



News

August 2019

IN THIS ISSUE:



- 2 2018 in retrospect
- 3-4 Three major financial developments
- 5 Quality is the basis for certainty
- 6 The future of the pension fund

This is an abbreviated version of the 2018 annual report of the pension fund. The full annual report (in Dutch) is available on our website: www.pensioenfondsstaples.nl. If you would like to receive the full annual report on paper, please contact us on +31 20 426 63 20.

Abbreviated Annual Report

Closed fund

Disappointing investment results, but supplement still allocated in 2018

2018 was an important year for the pension fund. The administration agreement was amended on 1 July 2018, after negotiation with the employer. Pension accrual has ceased for about 700 active participants in the pension fund and has continued from that date in the pension plan of PPI Lifesight. Employees entering employment after 1 January 2015 are already accruing pension in this plan. The pension fund is now what is known as a closed fund, meaning that payment of contributions has ceased.

The financial result in 2018 was disappointing. This was mainly due to the low level of interest rates and a poor investment return in the last quarter. The pension fund realised a negative investment return of 2.4% over the year as a whole. Once again, the results reflect the continuing volatility in the financial markets. The policy funding ratio was 123.0% at the end of December 2018, and 122.0% at the end of 2017.

The pensions of retirees entitled to pension and former participants were increased by a supplement of 1.68% and a catch-up supplement of 0.16% with effect from 1 January 2019. The pension fund is one of the few pension funds in the Netherlands that has increased its pensions in recent years.

On behalf of the Board of Trustees,
E.G.M. Donders (chair) en **P.A.H. Martens** (secretary)

Review of 2018

How did your pension fund perform last year?

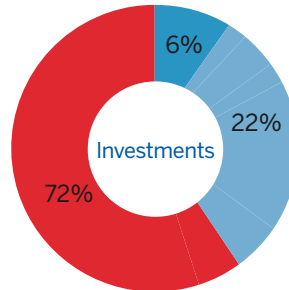
Premium € 3.1_{mln}

Paid by employer and employees



Return

-2.4%



Fixed rate values
€ 586.9 mln

Shares
€ 180.8 mln

Real estate
€ 51.0 mln

Costs

€ 399

Execution costs
per participant

0.42%

Asset management costs

0.08%

Asset management
transaction costs

The costs per participant are only pension management execution costs. The other costs are related to the average invested capital and are expressed as a % of that capital.

Payments

€ 32.8_{mln}

Types of benefits



Retirement
pension



Surviving
dependant's pension



Disability
pension

Number of participants

4,439



Persons entitled
to pension

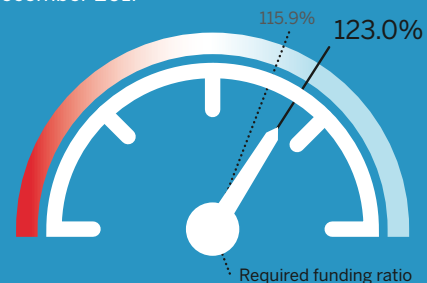
4,842



Former
participants

Policy funding ratio

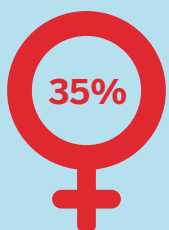
As at 31 December 2017



**M/F split between
participants**



65%



35%

**Total capital
(mln)**

€ 831.7

**Commitments
(mln)**

€ 711

All accrued and commenced pensions which
the fund has to pay now and in future.

Average age of persons
entitled to pension

76

Current monthly funding ratio

At the end of

2017

123.5%

At the end of

2018

117.0%

Responsible investing

In its investments, the pension fund also takes account of the impact of business activities on the environment and society, and to the quality of corporate governance at companies. These considerations are known as the ESG (Environmental, Social and Governance) criteria. The pension fund is convinced that there is a positive connection between sustainability and return, and accordingly the fund signed the International Corporate Social Responsibility (ICSR) covenant drafted on the initiative of the Federation of Dutch Pension Funds. The pension fund does not invest in companies that produce cluster munitions, and requires its asset managers to have signed the UN protocol for the principles of responsible investing.



Three major financial developments in 2018

There were three major developments affecting the pension fund in 2018. Briefly, these were as follows.

1 Financially sound

If there is exactly enough money (or assets) to fund all current and future pensions (the liabilities), the coverage ratio will be 100%. This may look like enough, but this is not the case. Pension funds have to hold a buffer, because the future is uncertain. The amount of this buffer is expressed as the required coverage ratio. The policy funding ratio of 123.0% was higher than the required funding ratio of 115.9%. The financial position of the pension fund was sound at the end of 2018. Although the monthly funding ratio fell, the policy funding ratio at the end of December 2018 was higher than at the end of 2017 (123.0% compared to 122.0%). This is because the policy funding ratio is an average of the previous twelve months. The policy funding ratio was 123.0% higher than the required funding ratio of 115.9%.

2 Disappointing investment results

2018 was a disappointing year from an investment point of view. The sharp decline in the return on equities in the fourth quarter was not sufficiently offset by the slightly positive returns on fixed-income securities such as bonds. In the end, the pension fund's investment portfolio generated a negative return of 2.4%. Equity prices recovered in the first quarter of 2019, returning to the levels seen in September 2018.

Renewed website www.pensioenfondsstaples.nl

The pension fund website was renewed on 1 May 2019. All the information on your personal pension, the pension fund and the pension plan is now available in one place, allowing you to switch easily between your personal information and the general information on the pension fund.



3 Full supplement and catch-up supplement

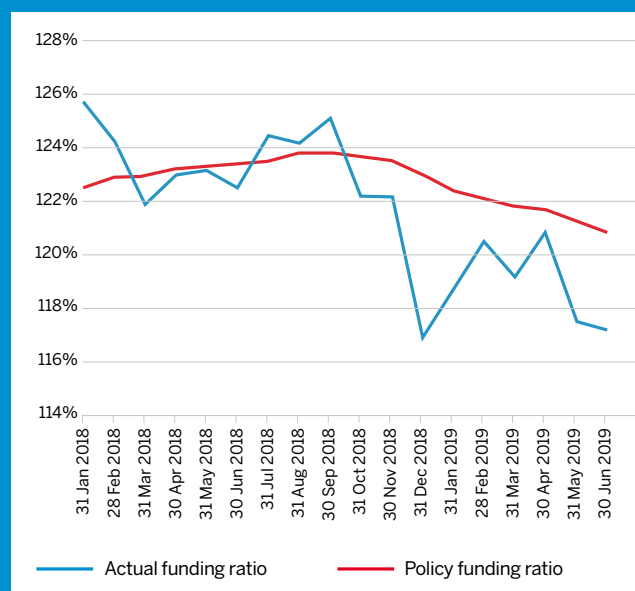
The pension fund strives to index pensions each year in line with the development of prices. The pension fund may only increase the pensions if there are sufficient buffers in place. The pension fund also has to take account of its future financial position. The pension fund board assesses whether an increase is possible each year. In December 2018, the board decided to increase the pensions of retirees and former participants by 1.68%. There was also room for a modest catch-up supplement of 0.16%.

Pension fund passes the feasibility test 2019

The pension fund carries out a feasibility test every year. This test provides information on the connection between the financial structure, the expected pension result and the associated risks. The results of the test show that the expected pension result meets the previously set limits. Even in a difficult scenario, the result remains within these limits.

Further information on the feasibility test is available on the website www.pensioenfondsstaples.nl/en in the Q&A: Feasibility test 2019.

Development of coverage ratios 2018/2019



The policy funding ratio is an average of the actual funding ratios of the previous twelve months.



Quality is the basis for certainty

Quality is the basis for the proper operation of the fund. Hard work was done in order to maintain quality and make improvements where possible once again in 2018.

Self-assessment

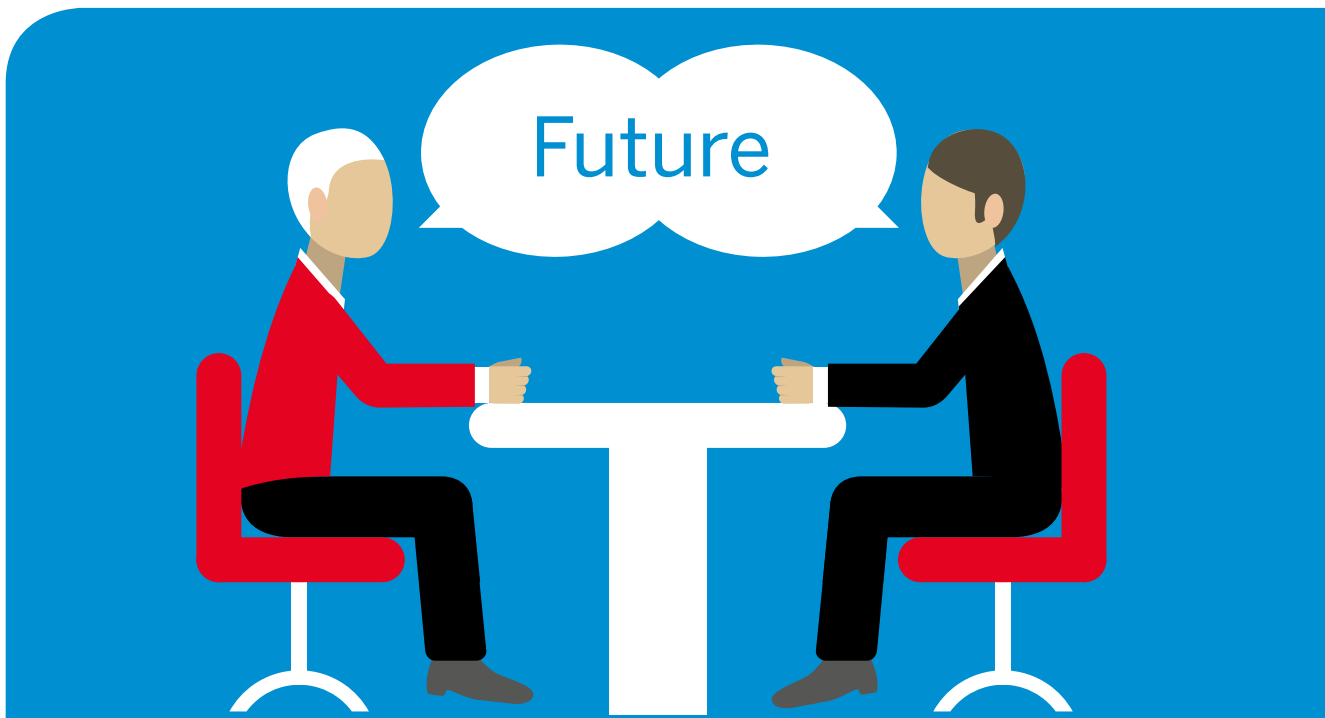
The board of trustees of the pension fund has to meet high standards. Trustees regularly attend seminars and pension meetings. The new trustees and the members of the accountability body are using the training facilities provided by the Willis Towers Watson Academy (recognised by De Nederlandsche Bank (DNB)) and the Stichting Pensioen Opleidingen (SPO). There are also two days each year devoted to in-depth study for board members of current issues. The board carried out a collective self-assessment exercise with external leadership in the autumn of 2018. The finding of this exercise was that the trustees form a good and motivated team. There is sufficient opportunity for debate. The item of attention is the need to continue to devote sufficient attention to relevant current themes such as the adaptability of the pension fund and the transition to the status of a closed fund.

Key functions

Among other things, the revised IORP (Institutions for Occupational Retirement Provision) Directive from the EU states that pension funds must provide for three key functions in their organisations in 2019 with responsibility for actuarial, risk management and internal audit respectively. All these key functions must be able to operate independently. Suitability requirements also apply to the persons appointed to these functions. The board reviewed various options in 2018 and ultimately decided to have these three functions fulfilled by trustees. The revised directive also deals with the conduct of risk management, leading among other things to expansion of the provision of information to participants via the Uniform Pension Overview (UPO) in 2019.

Privacy

The General Data Protection Regulation (GDPR) came into force on 25 May 2018. This new privacy regulation replaces the Personal Data Protection Act (Wet bescherming persoonsgegevens, or Wbp). The pension fund has carefully prepared for the introduction of the GDPR and had an adequate privacy policy in place with the required associated procedures. Among other things, the board formulated procedures for access to personal data and the reporting of data leaks in 2018.



Looking ahead

The pension fund has been what is known as a closed fund since 1 July 2018. Pension is no longer accrued in the fund and no contributions are due. The board will study whether another form of administration would be more suitable in the coming period.

After carefully and fairly considering all interests, the board believes that continuing as an independent pension fund is currently the best option, in any case until 31 December 2020, when the current administration agreement expires. The Future of the Pension Fund committee is reviewing the options for the future of the pension fund after 1 January 2021. The committee is studying the circumstances and timing of when a different administrative form could better reflect the interests of all participants. The fund could for example move to a sector pension fund, a General Pension Fund (APF) or an insurer. The board expects to have identified the future direction for 2021 and thereafter by the end of 2019, and can implement any measures necessary in 2020.

A closed pension fund can continue to exist independently. The pension assets are expected to generate an investment return sufficient to pay the pensions (including supplement allocation, if all goes well). Closed-end funds do run certain risks, however, as even such relatively small funds must comply with all legislation and regulation and must have fit and proper trustees.

Your pension, what is important to you?

We would very much like to know what you think is important with respect to your pension, so that we can offer you the best possible service. Would you like to know more? Or do you think it is important to receive personal guidance when choosing options? You can help us improve our service by completing a short survey, which will take no more than five minutes of your time.

Go to www.pensioenfondsstaples.nl/onderzoek

Questions?

Want to know more about the future of the pension fund? A full list of Q&A is provided on www.pensioenfondsstaples.nl/en

If you have questions or would like more information, contact us on 020 426 63 20 or by e-mail to pensioenservice@pensioenfondsstaples.nl.

Colophon

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