM Pension situation

Facts and Funding

Facts

- DSM's pension obligations are ~ 95% Dutch based
- 2 Major pension funds in the Netherlands:
 - ❖ "Pensioenfonds DSM Chemie" (South Limburg)
 - ❖ "Pensioenfonds Gist Brocades" (Delft)
- No financial relation between DSM pension funds and DSM (debt, shares)

Funding

- Nominal current rights fully financed
- 4% discount rate
- Conservative actuarial assumptions
- DNP's pension obligations fully funded according to IFRS-PBO



Current funding Dutch PF's vs IFRS

Dutch GAAP

- Ratio Dutch investments/liabilities per 31-8- 2003 ~ 120%
Value of investments € 4.1 bn

IFRS

- IFRS: market interest rate -/- expected increase in rights

*Because currently market interest rates are low ,
IFRS funding coverage is lower than Dutch GAAP
but still ± 100%*



Dutch Defined Benefit Plans

➤ Degrees of freedom within a defined benefit plan:

- ❖ content and quality
- ❖ contribution paid by employer & employees
- ❖ funding approach of the plan
- ❖ investment policy

➤ Constraint:

- ❖ Dutch legal requirements, i.e. minimum funding

- 
- The cost of the plan is the annual contribution
 - Excess funding is not wealth of the company, but the cost of managing future uncertainty



Assumptions in IFRS/USGAAP

- **Uncertainty does not exist, there is only one certain future**
 - *excess funding is by definition wealth of the company*
 - *under funding is by definition liability of the company*
 - **The certain future is completely defined by the situation on December 31st**
 - *especially with respect to interest rates*
- **This certain future changes every December 31st**
 - *changes have to be reflected in the P&L*
 - *creating impressive, non business related swings*



Financing

To be financed: Current Service (relatively fixed)
Back Service (variable)

Financed by

1. Differences between actual return and 4% discount rate
2. Fixed premiums
Difference Premium and costs:
GBP : in equity pension fund
PDC : in corporate provision, as of 1-1-2004 in equity pension fund

Sophisticated ALM tools used to keep the premium fixed:

- Converting a DBO into a DCP in practice.

“Working on a model to formalize our Dutch factual stable contribution”

