



News

July 2020

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This is an abbreviated version of the 2019 annual report of the pension fund. The full annual report is available on our website www.pensioenfondsstaples.nl. If you would prefer a printed version, contact us at pensioenservice@pensioenfondsstaples.nl

Abbreviated Annual Report

Finger on the pulse

Hardly anyone had heard of coronavirus at the end of 2019. Today, six months later, we live in a completely different world and face a great deal of uncertainty. Since March 2020, the virus has had a radical effect on the economy, the financial markets and therefore also our pension fund. At this moment, we cannot say how great the consequences of the pandemic will ultimately be for our fund. The Board of Trustees is of course keeping its finger on the pulse.

The pension fund started 2020 in relatively good shape. The investment returns in 2019 were good, although this was offset by the low level of interest rates. At the end of December 2019, the policy funding ratio (the average over the past 12 months) was 117.6%, above the required funding ratio of 115.3%. The pension fund therefore did not have a shortfall. This allowed us to allocate an indexation of 1.27% for pensioners and former members on 1 January 2020. The pension fund is one of the few pension funds in the Netherlands that has been able to allocate indexation in recent years.

A study on the future of the pension fund was also carried out in 2019. This showed that continued independent existence was still in the best interests of the members.

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

Review of 2019

How did your pension fund perform last year?

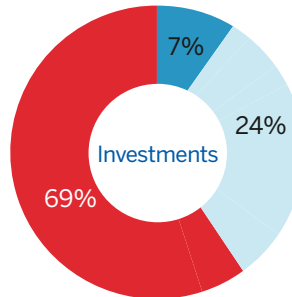
Premium € 182.000

Paid by employer and employees



Efficiency

13,3%



Fixed rate values
€ 610.4 mln

Shares
€ 209.0 mln

Real estate
€ 61.0 mln

Costs

€ 439

Execution costs
per participant

0.44%

Asset management costs

0.05%

Asset management
transaction costs

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

Payments

€ 32.5_{mln}

Types of benefits



Retirement
pension



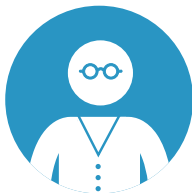
Surviving
dependant's pension



Disability
pension

Number of participants

4,395



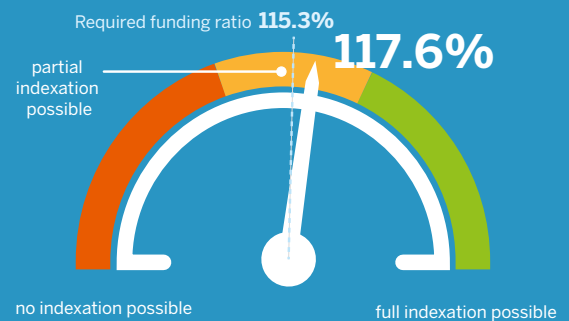
Retirement-
titleholders

4,617



Former
participants

Policy funding ratio As at 31 December 2019



**M/F split between
participants**



65%



35%

Total capital (mln)

€ 907,2

Commitments (mln)

€ 767,2

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

Average age of persons
entitled to pension

76

Monthly funding ratio

At the
end of
2018

117.0%

At the
end of
2019

118.3%



Three major financial developments in 2019

There were three major developments affecting the pension fund in 2019. Briefly, these were as follows.

1 Relatively sound financial position

If there is exactly enough money (or assets) to fund all current and future pensions (the liabilities), the coverage ratio will be 100%. But the future is uncertain, and pension funds thus must have a buffer. Under rules set by the government, the assets of the Staples Pension Fund must be 15.3% more than its liabilities (at December 2019). The financial position of the pension fund was relatively sound at the end of 2019. The policy funding ratio of 117.6% was higher than the required funding ratio of 115.3%, meaning that the fund had a sufficient financial buffer and no shortfall.

2 Investment returns were good, but interest rates are low

2019 was a positive year for the pension fund. Equities performed particularly well from the summer onwards. This was also true for fixed-income securities such as bonds, but to a lesser extent. With its entire investment portfolio, the pension fund realised an investment return of 13.3%. On the other hand, the low level of interest rates meant that the fund's liabilities increased by 12.7%. Interest rates were erratic, but declined over 2019. The combination of the investment return and the development of interest rates led to a slight increase in the monthly funding ratio between year-end 2018 and year-end 2019, from 117.0% to 118.3%.

How is your pension fund doing in 2020?

The coronavirus has affected the financial position of our pension fund as well as our personal lives. The policy funding ratio has fallen to 113.7% (at the end of May 2020). The policy funding ratio is an average of the current funding ratios over the previous 12 months. The current funding ratio declined in the first quarter, but has since recovered to some extent. At the end of May, the current funding ratio was 109.3%. The outlook for the financial markets and interest rates is uncertain. You can follow the financial situation on our website or via our digital newsletter. You can subscribe via MyStaplesPension on the My details page.



3 Partial indexation

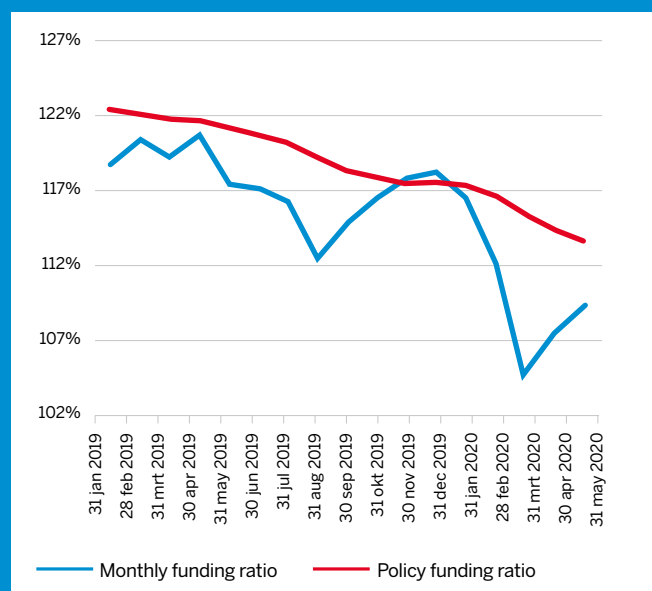
The pension fund strives to increase pensions each year in line with the increase in prices (or inflation) by allocating indexation. This is only possible if the fund has sufficient buffers in place. The pension fund also has to consider its future financial position. The pension fund board assesses whether an increase is possible each year. In December 2019, the Board of Trustees decided to allocate partial indexation, resulting in a 1.27% increase in the pensions of pensioners and former members, beginning 1 January 2020 (relevant price index: 1,73%).

Pension fund passes the feasibility test 2020

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 board established the (long term) risk appetite for the pension fund in 2015, in which lower limits for the pension result have been set. The expected pension result is then compared to these limits each year. The results of the test show that the expected pension result meets the previously set limits. Even during difficult times, the result remains within these limits.

Further information on our feasibility test is available on www.pensioenfondsstaples.nl in the Feasibility Test Q&A 2020.

Development of funding ratios from 2019



The policy funding ratio is an average of the monthly funding ratios for the previous 12 months.



Robust investment policy

A return on our investments is important for the pension fund, so that we can pay out the pensions that have been arranged. But investment involves risks. The pension fund accordingly applies a robust investment policy.

In practice, this means that the starting point for the pension fund is to ensure good diversification in its investment portfolio. This involves our allocation between equities and bonds, but also between types of equities and geographical diversification. The pension fund has moreover taken measures to mitigate its interest rate risk. The risk of fluctuations in the exchange rates between the dollar and the euro, for example, is also largely hedged. In combination, these measures mean that the pension fund is robust, enabling it to compensate for the effects of the current crisis to some extent.

There were three themes dominating the equity markets in 2019: the looming trade war between the US and China, the plans of the European Central Bank and concerns about global economic growth. Despite all this, the investment results were good. This changed drastically due to the

corona crisis, with the markets plunging in the first quarter. The Dutch AEX Index fell nearly 20% and the international markets posted even larger declines. Thanks in part to the diversification of our risk and the interest-rate hedge, the decline in our current (monthly) funding ratio was limited to 13.6%, from 118.3% at the end of 2019 to 104.7% at the end of March 2020. The markets in which we invest have now recovered most of their losses, but recent events have indeed shown how extreme their response can be.

Socially responsible

A reliable pension in the long term is the central priority for the pension fund, while the Board of Trustees also wishes to give consideration to social criteria. This concerns issues such as the environment and social issues such as child labour. The pension fund does not invest in companies that are involved in the production of cluster munitions. The pension fund is convinced that there is a positive connection between sustainability and return.

It also sets requirements in this context for its asset managers and measures their performance on socially responsible investing on an annual basis.

MyStaplesPension

New features have been added to MijnStaplesPension. In MyStaplesPension, you can now go to My details to change your bank account, upload documents and manage your communication preferences. You can also subscribe or unsubscribe to our digital newsletter. If you want to be informed when you receive digital mail, register your e-mail address in My details. We will then send you an e-mail when you have digital mail. This means you now have a convenient digital archive available on MyStaplesPension.



Independent

Continuing the independent existence of the Staples Pension Fund is still in the best interests of all our members, especially due to the possibilities for allocating indexation. This was the finding of a detailed study carried out in 2019.

The Future Committee has been actively considering the issues affecting the future of the pension fund since 2014, and advises the Board of Trustees as to how these can be addressed. The risks to which a pension fund is exposed to have been translated into a vulnerability matrix that is updated every six months.

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. As in previous years, the Future Committee carried out a detailed analysis in 2019 to establish how the pension fund can most effectively continue to exist. For this we carefully considered the opportunities and threats, and we have outlined the various alternatives. There are specific risks for a closed fund, for example the fact that the average age of the members increases and the number of its members declines. A closed fund still has to comply with all legislation and regulation and appoint suitable trustees. Both the Future Committee and the Board of Trustees concluded in 2019 that continuation of the fund in its current form is still the best option. Other options include moving to a sector pension fund, a General Pension Fund (APF) or an insurer. Currently, continuation as an independent fund however still offers the best chance

of increasing the pensions in line with inflation. A move to an insurer for example would mean that this would be a remote possibility.

The pension fund is keeping its finger on the pulse, and will continue to check whether continued independent existence is still the wisest course on the basis of the current matrix. This also ensures that the interests of the members are the leading consideration.

Questions?

Want to know more about the future of the pension fund? A full list of Q&A is provided on the pension fund website.

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

Colophon

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