

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.

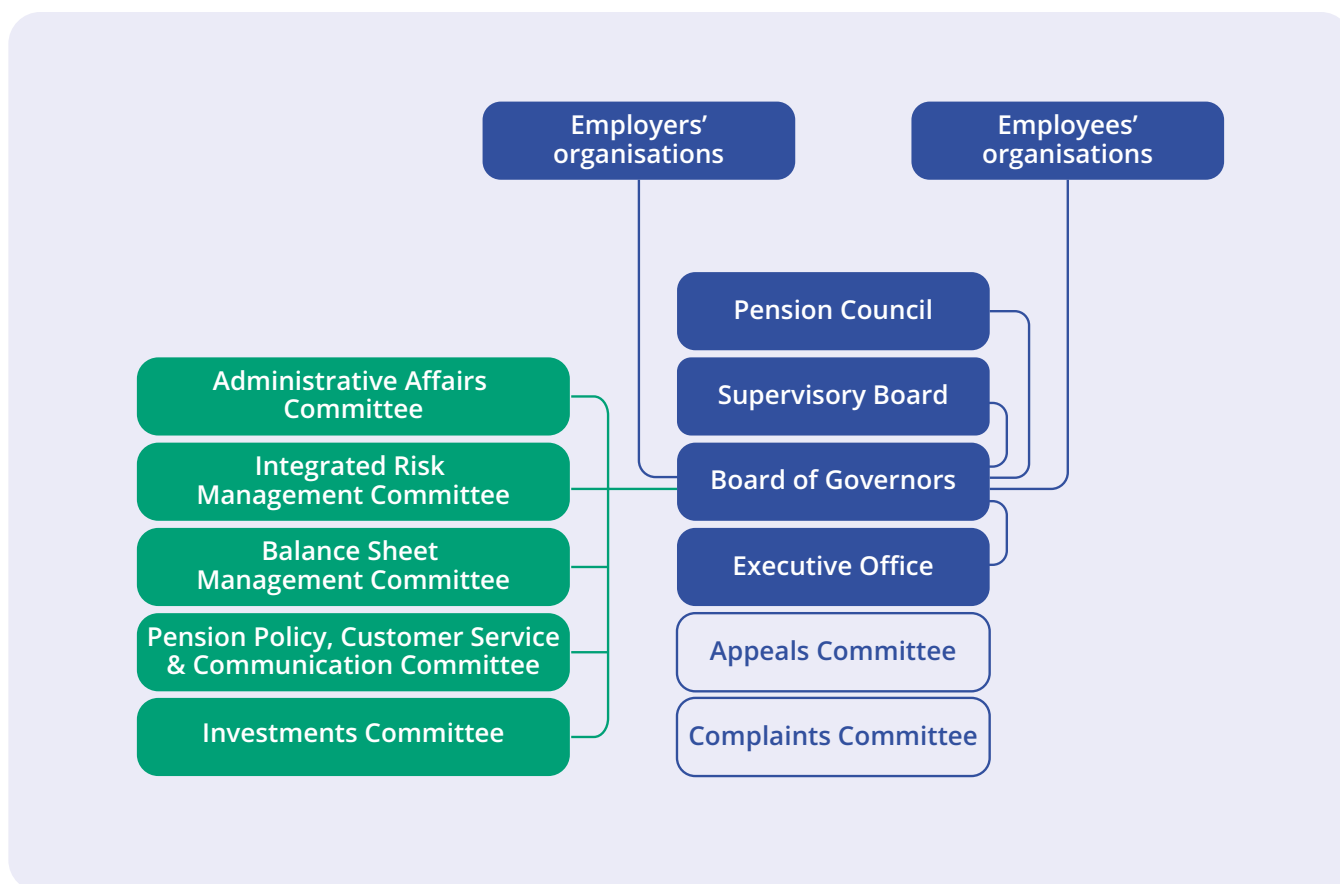
PFZW is organised as a foundation. The Board of Governors of the foundation is responsible for the policy and implementation of the collective pension scheme. It comprises representatives of employer organisations in the sector, representatives of employee organisations in the sector, a representative 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 € 277 billion of assets under management at the end of 2021.

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:



* The pension benefits committee was only established as of 1 January 2022 and is therefore not included in the structure at the end of 2021.

Five-year review

	2020	2019	2018	2017	2016
Financial position (in € millions)					
Actual Funding ratio as at year end	107%	93%	99%	98%	101%
Policy Funding ratio as at year end	100%	88%	97%	101%	99%
Assets under management	277,456	253,901	238,376	199,002	197,182
Foundation capital and reserves	17,317	(20,401)	(1,976)	(5,159)	2,144
Provision for pension liabilities	260,600	274,583	240,250	204,111	195,214
Indexation¹					
Indexation % ²	0%	0%	0%	0%	0%
Indexation-ambition	2.7%	1.1%	2.6%	1.9%	1.5%
Price inflation ³	2.7%	1.1%	2.6%	1.9%	1.5%
Investments (in € millions)					
Investment result ⁴	21,025	13,335	37,395	(822)	9,554
Total costs management in % ⁵	0.75%	0.38%	0.43%	0.45%	0.49%
Total return	8.2%	5.6%	18.8%	(0.4%)	5.1%
10-year average return	8.0%	8.0%	8.7%	8.6%	6.2%
Average return since 1971 ⁶	8.1%	8.1%	8.2%	8.0%	8.2%
Z-Score	3.08	(0.05)	1.05	1.12	0.72
Performance test ⁷	2.65	1.85	2.48	2.41	2.37
Income and expenditure (in € millions)					
Contributions	7.219	6.936	5.950	5.584	5.404
Pension benefit payments	4.598	4.276	3.970	3.699	3.433
Pension administration costs	115	108	110	106	106
Costs per employee (euro per employee)	60.54	58.66	61.70	62.14	64.89
Contribution rates					
Old-age pension (% of salary less state old-age pension threshold)	25.0%	22.4%	22.4%	22.4%	22.4%
Invalidity pension (% of salary less state invalidity pension threshold)	0.5%	0.5%	0.6%	0.7%	0.5%
Employers and participants (numbers)					
Affiliated employers	25,900	25,500	25,400	24,700	23,700
Contributing participants	1,340,700	1,320,800	1,287,600	1,237,600	1,196,900
Former participants	1,092,500	1,074,200	1,096,400	1,095,600	1,076,200
Pensioners	552,100	518,300	486,800	463,100	435,300
Current and former participants	2,985,300	2,913,300	2,870,800	2,796,300	2,708,400

1. Decreasing not applicable
2. Percentage of indexation granted, based on the price development in the sector.
3. Source: Statline (CBS).
4. Asset management costs are deducted from the investment results.
5. 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.
6. This percentage shows the average annual return achieved from the launch date (1971) to the end of the financial year.
7. 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 2021

<i>(after profit appropriation)</i> <i>(amounts in millions of euros)</i>		2021	2020
Assets			
Investments at pension fund's risk			
Real estate and infrastructure	46,796	38,087	
(Private) equities	106,187	93,186	
Fixed-income securities	114,767	114,207	
Derivatives	23,969	36,165	
Other Investments	5,751	4,455	
		297,470	286,100
Investments at participants' risk			
Real estate and infrastructure	8	8	
(Private) equities	21	18	
Fixed-income securities	20	26	
Derivatives	5	9	
Other Investments	1	2	
		55	63
Total investments		297,525	286,163
Reinsurance part of technical provisions		122	138
Participating interests		160	160
Receivables and prepayments and accrued income		5,099	5,054
Cash		379	199
Total assets		303,285	291,714
Liabilities			
Foundation capital and reserves		17,317	(20,401)
Technical provisions			
Provision for pension liabilities at pension fund's risk	259,697	273,649	
Other technical provisions	901	932	
Provisions for net pension	2	2	
		260,600	274,583
Provision for pension liabilities at participants' risk		53	59
Other liabilities and accruals and deferred income		25,315	37,473
Total liabilities		303,285	291,714

Consolidated statement of income and expenditure for 2021

<i>(amounts in millions of euros)</i>		2021		2020
Income				
Contributions (from employers and employees)	7,219		6,936	
Investment income at pension fund's risk	21,022		13,332	
Investment income at participants' risk	3		3	
Other income	3		1	
Total income		28,247		20,272
Expenditure				
Pension benefit payments		(4,598)		(4,276)
Pension administration costs		(115)		(108)
Movement in provision for pension liabilities at pension fund's risk				
Pension accrual	(10,500)		(9,515)	
Indexation	-		-	
Interest added	1,474		784	
Made available for pensions and pension administration costs	4,576		4,243	
Change in market interest rate	18,282		(34,549)	
Change from transfer of rights	(216)		(50)	
Change in actuarial assumptions for pension scheme	18		4,732	
Other movements	318		46	
		13,952		(34,309)
Movements in other technical provisions				
Movements in other technical provisions		31		(24)
Movement in provision for net pension		-		-
Movement in provision for pension liabilities at participants' risk		6		5
Movement in reinsurance part of technical provisions		(16)		(9)
Net transfers of rights		216		29
Other expenditures		(5)		(5)
Total expenditures		9,471		(38,697)
Balance of income and expenditure		37,718		(18,425)

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. The 2021 investment plan had 51.7% of assets allocated to investment categories such as listed equities, private equity, private real estate and infrastructure. The fixed-income allocation in the 2021 investment plan was 30.8%. This comprised ordinary government bonds and interest rate derivatives. The allocation to credits was 17.5%⁸.

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 2022 PFZW publishes a list of all investments, together with the mandates given to external asset managers on its website, held on 31 December 2021 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.

⁸ In 2021 a transition was made to a higher credit allocation because it contributes to our risk return profile. This transition was temporized to avoid unnecessary high transition costs. This resulted in a temporarily lower strategic allocation to credits and a higher allocation to fixed income and investment categories with a higher risk return profile.

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