



EBERBACHER KREIS

Managing a 250 Billion EUR Pension Fund during Tough Times

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Managing a € 250 billion pension fund in tough times

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Agenda

- Introduction
 - History
 - Capital and liabilities
 - Investment policy
 - Governance
 - Future
 - Your advantage
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Introduction

- **Personal**

- **PFZW**

- **Second largest pension fund in The Netherlands**

- **3 million participants**

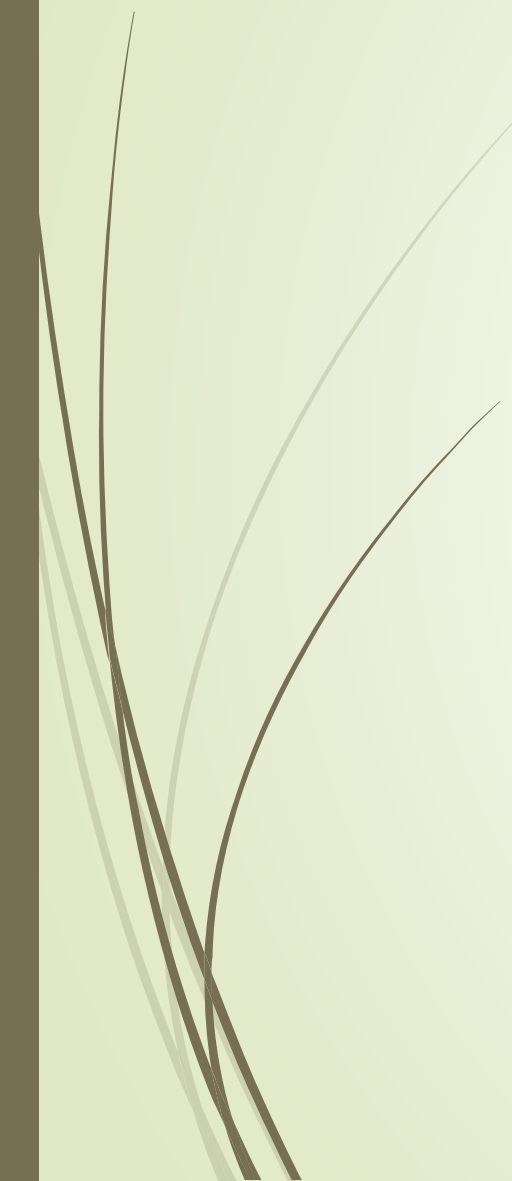
- **€ 258 billion in assets**

- **Coverage ratio 110,2%**

(Press release Q1 2022)



History of pensions in The Netherlands

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- 1880** First company pension fund
 - 1954** Pension act for industry wide pension funds
 - 1956** Start of AOW – state pension for inhabitants
 - 2006** Financial assessment framework
 - 2022** New pension act in parliament



Mix of income

40% State pension (AOW)

50% Work related pension (industry wide, company or trade related)

10% Individual savings or contracts with banks or insurance industry

On average: 70 – 80% net income replacement ratio



Capital

- State pension (AOW) - pay as you go.
- Work related pension – capital funded
- 90% : defined benefit (70% of your average income)
- 10% : defined contribution

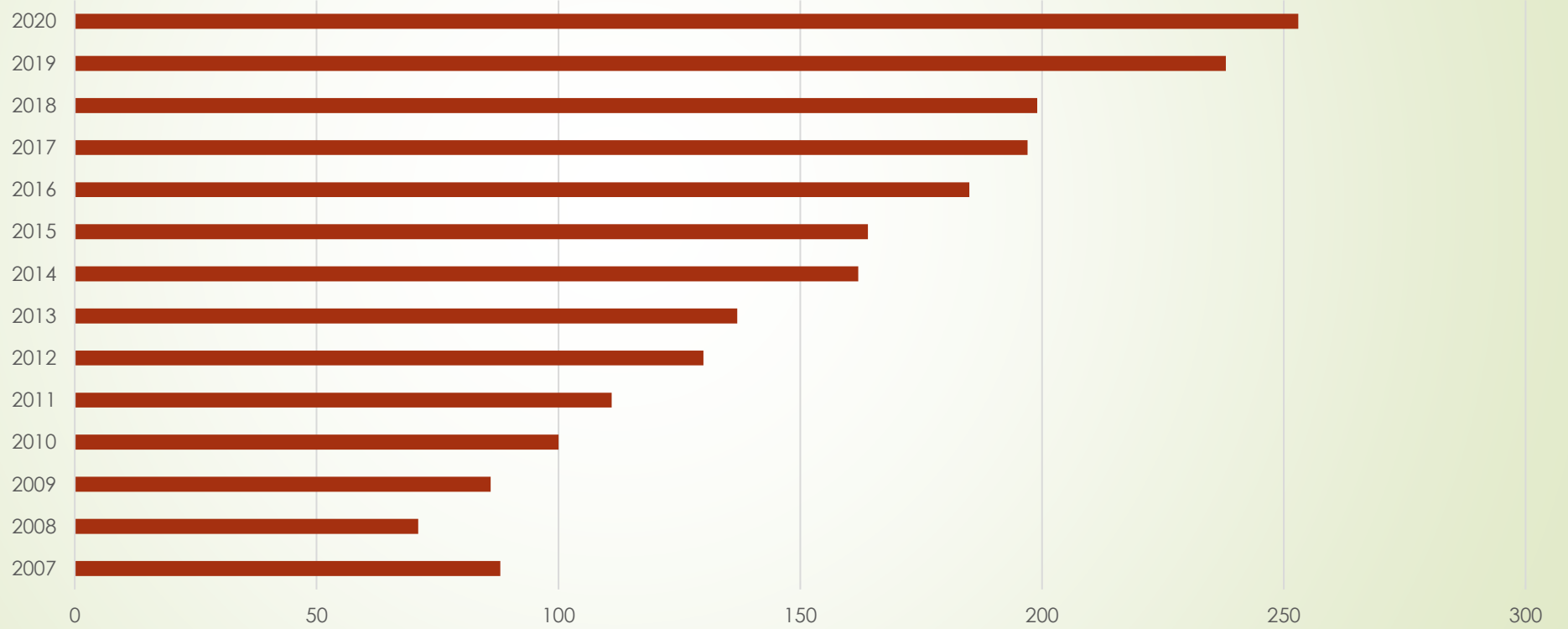
- Statement: you work a day a week for your pension



Contribution

- **Contribution level differs from pension fund to pension fund**
- **On average: 25% of the lifetime income**
- **2/3 is payed by the employer, 1/3 by the employee**
- **PFZW asks 25,8%: 50/50 distribution between employer and employee**

Assets





Yield with asset management

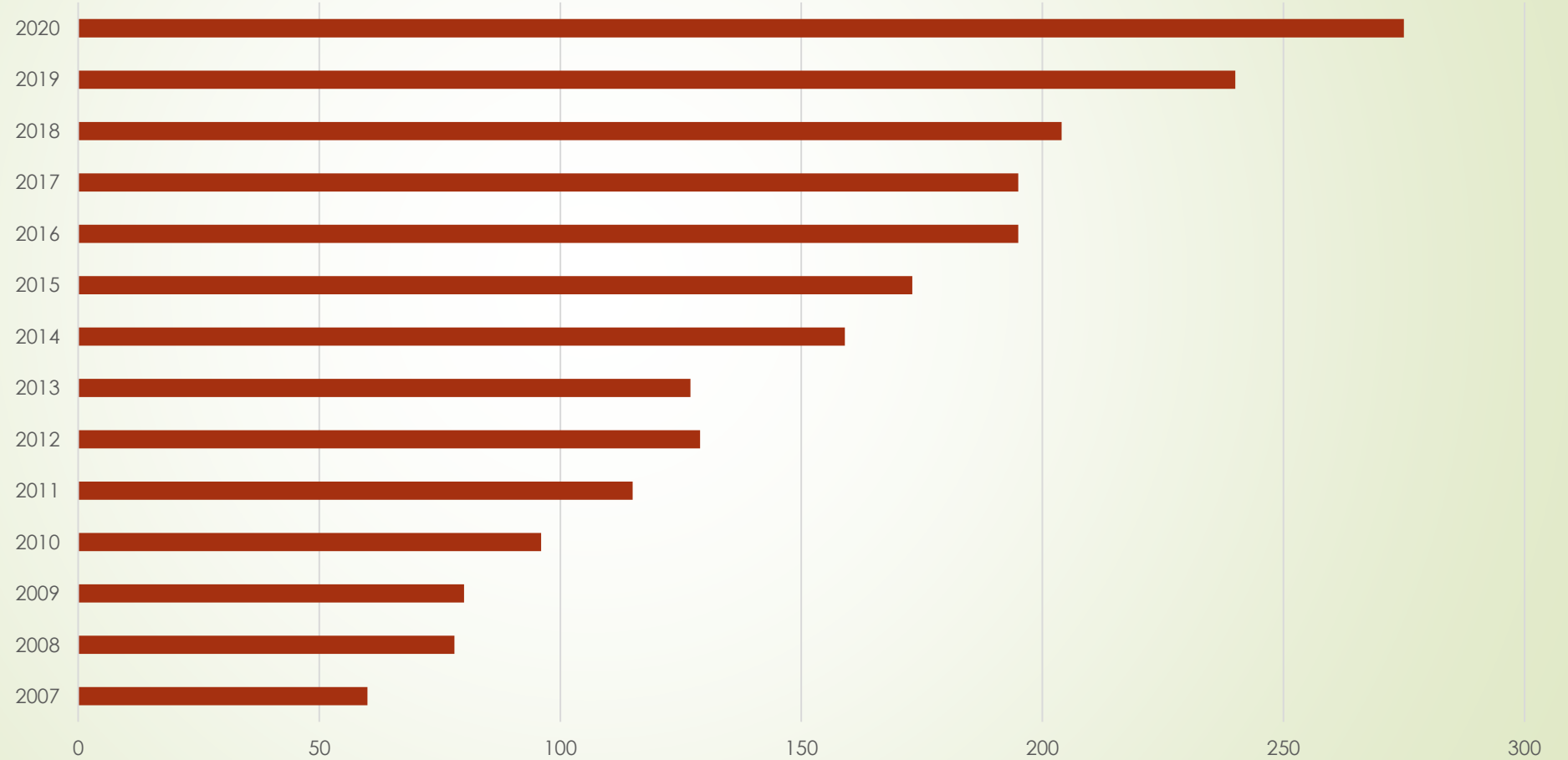
- Yield varies from year to year
- 2007 + 8,8%
- 2008 - 20,5%
- 2009 +17,6%
- 2020 + 8,7%
- At 10 years' retrospect: +8,0%



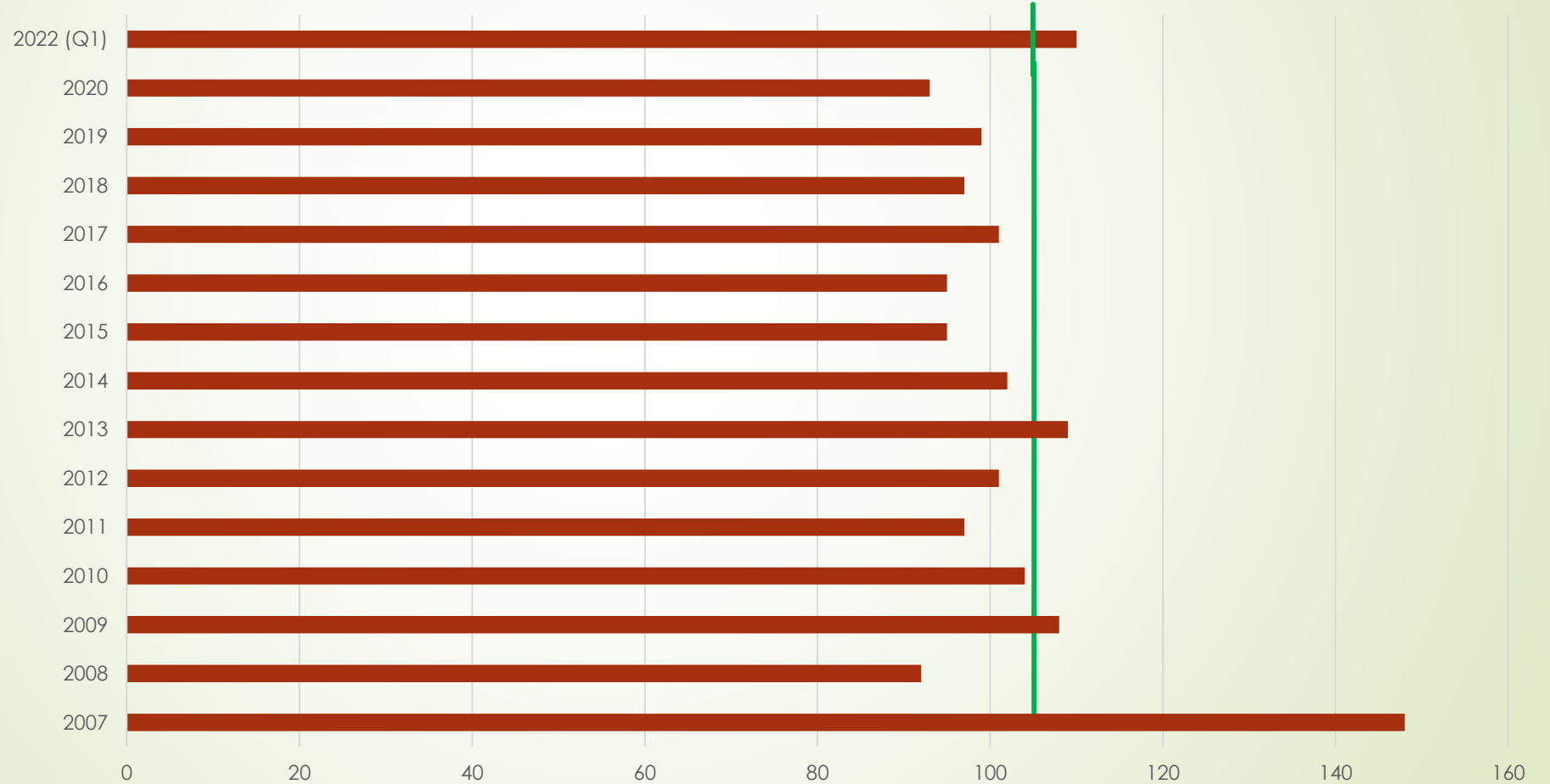
Liabilities

- ▶ Actual and future pensions are calculated with the current interest rate (risk free)
- ▶ 2007 + 4%
- ▶ 2022 (Q1) + 0,5%
- ▶ Statement: 1% interest rate = 17% coverage ratio

Liabilities



Coverage ratio





Portfolio

➤ Business Values

- Equity
- Private equity
- Real estate
- Infrastructure
- Insurance

➤ Hedge overlays

- Valuta
- Interest
- Inflation

➤ Credit

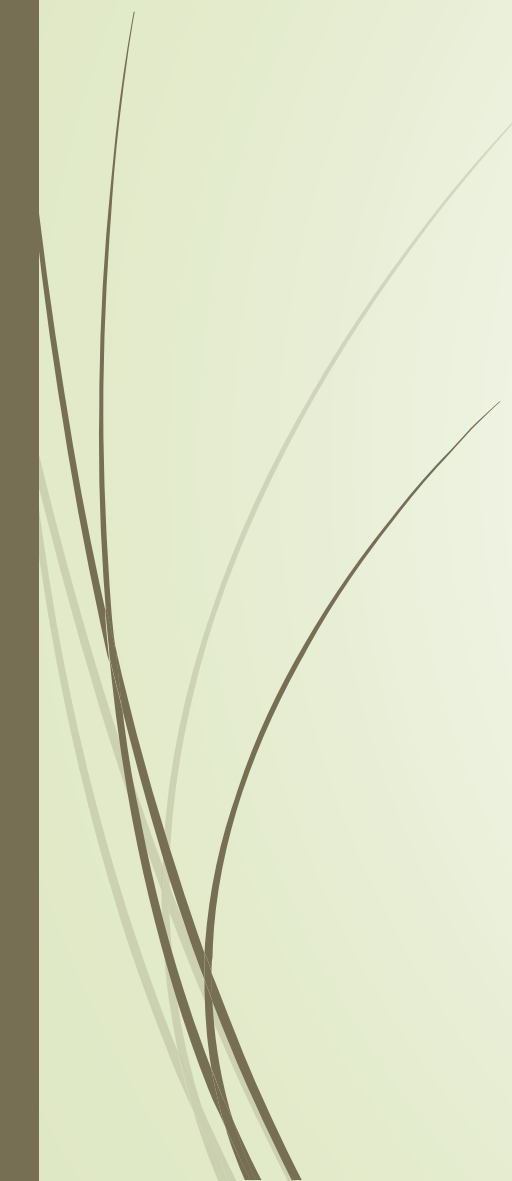
- Company credit/high yield
- Emerging market debt
local currency
- Credit risk sharing
- Mortgages

➤ Fixed income

- State bonds
- Cash



Investment policy

- **Equity: passive, creating your own benchmarks**
 - **Rest of business values: outsourced to specialists**
 - **Credit: outsourced to specialists**
 - **Fixes income: outsourced to spcialists**
 - **POLICY IS DESIGNED BY THE BOARD OF TRUSTEES**
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Investment policy

- Board is responsible, but no cherry picking
- **Goal: A good pension in a liveable world!**
- Investments in 7 Sustainable Development Goals (UN)
- Reduce carbon footprint
- Do no harm to people and planet



Instruments

- Engagement
- Voting
- ESG integration
- Capital governs
- Exclusion



Exclusions

- **Sanctions of the UN + e.g. Russia**
- **Mass destruction weapons**
- **Nucluar, biologic, chemical weapons**
- **Tabocco**
- **Coal and tear sand**



Governance

- **Several models – most paritarian**
- **Board of trustees with 50/50 representatives of employer(s) and union(s)**
- **Supervisory board - independent**
- **Accountability body, with representatives of employers, employees and pensioners**

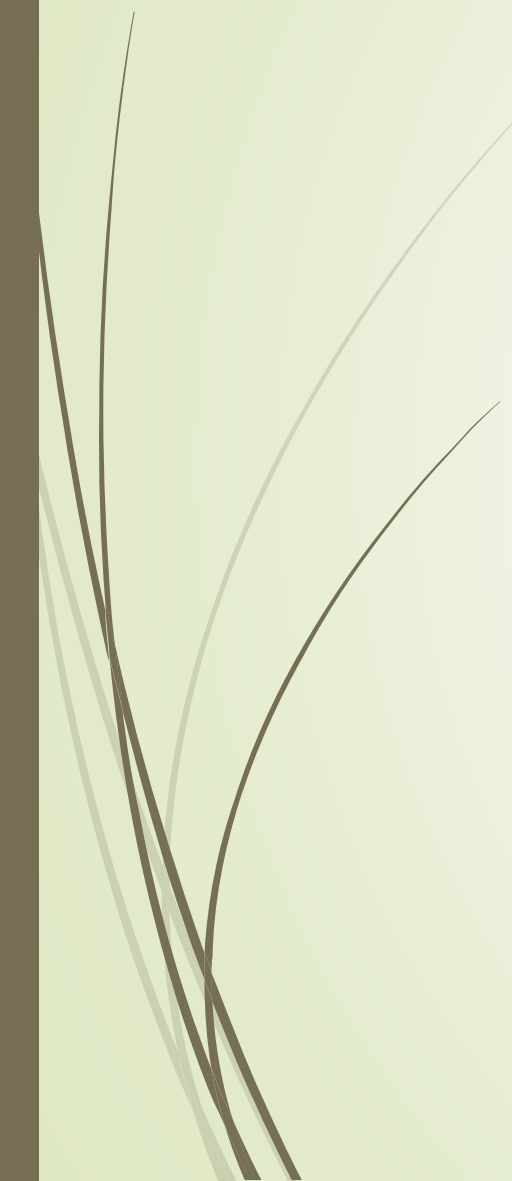


Interests

- Influence on policy
- Influence on postponed salary
- Influence on costs
- Influence on investments
 - Environment, Social, Governance
 - Profit and risk

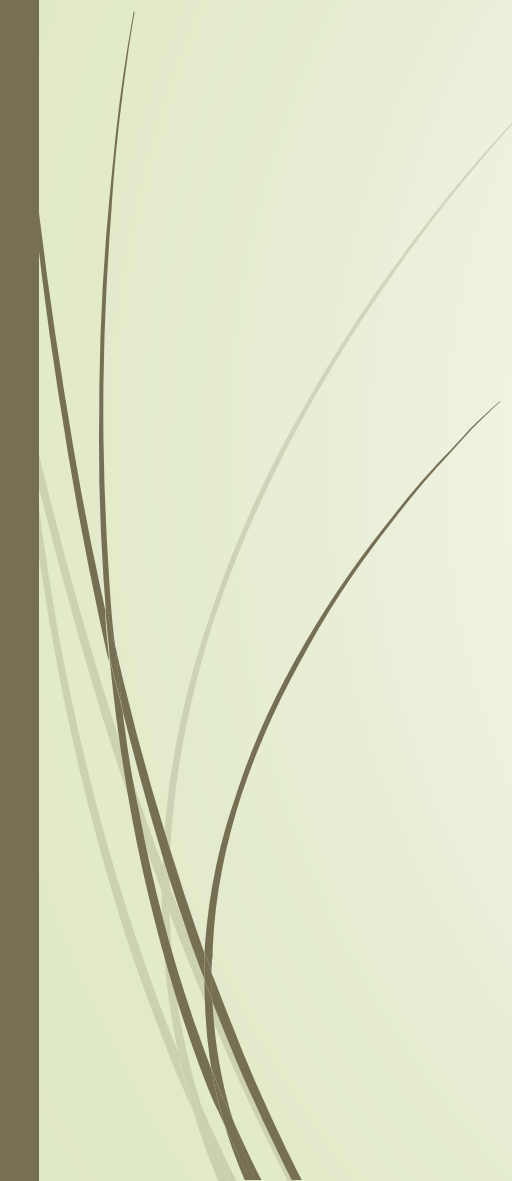


Future

- **New pension act**
 - **All arrangements will be a defined contribution contract**
 - **More solidarity (preferable for unions)**
 - **Less solidarity (preferable for individual companies)**
 - **Start in 2027**
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Because

- **Changes in labour market**
 - **Ageing society**
 - **Risk shift from employer to employee**
 - **Everybody his/her own capital**
 - **Solidarity for risk in asset management and longevity**
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Your advantage

- **Change in 2018 to new pension contract**
- **It's similar with Danmark and The Netherlands.**
- **You have what we try to achieve.**
- **You have a huge advantage, without any legacy**



Thank you for your attention



Questions