Stichting Pensioenfonds APF

Your Defined Contributions scheme with the APF Pension Fund

January 2019

Contents:

As a participant of the APF Pension Fund you accrue pension over your salary. If your annual salary is higher than € 70,137, you also participate in a Defined Contributions scheme for the part of your salary exceeding this maximum. For the sake of brevity we will use the term 'DC scheme' to refer to the Defined Contributions scheme.
The maximum salary limit for the DC scheme is € 107,593. The APF Pension Fund does not offer any arrangements for pension accrual over the salary part that exceeds this maximum.
In this brochure we briefly explain the workings of the DC scheme and inform you about:

- the structure of the DC scheme,
- the level of the contributions that the employer pays for you,
- the way in which the contributions are invested,
- the risks that you run under the DC scheme.

The Defined Contributions scheme

What is the DC scheme?

As a participant of the APF Pension Fund your accrue pension over your annual salary. Is your fixed annual salary higher than € 70,137? Then you also accrue pension over the salary part that exceeds this maximum in a Defined Contributions scheme (DC scheme). This means that your employer pays a pension contribution for you as part of this DC scheme. This contribution is invested until your pension commencement date at which time the capital is used to purchase a pension for you in our pension fund, except if you opt for a variable benefit. You can read more about it in this brochure.

With the contribution the employer makes a pension commitment. This means that we cannot project how much pension you will be able to purchase with this contribution at your retirement. You run a risk with the investments but you also profit when returns are high. Your pension level depends on the investment returns and the tariffs that the pension fund uses at the moment when it purchases a pension with your invested contribution.

How does the employer determine if you can participate in the DC scheme?

At the commencement of your employment and on 1st January of each following year, the employer determines if you are eligible for participation in the DC scheme on the basis of your fixed annual salary. You are eligible if your gross fixed annual full-time salary is higher than € 70,137 on 1st October of the previous year. Do you work parttime? Then the salary limit for participation in the DC scheme is determined pro rato to your parttime percentage.

What are the salary limits in the DC scheme?

If your annual salary is higher than the maximum accrual amount of € 70,137, the DC scheme will become applicable to the salary part that exceeds this maximum. Over the salary part up to this maximum accrual amount you accrue pension in a career average scheme with our pension fund. For the part that exceeds this limit you receive a pension contribution from the employer, up to a maximum of € 107,593. Our Pension Fund does not offer any arrangements to accrue pension over the salary part that exceeds this maximum. The limit of the maximum accrual amount is determined by the cla parties and is annually adjusted. The maximum accrual amount as of 1st January of any year is equal to the 101% level of salary group 57 on 1st October of the previous year.

What can you do with your DC capital?

As we mentioned earlier, the contributions are invested with our pension fund. Together, the contributions and the returns on investments are referred to as DC capital. When you retire, we use your DC capital to purchase a fixed retirement pension for you. The Taks Authorities do not allow you to withdraw or add any capital to the DC capital yourself.

Is you DC capital liable to income tax?

The value of the investments is not liable to income tax, so you do not need to include this on your income tax statement.

The contribution

Over which salary do you receive a defined contribution?

The maximum accrual amount of € 70,137 is deducted from your annual salary in order to determine over which salary you will be granted a contribution. The part up to € 107,593 is then divided by twelve, after which the monthly contribution is determined. Over other salary components, such as RAB, EBITDA and the sale of holidays, the defined contribution is determined in the month in which these salary components are paid out. This way you accrue a career average pension over an annual salary of € 70,137 and you are granted a defined contribution over the amount up to € 107,593, all other income components included.

What is the level of the contribution?

If the employer has determined that you are eligible for the DC scheme and it has been decided over which part of the salary you are entitled to a monthly contribution, the level of your defined contribution will be defined. The level is age-related and the calculation is based on the following table (as of 1st January, 2018). Your age on the last day of the month of salary payment determines the contribution category in that month.

Age category	Gross loading on 3% interest rate Contribution percentage (Percentage 2018)	Net loading on 3% interest rate Contribution percentage (Percentage 2018)
Up to and incl 19 years	7.2%	6.9%
20 - 24 years	8.0%	7.7%
25 - 29 years	9.3%	8.9%
30 - 34 years	10.8%	10.4%
35 - 39 years	12.5%	12.0%
40 - 44 years	14.6%	14.0%
45 - 49 years	17.0%	16.3%
50 - 54 years	19.8%	19.0%
55 - 59 years	23.2%	22.3%
60 - 64 years	27.6%	26.5%
65 - 67 years	31.9%	30.6%

As you grow older, the contribution increases because your retirement date is approaching and returns may become less profitable over time. For the sake of completeness we note that your employer pays our pension fund a loading of 4.11% for administration costs in addition to these percentages. On your salary slip you can see the monthly contribution that is paid for you, including this loading. The first column of the table above shows the percentages including the loading for administration costs. These percentages are paid by your employer each month. The percentages in the second column reflect your monthly investments.

Example

Suppose you are 47 years old and your annual salary, including holiday allowance, amounts to € 80,600. In June you receive an EBITDA benefit of 5%. In February and October you sell 10 holidays at a price of € 250 per day.

First, the annual income minus the maximum accrual amount is determined: the contribution base. Then the monthly income over which you are entitled to a defined contribution is determined. For the months in which your income varied, the variable income is added to the calculated amount. The defined contribution is then determined on the basis of the relevant contribution percentage, which in this example results in 16.3%.

In Euro's	Monthly income	Maximum accrual amount	Contribution base	Defined contribution incl. administration costs 17.0%	Contribution to be invested 16.3%
	A	B	C	D	E
Month			(C = A-B)	(D = 17.0% x C)	(E = 16.3% x C)
January	€ 6,000.00	€ 5,844.75	€ 155.25	€ 26.39	€ 25.31
February	€ 8,500.00	€ 5,844.75	€ 2,655.25	€ 451.39	€ 432.81
March	€ 6,000.00	€ 5,844.75	€ 155.25	€ 26.39	€ 25.31
April	€ 6,000.00	€ 5,844.75	€ 155.25	€ 26.39	€ 25.31
May	€ 6,000.00	€ 5,844.75	€ 155.25	€ 26.39	€ 25.31
June	€ 9,600.00	€ 5,844.75	€ 3,755.25	€ 638.39	€ 612.11
July	€ 6,000.00	€ 5,844.75	€ 155.25	€ 26.39	€ 25.31
August	€ 6,000.00	€ 5,844.75	€ 155.25	€ 26.39	€ 25.31
September	€ 6,000.00	€ 5,844.75	€ 155.25	€ 26.39	€ 25.31
October	€ 8,500.00	€ 5,844.75	€ 2,655.25	€ 451.39	€ 432.81
November	€ 6,000.00	€ 5,844.75	€ 155.25	€ 26.39	€ 25.31
December	€ 6,000.00	€ 5,844.75	€ 155.25	€ 26.39	€ 25.31
Total	**€ 80,600.00**	**€ 70,137.00**	**€ 10,46.00**	**€ 1,778.71**	**€ 1,705.47**

Who pays your defined contribution?

The defined contribution is paid by your employer, so you do not pay any employee contribution over the salary part that exceeds your maximum accrual amount.

How can you spend the defined contribution?

You have to use at least 60% of the defined contribution paid by your employer for your pension. The contribution is added to your DC capital every month. You can ask have the remaining contribution paid out to you as salary. Please note that if you do statutory income tax and social security contributions will be deducted from the contribution. You see this reflected on your salary slip. On the '*Defined Contributions/Spending options*' form (Beschikbare Premieregeling/bestedingskeuze), available on the HR portal of the employer, you can indicate if you want to have a part of the contribution be paid out to you as salary. You can adjust your selection every month. Obviously the adjustment you make only applies to the contribution made available as of that moment. It is not possible to make any adjustments retroactively.

How is the deposit of the defined contribution reflected on your salary slip?

Below you find 2 examples of salary slips of employees who participate in the defined contribution scheme. On the first salary slip you see a deposit of 100%. The second slip shows the minimum deposit of 60%, the remaining 40% have been administered as additional salary. In the latter case, the statutory deductions are higher because you will also have to pay income taks and social security contributions over the extra salary.

100% DC to APF (2018 percentages)		
annual salary		€ 91,172.00
age	38	
percentage parttime	100%	
monthly salary		€ 7,598.00
defined contribution to APF	12.50%	€ 243.96
pension premium	5.10%	€ -231.25
extra pension premium	0.60%	€ -27.21
premium next of kin		€ -14.00
defined contribution to APF	100%	€ -243.96
income tax		€ -2,990.83
wga premium	0.165%	€ -7.52
net salary		**€ 4,327.20**

60% DC to APF		
annual salary		€ 91,172.00
age	38	
percentage parttime	100%	
monthly salary		€ 7,598.00
defined contribution to APF	12.50%	€ 243.96
pension premium	5.10%	€ -231.25
extra pension premium	0.60%	€ -27.21
premium next of kin		€ -14.00
defined contribution to APF	60%	€ -146.38
income tax		€ -3,045.92
wga premium	0.165%	€ -7.52
net salary		**€ 4,369.69**

What happens after the employer has paid the contribution to our pension fund?

When you start participating in the DC scheme, you receive a form named *Defined Contributions scheme Determine investment choice*. On this form you indicate:

- how you want our pension fund to invest your contribution. In principle the pension fund deposits your contributions in the investment portfolio '*lifecycle 2018 fund*'; or
- that you want to have the contribution invested on the basis of your investment profile, als referred to by us as 'freedom of investment'. In that case you answer a few questions to determine your risk attitude, aggressive or defensive.

Once we have received your form, we will invest your contribution in accordance with your choice. If you do not return the form, we will automatically invest your contribution in the '*lifecycle 2018 fund*' portfolio. We always invest the contribution on the first day of the month. Find more information on this further on in this brochure.

The investments

The principle of investing is making profit. Investing also means taking risks. Hence, investors are only interested in taking more risk if returns are higher. It is important to be in control of the risks up to a level that is acceptable for investors, e.g. by spreading investments over various investment categories:

Shares
Shareholders own a company. Returns consist of dividend (profit distribution) and price results. Dividend payment is not guaranteed, but depends among others on the company's profitability. Price fluctuations influence the final returns on shares, which can be both positive and negative.

Bonds
Bonds are debt notes of a company or government which give periodical interest payment (coupon rate). The value of bonds may also fluctuate, which means that returns can be both positive and negative.

Long duration
This is a fixed-income portfolio with mostly long-term bonds (bonds with repayments well into the future).

Risk and returns
Share prices, market interest rates and exchange rates fluctuate continuously. In general one could say that investments with higher risk produce higher returns than investments with less risk. The various investment categories range from a high average return, with a high risk (shares), to a lower average return, with less risk (long duration). Investments in bonds are somewhere in the middle.

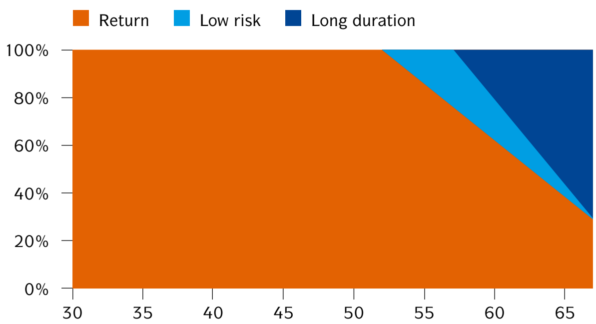
In the long term shares give a higher average return than bonds. From a historical perspective, the risk of bond returns is less than the risk of share returns. Moreover, the value of bond investments (or fixed income investments) can also fluctuate as the price of bonds (the rate at which they are traded) is very sensitive to changes in the interest rate. If the interest rate increases, the price will decrease, and vice versa. It is these differences in characteristics that at certain moments make it more attractive to invest a little bit more in a certain investment category and a little bit less in other categories, while at other moments it may just be the opposite.

Which investment portfolios does our pension fund have?
Our pension fund automatically invests your contributions in the new '*lifecycle 2018 fund*' portfolio.

When you are younger, your contributions are invested entirely in shares. As you grow older, the percentage of investments in shares decreases as you approach your retirement date. The shares are replaced by investments in bonds. As of a certain age the interest risk is also limited with long-term bonds.

Without this limitation a lower interest rate on your retirement date could have a negative impact on the tariffs that our pension fund applies when purchasing a pension benefit with your accrued pension capital, which would result in a lower pension. This effect can be decreased by limiting the interest risk. Finally, the '*lifecycle 2018 fund*' offers the possibility of post-retirement investment. Find more information on this under 'Continue investing after your retirement date'.

Lifecycle 2018



The investment portfolio consists of 3 sub-portfolios:

- **Return:** mainly investments in shares. The objective is to achieve returns for a sufficiently high pension benefit.
- **Low risk:** investments in marketable securities (bonds and mortgages). Used to decrease the risk as the retirement date approaches.
- **Long duration:** investments in long-term bonds. This sub-portfolio is aimed at limiting the interest risk.

The tabel shows how investments are spread over the sub-portfolios:

	lifecycle 2018 fund
start:	100% return
25 yrs before retirement date:	reduce return
10 yrs before retirement date:	increase long duration
retirement date:	30% return and 70% long duration

Investing on the basis of your investment profile (option ‘freedom of investments’)

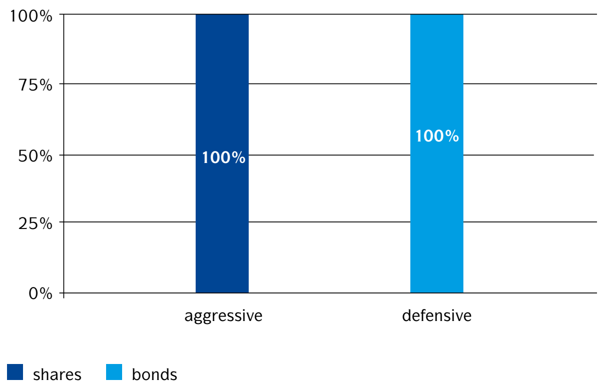
Do you want to determine yourself how your contributions are invested? In that case our pension fund will not invest the contribution in ‘*lifecycle 2018 fund*’ but on the basis of your investment profile. You need to complete a questionnaire for this. Your responses will be used to determine your investment profile and subsequently, your investment portfolio is based on your investment profile. When composing your investment portfolio it is not possible to deviate from the investment portfolio that corresponds with your investment profile. This way we can see to it that your investment portfolio matches with your risk attitude. For example, if your responses result in a more aggressive investment profile, the corresponding investment portfolio will be aimed more at returns and less at security.
An aggressive investment mix contains 100% shares because - on average - shares are expected to give higher returns in the long term. An aggressive investment portfolio is often used for young participants who still have a long way to go until their retirement date. Participants closer to their retirement date often have a more defensive investment profile. The mix for this investment profile is aimed more at security and consists 100% of bonds.

Up-to-date investment profile

The composition of the investment portfolio should correspond with your personal situation. For this reason we re-invite you to complete the questionnaire every year in September so we can check annually if your investment profile still corresponds with your personal situation. If at a certain moment you find that your ideas on pension investment risks have changed, you can complete the questionnaire and send it to the pension fund. You can download the questionnaire from www.pensioenfondsapf.nl, the website of the pension fund. The final composition of your investment profile is your own responsibility entirely.

If you let the contribution be invested on the basis of your investment profile, the fund offers the following portfolios:

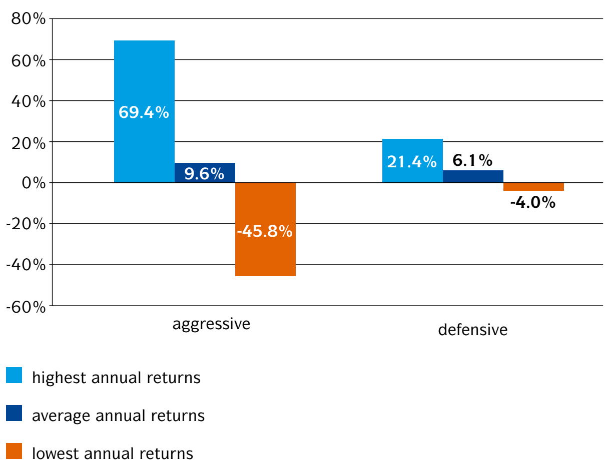
Shares-bondss



The portfolio is determined entirely by your investment profile. Below you find an overview of previous returns on the various investment portfolios to help you decide if you want to invest on the basis of your investment profile. We would like to emphasize that past performance is no guarantee for similar returns in the future.

APF returns

Moving 12 monthly annual returns, January 1989 - Oct 2018



You want to adjust your choice

Are you currently investing on the basis of your investment profile? And would you prefer our pension fund to compose your investment portfolio for you? Simply adjust your choice. Inform the pension fund about your decision and from that moment on you will fall under the '*lifecycle 2018 fund*' investment portfolio.

Are you currently falling under the '*lifecycle 2018 fund*' investment portfolio, but do you wish to invest on the basis of your investment profile? You can contact the pension fund and it will be arranged. The adjustment applies to the total DC capital that you have accrued so far and to the investment of future contributions. Special forms are available with the pension fund to implement your adjustments. These adjustments are free of charge.

How much investment costs do you pay?

For the investment of your DC capital, or for a switch between investment portfolios, a small percentage is charged for administration, management or transaction costs (see difference between gross – net loading on page 2).

More information

Each year you receive a Uniform Pension Statement (UPO). This statement contains an overview of the accrued DC capital as of 1st January. You can also find these data on the website *www.mijnpensioenoverzicht.nl*. The statement gives an estimation of the retirement pension that can be purchased with the DC capital. Twice per year you receive an overview showing the development of your DC capital on the basis of the paid contributions and the returns. Each quarter the results of the various portfolios are published on the website (www.pensioenfondsapf.nl). If you want to know more about the pension fund's investment policy, please refer to the website and consult the '*statement on investment principles' (verklaring inzake beleggingsbeginselen)*.

Your pension

What will be the level of your pension?
We cannot tell you in advance how much pension you will be able to purchase with the DC capital. It depends on a number of factors, e.g. the performance of the investments and the tariffs applicable at the time when the pension fund purchases a pension with your DC capital. These tariffs include - among others - administration and dividend payment costs. Also, a loading on the tariffs is included to form a buffer as required by the Dutch Central Bank.

The tariffs also reflect the expected average life span; they increase in line with any increase of the administration and dividend payment costs or with the increase of life expectancy. This means that you can purchase fewer pension in return for your capital. The tax authorities does not approve if you purchase more pension with your DC capital than the pension that you would have been permitted to accrue in a (fiscally limited) career average scheme. In a fiscally limited career average scheme you can accrue pension up to a maximum of 1.875% (as of 2015) of your pensionable salary per year. As of 2018 this is based on a retirement age of 68 years. Therefore, we check if the pension that you can purchase with your DC capital is within this limit. If your capital exceeds this limit, the excess capital will profit back to the pension fund by virtue of tax rules.

Is the pension increased with a supplement after commencement?
Each year we try to increase the pension that you have purchased with your DC capital in line with the price developments, with a maximum of 4%. Supplements to the pensions in payment are funded with the investment returns. Pensions can only be increased if our pension fund has sufficient financial reserves, so you are not automatically entitled to supplements and there is no guarantee to supplements in the long term either. It is important that you realize this. This is also referred to as 'conditional indexation'.

Other things you need to know

What happens if you stop working at your employer?

If you stop working prior to your retirement date, you can indicate if you want our pension fund to purchase a pension with your DC capital at that moment, or if you would prefer to postpone the purchase to your retirement date. Similar to the pension from the career average scheme this pension is increased annually on the basis of the provisions in the pension regulations. Have you decided to postpone the purchase of pension to your retirement date and have you also decided to exchange a part of your pension from the career average scheme to a partner's pension? Then our pension fund will use part of your DC capital to also purchase a partner's pension. The pension fund will continue investing the remaining part of your DC capital in '*lifecycle 2018 fund*' until your retirement.

Have you decided to use the DC capital for the purchase of pension on your retirement date and do you not want to exchange part of your retirement pension from the career average scheme to a partner's pension? In that case we will invest your entire DC capital until your retirement in the '*lifecycle 2018 fund*' investment portfolio.

If you choose to continue investing (part of) your DC capital until your retirement date, you will always run an investment risk over the DC capital until your retirement. It is important that you realise this, because any choices you make earlier cannot be reversed. After leaving service you can no longer invest on the basis of your own investment profile, only in the '*lifecycle 2018 fund*' investment portfolio.

Did you stop working and have you decided to transfer your pension (value transfer) from the career average scheme to the pension insurance company of your new employer? Then you cannot leave your DC capital with our pension fund. We will transfer your entire pension, including your DC capital and no capital will remain with our pension fund.

Continue investing after your retirement date

Since 2016 new legislation allows you to continue investing a part of you DC capital after your retirement date, i.e. when your pension commences. You do not having to convert the entire DC capital in a fixed pension benefit at your retirement. This is referred to as 'continue investing after the retirement date'. The non-converted capital will continue to be invested and can make some extra profit. Your pension benefit from the remaining capital may become higher or lower, depending on the investment returns. If you select this option, your pension benefit becomes variable.

If you want to continue investing after retirement, your investment portfolio still needs to have a certain degree of risk on the retirement date. In 2018 we therefore introduced an investment portfolio called '*lifecycle 2018 fund*'. If you choose to continue investing after the retirement date, you do not have to participate in '*lifecycle 2018 fund*'. You can opt for freedom of investments and decide yourself how the Pension Fund should invest your contributions. If you do not want to continue investing after retirement, you can also opt for freedom of investments.

We do not offer investment after retirement ourselves and suggest that you contact an insurance company for more information. We suggest you seek information about the pro's and con's of a variable pension benefit from your financial intermediairy. On our website you find a broad outline of how investment after the retirement date works as well as the main advantages and disadvantages. We advise you to discuss your choice with a financial intermediairy before taking any decision.

What happens if you and your partner separate?

The DC capital is used for the purchase of retirement pension and partner's pension. Have you and your partner decided to go separate ways? And will the pension be equalized? In that case, your ex-partner is entitled to a part of the DC capital that you have accrued until the divorce or separation.

How does it work? The capital that you have accrued during your marriage or registered partnership until 1st January 2016 is divided by two. We use one part to buy a retirement pension for your ex-partner (only if the pension is equalized). The other part remains invested for you.

As for the capital that you have accrued as of 1st January 2016, we first determine which part is intended for partner's pension if you divorce. We use this part to purchase a special partner's pension for your ex-partner. This has been arranged by law.
From the other part we determine (only if the pension is equalized) what has been accrued during your marriage or registered partnership. That amount is divided by two. We use one part to purchase retirement pension for your ex-partner. Your part remains invested for you.

The following applies if you stop cohabiting:
From the capital that you have accrued as of 1st January 2016 we determine which part is intended for partner's pension if you separate. We use this part to purchase a special partner's pension for your ex-partner. Please note that in order to do this we first need to receive a written confirmation that the cohabitation has ended. The equalized partner's pension is paid out to your ex-partner if you die after commencement of your pension. The accrued DC capital for the purchase of retirement pension is not divided and remains entirely yours.

What happens in the event of your death?

If you die while in service, the DC capital will not be used for the purchase of a partner's pension. It is not necessary as a partner's pension has been insured for you over your total fixed income up to the maximum limit of € 107,593, so without applying the maximum accrual amount. If you die the DC capital profits back to the pension fund. The chance that participants die results in a monthly increase of the DC capital that is referred to as 'death profit'. This is to the advantage of the living participants.

What happens if you become occupationally disabled?

If you become occupationally disabled, something changes in the DC scheme. For the part that you have been declared occupationally disabled, the maximum accrual amount ceases to exist and you accrue pension in the career average scheme. The maximum pensionable salary limit of € 107,593 in the DC scheme remains applicable. For the part that you continue working, you continue participating in the DC scheme. The conditions of the DC scheme remain applicable.

More information

For additional information please contact us.
You can reach us from Monday to Friday during office hours at telephone number: 013 462 33 12
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