

Pensioenfonds

Zorg & Welzijn

An insight

Into Pensioenfonds Zorg en Welzijn

Profile

This is Pensioenfonds Zorg en Welzijn

Pensioenfonds Zorg en Welzijn (PFZW) provides a compulsory collective pension scheme for the care and welfare sector. The aim is to provide participants with a high-quality pension package at a low price. The basic principle of the scheme is solidarity.

PFZW invests the contributions paid by employers and employees with the aim of achieving a high, stable and responsible return over the long term at an acceptable level of risk. The fund invests globally in the investment categories of variable yield securities and fixed-income securities.

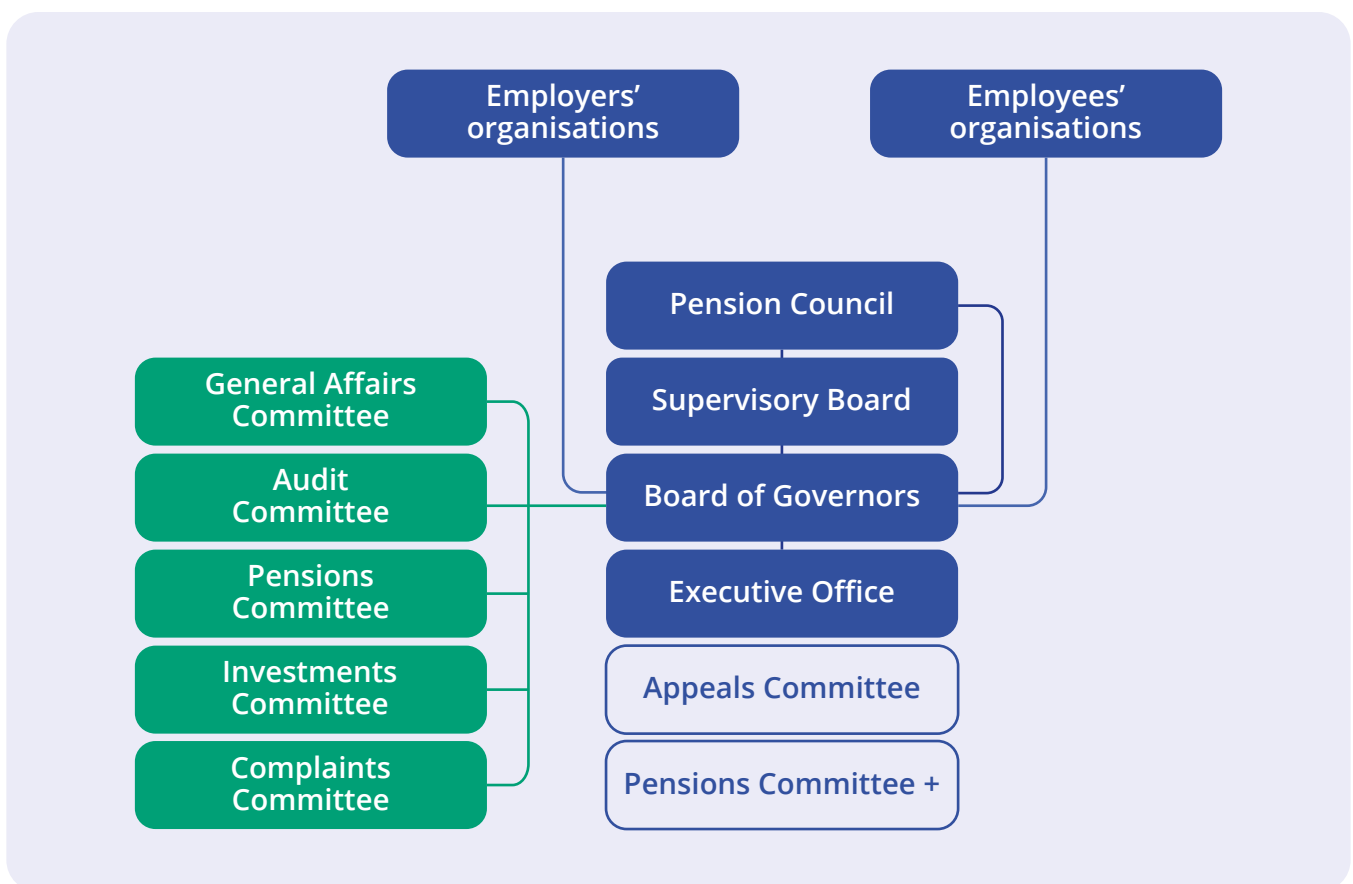
PFZW is organised as a foundation. The Board of Governors of the foundation is responsible for the policy and implementation of the collective pension scheme. It comprises representatives of employer organisations in the sector, representatives of employee organisations in the sector, a representative of pensioners and an independent chairman.

The Pension Council, consisting of participants, pensioners and employers, is an important part of our organisation. In order to implement the principles of good pension fund governance, it has been decided to integrate co-determination and the accountability function into the Pension Council.

The pension fund had a total € 254 billion of assets under management at the end of 2020.

Organisation

PFZW was established by the employers' and employees' organisations in the care and welfare sector. The structure of the pension fund is as follows:



Five-year review

	2020	2019	2018	2017	2016
Financial position (in € millions)					
Actual Funding ratio as at year end	93%	99%	98%	101%	95%
Policy Funding ratio as at year end	88%	97%	101%	99%	90%
Assets under management	253,901	238,376	199,002	197,182	185,428
Foundation capital and reserves	(20,401)	(1,976)	(5,159)	2,144	(9,241)
Provision for pension liabilities	274,583	240,250	204,111	195,286	195,268
Indexation ¹					
Indexation % ²	0%	0%	0%	0%	0%
Indexation-ambition ³	1.1%	2.6%	1.9%	1.5%	1.3%
Price inflation ⁴	1.1%	2.6%	1.9%	1.5%	0.3%
Investments (in € millions)					
Investment result ⁵	13,335	37,395	(822)	9,554	19,684
Total costs management in % ⁶	0.38%	0.43%	0.45%	0.49%	0.46%
Total return	5.6%	18.8%	(0.4%)	5.1%	12.0%
10-year average return	8.0%	8.7%	8.6%	6.2%	6.4%
Average return since 1971 ⁷	8.1%	8.2%	8.0%	8.2%	8.2%
Z-Score	(0.05)	1.05	1.12	0.72	1.30
Performance test ⁸	1.85	2.48	2.41	2.37	2.35
Income and expenditure (in € millions)					
Contributions	6,936	5,950	5,584	5,404	5,197
Pension benefit payments	4,276	3,970	3,699	3,433	3,179
Pension administration costs	108	110	106	106	106
Costs per employee (euro per employee)	58.7	61.7	62.1	64.9	67.9
Contribution rates					
Old-age pension (% of salary less state old-age pension threshold)	22.4%	22.4%	22.4%	22.4%	22.4%
Invalidity pension (% of salary less state invalidity pension threshold)	0.5%	0.6%	0.7%	0.5%	0.4%
Employers and participants (numbers)					
Affiliated employers	25,500	25,400	24,700	23,700	23,200
Contributing participants	1,320,800	1,287,600	1,237,600	1,196,900	1,155,800
Former participants	1,074,200	1,096,400	1,095,600	1,076,200	1,063,600
Pensioners	518,300	486,800	463,100	435,300	412,900
Current and former participants	2,913,300	2,870,800	2,796,300	2,708,400	2,632,300

1. Decreasing not applicable.
2. Percentage of indexation granted on the basis of wage growth in the sector.
3. Up to and including 2016 was the indexation ambition the wage growth in the sector. This is from 2017 onwards price inflation.
4. Source: Statline (CBS).
5. Asset management costs are deducted from the investment results.
6. Total expense rate has been presented in accordance with the recommendations of the Federation of the Dutch Pension Funds since 2011. The percentage refers to total asset management costs as a proportion of average assets under management. Transaction costs are not included.
7. This percentage shows the average annual return achieved from the launch date (1971) to the end of the financial year.
8. The performance test is the total of the Z scores over a period of five years, divided by the root of five. The standard is (1.28).

Consolidated balance sheet as at 31 December 2020

<i>(after profit appropriation)</i> <i>(amounts in millions of euros)</i>		2020		2019
Assets				
Investments at pension fund's risk				
Real estate and infrastructure	38,087		38,059	
Equities	93,186		81,519	
Fixed-income securities	114,207		106,395	
Derivatives	36,165		24,682	
Other Investments	4,455		12,728	
		286,100		263,383
Investments at participants' risk				
Real estate and infrastructure	8		11	
Equities	18		17	
Fixed-income securities	26		28	
Derivatives	9		7	
Other Investments	2		4	
		63		67
Total investments		286,163		263,450
Reinsurance part of technical provisions		138		147
Participating interests		160		160
Receivables and prepayments and accrued income		5,054		406
Cash		199		288
Total assets		291,714		264,451
Liabilities				
Foundation capital and reserves		(20,401)		(1,976)
Technical provisions				
Provision for pension liabilities at pension fund's risk	273,649		239,340	
Other technical provisions	932		908	
Provisions for net pension	2		2	
		274,583		240,250
Provision for pension liabilities at participants' risk		59		64
Other liabilities and accruals and deferred income		37,473		26,113
Total liabilities		291,714		264,451

Consolidated statement of income and expenditure for 2020

<i>(amounts in millions of euros)</i>		2020		2019
Income				
Contributions (from employers and employees)	6,936		5,950	
Investment income at pension fund's risk	13,332		37,385	
Investment income at participants' risk	3		10	
Other income	1		-	
Total income		20,272		43,345
Expenditure				
Pension benefit payments		(4,276)		(3,970)
Pension administration costs		(108)		(110)
Movement in provision for pension liabilities at pension fund's risk				
Pension accrual	(9,515)		(6,837)	
Indexation	-		-	
Interest added	784		480	
Made available for pensions and pension administration costs	4,243		3,940	
Change in market interest rate	(34,549)		(35,100)	
Change from transfer of rights	(50)		(27)	
Change in actuarial assumptions for pension scheme	4,732		980	
Other movements	46		353	
		(34,309)		(36,211)
Movements in other technical provisions				
Movements in other technical provisions		(24)		72
Movement in provision for net pension		-		(1)
Movement in provision for pension liabilities at participants' risk		5		(2)
Movement in reinsurance part of technical provisions		(9)		(4)
Net transfers of rights		29		66
Other expenditures		(5)		(2)
Total expenditures		(38,697)		(40,162)
Balance of income and expenditure		(18,425)		3,183

Investment policy

The investment policy of PFZW is focused on the long term. The policy is consistent with the pension fund's objectives and obligations, which are to provide a good and affordable pension. That primarily means it seeks to generate a high inflation adjusted return over the longer term. PFZW is a relatively young pension fund. Over the next decade pension contributions are expected to exceed pension benefit payments. This makes it possible for the pension fund to take the amount of investment risk that is needed to realize its ambitions.

The objectives and long investment horizon lead to an investment mix with holdings in investment categories other than fixed income securities. At first the investment plan 2020 provided for a next step in cutting back the allocation to commodities. However, due to the situation in the oil markets it was decided to completely phase out its allocation to commodities in 2020. As a result the 2020 investment plan had 53,3% of assets allocated to investment categories such as listed equities, private equity, private real estate and infrastructure. The fixed-income allocation in the 2020 investment plan was 32,4%. This comprised both ordinary government bonds and inflation-linked bonds, as well as interest rate and inflation derivatives. The allocation to credits was 14,3%.

The key points of the investment policy are as follows:

- **Diversification of assets across various investment categories**

PFZW is a long-term investor with a large volume of assets under management. That means the pension fund is able to invest in investment categories that are not accessible to all institutional investors.

- **Better coverage of investment categories**

Within the various investment categories PFZW analyses which investments fit in best with its portfolio and investment policy.

- **Taking market conditions into account**

While investing, market conditions are taken into account if they differ materially from the forecasts on which the policy is based.

- **Risk management**

Risk management means that risks are clearly identified and are then controlled as effectively as possible at every step of the investment process.

- **Transparency**

In April 2021 PFZW publishes a list of all investments, together with the mandates given to external asset managers on its website, held on 31 December 2020 in order to give a clear account of its activities and policy. This website also lists the companies that have been excluded on the basis of responsible investment criteria. Furthermore, the pension fund publishes figures and results on a quarterly basis.

- **Responsible investment**

PFZW is responsible for the proper financial implementation of the pension scheme. At the same time, it also has a social responsibility. As a result, responsible investment has been an important principle in determining the investment policy for many years. The aim is to achieve both a good financial and a responsible return. For the pension fund, responsible investment means consciously taking the impact of environmental and social factors and good corporate governance into account during all its investment activities.

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