

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, fixed-income securities and commodities.

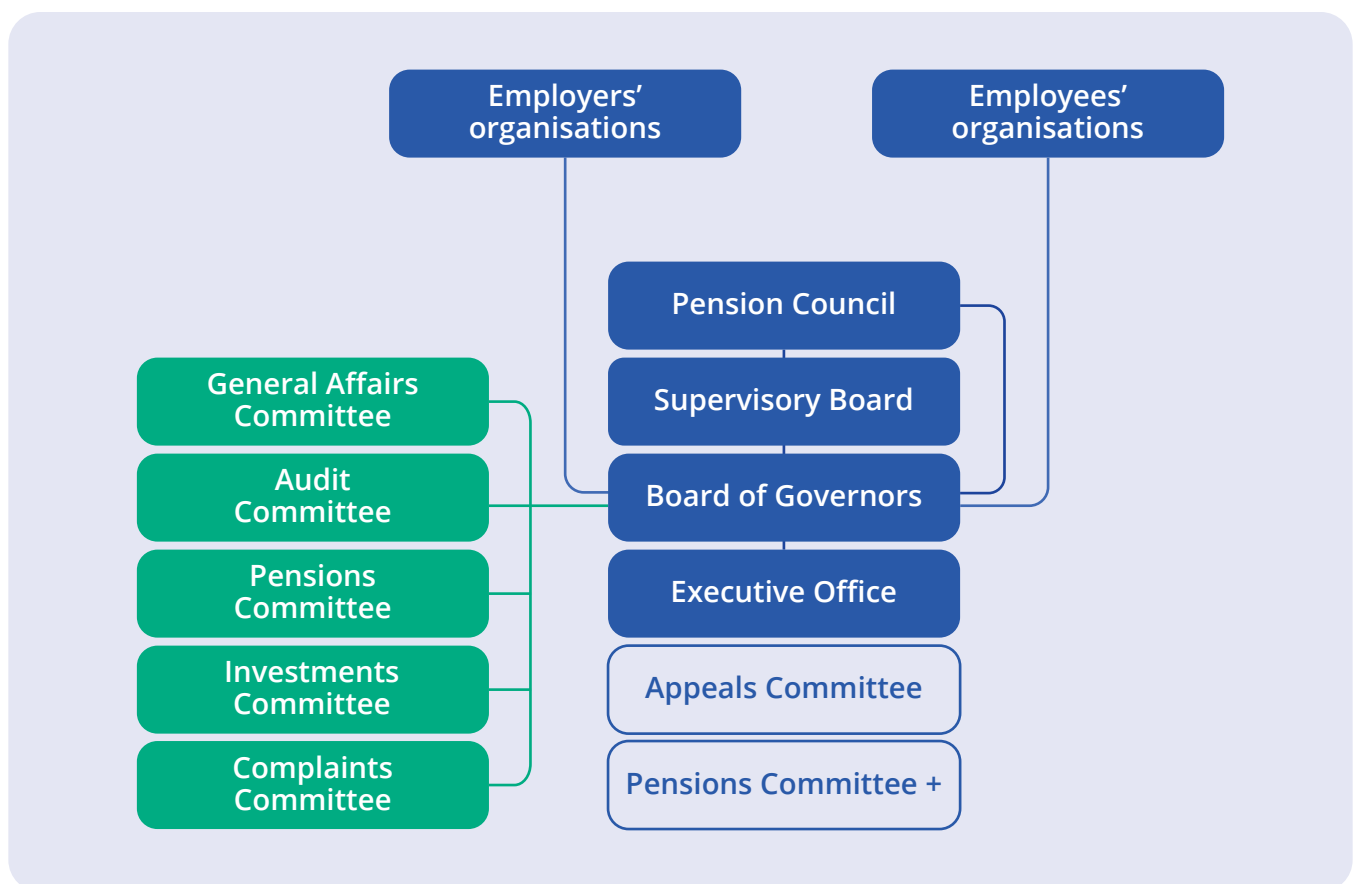
PFZW is organised as a foundation. The Board of Governors of the foundation is responsible for the policy and implementation of the collective pension scheme. It comprises representatives of employer organisations in the sector, representatives of employee organisations in the sector, a representative 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 € 238 billion of assets under management at the end of 2019.

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

	2019	2018	2017	2016	2015
Financial position (in € millions)					
Actual Funding ratio as at year end	99%	98%	101%	95%	95%
Policy Funding ratio as at year end	97%	101%	99%	90%	97%
Assets under management	238,376	199,002	197,182	185,428	163,606
Foundation capital and reserves	(1,976)	(5,159)	2,144	(9,241)	(8,469)
Provision for pension liabilities	240,250	204,111	195,286	195,268	172,905
Indexation ¹					
Indexation % ²	0%	0%	0%	0%	0%
Indexation-ambition ³	2.6%	1.9%	1.5%	1.3%	0.7%
Price inflation ⁴	2.6%	1.9%	1.5%	0.3%	0.6%
Investments (in € millions)					
Investment result ⁵	37,395	(822)	9,554	19,684	(219)
Total costs management in % ⁶	0.43%	0.45%	0.49%	0.46%	0.48%
Total return	18.8%	-0.4%	5.1%	12.0%	-0.1%
10-year average return	8.7%	8.6%	6.2%	6.4%	6.2%
Average return since 1971 ⁷	8.2%	8.0%	8.2%	8.2%	8.2%
Z-Score	1.05	1.12	0.72	1.30	1.34
Performance test ⁸	2.48	2.41	2.37	2.35	2.08
Income and expenditure (in € millions)					
Contributions	5,950	5,584	5,404	5,197	5,145
Pension benefit payments	3,970	3,699	3,433	3,179	2,968
Pension administration costs	110	106	106	106	107
Costs per employee (euro per employee)	61.70	62.10	64.90	67.90	69.40
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)	0.6%	0.7%	0.5%	0.4%	0.4%
Employers and participants (numbers)					
Affiliated employers	25,400	24,700	23,700	23,200	22,850
Contributing participants	1,287,600	1,237,600	1,196,900	1,155,800	1,151,300
Former participants	1,096,400	1,095,600	1,076,200	1,063,600	1,041,200
Pensioners	486,800	463,100	435,300	412,900	390,900
Current and former participants	2,870,800	2,796,300	2,708,400	2,632,300	2,583,400

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 2019

(after profit appropriation) (amounts in millions of euros)		2019	2018
Assets			
Investments at pension fund's risk			
Real estate and infrastructure	38,059	33,000	
Equities	81,519	63,587	
Fixed-income securities	106,395	91,115	
Derivatives	24,682	18,799	
Commodities	8,618	7,813	
Other Investments	4,110	3,530	
		263,383	217,844
Investments at participants' risk			
Real estate and infrastructure	11	11	
Equities	17	17	
Fixed-income securities	28	28	
Derivatives	7	6	
Commodities	3	2	
Other Investments	1	1	
		67	65
Total investments		263,450	217,909
Reinsurance part of technical provisions		147	151
Participating interests		160	160
Receivables in respect of investments		179	252
Receivables and prepayments and accrued income		227	183
Cash		288	162
Total assets		264,451	218,817
Liabilities			
Foundation capital and reserves		(1,976)	(5,159)
Technical provisions			
Provision for pension liabilities at pension fund's risk	239,340	203,130	
Other technical provisions	908	980	
Provisions for net pension	2	1	
		240,250	204,111
Provision for pension liabilities at participants' risk		64	62
Liabilities in respect of investments			
Derivatives at pension fund's risk	9,665	8,643	
Derivatives at participants' risk	3	3	
Liabilities	15,585	10,513	
		25,253	19,159
Other liabilities and accruals and deferred income		860	644
Total liabilities		264,451	218,817

Consolidated statement of income and expenditure for 2019

(amounts in millions of euros)		2019	2019
Income			
Contributions (from employers and employees)	5,950		5,584
Investment income at pension fund's risk	37,385		(821)
Investment income at participants' risk	10		(1)
Other income	(2)		(6)
Total income		43,343	4,756
Expenditure			
Pension benefit payments		(3,970)	(3,699)
Pension administration costs		(110)	(106)
Movement in provision for pension liabilities at pension fund's risk			
Pension accrual	(6,837)		(6,211)
Indexation	-		-
Interest added	480		509
Made available for pensions and pension administration costs	3,940		3,659
Change in market interest rate	(35,100)		(9,406)
Change from transfer of rights	(27)		(645)
Change in actuarial assumptions for pension scheme	980		3,334
Other movements	353		(117)
		(36,211)	(8,877)
Movements in other technical provisions		72	(20)
Movement in provision for net pension		(1)	-
Movement in provision for pension liabilities at participants' risk		(2)	10
Movement in Reinsurance part of technical provisions		(4)	(14)
Net transfers of rights		66	647
Total expenditure		(40,160)	(12,059)
Balance of income and expenditure		3,183	(7,303)

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 2019 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 2019 investment plan was 31,1%. This comprised both ordinary government bonds and inflation-linked bonds, as well as interest rate and inflation derivatives. The allocation to credits was 13,7%. Finally, the allocation to commodities was 3,5%.

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 2020 PFZW publishes a list of all investments, together with the mandates given to external asset managers on its website, held on 31 December 2019 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 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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