



**Rabobank**

# REFLECT

Special condensed  
annual report



## Indexation despite low interest rates

The pension fund's good investment results in 2014 suffered greatly from the trend in interest rates, which fell to an unprecedented low level. This also produced a lower funding ratio.

Another development was the coming into force of the new Financial Assessment Framework (FTK) on 1 January 2015. The pension fund now has to meet more stringent requirements and build additional buffers. This is the government's way of strengthening pensions in the Netherlands.

### INDEXATION

According to the new pension scheme as of 1 January 2014, funding for indexation, including that for active members, must come from the fund and no longer from the contributions it receives. Unfortunately, the funding ratio in 2014 provided insufficient scope for full price indexation. Nonetheless, due to the

indexation reserve of half a million euros, we were able to index-link pensions.

### GOVERNANCE

The Pension Fund Governance (Further Measures) Act came into force on 1 July 2014. The fund adjusted its governance in line with this Act. As a result, the members' council and the 'old' accountability body disappeared and a new accountability body was set up. The board will evaluate in 2015 how the choices that have been made are working in practice.

### INFORMATION PROVISION

The members bear the risk in the new plan. The information we sent out emphasized over and over again the further rationalisation of the scheme and the increased responsibility people now have for ensuring that their pension is adequate.

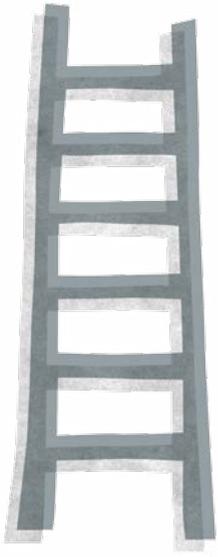
### FUTURE-PROOF SYSTEM

In the light of all these developments, the fund is keen to contribute to the national social dialogue on the future of our pension system. You can find our vision on [rabobankpensioenfonds.nl](http://rabobankpensioenfonds.nl). We will be conducting further investigations in conjunction with other parties into 'a new, future-proof system' in the coming months.

**Bert Bruggink**

*Chairman of the Board of Rabobank Pension Fund*

# Developments in 2014



The pension scheme was amended further in 2014. This was due to statutory adjustments, such as the raising of the retirement age and the restriction of the accrual rate to a maximum of 1.85%. Our fund has managed to keep the maximum accrual rate at 2% by making the Employee Benefit Budget pensionable. In connection with this, pension benefit accrual was made subject to a maximum annual salary of €96,400. From 2015, employees with a higher salary will no longer accrue 'regular' pension on the amount above this ceiling

under the scheme. These members will receive a Personal Budget for that part of their salary that exceeds €94,600: a non-age-related remuneration of 24% of that part of their salary that exceeds €94,600. This sum will be paid out after deduction of tax and may be used at members' discretion. If they wish, for example, they can save directly through Netto Flexioen for additional pension from their net salary. ■

## Pension Fund Governance

The articles of association for the pension fund have been amended to comply with the Pension Fund Governance (Further Measures) Act that came into force in July 2014. Internal supervision by way of the on-site review committee has been strengthened and the suitability requirements for members of the board have been scrutinised.

### A NEW ACCOUNTABILITY BODY

The members' council and the accountability body made way for a new accountability body as of 1 July 2014 (see next section). The board is accountable to this body. Employers are not represented in this new body. This is related to risk being shifted towards members and pensioners. The board is now accountable to the 'owners' of the pension assets, who also bear the risk.

### PENSION FUND CODE

The Pension Fund Code also came into force in 2014. This code contains a series of standards and is based on the principle of 'comply or explain'. The fund complies with almost all the standards, as demonstrated in an analysis at the end of 2014. ■

# Report of the accountability body

The emergence of the new accountability body as of 1 July 2014 is a direct consequence of the new governance model. It gives accountability a different structure.

### WIDER POWERS

The new accountability body is made up of 15 members: 11 who represent the members and four who represent the pension beneficiaries. The new body has wider powers. For example, it provides the pension fund board with advice, both on request and on its own initiative. The accountability body can also provide points for attention to the independent on-site review

committee, which evaluates the board every year. The on-site review committee reports its findings to the accountability body.

### MORE STRINGENT RULES

One of the things the accountability body examined in 2014 was the consequences of the more stringent regulations in the new Financial Assessment Framework (nFTK) that came into force on 1 January 2015. What would it mean for the policy on indexation and curtailment? The accountability body furthermore monitors the interests of members and pensioners alike. ■

# Contribution, indexation and funding ratio

## CONTRIBUTION

The contribution for 2014 amounted to 33.4% of pensionable earnings. It is paid by the employer and by the employees through their personal contribution.

## INDEXATION

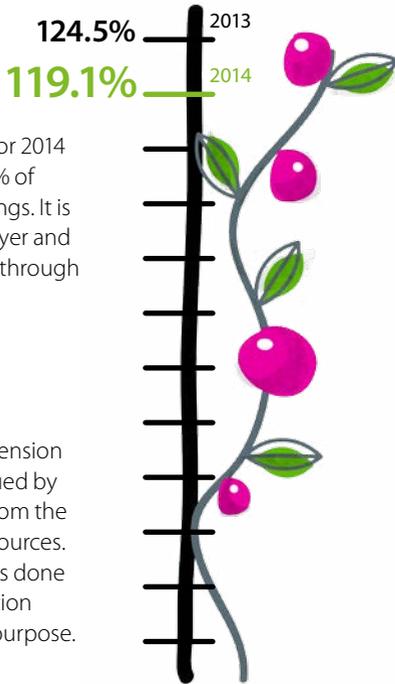
The pension fund index-linked the pension entitlements accrued by active members from the pension fund's resources. Previously, that was done from the contribution intended for that purpose.

On the basis of the indexation decision, the accrued entitlements of all members and the benefits already being paid were increased by 1.1% as of 1 July 2014. The pension fund provided 0.21% of this indexation while 0.89% came from the indexation reserve.

## FUNDING RATIO

On 31 December 2014, the pension fund's funding ratio was 119.1% (2013: 124.5%). The required funding ratio is 112.8% and the minimum required funding ratio is 104.3%. Consequently, the pension fund had a reserve surplus at the end of 2014.

A new way of setting the funding ratio was introduced on 1 January 2015, in line with the new government rules for pension funds (the new Financial Assessment Framework (nFTK)). It is now the average of the funding ratios in the last 12 months. This is termed the policy funding ratio – which is normative for pension funds' indexation and curtailment policy – and it amounted to 123.8% on 31 December 2014. ■



## Communication

The pension fund provided you with extensive information in 2014 about the consequences of the new pension scheme as of 1 January 2014 for you personally. We also updated the website. You can now get to the actions to be taken more quickly. All the information can now be read properly on mobile devices and you can notify us of changes quickly and efficiently by way of online forms. You can let us know your choices as regards the commencement date of your pension online by way of the pension planner

### GO DIGITAL

The fund collected e-mail addresses in 2014 by way of a campaign called 'Go digital' [*Kies voor digital*]. By so doing, the fund was anticipating the new Pension Communication Act, which offers more scope for digital communication. Members and pensioners who chose digital communication will receive their Uniform Benefit Statement (UPO) and the autumn edition of the Regie newsletter by e-mail for the first time. In total, 17,300 people have already registered for digital communication.

### MEMBERS' SURVEY

The pension fund has been conducting a members' survey by an independent research agency since 2011. The outcomes for 2014 showed an improvement on all levels. Confidence in the pension fund is unprecedentedly high: 90% of active members has confidence in the fund; among pension beneficiaries, the figure is even 99%. ■

# Investments

The total return on investment, including the change in value of the protection for interest rates, equities and currencies (hedge portfolios) was 17.1% in 2014. Equities did very well, but the change in value of the hedge had a negative effect. This is incidentally consistent with our risk policy, which is intended to prevent extreme negative fluctuations in the funding ratio; the downside of this is that when the market develops positively, the funding ratio rises less quickly. The equity portfolio was restructured in the second half of last year. The aim: even better performance of the investments through a greater spread.



	2014 Portfolio	2014 Benchmark
Equities	12.1%	11.5%
Fixed-income securities	8.3%	8.3%
Alternative investments	3.9%	-1.2%
Property	4.4%	8.1%
Cash and cash equivalents	0.4%	0.1%
<b>Total</b>	<b>9.1%</b>	<b>8.4%</b>
<b>Total including hedges</b>	<b>17.1%</b>	

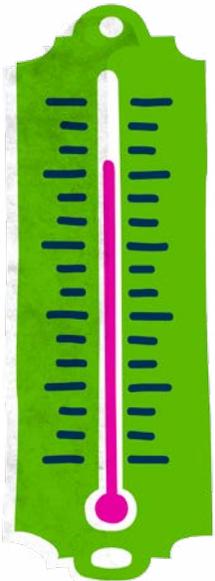
## Cost of pension administration and of asset and liability management

The total cost of pension administration and of asset and liability management was:

- € 10.48 million for pension administration. This amounts to €184 for each member (2013: €174). The cost per member is calculated based on the number of active members and pensioners. The number of active members declined in 2014. Former members who have not yet retired are not taken into consideration.
- € 89.4 million for asset and liability management (0.440% of the average capital invested). That is a substantial increase of €22.2 million compared to 2013. The increase is mainly due to a rise in transaction costs. Transaction costs rose principally due to one-time costs connected with changing the equity portfolio. Asset management costs were €8.2 million and transaction costs amounted to €39.2 million.

A detailed explanation of the costs can be found in the annual report. Look under downloads on [rabobankpensioenfond.nl](http://rabobankpensioenfond.nl). ■

<sup>1</sup> Transaction costs are costs that have to be incurred in order to bring about and implement an investment or other transaction. These are not expenses paid to the asset manager, but expenses that must be paid to the stock exchange, for example, or to a broker.



# Condensed financial statements 2014

## BALANCE SHEET AS AT 31 DECEMBER 2014

(in millions of euros)

	2014	2013
<b>Assets</b>		
Investments at the pension fund's risk	23,410.6	19,197.0
Investments at members' risk	28.2	18.5
Receivables, prepayments and accrued income	56.7	12.5
Other assets	5.6	2.2
	<b>23,501.1</b>	<b>19,230.2</b>
<b>Liabilities</b>		
Foundation capital and reserves	3,819.9	4,062.1
Provision for pension commitments at pension fund's risk	18,210.9	14,522.8
Provision for pension commitments at members' risk	28.2	18.5
Other liabilities, accruals and deferred income	1,442.1	626.8
	<b>23,501.1</b>	<b>19,230.2</b>

## INCOME AND EXPENDITURE STATEMENT FOR 2014

<b>Income</b>		
Premium contributions at pension fund's risk	557.2	1,164.4
Premium contributions at members' risk	6.8	4.4
Investment results at pension fund's risk	3,167.1	151.8
Investment results at members' risk	4.5	0.5
	<b>3,735.6</b>	<b>1,321.1</b>
<b>Expenditure</b>		
Pension payments	339.2	314.7
Pension administration costs	11.6	11.9
Change in technical provisions		
• Accrual of pension	318.5	431.3
• Indexation and other supplements	161.5	69.5
• Interest addition	55.8	53.1
• Withdrawal for pension payments	-344.4	-318.9
• Withdrawal for pension administration costs	-0.7	1.4
• Change due to transfer of rights	44.7	35.3
• Change in market interest rate	3,398.0	-581.2
• Changes in other actuarial assumptions	29.3	-
• Other changes to the provision for pension commitments	25.4	-11.4
	3,688.1	-320.9
• Change in other technical provisions	-	-44.3
	3,688.1	-365.2
Change in provision at members' risk	9.7	3.6
Balance of transfer of rights	-70.8	-32.6
	<b>3,977.8</b>	<b>-67.6</b>
Balance of income and expenditure	<b>-242.2</b>	<b>1,388.7</b>

# A new mission, vision and strategy

In 2014, the fund published a statement on the website containing our interrelated principles and aims, our mission, vision and strategy.

## **Mission**

The Rabobank Pension Fund will implement the Rabobank's pension scheme and assign the entitlements to which the members, former members and pension beneficiaries are entitled according to the regulations.

## **Vision**

The Rabobank Pension Fund is an efficient and financially stable organisation that aims to maintain the purchasing power of the pension entitlements and pension rights.

## **Strategy**

### **Implementation**

- The pension scheme will be implemented efficiently and at an acceptable cost. *Aim:* the cost level of the implementation and its efficiency are evenly balanced.
- Pension administration and asset management have been outsourced. The fund exerts strict control over both. *Aim:* a high degree of stakeholder satisfaction about the implementation of the scheme.

### **Investment policy**

- When determining the attitude to risk associated with the pension contract, the fund aims to balance the interests of old and young, active and inactive members. *Aim:* when determining the investment and liability management policy, account is taken of the risk preference of the various stakeholders.
- The pension monies will be managed soundly. *Aim:* the risk profile chosen by the stakeholders will be converted cost-efficiently into the investment and protection portfolio by way of the investment and liability management policy.
- The fund considers sustainable investing to be of paramount importance. *Aim:* a high score in the annual rating by UNPRI.

### **Communication**

- The fund communicates about matters that include the risks of the pension scheme in good time, correctly, clearly and in a way that maintains an even balance between its active and inactive members. *Aim:* a high degree of stakeholder satisfaction about the communication.

# Board, Management and Members' Council

## **Board structure as of 1 January 2015**

### **Board**

Joop Adolfse, Misha Ariaans (*Secretary*),  
Thijs Berenst, Bert Bruggink (*Chairman*),  
Lilian Damen-Evers, Maarten Heikoop\* (*Deputy Chairman*),  
Antoon de Hoon\*\*, Bert Roman, Nellie Verbugt, Joop Winterink (*Candidate Board Member*)

### **Management**

Frans Avezaat, *Actuarial Specialist*  
Anton van den Brink, *Board Secretary*  
Jos Dirks, *Managing Director*  
Sandra Graaskamp, *Junior Board Secretary*  
Eva van Schijndel, *Management Assistant*  
Suzanne van Tienen, *Management Assistant*  
Bernard Walschots, *Director of Asset Management*  
Jan de With, *Pension Administration Manager*  
Caroline Wisselink-van Beurden, *Pensions Policy Advisor*

## **Accountability Body as of 1 January 2015**

Lidwien Bastiaansen-Diepstraten,  
Aaf-Tineke Bisschop-Hiemstra,  
Alexandra Bolland, Ronny van den Boomen,  
Betty Bos, Roel de Graaf, Peter Hennevelt,  
Marianne van den Hoek-van der Schee,  
Frank de Koning, Armand Lagerweij,  
Paul Michielsen, Erik Pero, Anton Schimmel,  
Gerwin van de Steeg, Jan de Wit.

\* *Stepped down due to termination of employment as of 1 May 2015.*

\*\* *Candidate member of the board as of 1 January; fully-fledged member of the board as of 7 January 2015.*



### **Organisation of the Rabobank Pension Fund**

Information about the organisation of the Pension Fund can be found in the full annual report.

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