



News

August 2018

IN THIS EDITION:



- 2 Review of 2017
- 3 Review of the three most important financial developments in 2017
- 5 Working on quality and certainty
- 6 Future of the fund

This is an abbreviated version of the 2017 annual report of the Staples 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.

Annual Report Summary 2017

Healthy but remaining alert

The financial position of the pension fund improved in 2017.

It was therefore possible to almost fully index the accrued pensions and pension benefits in line with price developments.

The improvement is mainly due to an increase in the technical interest rate of 0.2%, which means that the value of liabilities decreased. Together with the return on investments of 3.7%, this resulted in an increase in the funding ratio.

From June 2017 the fund's policy funding ratio exceeded the required funding ratio. The required funding ratio indicates the amount of financial reserves a pension fund must hold under law. At the end of December 2017 the policy funding ratio was still higher than the required funding ratio and the pension fund formally exited its recovery period. A Recovery Plan is therefore no longer needed.

The Board adopted a new investment plan in 2017, part of which is a change to the interest risk cover that can adapt to the development of the funding ratio.

At the beginning of July 2018 the employer decided to terminate the administration agreement with the pension fund. The pension fund is therefore continuing as an independent, closed fund. A closed pension fund is a pension fund in which there is no longer any pension accrual. According to the Board – after considering all interests – this is the best option for the future, as the Board keeps an eye on the situation.

On behalf of the Board of Trustees,

E.G.M. Donders (Chairman), **P.A.H. Martens** (Secretary)

Review of 2017

How did your pension fund perform last year?

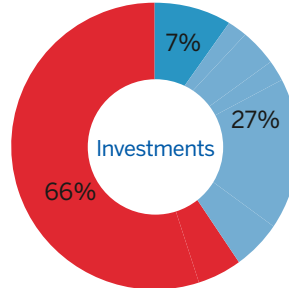
Premium € 6.6 mln

Paid by employer and employees



Return

3.7%



Fixed rate values
€ 589.1 mln

Shares
€ 220.4 mln

Real estate
€ 57.9 mln

Costs

€ 331

Execution costs per participant

0.48%

Asset management costs

0.10%

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

€ 33.3 mln

Types of benefits



72%

Retirement pension



27%

Surviving dependant's pension



1%

Disability pension

Number of participants

708



Active participants

4,514



Persons entitled to pension

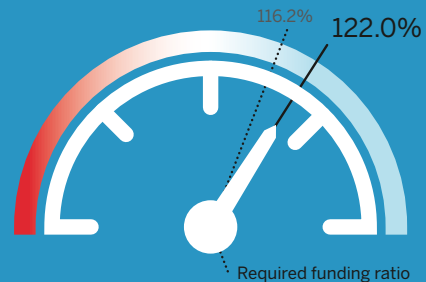
4,446



Former participants

Policy funding ratio

As at 31 December 2017



M/F split between participants



65%



35%

44
Average age of the active participants

75
Average age of persons entitled to pension

Total capital (mln)

€ 882.7

Commitments (mln)

€ 714.7

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

Monthly funding ratio

At the end of **2016**
117.1%

At the end of **2017**
123.5%



Three specific financial developments in 2017

Three specific financial developments were the most important for the pension fund in 2017. They are reviewed briefly below.

1 Return on investments of 3.7%

The Staples Pension Fund investment portfolio generates a net return of 3.7% across the whole of 2017 (2016: 7.4%). All investment categories (shares, property, bonds) generated a positive contribution towards the result.

The investment year began expeditiously with a worldwide increase in share prices. Midway through the year the markets hesitated, in part due to tensions around the world. However, by the end of the year prices were increasing once again.

2 Healthy financial position

If there is exactly enough money (assets) to pay all current and future pensions the funding ratio is 100%. That would appear to be sufficient, however it is not.

Pension funds also have to have a buffer, for the simple reason that the future is uncertain. The buffer ensures that there are sufficient reserves and that everyone continues to receive a pension even if financial setbacks occur. The amount of that buffer is expressed by the required funding ratio.

In 2016 the policy funding ratio fell below the required funding ratio. The pension fund therefore had a reserve shortfall and had to submit a recovery plan to the DNB (De Nederlandsche Bank).

By the end of June 2017 the pension fund once again had sufficient financial reserves. The required funding ratio was 116.2% and the policy funding ratio exceeded this at 117%. The DNB stipulates that a pension fund must maintain that level for three successive quarters. By the end of 2017 we had achieved that. The policy funding ratio was 122% at the end of December and the fund therefore formally exited its recovery period.



My Staples Pension

If you have already logged in to the updated My Staples Pension website then you will have found your personal pension details and documents such as your Uniform Pension Statement, annual tax return and pension specifications.

Leave your e-mail address

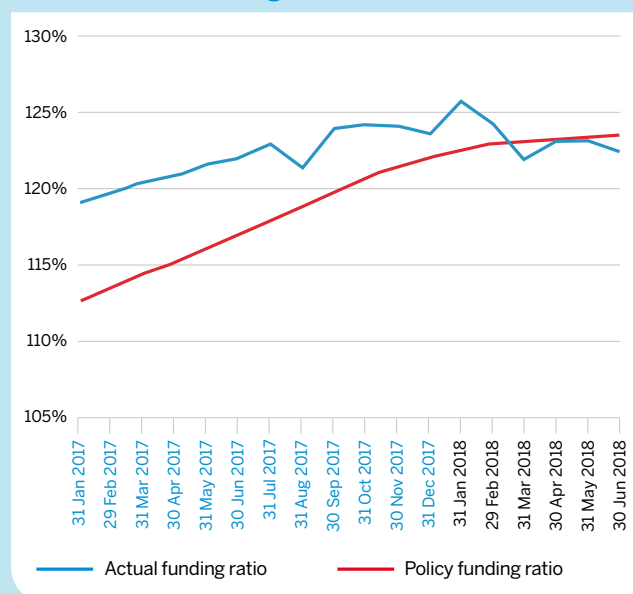
Please go to www.pensioenfondsstaples.nl/mijnstaplespensioen and login using your DigiD. Please enter your e-mail address so we can send digital post to you in the future.

3 Almost full supplement

The fund aims to index the pensions each year in line with the increase in prices. The pension fund is only allowed to increase pensions if it is financially healthy, taking into account its future financial position. Every year the pension fund Board assesses whether an increase is possible.

At the end of the year, the fund's financial position had improved to such an extent that almost the full supplement (96%) could be awarded. The pensions for participants who are still accruing pension were increased by 1.50%, while the pension for pension beneficiaries and former participants increased by 1.29%. The Staples Pension Fund is one of the few pension funds in the Netherlands that has increased pensions in recent years.

funding ratio calculation / formula; this is how the funding ratio is calculated



The policy funding ratio is the average of the current funding ratios of the previous 12 months.



Working on **quality** and **certainty**

During 2017 the pension fund paid continuous attention to managing risks and maintaining the level of administrative and organisational quality.

The Board wishes to have a clear understanding of the risks the fund is exposed to and what it can do to manage those risks. The pension fund pays a great deal of attention to risk management so that risks are dealt with in the most responsible manner possible.

There are both financial and non-financial risks. The financial risks received particular attention during 2016: everything involved in managing and investing the fund's assets. In 2017 the Board focused on the non-financial risks, an example of which is the risk associated with subcontracting. The pension fund subcontracts work, for example for the pension administration work to be undertaken and for asset management. An analysis of the risks associated with those parties has been made, which subsequently allows the Board of the pension fund to ensure that such external parties apply,

as a minimum, the same stringent risk management measures that the fund itself applies.

The Board also ensures that the fund is always compliant with the requirements of new legislation. In 2017 preparations for the new European privacy legislation, which is embodied in the General Data Protection Regulation (GDPR) played a major role, and required amendments to be made to a range of official fund documents. The new rules came into force in May of this year.

Managing the pension fund requires considerable knowledge and skills. Consequently, a suitability plan is prepared for all Board members in order to ensure that their level of knowledge is maintained. Amongst other things, such a plan contains appraisal interviews and attendance at seminars and study days about current developments. New Board members and members of the accountability body make use of the training opportunities provided by the Willis Towers Watson Academy and the Stichting Pensioen Opleidingen (SPO), both of which are approved by the DNB.



Attention for the future of the fund

The future of the pension fund was a permanent focus area for the board again in 2017. Progress was made towards the situation that has applied since 1 July 2018: the pension fund has become an independent closed fund, with only pensioners and former members. All active members (Staples employees) now participate in a defined contribution scheme that is not placed with the pension fund. Staples employees entering employment since 1 January 2015 have already been participating in this scheme since that time.

A closed fund can also continue to exist independently. Although premiums are no longer received, the liabilities also decrease. The pension assets are expected to generate an investment return sufficient to pay the pensions (including indexation, if all goes well). Closed 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.

Alternatives including a move to a sector pension fund, a General Pension Fund or an insurer were also considered. A combination would also be possible in principle.

After carefully and fairly considering all interests, the board believes that continuing as an independent pension fund is currently the best option, although this could change in the future. Naturally, the board will keep all members up to date regarding any new developments.

Questions?

Want to know more about the future of the pension fund? Go to the fund website <https://www.pensioenfondsstaples.nl/en/pension-qa> for an extensive list of Q&A.

If you have other questions or would like more information, contact us on +31 20 426 63 20 or by e-mail to pensioenservice@pensioenfondsstaples.nl.

Colophon

Publisher	Staples Pension Fund
Concept and design	Sabel Communicatie
Editing	Blue Sky Group
Printing	Aeroprint