



## 2018 in retrospect: Positive outlook

This Pension Update is fully devoted to our 2018 review. The main conclusion is that the outlook for the fund is positive.

Pension funds have received much publicity. Usually this is about the low level of interest rates, and therefore the risk that pensions will be reduced. Our fund is less exposed to the low level of interest rates due to a large contribution by IFF and an interest-rate hedge, and there is no prospect that pensions will have to be reduced. Our coverage ratio rose from 118.1% to 119.5% in 2018. This meant we were able to index the pensions by 1.24% on 1 January 2019.

Among other things, the board devoted attention to a proper introduction of the new privacy legislation and strengthening our risk management in 2018.

We are delighted to report that we have again found a number of new candidate trustees. This ensures a solid foundation for the future composition of our committees and our board of trustees. De Nederlandsche Bank (DNB) visited the IFF Pension Fund in the spring of 2018. DNB is responsible for checking that pension funds have sufficient expertise available and that their affairs are in order. We are pleased to report that DNB had no comments to make regarding the fund.

The reform of the Dutch pension system was a prominent item of attention in 2018, but at the time there was not yet an agreement. We now have a pensions agreement. This is a positive development: we now move on to the further development of the general principles in the agreement with the aim of ensuring a future-proof provision for retirement for all our participants.

On behalf of the board of trustees and all the committees involved, I wish to thank you for your confidence.

Kees Wisse, Chair IFF Pension Fund

The 2018 annual report is available at [www.iffpensioenfondsnl](http://www.iffpensioenfondsnl)

## Pension Update

August 2019

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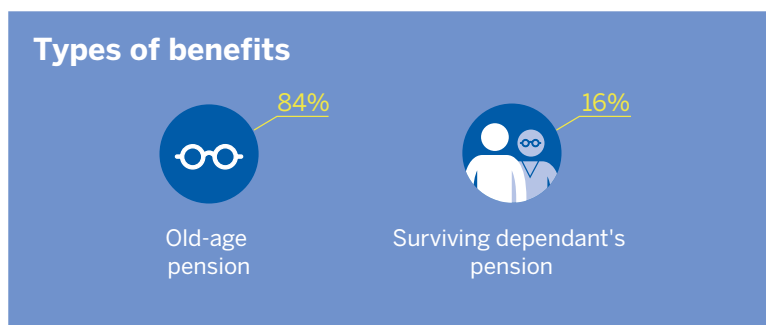
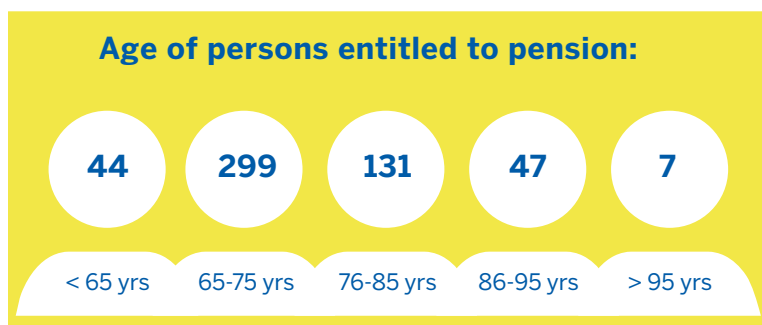
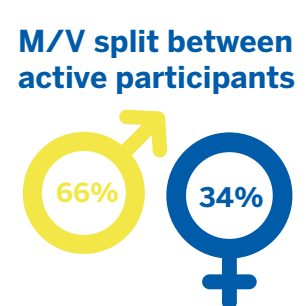
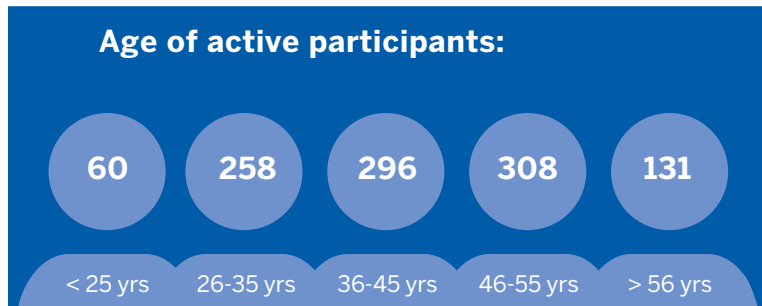
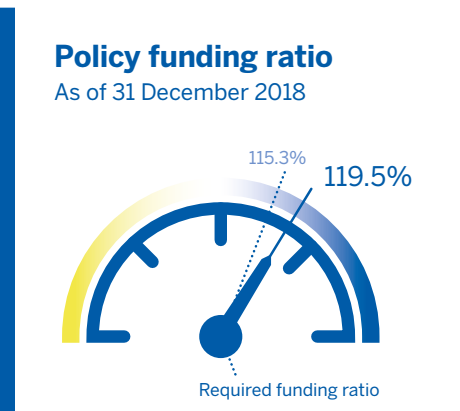
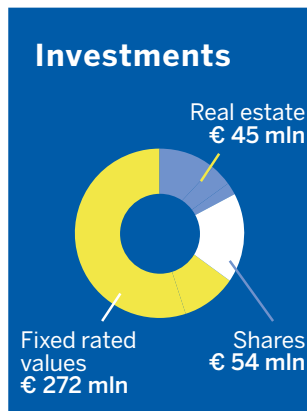
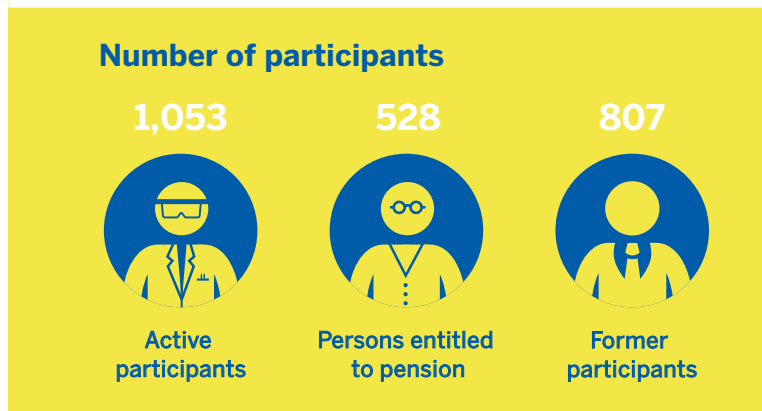
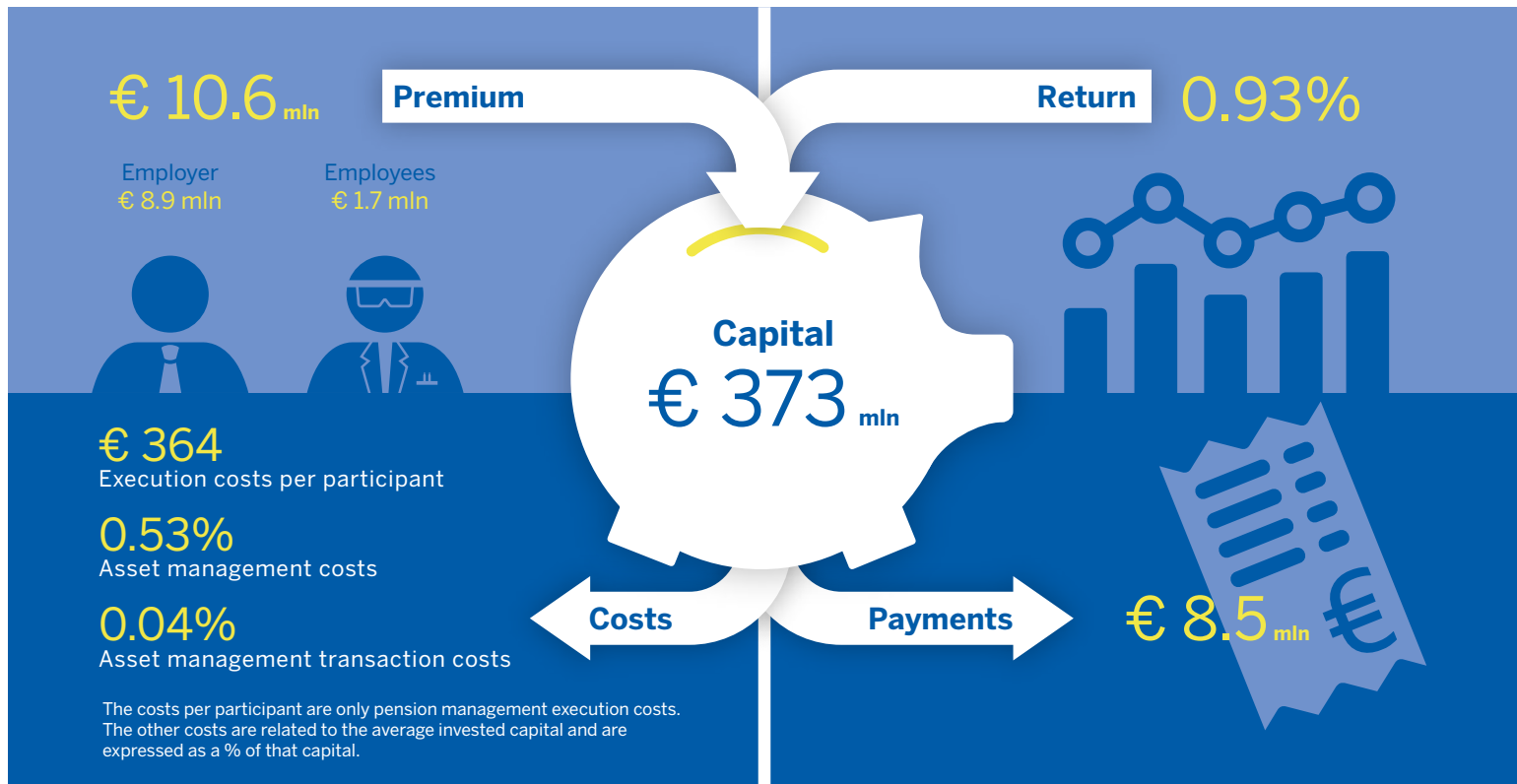
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# Review of 2018

How did your pension fund perform last year?





# The major financial developments in 2018

## 1. Solid financial position

If there is exactly enough money (or assets) to fund all current and future pensions (the liabilities), the coverage ratio will be 100%. This may look like enough, but this is not the case. Pension funds have to hold a buffer, because the future is uncertain. The amount of this buffer is expressed as the required coverage ratio. The financial position of the pension fund was sound at the end of 2018. The policy coverage ratio of 119,5% was higher than the required coverage ratio of 115.3%

## 2. Pensions increased by 1.24%

Each year, we evaluate the extent to which we are able to have the pension accrual and pensions in payment increase in line with the development of consumer prices, or inflation. Whether this is possible or not depends mainly on our coverage ratio, the ratio of our assets to our liabilities. The coverage ratio on 30 September 2018 was 119.8%. This allowed for partial indexation of 1.24% in 2019. Consumer prices increased by 1.68% in 2018.

## 3. Investment return of 0.93%

The result on our investments in 2018 was slightly disappointing. This was mainly due to a sharp fall in equity prices in the last quarter of 2018. Prices have since recovered strongly, giving us an investment return of 6.22% in the first quarter.

In all our investment decisions, we consider the implications for the environment, social aspects and good corporate governance, without compromising our return targets.

## 4. New privacy legislation

The General Data Protection Regulation (GDPR) came into force on 25 May 2018, replacing the Personal Data Protection Act (Wet bescherming persoonsgegevens, or Wbp). We amended our internal procedures for the archiving and provision of information in order to meet the requirements of the GDPR in good time. The board also formulated a new privacy policy and established a processing register in 2018.

## 5. EU directive for governance

Among other things, the new European directive IORP II sets new requirements for the organisation of governance at pension funds. The main requirement is the mandatory appointment of three key functions. The board intends to appoint Kees Wisse to the audit function, Hanneke Niekus to the risk management function and the certifying actuary to the actuarial function. Preparations will also be made for the formation of a risk committee.



# Question and answer: attention to risks

**One of the most important tasks of the board of trustees of a pension fund is to monitor the risks that we could be exposed to. These risks are very diverse in nature.**

## What types of risk are there?

The best-known and most important risk for any pension fund is of course the financial risk: there has to be enough money to be able to pay pensions today and in the future. The pension fund is also exposed to non-financial risks. These include the risks associated with outsourcing the pensions administration, cyber criminality and integrity and reputational risk.

## How does the fund manage these risks?

Good diversification in terms of geography and across sectors is applied for both equities and real estate. The performance of the portfolios is monitored on a monthly basis. Most of the interest-rate risk is hedged.

All the non-financial risks were reassessed and ranked in 2018. Cyber criminality is currently the major risk. Together with Blue Sky Group, the fund administrator, we have carefully reviewed our security procedures. The conclusion is that the fund's IT risk management is at a good level.

The board also monitored the environmental risk in 2018, involving mainly the debate on the renewal of the pensions system and the associated interplay between politicians and the social partners.

## What do the participants think about risk?

At the beginning of 2019, the pension fund conducted a survey to establish how IFF employees think about the risks that the pension fund is exposed to. 270 employees took part. The two most important questions and answers were:

- 'Who do you think should decide how much risk is taken?'; to which three quarters of the respondents (74%) answered that this was the responsibility of the pension fund board of trustees, with 17% choosing 'together' and the remaining 9% expressing no opinion, and
- 'Which risk do you think the pension fund can take?'; to which a large majority (82%) answered 'more certainty', and only 12% opted for more risk, and 6% had no opinion.

## Questions?

Contact the Pension Service department on 020 4266 360 or by e-mail to [iffpensioenfonds@blueskygroup.nl](mailto:iffpensioenfonds@blueskygroup.nl).

[www.iffpensioenfonds.nl](http://www.iffpensioenfonds.nl)

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