

# Annual Report 2016



Stichting Bedrijfstakpensioenfonds voor het  
Beroepsvervoer over de Weg  
(Industry-wide Road Haulage Pension Fund  
Foundation)

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## KEY FIGURES

Amounts in € millions	2016	2015	2014	2013	2012
<b>Numbers (as at year-end)</b>					
Employers	8,394	7,914	7,889	8,215	8,580
Participants, active and continued	161,410	157,268	156,343	161,172	163,976
Former participants	388,695	380,242	375,830	377,490	361,973
Pensioners	85,801	85,523	81,633	84,713	78,638
Total number of participants	635,906	623,033	613,806	623,375	604,587
<b>Pension contributions, benefits and costs</b>					
Contributions	764	699	722	802	911
Cost-effective contribution	980	813	670	718	947
Cushioned contribution ('test contribution')	669	568	667	642	743
Pension execution costs	21	20	19	20	21
Pension execution costs per participant (in euros)	84	84	79	83	89
Benefits	334	327	310	316	378
<b>Assets and solvency</b>					
Freely distributable equity	215	181	1,978	1,207	890
Min. required own funds (Article 131 of the Dutch Pensions Act)	947	826	775	623	623
Min. capital requirement in % of provision for pension obligations	4.4%	4.4%	4.6%	4.7%	4.6%
Required own funds (Article 132 of the Dutch Pensions Act)	3,714	3,565	2,072	1,911	1,679
Required own funds in % of provision for pension obligations	17.2%	19.0%	12.3%	14.3%	12.5%

Amounts in € millions	2016	2015	2014	2013	2012
Bal. sheet value for determining funding ratio (a)	21,773	18,967	18,827	14,567	14,331
Provisions for pension obligations (b)	21,558	18,786	16,849	13,360	13,441
Funding ratio per FTK (Financial Assessment Framework) in % (a / b)	101.0%	101.0%	111.7%	109.0%	106.6%
Policy funding ratio in %	98.9%	104.5%	112.7%	n/a	n/a
Expected funding ratio in % at the end of the financial year in accordance with the recovery plan applicable in that year	103.9%	107.5%	107.4%	105.0%	102.7%
Real funding ratio	80.5%	83.9%			
Investment volume, results and costs					
Carrying amount (year-end, incl. derivative liabilities)	22,996	19,811	19,462	14,731	14,458
Investment results	2,528	-327	4,130	-245	1,795
Return on investment	12.7%	-1.5%	27.6%	-1.6%	14.6%
Costs of asset management in % of average assets invested	0.31%	0.33%	0.36%	0.45%	0.41%
Z-score for the year	0.20	0.45	0.06	0.84	-0.96
Performance test over a five-year period	0.26	0.59	0.59	-0.21	-1.96
Other					
Balance of income and expenses for the financial year	34	-1,797	771	316	1,084
Interest rate term structure (DNB)	1.5%	1.8%	2.1%	2.9%	2.6%

# FOREWORD

In 2016 the fund's Board model was adjusted. We opted for a parity model, adding two 'external' Board members, increasing the number of Board members from eight to ten. The two external Board members concentrate mainly on asset management and risk management. The mandate of the Executive Office in the area of asset management and risk management was also expanded. These changes bring with them a new approach to the Board's work, with more attention now being given to strategic and tactical issues.

As a result of the strategic reconnaissance exercise carried out in 2015, the Board established the future vision and strategy of Pensioenfonds Vervoer at the beginning of 2016. The strategic course found expression in a Multi-Year Policy Plan 2017-2021 and an Annual Plan for 2017. In the coming year the focus will be on completing a number of studies aimed at reducing uncertainty about the future, and Pensioenfonds Vervoer will position itself with regard to the strategic risks and options. A summarised user-friendly version of the strategy has been published on our website.

Both the communication plan for 2017 and the long-term communication plan are aimed at increasing participants' understanding of their own situation and making the pension fund's dealings in their interests more visible.

In January 2017 Pensioenfonds Vervoer welcomed pensioners and past and present participants of Pensioenstichting Security (PSS). The parties involved decided to liquidate the fund and join Pensioenfonds Vervoer.

The financial markets had a rocky start to 2016, with concerns about the economic situation in China, further falls in oil prices and economic growth in the US and Europe. Half-way through the first quarter the sentiment changed. In reaction to low inflation and lacklustre growth, the European Central Bank (ECB) announced additional stimulus measures and the US Federal Reserve became reticent about increasing interest rates. This led to a positive sentiment on the equity markets, while interest rates fell further. The unexpected result of the UK referendum, in which voters chose to leave the European Union, produced a shock reaction on the equity markets. However the markets soon recovered. Interest rates in the euro zone fell further, reaching an all-time low following the news of the Brexit referendum. This led to appreciably lower funding ratios in the first half of 2016.

The result of the US presidential elections surprised almost everyone. In the last quarter of 2016, good results on the equity markets and rising interest rates (following the sharp fall earlier in the year) contributed positively to the funding ratio.

Despite the occasionally turbulent developments on the financial markets, the pension fund's financial position in 2016 was substantially unchanged relative to 2015. The fund's funding ratio at year-end 2016 was 101.0%, unchanged from year-end 2015. The policy funding ratio (the moving average of the actual funding ratios over the previous twelve months) did fall however: from 104.5% to 98.9%.

The return on investments for 2016 came to 12.7%. However, this fine result is thanks above all to the fact that interest rates fell over the year as a whole. The instruments that the pension fund holds to hedge the risk of a fall in interest rates proved effective. On the other hand, as a result of lower interest rates, the provision that has to be held for pension obligations increase again in 2016. And once again the financial buffers were not strong enough for us to be able to increase pensions in line with inflation. The Board regrets this. Luckily, inflation in 2016 was very low. Pensioenfonds

Vervoer has never yet had to curtail pension commitments or benefits, and pension contributions have remained at a constant level over the past few years.

In view of the continuing insufficiency of the financial buffers, on 30 March 2017 Pensioenfonds Vervoer submitted a new recovery plan to DNB. According to the recovery plan, the pension fund's financial buffers can be restored to the required level within ten years without the need for any additional measures such as curtailment of pension commitments and benefits.

In broad terms the same investment policy was pursued in 2016 as in 2015. During the year the Board established the long-term investment policy to 2020 on the basis of a study of the desired strategic investment mix. In principle, this policy will serve as an overriding guide for the annual investment plans for 2017 to 2020 inclusive. Solidity is central to the investment policy. Within such limited room for manoeuvre as is available in view of the still insufficient financial buffers, the Board constantly seeks possibilities of attaining as good a result as possible for the fund's participants and pensioners. However any kind of short-term opportunistic action is avoided: long-term objectives are always paramount.

The Hague, 20 April 2017

On behalf of the Board,

Ms R. Hidding (chairman)

Mr. L.J.H. Ceelen (deputy chairman)

# PROFILE

Pensioenfonds Vervoer is a mandatory industry-wide pension fund that was established in 1964. Pensioenfonds Vervoer executes the pension schemes for employees in the commercial road haulage, privately-operated bus and coach, taxi transport, inland waterways transport and crane rental sectors and employees of Orsima (the industrial cleaning sector). This last sector joined voluntarily.

## Statutory purpose

The purpose of the fund is, within the circle of affiliated employers and in accordance with the provisions of the Articles of Association and the Regulations of the fund, to acknowledge claims and/or grant rights to participants, former participants and pensioners in respect of benefits for old age, disability or death and/or early retirement benefits.

## Mission

Pensioenfonds Vervoer aims to provide current and former employees (including pensioners) in the commercial road haulage, privately-operated bus and coach, taxi transport, inland waterways transport and crane rental sectors with the best possible pensions in a reliable, transparent, professional and cost-effective manner. Pensioenfonds Vervoer invests and manages the pension contributions taking responsibly considered risks and strives to do so in a socially responsible manner. Pensioenfonds Vervoer communicates transparently with all its stakeholders.

## Vision

Pensioenfonds Vervoer aims to be the pension fund for all employees in the various transport segments.

## Strategy

For the next few years until 2021, Pensioenfonds Vervoer will pursue a strategy of consolidating its current position while at the same time anticipating developments in a timely manner if that proves necessary. The aim is to continue to be a reliable partner for our participants in the future. To this end we are preparing for changes in the pension system and in the legislation applicable to the transport sector and for the demands that this will make on execution.

In so doing, Pensioenfonds Vervoer is determined to distinguish itself with clear communication about a pension scheme that meets the requirements of the participants in the sector thanks to the social partners' choices and is delivered with low execution costs.

Pensioenfonds Vervoer future vision and strategy has been published on the fund's website. In 2016 this future vision was further elaborated in the form of a multi-year policy plan for 2017-2021.



# ORGANISATION

The Board has a parity composition and consists of ten members, four from the employers' side, three from the employees' side, one representing pensioners and two external members. The composition of the Board as at 31 December 2016 was as follows:

## Board

employers' members:

Mr. L.J.H. Ceelen (chairman) (1)  
Mr. P.W. Kievit (dpty. secretary) (1)  
Ms S. Kraaijenoord (1)  
Mr M. van Ballegooijen (2)

employees and pensioners' members.

Ms R. Hidding (deputy chairman) (3)  
Mr. W. Kusters (secretary) (4)  
Ms L.F.A.M. Jansen (3)  
Ms A.J. Stevens CPE (6)

external Board members:

Ms W. Westerborg  
Prof. Dr. P.A. Stork

Independent chairman:

Mr J.W.M. van der Knaap

## Communication Committee

employers' members:

Ms S. Kraaijenoord (1)  
Mr. P.W. Kievit (1)

employee and pensioner members:

Ms R. Hidding (3)  
Ms A.J. Stevens CPE (6)

Independent chairman:

Mr J.W.M. van der Knaap

## Risk & Audit Advisory Committee

employers' members:

Mr. L.J.H. Ceelen (1)  
Mr M. van Ballegooijen (2)

employee and pensioner members:

Ms L.F.A.M. Jansen (3)  
Mr. W. Kusters (4)

external Board members:

Ms W. Westerborg  
Prof. Dr. P.A. Stork

Independent chairman:

Mr J.W.M. van der Knaap

## Individual Matters Pension Committee

employers' members:

Ms S. Kraaijenoord (chairman) (1)

employee and pensioner members:

Ms L.F.A.M. Jansen (3)

## Complaints committee

employers' members:

Mr. P.W. Kievit (1)

employee and pensioner members:

Mr. W. Kusters (chairman) (4)

Secretary:

Mr. E. Witkamp (TKP Pensioen B.V.)

Deputy Secretary:

Mr. F. van Veen (TKP Pensioen B.V.)

## Disputes committee

employers' members:

Mr. P.W. Kievit (1)

employee and pensioner members:

Mr. W. Kusters (chairman) (4)

Secretary:

Mr. E. Witkamp (TKP Pensioen B.V.)

Deputy Secretary:

Mr. F. van Veen (TKP Pensioen B.V.)

## Accountability Body

employers' members:

W.H. van Neuren (chairman) (1)  
C. Busser (1)

employee and pensioner members:

Mr P.J.M. Benner (3)  
Ms G.M. van Velzen (4)  
J.G. Th. Teunissen (5)

Nominated respectively by:

- 1) Transport en Logistiek Nederland
- 2) Koninklijk Nederlands Vervoer
- 3) FNV
- 4) CNV Vakmensen
- 5) FNV, member representing pensioners
- 6) Board member representing pensioners

## Supervisory Board

Members:

Ms N.J.M. Beuken (chairman)  
Dr. W.C. Boeschoten  
Mr E.R. Capitain RA

## Asset management advisers

Mr W.A.H. Baljet  
Mr M.B.A. Sanders

## Advising Actuary

Mercer Nederland B.V.

Mr S.I. Keijmel AAG

Conradstraat 18

3013 AP Rotterdam

## Certifying Actuary

Willis Towers Watson

R. Kruijff (Actuaris Actuarieel Genootschap) (Actuary Actuarial Association) (AAG)

Schumanpark 9E

7336 AM Apeldoorn

## Auditor

KPMG Accountants N.V.

F.J.J. Glorie RA

Laan van Langerhuize 1

1186 DS Amstelveen

## Compliance Officer

NCI

Mr. R.N.M. van de Mast

Cypresbaan 19

2908 LT Capelle aan den IJssel

## Administrator

TKP Pensioen B.V.

Street address: Europaweg 27  
9723 AS Groningen

Postal address: P.O. Box 501  
9700 AM Groningen

Telephone: 0900-1964 (toll-free)

Website: [www.pfvervoer.nl](http://www.pfvervoer.nl)

## Executive Office

Mr W. Brugman AAG, general manager

Ms G.M. Sol, manager, asset management

# REPORT OF THE BOARD

## 1. Board structure

As the highest governance body, the Board is ultimately responsible for the policy and the execution of the pension schemes of Pensioenfondsvervoer.

In 2016 the fund's Board model was adjusted. We opted for a parity model, increasing the number of Board members from eight to ten.

Three Board members represent employees, one represents pensioners and four represent employers. As mentioned the Board now also includes two external members, who will concentrate particularly on asset management and risk management.

Five permanent committees support the Board: de Risk & Audit Advisory Committee, the Communication Committee, the Pension Committee for Individual Matters, the Complaints Committee and the Disputes Committee.

The Board has an independent chairman. He chairs Board meetings and meetings of the Risk & Audit Advisory Committee and the Communication Committee. He sees to it that meetings are conducted effectively and in a positive atmosphere. The independent chairman does not belong to the Board or the committees.

Accountability and co-determination functions have been brought together under the Accountability Body, which has five members. Internal oversight is exercised by a Supervisory Board consisting of three members.

In 2016 three new Board members were appointed. Following an election by pensioners, Ms A.J. Stevens was appointed with effect from 1 June 2016 as Board member representing pensioners. Following a recruitment and selection process, Ms W. Westerborg and Prof. Dr. P.A. Stork were appointed as external Board members in the last quarter of 2016.

The Board meets in principle twice a month. One of these meetings focuses on pension management, the other on asset management. Until the end of 2016 the Board was advised during Board meetings by external experts in the fields of pension and asset management. This will continue in 2017 as far as pension management is concerned, but for asset management it has become superfluous in view of the appointment of the two aforementioned external Board members.

In carrying out its activities, the Board is supported by the Executive Office. The Executive Office takes care of planning and coordinating activities at Board level, prepares policies and gives advice. Under the ultimate responsibility of the Board, the Executive Office manages, monitors and controls the activities carried out by or by order of the pension fund.

The Board met a total of 21 times in 2016. Nine of these meetings were regular meetings focusing on pension management and another nine were regular meetings focusing on asset management. In addition there was one joint meeting of the Board, the Supervisory Board and the Accountability Body, in which the financial statements for 2015 were discussed. Lastly there were two extra meetings in which the fund's future vision and strategy and the design of the balance sheet management organisation were established.

### Accountability Body

The Board reports to the Accountability Body on policy and the way in which it is implemented. The Accountability Body is empowered to give an opinion on the Board's conduct of the fund's business based on the Board's report, the financial

statements and other information, including the findings of the Supervisory Board, and on the policy pursued by the Board and the policy choices for the future.

The Board gives the Accountability Body the opportunity to give advice on specifically mentioned subjects.

The Accountability Body met four times in 2016. Additionally there was a consultation between the Accountability Body and the Supervisory Board and a joint consultation with the Board and the Supervisory Board on the financial statements for 2015.

## Supervisory Board

The tasks of the Supervisory Board are determined by the legal framework, including the Pension Funds Code, and the Articles of Association and the Regulations of Pensioenfond Vervoer. The Supervisory Board applies the Oversight Code recommended by the VITP (Association of Pension Sector Internal Supervisors). The Supervisory Board has the task of overseeing the policy of the Board and the general conduct of the pension fund's affairs. The Supervisory Board is responsible, as a minimum, for overseeing appropriate risk control and equitable consideration of interests by the Board. The Supervisory Board stands ready to give advice to the Board and to exchange views on any matters that the Board might like to raise.

A number of specific subjects are subject to approval by the Supervisory Board, which reports to the Accountability Body and the employers and in the annual report on the execution of the tasks and the exercise of its powers.

In addition to the consultation with the Accountability Body and the joint consultation with the Board and the Accountability Body with regard to the financial statements, the Supervisory Board met five times in 2016, including once with the fund's certifying actuary and auditor. The Supervisory Board also met three times with the chairman and deputy chairman of the Board and once with a delegation of the Board about the fund's future vision and strategy. There were two consultations with the supervisor, DNB, one of them in the context of the DNB's review of internal oversight in pension funds. Lastly, individual members of the Supervisory Board attended a number of Board and committee meetings as observers.

## Risk & Audit Advisory Committee

The Risk & Audit Advisory Committee is an advisory committee of the Board. The committee's advice is directed at the following two areas of attention:

- a. Overseeing and strengthening the quality of the pension fund's system of internal control in general and risk control in particular;
- b. Overseeing and strengthening the quality of the pension fund's internal and external reporting.

The RAAC advises the Board on these points for attention and in certain cases prepares the policy and has investigations carried out. The Risk & Audit Advisory Committee met five times in 2016. Subjects debated included the policy on outsourcing, the policy on privacy, the procedure for dealing with incidents, the policy on IT and security of information, the governance handbook, the operational due diligence policy and the follow-up of action points from the risk self-assessments that had been carried out.



## Communication Committee

The Communication Committee has various tasks, responsibilities and powers. For example the committee advises the Board, produces the annual communication plan on the basis of the communication policy established by the Board and assesses cooperation with the administrator in the field of communication. The Communication Committee is empowered to decide independently on the execution of the communication policy within the mandate and the frameworks of the communication and communication policy plans as laid down by the Board.

The Communication Committee met five times in 2016. Topics discussed included media policy, communication policy, short- and long-term communication plans, formal communication on pensions and related subjects, process letters, participants' meetings and the renewal of the website.

## Pension Committee for Individual Matters

The Pension Committee for Individual Matters takes decisions on individual matters falling outside the mandate of the pension administrator and submitted to the committee. The committee advises the Board where necessary. In particular the Pension Committee for Individual Matters handles requests for contribution-free participation on account of disability, temporary or permanent supplementary occupational disability pensions, voluntary membership and bankruptcy petitions.

The Pension Committee for Individual Matters met six times in 2016.

## Complaints Committee and Disputes Committee

The Complaints Committee and the Disputes Committee advise the Board on the handling of complaints about service and disputes about the interpretation of Articles of Association and pension regulations. The committees generally deal with complaints and disputes in writing. The regulations regarding complaints and disputes are published on the PF Vervoer website.

The Disputes Committee handled eight disputes in 2016. These disputes related among other things to the level of contribution-free pension accrual in the case of disability, claims for reimbursement of excess pension benefits paid and the amount of partner pensions. In three cases the committee advised the Board not to grant the participants' requests, in line with the pension regulations. In the other cases the committee advised that the participant's request be granted in whole or in part. The Board acted in accordance with this advice.

Participants, former participants, pensioners and employers have the right to make complaints to the administrator about the execution of the pension regulations. The administrator (TKP Pensioen) generally deals with complaints in writing. In 2016, 91 complaints were submitted by participants and 42 by employers. Anyone with a complaint can subsequently apply to the Complaints Committee. No use was made of this possibility in 2016.

## 2. Executive Office and outsourcing parties

The Executive Office supports the Board in the performance of tasks aimed at achieving the pension fund's objectives. The Executive Office represents the Board and is involved in all the fund's processes as a 'spider in the web'.

Within the framework of the outsourcing policy, the Board has outsourced a large part of the pension fund's activities. The pension fund is used to working with a large number of different external parties, managing complex situations and switching subcontractors, even key ones, if and when necessary. The Executive Office as coordinator guides and leads the parties involved in the process in such a way as to ensure that they can all optimise their contributions to those processes.

In accordance with Pensioenfonds Vervoer's outsourcing policy as fine-tuned in 2016, for the year 2016 the following parties are designated as 'key outsourcing parties':

- TKP Pensioen B.V.:  
Executes the pension schemes and the associated administration, collections and payments (partly via sub-outsourcing) and performs the pension management year-end activities. In addition TKP provides support to the Board and to the financial administration of Pensioenfonds Vervoer.
- Robeco Institutional Asset Management.  
Overall asset manager, entrusted together with 100% subsidiary Corestone Investment Managers AG with the selection and monitoring of the pension fund's external asset managers and investment undertakings. Robeco advises the pension fund on the strategic and operational arrangements for asset management. Robeco also carries out the policy as regards hedging interest rate and currency risk and collateral management for the derivative positions deriving from this hedging and settled through central clearing. Lastly Robeco manages certain portfolios which can be used if necessary for liquidity requirements arising from central clearing collateral.
- Northern Trust Global Service Ltd.  
Responsible for activities in the fields of custody, investment administration, securities lending, performance measurement and compliance (as regards asset management).

Additionally the pension fund recognises 'parties in support of essential business processes'. The following organisations were designated as such in 2016:

- International Trust Services (ITS)  
Acts as controlling back office and as collateral manager for the OTC derivative positions arising from interest rate risk hedging. ITS also takes care of part of the compulsory reporting under EMIR, the European Market Infrastructure Regulation, and of composing the investment-related tables for the annual report.
- First Pensions B.V.  
Performs calculations (real, hypothetical and checking) in respect of *inter alia* regulatory funds, acts as a back-up for, and carries out checks on, the quarterly investment reports under the Financial Assessment Framework, calculates the cash flows from fixed income securities for monitoring of interest rate hedging, and provides information for benchmarking costs, returns and risks.

Hiring advisers and paying for advisory services is not classed as outsourcing.

The Board bears ultimate responsibility for all activities of the pension fund, irrespective of how they are carried out. Consequently the organisations to which activities have been outsourced must also provide sufficient assurance of controlled and sound conduct of business.

### 3. Pension Funds Code

On 1 January 2014 the Pension Funds Code came into force. Pensioenfonds Vervoer acknowledges the importance of the Code and strives to apply the standards contained therein. If a standard is deviated from, this will be reported with reasons in the Board Report in accordance with the 'comply or explain' principle. In this paragraph a number of subjects were reviewed in respect of which there is no question of deviation from the standards of the Pension Funds Code.

#### Mission, vision and strategy

For a description of the current mission, vision and strategy we refer you to the section headed 'Profile' in this annual report.

#### The following starting points will serve to supplement it:

1. We try at all times to avoid reducing pensions. This means for example that we invest less riskily than a fund whose main aim is to obtain high returns.
2. We strive for optimal participant satisfaction. We must be able to satisfy our participants as to:
  - a. the content of the scheme;
  - b. the execution/administration, which must be correct and reliable;
  - c. communication about the scheme and about participants' own pensions.
3. We keep executions costs low.
4. We make sure that tasks and roles are appropriately divided among the Board, the Executive Office and the parties to which we outsource work.

We follow all developments and prepare for the future. Accordingly we make sure that as much flexibility as possible is built into our execution. This ensures that we can respond to the legislator's and our social partners' demands and still be an appropriate and attractive counterparty even when faced with changing preferences of our participants and regulatory changes, offering a comprehensive and high-value pension package at low cost.

#### Costs of executing the pension scheme

The Board attaches great importance to the cost-efficient execution of the pension scheme. In paragraph 9.2 the Board reports extensively on the execution costs. The costs are also compared with those of other comparable pension funds.

#### Directors' terms of office

On the one hand the Board is keen to preserve as far as possible the traction it has gained in the past few years with the sectors served by the fund and the knowledge and experience it has accumulated. On the other hand the Board subscribes to the standards of the Pension Funds Code regarding the maximum term of office of Board members. Therefore the Board has resolved as of 17 December 2015 to limit Board members' term of office to four years, after which reappointment may take place not more than twice.

This means that for a small number of current Board members the maximum term of office laid down by the Code is exceeded. The Board considers this acceptable, attaching more weight to the importance of preserving traction, knowledge

and experience than to the standard contained in the Code. Furthermore three new Board members were appointed in 2016, so there is a good spread of terms of office and at the same time the Board's continuity is assured for the future.

## Diversity

Pensioenfonds Vervoer strives for diversity on the Board and in the other governing bodies of the fund. The composition of the Board complies with the standards in force. The composition of the Accountability Body does not comply with the rule that at least one of the members should be less than forty years old. In filling vacancies on the Accountability Body this is taken into account and in consultation with the recommending organisations younger candidates are sought.

## Directors' fitness

High demands are made of directors of Pensioenfonds Vervoer in terms of fitness. In the past few years efforts in the area of promoting fitness have been directed above all at attaining the objective of having all Board members individually meeting the requirements of fitness level B, the level of experienced director.

Partly as a consequence of the establishment of the fund's vision and strategy and the findings of DNB's investment study, in 2016 we reflected on other ways of setting about promoting fitness. Based on the importance that the Board attaches to promoting fitness, a learning-oriented vision was formulated, and this forms the basis of the fitness policy plan for 2016-2020 that was established in 2016.

The fitness policy plan sets out Pensioenfonds Vervoer's ambitions as regards fitness for the period 2016 to 2020 and the cycle followed to realise these ambitions. The plan dovetails with the fund's strategy and multi-year policy plan. The fitness policy plan forms the framework for the drawing up, implementation, monitoring and assessment of the annual fitness plans.

As part of the adjustment of the Board structure, which involved adding two external Board members with particular responsibility for asset management and risk management, we elected to distribute tasks more precisely within the Board. Instead of a general profile for all Board members, profiles have been drawn up for each area of attention. The following areas of attention are distinguished: asset management & risk management; administrative organisation and internal control, finance and outsourcing; and communication and pensions.

Drawing up a profile for each area of attention led to the demands made by the Board in terms of directors' fitness being adjusted. For all directors fitness level B applies as the basis. For the two external Board members fitness level E (expert level) applies to the asset management and risk management areas of expertise. Pensioenfonds Vervoer also has a fourth fitness level, B+, for directors with a specific area of attention. These directors have in-depth knowledge of one or more areas of expertise from a governance point of view and actively follow developments in these areas and signal changes and trends. Directors with a fitness level of B+ or E play a pioneering role as regards the areas of expertise concerned within the Board and coach the other Board members in their field.

Members of the Supervisory Board are required to attain fitness level B. The Supervisory Board keeps its own level of expertise up to the mark by operating in several supervisory bodies, following training courses and having managers from the Executive Office keep it informed of policy areas specific to the fund. In the context of the periodic evaluation of its work, the Supervisory Board discusses any gaps in its knowledge that require further action.

Members of the Accountability Body are required to have fitness level A. The training trajectory for fitness level A for members of the Accountability Body started in the spring of 2015 and was completed in early 2017.

## Evaluation of the Board's workings

The Board's collective and individual self-evaluations form part of the cyclical approach to promoting fitness, as set out in Pensioenfonds Vervoer's fitness policy plan. In that context the Board held a collective self-assessment in the last Board meeting of 2016. This gave rise to the following issues, to which the Board will pay specific attention in 2017: evaluation of the current structure of governance, intensification of contacts with the Accountability Body, practical expression of the new roles of Board members assigned specific areas of attention, adjustment of the Board calendar to the new style of governance, and adoption of the policy evaluation as a fixed component of the governance cycle.

Following on from the collective self-evaluation, in January 2017 conversations took place with all Board members in the context of the individual self-evaluations. The findings from the collective self-evaluation and the individual conversations form the basis on which the fitness plan for 2017 is being drawn up, with the individual development plans forming part of it.

The adjustments to the Board structure, composition and mandating with the Executive Office involve a new approach to governance. Regular assessments will therefore be made as to whether the path on which we have set out is leading to the expected results.

## Compliance with code of conduct

In 2016 specific attention was again paid to the workings of and compliance with rules of conduct. The Board is regularly informed by means of quarterly compliance reporting and the non-financial risk dashboard of developments in the pension fund regarding compliance. As well as related parties' duty to report, there is an annual test of compliance with the code of conduct on the basis of a questionnaire to be completed by all related parties. The Board discusses the reports on compliance with the code of conduct.

In this context the Systematic Integrity Risk Analysis (SIRA) is also worthy of mention. The SIRA was completed in January 2016 and has given rise to a number of action points, implementation of which is monitored.

In the context of an evaluation of the performance of the compliance function, the fund looked for a new external compliance officer in 2016. Various organisations submitted proposals. As a result Ruud van der Mast from NCI was appointed as external compliance officer of Pensioenfonds Vervoer effective 1 October 2016.

## Legal and regulatory compliance

In 2016 we explored ways in which Pensioenfonds Vervoer could best conform in practice to Compliance 2.0, which is aimed at ensuring full awareness of and appropriate compliance with all legislation relevant to the fund. In the first half of 2017 a quick scan will be carried out to see whether the sources from which the pension fund is informed of new legislation provide comprehensive coverage.

On 1 January 2015 the VAT-exemption for pension administration services came to an end. Consequently the pension executor must now charge VAT on the services performed for Pensioenfonds Vervoer. The Board has investigated whether and if so how the VAT-burden can be reduced. The conclusion was that this can best be achieved by continuing

the discussions with the tax authorities that have been ongoing since 2013, on whether the pension fund's investments can be considered as assets that have been brought together with a view to collective investment. Discussions between the tax authorities and Pensioenfonds Vervoer have so far been constructive. Nevertheless there are substantive differences of opinion. We expect these to be resolved in the first half of 2017 by the courts.

EMIR, the European Market Infrastructure Regulation, which contains rules for derivative transactions, was introduced in order to make the market in over-the-counter (OTC) derivatives safer and more transparent. EMIR contains among other things rules for derivatives to be cleared through a central counterparty (CCP). Pension funds are exempt from participation in central clearing for the time being. From a cost point of view, early application of central clearing to part of the derivatives portfolio in 2016, in anticipation of subsequent mandatory application, was attractive, since the bilateral market is drying up as a result of stricter capital requirements for banks, leading to limited supply and less attractive pricing with counterparties. Central clearing makes it possible to carry out the necessary transactions more cost-efficiently. Therefore Pensioenfonds Vervoer cleared an initial tranche of interest rate derivatives through central clearing in June 2016. The percentage of derivative contracts handled through central clearing will be further increased. As a result the extent to which the fund makes use of OTC derivatives will gradually decrease further. Pursuant to Article 96 of the Pensions Act we report that:

- no penalties or fines have been imposed on Pensioenfonds Vervoer;
- no directions within the meaning of Article 171 of the Pensions Act have been issued by the supervisor (DNB) to the pension fund in 2016;
- no trustee or administrator within the meaning of Articles 172 and 173 of the Pensions Act has been appointed by the supervisor;
- the pension fund has however submitted a recovery plan. This is reported in more detail in a number of places in the annual report.

The Board is not aware of any legal or regulatory infraction during the reporting year 2016 by the pension fund.

## 4. General developments in the field of pensions

Various developments in the field of pensions during the reporting year gave rise to new (draft) legislation.

### Future of the Pension System

On 8 July 2016 Secretary of State Klijnsma sent the House of Representatives a white paper on behalf of the cabinet setting out the broad lines of a future pension system in further detail. Initial reconnaissance had already been carried out and the results submitted to the House in the form of Headline Note in July 2015. The new system is to be introduced by 2020. In the paper, the cabinet lists various possibilities for making the current system sustainable in the future. It is left to a subsequent cabinet to decide and to lay the legal foundations.

### Cabinet's analysis

Rapidly increasing life expectancy, the financial crises of this century and persistent low interest rates are exerting increasing pressure on the pension system. Longer periods have gone by with no supplements (indexation) being granted. A number of funds have already curtailed current pensions and pension entitlements or warned that they will have to do so. Expectations aroused have thus not been met, hence the decline in trust in the system. At the same time the labour market is also changing fast (no more jobs for life, more self-employed and flexiworkers).

Based on this analysis, the cabinet aims to:

- Improve pension accrual by flexiworkers and the self-employed;
- abolish the average system;
- introduce new types of pension agreements; and
- provide for greater freedom of choice in pension schemes.

The last two changes require participants to be able to form a realistic view of the pension they expect to receive and to be more involved with their own pensions. This should lead to a recovery of faded trust. The starting point for any reform is that collective application, solidarity and mandatory membership continue to be the bases under the new pension system.

### Cabinet's elaboration

#### Improvement of pension accrual for flexiworkers and self-employed

The cabinet lists various possibilities, some of them far-reaching: across-the-board increase in the AOW state old-age pension, work-related supplements to the AOW, greater possibilities for the self-employed to join industry-wide pension funds, or compulsion to do so, expansion of the possibility of voluntarily continuing pension accrual and the obligation for employers to put a pension scheme in place.

#### Abolition of average system

Within the average system, in which every participant accrues the same pension for the same contribution, the redistribution of contribution monies takes place in a variety of different ways. Now that as a result of the changing labour market and population aging young people can no longer count on their future pension accrual being subsidised to the same extent, the average system is doing harm to support for and trust in the system, according to the cabinet. The



cabinet therefore wishes to move to a system in which pension accrual declines with participants' age (degressive accrual) and the pension to be attained remains equal for an average participant. The average system will remain in place for contributions. The transition to a system of degressive accrual will mean that older employees will no longer be 'subsidised' by younger ones as they are in the current system. The cabinet wishes to compensate them for this, for example by means of a temporarily higher accrual.

### New forms of contract

Neither benefit nor contribution agreements have delivered the security they aimed to provide in the past few years. Nor do they look like doing so in the near future. These pension agreements have therefore become more vulnerable. Participants' trust and therefore support are declining. Against this backdrop the cabinet wishes to make new pension contracts possible, in which the risks would be more clearly spelled out than they are in the present agreements.

The cabinet makes specific mention of the 'ambition agreement' and a variant of a defined contribution scheme with more risk sharing through collective buffers that would cushion unexpected falls in returns. Under the 'ambition agreement', entitlements are entirely conditional. Fluctuations in the funding ratio are 'set off' against accrued entitlements over a ten-year period. It must be made possible to incorporate previously accrued entitlements into the new pension agreements. The cabinet had already previously concluded that this was legally possible. With the coming into force of the Improved Defined Contribution Scheme Act on 1 September 2016, continued individual or collective investment during the payment phase is now possible in DC schemes. The cabinet also regards these new possibilities as renewals of the existing pension contracts. The new variants will co-exist alongside the types of pension agreements with which we are now familiar.

### More freedom of choice

With more freedom of choice, participants or pensioners can align their pensions with their personal preferences and circumstances. According to the cabinet, this will increase involvement in and support for the scheme. The cabinet does however see a role reserved to the social partners. They will have to determine what offering of possible choices can be considered responsible.

The cabinet says that the extension of possible choices needs to be linked as far as possible to a specific goal, such as housing and care. The cabinet lists the following options: temporary reduction or suspension of contribution, withdrawal of a lump sum from the accrued entitlements, more possibilities of aligning the investment policy with participant's preferences (customising) and greater participant influence on investment policy.

Making more possible choices available involves risks. Apart from the possibility of irresponsible use being made of this freedom, collective solidarity may also come under pressure.

### Next steps

In the next few months the cabinet will further elaborate the measures referred to in the white paper and directly related subjects together with the pension sector, social partners and supervisors. The Pension Federation submitted the results of a study of the two variants for a new pension contract to the Social and Economic Council on 30 November 2016.

## Redemption of small pensions

In January 2014 Secretary of State Klijnsma announced in a letter to the House of Representatives an investigation into how small pensions could be dealt with.

Under the Pensions Act on certain conditions pension executors can redeem small pensions (less than €467.89 per year in 2017) two years after the end of the participation. The value of the pension is then paid out in a lump sum to the beneficiary and the pension liability in the fund's pension administration ceases to exist. In this way pension executors can limit the administrative costs of small pensions. The secretary of state attaches value to this limitation of administrative costs. On the other hand pensions should as far as possible continue to serve their purpose as such. The proposal is therefore to replace the right of redemption with the duty to transfer small pensions to the individual's new pension executor.

The main lines of a bill that is yet to be presented are laid out in a letter of 22 November 2016. The right to redemption before pensionable age is replaced by the pension executor's power to transfer small pension entitlements to a new pension executor without the interested party's being involved or having the right to object. In such situations deferment in the case of policy funding ratio deficit (lower than 100%) will not apply. The Pension Registry could perform a data exchange function between pension funds in such cases.

The letters also deal with bringing pension age for accrued pension entitlements into line with pension age for tax purposes. In 2012 the Secretary of State indicated that the Pensions Act allowed dispensation from participants' individual right of objection in the case of recalculation to a greater pension age providing this was done in an actuarially neutral manner and it was possible to take the pension early, at the original pensionable age. The Secretary of State promised to provide further details and to pass any legal ratification of this point that might prove necessary.

A bill is expected to be submitted to the House of Representatives in mid-2017. The goal is for it to come into force as of 1 January 2018.

## Pension Communication Act

In 2015 the Pension Communication Act was passed. This act leads to amendments to the disclosure requirements of the Pensions Act. The aim is to address a number of objections (insufficiently comprehensible, not aligned with participants' perspective, etc.) among other things by allowing more room in the legislation for customisation by pension executors and layering of information.

As of 1 July 2016 pension executors must inform new participants of the content of the scheme layer 1 of the so-called 'Pension 1-2-3'. Layer 1 replaces the welcome letter. The obligation to make Pension 1-2-3 available on the website for former participants, former partners and pensioners comes into force on 1 July 2017. Apart from this, the possibilities of providing information digitally are extended and communication about purchasing power and risks is standardised.

One specifically striking component of the Pension Communication Act is the obligation to show the old age pension in three scenarios - pessimistic, expected and optimistic - in the Pensions Registry and in statements to be provided by pension executors upon request.

The amended Articles of the Pensions Act and the associated amended Pensions Act (Implementation) Decree will come into force in phases.

## Consolidation of mandatory industry-wide pension funds

The (economic) right to existence of pension funds – and thus also of mandatory industry-wide pension funds – is declining, due to various causes including more complex rules of governance, the changing and aging composition of their participants and the decline in pension assets. As a result there is a growing trend towards consolidation within the pension sector (liquidation/merger of funds). Joining a General Pension Fund would offer an alternative route for an unsustainable mandatory industry-wide pension fund. In this way the fund would retain its identity while at the same time benefiting from the economies of scale (lower execution costs) that can be expected from execution by a General Pension Fund. The General Pension Funds Act which came into force on 1 January 2016 does not however provide for this possibility.

On 3 June 2016 the Secretary of State informed the House of Representatives that the Pension Federation and the social partners had expressed the wish that mergers of mandatory industry-wide pension funds with ring-fenced assets be allowed temporarily after all. A letter of 22 December 2016 outlined the conditions envisaged by the cabinet. For example there must be a merger plan approved by the supervisor, and a merger is limited to a maximum of three mandatory industry-wide pension funds, among which there must be clear cohesion. Other conditions are that voluntary affiliations be temporarily restricted, that there be no further segregation of pension assets, that merged assets be established, that assets be ring-fenced and that ranking of creditors be established.

The cabinet intends to submit a bill to the House of Representatives as soon as possible. It should then be possible for the law to come into force as of 1 January 2018.

## 5. Developments as regards pension schemes

### Pension schemes from 1 January 2016

The accrual percentages and contributions in Pensioenfondsvervoer's pension schemes did not change in 2016.

Since 1 January 2015 the accrual percentage in de basis scheme has been 1.77% for all sectors. The franchise for the haulage, private bus transport and industrial cleaning sectors was set at €11,829 on 1 January 2017 (2016: €11,675). The franchise for the taxi transport sector was left unchanged and has been set at €12,206 for 2017. The franchise for the taxi sector has been frozen until such time as the franchises of the other sectors reach the same level as a result of annual adjustments. From that time on the taxi sector will also follow the minimum franchise for tax purposes.

The maximum pensionable salary in the basic scheme for all sectors amounts to €53,701 as at 1 January 2017 (2016: €52,763). The components of the pensionable wage differ from one sector to another.

The breakdown of contributions in the various sectors as between employers and employees has not changed in 2017 relative to 2016 and is shown in the following table.

#### Breakdown of contributions to pension schemes (including VPL-contribution)

	Contribution	Employers' share	Employees' share
Road haulage	30%	19.84%	10.16%
Private bus transport	30%	17.81%	12.19%
Taxi Transport:	30%	17.75%	12.25%
Orsima (industrial cleaning)	26.9%	16.05%	10.85%

The haulage and private bus transport sectors also pay 0.6% of the pension basis for supplementary WIA disability cover. In the haulage sector, employees covered by the TLN (transport and logistics) collective labour agreement pay the WIA top-up contribution in full, while those covered by the KNV (Royal Netherlands Transport) collective labour agreement pay 50% of the WIA top-up contribution. Employees in the private bus transport sector pay the WIA top-up contribution in full.

### VPL-schemes

Pensioenfondsvervoer executes the transitional arrangements that have been agreed by the parties to the collective labour agreements for participants born on or after 1 January 1950 and meeting the conditions laid down in respect of participation and years of service. Participants meeting the conditions can acquire extra old age and partner's pensions. The extra entitlements are acquired when and insofar as they have been financed. Financing takes place immediately before 31 December 2020 or, if the pension starts before that date, on the pension start date. No financing takes place after the participation has ended and before the start date of the pension.

An external actuary tests the sufficiency of the VPL obligation each year. The transport and industrial cleaning sectors each have their own VPL transitional scheme. The Board reports annually to the parties to the collective labour agreements in these sectors on the execution of the transitional arrangements for VPL.

## Transitional arrangements re VPL for the transport sector

The test carried out by the actuary showed that the VPL obligation was sufficient as at both 31 December 2015 and 31 December 2016.

## Transitional arrangements re VPL for the industrial cleaning sector

Testing of the adequacy of the VPL obligation for the industrial cleaning sector is still under way. The results of the test will be discussed with and by the parties to the collective labour agreement in the industrial cleaning sector.

## Recovery plan

If a pension fund's funding ratio is lower than the regulatory funding ratio, a recovery plan must be drawn up showing how the fund will bring its equity up to the required level within ten years. This plan is evaluated and updated annually. A recovery plan has again been drawn up in 2017. This plan is based on the situation as at 31 December 2016. The recovery plan shows how the policy funding ratio will recover within ten years to above the regulatory funding ratio. The critical funding ratio (the lowest funding ratio from which recovery to the regulatory funding ratio within ten years is still possible) has increased from 88.5% in 2016 to 92.8% in 2017.

## Feasibility test

A part of the FTK Financial Assessment Framework is the annual feasibility test. The feasibility test provides an insight into the inter-dependency of the financial structure, the expected pension result and the relevant risks. Above all the feasibility test is a policy tool for the Board of the pension fund and the social partners to assess whether the pension obligations can be fulfilled. Based on the results, the Board and the social partners can take and substantiate certain policy decisions. In the feasibility test various future scenarios are extrapolated over a period of 60 years. The result of this is referred to as the pension result.

Following the initial feasibility test carried out in 2015, the Board has established floors for the pension result and limits on the maximum deviation in the most adverse scenario. Every year by means of the feasibility test the fund determines whether the established floors (lower limits) are still complied with.

The results of the feasibility test carried out in 2016 deviated only marginally from those of the initial feasibility test.

The test showed that:

- at 106.6%, the pension result was comfortably above the lower limit of 85%;
- and the maximum deviation of 27.3% in the most adverse scenario was well below the established limit of 33%.

Pensioenfonds Vervoer thus complies with the standards for pension results established by the Board in 2015 on the basis of the initial feasibility test.

## Pensioenstichting Security

Pensioenstichting Security (hereinafter PSS) is the pension fund for past and present employees of SecurCash Nederland B.V. and SecurCash Geldverwerking B.V. (formerly Brinks Nederland B.V. and Brink's Geldverwerking B.V. respectively). The parties involved in PSS have decided to liquidate this pension fund. PSS has asked Pensioenfonds Vervoer to take over its obligations. The accrued pension entitlements and rights were transferred to Pensioenfonds Vervoer on 1 January 2017 by means of a group transfer of accrued benefits. The assets present in PSS amounted to more than the purchase sum needed by Pensioenfonds Vervoer.

The future pension accrual of employees of SecurCash Nederland B.V. and SecurCash Geldverwerking B.V. was also transferred to Pensioenfonds Vervoer with effect from 1 January 2017. The compulsory pension scheme (regulation I, haulage sector) applies to these employees.

## Enforcement

Measures had already been taken at the end of 2015 in the context of the necessary improvement of provision of data by employers. The wage and salary data that employers provide form the basis for the pension and contribution calculations. The Board decided at that time to take a number of extra measures to contribute to improving the provision of data. These measures consisted in increasing the number of wage and salary checks, extending information and instructions to employers and purposefully pursuing employers failing to comply.

In 2016 the Board decided to further tighten its enforcement process. In 2017 the employer (or the administration office) must declare that the payroll data as per 1 January 2017 and provided through the employers' portal are correct.

Employers have been informed of the tightening of the enforcement policy.

## Target retirement age rises further

The target retirement age for tax purposes will increase in 2018 to 68. The current target retirement age in the Pensioenfonds Vervoer scheme is 67. The maximum accrual percentages for tax purposes are also expected to be adjusted. The Pensioenfonds Vervoer scheme will thus also be adjusted with effect from 2018.

Partly in order to simplify communication with participants about pensions, the Board has decided to also convert old pension entitlements with pensionable ages of 65 and 67 to the new target retirement age of 68.

## Target retirement age and AOW (state old age pension) age: Support for participants

The AOW retirement age started to increase gradually from 2013. In 2022 it will be 67 years and three months. From 2022 the AOW retirement age will be linked to the increase in life expectancy. A further increase in the AOW retirement age will be determined annually on the basis of the overall average remaining life expectancy at age 65. The Central Bureau for Statistics (CBS) carries out the estimates for this. Any such further increases will be made in three-month stages. The government will also announce each increase at least five years in advance.

As in previous years, the target retirement age in the Pensioenfonds Vervoer scheme is higher than the AOW retirement age. As pointed out elsewhere in the annual report, Pensioenfonds Vervoer's pension consultants can help participants with the choices to be made concerning their pensions and retirement dates in an individual pension consultation.

## Mandatory requirements

As a result of the new target retirement age of 68 the mandatory requirements of Pensioenfonds Vervoer will also be amended.

## 6. Communication

### Pension consultants

Pensioenfonds Vervoer employs three pension consultants. They take care among other things of personally informing participants about their particular pension situations. This can be at one of the six pension consultation locations, at the company itself (group consultation) or during one of the transport café meetings held at various locations around the country. They also arrange information meetings for participants approaching AOW retirement age, for whom early retirement may be a real possibility. They also give company presentations on pensions. Employers can also seek information from the pension consultants on all aspects of the pension scheme. Pension workshops are also held for employers.

### Message box and UPO

In 2016 the processes for the use of the message Box were put in place. An initial experiment with sending notifications by Message Box was carried out in June. All active participants connected to the Message Box and who had provided their e-mail address for notifications were informed of the fact that their Uniform Pension Overview (UPO) for 2015 had been placed in the Message Box.

### New website

In October 2016 we launched our renewed website. The website has been updated and a number of aspects improved:

- navigation has been adapted and in parts rounded out with stimulating and convincing communication. Among other things, a section called '*aan de slag*' (roughly 'let's get down to business') has been added.
- Important subjects are now highlighted more clearly and prominently on the website, such as the pension consultants and the dashboard.
- The 'partners' target group has been added, containing information for participants' partners, ex-partners and relatives.
- Once a participant logs in, the site identifies him or her and offers customised information on the scheme and the choices available.
- Active participants can choose their own point of access within their section, corresponding to a stage in life ("pension is still a long way off for me"/"I want a picture of where I stand", etc.). Once they have clicked on one of the descriptions they are shown stimulating communication that goes with the stage of life.
- The texts of the dashboard have been simplified. A guide to the dashboard with clear steps has also been made. This guide can be found on the website even before logging in.



## Process letters

At present there are 220 'standard' process letters in use. In 2016 we made a start on rewriting the process letters.

## Pension 1-2-3

Since 1 February 2016 Pensioenfonds Vervoer has used Pension 1-2-3 as welcome letter. A generic version in pdf form is available on the website.

## Pension Comparer

Since July 2016 the Pension Comparer has been available on Pensioenfonds Vervoer's website. This is a legally mandatory means enabling people to compare the content of two pension schemes. In the version on Pensioenfonds Vervoer's website, the section relating to the Pensioenfonds Vervoer scheme has already been filled in. Originally it was also the intention to send this document together with the Pension 1-2-3. However this obligation has been dispensed with.

## HR-package

In July 2016 a series of documents were posted online in the employers' section of the website under the name 'HR-package'. Each employer can use these documents whenever a new employee signs on and is going to accrue a pension. The package consists of:

- the employers' checklist (what to do when someone starts work);
- an easily accessible booklet/brochure, explaining pensions, Pensioenfonds Vervoer and conduct (what you can/must do where your own pension is concerned);
- accrued benefits transfer form;
- and employee checklist (fund contact details, where to address each kind of question).

## Transport cafés

Nine transport café days were held in 2016. On transport café days anyone interested can talk to one of the three pension consultants at different locations around the country without an appointment. More transport café days are planned for 2017.

## Annual plan for 2017

At the end of 2015 the communication policy plan for the next three years was drawn up. Within this framework an annual plan is drawn up each year. The approach in the policy plan rests on five pillars:

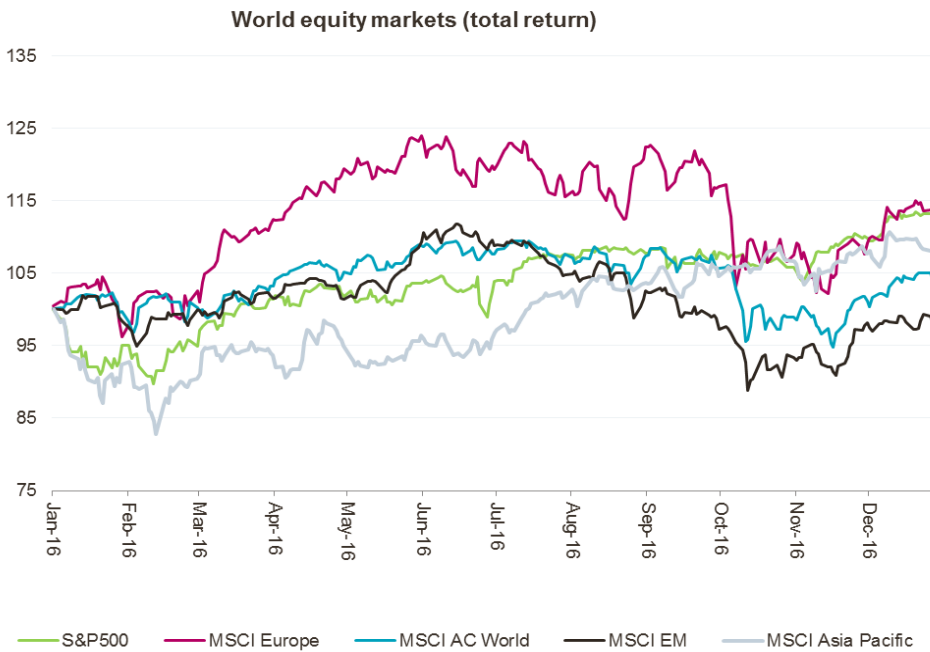
- central set of messages (aimed at increasing understanding of recipients' own situation, increasing support and enhancing reputation);
- less text and more images;
- communication geared to life stages;
- inform less and convince/move to act more;
- progressive digitisation.

In 2017 the focus will be on adapting texts in letters and forms. At the same time much attention will be given to developing a customised approach for various target groups, in which ICT plays an important role. The dashboard on the website will also be further developed. Once the customised approach and the new dashboard are ready, communication can be made more flexible and interactive.

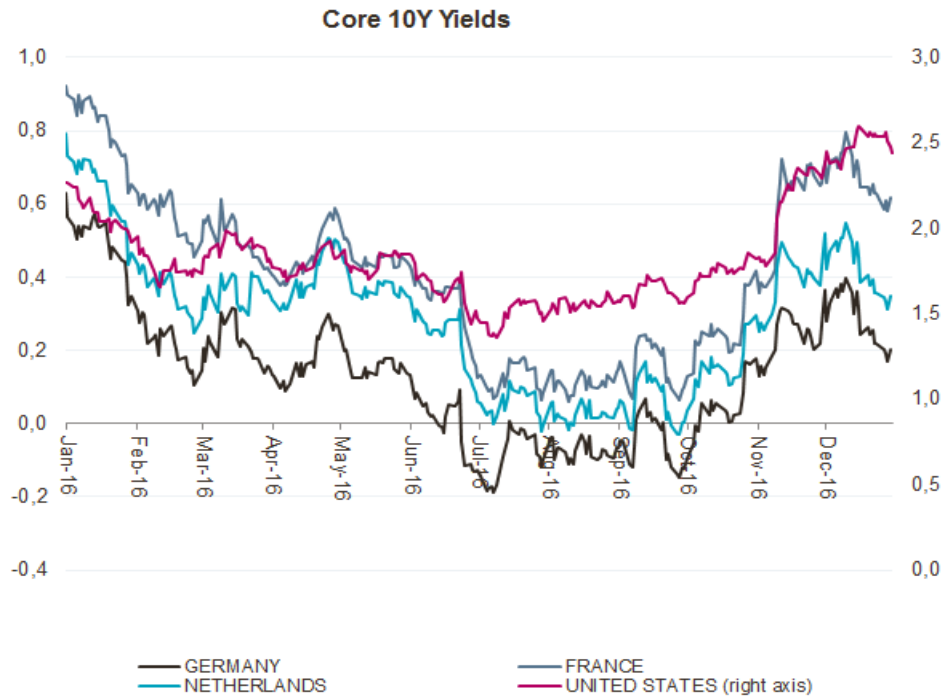
## 7. Investments

### Financial markets in 2016

The financial markets got off to a rocky start in 2016. There were concerns about the economic situation in China, the further sharp fall in the price of oil and the rate of economic growth in the US and Europe. In response to low inflation and sluggish growth, the European Central Bank (ECB) announced additional stimulus measures in March 2016. In February 2016 the sentiment change in the equity markets and stocks rose together with oil prices. The US Federal Reserve raised interest rates on 14 December.



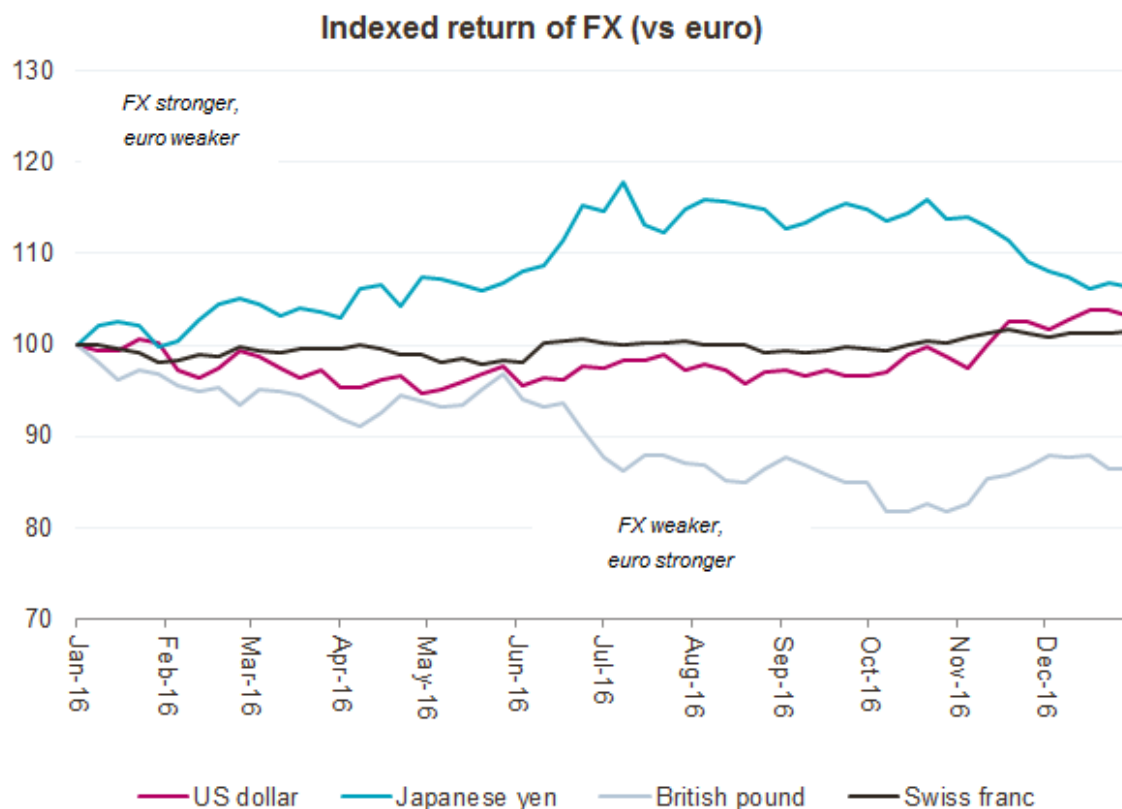
Developments in world equity markets. Source: Robeco



*Changes in ten-year interest rate, left axis euro interest rate, right axis US dollar interest rate. Source: Robeco*

The additional ECB measures also had an impact on interest rates as shown in the graph. On 16 June the rate on ten-year German government bonds fell below zero for the first time ever. The UK referendum on 23 June on leaving the European Union caused another shock on the financial markets. Sterling lost considerable ground and the German ten-year interest rate reached a low point of -0.19% on 8 July 2016. The third quarter of 2016 was characterised by low but volatile interest rates, weak economic growth and low inflation.

The result of the US presidential election on 8 November was not in line with the polls' predictions. The initial market reaction led to sharp falls in world equity markets, a stronger euro against the US dollar and falling interest rates in both the US and the euro zone. In the weeks following the election sentiment turned completely when financial markets tried to price in Trump's plans for investing in infrastructure, tax cuts and increased government debt. Trump's victory led directly to an upward revision of expected US economic growth, inflation and interest rates. The US dollar also appreciated against other currencies.



Movements of major currencies against the euro. Source: Robeco

Political uncertainty and doubts about the effectiveness of the ECB’s policy led to a rapid increase in interest rates relative to the low levels seen in the third quarter. The increase in US interest rates following the presidential elections also led to increases in interest rates in the euro zone. Rates in vulnerable euro zone countries rose in the run-up to the Italian referendum in December. In light of the result prime minister Renzi resigned and political uncertainty in the euro zone increased once more.

In reaction to these developments the ECB announced on 8 December that the euro zone bond purchase programme scheduled to end in March would be extended in any case to the end of 2017 and as long as the ECB deemed necessary. The ECB also broadened the purchase possibilities to include bonds with shorter remaining maturities.

On balance the picture during 2016 was very changeable.

Following the ‘Brexit’ referendum, sterling fell sharply against the euro. The Japanese yen appreciated against the euro. Since the US elections of 8 November 2016 the US dollar has appreciated sharply against the euro after depreciating earlier in the year.

Most fixed income securities posted positive returns. In countries where interest rates have risen on balance – such as the US, Italy, Portugal, Mexico and Turkey – yields on sovereign bonds were negative. Equity markets in the euro zone lagged

other regions due to negative returns in Italy and Spain. World equity markets performed much better in 2016. The price of oil rose relative to year-end 2015.

## Investment Policy

The strategic investment policy did not undergo any drastic change in 2016 relative to 2015. The most significant change concerned the reduction in investment grade US corporate bonds, mainly in favour of European government bonds and a small increase in exposure to emerging markets.

During the year the Board established the long-term investment policy to 2020 on the basis of a study of the strategic investment mix. In principle, this policy will serve as an overriding guide for the annual investment plans for 2017 to 2020 inclusive.

## Returns in 2016

The following table shows a summary of returns obtained by investment category, with the corresponding standard returns and costs.

### Actual and standard returns / costs per investment category

	Allocation in € millions	Allocation in %	Gross return in %	Costs in € millions <sup>1</sup>	Costs in basis points <sup>2</sup>	Benchmark return in %	% contribution to total return
Fixed income securities	14,437	63	8.0	36.1	25	7.7	5.3
Equities	7,166	31	11.1	28.2	43	10.8	3.3
Infrastructure and other investments	1,399	6	0.4	0.3	9	-0.3	-0.3
Property	639	3	8.9	3.8	85	8.9	0.2
Interest rate hedging	-414	-2		1.8	18		5.6
Currency hedging	-233	-1		0.5	5		-1.4

<sup>1</sup> Concerns management fees, custody fees plus costs of the integral manager, external advisers and Executive Office.

<sup>2</sup> A basis point (bp) is a unit equal to one hundredth of a percentage point. The calculation is based on average invested assets in accordance with the Pension Federation's definition.

## Actual and standard returns / costs per investment category

	Allocation in € millions	Allocation in %	Gross return in %	Costs in € millions <sup>1</sup>	Costs in basis points <sup>2</sup>	Benchmark return in %	% contribution to total return
Other derivatives	2	0		0.3	3		0
Total	22,996	100	13.0	71.0	31	12.5	12.7

The return for 2016 amounted to 12.7%. This is 0.2% higher than the standard return of 12.5%. Investments in equities as an investment category posted a return of 11.1% (standard return 10.8%). Falling interest rates led to a positive contribution from interest rate hedging. As a result the total return on investments was increased by 5.6%. Together with good returns on the majority of investments in corporate and government bonds of emerging markets, all fixed income securities together posted a return of 8.0%, compared with the standard return of 7.7%. The 100% hedging of the currency risk on the US dollar, sterling and yen made a negative contribution of 1.4% to the total return. Against this, investments denominated in US dollars increased in value. The return on property came to 8.9%, in line with the standard return.

## Responsible investment

In 2016 Pensioenfonds Vervoer further strengthened its socially responsible investment policy. Three areas, namely remuneration, CO<sub>2</sub> emissions and workers' rights will be further elaborated in 2017.

The implementation of the policy in 2016 is explained hereunder.

### Exclusion

Pensioenfonds Vervoer periodically reports on its exclusion policy by publishing an exclusion list on its website. As at year-end 2016 ten countries and 36 companies were excluded from the fund's portfolio. In 2016 two companies were added to the exclusion list and seven removed from it.

In the past five years a total of 26 companies have been added to the exclusion list and sixteen removed from it. During this period four companies were both added and subsequently removed. The commonest reason for addition to the list in the past five years was violation of human rights. The commonest reason for removal from the list in the same period was ceasing to be involved in the production or maintenance of controversial weapons.

### ESG integration

In 2016 all managers of equity and fixed income portfolios were again examined on ESG integration. To this end all managers were sent questionnaires on ESG integration. In addition, the asset managers' (obligatory) reporting in respect of Principles for Responsible Investment (PRI) was once again used this year as a source of information. 26 of the 27 asset managers have signed the PRI. Of these 26 asset managers, 24 completed the PRI reporting in 2016, three of them for the first time. Two of the 26 parties had been exempted in 2016 and will report under PRI in 2017 for the first time. Based on the combined information, improvements were observed in 17 managers.

## Dialogue with companies' management (engagement)

The purpose of engagement is to bring about improvements in companies through dialogue. The fact that a dialogue takes place does not in any way mean that these companies are necessarily badly run, only that there is room for improvement in one or more areas. In 2016 dialogues were conducted by Hermes Equity Ownership Services (EOS), partly on behalf of Pensioenfonds Vervoer, with 562 companies. 419 of these companies form part of Pensioenfonds Vervoer's portfolio. These companies represent approximately 49% of the value of Pensioenfonds Vervoer's equities portfolio. The regional distribution of the companies and the subjects with which the dialogues dealt can be found on the pension fund's website.

## Voting at AGMs

In 2016 Pensioenfonds Vervoer voted in 99.5% of AGMs (whenever possible). In some countries we did not vote because of the high costs resulting from national legislation and regulations. Of the resolutions voted on, 97% were proposed by management and 3% by shareholders.

Pensioenfonds Vervoer voted in favour of 88% of management proposals, against 11% of them and abstained or otherwise did not vote in 1% of cases. The pension fund voted in favour of 45% of shareholders' proposals, against 54% of them and abstained or otherwise did not vote in 1% of cases. The most important subjects on which the pension fund voted against management proposals were remuneration, appointment of directors and amendments to Articles of Association.

37% of shareholders' proposals fell within the governance category (e.g. remuneration policy and proposed appointment of managers), 49% within the social category (working conditions, management diversity, etc.) and 14% within the environmental category (e.g. reporting on CO<sub>2</sub> emissions).

## Voting record: number of times voted

	Number	of Ballots	Voted	Did not vote
AGMs	3,178	5,146	5,118	28

## Voting record: direction of votes

	Number	For	Against	Abstained	Did not vote
Management proposals	61,672	54,482	6,590	303	297
Shareholders' proposals	1,759	797	950	12	0
Total	63,431	55,279	7,540	315	297



## Targeted investments

Targeted investments are investments that can make an appreciable positive contribution to the attainment of the UN Sustainable Development Goals (SDGs). The SDGs are the successors to the UN Millennium Goals.

The term of the existing investment in a microfinancing fund expired in 2016 and the investment has practically been terminated. The investment in the Actiam-FMO SME Finance Fund was increased in accordance with commitments. This fund provides loans to financial institutions in emerging and developing countries. A condition is that the loans be used to extend financing to SMEs. Actiam is the fund manager and FMO, the Dutch development bank, seeks and selects suitable investments. It carries out due diligence, monitors the investments and reports on them.

## Z-score

The performance test gives an indication of the quality of execution of the investment policy. If the performance test comes to less than -1.28 affiliated companies are free to seek an alternative for the execution of the mandatory industry-wide pension scheme. The performance test is calculated on the basis of the z-scores of five consecutive years (the test value is the sum of the z-scores divided by the square root of five). The z-score gives, for each year, the deviation of the return obtained by the pension fund from that of the predetermined standard portfolio, corrected for costs and risk.

## Trends in z-scores and performance test

Year	Z-score	Period	Test value
2012	-0.96	2008-2012	-1.96
2013	0.84	2009-2013	-0.21
2014 <sup>3</sup>	0.06	2010-2014	0.59
2015 <sup>4</sup>	0.45	2011-2015	0.59
2016	0.20	2012-2016	0.26

Thanks to the surplus returns obtained, the z-score for 2016 came to 0.20. For the period 2012 to 2016 Pensioenfondsen Vervoer achieved a test value of 0.26 (2011-2015: 0.59) for the execution of the investments. This is more than the

<sup>3</sup> The z-score of 0.03 shown for reporting year 2014 was a provisional value. In the light of certain benchmark developments that subsequently became available, the z-score for 2014 was later definitively revised to 0.06. The test value for 2010-2014 therefore increased from 0.58 to 0.59.

<sup>4</sup> The z-score of 0.43 shown for reporting year 2015 was a provisional value. In the light of certain benchmark developments that subsequently became available, the z-score for 2015 was later definitively revised to 0.45. The test value for 2011-2015 therefore increased from 0.58 to 0.59.

required minimum of -1.28. Pensioenfonds Vervoer therefore passed the performance test. Use is often made of a 'presentation correction' whereby 1.28 is added to both the result and the standard of the performance test, making the lower limit exactly zero. Measured in this way the result of the performance test for 2012-2016 was: 1.54 (2011-2015: 1.87).

## 8. Risk management

Risk management was further developed in 2016. The most important points to report are:

- outsourcing risk: review and establishment of the outsourcing policy;
- IT-risk: review and establishment of the ICT and information security policy
- IT-risk: awareness raising sessions on cybercrime;
- operational and IT risk: overhaul of the incident procedure;
- legal risk: establishment of the privacy policy plus awareness raising sessions;
- reputational risk: appointment of a new external compliance officer.

The following is a short overview of the most important risks for Pensioenfonds Vervoer, the management measures taken and the developments in 2016.

### Balance sheet risk

Balance sheet risk relates to changes in the funding ratio. The strategic level of balance sheet risk is established in the ALM study. The following components partly determine the volatility of the funding ratio.

### Interest rate risk

Interest rate risk is the risk of a fall in the funding ratio as a result of a fall in interest rates. If this risk is not hedged, Pensioenfonds Vervoer's funding ratio falls when interest rates fall, because the market value of the pension obligations increases by more than that of the investments. This is because the pension obligations have a much longer average time to maturity than the portfolio investments. As a general rule for both investments and liabilities, the longer the time to maturity, the greater the interest rate sensitivity. The pension fund's interest rate hedging strategy is based on the market interest rate curve.

At year-end 2016 the percentage of interest rate hedging against market interest rate of the current portfolio was 57.9%. This was very close to the targeted hedging level of 58.0% in accordance with the investment policy for 2016. Based on the UFR (ultimate forward rate) interest rate curve instead of the market interest rate, the actual hedging percentage as at 31 December 2016 was 78.9%.

The interest rate risk is managed on two levels, namely:

- at balance sheet level:

This means the strategic management of the interest rate risk at total balance sheet level: how much interest rate risk of the pension obligations is hedged by the investment portfolio? Each year the Board establishes via the investment plan the desired degree of interest rate hedging. This decision is underpinned by an ALM study and a scenario analysis.

- at mandate level:

implementation of the strategic policy takes place through the interest rate hedging mandate. The mandate asset manager has been given guidelines on, among other things, the permitted instruments and the maximum deviation from the benchmark. Oversight is exercised at the overall level and by remaining maturity segment.

At both levels Pensioenfonds Vervoer has set limits and ensures that they are monitored by at least one independent party.

Interest rate hedging in 2016 was carried out mainly by means of interest rate swaps. Other hedging instruments used were the government and corporate bond portfolios.

## Market risk

Market risk is the risk that the value of the investments changes with changes in market prices. Market risk is controlled by the relative weighting of equities in the total portfolio and the diversification among these investments.

Additionally market risk is considered by carrying out scenario analyses. These are used to investigate the impact of different economic stress scenarios on the investment portfolio and the funding ratio.

None of the adjustments made to the portfolio in 2016 had a significant impact on the market risk position of Pensioenfonds Vervoer.

## Currency risk

Currency risk is the risk that the value of the investments changes with changes in exchange rates. Currency risk is hedged with currency derivatives, mainly forward exchange contracts.

There was no change in 2016 in the hedging policy for the most important foreign currencies. The US dollar, sterling and the yen were fully hedged.

## Credit risk

Credit risk is the risk that a fixed income investment (government or corporate bond or other kind of loan or short-term investment) falls in value as a result of a deterioration in creditworthiness, leading to a higher premium or credit spread being demanded. In the worst case it can lead to bankruptcy. This risk is managed for the whole portfolio mainly by ensuring diversification among a number of companies and restriction on the size of investments in less creditworthy undertakings.

None of the adjustments made to the portfolio in 2016 had a significant impact on the credit risk position of Pensioenfonds Vervoer.

## Counterparty risk

Counterparty risk is the risk that counterparties are unable to fulfil their obligations to the pension fund, for example as the result of bankruptcy. Counterparty risk is managed by selecting solid counterparties and enforcing counterparty limits, ensuring that the risk is spread among various different counterparties. The most important management measure however is the collateral exchanged daily in line with the changing values of interest rate and currency derivatives and securities lending. This collateral must meet tough quality demands. The counterparties' creditworthiness is regularly monitored. If the situation calls for it, it may be decided to refrain from further transactions with a particular party, temporarily or permanently.

There were no particular incidents with counterparties in 2016. One development was that because of EMIR, the European Market Infrastructure Regulation, some of the interest rate derivatives were contracted with a central counterparty instead of an individual counterparty. This reduced the counterparty risk.

## Underwriting risk

As well as financial risks, the pension fund is also exposed to underwriting risks, the most important of which is the longevity risk. Other underwriting risks are mortality risk and disability risk.

In order to mitigate the above-mentioned risks, Pensioenfondsen Vervoer applies prudent assumptions regarding mortality and disability.

## Relative risk in respect of active management

This is the risk that in executing the active investment policy, the asset managers deviate from the positions in the benchmark. For this, bands have been agreed, which were monitored during the reporting year by the integral asset manager and the Executive Office. Additionally, the risk is mitigated by spreading it among a number of external asset managers, with investment guidelines being established for the external asset managers and monitored daily by the custodian and the overall asset manager. Lastly, periodic evaluation conversations take place with the external asset managers in order to discuss the performance and the risk profile of the mandates.

## Operational and outsourcing risk

Operational risk is the risk of loss arising from inappropriate or failing internal processes, people or systems or from external events. Operational risks can have a negative impact on a good execution of the pension scheme and the investment policy.

Operational execution of the pension scheme was carried out by TKP Pensioen B.V. (TKP) in the reporting year. Robeco Institutional Asset Management B.V. (Robeco) was responsible for execution of the pension fund's investment policy in 2016 and for supervising its outsourcing to external asset managers. The role of custodian (depository) and investment administrator is fulfilled by Northern Trust. Institutional Trust Services (ITS) is active for the pension fund as controlling back office, collateral manager and general ledger administrator for investments. First Pensions has been appointed for control activities and as back-up for, *inter alia*, the quarterly investments statements under the Financial Assessment Framework. For a more extensive description please refer to Chapter 2 'Executive Office and Outsourcing Parties'. Outsourcing certain activities to specialists raises both quality and efficiency and so contributes to further reducing operational risk.

The International Auditing and Assurance Standards Board (IAASB) has produced a standard report (ISAE 3402) for reporting on the internal control of service organisations (outsourcing parties). A distinction is made between a type I report, in which the control measures are described and their effective existence tested, and a type II report, in which an assessment is also made as to whether the effective functioning of the control measures described during the reporting period can be confirmed.

TKP, Robeco, ITS and First Pensions all have a ISAE 3402 type II report. Northern Trust has a comparable SOC1 report. By providing the ISAE 3402 or a comparable report, including an assurance report from an external auditor, a service

organisation can show which measures it has taken to control the risks as well as whether it proved possible to confirm their functioning during a given period.

Having an ISAE 3402 declaration or a comparable report from the service organisations also aligns with the policy rule 'Outsourcing of Pension Funds'. In this rule, DNB states that a pension fund is and remains responsible for all outsourced activities. The Board has studied the ISAE 3402 and SOC1 reports. Relevant findings are discussed with the service organisations.

The above-mentioned service organisations have in turn outsourced activities to third parties. Examples of this are:

- TKP has outsourced the invoicing, collection and receivables management of pension contributions receivable by Pensioenfonds Vervoer.
- TKP has outsourced the gross-net trajectory of the pension benefit payments.
- Northern Trust makes use of sub-custodians: parties active in specific countries or regions in the field of securities custody and transaction processing.
- Northern Trust also makes use of a Dutch organisation for the provision of various formal supervisory reports including those under the new Financial Assessment Framework.

In this context the pension fund is in continuous dialogue with all its outsourcing parties in order to assess their operational processes on the basis of the ISAE 3402 and SOC1 reports and strengthen them further where necessary or possible. Attention is also paid to how the outsourcing parties monitor the service organisations of which they make use.

In 2016 the pension fund's outsourcing policy was reassessed and confirmed by the Board.

## IT-risk

IT risk is the risk of reputational and possibly financial damage as a result of deficiencies in automated processes or systems. Matters concerning data integrity and the safeguarding of information are also included in this risk. The pension fund has outsourced most of its primary business processes, including the associated supporting IT control processes. These supporting IT control processes are a sub-section of the ISAE 3402 and SOC 1 reports. In addition, Pensioenfonds Vervoer has established a new ICT and information security policy. As a result the IT management processes, information security and oversight of ICT and information security have been tightened.

Specifically for the risk of cybercrime, awareness raising sessions were held for the Board and the Executive Office in 2016. The management of cybercrime risks is forms part of the new ICT and information security management framework.

## Liquidity risk

Liquidity risk is the risk of the pension fund's having insufficient liquid assets in the short term with which to make payments, including benefit payments. The liquidity risk for Pensioenfonds Vervoer is as yet very limited. At the moment there is a net annual inflow of liquidity (balance of inflow of contributions and outflow of benefits).

The risk is further limited by the implementation of the cash management and the fact that with the current arrangements for OTC derivative transactions collateral may be provided in the form of securities. As a result of this choice of collateral Pensioenfonds Vervoer was not faced with any unexpected requirement for liquid assets caused by an extreme movement in the interest rate. The liquidity risk arising from currency derivatives is also limited by the fund's opting for a "tile"

structure. One third of the currency hedging matures each month, so settlement of the changes in value of the maturing contracts can be staggered. The potential liquidity requirement arising from derivatives (interest rate and currency hedging) is thus limited.

The EMIR regulation imposes the legal obligation to clear derivative positions through a central clearing platform with specially empowered parties instead of with individual counterparties. This is referred to as central clearing. In 2016 the interest rate derivatives market anticipated the coming obligation of central clearing for pension funds. In 2016 attention was given to studying the impact of EMIR on Pensioenfonds Vervoer's liquidity risk with a view to possible additional management measures. A small part of Pensioenfonds Vervoer's interest rate derivatives portfolio was contracted with a central counterparty in 2016.

Pensioenfonds Vervoer has only limited positions in illiquid investments. They concern investments in property, mortgage loans and infrastructure. The greater part of the investment portfolio consists of readily tradable listed investments, albeit at transaction costs that vary in amount.

Pensioenfonds Vervoer ensures a proper balance between incoming and outgoing cash flows and works with scenario analyses to estimate the potential liquidity requirement in stress scenarios.

## Risk in respect of derivatives

The use of derivative financial instruments (derivatives) is permitted provided it falls within the nature of the mandate and the mandate guidelines. At the same time, derivatives are used to a significant extent for hedging and managing the interest and currency risk arising from bonds and/or investments. Without the use of derivatives, these risks would not be effectively managed. In certain situations derivatives may also be used temporarily as an alternative to direct investments. Costs and/or liquidity considerations may give rise to this.

Pensioenfonds Vervoer and the external parties to which activities are outsourced have made clear agreements about the frameworks within which use may be made of derivatives, the way in which the positions are monitored, how collateral management (arranging the security required for derivative positions) is carried out and reporting procedures for these positions.

## Environmental risk

Environmental risk is the risk of failing to react appropriately to changes external to Pensioenfonds Vervoer. By keeping an eye on developments in society, reacting promptly to events and communicating effectively, this risk can be managed to a certain extent.

In its 2016 multi-year policy plan, the Board devoted attention to the constantly changing environment in which Pensioenfonds Vervoer has to operate and the risks that this entails.

## Systemic risk

Systemic risk is the risk that the global financial system (the international markets) cease to function properly, as a result of which investments are no longer negotiable and may even lose their value, temporarily or otherwise. For Pensioenfonds Vervoer, just as for other market operators, this risk cannot be influenced, and can be managed to only a limited extent.

The possible impact of systemic risks is analysed with the help of scenario analyses (stress-tests). The results of these are reported to the Board.

## Reputational risk

Reputational risk can be described as the risk of damage to Pensioenfonds Vervoer's reputation or assets as a result of inadequate compliance with legal prescriptions. In order to control reputational risk, Pensioenfonds Vervoer has developed a code of conduct, policy and guidelines. An independent supervisor (compliance officer) oversees compliance with these rules by persons involved. In 2016 the recruitment process for a new external compliance officer was completed and the code of conduct was overhauled.

## Legal risk

An example of legal risk is the risk that Pensioenfonds Vervoer might inadvertently fail to comply with a particular law or regulation, which could lead to fines and/or claims at any time. Parties to which tasks have been outsourced may also inadvertently arrange legal affairs poorly, as a result of which the pension fund might suffer damage. Legal risk also arises from the contracts entered into by the pension fund with third parties. In order to improve control of these risks, Pensioenfonds Vervoer has a legal employee in service. For specific legal cases, use is made of external specialists. Please refer to the paragraph headed 'Compliance with legislation and regulations' in Chapter 3 'Pension funds' Code'.

In 2016 special attention was paid among other things to establishing a privacy policy, including the reporting of data leaks, for the pension fund. The Board has confirmed this policy. At the same time awareness raising sessions were held for the Board on privacy legislation and the pension fund's policy. Pensioenfonds Vervoer adheres to a strict policy of care in matters affecting the privacy of the fund's participants and other stakeholders.



## 9. Key financial figures

### 9.1 Statistical information

#### Number of employers obliged to make contributions and number of participants

	31-12-2016	31-12-2015
Employers obliged to pay contributions	8,185	7,722
Employers who have joined the scheme voluntarily	209	192
Total number of affiliated employers	8,394	7,914
Participants, active and continued	161,410	157,268
Former participants	388,695	380,242
Pensioners	85,801	85,523
Total number of participants	635,906	623,033

#### Employers obliged to pay contributions

In 2016 the number of employers obliged to pay contributions increased by 463. Together with an increase of 17 in the number of voluntarily affiliated employers, the total number of employers affiliated in 2016 increased by 480. In 2015 the number of employers obliged to pay contributions increased by 22 and the number of voluntary member employers rose by 3. There was thus a total increase of 25 in the number of affiliated employers in 2015. In the period 2011 to 2014 inclusive the number of affiliated employers declined. After a number of years of declines and limited increases we are thus now seeing a sharp increase.

#### Number of exempted undertakings and employees

As at 31 December 2016 the following exemptions had been granted:

- exemption for the entire workforce:  
17 undertakings (2015: 19 undertakings);
- exemption for a group of the personnel or settlement/individual exemption for one or more employees:  
12 undertakings (2015: 15 undertakings).

## Bankruptcies

The number of employers falling within the obligatory pension fund membership and declared bankrupt fell by 28 relative to 2015. In 2014 the number fell by 95 relative to 2013. As can be seen from the following table, there is clearly a declining trend.

### Bankruptcies in the past five years

	2016	2015	2014	2013	2012
Number	182	210	305	357	430

### Number of requests for voluntary individual continuation

In 2016 there was one request (2015: 3 requests) for voluntary continuation after expiry of mandatory participation.

### Number of employers, participants and former participants in the past five years

	Employers	Participants	Former participants with rights
2012	8,580	163,976	361,973
2013	8,215	161,172	377,490
2014 [1]	7,899	156,343	375,830
2015	7,914	157,268	381,315
2016	8,394	161,410	388,695

[1] The numbers of participants at year-end 2014 have been corrected in accordance with a new method of accounting introduced in 2015. The improvements relate to, among other things, no longer including participants who are in the pension administration system but have no pension entitlements and the elimination of double counting of participants who are partly active and partly entitled to benefits. For 2014 the numbers have been recalculated in accordance with the new method. It was not technically possible to recalculate numbers from years prior to 2014 using the new method. The figures presented in the above table for 2012 and 2013 have thus not been adjusted.

### Collection of contributions

At the end of 2016 contributions receivable stood at €182 million (net of the provision for doubtful debts). As at year-end 2016, €156 million of this amount was not yet due (year-end 2015: €168 million, of which €146 million not yet due).

## Specification of established and invoiced contributions in respect of the financial year

	2016	2015
Pension scheme		
- Compulsory contribution	959	910
- Supplementary disability insurance	18	16
- Claim against UWV	0	1
Total	977	927

## Contributions received and contribution for account of the pension fund for disabled participants in the past five years

	Contributions received (excl. AOW state old-age pension, ANW (state survivor benefits), VUT and VOL early retirement (1))	Contribution account of the pension fund for disabled participants (2)	Total contributions (3) = (1) + (2)	(4) = (2) in percent of (3)
2012	840	17	857	2.0
2013	730	17	747	2.3
2014	640	16	656	2.4
2015	551	16	567	2.8
2016	643	18	661	2.8

## Pensions and other benefits

In 2016 a total of €334 million was paid in respect of pensions and other (one-off) benefits, compared with €327 million in the previous year.

### Pensions and other benefits

	2016	2015
Old age pension	225	204
Partner's pension	52	49
Orphans' pension	2	2
Supplementary disability insurance	16	17
Early retirement pension payments	20	28
Surrenders	16	13
Other payments	3	14
Total	334	327

## 9.2 Execution costs

Pursuant to the Pensions Act it is legally obligatory to report at least the following in respect of costs:

- administrative execution costs, as a total amount and as an amount per participant or pensioner;
- costs of asset management as a total amount and as a percentage of the average assets invested in the annual report;
- transaction costs as a total amount and as a percentage of the average assets invested in the annual report.

The following is an explanation of the situation regarding these components in Pensioenfondsvervoer.

### Costs of pension management 2016

The costs of the execution of the pension scheme consist of costs of the activities of TKP (the company responsible for the implementation of the scheme), the costs of the Board, a prorated part of the costs of the Administrative Office and the costs of supervision. Total pension execution costs for 2016 amounted to €21 million (2015: €20 million). In this regard we should point out that the increase in pension management costs in 2016 would have been €1 million greater if the method of allocating costs between pension management and asset management had not been changed. Until 2015 inclusive, the costs of the Board and its committees, supervisors and auditors were allocated 100% to pension management. Starting in 2016 these costs are allocated 50/50 to pension management and asset management. The costs of the advisory and certifying actuary were formerly also 100% allocated to pension management. Starting in 2016 these costs are allocated

75/25 to pension management and asset management. The increase in pension execution costs was caused by the fact that 2016 was the first full year with VAT (following the expiry of the exemption in 2015), as well as by extra project-related costs. Personnel costs of the Executive Office also increased.

As the number of members and pension beneficiaries is decisive for the level of costs to a considerable extent and in order to compare the pension funds with each other, pension execution costs are also shown as an amount per participant (including pensioners but excluding former participants with dormant rights). In 2016, the costs per participant were €84. This figure was unchanged from 2015. However in 2015 the former cost allocation method still applied. With the new cost allocation method pension execution costs per participant for 2015 would have been €80.

## Benchmarking of pension management costs 2015

In order to test the level of costs, Pensioenfondsen Vervoer takes part in the annual study by the Institutional Benchmarking Institute (IBI) of the (average) level of pension funds' pension management costs (the benchmark). The pension fund also has its costs, returns and risks compared by First Pensions with the top 50 Dutch pension funds. The results of these studies are used among other things in assessing the level of these costs in Pensioenfondsen Vervoer relative to the level of similar costs at other comparable pension funds.

The cost benchmarking figures included in this board report refer to the year preceding the reporting period. IBI and First Pensions can produce their reports for a given financial year only after the figures of all participating or top 50 pension funds become available. At that time Pensioenfondsen Vervoer's annual report for that financial year has already been finalised. Therefore we cannot yet present the benchmarking results for 2016. Accordingly you will find hereunder the figures for 2015, with those of 2014 for comparison.

The number of Dutch pension funds taking part in the IBI's 2015 study was 28 (2014: 29), composed of: 13 (2014: 15) industry-wide pension funds and 15 (2014: 14) company pension funds. These funds represent 36% (2014: 28%) of total pension assets and 50% (2014: 39%) of all participants (incl. former participants) in the Netherlands.

The peer groups for Pensioenfondsen Vervoer used by IBI differ according to whether pension management or asset management is concerned. For pension management there are 8 (2014: 15) pension funds in the IBI -peer group. These 8 funds are comparable to the extent that they concern industry-wide funds with more than 100,000 participants each.

In 2015 the pension execution costs of Pensioenfondsen Vervoer as calculated by IBI were €84 (2014: €79) per active participant and pensioner. This places Pensioenfondsen Vervoer's execution costs per participant below those of the IBI peer group (the composition of which had changed substantially) (2015: €89 / 2014: €154<sup>5</sup>) and the IBI universe (2015: €375 / 2014: €275).

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<sup>5</sup> As a result of refinement of the division into peer groups, the IBI peer groups, and therefore the results of 2014 and 2015, differ substantially from one another. Average costs per participants for 2014 would have been €86 instead of €154 if the peer group composition had been the same in that year as it was in 2015.

The same picture emerges from First Pensions' analysis. Compared with the execution costs of Pensioenfondsen Vervoer (2015: €84 / 2014: €79), the costs of the First Pensions peer group, consisting of 13 pension funds comparable in terms of size, amounted to €172 in 2015 (2014: €175). The average pension execution costs per participant of the top 50 in 2015 were €202 (2014: €200).

Pensioenfondsen Vervoer's pension execution costs per active participant and pensioner in 2015 and 2014 were thus relatively low. The fact that pension execution costs were higher in 2015 than in 2014 was due to the end of the VAT exemption as of 1 January 2015, as a result of which pension executor TKP has had to charge VAT on most of the costs incurred on behalf of the pension fund since that date.

### Asset management costs in 2016 (excluding transaction costs)

In determining the cost of asset management Pensioenfondsen Vervoer strives to be as transparent as possible. This means that both the direct costs and the costs indirectly charged through the investment performance are included in the calculation. The cost of asset management also includes a prorated part of the costs of the Executive Office, the overall fund manager and external advisers' fees. Total costs of asset management came to €71 million in 2016 (2015: €67 million). In this regard we should point out that the increase in pension management costs in 2016 would have been €1 million greater if the method of allocating costs between pension management and asset management had not been changed. The increase in asset management costs in absolute terms in 2016 relative to 2015 is attributable to the increase in average invested assets in 2016. Expressed as a percentage of average invested assets, asset management costs for 2016 were 0.31%, as against 0.33% for 2015.

### Benchmarking of asset management costs for 2015 (excluding transaction costs)

IBI also compared the asset management costs of the participating pension funds. As in the case of pension execution costs, the results of the IBI-study referred to in this board relate to the year prior to the reporting year, lagging the annual report. The results of the costs benchmarking for 2015 will not be available until the autumn of 2016.

As already mentioned, the peer groups used by IBI for Pensioenfondsen Vervoer are different as between pension management and asset management. The peer group for asset management is constructed on the basis of the volume of assets under management at the end of the reporting year. The 2015 peer group 2015 for Pensioenfondsen Vervoer consists of 12 (2014: 10) participating funds with AUM of more than €5 billion.

The investment costs of Pensioenfondsen Vervoer in 2015 amounted to 33 (2014: 36) bps of invested capital. The 2015 result for Pensioenfondsen Vervoer is lower than the average of the IBI peer group (34 bps for 2015 and 41 bps for 2014) and also lower than the average of the IBI universe (40 bps for 2014 and 45 bps for 2014).

The First Pensions study also shows Pensioenfondsen Vervoer's asset management costs (2015: 33 bps / 2014: 36 bps) as being somewhat lower than the market average. The asset management costs of the First Pensions peer group, consisting of a constant group of 13 reasonably comparable pension funds in terms of size, amounted on average to 40 bps in 2015 (2014: 41 bps.) De asset management costs of the top 50 averaged 40 bps in 2015. (2014: 40 bps).

## Asset management transaction costs

The above figures for costs of asset management exclude transaction costs. Part of these transaction costs cannot easily be shown precisely as these costs are sometimes incorporated in the transaction prices, as is specifically the case for fixed-income securities and financial derivatives. In those cases the asset managers of Pensioenfonds Vervoer have indicated the turnover and the costs associated with it. To the extent that transaction costs could not be precisely or acceptably established, use was made of an estimation method in line with the aforementioned recommendations of the Pension Federation.

Transaction costs for 2016 (partly estimated) came to 0.12% (2015: 0.10%) of average assets invested. The percentage indicated thus relates not only to visible costs, but also to the costs forming an invisible part of transaction prices. Also included are the visible and invisible transaction costs deriving from transfers, phased portfolio changes based on the investment policy set by the Board, switching of asset manager if the execution of the policy gives rise to it and the streamlining of the account structure for the various investments. The transaction costs percentage also includes the costs of the so-called 'restrikes'. This concerns changes in derivative positions held to hedge the interest rate risk so as to remain within pre-agreed bandwidths.

### 9.3 Actuarial paragraph

In establishing the provision for pension obligations, assumptions are made in respect of mortality rates, returns and costs for example. Over the course of the year actual developments inevitably deviate from these assumptions, as a result of which gains or losses are realised relative to the assumptions. The following summary of the actuarial analysis breaks down the balance of income and expenses according to the various sources.

#### Balance of income and expense (amounts in millions)

	2016	2015
Result on contribution:		
Attributed actual contribution	661	568
Needed for costs	-19	-18
Needed for pension accrual	-811	-741
To contribution equalisation reserve	57	124
Other changes	-5	-2
Total result on contribution	-117	-69
Result on investments and obligations:		
Result on investments	2,528	-327
less: addition to return re VPL (early retirement)	-112	17
Required for NPV discount rate	10	-32
Change in NPV discount rate	-2,091	-1,323
Total result on investments and obligations	336	-1,665

## Balance of income and expense (amounts in millions)

Result of indexation		
Excess indexation	2	1
Total result on indexation	2	1
result on mortality:		
Net decrease due to probabilities model	-33	-29
Net decrease due to mortality	134	128
Required for mortality	-80	-82
Total result on mortality	21	17
Result on disability:		
Result on supplemental insurance	-17	10
Result on contribution exemption	-50	-2
One-off correction re provision of SUAG (disability statistics)	0	0
Total result on old-age pensions	-67	8
Result on costs:		
Available from contributions	20	18
Available from provision	6	6
Needed for actual costs	-21	-20
Total result on costs	5	4
Other results:		
Shortfall in surviving dependants' and orphans' pension	2	2
VPL (early retirement)	1	4
Retirement and flexibilisation	0	20
Expiry of unclaimed benefits	6	4
To contribution equalisation reserve	77	-124
Other	-157	6
Total other results	-71	-88



## Balance of income and expense (amounts in millions)

Conversion of principles:	-75	-5
Total conversion of principles	-75	-5
<i>Total result</i>	34	-1,797

## Feasibility test and risk appetite

In replacement of the continuity analysis under the old FTK financial assessment framework, the new FTK has introduced the feasibility test. The feasibility test aims to provide an insight into the inter-dependency of the financial structure, the expected pension result and the associated risks. This test must be performed at least once a year, for the first time before 1 October 2015. That was the so-called initial feasibility test. Given the long forecast period of 60 years, the results are of only very limited value for the short term. We describe hereunder the risk appetite as established in 2015 by the Board, in consultation with the parties to the collective labour agreement and the Accountability Body. Equitable consideration of interests was the touchstone here. This risk appetite is in line with the current strategic standard in terms of the risk profile of the investments.

The risk appetite of the pension fund, as established in the Financial Assessment Framework Decree of December 2014, consists of three parts:

1. Qualitative description of risk appetite;
2. Quantitative description of short-term risk appetite;
3. Quantitative description of long-term risk appetite.

The risk appetite of the pension fund conforms to the 'prudent person rule'. For the short term, risk appetite finds expression in required own funds or an acceptable range for required own funds. For the long term, risk appetite is reflected in the lower limits selected by the pension fund for the feasibility test.

The feasibility test is a stochastic test that provides an insight into the inter-dependency of the financial structure, the expected pension result and the associated risks. The economic scenarios have been prescribed by DNB.

1: Qualitative description of risk appetite:

- Contribution is equal to 30% of the pension basis.
- The contribution must be cost-effective (including financing of the VPL obligation).
- In determining the cost-effective contribution for pension accrual, a 120-month averaging of the interest rate is used. In determining the cushioned cost-effective contribution for the VPL (early retirement) scheme, an interest rate is used that is equal to the average of the interest rate term structures published by DNB over the five years preceding the calendar year in question using the interest rate term structure of 30 September as the basis.
- Not having to curtail pensions is more important for now than granting supplements. This means that the risk of curtailment must be low.

## 2: Quantitative description of short-term risk appetite.

The short-term risk appetite translates into a strategic investment portfolio with bands. The risk, measured by means of required own funds for the strategic portfolio, amounts to approximately 18%. Future changes in required own funds caused by fluctuations in interest rates are allowed. The Board has resolved to use a lower limit of 85% and an upper limit of 125% for the required own funds band on the basis of the strategic portfolio. Relative to the required own funds for the strategic portfolio of approximately 18%, this means a bandwidth of 15.3% to 22.5%. With this policy the Board considers that this bandwidth is acceptable from the balance sheet risk management point of view.

## 3: Quantitative description of long-term risk appetite.

In application of the provisions of Article 22 of the Financial Assessment Framework Decree, the pension fund chose the following limits for performing the initial feasibility test:

- The lower limit for the expected pension result assuming the pension fund has precisely the amount of required own funds is equal to 85%.
- The lower limit for the expected pension result based on the pension fund's actual funding ratio at the time the new financial assessment framework came into force is also equal to 85%.
- For the annual feasibility test, the pension fund uses the actual funding ratio as the basis for calculating both the expected pension result and the pension result in an adverse scenario. The maximum relative deviation between the expected pension result and the pension result in an adverse scenario that the pension fund finds acceptable is 33%. This means that, based on the actual funding ratio, the pension result can be more than 33% lower than the expected pension result in only 5% of scenarios.

## Financial position of the pension fund

The new FTK (Financial Assessment Framework) came into force on 1 January 2015. The funding ratio is established as the pension assets divided by total technical provisions. The funding ratio as at 31 December 2016 was at exactly the same level as one year earlier, namely 101.0%.

The test magnitude in the new FTK is the policy funding ratio. This is the average funding ratio of the past 12 months. The policy funding ratio decreased during the financial year, from 104.5% at the end of 2015 to 98.9% as at 31 December 2016.

The Pension assets of the pension fund are calculated as own funds plus technical provisions. Pension assets thus defined stood at €21.8 million as at 31 December 2016. Pension assets divided by technical provisions (€21.6 million) gives the above-mentioned funding ratio of 101.0%. In 2015 pension assets were €19.0 million and technical provisions €18.8 million, also giving the aforementioned funding ratio of 101.0%.

The new Financial Assessment Framework (FTK) defines two assessments limits:

The 'minimum required funds' are equal to the provision for pension obligations plus a supplement ("minimum required own funds") for general risks. The result of this exercise expressed as a percentage of the technical provisions was 104.4% at 31 December in both 2015 and 2016. Given the policy funding ratio of 104.5% as at 31 December 2015, there was at that time no 'funding deficit' under the FTK; however as at 31 December 2016 there was such a funding deficit. Since the policy funding ratio of 98.9% was even less than 100%, the description 'underfunding' also applies.

'Required funds' are equal to the provision for pension obligations plus such mark-up ('required own funds') as is needed to prevent the probability of the pension fund's funding ratio falling below 100% in a one-year period from exceeding 2.5%. DNB has developed a standard test to determine this mark-up. Specifically the interest rate risk and the fixed asset investments risk are decisive for the outcome of this test at Pensioenfondsvervoer. The required funds based on the strategic portfolio as at 31 December 2016 amounted to 17.2% of nominal pension obligations. The required funding ratio was therefore 117.2% (year-end 2015: 119.0%). In view of the policy funding ratio of 98.9% at the end of 2016 (unchanged from year-end 2015) there was a 'reserve deficit'. For the sake of completeness we report required funds also on the basis of the actual investment mix: the result as at 31 December 2016 in that case is 118.1% (year end 2015: 119.6%).

## Recovery plan and development of funding ratio

In view of the reserve deficit observed, the Board drew up and submitted an updated recovery plan to DNB in the first quarter of 2016 on the basis of the figures as at 31 December 2015. The recovery plan shows that the pension fund can restore the required funds within the legally established timeframes without the need for additional measures. In May 2016 DNB informed the fund of its agreement with the recovery plan submitted.

The following table provides insight into the actual development of the funding ratio in 2016 compared with the estimates in the recovery plan.

### Changes in the funding ratio in 2016

	Actual	Recovery plan	Difference
Initial funding ratio in the recovery plan (year-end 2015)	101.0%	101.0%	0.0%
Change in the funding ratio as a result of:			
New entitlements	- 1.2%	- 0.6%	- 0.6%
Benefits paid	0.0%	0.0%	0.0%
Supplement granted	0.0%	0.0%	0.0%
Change in interest rate (IRTS)	- 10.1%	0.0%	- 10.1%
Investment result	12.6%	3.5%	9.1%
Other causes	- 1.3%	0.0%	- 1.3%
Funding ratio as at 31 December 2016	101.0%	103.9%	- 2.9%

Notes

### Cost-effective contribution

The FTK (Financial Assessment Framework) defines a cost-effective contribution for new pension entitlements. The contribution due is tested for cost-effectiveness by comparing it with the cost-effective (test) contribution. The test is conducted on the basis of 30 September of the year prior to the financial year, in this case 30 September 2015. In

accordance with the circumstances at that time, the cost-effective (test) contribution then also determines the testing in the financial year. For the cost-effective (test) contribution, a smoothed interest rate is used, namely the average of the IRTS published by DNB over the past 120 months prior to the test date.

The components of the cost-effective contribution are summarised in the following table:

### Actual contribution versus cost-effective (test) contribution

	Actual contribution	Contribution covering ex-post costs 'test contribution' based on average IRTS over 120 months as at 30 Sept. 2015	Cost-effective contribution based on IRTS 31 Dec. 2015
a) Actuarially needed for pension accrual		548	811
b) Execution costs in financial year		15	14
c) Solvency surcharge (required own funds)		106	154
TOTAL	[A] 718	[B] 669	[C] 979
d) Positive difference between actual and cost-effective contribution [A] - [B] <sup>6</sup>		49	
e) Addition for returns		20	
f) Other movements <sup>7</sup>		8	
g) To contribution equalisation reserve		77	

We comment as follows on the various components:

- This concerns the year's purchases of old age pensions, partners' pensions and early retirement pensions as well as the risk contributions for death and disability risks. The disbursement costs for subsequent recognition in the technical provisions are also included in this item.
- The surcharge for execution costs concerns the actual execution costs after taking account of the release from benefits paid.
- The solvency surcharge ensures that through the purchase of new entitlements the funding ratio is maintained at or brought up to the necessary level. This is because the pension fund needs to have a buffer for new entitlements too,

<sup>6</sup> The items referred to under d) and f) were offset in the financial statements under 'contributions in contribution-equalisation reserve for future accruals'.

which is not included in part a. The amount of the solvency surcharge depends on the required own funds (see 'Financial position of the pension fund'). As at the test date of 30 September 2015 required own funds were 19.4%. Expressed in terms of item a. this solvency surcharge amounts to €106 million (rounded) (see middle column with figures in above table, row c). To determine the pure cost-effective contribution we start from the Required Own Funds of 19.0% at 31 December 2015, which gives a rounded amount of €154 million (see last column to the right with figures, row c).

The actual contribution due is established on the basis of an average contribution. The average contribution in 2016 amounted to €821 million. From this we first deduct the contribution needed for the VPL-obligation. The balance (€718 million) is compared with the cost-effective test contribution of €668 million. The balance of €50 million (row d.), after addition of the corresponding return (€19 million, row e.) and the other changes (€8 million, row f.) is added to the contribution equalisation reserve (row g.).

## Granting of supplement

Each year the Board of the pension fund makes a decision on the indexation of pension benefits and pension entitlements. The actual indexation in any one year is conditional and dependent on the available resources.

There is no entitlement to future indexation. It is uncertain whether, and to what extent, supplements will be granted in the future. The pension fund has not set aside any cash for future indexation; contributions are set on the basis of the objective of being able to pay a nominal pension. Supplements depend on the pension fund's resources, which are significantly influenced by the annual investment results.

In view of the financial position of the pension fund, the Board resolved not to grant any supplement to accrued pension, early pension or top-up scheme entitlements and rights as at 1 January 2017. On 1 January 2016 only the early retirement pension entitlements of Personenvervoer were increased, by 0.22%; this change in 2016 was booked to the technical provisions. On 1 January 2017 no conditional indexation was granted.

Providing this does not conflict with legislation, unconditional supplements are granted on pension entitlements and rights accrued up to 1 January 2010 in the top-up scheme. The increase with effect from 1 January 2016 in the pension entitlements in the top-up schemes accrued to 1 January 2010 amounted to 0.81%. On 1 January 2017 no unconditional indexation was granted, because the supplement yardstick (price inflation) was negative. The provision is subject to an annual increase of 2%. The absence of unconditional supplement as of 1 January 2017 leads to a release of part of the provision, which was recognised in financial year 2016.

## Influence of interest rate developments and equities on the financial position

The following table shows how the UFR-funding ratio will evolve with certain movements in investments (equities, property and infrastructure) and how this is influenced by movements in interest rates *ceteris paribus*.

interest rate		Percentage change in investment portfolio																					
		-40.0%	-35.0%	-30.0%	-25.0%	-20.0%	-15.0%	-10.0%	-5.0%	0.0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%	35.0%	40.0%					
change in interest rate	-2.00%	-0.55%	85%	86%	87%	88%	89%	90%	91%	92%	93%	94%	95%	96%	97%	98%	99%	100%	101%	102%	103%	104%	
	-1.75%	-0.30%	85%	86%	87%	88%	89%	90%	91%	92%	93%	94%	95%	96%	98%	99%	100%	101%	102%	103%	104%	106%	108%
	-1.50%	-0.05%	85%	86%	88%	89%	90%	92%	93%	94%	96%	97%	98%	99%	100%	101%	103%	104%	105%	107%	108%	109%	110%
	-1.25%	0.20%	85%	86%	88%	89%	91%	92%	94%	95%	96%	98%	99%	100%	101%	102%	104%	105%	107%	108%	109%	110%	111%
	-1.00%	0.45%	85%	87%	88%	90%	91%	93%	94%	96%	97%	99%	100%	101%	102%	103%	105%	106%	108%	109%	110%	111%	112%
	-0.75%	0.70%	85%	87%	89%	90%	92%	93%	95%	97%	98%	100%	101%	102%	103%	104%	106%	107%	109%	110%	111%	112%	113%
	-0.50%	0.95%	86%	87%	89%	91%	92%	94%	96%	97%	99%	101%	102%	104%	105%	106%	107%	109%	110%	111%	112%	113%	114%
	-0.25%	1.20%	86%	88%	90%	91%	93%	95%	96%	98%	99%	100%	102%	103%	105%	107%	108%	110%	112%	114%	116%	118%	120%
	0.00%	1.45%	86%	88%	90%	92%	94%	96%	97%	99%	101%	103%	104%	106%	108%	109%	111%	112%	114%	116%	118%	120%	122%
	0.25%	1.70%	87%	88%	91%	93%	94%	96%	98%	100%	102%	104%	106%	108%	109%	111%	112%	114%	116%	118%	120%	122%	124%
	0.50%	1.95%	87%	89%	91%	93%	95%	97%	99%	101%	103%	105%	107%	109%	111%	113%	115%	117%	119%	121%	123%	125%	127%
	0.75%	2.20%	88%	90%	92%	94%	96%	98%	100%	102%	105%	107%	109%	111%	113%	115%	117%	119%	121%	123%	125%	127%	129%
	1.00%	2.45%	88%	91%	93%	95%	97%	99%	102%	104%	106%	108%	110%	112%	114%	116%	118%	120%	122%	124%	126%	128%	130%
	1.25%	2.70%	89%	91%	94%	96%	98%	100%	103%	105%	107%	109%	111%	112%	114%	116%	118%	120%	122%	124%	126%	128%	130%
	1.50%	2.95%	90%	92%	94%	97%	99%	102%	104%	106%	108%	110%	111%	114%	116%	118%	120%	122%	124%	126%	128%	130%	132%
	1.75%	3.20%	90%	93%	95%	98%	100%	103%	105%	108%	110%	113%	114%	116%	118%	120%	122%	124%	126%	128%	130%	132%	134%
2.00%	3.45%	91%	94%	96%	99%	102%	104%	107%	110%	112%	115%	117%	119%	121%	123%	125%	127%	129%	131%	133%	135%	137%	

## 10. Events after the reporting period

### Voluntary affiliation of PSS, with group transfer of pension entitlements

Pensioenstichting Security (hereinafter PSS) intends to liquidate, and has transferred its participants' rights to Pensioenfonds Vervoer by means of a group transfer of pension entitlements in accordance with Article 84 of the Pensions Act with retroactive effect from 1 January 2017. In mid-December 2016 DNB indicated that it had no objection to the group transfer of pension entitlements. In January 2017 PSS transferred an amount of €156.4 million to Pensioenfonds Vervoer. On 23 March 2017 an additional €4.9 million was transferred in respect of the VPL scheme. In the course of 2017 a definitive settlement will take place.

The Hague, 20 April 2017

The Board

Ms R. Hidding

Mr L.J.H. Ceelen

Ms S. Kraaijenoord

Mr M. van Ballegooijen

Mr P.W. Kievit

Ms L.F.A.M. Jansen

Mr W. Kusters

Ms A.J. Stevens CPE

Ms W. Westerborg

Prof. P.A. Stork

# FINANCIAL STATEMENTS



## 11. Balance Sheet as at 31 December 2016

		31-12-2016 €	31-12-2015 €
<b>ASSETS</b>			
Investments for risk of the pension fund	(1)		
Investment property		639	601
Equities		7,166	5,857
Fixed income securities		14,437	12,749
Derivatives		1,683	1,189
Other investments		1,399	1,047
		<b>25,324</b>	<b>21,443</b>
Receivables, prepaid expenses and accrued income	(2)	790	1,174
Other assets	(3)	21	30
		<b>26,135</b>	<b>22,647</b>
<b>LIABILITIES AND EQUITY</b>			
Foundation capital and reserves	(4)		
Foundation capital		0	0
Solvency reserve		215	181
		<b>215</b>	<b>181</b>
Technical provisions	(5)	21,558	18,786
Contribution equalisation reserve	(6)	201	124
Obligations under the VPL Act re early retirement schemes	(7)	1,235	967
Derivatives	(8)	2,328	1,632
Other payables, accruals and deferred income	(9)	598	957
		<b>26,135</b>	<b>22,647</b>

(-) The numbers indicated alongside items refer to the notes to the balance sheet on pp. 78 ff.

## 12. Income Statement

		2016		2015
		€	€	€
Income				
Contributions for account and risk of the pension fund	(10)	764		699
Investment results for account and risk of the pension fund	(11)	2,528		-327
Other income	(12)	1		14
Total income		3,298		386
Expenses				
Payments of benefits	(13)	334		327
Pension execution costs	(14)	21		20
Increase/decrease in pension liabilities provision for account and risk of the pension fund				
- Pension accrual		811	741	
- Granting of supplement		-2	-1	
- Interest allocation		-10	30	
- Utilised for benefit payments and execution costs		-336	-303	
- Change in market interest rate		2,091	1,323	
- Changes arising from transfer of rights		-1	76	
- Adjustment to mortality risks		75	0	
- Other changes in provision for pension obligations		0	6	
Other changes		144	65	
		2,772		1,937
Change in other provisions				
Investment return on contribution equalisation reserve	(15)	20		-2
Investment returns in respect of VPL	(16)	112		-17
Reinsurance balance	(17)	1		0
Balance of transfer from third parties	(18)	-4		-87
Other expenses	(19)	3		5
Total expenses		3,259		2,183
Balance of income and expenses		34		-1,797

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Appropriation of profit and loss		
Solvency reserve	34	-1,797

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(-) The numbers indicated alongside items refer to the notes to the balance sheet on pp. 112 ff.

## 13. Statement of Cash Flows

The statement of cash flows has been prepared in accordance with the direct method.

	2016		2015	
	€	€	€	€
Cash flows from pension activities				
Inflows				
Contributions received (incl. VPL-contribution)	967		932	
Received in respect of transfer of rights	13		112	
Payments received from reinsurers	1		1	
		981		1,045
Outflows				
Pension benefits paid	-331		-313	
Paid in respect of transfer of rights	-8		-19	
Reinsurance premiums paid	-2		-1	
Pension execution costs paid	-23		-15	
	-1		0	
		-365		-348
Total cash flow from pension activities		616		697
Cash flow from investing activity				
Inflows				
Direct investment income received	722		697	
Disposals and redemption of investments	11,784		9,778	
		12,506		10,475
Outflows				
Investments acquired	-13,081		-11,106	
Asset management costs paid	-70		-61	
Other	20		0	
		-13,131		-11,167
Total cash flows from investment activities		-625		-692
Net cash flow		-9		5
Change in cash and cash equivalents		-9		5

Composition of cash and cash equivalents	2016		2015	
	€	€	€	€
Cash and cash equivalents at the beginning of the year		30		25
Cash and cash equivalents at the end of the year		21		30
Of which:				
For risk of the pension fund		21		30
For risk of participants		0		0

## 14. Notes to the financial statements

### 14.1 General

#### Activities

Stichting Bedrijfstakpensioenfonds voor het Beroepsvervoer over de Weg (hereinafter 'the fund') was established in 1963. Its statutory head office is in Amsterdam and its main operational office is in The Hague.

The foundation is registered with the Chamber of Commerce under number 41199575.

In accordance with Article 4 of its Articles of Association, the object of the fund is, within the circle of affiliated employers and in accordance with the provisions of the Articles of Association and the regulations of the fund, to acknowledge claims and/or grant rights to participants, former participants, persons entitled to a pension and their surviving relatives in respect of benefits for old age, disability or death and/or early retirement benefits.

Note 5 on the technical provisions contains a brief description of the various pension schemes.

#### Statement of compliance

The financial statements have been prepared in compliance with the legal stipulations as contained in Title 9, Book 2 of the Dutch Civil Code and in accordance with the Guidelines for Annual Reporting, and in particular Guideline 610 on Pension Funds. The Board approved the financial statements on 20 April 2017.

All amounts are expressed in millions of euros unless otherwise stated.

#### References

The balance sheet and the income statement contain references referring to the notes to the financial statements.

### 14.2 Principles

#### 14.2.1 GENERAL PRINCIPLES

##### **Going concern basis**

The financial statements have been drawn up on a going concern basis.

##### **Recognition of assets and liabilities**

An asset is recognised in the balance sheet when it is probable that future economic benefits will accrue to the fund and its value can be reliably established.

A liability is recognised in the balance sheet when it is probable that an outflow of resources will be required to settle the obligation and its amount can be reliably established.

## Recognition of income and expense

Income is recognised in profit and loss when there has been an increase in the economic potential related to an increase in an asset or a decrease in a liability and its amount can be reliably established.

Expense is recognised when a reduction in the economic potential has taken place relating to a decrease of an asset or an increase in a liability and its amount can be reliably established.

If a transaction leads to all or substantially all future economic benefits and all or substantially all risks in respect of an asset or liability being transferred to a third party, the asset or liability is removed from the balance sheet. Assets and liabilities are also removed from the balance sheet when the conditions of probability of future economic benefits and reliability of the establishment of their value cease to be met.

This means that transactions are processed on trading date, not on settlement date. As a result there may be 'transactions pending settlement'. This item can be either an asset or a liability.

## Offsetting of assets and liabilities

A financial asset and a financial liability are offset against one another and shown in the balance sheet as a net amount where there is a legal or contractual entitlement to settle both at the same time for the net amount and where it is also the intention to settle the items in this way. The interest income and expense associated with the offset financial asset and financial liability is also recognised on a net basis.

## Foreign currency

### *Functional currency*

The financial statements have been drawn up in euros, the euro being the fund's functional and presentation currency.

### *Transactions, receivables and debts*

Transactions in foreign currency during the reporting period are shown in the financial statements at the exchange rate on the transaction date. Assets and liabilities in foreign currency are translated into euros at the exchange rate of the balance sheet date. Exchange differences arising from the settlement and translation are recognised in profit or loss.

## Exchange rates of the most important currencies

	31 December 2016	average 2016	31 December 2015	average 2015
USD	0.9480	0.9059	0.9205	0.9060
GBP	1.1715	1.2156	1.3568	1.3818
JPY	0.0081	0.0083	0.0076	0.0074

## Change in estimates

The preparation of the financial statements in accordance with Title 9, Book 2 of the Dutch Civil Code requires the Board to form judgements and to make estimates and assumptions that influence the application of principles and the reported value of assets and liabilities and income and expense items.

Estimates and underlying assumptions are constantly reviewed. Revised estimates are recognised in the period in which the estimate is revised, and in future periods for which the revision has consequences. Judgements with significant consequences for the financial statements made by the Board in applying principles relate in particular to the investments and the technical provisions.

On 13 September 2016 the Association of Actuaries published the new AG2016 mortality table. The Board decided to use the AG2016 mortality table to establish the technical provisions. Relative to the AG2014 mortality table, application of the new AG2016 mortality table led to an increase in the technical provisions of 0.3% (€75).

## **Funding ratios**

The policy funding ratio is based on the arithmetic mean of the nominal funding ratios over the previous 12 months. In calculating it, the most recent estimates of the funding ratios concerned are used.

The fund's nominal funding ratio is calculated by dividing the balance sheet total as at balance sheet date, minus short- and long-term obligations in respect of VPL and contribution equalisation by technical provisions as shown in the balance sheet.

The real funding ratio is defined as the policy funding ratio divided by the 'indexation funding ratio', the funding ratio at which full indexation on the basis of price inflation is possible, irrespective of the fund's particular objective for indexation.

### **14.2.2 PRINCIPLES FOR VALUATION OF ASSETS AND LIABILITIES**

## **Investments**

### ***General***

Investments are measured at fair value. Fair value means the amount for which an asset can be negotiated or a liability settled between well informed parties who are prepared to carry out the transaction and are independent of one another.

Shares and units in investment undertakings are measured at fair value. For exchange traded funds this is the listed price as at balance sheet date. Holdings in unlisted investment undertakings are measured at the net asset value as at balance sheet date, which is based on the fair value.

Only if the fair value of an investment cannot be reliably established is it valued at amortised cost price.

### ***Recognition of changes in value of investments***

All realised and unrealised changes in value of investments, including exchange differences, are recognised in profit or loss as investment income.

### ***Investment property***

Property is valued at fair value as at 31 December of the reporting year. The fair value of direct interests is determined for by far the greater part of the portfolio by means of external appraisals performed during the year. Every quarter approximately 25% of that portion externally appraised by a recognised appraiser in accordance with guidelines that tie in with the ROZ/IPD index. The remainder of the portfolio is valued on a quarterly basis using in-house indexing. This is based on external appraisals per sector per quarter. As regards the valuation as at 31 December of properties not externally appraised, an update was received from the external appraiser in the last quarter for use in the internal appraisal.



The fair value is based on the private selling price that could be obtained by offering the property fully let, in the manner most appropriate to the property, after optimal preparation, from the highest bidding buyer other than the lessee. The acquisition costs, consisting of notaries' fees, stamp duty and similar, are for buyer's account and as such not deducted from the fair value.

The private selling price is based on current market prices, adjusted if necessary for specific circumstances and marketability of the property. If this information is not sufficiently available, market prices are estimated on the basis of the capitalised lease or present value method.

The fair value of unlisted shares and holdings in property companies is the calculated intrinsic value of the underlying investments. This concerns fair value as at 31 December of the financial year.

Development property is measured on the basis of actual disbursements, including construction period interest, with tests being carried out on whether these disbursements lead to changes in value. After delivery, developed or re-developed properties are remeasured at fair value. Sales of properties in the reporting year but for delivery in the following year are not recognised as sales in the reporting year.

## **Equities**

Listed equities and holdings in exchange traded funds are measured at fair value, which is the quoted price as at balance sheet date.

The fair value of unlisted shares and units in investment funds included in this category, specifically infrastructure investments, is based on the fund's proportional holding in the equity of the investment vehicles concerned as at balance sheet date.

## **Fixed income securities**

Listed fixed income securities and shares or units in exchange traded funds have been measured at the listed price as at balance sheet date.

If fixed income securities or shares or units in investment undertakings are unlisted, valuation is carried out on the basis of the estimated future net cash flows (principal repayment and interest) deriving from the investments, discounted to present value at the current market interest rate and taking account of the risk profile (credit risk; non-recoverability) and the time to maturity.

## **Derivatives**

Derivatives are measured at fair value, i.e. the relevant market listings or, if these are not available, the value determined with the help of market compliant and testable valuation models. To calculate the market value of interest rate swaps, an overnight indexed swap (OIS) - curve is used as the basis.

If a derivative position is negative, the amount is recognised as a liability.

## **Other investments**

Other investments are measured at fair value.

## Securities lending

The fund takes part in a securities lending programme, under which certain securities are lent for short periods to other market parties. Investments lent under a securities lending agreement are retained in the balance sheet and revalued in accordance with the principles for valuation and determining results applying to these investments. Cash received as collateral is included under Current receivables in respect of investments. If cash received as collateral is reinvested, these investments are shown in the corresponding investment category. The liability in respect of the collateral received is shown under other liabilities. If investments are received as collateral under a securities lending programme, these investments and the associated liabilities are not recognised in the fund's balance sheet. All income and expense deriving from the securities lending programme is recognised in profit and loss on an accrual basis over the duration of the relevant transactions under investment results.

## Receivables, prepaid expenses and accrued income

Receivables, prepaid expenses and accrued income are initially measured at fair value. Receivables are subsequently measured at amortised cost price (equal to nominal value if there are no transaction costs) less any exceptional value impairment in the event of doubt as to recoverability.

## Cash and cash equivalents

Cash and cash equivalents are measured at nominal value. Cash and cash equivalents comprise such cash and bank balances as are immediately available or have less than twelve months to maturity. They are segregated from assets relating to investment transactions. Cash and cash equivalents relating to investment transactions are shown under investments. Overdrafts with banks are shown under debts to credit institutions under other liabilities.

## Foundation capital and reserves

Foundation capital and reserves are determined by the amount remaining after all asset and liability items, including the provision for pension obligations for account and risk of the pension fund and other technical provisions, have been recognised in the balance sheet in accordance with the applicable valuation principles.

## Technical provisions

### *Provision for pension obligations for account and risk of the pension fund*

The provision for pension obligations for account and risk of the pension fund is measured at fair value (market value). The fair value is established on the basis of the present value of the best estimate of the future cash flows associated with the unconditional pension obligations as at balance sheet date. Unconditional pension obligations are accrued nominal entitlements and unconditional supplements or promises thereof. The present value is determined using the market interest rate, for which the current interest rate term structure as published by DNB is used.

The calculation of the provision for pension obligations is based on the pension regulations in force as at balance sheet date and the entitlements obtained over the years of participation that have elapsed. Each year the Board decides whether to grant supplements (indexation) for the accrued pension rights. All decisions to grant supplements existing as at balance sheet date (including decisions after the reporting period insofar as ex ante conditions are involved) have been included in the calculation. No account is taken of future salary developments.

In calculating the provision, account is taken of disability-related contribution-exempt pension accrual on the basis of the present value of the future pension accrual for which contribution exemption has been granted on account of disability, taking account of chances of recovery.

The following items are also included in the provision for pension obligations:

- A provision for the two-year run-off risk in respect of disability;
- A provision for the unconditional supplements for the rights accrued to 1 January 2010 in surplus schemes. This assumes annual indexation of 2%.

In defining the actuarial assumptions, acceptable principles are used, taking account of foreseeable trend in survival rates.

- Market interest rate: the interest rate term structure published by DNB as at balance sheet date, i.e. the interest rate term structure including UFR;
- Mortality basis: AG 2016 mortality table starting 2017, with age-dependent correction factors for mortality risks;
- Marriage frequency: for pensioners born in or before 1935, the following marriage frequency is applied;
- for men, marriage frequency at the age of 60 stands at 90% and tails off thereafter with the mortality risk for women;
- for women, marriage frequency at the age of 65 stands at 70% and tails off thereafter with the mortality risk for men.

For pensioners born in other years the stipulated partner tariff is maintained.

For all active participants and all former participants who have not yet retired, the marriage frequency is maintained until pension date in accordance with the Whole Population 1980-1985 tables (unspecified partner tariff). At target retirement age marriage frequency is 1, tailing off thereafter with the mortality risk of the partner.

- Age difference man-woman: 3 years;
- Disability and chances of recovery in the event of disability: Derived from UWV data for 2006 to 2008 incl.;
- Surcharge for cost of disbursement: 1% of net pre-pension obligations, 2% of other net pension obligations;
- Surcharge for current costs: 0.55% of the pension basis.

## **Contribution equalisation reserve**

The contribution equalisation reserve forms part of the CDC (collective defined contribution) financing agreement between the social partners and the employer. It is a reserve to equalise the contribution over the duration of the collective labour agreement, to 31 December 2020. During this period the resources can be used only as cover for the cushioned cost-effective contribution in any particular year and/or indexation or extra indexation in respect of accrual of pension entitlements of active participants. In fact it is a liability to participants during the validity of the agreement.

In the years 2015 to 2019 inclusive, in which the average contribution received for the pension schemes and VPL transitional schemes (after deduction of the addition to the VPL obligation) is higher than the cushioned cost-effective contribution for the pension schemes, this difference (excess over the cushioned cost-effective contribution) is added to the contribution-equalisation reserve.

In the years to 2020 inclusive, in which the average contribution received for the pension schemes and VPL transitional schemes (after deduction of the addition to the VPL obligation) is lower than the cushioned cost-effective contribution for the pension schemes, this difference (deficit relative to the cushioned cost-effective contribution) is deducted from the contribution-equalisation reserve. Any remaining positive balance in the reserve as at 31 December 2020 will be added to

an indexation reserve to be established. If the contribution equalisation reserve is not sufficient, pension accrual in that year will be reduced in such a way that the contribution received (after deduction of the addition to the liability for transitional financing arrangements) is still cost-effective.

Each year part of the return on investments regarding the fund's reserve is added to the contribution-equalisation reserve.

### **Obligations under the VPL Act re early retirement schemes**

The VPL obligation concerns funds received in advance in respect of VPL. An assumed return is attributed to the balance, the resources being assumed to have been invested in a portfolio that hedges the interest rate risk on entitlements yet to be bought as well as possible. The single premium for the extra pension entitlements in any given year is also deducted from the balance. The scheme was established at the initiative of the fund's social partners, an agreement with whom stipulates that execution is delegated to the fund. The fund has therefore recognised a liability in the balance sheet on the basis of the agreement.

### **Other payables, accruals and deferred income**

Other payables, accruals and deferred income are initially measured at fair value. Liabilities are subsequently measured at amortised cost price (equal to nominal value if there are no transaction costs).

Current liabilities are those with maturities at less than one year.

## **14.2.3 PRINCIPLES FOR DETERMINING THE RESULT**

### **General**

The items in the income statement are significantly related to the valuation principles used for investments and the provision for pension obligations in the balance sheet. Both realised and unrealised results are recognised directly in profit and loss.

### **Contributions (from employers and employees)**

Contributions from employers and employees means the amounts charged or to be charged to third parties in respect of the pensions insured in the reporting year, net of discounts. Contributions are allocated to the period to which they relate. Extra contributions and contribution surcharges are also recognised as contributions.

### **Investment results for account and risk of the pension fund**

#### ***Indirect investment income***

Indirect investment income means realised and unrealised capital gains and losses on investments, including changes in exchange rates of the currencies in which investments are denominated relative to the reporting currency (the euro). In the financial statements no distinction is made between realised and unrealised changes in value of investments. All changes in value of investments, including exchange differences, are recognised in profit or loss as investment income. Indirect investment results are allocated to the period to which they relate.

#### ***Direct investment income***

In this context direct investment income means interest income and expense, dividends, rental and similar income.

Dividends are recognised as soon as they are paid.

#### ***Asset management expenses***

Asset management expenses include both external costs and internal costs allocated to them. Depreciation and other operating costs of property in operation are included in asset management expenses.

#### ***Offsetting of costs***

Direct and indirect investment income is recognised net of related transaction costs, commissions, exchange differences and other cost items.

### **Payments of benefits**

Payments of benefits refer to the amounts paid to participants including surrender. Payments of benefits are calculated on actuarial principles and allocated to the reporting year to which they relate.

#### ***Pension execution costs***

Pension execution costs are allocated to the period to which they relate. Change in provision for pension obligations for the risk of the pension fund.

### **Change in provision for pension obligations for the risk of the pension fund**

#### ***Pension accrual***

With pension accrual, entitlements and rights are valued during the financial year at their level as at balance sheet date.

#### ***Interest allocation***

Interest allocation concerns the increase to the provision for pension obligations on the basis of the one-year interest rate in the interbank swap market at the beginning of the reporting year.

#### ***Withdrawal for pension payments and execution costs***

An actuarial calculation of the future pension execution (particularly disbursement) costs and pension payments is first performed, and these are included in the provision for pension obligations. This item concerns the release for the financing of costs and pension payments for the reporting year.

#### ***Change in market interest rate***

Each year as at 31 December the market value of the provision for pension obligations is recalculated by applying the current interest rate term structure.

#### ***Change in actuarial assumptions***

Each year the actuarial principles and/or methods are assessed and if necessary revised for the calculation of the fair value of the pension obligations. For this, use is made of both internal and external actuarial expertise. This concerns among other things the comparison of assumptions on mortality, longevity and disability with actual observations both for the whole population and for the population of the fund.

Establishing the adequacy of the provision for pension obligations is an inherently uncertain process, in which use is made of estimates and judgements by the fund's Board. The effect of these changes is recognised in profit and loss at the time when the actuarial assumptions are revised.

***Change arising from transfer of rights***

This reflects the balance of the actuarially required single-sum premiums for pension obligations that have been taken over and the release from the provision for pension obligations relating to the transferred pension obligations.

***Other changes in provision for pension obligations***

The remaining changes concern the release from the provision for disabled participants. Apart from this, various other changes are included which do not correspond to previously mentioned reasons.

**Balance of transfer of rights**

Balance of transfer of rights comprised the net balance of amounts arising from pension obligations transferred or taken over.

**Other income and expense**

Other items of income and expense are allocated to the period to which they relate.

**14.2.4 STATEMENT OF CASH FLOWS**

The statement of cash flows has been prepared in accordance with the direct method. All receipts and disbursements are thus shown as such. A distinction is made between cash flows from pension activities and investment activities.

**14.3 Notes to the balance sheet as at 31 December 2016****ASSETS****(1) Investments for account and risk of the pension fund****Investments for account and risk of the pension fund 2016**

	Property investments	Equities	Fixed income securities	Derivatives	Other investments	Total
	€	€	€	€	€	€
Balance as at 1 Jan. 2016	601	5,857	12,749	-443	1,047	19,811
Purchases	94	2,634	9,860	254	323	13,165
Sales	-71	-1,922	-8,746	-1,065	-1	-11,805
Revaluation	23	597	608	609	-5	1,832
Other changes	-8	0	-34	0	35	-7
<b>Balance as at 31 Dec. 2016</b>	<b>639</b>	<b>7,166</b>	<b>14,437</b>	<b>-645</b>	<b>1,399</b>	<b>22,996</b>
Liabilities position in respect of derivatives (credit)						2,328
						<b>25,324</b>

## Investments for account and risk of the pension fund 2015

	Property investments	Equities	Fixed income securities	Derivatives	Other investments	Total
	€	€	€	€	€	€
Balance as at 1 Jan. 2015	529	5,516	11,156	820	1,441	19,462
Purchases	336	2,198	6,671	1,816	115	11,136
Sales	-275	-2,368	-5,144	-1,477	-509	-9,773
Revaluation	12	511	63	-1,602	0	-1,016
Other changes	-1	0	3	0	0	2
<b>Balance as at 31 Dec. 2015</b>	<b>601</b>	<b>5,857</b>	<b>12,749</b>	<b>-443</b>	<b>1,047</b>	<b>19,811</b>
Liabilities position in respect of derivatives						1,632
						<b>21,443</b>

## Investment property

	31 Dec. 2016 €	31 Dec. 2015 €
Direct investment property in operation	140	141
Indirect property investments (holdings in investment undertakings which invest in property)	499	452
Cash and cash equivalents	0	8
<b>Total</b>	<b>639</b>	<b>601</b>

### Note

Within the total property portfolio the fund holds a property mandate. This mandate contains 20 properties owned by the fund (2015: 25). Of these, 19 (2015: 24) have been appraised by an independent sworn appraiser. One has been appraised by an internal appraiser.



## Equities

	2016		2015	
	Listed genoteerd	Unlisted genoteerd	Listed genoteerd	Unlisted genoteerd
	€	€	€	€
Direct equity investments				
Equities	6,876	2	5,584	1
Indirect equity investments				
Equities	24	115	25	99
Private equity	0	149	0	148
<b>Total</b>	<b>6,900</b>	<b>266</b>	<b>5,609</b>	<b>248</b>

At the end of the financial year there were no positions representing more than 5% of the investment category concerned.

## Fixed income securities

	31 Dec. 2016	31 Dec. 2015
	€	€
Government bonds	7,512	5,558
Inflation-linked bonds	33	26
Corporate bonds	5,395	5,755
Retail mortgage loans through investment funds	1,069	1,018
Commercial mortgage loans through investment funds	362	341
Other mortgage loans through investment funds	66	18
Other	0	33
<b>Total</b>	<b>14,437</b>	<b>12,749</b>

### Notes

Within the bond portfolio a portion amounting to €6,172 including accrued interest (2015: €4,394) has been deposited separately as security for derivatives, in case their market value should become negative. The separately deposited bonds are not automatically freely available to the fund. The fact that these amounts are available to serve as security does not mean that they are required in full as collateral. The actual collateral requirement depends on the daily valuation of the derivatives.

At year-end the following items amounted to more than 5.0% of the investment category concerned:

	31 Dec. 2016		31 Dec. 2015	
	€	%	€	%
German government bonds	2,791	19.3	2,065	16.2
Dutch government bonds	3,303	22.9	2,290	18.0
Total government bonds	6,094	42.2	4,355	34.2

## Derivatives

	31 Dec. 2016		31 Dec. 2015	
	€		€	
Forward exchange contracts	-234		-73	
Equity derivatives	1		0	
Interest rate swaps	-414		-371	
Swaptions	1		0	
CDS	0		1	
Other derivatives	1		0	
Total derivatives	-645		-443	

## Other investments

	31 Dec. 2016		31 Dec. 2015	
	€		€	
Hedge funds	0		1	
Cash and cash equivalents	1,399		1,046	
Total other investments	1,399		1,047	

Cash and cash equivalents are held in the form of money market funds.

	31 Dec. 2016		31 Dec. 2015	
	€	%	€	%
Northern Trust Global PLC - Euro Liquidity Fund	583	41.7	338	32.2
Institutional Cash Series Eur Liquidity	284	20.3	210	20.1
Total	867	62.0	548	52.3

## Securities lending

The fund makes some of the shares and bonds available for lending (securities lending). The fund retains economic ownership. For the risk of non-return, collateral has been received in securities and cash. The collateral coverage ratio (collateral received to loaned securities) stood at 104% at the end of 2016 (2015: 103%). Cash received as collateral is reinvested in money market funds. The value of the money market funds is recognised under 'Receivables, prepaid expenses and accrued income'. The obligation to return the collateral received is shown under 'Other liabilities, accruals and deferred income'. This can all be summarised as follows:

	31 Dec. 2016		31 Dec. 2015	
	€	€	€	€
Loaned securities				
Equities	611		575	
Fixed income securities	1,403		1,272	
Total		2,014		1,847
Collateral				
in securities	1,748		1,118	
in cash	339		783	
Total		2,087		1,901

One of the major risks in the securities lending programme concerns a default by a party that has borrowed securities from Pensioenfondsvervoer. In such a situation there is a risk that the fund might not recover the securities.

This risk is (largely) managed by:

- The financial stability required of the counterparties taking part in the programme (minimum A-);
- The agreement that for all loaned securities a higher value in collateral is deposited (minimum 102%);
- The fund's ability to exclude parties (irrespective of rating). This may be desirable in order to prevent exposure to a particular counterparty (also from other activities such as interest rate overlay) from growing too large;
- Custodian's indemnification. This concerns the arrangement whereby in the event of a counterparty's default the custodian is obliged to convert the collateral received back into the securities originally lent.

The remaining risk mainly concerns the situation in which performance of this last-mentioned point proves impossible because of market conditions (e.g. in times of great market stress caused by the default of a major financial party). In such case the custodian will endeavour to restore the fund's original position. If that proves impossible, the value of the loaned securities at the time of default will be paid. It is possible that the price of the securities will have increased by that time, in which case there will be a direct financial loss.

## Estimates and judgements

For the majority of the investments there are market listings which can be objectively established. For certain investments these are not available and valuation is carried out on the basis of valuation models and techniques, including reference to current fair value of comparable instruments and the use of estimates.

Estimates of the present value are a snapshot based on market circumstances and available information on the financial instrument. These estimates are by their very nature subjective and contain uncertainties and a significant element of judgement (e.g. interest rates, volatility, estimate of cash flows, etc.) and can therefore not be established precisely.

On the basis of this variety and gradations in valuation methods, the investments need to be divided into three distinct levels of valuation:

Level 1: The value of the investment is based on directly observable market listings of identical investments in an active market.

Level 2: Fair value is established by means of valuation models which make use of observable market data.

Level 3: The value is established by means of valuation models which make no use of observable market data.

On the basis of this composition, the investment portfolio can be summarised as follows:

	Direct market prices	Inferred market prices	Valuation models	Total
As at 31 December 2016				
Investment property	193	0	446	639
Equities	6,901	0	265	7,166
Fixed income securities	5,811	7,063	1,563	14,437
Derivatives	0	-645	0	-645
Other investments	1,399	0	0	1,399
	14,304	6,418	2,274	22,996

	Direct market prices	Inferred market prices	Valuation models	Total
As at 31 December 2015				
Investment property	192	0	409	601
Equities	5,604	6	247	5,857
Fixed income securities	7,633	3,626	1,490	12,749
Derivatives	0	-443	0	-443
Other investments	1,039	8	0	1,047
	14,468	3,197	2,146	19,811

The value of investments with direct market listings is based on directly observable market listings of identical investments in an active market.

Inferred market prices relate entirely to derivatives. Derivatives are measured at fair value, i.e. the relevant market listings or, if these are not available, the value determined with the help of market compliant and testable valuation models. To calculate the market value of interest rate swaps, an overnight indexed swap (OIS) - curve is used as the basis.

The investments in level 3 consist mainly of unlisted property, mortgage loans, bank loans, infrastructure investments and private equity. Property is valued on the basis of appraisals in accordance with generally accepted models.

Direct investments in property are initially recognised at acquisition prices including transaction costs and subsequently measured at fair value. Fair value is based on appraisal value. Appraisals are carried out by independent experts. In carrying out the valuation, account is taken where appropriate of the actual letting situation and/or renovation activities. Changes in fair value are recognised in profit or loss. Every quarter approximately 25% of the property portfolio is appraised by a recognised outside appraiser in accordance with the asset manager's guidelines. These guidelines tie in with the ROZ/IPD property index. The remainder of the portfolio is valued on a quarterly basis using in-house indexing. This is based on external appraisals per sector per quarter. As regards the valuation as at 31 December for properties not externally appraised an update was received from the appraiser in the last quarter. Investments in unlisted property funds are valued at the fund's proportional share in the fair value of the underlying investments. If property funds' valuation principles differ from those of the fund, the valuation is adjusted if possible to those of the fund.

The market value of mortgage loans has been calculated using the DCF method. In calculating the fair value, a number of parameters and/or assumptions regarding the discount rate and expected cash flows were used. The discount rate consists of a basic rate equal to the euro swap curve, plus surcharges for the type of security, the type of financing and the risk category. The expected cash flows consist of the principal repayments and interest payments to be received based on the weighted average times of receipt including the prepayment risk. The parameters used in the DCF model have been updated as at year-end.

The value of unlisted bank loans is determined with the help of theoretical models fed with current data from the financial markets based on the specific characteristics of the bank loans concerned.

The market value of infrastructure investments has been calculated using the DCF method. In calculating the fair value, a number of parameters and/or assumptions regarding the discount rate and expected cash flows were used.

## (2) Receivables, prepaid expenses and accrued income

### Receivables, prepaid expenses and accrued income

	31 Dec. 2016	31 Dec. 2015
	€	€
Contributions due	181	168
Receivables in respect of investments	604	1,001
Other receivables, prepaid expenses and accrued income	5	5
<b>Total</b>	<b>790</b>	<b>1,174</b>

Other receivables, prepaid expenses and accrued income mainly consist of prepaid pension execution fees for the first quarter of 2017 and a claim against the UWW (Institute for the Execution of Employees' Insurance) in respect of employers' bankruptcy.

All receivables have a remaining time to maturity of less than one year.

### Contributions due

	31 Dec. 2016	31 Dec. 2015
	€	€
Debtors in respect of contributions	194	181
Provisions for doubtful debts	-13	-13
<b>Total</b>	<b>181</b>	<b>168</b>

### Movement in the provision for doubtful debts

	2016	2015
	€	€
Balance as at 1 January	13	13
Write-off	3	4
Additions/reversals charged/credited to profit and loss	-3	-4
<b>Balance as at 31 December</b>	<b>13</b>	<b>13</b>

## Receivables in respect of investments

	31 Dec. 2016	31 Dec. 2015
	€	€
Interest and dividends receivable	175	164
Due in respect of transactions	75	47
Reinvestment of cash received as collateral	339	783
Dividend tax to be reclaimed	15	7
<b>Total</b>	<b>604</b>	<b>1,001</b>

### (3) Other assets

	31 Dec. 2016	31 Dec. 2015
	€	€
Cash and cash equivalents	21	30

Cash and cash equivalents are held with Dutch credit institutions. The balances are freely available to the fund.

**LIABILITIES AND EQUITY****(4) Foundation capital and reserves****Solvency reserve**

	€
Balance as at 1 January 2015	1,978
Appropriation of balance of profit and loss	-1,797
Balance as at 1 January 2016	181
Appropriation of balance of profit and loss	34
<b>Balance as at 31 December 2016</b>	<b>215</b>

The general reserve is equal to the difference between the fund's total own funds and the amounts needed to form the solvency reserve. The solvency reserve is, as a maximum, equal to required own funds, and can never be negative. Because total own funds are less than required own funds, the general reserve is zero. The foundation capital is €0.

	31 Dec. 2016	31 Dec. 2015
	€	€
Solvency reserve	215	181

The solvency reserve is, as a maximum, equal to required own funds.

**Funding ratio, financial position and recovery plan**

	31-12-2016	31 Dec. 2015
	%	%
Nominal funding ratio	101.0	101.0
Real funding ratio	80.5	83.9
Policy funding ratio	98.9	104.5

For determining the required own funds (the solvency test) the fund uses the standard model. The Board considers the use of the standard model appropriate to the risks of the fund. The results of the solvency test have been included in the paragraph headed 'Risk Management'.



On this basis, minimum required own funds amount to

	31 Dec. 2016	31 Dec. 2015
	€	€
Foundation capital and reserves	215	181
Minimum required own funds	947	826
Required own funds	3,714	3,565

The policy funding ratio of the pension fund as at 31 December 2016 is lower than the required funding ratio but higher than the minimum required funding ratio. The pension fund's equity position as at 31 December 2016 can therefore be characterised as having a reserve deficit.

### Evaluation of recovery plan, no curtailment of current pension payments

Pursuant to the amendments to the Financial Assessment Framework effective 1 January 2015, the fund submitted a recovery plan to the supervisor at the end of March 2016. The supervisor approved the recovery plan.

The recovery plan has been updated as at 1 January 2017. The 2017 recovery plan shows that, given the legally prescribed calculation method, the fund can be expected to have a policy funding ratio within ten years that is higher than the required funding ratio (approximately 117%). This calculation used expected returns on investment that were largely lower than the maximum returns allowed for a recovery plan, pension contributions were held steady and pension entitlements and benefits were not adjusted for inflation.

### Proposed appropriation of profit and loss

The balance of profit and loss will be added to the solvency reserve, since total reserves at year-end 2016 were lower than required own funds.

## (5) Technical provisions

### Provision for pension obligations for account and risk of the pension fund

	2016	2015
	€	€
Balance at beginning of the financial year	18,786	16,849
Pension accrual	811	741
Indexation	-2	-1
Interest allocation	-10	30
Withdrawal for payment of benefits	-336	-303
Change in market interest rate	2,091	1,323
Change arising from transfer of rights	-1	76
Adjustment to mortality risks	75	0
Change in other actuarial assumptions	0	6
Other changes	144	65
Balance at the end of the financial year	21,558	18,786

The average discount rate for the year was 1.45% (2015: 1.81%). The provision for pension obligations for account and risk of the pension fund comprises provisions for a pension scheme and an early retirement scheme. Movements in both schemes are shown hereunder.

#### Pension scheme

Balance at beginning of the financial year	17,682	15,724
Pension accrual	811	741
Indexation	-2	-1
Interest allocation	-9	28
Withdrawal for payments and costs	-315	-278
Change in market interest rate	2,026	1,295
Change arising from transfer of rights	0	77
Adjustment to mortality risks	76	0
Change in other actuarial assumptions	0	7
Other changes	156	89

Balance at the end of the financial year	20,425	17,682
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#### Early retirement scheme

Balance at beginning of the financial year	1,104	1,125
Interest allocation	-1	2
Withdrawal for payments and costs	-21	-25
Change in market interest rate	65	28
Change arising from transfer of rights	-1	-1
Adjustment to mortality risks	-1	0
Change in other actuarial assumptions	0	-1
Other changes	-12	-24

Balance at the end of the financial year	1,133	1,104
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### Pension accrual

Pension accrual comprises the actuarially calculated value of pension accrual in the financial year. This is the effect on the provision for pension obligations of the nominal rights to old age and survivors' pensions built up during the reporting year. The contribution for covering mortality and disability risks is also included under this heading.

### Granting of supplement (indexation)

The fund has conditional and unconditional indexation. In view of the financial position of the fund, the Board decided not to grant any indexation of entitlements and rights with conditional indexation as at 1 January 2017.

For the unconditional rights of entitlements accrued up until 1 January 2010 in the top-up scheme, no supplement was granted because as at 1 January 2017 the supplement benchmark (price inflation) for the reference period prior to the time of indexation was negative. Two percent is added to the technical reserve in respect of unconditional indexation to be set off against actual indexation granted.

## Interest allocation

At the beginning of reporting year 2016 the pension obligations were increased by -0.060% (2015: 0.159%) on the basis of the one-year interest rate in the interbank swap market at the beginning of the reporting year.

## Withdrawal for pension payments and execution costs

Expected future pension payments are actuarially calculated in advance and included in the provision for pension obligations. The decrease in the provision shown under this heading concerns the release for financing the expected pension payments in the reporting period.

The amounts withdrawn for execution costs for the pension scheme and the early retirement scheme are respectively 2% and 1% of the amount expected to be withdrawn for paying pensions.

## Change in interest rate

Each year as at 31 December the market value of the technical provisions is recalculated by applying the current interest rate term structure. The effect of the change in the interest rate term structure is recognised under change in interest rate.

	Interest rate percentage as at 31 December
2014	2.05
2015	1.81
2016	1.45

## Change in other actuarial assumptions

These changes include the effects of flexibilisation on the provision for pension obligations and the release from the provision in respect of unclaimed benefits once the age of 70 is reached.

## Change arising from transfer of rights

	2016	2015
	€	€
Addition to technical provisions	8	98
Withdrawal from the technical provisions	-9	-22
Total	-1	76

## Adjustment to mortality risks

The basic mortality assumption results from a combination of the survival table, the fund-specific corrective factors applied and the risk premiums for covering the survivors' pensions to be granted. From a legal point of view, account must be taken of the foreseeable increase in survival rates (mortality trend), based on the FTK (Financial Assessment Framework).

On 13 September 2016 the Association of Actuaries published the AG2016 mortality table. In financial year 2016 the fund converted to this latest AG mortality table, with fund-specific corrective factors. The introduction of this AG2016 mortality table with effect from 31 December 2016 led to an increase of €75 compared with the former AG 2012-2062 mortality table.

Other changes in provision for pension obligations		
	31 Dec. 2016	31 Dec. 2015
	€	€
Result on probability systems:		
Mortality	-21	0
Disability	67	8
Other technical bases	98	57
<b>Total</b>	<b>144</b>	<b>65</b>

The provision for pension obligations is composed as follows by category:

	2016		2015	
	€	Numbers	€	Numbers
Active	8,465	161,410	7,425	157,268
Pensioners	5,035	85,801	4,808	85,523
Former participants	7,648	388,695	6,189	380,242
	<b>21,148</b>	<b>635,906</b>	<b>18,422</b>	<b>623,033</b>
Future execution costs of the pension scheme	410		365	-
<b>Provision for pension obligations</b>	<b>21,558</b>	<b>635,906</b>	<b>18,787</b>	<b>623,033</b>

## **Brief description of the pension scheme**

### ***Participants born on or after 1 January 1950 (Regulation I)***

Average earnings scheme with conditional indexation. The annual accrual of the old age pension is 1.77% of the pension base. From 2013 on the accrual period runs from participant's age 21 to 67 years. In the event of disability, contribution exemption is granted in proportion to the degree of disability. Effective 1 January 2015 the Orsima (industrial cleaning) sector joined Regulation I.

### ***Participants born before 1 January 1950 (Regulation VI)***

Average earnings scheme with conditional indexation. The Regulation VI scheme is comparable with Regulation I with the following exceptions. The annual accrual of the old age pension is 1.975% of the pension base. The accrual period runs from participant's age 21 to 60 years (formerly 21 to 65). A transitional scheme applies to participants who were uninterruptedly participants from 31 March 2001 until the start date or early start date of the old age pension. The Board may grant these participants a supplement equal to the positive difference between the old age pension that they would have received if the scheme in force until 1 April 2001 had been continued and the old age pension actually accrued on the start date or early start date of the old age pension. In the event of death before the start date or early start date of the old age pension a comparable supplement may be granted for the survivors' pension.

### ***VPL (early retirement) transitional arrangements (Regulation V)***

Participants born on or after 1 January 1950 and meeting the conditions in respect of participant status and years of service may acquire additional entitlements to old age pensions and partner's pensions. These conditional entitlements were calculated once only on 1 January 2006 and are equal to the positive difference between the entitlements that could have been accrued if the pension scheme in force on 1 January 2006 had been in force before that, and the entitlements that could have been accrued on the basis of the scheme that was in force until 1 January 2006. The extra entitlements are acquired when and insofar as they have been financed. Financing takes place immediately before 31 December 2020 or, if the pension starts before that date, on the pension start date. No financing takes place after the participation has ended and before the start date of the pension.

### ***Pre-pension (early retirement) scheme for road hauliers***

The early retirement scheme has been in force since 1 January 2002. The early retirement scheme provides for benefit payments from between 60 (guideline age) and 65 years of age. Since 1 January 2006 this scheme has been of particular importance for employees born between 1 April 1947 and 1 January 1950. After 1 January 2006 they continue to accrue early retirement pension.

A full early retirement pension, which provides for benefits of approximately 85% of the early retirement base, is accrued over a participation period of 39 years (from 21 to 60 years of age). Because not all employees are able to accrue sufficient early retirement pension, the CAO (collective labour agreement) parties have established a transitional scheme. The purpose of this transitional scheme is to complement the early retirement pension. The transitional scheme is conditional: the Board decides every year, in view of the fund's financial position, whether the complement can be granted to participants attaining the regulation age for the transitional right in the following calendar year.

The amount of the early retirement pension payments depends on the amount of early retirement pension accrued. The annual accrual for early retirement pension is 2.179%. The early retirement pension is accrued on the fixed annual salary and overtime pay and/or pay for shift-type work up to a certain number of hours.

### ***Early retirement scheme for employees in the passenger transport sector***

The early retirement scheme started on 1 January 2004, and since 1 January 2006 has applied to employees in the private bus and coach and taxi sectors who were born before 1 January 1950 and were less than 62 years old on 31 December 2003.

With effect from 1 January 2006 the early retirement pension scheme applies only to employees born before 1 January 1950.

A full accrual period of 41 years (from 21 to 62 years of age) entitles an employee to 85% of the average early retirement pension base. Each year 2.073% of the early retirement pension basis for that year is accrued.

With effect from 1 January 2006 the early retirement pension scheme applies only to employees born before 1 January 1950.

For employees who at the scheme's inception, 1 January 2004, were aged over 21 years, a transitional scheme has been agreed. This transitional scheme provides for a complement to the early retirement pension up to 85% of the average early retirement pension basis. The transitional scheme is a conditional scheme. The Board decides every year, in view of the fund's financial position, whether the complement can be granted to participants attaining early retirement (62) in the following calendar year. The Board decided to grant the early pension entitlements under the transitional scheme in full for the group of participants concerned in 2011.

Employees taking early retirement as active participants receive payment in compensation for the health insurance contribution. The Board decides each year, in view of the fund's financial situation, on the amount of the compensation payment.

### **Indexation**

Each year the fund's Board makes a decision on the indexation of pension benefits and pension entitlements. The actual indexation in any one year is provisional, and dependent on the available cash.

There is no entitlement to future indexation. It is uncertain whether, and to what extent, payments and entitlements are indexed in the future. The fund has not set aside any money for future indexation. Indexation is dependent on the cash of the fund for which the investment performance is an important element. Pension entitlements were not increased as of 1 January 2017.

The Board has decided not to index the accrued pension entitlements and rights, the accrued early retirement pension entitlements and rights or the accrued rights under the top-up scheme as of 01 January 2017.

The unconditional indexation of entitlements accrued to 1 January 2010 under the top-up scheme was 0.81% as from 1 January 2016. Two percent was added to the technical reserve in respect of unconditional indexation to be set off against actual indexation. As at 1 January 2017 indexation is zero.

## Catch-up supplements

If the policy funding ratio is higher than the full indexation threshold, the Board may decide to apply an extra supplement. This will be the case only if in previous years there has been a deficit in indexation and/or a curtailment of pension entitlements and rights.

Any future budget available for extra indexation will be established as follows:

- the available budget is, as a maximum, equal to one fifth of the surplus of the policy funding ratio relative to the full indexation threshold;
- the policy funding ratio must still conform to the level of required own funds after the grant of the extra supplement.

Any future budget becoming available for extra indexation will be applied in such manner as the fund may determine to extra indexation of pension entitlements and rights of participants, former participants, pensioners and other persons with entitlements. In view of the fund's financial situation no extra supplement can be expected in the short term.

## (6) Contribution equalisation reserve

	31 Dec. 2016 €	31 Dec. 2015 €
Contribution equalisation reserve	201	124

## Changes in the contribution equalisation reserve

	2016 €	2015 €
Balance at beginning of the financial year	124	0
Additions in respect of contributions	57	126
Yield attribution	20	-2
Balance at the end of the financial year	201	124

On 1 January 2015 the pension schemes and VPL transitional schemes were changed. Consequently the financing of the schemes was also discussed with the parties to the collective labour agreement. Because it was envisaged that the average contribution might not always be cost-effective in the coming years, as of 1 January 2015 a contribution equalisation reserve for active members was formed. By establishing this reserve it becomes possible to set the average contribution for a longer period.

In 2016 the difference between the cost-effective (test) contribution of €669 and the contribution due of €718 was added to the reserve. At the same time €8 was added to the reserve as a result of a correction relating to financial year 2015. During 2016 the return of €20 (12.44%) on the fund and the contribution of the previous year (€8) were added to it.

## (7) Obligations under the VPL Act re early retirement schemes

	31 Dec. 2016	31 Dec. 2015
	€	€
Obligations under the VPL Act re early retirement schemes	1,235	967

### Changes in VPL obligations

	2016	2015
	€	€
Balance at beginning of the financial year	967	876
Group value transfer of Orsima pension funds	0	6
Additions in respect of contributions	259	233
Yield attribution	112	-17
Recognition of VPL claims	-103	-131
Balance at the end of the financial year	1,235	967

The VPL obligation consists of a scheme for the transport and industrial cleaning sectors.

The annual addition to the reserve, which forms part of the average contribution, is established in advance on the basis of a five-year smoothed interest rate. An assumed return is added each year to the long-term liability, based on fully matched investments (100% interest rate hedging of the actual interest rate term structure, the so-called zero swap curve, without taking account of a UFR (ultimate forward rate) system or other possible kinds of deviation from the actual interest rate term structure). The agreement with the social partners presupposes that the investments are placed as well as possible, which is why this system is maintained. Each year the single premium needed to finance the VPL entitlements actually recognised in the year is deducted. This single premium is calculated on a cost-effective basis using the interest rate term structure published by DNB (De Nederlandsche Bank, the central bank of the Netherlands and the insurance and pension funds supervisor). In 2016 the IRTS of 31 December 2015 published by DNB including averaging was used.



## (8) Derivatives

	31 Dec. 2016	31 Dec. 2015
	€	€
Derivatives	2,328	1,632

Derivatives are recognised in accordance with the principles described for valuing assets and liabilities.

## (9) Other receivables, prepaid expenses and accrued income

	31 Dec. 2016	31 Dec. 2015
	€	€
Contributions pending allocation	28	25
Payments of benefits	17	14
Payables in respect of investments	538	904
Taxes and social security contributions	8	7
Other payables, accruals and deferred income	7	7
Total	598	957

All liabilities have a remaining time to maturity of less than one year.

The pension benefits liability concerns unclaimed pensions. These concern persons the right to a pension but who do not receive benefits because they have not claimed them. Since the replacement of the Gemeentelijke Basisadministratie (GBA) by the Basisregistratie Personen (BRP) it has been possible to receive personal particulars of persons resident abroad who have a relationship with the Dutch government, as well as of residents. As a result certain particulars were obtained enabling us to trace some persons, making the liability unconditional.

Other liabilities consist of the Spaarfonds Gemoedsbezwaren (savings fund for conscientious objectors) (€2) and accrued expenses (€5).

## Payables in respect of investments

	31 Dec. 2016	31 Dec. 2015
	€	€
Payables in respect of investments	183	99
Cash collateral to be returned	339	783
Payables in respect of asset management expenses	16	22
Total	538	904

## Risk management policy and execution

In managing and financing its pension obligations the fund is faced with risks. The Board has a number of policy instruments for controlling these risks. These policy instruments are:

- investment policy;
- contribution policy;
- reinsurance policy;
- supplement (indexation) policy.

The choice and application of policy instruments takes place following exhaustive analyses of expected developments of the obligations and the financial markets. These analyses rely partly on ALM studies. An ALM study is an analysis of the structure of the pension obligations and of the various investment strategies and how they would evolve in a variety of different economic scenarios.

The results of these analyses are reflected in investment guidelines established annually by the Board as the basis for the investment policy to be pursued. The investment guidelines provide rules and limits within which the investment policy is to be carried out. They are aimed at controlling the following main investment and other risks.

## Solvency risk

The most important risk for the fund is the solvency risk, or the risk of the fund's not having sufficient assets to cover its pension obligations. Solvency is measured on the basis of both generally applicable standards and specific standards imposed by the supervisor.

If the fund's solvency evolves negatively, there is a risk that it will have to increase contributions for employers and participants and that there will be no room for any indexation of accrued pension rights. In the worst case it could be necessary for the fund to reduce acquired pension entitlements.

Solvency is reflected in the funding ratio: the market value of the assets expressed in terms of the market value of the pension obligations. The solvency risk is in fact a combination of investment and actuarial risks. The funding ratio is calculated as follows: (total assets -/- liabilities) / technical provisions.

The funding ratio has evolved as follows:

	2016	2015
	%	%
Funding ratio as at 1 January	101.0	111.7
Contribution	-1.2	-1.3
Payment	-	0.1
Indexation	-	-
Curtailement of entitlements and rights	-	-
Yield	12.6	-1.8
Interest rate hedging	-	-
Changes in the interest rate term structure	-10.1	-8.1
Adjustment to life expectancy	-0.4	-

Other causes	-0.9	0.4
Funding ratio as at 31 December	101.0	101.0

As can be seen, the funding remained unchanged from the previous year. The positive effect of the investment result on the funding ratio (including the effect of lower interest rates on the technical provisions) was cancelled out by the negative results on contributions, adjustment of life expectancy and other causes. These other causes were the prescribed calculation methods (especially cross-effects), the transfer from the actuarial result to the contribution equalisation reserve and the result on disability.

In order to control the solvency risk, the fund needs to hold capital buffers. The size of these buffers (buffers plus the pension obligations together equal required own funds) is established using the solvency (S) tests prescribed by DNB. This test includes a quantification of the Board's view of the fund-specific residual risks (after hedging).

The calculation of required own funds and the resulting deficit at the end of the financial year is as follows:

	2016	2015
	€	€
S1 Interest rate risk	0.7	0.8
S2 Equity risk	2.5	2.2
S3 Currency risk	0.6	0.6
S4 Commodities risk	-	-
S5 Credit risk	1.2	1.2
S6 Underwriting risk	0.7	0.6
S7 Liquidity risk	-	-
S8 Concentration risk	-	-
S9 Operational risk	-	-
S10 Active management risk	0.2	0.2
Diversification effect	-2.2	-2.0
Total as at 31 December	3.7	3.6

#### Notes

Required own funds are defined as the square root of:  $S1^2+S2^2+(0.5 \times 2 \times S1 \times S2)+S3^2+S4^2+S5^2+S6^2+S10^2$

	2016	2015
	€	€
Required pension assets	25,272	22,351
Provision for pension obligations	21,558	18,786
Required own funds	3,714	3,565

Actual pension assets (Total assets -/- liabilities)	215	181
Deficit/Deficit	-3,499	-3,384

Required own funds are established on the basis of the strategic investment mix. Required own funds on the basis of the strategic mix expressed in percentages amounted to 17.2% at the end of 2016 (2015: 19.0%). Required own funds based on the current investment mix amounted to 18.1% at the end of 2016 (2015: 19.7%).

## Investment risk

The most important investment risks are market risk, credit risk and liquidity risk.

Market risk can be divided into interest rate risk, currency risk and price risk. Market risk is incurred on the various investment markets in which the fund is active on the basis of the established investment policy. Management of this risk is integrated into the investment process. In the execution of the investment policy risks may also arise in connection with the selected managers and custodians (manager and custody risk), and the legal stipulations concerning the instruments used and the execution agreement (legal risk). Market risk is controlled by having specific mandates agreed with the asset manager, which are in accordance with the policy frameworks and guidelines as established by the Board. The Board monitors the degree of compliance with these mandates. Market positions are periodically reported to the Board.

## Interest rate risk (S1)

Interest rate risk is the risk of a change in the funding ratio as a result of a change in interest rates. Without hedging of this risk the market value of the pension obligations increases more sharply than that of the investments when interest rates fall; when interest rates rise the opposite effect occurs. This is because the pension obligations have a much longer average time to maturity. Generally speaking, the longer the time to maturity, the higher the interest rate sensitivity.

The fund's policy from 2016 is aimed at hedging the interest rate risk for 58% (on a market value basis) (2015: 63%). It was decided to manage interest rate hedging on a market value basis, because creating a standard portfolio based on applicable UFR methods is cumbersome. The fund hedges interest rate risk by buying long-maturity government or other bonds and by using interest rate derivatives (interest rate swaps). This brings the interest rate sensitivity of the investment portfolio more into line with that of the pension obligations. Effective hedging at year-end 2016 stood at 57.9%.

The fund makes use of interest rate derivatives in order to hedge interest rate risks efficiently and cheaply. The use of derivatives brings additional risks with it, such as counterparty, liquidity and legal risk. These risks have been brought down to acceptable levels by applying criteria formulated by the Board, and they form part of the ongoing risk monitoring.

A yardstick for the interest rate sensitivity of fixed income securities, derivatives and pension obligations is the duration. As a rule of thumb, a 1% change in the interest rate will lead to a change in the value of the investment or pension obligation of 1% multiplied by the duration.

The duration and the effect of interest rate hedging can be summarised as follows:

	31 Dec. 2016		31 Dec. 2015	
	€	Duration	€	Duration
Fixed income securities (before derivatives)	14,437	6.5	12,749	5.9
Fixed income securities (after derivatives)	14,023	22.8	12,378	20.5
(Nominal) pension obligations	21,558	22.1	18,786	21.6

## Maturity schedule of fixed income securities, interest rate derivatives and technical provisions

2016	Market value	Nominal cash flows	< 1 year	> 1 and < 5	> 5 and < 10	>10 and < 20	> 20 and < 30	> 30 and < 40	> 40 and < 50	> 50									
											€	€	€	€	€	€	€	€	€
											Fixed income securities	14,437	17,808	1,029	6,006	6,300	1,801	2,456	181
Interest rate derivatives	-414	9,806	53	-572	-3,728	6,710	6,431	2,212	-1,300	0									
Pension obligations	21,558	30,063	354	1,587	2,462	6,528	7,246	5,965	3,749	2,172									

2015	Market value	Nominal	< 1 year	> 1 and < 5	> 5 and < 10	> 10 and < 20	> 20 and < 30	> 30 and < 40	> 40 and < 50	> 50
		cash flows								
	€	€	€	€	€	€	€	€	€	€
Fixed income securities	12,749	16,859	1,269	5,422	5,819	1,676	2,484	107	12	70
Interest rate derivatives	-371	10,862	-21	-1,262	-3,022	6,099	5,188	2,327	1,553	0
Pension obligations	18,786	29,416	316	1,509	2,360	6,279	7,098	5,888	3,749	2,217

As already indicated, instruments are held with a view to preventing wide fluctuations in the funding ratio as a result of movements in interest rates. The above tables show the market value at year-end 2015 and 2014 of the instruments used to mitigate the interest rate risk (and fixed income securities plus interest rate derivatives by maturity band). Pension obligations are segmented in the same way. It is important for the degree of hedging to be proportionate in each maturity band, since changes in interest rates are often not equally sharp in each maturity band.

## Equity risk (S2)

Market risk is the risk that the value of the investments in the portfolio changes as a result of changes in the relevant market prices. Equity risk relates mainly to the fund's shares and property portfolios.

Market risk is mitigated by diversification of the investment portfolio over various categories, regions, countries and sectors. To ensure appropriate diversification, the fund sets guidelines for its external managers whereby such diversification is also carried out within mandates. Control of compliance with these guidelines is carried out by reference to independent reports from the fund's custodian.

## Currency risk (S3)

Currency risk is the risk that the value of the investments denominated in foreign currency changes as a result of changes in exchange rates. In accordance with the fund's policy, in 2016 the currency positions of the standard portfolio in USD, GBP and JPY were 100% hedged (2015: 100%).

The currency position as at 31 December 2016 before and after hedging with currency derivatives can be shown as follows:

	2016		
	Total before hedging	Currency- derivatives hedging	Net position after hedging
	€	€	€
EUR	10,560	9,691	20,251
GBP	766	-758	8
JPY	1,006	-1,044	-38
USD	8,698	-8,257	441
Other	2,265		134
Total - non-EUR	12,735	-9,925	2,810
Total	23,295	-234	23,061

The currency position as at 31 December 2015 before and after hedging with currency derivatives can be shown as follows:

	2015		
	Total before hedging	Currency- derivatives hedging	Net position after hedging
	€	€	€
EUR	7,948	9,612	17,560
GBP	620	-570	50
JPY	1,010	-1,039	-29
USD	8,560	-8,171	389
Other	1,842	95	1,937
Total - non-EUR	12,032	-9,685	2,347
Total	19,980	-73	19,907

## Price risk

Price risk is the risk of changes in value as a result of changes in market prices. It is caused by factors relating to an individual investment, the issuer or generic factors.

The price risk is mitigated by the diversification established in the fund's strategic investment mix. As a complement to this, the fund uses derivative financial instruments such as options and futures to hedge the price risk.

The segmentation of the total investment portfolio by region is as follows:

	31-12-2016		31 Dec. 2015	
	€	%	€	%
The Netherlands and other EU countries	10,046	43.6	7,877	39.6
Other Europe (non-EU)	1,518	6.6	1,346	6.8
North America	6,773	29.5	6,549	33.1
South America	466	2.0	349	1.8
Japan	1,028	4.5	1,028	5.2
Asia and Australasia	1,744	7.6	1,511	7.6
Other/emerging markets	667	2.9	547	2.8
Subtotal property, equities and fixed income securities	22,242	96.7	19,207	96.9
Derivatives	-645	-2.8	-443	-2.2
Other investments	1,399	6.1	1,047	5.3
Total	22,996	100.0	19,811	100.0

The segmentation of the equities by sector is as follows:

	31 Dec. 2016		31 Dec. 2015	
	€	%	€	%
Energy	365	5.1	250	4.3
Materials	435	6.1	305	5.2
Industry	755	10.5	592	10.1
FMCG	2,111	29.5	1,859	31.7
Financial services	1,533	21.4	1,280	21.9
Information technology	634	8.8	475	8.1
Telecommunications	877	12.2	716	12.2
Utilities	244	3.4	199	3.4
Other	212	3.0	181	3.1
Total	7,166	100.0	5,857	100.0



The segmentation of investment property by type of property is as follows:

	31 Dec. 2016		31 Dec. 2015	
	€	%	€	%
Offices	108	16.9	114	19.0
Shops	135	21.2	139	23.1
Residential properties	181	28.3	144	23.9
Office space	215	33.6	204	34.0
<b>Total</b>	<b>639</b>	<b>100.0</b>	<b>601</b>	<b>100.0</b>

The property is located in Europe (60%), America (22%) and Asia (18%).

### Commodities risk (S4)

In 2016 and 2015 the fund did not invest in commodities and therefore is not directly exposed to any commodities risk.

### Credit risk (S5)

Credit risk is the risk of financial loss for the fund as a result of the bankruptcy or other kind of insolvency or default of counterparties on whom the fund has claims. This may involve issuers of bonds, banks with which deposits are placed, market parties with whom over-the-counter (OTC) derivative positions are entered into and reinsurers for example.

Of the fixed income securities, €929 (2015: €112) relates to bonds issued by the Dutch, German and French governments. These are rated AAA or AA.

A subdivision of credit risk specific to investment activities is settlement risk. This refers to the risk that parties with whom the fund has carried out transactions are no longer able to fulfil their side of the bargain, as a result of which the fund suffers financial loss.

The fund manages this risk by setting overall limits for counterparties. This means by taking account of all positions that a counterparty has vis-à-vis the fund; requiring extra security such as collateral and similar in the case of mortgage and securities lending; and by maintaining prudent approval criteria for mortgage loans. In order to hedge settlement risk, the fund invests only in markets in which a sufficiently reliable clearing and settlement system operates. Before investing in new markets, the guarantees and assurances in this area are first investigated. As regards unlisted investments, particularly OTC derivatives, the fund operates only with counterparties with whom ISDA/CSA agreements have been signed, so that the fund's positions are appropriately covered by collateral.

The credit risk in respect of pension contribution receivables is spread over a large number of different employers.

The composition of fixed income securities by region can be summarised as follows:

	31 Dec. 2016		31 Dec. 2015	
	€	%	€	%
The Netherlands and other EU countries	8,499	58.8	6,672	52.3
Other Europe (non-EU)	710	4.9	684	5.4
North America	3,762	26.1	4,168	32.7
South America	360	2.5	283	2.2
Japan	31	0.2	26	0.2
Asia and Australasia	584	4.1	514	4.0
Other/emerging markets	491	3.4	402	3.2
<b>Total</b>	<b>14,437</b>	<b>100.0</b>	<b>12,749</b>	<b>100.0</b>

The creditworthiness of many market parties is also assessed by rating agencies. The summary of the fixed income securities on the basis of ratings as published by Standard & Poor's at the end of 2016 is as follows:

	2016		2015	
	€	%	€	%
AAA	6,208	43.0	4,482	35.2
AA	226	1.6	312	2.5
A	1,087	7.5	1,368	10.7
BBB	1,931	13.4	2,396	18.8
<BBB	3,285	22.8	2,612	20.5
No rating	1,700	11.7	1,579	12.3
<b>Total</b>	<b>14,437</b>	<b>100.0</b>	<b>12,749</b>	<b>100.0</b>

Investments rated < BBB or with no rating are basically investments in high-yield loans.

In certain cases Pensioenfonds Vervoer generates extra income from investments by lending securities for defined period against appropriate collateral. This is known as securities lending. Risk control as regards securities lending was further strengthened in 2012 by the setting up of a so-called 'custom fund' with stricter requirements for the collateral to be provided.

## Underwriting risks (actuarial risks, S6)

Underwriting risk is the risk deriving from possible deviations from actuarial estimates used to establish the technical provisions and the amount of the contribution. The most important actuarial risks are those of longevity, mortality, disability and indexation.

In view of the size of the pension fund, the majority of the underwriting risks are not reinsured. Exceptions to this are the ANW (state survivor benefit) and WIA (state disability) top-up schemes, which are fully reinsured.

### **Longevity risk**

The longevity risk is the most important underwriting risk. Longevity risk is the risk that participants will live longer than is assumed on average when establishing the provision for pension obligations. As a result of this the accrued pension assets are not sufficient to cover the payment of the pension obligations. By applying the mortality tables with appropriate corrections for mortality experience, the longevity risk is almost entirely discounted in the valuation of the pension obligations

### **Mortality risk**

Mortality risk means that in event of death the fund may have to grant a survivor's pension for which it has not made sufficient provision.

### **Disability risk**

Disability risk concerns the risk that the fund might have to make extra provision for exemption from contributions in the event of disability and grant a disability pension ('claims reserve'). An annual risk premium is charged for this risk. The difference between the risk premium and the actual costs is recognised in profit and loss. The actuarial assumptions for the risk premium are periodically reviewed.

### **Indexation risk**

Indexation risk is the risk that the Board's aim of granting supplements to pensions geared to the general development of process cannot be realised. The extent to which this can be achieved depends on developments in the interest rate, returns on investment, wage inflation and demographics (investment and actuarial results), but in any case on the level of the fund's funding ratio.

It is expressly pointed out that the granting of supplements (indexation) is conditional.

### **Liquidity risk (S7)**

Liquidity risk is the risk that investments cannot be turned into cash in time or at an acceptable price, as a result of which the pension fund cannot meet its short-term obligations. Whereas the other risk components mainly concern the longer term (solvency), this concerns the shorter term. This risk can be managed by keeping sufficient room in the strategic and tactical investment policy for the liquidity positions. Account must also be taken of direct investment income and other income such as contributions.

The fund has more liquid assets and quickly realisable instruments available than would be necessary in an extremely adverse scenario. The liquidity risk for the fund is therefore limited. This has been achieved partly by using securities such as Dutch and German bonds as collateral for the interest rate derivatives, instead of cash. As a result of this choice the fund is unlikely to be faced with an unexpected demand for liquid assets caused by an extreme movement in the interest rate. The liquidity risk arising from currency derivatives is spread by our opting for a "tile" structure. Every month one third of the currency hedging matures, so that settlement of the value development of the contracts is spread over time.

The fund's investments include €14,304 of level 1 investments that can quickly be turned into cash. Available liquidity is thus more than sufficient to be able to cater to the possible liquidity requirement in an extreme scenario.

Lastly, since the fund is relatively young, the contribution income is higher than the pension payments. Cash inflows and outflows from regular operations are known: the fund is a net cash recipient.

In the worst case, in which the fund were unexpectedly to need more cash than is available or can be made available in the short term, a credit facility of €50 million is available from the custodian.

## Concentration risk (S8)

Concentrations can lead to the fund suffering serious largely financial consequences in the event of major changes in valuation for example (market risk) or in the financial position of a counterparty (credit risk). Concentration risks can arise from concentration in the investment portfolio, in products, regions or countries, economic sectors or counterparties. As well as concentrations in the investment portfolio, there may also be concentrations in the obligations and in the execution.

To control concentrations in the investment portfolio, the Board uses diversification and limits for investing in countries, regions, sectors and counterparties. These principles are established by the fund on the basis of an ALM study and laid down in the contractual agreements with the asset managers. The Board monitors compliance on a monthly basis by reference to reports from the fund's risk manager and the asset manager.

There are some large items within the fixed income securities; however they are considered to pose a very limited risk. This concerns the following positions:

### Fixed income securities

	31 Dec. 2016		31 Dec. 2015	
	€	%	€	%
German government bonds	2,791	10.7	2,065	9.1
Dutch government bonds	3,303	12.6	2,291	10.1
Total	6,094	23.3	4,356	19.22

There are also two large positions in money market funds: Northern Trust GBL Euro Liquidity Fund, €583 (2015: €338) and Institutional Cash Series EUR Liquidity Fund, €284 (2015: €210).

Within the fund's pension obligations, the demographic structure of participants may constitute a concentration risk. Given its nature, this risk cannot be influenced. At the end of 2016 the ratio of men to women in the fund was 89%/11% (2015: 89%/11%). The average age was 54.9 years (2015: 54.8 years), with an even spread of ages.

## Operational risk (S9)

Operational risk is the risk of incorrect settlement of transactions, errors in processing data, loss of information, fraud and similar events. The fund controls these risks by imposing strict quality requirements on organisations involved in execution.

The investment portfolio is managed by Robeco Institutional Asset Management and actual execution is entrusted to some thirty or so asset managers. Contracts and service level agreements (SLAs) have been entered into with all these parties. Reliance on these parties is controlled by having the securities in the portfolio lodged with a custodian, Northern Trust.

Pension execution is outsourced to a pension executor, TKP. An outsourcing agreement and a service level agreement (SLA) have been entered into with TKP.

The Board periodically assesses the quality of execution, asset management and pension management by means of performance reports (asset managers only), SLA reports and independently tested internal management reports (ISAE 3402 reports).

Since operational risk can thus be considered to be appropriately controlled, the fund does not hold any buffers for it in the solvency test.

### **Active management risk (S10)**

The degree to which the active investment policy contributes to the total risk of the investments depends partly on the correlation which is assumed to exist between the benchmark return and the extra return deriving from active management. The fund's active management risk is limited, however it is included in determining required own funds.

### **Systemic risk**

Systemic risk is the risk that the global financial system (the international markets) cease to function properly, as a result of which the fund's investments are no longer negotiable and may even lose their value, temporarily or otherwise. Just as for other market parties, this risk is not within the fund's control or influence. Systemic risk does not form part of the solvency test prescribed by DNB.

### **Derivatives**

In implementing the investment policy, use is made of financial derivatives. The basic rule here is that derivatives are used exclusively insofar as this is appropriate within the fund's investment policy. Derivatives are mainly used to hedge the aforementioned types of market risk insofar as possible.

The main risk involved with derivatives is credit risk. This risk is limited by entering into transactions only with creditworthy parties and working as much as possible with collateral.

Use can be made of the following instruments, among others:

- Futures: these are standard, listed instruments with which positions can quickly be altered. Futures are used for the tactical investment policy. Tactical investment policy is possible only to a very limited extent within the confines of the strategic investment policy.
- Put options on shares: this concerns listed or unlisted options with which the pension fund can limit the downside price risk of the equities portfolio. For these options a premium is paid on acquisition, this premium depending among other things on the current price of the underlying index, the time to maturity of the options and their exercise price.

- Forward exchange contracts: these are contracts entered into with individual banks whereby the obligation to sell one currency and buy another is assumed, against a previously established price and on a previously established date. Currency risks are hedged by means of forward exchange contracts.
- Swaps: these are contracts entered into with individual banks whereby the obligation to exchange interest payments on a nominal principal amount is assumed. By using swaps the pension fund can influence the interest rate sensitivity of the portfolio.

The following tables give a summary of the derivatives position as at 31 December 2016 and 31 December 2015.

2016 Type of contract	Average time to maturity	Contract volume	Balance value	Positive value	Negative value
		€	€	€	€
Interest rate swaps	<1 year	69	-1	1	2
Interest rate swaps	>1 and <5 years	3,489	-59	5	64
Interest rate swaps	>5 and <10 years	5,039	-119	39	158
Interest rate swaps	>10 and <20 years	7,511	399	569	170
Interest rate swaps	>20 and <30 years	5,689	-26	274	300
Interest rate swaps	>30 and <40 years	4,865	-265	372	636
Interest rate swaps	>40 and <50 years	3,759	-344	330	674

Futures purchased	<1 year	760	0	0	0
Foreign exchange contracts	< 1 year	9,691	-234	88	322
Other derivatives		492	4	5	2
<b>Total</b>		<b>41,364</b>	<b>-645</b>	<b>1,683</b>	<b>2,328</b>

Collateral received of €56 (2015: €112) mainly comprises German and Dutch government bonds rated AA- or AAA- in accordance with ISDA/CSA agreements entered into with counterparties. Collateral lodged of €-929 (2015: €-446) consists of German and Dutch government bonds and cash. The volume of this collateral is aligned with the net balance of the derivative positions with each counterparty.

2015 Type of contract	Average time to maturity	Contract volume	Balance value	Positive value	Negative value
		€	€	€	€
Interest rate swaps	<1 year	10	0	0	0
Interest rate swaps	>1 and <5 years	2,699	-52	2	54
Interest rate swaps	>5 and <10 years	4,080	-62	29	91
Interest rate swaps	>10 and <20 years	7,299	7,847	307	444
Interest rate swaps	>20 and <30 years	2,705	4,480	67	259
Interest rate swaps	>30 and <40 years	4,222	4,790	-208	179
Interest rate swaps	>40 and <50 years	3,808	4,104	-423	205
Futures purchased	<1 year	885	0	0	0
Swaptions	<5 years	9,612	-73	35	108
Foreign exchange contracts	< 1 year	610	1	36	35
Other derivatives	1	0	0	0	2
<b>Total</b>		<b>39,117</b>	<b>-443</b>	<b>1,189</b>	<b>1,632</b>

## 14.4 Off-balance sheet commitments

### Long-term contractual commitments

The fund has entered into an outsourcing agreement with TKP Pension B.V. This is a long-term agreement on pension administration and management support for a period of five years from 1 January 2015 with one year prior notice required for termination. Remuneration for 2016 amounted to €15 (2015: €15).

At the end of 2016 the investments entrusted in property and other assets amounted to €190 (2015: €234).

The fund has leased office space (until 31 December 2022) to accommodate the Executive Office. The current lease provides for a possible break as of 31 December 2017. Use has been made of this option. The total liability for the remaining life of the contract amounts to

€1. A new lease has been entered into with the lessor, with a duration from 1 January 2018 to 31 December 2022. The total liability for the remaining life of the new contract amounts to €1.

## 14.5 Related parties

### Identity of related parties

There are relations between the fund, the fund's Board, the member companies and their employees such as to consider them as related parties.

### Transactions with current and/or former directors

As regards directors' remuneration, please refer to the note on pension execution costs. The fund has not granted any loans to current or former directors. Nor does the pension fund have any claims on current or former directors.

### Other related party transactions

The fund has issued Execution Regulations to the mandatorily affiliated employers and entered into Execution Agreements with the voluntarily affiliated employers.

As at the end of the reporting period the fund was not invested in any participating party.

### Participation in the pension scheme

The directors of the fund do not participate in the pension scheme of Pensioenfondsvervoer. The employees of the Executive Office do participate in the pension scheme.

## 14.6 Events after the reporting period

Pensioenstichting Security (hereinafter PSS) intends to liquidate, and has transferred its participants' rights to the fund by means of a group transfer of pension entitlements in accordance with Article 84 of the Pensions Act with retroactive effect from 1 January 2017. In mid-December 2016 DNB indicated that it had no objection to the group transfer of pension entitlements of €161.3.

There have been no other significant events after the reporting period.



## 14.7 Notes to the income statement for 2016

### (10) Contributions for account and risk of the pension fund

#### Breakdown of contributions

	2016	2015
	€	€
Compulsory contribution	643	551
Supplementary disability insurance	18	16
VPL (Early Retirement (Pre-pension and Life Course Savings) Act) contribution	103	131
Early retirement scheme	0	1
<b>Total</b>	<b>764</b>	<b>699</b>

The contribution proceeds are not divided into employers' and employees' portions, because the total contributions are charged to employers in accordance with the agreement. A part of the contribution is withheld by the employers from the employees' salaries.

The contributions are based on an average contribution amount. This combined contribution is allocated to the various schemes on the basis of distribution formulae stipulated in advance.

The average contribution is established in the late autumn of each year for the following year. This is done on the basis of the available information and the actuarial bases in force at the time. For calculating the cushioned cost-effective contribution, 30 September is used as the reference point.

Each year the single premium needed to finance the VPL entitlements actually recognised in the year, regardless of the participant's year of birth, is deducted from the VPL funds. This single premium is established as the cost-effective single premium on the basis of the IRTS used for the fund's technical provisions (the IRTS published by DNB including UFR). In 2016 this cost-effective deduction (including solvency surcharge) was equal to €103 (2015: €131). This amount is recognised as contribution income and deducted from long-term liabilities. The amount is based on participants whose pension came into force in 2016.

The contribution for goods transport and crane rental amounted to 30% for 2016, the participant's being 10.16%. The contribution for privately operated bus and coach services was 30% in 2016 and the participant's contribution was 12.19% of the pension base. The contribution for the taxi sector for 2016 was 30%, and the participant's contribution was 12.25% of the pension basis. The contribution for the Orsima (industrial cleaning) sector is 26.9%, and the participants' contribution is 10.85%.

## Cost-effective, cushioned and actual contribution

	2016	2015
	€	€
Cost-effective contribution	980	813
Actual contribution (excl. VPL – see following table 'actual contribution')	718	694
Cushioned contribution	669	568

## Composition of cost-effective contribution

	2016	2015
	€	€
Actuarially needed for pension accrual	811	712
Surcharge for maintenance of required own funds	154	87
Surcharge for execution costs	15	14
Total cost effective contribution	980	813

The actual contribution attributable to the financial year is recognised as income in profit and loss. The composition of the actual contribution is as follows:

## Composition of actual contribution

	2016	2015
	€	€
Contribution recognised as turnover	661	568
Contributions in contribution equalisation reserve for future accrual	57	126
Total actual contribution	718	694

## Composition of cushioned contribution

	2016	2015
	€	€
Actuarially needed for unconditional components of pension accrual	548	494
Surcharge for maintenance or top-up of regulatory own funds	106	60
Surcharge for execution costs	15	14
Total cushioned contribution	669	568

The difference between the cushioned cost-effective contribution and the actuarial contribution from the analysis of the result is mainly the consequence of the fact that the cushioned cost-effective contribution is calculated on the basis of a different interest rate term structure. This is the average interest rate term structure as at 30 September for the five years preceding the financial year.

The actual contribution due is established on the basis of an average contribution. The average contribution in 2016 amounted to €977. From this we first deduct the 2016 contribution needed for the VPL obligation. The balance (€718) is compared with the cost-effective test contribution of €669.

This test contribution is composed of the following components:

- The actuarial contribution required for pension accrual:  
This concerns the year's purchases of old age pensions, partners' pensions and early retirement pensions as well as the risk contributions for death and disability risks. The disbursement costs for subsequent recognition in the technical provisions are also included in this item.
- Surcharge for execution costs:  
This concerns the actual execution costs after taking account of the release from benefits paid.
- Solvency surcharge:  
This surcharge ensures that through the purchase of new entitlements the funding ratio is maintained at or brought up to the necessary level. This is because the pension fund needs to have a buffer for new entitlements too, which is not included in the actuarial contribution required for pension accrual. The amount of the solvency surcharge depends on the required own funds as at the time of the test (30 September 2015). As at that date required own funds were 19.4%. The solvency surcharge amounts to €106 million (rounded). The cost-effective contribution is based on required own funds at 31 December 2015 of 19.0% (under the old FTK), giving a rounded amount of €154 million. As, stated, the actual contribution of €718 is compared with the cost-effective test contribution of €669. The balance of €49 plus the contribution for 2015 of €8 was added to the contribution equalisation reserve after adding the corresponding return (€20).

**(11) Investment results for account and risk of the pension fund****Investment results for account and risk of the pension fund 2016**

	Direct investment income	Indirect investment income	Costs asset management	Total
	€	€	€	€
Investment property	25	27	-4	48
Equities	150	600	-28	722
Fixed income securities	420	614	-36	998
Other investments	36	4	0	40
Derivatives	110	613	-3	720
	741	1,858	-71	2,528

Asset management costs comprise the costs charged directly to the fund by the custodian and the asset manager(s). These costs consist of €57 of fixed remuneration in respect of management fees, a proportional part (53%) of the costs of the Executive Office and the general pension execution costs charged to asset management in the context of the Pension Federation's recommendations regarding the treatment of costs. The remaining asset management costs comprise costs for fiduciary management €10, custody fees €3 and asset management advisory fees €1.

From 2016 on, in the context of the Pension Federation's recommendations regarding the treatment of costs, part of the total pension execution costs is allocated to asset management. In 2016, €1 of this item consisted of costs in respect of Board and committees, external advisers and supervisors. Actuarial advisory services are 25% allocated to asset management, other items 50%. The allocation percentages were established by classifying the activities performed as either pension management or asset management.

Transaction costs form part of indirect investment income.

## Investment results for account and risk of the pension fund 2015

	Direct investment income	Indirect investment income	Costs asset management	Total
	€	€	€	€
Investment property	27	14	-3	38
Equities	132	516	-28	620
Fixed income securities	493	71	-35	529
Other investments	0	29	0	29
Derivatives	68	-1,610	-1	-1,543
	720	-980	-67	-327

Asset management costs comprise the costs charged directly to the fund by the custodian and the asset manager(s). €55 of these costs are fixed remuneration by way of management fees and costs of the executive office allocated to asset management (49%). The remaining asset management costs comprise costs for fiduciary management €9, custody fees €2 and asset management advisory fees €1.

### (12) Other income

	2016 €	2015 €
Other income	1	14

The greater part of other income from 2015 consists of the release of a provision for asset management costs from previous years.

### (13) Payments of benefits

	2016 €	2015 €
Old age pension	225	188
Early retirement pension	20	28
Partner's pension	52	49
Orphans' pension	2	2
Disability pension	16	33

Surrenders	16	13
Other payments	3	14
<b>Total</b>	<b>334</b>	<b>327</b>

The item 'surrenders' concerns the surrender (x € 1.-) of pensions that were individually less than €465.94 (2015: € 462.88) per year.

Other payments concern unclaimed pensions of persons with a right to a pension but who do not receive benefits because they have not claimed them. Since the replacement of the Gemeentelijke Basisadministratie (GBA) by the Basisregistratie Personen (BRP) it has been possible to receive personal particulars of persons resident abroad who have a relationship with the Dutch government, as well as of residents. As a result certain particulars were obtained enabling us to trace some persons with rights to benefits.

## (14) Pension execution costs

	2016	2015
	€	€
Reimbursement of administration costs	15	15
Contributions and additions	1	1
Compulsory payments and penalties	0	0
Personnel costs	3	2
Other costs	2	2
<b>Total</b>	<b>21</b>	<b>20</b>

### Execution costs

The costs of the execution of the pension scheme consist of costs of the activities of TKP (the company responsible for the implementation of the scheme), the costs of the Board, a prorated part of the costs of the Administrative Office and the costs of supervision.

### Directors' remuneration

Remuneration of past and present directors together totalled (in 000s) €428 (2015: €370). A fixed attendance fee is allocated to each director. No loans, advances or guarantees have been granted to past or present directors.

### Auditors' fees

The external auditor is KPMG Accountants N.V. Pursuant to Article 382a, Title 9, Book 2 of the Dutch Civil Code, the external auditor's fees are reported as follows (in 000s):

## Fees (incl. VAT)

€000s	2016			2015		
	Auditor	Other network	Total	Auditor	Other network	Total
Audit of financial statements	242	0	242	230	0	230
Other auditing assignments	42	0	42	36	0	36
Tax advice	0	162	162	0	129	129
Other non-audit services	0	370	370	0	35	35
<b>Total</b>	<b>284</b>	<b>532</b>	<b>816</b>	<b>266</b>	<b>164</b>	<b>430</b>

## Personnel costs \* €1,000

	2016	2015
	€	€
Employees' salaries	2,081	1,985
Pension charges	418	308
Social charges	353	313
<b>Total</b>	<b>2,852</b>	<b>2,606</b>

The number of employees in service with the pension fund is 25 (2015: 25). Apart from this, management activities are carried out by employees of the pension administrator and the asset manager on the basis of an execution agreement.

The members of the Executive Office personnel carry out activities in the context of pension execution and asset management execution. Consequently, of the above personnel costs, €1,506 or 52.8% (2015: €1,323 or 50.8%) was allocated to costs of asset management. The remaining personnel costs are included in pension execution costs.

### General costs allocated to costs of asset management

From 2016 on, in the context of the Pension Federation's recommendations regarding the treatment of costs, part of the total costs is allocated to asset management. €1 of this item consisted of costs in respect of Board and committees, external advisers and supervisors. Actuarial advisory services are 25% allocated to asset management, other items 50%. The allocation percentages were established by classifying the activities performed as either pension management or asset management.

**(15) Investment return on contribution equalisation reserve****Investment return attributed to contribution equalisation reserve**

	2016	2015
	€	€
Investment return attributed to contribution equalisation reserve	20	-2

**(16) Investment returns in respect of VPL**

	2016	2015
	€	€
Effect of change in IRTS	112	-19
Allocation of one-year interest rate	0	2
Total	112	-17

Returns are attributed each year to the VPL provision based on what has been established in the agreement with the social partners and on fully matched investments (100% interest rate hedging of the actual interest rate term structure, the so-called zero swap curve, without taking account of the UFR (ultimate forward rate) system or other possible kinds of deviation from the actual interest rate term structure).

**(17) Reinsurance balance**

	2016	2015
	€	€
ANW reinsurance premium	2	1
Payments in respect of reinsurance	-1	-1
Total	1	0

**(18) Balance of transfer from third parties**

	2016	2015
	€	€
Inward value transfers	-12	-22
Inward group value transfers	0	-84
Outward value transfers	8	19
Total	-4	-87

Value transfer means receiving from a participant's previous employer's pension fund or insurer the present value of his contribution-free pension entitlements accrued to date of resignation, or transferring it to his new employer's pension fund or insurer.



The incoming group transfer of pension entitlements in 2015 concerns Pensioenfonds Orsima. The accrued rights and entitlements of past and present participants and pensioners of Pensioenfonds Orsima were incorporated into the fund by means of a group transfer of pension entitlements effective 1 January 2015.

The one-time premiums received are applied to buying in extra years of service.

### (19) Other expenses

	2016	2015
	€	€
Interest in respect of value transfers	0	1
Changes in provision for doubtful debts	3	4
Total	3	5

The fund's activities are exempt from corporation tax.

The Hague, 20 April 2017

The Board,

Ms R. Hidding

Mr L.J.H. Ceelen

Ms S. Kraaijenoord

Mr M. van Ballegooijen

Mr P.W. Kievit

Ms L.F.A.M. Jansen

Mr W. Kusters

Ms A.J. Stevens CPE

Ms W. Westerborg

Mr P.A. Stork

## OTHER INFORMATION

## 15. Report of the Supervisory Board

De Supervisory Board was established on 1 July 2014. The tasks of the Supervisory Board are determined by the legal framework, including the Pension Funds Code, and the Articles of Association and the Regulations of PF Vervoer. The Supervisory Board applies the Oversight Code recommended by the VITP (Association of Pension Sector Internal Supervisors). Application is on a 'comply or explain' basis using the framework of standards as referred to in various sections of this report. In accordance with the Code, the Supervisory Board includes in its oversight the functioning of governance, the workings of the Board, transparency and comprehensible communication, compliance with the Pension Funds Code and culture and conduct. The Supervisory Board has also applied the Code by establishing upon completion of activities whether and if so how the standards contained in the Code have been complied with.

The Supervisory Board has access to all the fund's Board documents, all committees and bodies and the Executive Office of the fund. The Supervisory Board has the right to consult with the external auditor, the external actuary, the integral manager (fiduciary asset management) and the execution organisation.

The Supervisory Board meets twice a year with the whole Board, every quarter with a delegation from the Board and in its own circle as often as necessary or whenever topical issues give rise to it. Apart from this the Supervisory Board conducts an annual consultation with the certifying auditor, the actuary, and in principle twice a year with the key person(s) of the integral manager (Robeco) and the execution organisation (TKP). The Supervisory Board is proactively informed about important policy decisions of the fund, even when they do not require the Supervisory Board's approval. At year end the Supervisory Board confers with the chairmen of the Board on the supervisory issues for the coming year. The Supervisory Board meets once a year with the Accountability Body and attends a number of Board and committee meetings each year.

In 2016 the Supervisory Board's focus was on good housekeeping. This found expression in among other things the further development of the strategy, the review of governance and its unambiguous establishment in the governance manual and the way in which the DNB's recommendations following the assessment study were adopted. In 2016 the Board received a new thrust with the addition of two external Board members with expertise in the fields of asset management and risk management. The Executive Office was also strengthened, with the addition of a number of employees. The Supervisory Board saw that the Board and the Executive Office continues to invest in the efficiency and effectiveness of their meetings.

Partly thanks to developments in the financial markets, the fund's financial position is once again improving.

During the year the Board kept the Supervisory Board constantly informed about the follow-up of recommendations from the Supervisory Board's report for 2015. The Supervisory Board has established that the recommendations from the previous report have received appropriate attention from the Board.

The following resolutions were submitted to the Supervisory Board for approval during the reporting year:

- Group transfer of pension entitlements of Pensioen Stichting Security (PSS) – Approval
- Proposed appointment of external PF Vervoer Board members (areas of attention asset management and risk management)

- Adjustment to remuneration of Board members and independent chairman
- Function profile for independent external board member with special areas of attention asset management and risk management
- Testing against profile of candidates for pensioners board member

## Governance

### Framework of standards:

The fund's governance must be such that good management is assured. The Board and the individual members must be expert or ensure that there is sufficient expertise within the fund, and there must be an open culture in which consistent decision making is possible and interests can be equitably weighed up.

### Findings:

The Supervisory Board was able to establish that the Board pays permanent attention to ensuring an effective structure and culture within the fund and that there are positive developments in the workings of the Board and in relations with the Executive Office, the Supervisory Board and the Accountability Body.

## Mission, vision and strategy

### Framework of standards:

The fund's Board has as its most important task the execution of the pension scheme, now and in the future. The policy and the underlying considerations must be sufficiently accessible to all interested parties and stakeholders. The policy must be consistent with the fund's vision and mission and aimed at attaining the objectives deriving from that vision and mission.

### Findings:

In 2016 multi-year policy plan was established on the basis of the strategic vision and discussed with the Supervisory Board. A public version of the strategic vision for the future was posted on the website.

## Financial structure

### Framework of standards:

The fund must have a solid financial structure, with consistency among expectations, financing and pension result. The financing structure must be sustainable.

#### Findings:

The fund's financial position improved in 2016 thanks to developments in the financial markets, but still gives cause for concern. The Board monitors the situation carefully with a view to measures that might need to be taken.

### Equitable consideration of interests

#### Framework of standards:

The Board of a fund must see to it that all the fund's stakeholders are assured of equitable representation.

#### Findings:

From Board documents and conversations with the Board it is evident that adequate attention is given to the equitable consideration of interests. Good agreements have now been made on the explicit establishment of considerations in documents and reports, so that assessments are now made explicit.

### Investment policy and asset management

#### Framework of standards:

A pension fund must pursue an investment policy that is in accordance with the prudent person rule. Funds are invested in the interests of pensioners' entitlements. The instructions to the asset manager must conform to this, and the mandate must be clearly and simply described.

#### Findings:

The fund's investment policy meets the requirements. It is executed consistently, in line with the low target risk. Partly as a result of the findings of the DNB investment study, the underpinnings and implementation of the investment policy were further structured.

### Outsourcing

#### Framework of standards:

The Board must have a vision of the execution of the activities by the pension fund and carry out an explicit assessment of the activities to be outsourced. The level of cost must be acceptable. The Board must be in control, even of the outsourced activities. Parties to whom work is outsourced, as well as external advisers, must be periodically evaluated. The general conduct of the fund's business must meet the requirements of well controlled and sound management.

#### Findings:

Outsourcing of asset management to Robeco is effective and the quality of service is good. The same is true in broad terms of the outsourcing of the pension administration to TKP. The continuity of Robeco and the maintenance of sufficient capacity and quality at TKP are two important points for attention which the Board and the Executive Office fully recognise and proactively oversee.

## Risk management

### Framework of standards:

Good risk management is one of the important pillars on which good pension fund management relies. The Board promotes and ensures a culture in which risk-awareness goes without saying. It also sees to it that the overall risk management is appropriately organised. The Board takes explicit account of risks and risk management in establishing policy and taking decisions. This risk management is established by the Board.

### Findings:

The Supervisory Board confirms that appropriate attention is given to integral risk management and an appropriate ICT and information security policy. The qualitative and quantitative staffing of the Executive Office was a point for attention on account of the departure of the fund's risk manager. However the vacancy has meanwhile been filled very appropriately.

## Communication and transparency

### Framework of standards:

Communication must be in lines with the fund's policy, communicating clearly on the relationship between ambition, costs and safety. Communication must be relevant for participants and in consonance with their experience, need for information and level of understanding.

### Findings:

The Supervisory Board conforms that the Board gives due attention to appropriate communication with participants. The communication function has been further strengthened, the website overhauled and new media developed. The fund has a good insight into the world of participants and employers and has tailored the communication function exclusively to this.

## Approval of resolution to establish the annual report and financial statements

The Supervisory Board approved the Board's resolution to establish the annual report and financial statements on 20 April 2017.

The Hague, 20 April 2017

Supervisory Board

## Board's reaction

The Board thanks the Supervisory Board for the in-depth way in which since 1 July 2014 it has assessed the procedures, processes and checks and balances within the fund. The Board has experienced the contribution of the Supervisory Board as being of added value for the governance of the fund.

The Board takes good note of the observations made and points for attention mentioned by the Supervisory Board.



## 16. Opinion of the Accountability Body

Since 1 July 2014 in the framework of the Pension Funds (Strengthening of Governance) Act the accountability and co-determination functions have been brought together under the Accountability Body. The Accountability Board has five members representing active members, pensioners and the employers' associations involved in the Pension Fund.

The Board reports annually to the Accountability Body on policy and the way in which it is implemented. The Accountability Body is empowered to give an opinion on the Board's conduct of the fund's business based on the annual report, the financial statements and other information, including the findings of the Supervisory Board, and on the policy pursued by the Board and the policy choices for the future.

The Board gives the Accountability Body the opportunity to give advice on specifically mentioned subjects. Effective 1 January 2015 the advisory rights of the Accountability Body were extended to giving advice on the composition of the actual contribution and the amounts of the contribution components.

The Accountability Body has sufficient information to be able to perform its task well, and can if necessary call on experts for more detailed explanations. The Accountability Body is satisfied with the way in which it is provided with information by the Board and the Executive Office. Good and complete provision of information is an important basis for the Accountability Body for performing its tasks including providing advice.

### Meetings and consultations

The Accountability Body met four times in 2016. Additionally there was a consultation with the Supervisory Board and a joint consultation with the Board and the Supervisory Board on the financial statements for 2015.

Topics discussed during the meetings of the Accountability Board in 2016 included:

- Cost benchmarking for pension management and asset management
- Recovery plan
- Strategic course of Pensioenfonds Vervoer
- DNB investment study / improvement plan for managing investments
- Remuneration policy
- VAT-position of Pensioenfonds Vervoer
- Communication plan 2017
- Communication policy plan 2016-2018
- 2017 investment plan
- Group transfer of accrued benefits: Pensioenstichting Security

The Accountability Body also gave regular attention to:

- Developments in returns and risk of the fund's investment portfolio, partly in the light of developments in the financial markets;
- Comprehensive Risk Management.
- Fitness

We now go into a number of subjects in more depth.

### ***Group transfer of accrued benefits: Pensioenstichting Security***

Pensioenstichting Security (PSS) is a company pension fund that executes the pension scheme for two employers involved in the transport of goods among other things. PSS decided in 2016 to liquidate the pension fund.

The members of the Accountability Body were asked to advise on the Board's proposed decision to take over the obligations of PSS.

Based on the information provided and additional explanations, the Accountability Body issued a positive opinion on the transfer of PSS to Pensioenfonds Vervoer and the associated group transfer of pension entitlements effective 1 January 2017.

The Board resolved in its meeting of 13 October 2016 to approve the transfer of the pension rights and entitlements from PSS to PF Vervoer.

The conditions for the group transfer of accrued benefits were established in a transfer and warranty agreement.

### ***Improvement plan for management of investments***

In 2015 DNB carried out an investment study, the report and findings of which were produced in January 2016. Based on this, the Board established an improvement plan for management of investments which included sections on improving the selection of investment categories/managers and more structured monitoring of external managers. The improvement plan also provides for a broader mandate for the Executive Office in the field of asset management. Thanks to this the Board can now devote itself more to strategic and tactical issues and less to operational matters. In the framework of its broader mandate, the Executive Office will report on all significant topics and findings to the Board.

The measures discussed with the Accountability Body and communicated to DNB concern the following matters:

- Continuation of the training plan for the Board as a group and for individual Board members, with specific attention being paid to extending expertise in the field of asset management and risk management.
- Further elaboration of the mandating of the Executive Office and Robeco/Corestone and appropriate reporting by the Executive Office to the Board.
- Enlargement of the present Board by two external Board members with specific governance experience in the fields of asset management and risk management. Thus the Board opted for a parity-plus governance model with eight Board members on behalf of employers, employees and pensioners and two external Board members. Board and committee meetings are chaired by an independent chairman.

DNB has reacted positively to the improvement plan drawn up by the pension fund.

## **Opinion**

The Accountability Body is positive about the policy pursued by the Board and its implementation. The Accountability Body assesses the Board's actions as appropriate. The Board is expert and takes decisions with care. At the end of 2016 the expertise of the Board was further increased by the recruitment of two external Board members with specific knowledge in the fields of asset management and risk management. The Accountability Body subscribes to these developments.

With a view to current and future developments in the field of pension management the increasing workload that this is expected to entail for the Board is a point of concern for the Accountability Body.

Organisation and internal cooperation were improved, while oversight of the fund's financial situation remains good. At every meeting the Accountability Body is informed of the state of affairs and recent developments in the field of asset management and risk management.

In the area of communication too there is regular consultation and good cooperation with the Accountability Body.

In our opinion the annual report for 2016 of Pensioenfonds Vervoer gives an accurate reflection of the policy pursued by the Board of Pensioenfonds Vervoer. The Accountability Board is of the opinion that the Board has given due consideration to the policy choices made and has taken all measures to carefully manage the capital of the fund and in making its decision the Board has weighed the interests in a balanced manner. The opinion of the Accountability Body is based on the information provided in 2016 for the meetings of the Accountability Body, the annual report for 2016 and the financial statements for 2016, the 2016 annual report of the Supervisory Board and consultation with the Supervisory Board on the report. We agree with the findings and recommendations of the Supervisory Board.

### Final Conclusion

The Board has followed a consistent policy in 2016, in which the interests of all stakeholders involved (members, former members, pension beneficiaries and affiliated employers) have been weighed and safeguarded.

The Hague, 20 April 2017

The Accountability Body of Pensioenfonds Vervoer

## Board's reaction

In forming its opinion, the Accountability Body focused on the question of whether in pursuing the policy and taking the decisions deriving from it, the Board furthered the interests of the various stakeholder groups (participants, former participants, pensioners and affiliated employers) of Pensioenfonds Vervoer in an equitable manner. The Board has taken note of the positive opinion of the Accountability Body.

The Board understands the Accountability Body's concerns about the workload. Just as in previous years, the Board finds itself facing a large number of developments in the fund's direct environment, in the social debate, in politics and not least in the financial markets.

In the past year however a number measures have been taken to ensure that the Board is adequately equipped to be able to react appropriately to the ongoing dynamic in the environment.

This the Board added two external Board members and opted for a division of tasks within the Board by assigning areas of attention. At the same time the Executive Office was granted a wider mandate in the field of asset management so that the Board can concentrate more on strategic and tactical matters and less on operational aspects.

The Board appreciates the efforts made by the members of the Accountability Body in arriving at their assessment.

## 17. Provisions of the Articles of Association in respect of appropriation of the balance of income and expenditure

There are no provisions in the Articles of Association regarding the appropriation of the results. The balance of the income statement has been debited to the solvency reserve.

## 18. Actuary's certification

### *Assignment*

Stichting Bedrijfstakpensioenfonds voor het Beroepsvervoer over de Weg, Amsterdam, has instructed Towers Watson Netherlands B.V. to issue an actuary's certification as referred to in the Pensions Act for the financial year 2016.

### *Independence*

As authenticating actuary I am independent of Stichting Bedrijfstakpensioenfonds voor het Beroepsvervoer over de Weg, as required by Article 148 of the Pensions Act. I perform no other activities for the pension fund. Because Towers Watson Netherlands B.V. has a code of conduct approved by the supervisor, it is permitted for other actuaries and experts belonging to or associated with Towers Watson Netherlands B.V. to perform other activities for the pension fund.

### *Data*

The data on which my audit was based were provided by and were compiled under the responsibility of the Board of the Pension Fund

In testing the technical provisions and in assessing its financial position, I have based my assessment on the financial data on which the financial statements are based.

### *Coordination with the auditor*

Based on the cooperative relations maintained between me and the auditor, we coordinated in the activities and expectations in audits of the financial year. For testing the technical provisions and assessing the equity situation as a whole I set materiality at €100 million. I agreed with the auditor to report observed deviations above €5 million. These agreements were established and the results of my findings were discussed with the auditor.

I also made use of the base data investigated by the auditor in the course of his annual audit of the accounts. The auditor of the pension fund has informed me of his findings regarding the reliability (material accuracy and completeness) of the base data and the other starting points relevant to my opinion.

### *Activities*

In carrying out the assignment, I have, in accordance with my legal responsibility as described in Article 47 of the Pensions Act, examined whether the provisions of Articles 126 to 140 inclusive of said Act have been complied with.

The basic administrative data provided by the pension fund are such that I have accepted this information as the starting point of the calculations reviewed by me.

As part of the activities for the assignment I checked to see among other things whether:

- the technical provisions, the minimum required own funds and the required own funds have been adequately established;
- the cost-effective contribution meets the established legal requirements;
- the investment policy is in accordance with the prudent person rule.

I have also formed an opinion of the financial position of the pension fund. I based this opinion on the obligations assumed up to and including the balance sheet date and assets present as at that date, and also took account of the financial policy of the pension fund.

My audit was carried out in such a way that it may be ascertained with a reasonable degree of certainty that the results do not contain material misstatements.

The activities described and the implementation thereof are in accordance with the applicable standards and common practices of the Royal Actuarial Association and, in my view, provide a sound basis for my opinion.

### *Opinion*

The technical provisions, calculated in accordance with the calculation rules and principles described, have been determined adequately.

The own funds of the pension fund at the balance sheet date are below the legally required minimum own funds.

Taking into account the above, I have satisfied myself that Articles 126 to 140 inclusive of the Pensions Act have been complied with, with the exception of Articles 131 and 132.

The policy funding ratio of the pension fund as at balance sheet date was lower than the funding ratio corresponding to minimum required own funds.

My assessment of the equity situation of Stichting Bedrijfstakpensioenfondsvoor het Beroepsvervoer over de Weg is based on the obligations assumed up until balance sheet date and the resources available at that date. The equity situation in my opinion is unsatisfactory, since own funds are less than minimum required own funds.

Apeldoorn, 20 April 2017

R. Kruijff AAG

Associated with Towers Watson Netherlands B.V.

## 19. Report of the Independent Auditors



### Controleverklaring van de onafhankelijke accountant

Aan: het Bestuur en Raad van Toezicht van Stichting Bedrijfstakpensioenfonds voor het Beroepsvervoer over de Weg

#### Verklaring over de in het jaarverslag opgenomen jaarrekening 2016

##### Ons oordeel

Naar ons oordeel geeft de in dit jaarverslag opgenomen jaarrekening een getrouw beeld van de grootte en samenstelling van het vermogen van Stichting Bedrijfstakpensioenfonds voor het Beroepsvervoer over de Weg per 31 december 2016 en van het resultaat over 2016, in overeenstemming met Titel 9 Boek 2 van het in Nederland geldende Burgerlijk Wetboek (BW).

##### Wat we gecontroleerd hebben

Wij hebben de jaarrekening 2016 van van Stichting Bedrijfstakpensioenfonds voor het Beroepsvervoer over de Weg (de Stichting) te Amsterdam gecontroleerd.

De jaarrekening bestaat uit:

- 1 de balans per 31 december 2016;
- 2 de staat van baten en lasten over 2016; en
- 3 de toelichting met een overzicht van de grondslagen voor financiële verslaggeving en overige toelichtingen.

##### De basis voor ons oordeel

Wij hebben onze controle uitgevoerd volgens het Nederlands recht, waaronder ook de Nederlandse controlestandaarden vallen. Onze verantwoordelijkheden op grond hiervan zijn beschreven in de sectie 'Onze verantwoordelijkheden voor de controle van de jaarrekening'.

Wij zijn onafhankelijk van de Stichting zoals vereist in de Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) en andere voor de opdracht relevante onafhankelijkheidsregels in Nederland. Verder hebben wij voldaan aan de Verordening gedrags- en beroepsregels accountants (VGBA).

Wij vinden dat de door ons verkregen controle-informatie voldoende en geschikt is als basis voor ons oordeel.





## Controleaanpak

### Samenvatting



### Materialiteit

Op basis van onze professionele oordeelsvorming hebben wij de materialiteit voor de jaarrekening als geheel bepaald op EUR 100 miljoen (2016: 100 miljoen). Voor de bepaling van de materialiteit wordt uitgegaan van het pensioenvermogen per 31 december 2016 (circa 0,6%). Wij beschouwen het pensioenvermogen als de meest geschikte benchmark, omdat het pensioenvermogen een bepalende factor is in de berekening van de beleidsdekkingsgraad die de financiële positie van de Stichting weergeeft. Wij houden ook rekening met afwijkingen en/of mogelijke afwijkingen die naar onze mening voor de gebruikers van de jaarrekening om kwalitatieve redenen materieel zijn.

Wij hebben met het Bestuur en Raad van Toezicht afgesproken dat wij tijdens onze controle geconstateerde afwijkingen boven de EUR 6 miljoen aan het Bestuur en Raad van Toezicht rapporteren alsmede kleinere afwijkingen die naar onze mening om kwalitatieve redenen relevant zijn.

### Reikwijdte van de controle

#### Uitbesteding van bedrijfsprocessen aan dienstverleners

De Stichting heeft het beheer van de beleggingen en de pensioenadministratie uitbesteed aan dienstverleners zoals toegelicht in hoofdstuk 2 van het bestuursverslag. De jaarrekening wordt opgesteld op basis van informatie over de beleggingen, beleggingsopbrengsten, technische voorzieningen, premiebijdragen, pensioenuitkeringen en overige financiële posten die is verstrekt door deze dienstverleners.

Gegeven onze eindverantwoordelijkheid voor het oordeel zijn wij verantwoordelijk voor het verwerven van inzicht in de aard en de significantie van de door de dienstverleners verleende diensten en in het effect ervan op de voor de controle relevante interne beheersing van de Stichting. Op basis hiervan identificeren wij de risico's op een afwijking van materieel belang en zetten wij controlewerkzaamheden op en voeren wij deze uit om op deze risico's in te spelen.

Bij de uitvoering van onze controle maken wij gebruik van de werkzaamheden en bevindingen van andere onafhankelijke accountants inzake de voor de Stichting relevante interne beheersingsmaatregelen van dienstverleners op het gebied van beheer van beleggingen en pensioenadministratie, zoals weergegeven in de specifiek daarvoor opgestelde (SOC I en ISAE 3402-type II-) rapportages.

Onze controlewerkzaamheden bestaan uit het bepalen van de minimaal verwachte interne beheersingsmaatregelen en het bespreken van de beheersomgeving bij de dienstverlener met



vertegenwoordigers van de dienstverlener. Op basis daarvan evalueren wij en bespreken wij met de andere onafhankelijke accountant, de in de ISAE 3402-rapportage beschreven interne beheersingsmaatregelen, verrichte werkzaamheden ter toetsing van de effectieve werking gedurende 2016 en de uitkomsten daarvan. Ook beoordelen wij de evaluatie door het bestuur van de kwaliteit van de uitbesteding aan de dienstverleners aan de dienstverleners.

Wij hebben eigen gegevensgerichte analyses uitgevoerd waarbij wij de uitkomsten van de, premiebijdragen en uitkeringen hebben getoetst op basis van verwachtingen die wij zelf hiervoor hebben ontwikkeld. Wij hebben door middel van deelwaarnemingen zelfstandig beheersmaatregelen rondom de pensioenadministratie bij de dienstverlener onderzocht.

Bij de uitvoering van onze controle maken wij gebruik van de werkzaamheden en bevindingen van andere onafhankelijke accountants. Een andere onafhankelijk accountant heeft de informatie inzake vastgoed en hypotheekbeleggingen ten behoeve van de jaarrekening van de Stichting te gecontroleerd. Gegeven onze eindverantwoordelijkheid voor het oordeel bij de jaarrekening zijn wij verantwoordelijk voor de aansturing van, het toezicht op en de uitvoering van de controlewerkzaamheden van deze accountant. In dit kader hebben wij de accountant schriftelijke instructies gegeven omtrent de aard en omvang van de uit te voeren werkzaamheden. De accountant heeft, op onze instructie, de controle uitgevoerd met een materialiteit van circa EUR 10 miljoen en daarbij ook bijzondere aandacht besteed aan het hierna genoemde kernpunt van onze controle voor de waardering van beleggingen met schattingen.

De accountant heeft zijn bevindingen aan ons gerapporteerd. Wij hebben de rapportage geëvalueerd, de bevindingen met de accountant besproken en aanvullende eigen controle werkzaamheden uitgevoerd waaronder aansluiting van de vermogensbeheerrapportage met de financiële administratie en de jaarrekening.

Door bovengenoemde werkzaamheden op de uitbestede bedrijfsprocessen en aanvullende eigen werkzaamheden hebben wij voldoende en geschikte controle-informatie met betrekking tot de beleggingen, beleggingsstromen en -opbrengsten, (mutaties in) deelnemergevens en aanspraken die resulteren in (wijzigingen in) de technische voorzieningen, premiebijdragen en uitkeringen verkregen.

#### **De kernpunten van onze controle**

In de kernpunten van onze controle beschrijven wij zaken die naar ons professionele oordeel het meest belangrijk waren tijdens onze controle van de jaarrekening. De kernpunten van onze controle hebben wij met het Bestuur en Raad van Toezicht gecommuniceerd, maar vormen geen volledige weergave van alles wat is besproken.

Wij hebben onze controlewerkzaamheden met betrekking tot deze kernpunten bepaald in het kader van de jaarrekeningcontrole als geheel. Onze bevindingen ten aanzien van de individuele kernpunten moeten in dat kader worden gezien en niet als afzonderlijke oordelen over deze kernpunten.

#### **De waardering van beleggingen**

##### **Omschrijving**

De beleggingen vormen een significante post op de balans van de Stichting. Alle beleggingen dienen conform de Pensioenwet te worden gewaardeerd op marktwaarde. Uit noot 1 van paragraaf 14.3 bij de toelichting op de jaarrekening blijkt dat voor EUR 6,7 miljard (38%) van de beleggingen van de Stichting de waardering gebaseerd is op *afgeleide marktnoteringen (derivaten en beursgoteerde beleggingen met lage handelsfrequentie), en waarderingsmodellen (bankloans, hypotheek, vastgoed en infrastructuur beleggingen)*. Het bepalen van de marktwaarde voor deze beleggingen is complex(er) en bevat subjectieve schattingselementen.

In de toelichting in paragraaf 14.2.2 geeft de Stichting de gehanteerde waarderingsgrondslagen weer. In noot 1 van paragraaf 14.3 zijn de gehanteerde waarderingsmethoden en belangrijke veronderstellingen voor waardering van de beleggingen uiteengezet.



### De waardering van beleggingen

Het maken van de schattingen vergt een hoge mate van oordeelsvorming van het bestuur, waarbij gebruik wordt gemaakt van modellen. Gezien de invloed hiervan op de waardering van de beleggingen, het saldo van baten en lasten, het eigen vermogen en de beleidsdekkingsgraad, vormde de waardering van beleggingen met behulp van schattingen een kernpunt in onze controle.

#### Onze aanpak

Voor beleggingen, waarvoor de waardering tot stand komt met behulp van schattingen, maken wij gebruik van de beheersmaatregelen die zijn ingericht bij de vermogensbeheerder en die onderdeel zijn van de SOC 1 en ISAE 3402 type II-rapportage, waarbij een goedkeurend assurancerapport van de accountant is afgegeven. Deze relevante beheersmaatregelen zijn gericht op de aanstelling van toetsen van de betrouwbaarheid van de waardering en gegevensaanlevering door de fondsmanager aan de custodian.

De waardering van beleggingen gebaseerd op directe marktnoteringen en afgeleide marktnoteringen (derivaten en beursgenoteerde beleggingen met lage handelsfrequentie) en waarderingsmodellen (bankloans) hebben wij onderzocht met gebruikmaking van een eigen waarderingsspecialist. Onze waarderingsspecialist heeft de gehanteerde waardering vergeleken met zelfstandig verkregen openbare marktinformatie van onafhankelijke bronnen. Significante verschillen zijn door ons nader onderzocht.

De waardering van beleggingen gebaseerd is op waarderingsmodellen (infrastructuur beleggingen) hebben wij getoetst aan de hand van recente, door andere onafhankelijk accountant gecontroleerde jaarrekening. Wij hebben hierbij onder meer aandacht besteed aan consistentie met de waarderingsgrondslagen van de Stichting ten opzichte van die van het beleggingsfonds alsmede de strekking van de verklaring van de andere onafhankelijk accountant. Wanneer niet tijdig een jaarrekening, voorzien van een goedkeurende controleverklaring, beschikbaar is, hebben wij de betrouwbaarheid van de marktwaardering, zoals door de fondsmanager is afgegeven, vastgesteld door de inschatting van deze fondsmanagers uit voorgaande jaren te toetsen aan de hand van de later in het jaar beschikbaar gekomen gecontroleerde jaarrekeningen. In aanvulling hierop hebben we diverse gesprekken gevoerd met betrokken frontoffice-medewerkers van de Stichting/Vermogensbeheerder, waarbij wij significante gebeurtenissen na balansdatum, mogelijke risico's en andere relevante aspecten die van invloed zijn op de waardering van deze fondsen hebben besproken en getoetst aan brondocumentatie.

Voor beleggingen waarvan de waardering gebaseerd is op waarderingsmodellen (vastgoed en hypotheek) heeft de accountant van de dienstverlener op het gebied van beheer van beleggingen zijn bevindingen met betrekking tot zijn controle op de vermogensrapportage aan ons gerapporteerd. Wij hebben de rapportage geëvalueerd. Wij hebben vastgesteld dat de gecontroleerde vermogensbeheerrapportage aansluit met de financiële administratie en de jaarrekening. Wij hebben in 2015 een review verricht op het dossier van de accountant en hierbij vastgesteld dat wij ons kunnen verenigen met de uitgevoerde werkzaamheden. Wij hebben in 2016 geen review op de uitgevoerde werkzaamheden verricht.

Het evalueren van de waarderingsgrondslagen en vaststellen van de juistheid en toereikendheid van de toelichtingen vormde onderdeel van onze werkzaamheden.

#### Onze observatie

Wij hebben vastgesteld dat de gehanteerde waarderingsgrondslagen en gehanteerde waarderingsmethodieken voor de beleggingen in overeenstemming zijn met de geldende verslaggevingsregels en geschikt zijn om te kunnen komen tot een marktwaarde van deze beleggingen. Wij hebben eveneens geconstateerd dat de toelichtingen op de beleggingen adequaat zijn.

De waardering van beleggingen is op evenwichtige wijze bepaald, overeenkomstig de gehanteerde waarderinggrondslagen en methodieken.

### De waardering van de technische voorzieningen

#### OMSCHRIJVING

De technische voorzieningen vormen een significante post op de balans van de Stichting en worden gewaardeerd op actuele waarde (marktwaarde). De waardering van de technische voorziening komt tot stand door middel van een berekening waarin aanspraakgegevens van deelnemers met behulp van belangrijke schattingen over levensverwachtingen, kostenniveaus en arbeidsongeschiktheid worden vertaald



#### De waardering van de technische voorzieningen

naar verwachte toekomstige kasstromen (uitkeringen). De kasstromen worden contant gemaskt tegen de marktrente (rentetermijnstructuur zoals gepubliceerd door De Nederlandsche Bank).

Het bestuur heeft in de toelichting in noot 14.2.2 van de jaarrekening de waarderingsgrondslagen en veronderstellingen voor de technische voorzieningen opgenomen.

Het maken van de schattingen vergt een hoge mate van oordeelsvorming van het bestuur, waarbij gebruik wordt gemaakt van actuariële modellen en het bestuur zich laat adviseren door actuariële deskundigen. Gezien complexiteit en de invloed hiervan op de hoogte van de technische voorzieningen, het saldo van baten en lasten, het eigen vermogen en de beleidsdekkingsgraad, vormde de waardering van de technische voorzieningen een kernpunt in onze controle.

#### Onze aanpak

Het evalueren van de waarderingsgrondslagen en het vaststellen van de juistheid en toereikendheid van de toelichtingen vormden onderdeel van onze werkzaamheden.

Bij onze controle maken wij conform de geldende standaarden gebruik van de werkzaamheden van de certificerende actuaris die door de Stichting is aangesteld. Wij hebben bij aanvang van de controle en bij afronding ervan afstemming gehad met de certificerende actuaris over de te volgen aanpak, de aandachtspunten en de uitkomsten. Wij hebben het dossier van de certificerende actuaris beoordeeld.

Wij hebben de door het bestuur gehanteerde schattingsmethoden en veronderstellingen geëvalueerd. Hierbij hebben wij de consistentie, prudentie en actualiteit van de schattingsmethode en veronderstellingen betrokken. Wij hebben de onderbouwing van de veronderstellingen door het bestuur geëvalueerd aan de hand van een toetsing van de historische betrouwbaarheid daarvan en algemeen geactualiseerde uitgangspunten zoals overlevingskansen. De hanteerde schattingsmethoden en veronderstellingen hebben wij besproken met de certificerende actuaris. Wij hebben de actuariële verklaring zoals opgenomen in de overige gegevens en de werkzaamheden in het dossier van de certificerende actuaris geëvalueerd.

Onze werkzaamheden omvatten verder het evalueren van de uitkomst van de actuariële analyse van het resultaat in relatie tot eerder gemaakte schattingen en kasstroomprojecties. Bij de uitvoering van deze werkzaamheden hebben wij gebruikgemaakt van een eigen actuaris.

#### Onze observatie

Wij vinden de waardering van de technische voorzieningen evenwichtig bepaald en de toelichting toereikend.

#### Verklaring over de in het jaarverslag opgenomen andere informatie

Naast de jaarrekening en onze controleverklaring daarbij, omvat het jaarverslag andere informatie, die bestaat uit:

- de kerncijfers, voorwoord, profiel en organisatie;
- het bestuursverslag;
- de overige gegevens;
- de aanvullende informatie.

Op grond van onderstaande werkzaamheden zijn wij van mening dat de andere informatie:

- met de jaarrekening verenigbaar is en geen materiele afwijkingen bevat;
- alle informatie bevat die op grond van Titel 9 Boek 2 BW is vereist.



Wij hebben de andere informatie gelezen en hebben op basis van onze kennis en ons begrip, verkregen vanuit de jaarrekeningcontrole of anderszins, overwogen of de andere informatie materiele afwijkingen bevat.

Met onze werkzaamheden hebben wij voldaan aan de vereisten in Titel 9 Boek 2 BW en de Nederlandse Standaard 720. Deze werkzaamheden hebben niet dezelfde diepgang als onze controlewerkzaamheden bij de jaarrekening.

Het Bestuur is verantwoordelijk voor het opstellen van de andere informatie, waaronder het bestuursverslag en de overige gegevens in overeenstemming met Titel 9 Boek 2 BW.

## Beschrijving van verantwoordelijkheden met betrekking tot de jaarrekening

### Verantwoordelijkheden van het Bestuur en Raad van Toezicht voor de jaarrekening

Het Bestuur is verantwoordelijk voor het opmaken en het getrouw weergeven van de jaarrekening in overeenstemming met Titel 9 Boek 2 BW. In dit kader is het Bestuur verantwoordelijk voor een zodanige interne beheersing als het Bestuur noodzakelijk acht om het opmaken van de jaarrekening mogelijk te maken zonder afwijkingen van materieel belang als gevolg van fouten of fraude.

Bij het opmaken van de jaarrekening moet het Bestuur afwegen of de Stichting in staat is om haar werkzaamheden in continuïteit voort te zetten. Op grond van genoemd verslaggevingsstelsel moet het Bestuur de jaarrekening opmaken op basis van de continuïteitveronderstelling, tenzij het Bestuur het voornemen heeft om de Stichting te liquideren of de bedrijfsactiviteiten te beëindigen of als beëindiging het enige realistische alternatief is. Het Bestuur moet gebeurtenissen en omstandigheden waardoor gerede twijfel zou kunnen bestaan of de Stichting haar bedrijfsactiviteiten in continuïteit kan voortzetten, toelichten in de jaarrekening.

De Raad van Toezicht is verantwoordelijk voor het uitoefenen van toezicht op het proces van financiële verslaggeving van de Stichting.

### Onze verantwoordelijkheden voor de controle van de jaarrekening

Onze verantwoordelijkheid is het zodanig plannen en uitvoeren van een controleopdracht dat wij daarmee voldoende en geschikte controle-informatie verkrijgen voor het door ons af te geven oordeel.

Onze controle is uitgevoerd met een hoge mate – maar geen absolute mate – van zekerheid waardoor het mogelijk is dat wij tijdens onze controle niet alle materiele fouten en fraude ontdekken.

Afwijkingen kunnen ontstaan als gevolg van fraude of fouten en zijn materieel indien redelijkerwijs kan worden verwacht dat deze, afzonderlijk of gezamenlijk, van invloed kunnen zijn op de economische beslissingen die gebruikers op basis van deze jaarrekening nemen. De materialiteit beïnvloedt de aard, timing en omvang van onze controlewerkzaamheden en de evaluatie van het effect van onderkende afwijkingen op ons oordeel.

Voor een nadere beschrijving van onze verantwoordelijkheid ten aanzien van een controle van de jaarrekening verwijzen wij naar de website van de Nederlandse Beroepsorganisatie van Accountants (NBA).

[https://www.nba.nl/Documents/Tools%20Vaktechniek/Standards/standaards/Standards/standaard\\_nieuwe\\_controletekst\\_niet\\_oo\\_b\\_vanant\\_%20Nederlands.docx](https://www.nba.nl/Documents/Tools%20Vaktechniek/Standards/standaards/Standards/standaard_nieuwe_controletekst_niet_oo_b_vanant_%20Nederlands.docx)

Amstelveen, 20 april 2017

KPMG Accountants N.V.

F.J.J. Glorie RA

# APPENDICES

## Additional information on governing bodies

Hereunder you will find, as a supplement to the information in the Board report regarding the governance bodies, additional information on the remuneration of members of the Board, the Supervisory Board and the Accountability Body. Further information is also given on members of these bodies.

### Board

#### Remuneration

Board members' remuneration is based on the relevant recommendations of the Pension Federation. The recommendations for a pension fund of the size of Pensioenfonds Vervoer assume remuneration on the basis of total employer's expense of €140,000 a year on a full-time basis. Deriving from this, the chairmen (with an assumed 2.5 working days per week) receive remuneration of €70,000 a year.

For Board members until 1 July 2016 the assumed time devoted was one working day a week, giving annual remuneration of €28,000. The actual time devoted by Board members to their duties has risen sharply in the past few years. With effect from July 2016 we therefore assume 1.5 working days a week, giving annual remuneration of €42,000. So for the whole year 2016 each Board member received remuneration of €35,000. These amounts are in principle paid to the organisations that recommended the Board members.

The Board of Pensioenfonds Vervoer also has an independent chairman. The independent chairman has no vote and serves above all as a technical chairman. Until 1 July 2016 the independent chairman received annual remuneration of €42,000 excluding VAT, based on an assumed 1.5 working days per week. The independent chairman also proved in practice to be spending more time on the pension fund. Therefore from July 2016 his remuneration has been based on two working days a week, giving annual remuneration of €56,000 excluding VAT. The year 2016 was a mix of the old and the new situation, so remuneration for 2016 amounted to €49,000 excluding VAT.

## Persons

Name	Position	Year of birth	Since (year)	Term of office ends
Ms R. Hidding	Chairman 2017 and dpty. chairman 2016	1958	2007	2017
Mr. L.J.H. Ceelen	Chairman 2016 and dpty. chairman 2017	1962	2000	2020
Mr. P.W. Kievit	Secretary 2017 and dpty. secretary 2016	1978	2008	2020
Mr. W. Kusters	Secretary 2016 and dpty. secretary 2017	1954	2010	2018
Ms S. Kraaijenoord	Board Member	1966	2001	2021
Ms L.F.A.M. Jansen	Board Member	1968	2007	2019
Mr M. van Ballegooijen	Board Member	1971	2008	2020
Ms A.J. Stevens CPE	Board Member	1952	2016	2020
Ms W. Westerborg	External Board Member	1967	2016	2020
Prof. Dr. P.A. Stork	External Board Member	1967	2016	2020
Mr J.W.M. van der Knaap	Independent chairman	1960	2013	Indefinite

## Other positions

The Board members occupy the following additional positions:

Ms R. Hidding

- Board Member Stichting Opleidings- en Ontwikkelingsfonds Beroepsvervoer (SOOB)
- Director of FNV Trade Union

Mr. L.J.H. Ceelen

- Deputy General Manager, Transport en Logistiek Nederland (TLN)
- Board Member, Stichting Opleidings- en Ontwikkelingsfonds Beroepsvervoer (SOOB)
- Member of the Supervisory Board of Syntrus Achmea Real Estate & Finance
- Board Member, Waarborgfonds Motorvoertuigen
- Member of the Supervisory Board of BVA Holding BV (until 9 November 2016)
- Manager, TLN Consultancy BV (until 9 March 2016)
- Manager, Stichting Les Routiers Européens (until 9 March 2016)
- Chairman, Stichting Les Routiers Européens (until 8 March 2016)
- Manager, TLN België BVBA

Mr. P.W. Kievit

- Team Coordinator Personnel and Labour, Transport en Logistiek Nederland (TLN)
- Chairman of the Supervisory Board of STL
- Board Member, Stichting Opleidings- en Ontwikkelingsfonds Beroepsvervoer (SOOB)
- Member of the Collective Labour Agreement Negotiation Delegation

Mr. W. Kusters

- Member of the Advisory Investment Committee, Annona, Sustainable Investment Fund
- Collective Labour Agreement Negotiator Public Transport CNV Vakmensen (tot 1 July 2016)
- Prospective Board Member, BPF Zoetwarenindustrie (from 19 June 2016)

Ms S. Kraaijenoord

- Policy Adviser on Social Issues, Transport en Logistiek Nederland (TLN)

Ms L.F.A.M. Jansen

- Chairman, BPF Zoetwarenindustrie
- Director, Pensioenen FNV
- Member of the Sustainable Pension Investment Lab (SPIL)
- Member of the Pensioen Stichting van de Arbeid working group



Mr M. van Ballegooijen

- Manager, Taxibedrijf Van Ballegooijen Spijkenisse BV
- Manager, A. Niemantsverdriet BV
- Collective Labour Agreement Negotiator, Taxi Sector

Ms A.J. Stevens CPE

- Secretary to the Board, St. Pensioenfondsvon TNT Express
- Director, Pensioenen FNV

Ms W. Westerborg

- Head of Modelling, ABN AMRO Bank NV
- Non-executive Board Member, Stichting ABN AMRO Pensioenfondsvon

Prof. P.A. Stork

- Lecturer on Financial Markets and Instruments at the Vrije Universiteit, Amsterdam
- Member of the Investment Committee, Stichting Pensioenfondsvon Robeco (to 30 June 2017)
- Chairman of the Advisory Investment Committee, CBR Toeslagdepot
- Chairman of the Audit Committee, Stichting Pensioenfondsvon IBM Nederland
- Chairman of the Audit Committee, De Nationale APF (from 1 April 2017)

The independent chairman, Mr. J.W.M. van der Knaap, holds the following additional positions:

- Independent chairman, Pensioenfondsvon ING
- Chairman of the Supervisory Board, Syntrus Achmea Particuliere Hypothekenfondsvon
- Chairman of the Supervisory Board, Syntrus Achmea Zakelijke Hypothekenfondsvon
- Member of the Supervisory Board, VSB Fondsvon
- Member of the Supervisory Board, VSB Vermogensfondsvon

## Supervisory Board

### Remuneration

The chairman of the Supervisory Board receives remuneration of €16,000 p.a. excl. VAT; the ordinary members of the Supervisory Board each receive €14,000 p.a.

## Persons

Name	Position	Year of birth	Since (year)	Term of office ends
Ms Mr N.J.M. Beuken	Chairman	1959	2014	2018
Dr. W.C. Boeschoten	Member	1953	2014	2018
Mr E.R. Capitain RA	Member	1957	2014	2018

## Other positions

Members of the Supervisory Board occupy the following other positions:

Ms Mr N.J.M Beuken

- General Manager, Pensioenfonds ABP
- Chairman of the Supervisory Board, Regionaal Opleidingscentrum Leeuwenborgh
- Member of the Supervisory Board, Rabobank Parkstad Limburg

Dr. W.C. Boeschoten

- Adviser to the Advisory Investment committee of Stichting Algemeen Pensioenfonds Unilever Nederland
- Member of the Advisory Investment Committee of Fonds 1818
- Member of the Accreditation Committee of Dutch Security Institute (DSI)
- Member of the investment Committee of Amsterdamsche Studentenroeivereniging Nereus
- External investment adviser, Stichting Bedrijfstakpensioenfonds voor de Houthandel
- Member of the Supervisory Board, Pensioenfonds UWV

Mr E.R. Capitain RA

- Post graduate teacher of accountancy at the Vrije Universiteit
- Chairman of the Supervisory Board and member of the Audit Committee of Woningcorporatie GoedeStede
- Member of the Supervisory Board and Chairman of the Audit Committee of Flevoziekenhuis (to 31 December 2016 incl.)
- Chairman of the Supervisory Board of De Kinder Kliniek
- Member of the Supervisory Board and Chairman of the Audit Committee of Thuiszorgorganisatie Vitras (to 31 December 2016 incl.)
- Member of the Supervisory Board of Bpf BOUW (to 19 September 2016 incl.)
- Member of the Supervisory Board of ING CDC Pensioenfonds (from 1 January 2017)
- Member of the Supervisory Board, NN CDC Pensioenfonds (from 1 January 2017)

- (External) chairman of the Board, Pensioenfonds Rockwool
- Compliance Officer, Bank ten Cate & Cie N.V.
- Member of the visitation committees of the pension funds of:
  - AC Nielsen
  - Ahold (to 31 December 2016)
  - Arcadis
  - Cargill
  - Dow
  - ING CDC (to 31 December 2016)
  - NN CDC (to 31 December 2016)
  - NPBI/Fresenius
  - TDF Botlek (to 31 December 2016)
  - F van Lanschot
  - Total
  - Wolters Kluwer
  - Xerox
  - Yara

## Accountability Body

### Remuneration

Members of the Accountability Body receive attendance fees of €4.10 per meeting plus compensation for accommodation costs (€12.- per meeting) and travel expenses.

## Persons

Name	Position	Year of birth	Since (year)	Term of office ends
W.H. van Neuren	Chairman	1948	2014	2018
Ms G.M. van Velzen	Member	1969	2014	2018
Mr P.J.M. Benner	Member	1958	2015	2017
C. Busser	Member	1946	2014	2018
J.G. Th. Teunissen	Member	1952	2014	2018

## Other positions

Members of the Accountability Body occupy the following other positions:

W.H. van Neuren

- DGA Kingscourt96 b.v., Ridderkerk
- Adviser, Mijnders Transport b.v., Melissant
- Representative TWS rent-a-tainer, Hamburg
- Member of the Social Committee, Transport en Logistiek (T&L)
- Member of the Collective Labour Agreement negotiating delegation, Transport en Logistiek (T&L)
- Member of the steering group for the renewal of the Collective Labour Agreement, Transport en Logistiek (T&L) (until mid-2016)
- Member, Overlegraad Transport en Logistiek (T&L)
- Chairman, Stichting Arbeidsvoorwaarden-beleid KNV

Ms G.M. van Velzen

- Koerier DHL Express
- Executive member / secretary CNV (regional executive group)
- Member, CNV Overlegraad Transport en Logistiek (T&L)

Mr P.J.M. Benner

- Board Member, Stichting Fonds Scholing en Ordening voor het Besloten Busvervoer (FSO)
- Member, FNV Subsectorraad Toer

C. Busser

- Chairman, Eastern Region, TLN (until April 2016)
- Member of the committee for the renewal of the collective labour agreement

J.G. Th. Teunissen

- Driver, Schenktank Transport Papendrecht
- Chairman, Ondernemersraad Schenktank Transport
- Executive member, FNV

## Definitions

### **ABTN**

Actuarial and Business Memorandum Legally mandatory note describing the fund's policy. It deals *inter alia* with the content of the execution agreement, conditional indexation, the financial assessment framework and the management of the pension fund; also a statement of the investment principles, a description of the steering and control tools and a financial crisis plan.

### **AFM**

Authority for Financial Markets. AFM oversees the conduct and reporting of all parties in the financial markets in the Netherlands, including pension funds. Alongside AFM De Nederlandsche Bank (DNB, the Dutch central bank) also supervises pension funds.

### **ALM**

Asset & Liability Management. An ALM study analyses the risk management of the balance between a pension fund's assets and obligations. This study must lead to the formulation of a strategic investment policy, contribution policy and indexation policy.

### **Investment mix**

The distribution of investments among different categories such as equities, fixed income securities and property. As well as the actual investment mix, reference is often made to the strategic investment mix, meaning the distribution among the various categories that is aimed at in the long term. This distribution is based on an ALM study (q.v.).

### **Benchmark**

Representative index against which the performance of investment is measured.

### **Policy funding ratio**

The policy funding ratio is the average of the last 12 monthly funding ratios.

In the policy funding ratio the published monthly funding ratios are used. These are the provisional funding ratios reported shortly after month-end to DNB and posted on the website of Pensioenfondsen Vervoer.

The provisional published monthly funding ratios used in the calculation of the policy funding ratio are only replaced by the subsequent definitive funding ratios if there is a material difference between the provisional and the subsequent definitive monthly funding ratios. December is an exception. In this case the subsequent definitive monthly funding ratio from the annual report is always used. This is after all also a published funding ratio.

### **Collateral**

Security pledged. Way of limiting the credit risk on counterparties arising from transactions with derivatives. Collateral reduces this risk since throughout the duration of the transactions negotiable securities and/or cash are deposited in cover

of the market value of the transactions. If the counterparty defaults, the collateral is not returned but retained to cover the transaction.

## **Compliance**

The concept indicating that a person or organisation is working in accordance with the legislation and regulations in force, including the code of conduct.

## **Net present value (NPV)**

The present value at a given time of a series of future payments is the amount that must be present at that time in order to be able to make those future payments, taking account of the compound interest that will accrue and any other actuarial principles.

## **Correction factors**

Correction factors are applied in order to bring the fund's observed mortality into line with mortality according to the 'general' mortality tables.

## **Custodian**

The financial party that looks after the securities.

## **Funding ratio**

Ratio between pension assets and the sum of the value of accrued entitlements and pension already in payment, expressed as a percentage.

## **Funding deficit**

A funding deficit exists if the policy funding ratio falls below the level of minimum required own funds.

## **Derivatives**

Investment products deriving from underlying securities such as equities or indices, such as options, futures and swaps.

## **DNB**

De Nederlandsche Bank, the central bank of the Netherlands. Legally designated supervisory body which oversees compliance with the Pensions Act among other things.

## **Average contribution**

Equal contribution percentage for all participants, irrespective of sex, age or marital status.

## **Own funds**

Buffer to cushion possible falls in value of the resources in the fund. Pension funds are obliged to have a sufficiently big buffer. At least once a year they must establish whether their own funds are sufficient.

## **Engagement**

Holding a dialogue with companies in which the fund invests, in order to bring about improvements in the field of sustainability policy of the company concerned.

## **Experienced mortality**

The ratio between the average mortality of the Dutch population and the observed mortality of participants and pensioners of the pension fund.

## **ESG**

Environmental, social and governance.

## **Franchise**

The portion of the salary for which no pension is accrued.

## **FTK**

Financial Assessment Framework. Method of testing the financial structure and sustainability of pension funds and insurers by De Nederlandsche Bank.

## **Recovery plan**

A recovery plan indicates how a pension fund that has a reserve deficit and possibly also a funding deficit can recover within a maximum of 10 years. In theory a pension fund can use the contribution policy, the indexation policy and the investment policy in order to recover. For as long as the fund continues to have a deficit it must submit a new recovery plan every year.

## **Reinsurance**

When a pension fund enters into an insurance agreement covering all or part of a pension scheme and/or specific risks such as participants' death and disability risks.

## **Infrastructure investments**

Investments in the provision of general social benefit, such as railways, roads, airports, ports, cabling, sewers, etc.

## **Impact investing**

Mission-related investment in activities where social and/or environmental goals are pursued as well as yield objectives.

## **Internal Oversight**

Internal Oversight is one of the Principles of good Pension Fund Governance and involves having the functioning of the pension fund's governance critically assessed by independent experts. In the context of the implementation of the Pension Fund (Strengthening of Governance) Act, internal oversight at Pensioenfondsvervoer has been carried out since 1 July 2014 by a Permanente Supervisory Board.



## ISAE 3402/SOC 1

ISAE 3402 (Assurance Reports on Controls at a Service Organization) is the international control standard for third-party reporting. An SOC 1 (Service Organization Controls Report) is comparable with an ISAE 3402 report. This kind of 'third party report' indicates that a service organisation to which a users' organisation has outsourced activities is 'in control' of the activities defined within the scope. An ISAE3402 report enables service and other organisations to provide their clients and external auditors with unambiguous information on the control of their organisation and business processes.

### Curtailment

There are two situations in which curtailment is obligatory:

1. If a recovery plan cannot be constructed such that the policy funding ratio is once again at least equal to the required funding ratio within ten years. The curtailment may be spread out over ten years (the duration of the latest recovery plan).

The curtailment is then unconditional in the first year, but conditional in the remaining years. This means the remaining curtailments need not be carried out if there is sufficient recovery.

2. If the policy funding ratio is lower than the minimum required funding ratio for five consecutive years and at the same time the UFR funding ratio at the last measurement date is also below minimum required funds, curtailments must be effected such that the UFR funding ratio becomes equal to the minimum required funding ratio. This curtailment may also be spread over the recovery period, but if a curtailment is carried out for this reason, all curtailments are unconditional.

### Cost-effective contribution

The cost-effective contribution consists of the contribution required actuarially for the purchase of new pension obligations, plus an extra sum for administration costs, an extra sum for maintaining the required own funds and an extra sum to finance the conditional supplement. The cost-effective contribution functions as a legal calibration point in assessing the actual contribution that the pension fund charges.

### Critical funding ratio

The critical funding ratio is the lowest funding ratio at which it is still possible for the pension fund to recover within ten years (see 'recovery plan').

### Scheme based on average wages.

Average wages means the average salary over the entire career. With the average wages scheme, the final pension depends on the number of years the participant has worked for the employer and how his salary has progressed during this time. With this scheme the pension accrued is a weighted average of all pension bases over the entire period of participation in the scheme.

### Minimum required own funds

The minimum required own funds form a buffer for general risks. This buffer consists mainly of a general addition for investment risks, in the amount of 4% of invested assets. Additionally there are small surcharges for mortality and disability risks. If the fund does not have the minimum required own funds it is said to have a funding deficit.

## **Minimum required funds**

The minimum required funds are the assets that the pension fund needs in order to meet all its pension obligations, plus a buffer for general risks (the minimum required own funds).

## **Minimum required funding ratio**

The minimum required funding ratio is minimum required funds divided by the value of the obligations.

## **Nominal funding ratio**

Ration between the pension assets and the value of the accrued entitlements, expressed as a percentage, with the accrued entitlements being discounted to their net present value at the nominal market interest rate. Nominal market interest rate: The market interest rate that follows from the price forming of bonds. The level of this interest rate fluctuates over time and depends on the maturities of the cash flows.

## **Nominal contract**

The nominal contract aims to accrue a given pension; only if the assets so permit will the accrued pension be adjusted in certain conditions to price rises (inflation).

## **Accrual percentage**

Annual pension accrual expressed as a percentage of the pension basis.

## **Emerging markets**

Markets that previously lagged behind Western economies in their economic development but that have now caught up or are busy doing so. They include for example markets in Central and South America, Central and Eastern Europe, the Far East and South Africa.

## **Outperformance/underperformance**

When the return obtained by a portfolio is higher or lower than that of its benchmark, it is said to outperform or underperform respectively.

## **Pension 1-2-3**

Pensioen 1-2-3 is designed for new and existing participants in a pension scheme. Pensioen 1-2-3 gives participants information about the most important parts of the pension scheme. Pensioen 1-2-3 replaces the earlier 'welcome letter' and consists of three layers. This layered structure comes into its own in digital form. After reading layer 1 the participant knows the most important elements of his or her pension scheme. The participant can then determine himself whether he or she wishes to know more. While or after reading layer 1 he or she can click through for more details to layer 2 and/or 3.

## **Pension basis**

The pensionable salary less the so-called franchise or offset (the portion of the salary on which no pension is accrued).

## **Pensionable age**

The age at which the old age pension starts according to the pension scheme.

## Performance test

See 'z-score'. The sum of the z-scores of five successive years, divided by the square root of the number of years (five) must be at least equal to minus 1.28. This is referred to as the performance test.

## Contribution equalisation reserve

The contribution equalisation is a part of the financing agreement between the social partners and the employer. It is a reserve to equalise the contribution over the duration of the collective labour agreement, to 31 December 2020.

## Private equity

Investments in enterprises, often new or young, which are not yet mature enough to be traded on a regular stock market.

## Real contract

With a real contract the accrued pension is less safe than with a nominal contract, but the chance of indexation to inflation of the accrued rights is greater.

## Real funding ratio

The real funding ratio indicates whether the pension fund has (real funding ratio 100% or more) or does not have (<100%) sufficient assets relative to the value of its obligations if account is also taken of inflation. De real interest rate is the nominal interest rate minus the inflation rate.

## Calculation rate

The calculation rate is the notional percentage that the invested pension assets are assumed to yield in the future and which is used as the discount rate to calculate the net present value.

## Interest rate hedging

The hedging (covering) of the interest rate and inflation risks in pension obligations.

## Interest rate term structure (IRTS)

DNB publishes an interest rate for each maturity band (in years) with which the fair value of the nominal pension obligations with a corresponding remaining time to maturity in years must be calculated. The IRTS (all those rates published by DNB) is established with the help of monthly data.

## Reserve deficit

A reserve deficit exists if the policy funding ratio falls below the level of required own funds. In such case the pension fund must submit a recovery plan or a new recovery plan as the case may be on 1 April based on the figures at the end of the previous year. For as long as the reserve deficit persists a new recovery plan must be submitted every year.

## Securities lending

The temporary lending of securities to other market parties. These other market parties have often, for legitimate reasons, assumed delivery obligations without having the securities in question in hand. Remuneration is received for lending securities. Sufficient collateral is also made available. The lender remains the economic owner of the securities.

## **SLA**

Service Level Agreement. A Service Level Agreement is a type of agreement in which the provider of a service gives certain undertakings to the recipient.

## **Solvency**

The capacity to meet financial obligations now and in the future.

## **Solvency test**

Test under the FTK (Financial Assessment Framework). As well as the required assets from the 'minimum test' a buffer must also be held in order to have sufficient assets in the event of adverse investment results.

## **Swap**

A swap is a derivative in which one party exchanges a given cash flow or risk with that of another party. One way of hedging interest rate risk is by means of interest rate swaps (IRS), where a fixed long-term interest rate is exchanged against a variable short-term rate.

## **Swaption**

An option on a swap, in which the owner of the swaption has the right but not the obligation to enter into a swap on predefined terms.

## **Technical provision (provision for pension obligations)**

Technical provisions are formed in order to be able to meet all pension obligations deriving from the pension scheme or other agreements.

## **Supplement threshold**

If the policy funding ratio is lower than 110%, the pension fund may not apply any supplement (indexation). If the policy funding ratio is above 110%, the pension fund may grant a partial indexation if the Board is of the opinion that this is responsible. If the policy funding ratio is higher than the 'full indexation threshold', the Board may grant full indexation. The granting of supplements/indexation is a goal, but not a right. The Board will always have to assess whether granting of indexation is responsible. Equitable furthering of interests will always be a central consideration.

## **Granting of supplements / indexation**

Granting a supplement means increasing pension entitlements and rights by an inflation component in accordance with the pension scheme described in the pension regulations. This takes place in whole or in part only if the financial situation so permits and the Board has no other objections (particularly as regards the equitable furtherance of interests).

## **Test contribution**

See 'cost-effective contribution' The interest rate used to calculate the amount of the contribution may be the current market rate or a historical average. Pensioenfonds Vervoer uses the latter, in order to avoid the cost-effective contribution's fluctuating too much from year to year. This is referred to as a 'cushioned cost-effective contribution'. It may

be used to test whether sufficient contribution is being received. It is therefore also referred to as a 'test' contribution or premium.

## **Uniform Pension Overview (UPO)**

A pension overview in which among other things the expected benefits upon retirement, death and disability are presented to participants in a generally accessible way.

## **Forward exchange contract**

Binding agreement between a bank and a counterparty to buy or sell an amount of foreign currency at a future date at a rate agreed now.

## **Property**

Direct property means direct investments in properties. Indirect property means equity holdings in investment funds which invest in property, or in property companies. Indirect property may or may not be listed on a stock exchange.

## **Fixed income securities**

Generic name for investments which in principle produce a regular and fixed interest payment and have a fixed maturity. Examples are: government bonds, corporate bonds, private loans and mortgage loans.

## **Required own funds**

The equity necessary to provide 97.5% assurance that within one year the pension fund will not have less available assets than the amount of the provision for pension obligations. Required own funds are calculated in accordance with the relevant legal rules in force. The more risk the fund incurs, the bigger the buffer must be. This concerns above all (but not exclusively) investment risks, such as interest rate risk, currency risk and credit risk. If the fund does not have the required own funds it is said to have a reserve deficit.

## **Regulatory funds**

Regulatory funds means the value of the obligations plus required own funds.

## **Regulatory funding ratio**

The regulatory funding ratio is equal to regulatory funds divided by the value of the fund's obligations.

## **VPL**

VPL is the abbreviation for (Early Retirement (Pre-pension and Life Course Savings) Act. In view of this law, the pension fund has made transitional arrangements: participants born on or after 1 January 1950 and meeting the conditions in respect of participant status and years of service may acquire additional entitlements to old age pensions and partner's pensions. These conditional entitlements were calculated once only on 1 January 2006 and are equal to the positive difference between the entitlements that could have been accrued if the pension scheme in force on 1 January 2006 had been in force before that, and the entitlements that could have been accrued on the basis of the scheme that was in force until 1 January 2006.

## Exemption from participation

The Industry-wide Pension Scheme (Compulsory Membership) Act 2000 contains provisions for being able to request exemption from compulsory participation in certain circumstances and on specific conditions. Exemption is possible:

- in connection with an existing pension plan
- in connection with an own collective labour agreement
- in connection with company formation
- in connection with inadequate return on investments (see 'z-score' and 'performance test')

## Transfer of pension benefits

The transfer to another pension scheme of the pension entitlements accrued up to a given time.

## WIA

Disability Benefits Act. The successor to the WAO (Disability Insurance Act). The WIA provides income protection in the event of total or partial unfitness for work, but also incentives to return to work if possible. The Act consists of two parts: the WGA which concerns resumption of work by partly disabled persons, and the IVA which concerns the provision of income for the fully disabled.

## Z-score

Annual measurement of the investment results of mandatory industry-wide pension funds. The z-score shows the deviation of the return actually obtained from that of a legal standard portfolio determined in advance by the Board.

## Colophon

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