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About PFZW

Stichting Pensioenfonds Zorg en Welzijn (PFZW) provides a compulsory collective pension scheme for employees in the care and welfare sector. Our ambition is a good one for our participants, provide indexed and affordable retirement. We aim to achieve stability in premiums and benefits and a balanced distribution of benefits and burdens. We also want broad support for this our pension scheme in the healthcare and welfare sector.

PFZW tries to give maximum effect to its core values. The core values are:

- Accessible: PFZW is always accessible. This leads to openness in communication, transparency and a high degree of accessibility.
- Involved: PFZW is a committed pension fund that is close to participants and employers in the health and welfare sector and takes its social responsibility.
- Together: PFZW believes in the power of the collective. Together you get further than on your own. And together yields more. That is why we form a pension fund together.

Mission

PFZW is the pension fund of, for and by the health and welfare sector where employees and employers together ensure a good collective pension, whereby customization is possible. We take care of each other by sharing costs, risks and returns together. Continue with our investments at contributing to a liveable world and developing services to make the sector healthy and the keep people vital. Because a good old age requires more than just money.

The board of PFZW is responsible for the policy and the implementation of the collective pension scheme and consists of an independent chairman and representatives of employers 'and workers' organizations, including pensioners, in the sector.

Our policy must be transparent and explainable. The accountability body of PFZW is the Pension council. The Pension Council consists of members, pensioners and employers. It board reports to the Pension Council. In addition, the Pension Council is the body with with regard to employee participation.

PFZW has a supervisory board, which among other things supervises the policy of the board and the general state of affairs. In addition, the supervisory board has approval rights.

Organization

Schematically, the structure of PFZW is as follows:

Preface

Looking back at last year, it seems unimaginably long ago. The corona crisis hangs like a dark cloud over the world and in a short time threatens what we achieved last year. On this At the moment we cannot yet see what consequences the corona crisis has for the realization of our ambition. In the short term we strive for the continuity of our services and we stand ready for our participants and employers.

However, we can look back on two major themes that made 2019 an exciting year for PFZW: the developments surrounding a new pension contract and the threat of a reduction in pensions.

After the negotiations about a new pension agreement broke out in 2018, the minister knew of Social Affairs to get the parties back around the table. In June 2019 there was a pension agreement in outline, that the steering committee will further elaborate in the near future cabinet and social partners. PFZW is in a facilitating sense and together with other pension funds involved in this.

After a bad end to 2018, the stock markets recovered in the first half of 2019, right after the In the summer, the ECB decided to cut interest rates and our funding ratio fell. Lowering the pensions suddenly became a realistic scenario. Because of 'an exceptional economic situation ', the Minister of Social Affairs announced measures in November 2019 allowing pension funds to use exemptions to prevent or mitigate pension cuts. Thanks to the favorable stock market climate, our current funding level came at the end of 2019 to 99.2%. That is why PFZW does not have to reduce pensions in 2020.

The measures aim to create calm and stability in the elaboration of the pension agreement. Nevertheless, a reduction in pensions and pension entitlements is in favor PFZW participants in 2021 not excluded. On December 31, 2020, it will become clear whether PFZW will be mid-term By 2021. It is therefore important that the elaboration of the pension agreement is successful. In mid-2020, the Minister of Social Affairs will inform the chamber about the results with a main lines note, the bill should follow in early 2021.

In 2020 the contributions and the accrual percentage of the pensions will remain the same. We'll keep it there take into account that in 2021 the contribution must be increased and / or the pension accrual reduced. It is important to keep a good balance between what comes in premiums in a year and what obligations are involved in this. The interest rate, the expected, plays a role in this return on investments and the new agreements from the pension agreement play an important role.

Our asset managers performed above average in 2019. The net return on us equity was 18.8%, 0.2 percentage point above the benchmark. With that comes the average since the foundation of the pension fund in 1971, the return has been 8.2%. Unfortunately it was annual return not enough to offset the effects of low interest rates. To the on the other hand, our current funding ratio would have been much lower in a bad investment year. We continue our efforts to make our investments as sustainable as possible. In our separate report sustainable investing 2019 we will discuss this in detail.

PFZW has over 25,000 employers and 2.9 million participants as customers. New technologies make it possible to organize our processes more efficiently and at the same time our participants and better serve employers. In addition, PFZW must invest in order to respond flexibly to future changes in the pension system. PFZW aims to have the costs at the end of 2020 less than € 60 per participant. This target is challenging and will not yet be reached in 2019 (€ 61.70) achieved.

In 2019, we released the PFZW Multi-Year Policy Plan 2020-2025. This has come about against the background of the discussion about the future of the Dutch pension system and the principle pension agreement that the social partners concluded nationally in 2019. In 2020, the focus will be on the further elaboration thereof.

Our mission statement states: PFZW is the pension fund of, for and by the healthcare and welfare sector. Employees and employers together ensure a good collective pension at PFZW. We are here at the same time, but at the same time it appears that we can only partially fulfill our mission. A stable value pension, which increases with price developments, has not proved possible in recent years. Behind the feasibility of this we must continue to question the coming years, for example, because we cannot yet see the consequences of the corona crisis. We love it there note that on the exciting year 2019 even more exciting years into the new decade will follow.

The board
April 2020

Multi-year overview

	2015	2016	2017	2018	2019
Financial position (amounts x € 1 million)					
Current funding level at year-end	95.1%	95.3%	101.1%	97.5%	99.2%
Policy funding ratio year end	97.1%	90.1%	98.6%	101.3%	96.5%
Investments	163,606	185,428	197,182	199,002	238,376
Equity	(8,469)	(9,241)	2,144	(5,159)	(1,976)
Pension obligations provision	172,905	195,268	195,286	204,111	240,250
Indexing					
Indexation rate [1]	0%	0%	0%	0%	0%
Indexation ambition [2]	0.7%	1.3%	1.5%	1.9%	2.6%
Price inflation [3]	0.6%	0.3%	1.5%	1.9%	2.6%
Investments (amounts x € 1 million)					
Investment results [4]	(219)	19,684	9,554	(822)	37,395
Total asset management costs in% [5]	0.48%	0.46%	0.49%	0.45%	0.43%
Total return	(0.1%)	12.0%	5.1%	(0.4%)	18.8%
10-year return	6.2%	6.4%	6.2%	8.6%	8.7%
Average return from 1971 [6]	8.2%	8.2%	8.2%	8.0%	8.2%
Z score	1.34	1.30	0.72	1.12	1.05
Performance test [7]	2.08	2.35	2.37	2.41	2.48
Income and expenses (amounts x € 1 million)					
Premium contributions	5,145	5,197	5,404	5,584	5,950
Pension benefits	2,968	3,179	3,433	3,699	3,970
Pension administration costs	107	106	106	106	110
Pension administration costs per member (in euros per member) [8]	69.40	67.90	64.90	62.10	61.70

Premium percentages					
Pension (on salary less deductible)	22.4%	22.4%	22.4%	22.4%	22.4%
VPL premium	1.1%	1.1%	1.1%	1.1%	1.1%
Disability pension	0.4%	0.4%	0.5%	0.7%	0.6%
(about salary minus AP deductible)					
Employers and participants (numbers)					
Affiliated employers	22,850	23,200	23,700	24,700	25,400
Premium-paying participants	1,151,300	1,155,800	1,196,900	1,237,600	1,287,600
Former participants	1,041,200	1,063,600	1,076,200	1,095,600	1,096,400
Pensioners	390,900	412,900	435,300	463,100	486,800
(Former) participants	**2,583,400**	**2,632,300**	**2,708,400**	**2,796,300**	**2,870,800**

1 Percentage of indexation allocated, with price developments in the sector starting from 2017 is taken.

2 Until 2016, the indexation ambition was wage development in the sector. As of 2017, this is price inflation (CPI, not derived).

3 Source: Statline (CBS).

4 The asset management costs have been deducted from the investment results. The investment results include the result for participant's risk.

5 Total asset management costs are made transparent in accordance with the Recommendations for Implementation Costs of the Pension Federation. Percentage refers to the total asset management costs compared to the average invested capital. The transaction costs are not included in this.

6 This percentage represents the average return per year from 1971 up to and including the end of the financial year.

7 The performance test is calculated by adding and dividing the Z scores over a five-year period by the square root of five. PFZW passes the test as the score is higher than -1.28.

8 The costs per member are calculated in accordance with the definition of the Pension Federation and consist of the number of premium paying participants and pensioners.

Report of the board

- **Good retirement**

- **Business operations**

- **Future 2019-2020**

Good Retirement

Good pension

The ambition to offer our members a good pension was once again under pressure in 2019. Due to the low interest rate, there was a threat of a reduction in pensions for a long time. End In December 2019, the current funding ratio was 99.2%, which is sufficient not to have to decrease. But insufficient to be able to index the pensions. One will also remain for the coming years threat of a decrease and we do not expect to be able to index.

The number of participants and employers continued to grow in 2019. The number of premium paying participants increased by 4% to 1,287,600. There was an increase in almost all major sub-sectors. The number of affiliated employers increased by 700 in 2019 and are now at 25,400. Growth was strongest in the disability and home care sectors. The number of pensions paid also increased in 2019 further. Fixing the state pension age at 66 years and 4 months (pension agreement) increases the number of old age pensions to be paid even faster than before in the next two years expected.

Our investment result in 2019 was above average. Already at the beginning of the year, the stock markets account for a large part of the price losses at the end of 2018. Later it took care of prospect of a trade agreement between China and the United States for even more price gains. In the end, we ended 2019 with a return of 18.8%.

The costs per participant decreased in 2019 to € 61.70. PFZW aims to end these costs 2020 will be less than € 60. This is the objective due to the necessary IT investments in the coming years challenging.

Pension product

Objective of PFZW (ambition)

PFZW aims for an indexed pension at an affordable premium. At the current financial position, this ambition cannot be achieved and the risk of pension cuts is greater than desirable. The PFZW board would like to limit the risks in the investment portfolio, but this would make it even more difficult to index again in the long term. In this tradeoff between ambition and risk PFZW will gradually reduce risk as the funding ratio increases. At one We want a good financial position in which we can fully index, with at least a 70% chance continue to index fully.

The financial structure of the pension fund with the investment policy (risk attitude), the scheme, and long-term contributions are aimed at an indexed pension. In recent years and it appears that the ambition will not be realized in the coming years.

The premium is determined on the basis of a long-term expected return, adjusted for inflation. Additions are added to this as long as there is no complete indexation. Like the pensions should be reduced, there will be an additional mark-up on the premium to strengthen the financial position.

We are bound by statutory requirements for determining the indexation or reduction of pensions requirements. As soon as indexation is permitted by law, the board will take a decision on this. And if the pensions must be legally reduced, the board will decide accordingly.

Pension premium 2019 and the Pension Act

In 2019, the pension contribution for the collective pension scheme was 23.5% of the salary above the franchise. Of this amount, 22.4% was for regular pension accrual and 1.1% for the purchase of compensation rights (VPL scheme). As of 2015, the premium for compensation rights is higher than the rights to be repurchased in a given year. In this way we can achieve these rights in 2020 financing, if the remainder of these rights must be purchased.

Every year we check afterwards whether the regular pension premium was sufficient under the Pension Act. The regular premium must be higher than the cost-effective premium. This can be done in two ways:

- damped: based on expected return, adjusted for price inflation
- undamped: based on the current interest rate on 1 January 2019

PFZW assesses whether the premium is cost-effective based on the subdued premium, because it is more stability. The muted cost-effective premium for 2019 was 15.4%. The undamped cost-effective premium was 32.6%. In 2019, the pension contribution was higher than the muted one premium. With this we meet the requirements of the Pension Act.

	Muted cost effective premium	**Undamped cost effective premium**
Pension accrual for active persons	8.4%	23.9%
Non-contributory pension accrual of AO employees	0.5%	1.4%
Input Partner pension on a risk basis	0.5%	0.8%
Total actuarial purchase premium	**9.4%**	**26.1%**
Storage for required own funds	2.3%	6.4%
Storage for implementation costs	0.1%	0.1%
Storage intended for conditional indexation	3.6%	0.0%
Total cost-effective premium	**15.4%**	**32.6%**

Actual pension contribution	22.4%	22.4%
Withdrawal from premium stabilization designated reserve	0.1%	0.1%
Premium surplus / deficit	7.1%	(10.1%)

The premium coverage ratio for 2019 was 85.6%. This was lower than the current funding ratio. This meant that the purchase of pension rights caused a decrease in the funding ratio.
Since 2016, the premium funding ratio has been below the current funding ratio. In 2020, the premium funding ratio again lower than the current funding ratio at the beginning of the year. It the board of PFZW takes into account that the premium must be increased in 2021 and / or the pension accrual down. That would make the premium coverage ratio higher.

Legal risk attitude

The feasibility test shows to what extent and how we can achieve our ambition and in to what extent pension results can be disappointing in bad scenarios. For the feasibility test the board formulated a risk attitude, in which the limits are indicated for the pension result. The pension result is the degree to which PFZW is expected to remain stable can pay out pension. In the feasibility test, our ambition is for the next 60 years at least a pension result of 90% of a pension fully indexed with price inflation achieve. This is tested annually. In 2019, the initial feasibility test from the fourth used in the quarter of 2018. During this review, it emerged that we set our limits to these limits meet.

Principles

The actuarial principles are the assumptions for the calculation of the technical provision and the premium. All principles are examined and updated once every three years. In 2019, one a full foundation investigation takes place, in which all bases have been examined. The previous completely research was in 2016. In the intervening years, the main principles were monitored.

The main basis is mortality and longevity. There is no new forecast table in 2019 published by the Royal Dutch Actuarial Society. This will only happen in September 2020. People who work in the care and welfare sector live longer than the average Dutch population. The estimate of this difference, also known as experience mortality, has been updated. The updating the mortality experience leads to a slight decrease for the health care and welfare sector of the life expectancy.

In total, the adjustment of the actuarial principles in 2019 ensured that the required premium and an increase in the current funding ratio.

Premium 2020

The premium and accrual for Old Age Pension and Partner Pension (OP / PP) is the same for 2020 stayed. The board does take into account that it must increase the premium by 2021 and / or pension accrual should decrease. The interest rate, the low, plays a role here premium coverage, the expected return on investments and the new agreements from the pension agreement plays an important role. In 2020, the accrual and premium percentages are as follows:

	2019	**2020**
Regular pension premium OP / PP (contribution base)	22.4%	22.4%
VPL premium (Contribution base)	1.1%	1.1%
Total pension contribution (contribution base)	**23.5%**	**23.5%**
AP premium (salary - / - AP franchise)	0.6%	0.5%
Accrual percentage OP	1.75%	1.75%
PP accrual percentage	0.625%	0.625%
Retirement calculation age	68	68

Financial situation

The current funding ratio is the ratio between the assets and the value of the pension obligations. This expresses the extent to which PFZW is expected to meet the in the future can meet pension obligations. The current funding ratio of 97.5% at the end of December 2018 is increased to 99.2% at the end of December 2019.

The policy funding ratio is the average of the current funding ratios of the last twelve months. In 2019, the policy funding ratio fell from 101.3% to 96.5%. In Financial Assessment framework (FTK), the policy funding ratio is an important measure of financial control of PFZW, for example to determine whether we can adjust the pensions to the price development. At nine of the past ten years, the current funding ratio was below minimum required funding ratio. The minimum required funding ratio is the funding ratio where the policy funding ratio in the FTK may not fall below six consecutive measuring moments (shortage of cover). The minimum required funding ratio at the end of 2019 was 104.3%. PFZW has since the end of 2015, a funding shortfall every year since the policy funding ratio is lower than the minimum required funding ratio. If at the end of 2020 both the policy and current funding levels are lower than the minimum required funding ratio, the pensions must be reduced.

The real funding ratio is the funding ratio that takes future price inflation into account; this one indicates whether we expect indexation of pensions in the future. Like the real one funding ratio is 100%, the FTK permits complete indexation. The real funding ratio decreased from 82.3% to 77.6% in 2019.

The Required Shareholders' Equity (VEV) is the capital that is required to mitigate possible declines or risks within a year. The required funding ratio is the funding ratio provided by the VEV hears. The required funding ratio at the end of 2019 was 122.7%.

Financial risks

To realize our ambition, we must take investment risk. We depend on the results on the financial markets.

The table below shows the effect of the return on real values (zw) and a change
of the interest on the current funding ratio at the end of 2020.

	Return on Business Values						
Change swap rate	**10%**	**5%**	**0%**	**-5%**	**-10%**	**-15%**	**-20%**
1.0%	116.2%	112.2%	108.2%	104.1%	100.1%	96.1%	92.0%
0.6%	111.1%	107.3%	103.6%	99.8%	96.0%	92.3%	88.5%
0.4%	108.6%	105.0%	101.4%	97.8%	94.1%	90.5%	86.9%
0.0%	104.0%	100.7%	97.3%	93.9%	90.5%	87.2%	83.8%
-0.4%	99.8%	96.7%	93.5%	90.4%	87.2%	84.1%	81.0%
-0.6%	97.8%	94.8%	91.8%	88.7%	85.7%	82.7%	79.7%
-1.0%	94.1%	91.3%	88.5%	85.7%	82.9%	80.1%	77.3%

A fall in interest rates leads to an increase in the value of the obligations and thus a decrease in funding ratio. If the market interest rate remains the same and no return is made, the funding ratio will fall to 97.3% over the end of 2020. This is because the Ultimate Forward Rate (UFR) in the actuarial interest rate for the funding ratio will decrease further and because the premium funding ratio will fall below the current funding ratio is. 1.0 percentage point of this expected decrease is due to the falling UFR and 0.9 percentage point due to the premium coverage ratio. In addition, we make full pension benefits, while the coverage ratio is less than 100%. If the funding ratio remains below 100% by the end of 2020 PFZW will implement a reduction in accordance with the 2019 rules.

Preparing for a cut

The financial position has given continuing concern in 2019. The risk of a reduction in 2020 due to not being able to meet the Required Equity (VEV) on time was considerable. That would that is, with a current coverage ratio below 94%. This risk has been reduced by the letter from the Minister of Social Affairs in November 2019 in which he - subject to conditions - accepts that there will be no VEV reduction above a funding ratio of 90%. According to this exemption, pension funds can count with a recovery period of twelve years instead of ten. The current funding ratio at the end of 2019 was 99.2% and therefore higher than the original critical funding ratio. PFZW therefore did not have to use the guidance from the minister.

Partial indexation can be given if the policy funding ratio is above 110%. The policy funding ratio is below 110%, so pensions cannot be indexed.
We also expect this to be impossible for the coming years. Our ambition remains to be the to increase pensions annually with price inflation, this requires a recovery of the funding ratio.

If PFZW has a coverage ratio that is too low compared to the Minimum for five consecutive calendar years

Required Equity (MVEV), a reduction is required by law. With a funding ratio below it minimum required equity at the end of 2020, PFZW must take into account a reduction in 2021.

In view of these risks, PFZW prepared in 2019 for pension cuts. That concerned with in particular the policy question of whether a possible MVEV reduction should be spread over more calendar years and if so, how. In addition to its own analyzes, the board also has this participant research done. One of the starting points is in principle not to have an MVEV reduction to spread. In the event of a large reduction, this may still be desirable for pensioners. Both in the administration as in communication, preparations will be made for this in 2020.

Actuarial report summary and opinion actuary

Summary of the certification report for the 2019 financial year, certified actuary

Every year, the certifying actuary of Pensioenfonds Zorg en Welzijn draws up a report, that is intended to provide insight into the development of the financial position of the pension fund during the financial year and in particular in the financial position of the pension fund on the balance sheet date.

The activities of the certifying actuary mainly consist of the assessment of is met the requirements in the Pension Act. As part of this, he tests whether the technical facilities, as a whole, have been adequately determined and whether the associated measures have been used principles are prudent. In the actuary's opinion, this is the case as of December 31, 2019.

With regard to the premium, the certifying actuary has determined that in the 2019 financial year total premium contribution received was higher than the subdued premium, which is part of the financial structure of the pension fund. Based on the amount used by the pension fund As a result of the damping method, the premium was legally cost-effective in 2019.

In addition, the actuary checks whether the Minimum Required Equity and the Required Equity correctly determined and how the pension fund's equity relates to this. The the current funding ratio of the pension fund has increased by 1.7% to 99.2%. The policy funding ratio (the average funding ratio over the past 12 months) has decreased from 101.3% to 96.5%.

Because the policy funding ratio is lower than the (minimum) required funding ratio, it has pension fund made an update of the recovery plan in 2020. Based on the allowed parameters show that the pension fund is expected to continue without additional measures recovers to the required funding ratio within the statutory ten-year period. The expected recovery time has increased from nine to ten years. The actuary points out that both the te realize resilience as the extent to which the real ambition pursued by the pension fund can be achieved during the recovery period, highly dependent will be of future uncertain over-returns.

For the fifth year end, the policy funding ratio is lower than the minimum funding ratio required

(104.3%). As the policy funding ratio of a pension fund for six consecutive years measurement moments is lower than the minimum required funding ratio and the current funding ratio at that moment is also lower than the minimum required funding ratio, the pension fund must take discount measures. Such a measure is possible for the pension fund in the year 2021 apply, based on the measurement moment at the end of 2020.

Certifying actuary's opinion

In the actuarial statement for the 2019 financial year, the actuary stated that he is convinced complied with Articles 126 to 140 of the Pensions Act, with the exception of Article 131 (minimum required own funds), Article 132 (required own funds) and Article 133 (coverage by values). Because equity is less than the minimum required equity qualifies the actuary's capital position as poor.

In addition, the actuary notes in Article 137 (conditional indexation) that the level of the market interest in recent years both the realization and the financing of the contingent has negatively affected the granting of supplements.

The actuary also notes that the board is responsible for the setting of the premium 2020 has shown to be aware of this. The board has the internal actuarial interest for the reduced calculation of the required premium. However, this adjustment did not result in one an increase in the actual premium or reduction in accrual, and thus does not contribute in 2020 improving the financing of the scheme and its financial position. The shelf life In his opinion, the financial structure is therefore under undiminished pressure.

Developments in the sector

Developments in our sector

Obligation

Drama and dance industry become compulsory as of 1 July 2019

The Minister of Social Affairs and Employment decided that as of July 1, 2019, the obligation to PFZW has been extended to include the obligation for employers and employees working in the industry Theater and Dance.

Care obligation

Employer and employee organizations involved in the care obligation of PFZW became it agreed on an amended text of this obligation on 29 October 2019.

In 2018, a working group consisting of social partners and an administrative delegation from PFZW established with the aim of defining the concept of employers and employees within the scope of this update obligation. Five branches were involved in this process:

- mental healthcare
- care for the disabled
- hospitals
- nursing, care and home care
- birth care.

The PFZW board agreed to extend the current tasks of the pension committee plus of PFZW. This extension means that the pension committee plus one Commission 'Scope' establishes signals on the maintenance of the scope of the pension fund and the developments surrounding compulsory participation are discussed. The aim is that the 'scope' committee will start from 1 May 2020. The working group 'Updating compulsory' is canceled after the result achieved.

Self-employed and pension

In 2018, PFZW and social partners started an investigation into an appropriate pension product for freelancers in the culture sector. We worked together with social partners in the culture branches in 2019 a proposal whereby freelancers can participate in the pension scheme of PFZW. Because a voluntary affiliation with an industry pension fund is not possible, we have the Ministry of Social Affairs and Employment (SZW) was asked through an experimentation law provide temporary legal space. If SZW agrees, this will be during a pilot period investigated whether the offered pension product leads to actual participation in the PFZW regulation.

Development of employers and participants

More than 25,000 employers

The number of affiliated employers increased by 700 in 2019 and is now at 25,400. It was growth strongest in the disability and home care sectors. With the completion of the transfer of the making the industry-wide pension fund Stichting Pensioenfonds voor de Tandtechniek compulsory to PFZW, the employer base grew by more than 250.

Strong employment growth

Employment in the sector will increase further in 2019. The number of premium paying participants grew by 4% to 1,287,600. There was an increase in almost all major sub-sectors. The strongest employment growth is seen in childcare (+8,000 employees) and in the nursing and care (+20,000 employees)

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	2018	2019	mutation
Premium-paying participants *	1,237,600	1,287,600	4.0%
Former participants	1,095,600	1,096,400	0.1%
Pensioners	463,100	486,800	5.1%
(Former) participants	2,796,300	2,870,800	2.7%
Retirement pension	375,500	397,200	5.8%
Partner's pension	59,100	61,800	4.6%
Orphan's pension	6,400	6,200	-3.1%
Disability pension	19,300	18,800	-2.6%
Flex pension	2,800	2,800	0.0%

Total Pensioners	**463,100**	**486,800**	**5.1%**
*** Including disabled employees**	**74,700**	**76,500**	**2.4%**

Permanent increase in the number of pensions paid

The number of pensions also increased in 2019. This is mainly due to the population structure from PFZW; more people are now retiring than 10 years ago and that makes up the population of pensioners relatively young. By setting the state pension age at 66 years and 4 months (pension agreement) the number of old age pensions will increase even faster in the next two years. The most participants have their retirement commence at the state pension age.

Uncollected pensions

PFZW always takes the initiative itself when the retirement age is imminent. However, it happens there no pension can be granted. Usually this has to do with an unknown address; for example if the participant has emigrated without leaving an address. It also happens that the participant sends his application back late or sometimes not at all. This is usually small pensions. Every year we try to further reduce these so-called 'uncollected pensions' insist. In 2019, we found 2,000 people who had not yet retired picked up. At the moment there are about 15,000. The average annual fee is approximately € 750.

Disability trends

The number of disabled employees has increased in recent years. This trend becomes influenced by the shifting of the state pension age. The participation of this disabled person after all, participants will take longer the later the state retirement age is. With securing the AOW pension more disabled people will retire in the coming years.

Age structure M / F

As is known, there are more women than men in the health and welfare sector. The fastest growing age group is those above 65 years. 26,000 active participants are now over 65 years of age (compare 2018: 19,000).

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Customer satisfaction

PFZW scored high on listening to the participant

The annual audit was conducted at PFZW at the end of May 2019 performed for the Golden Ear Service Excellence standard. PFZW also showed always reach the highest level and in this even improve. The certification of the Golden Ear represents the ability of one organization to listen to the customer and this structurally convert into improvements.

The Golden Ear certification takes place every three years. In addition, every year one an interim audit was done to see whether an organization still meets the conditions. In 2018, the formal three-yearly certification, with PFZW achieving the highest level and the designation "Excellent practice". During the interim audit in May 2019, the 2018 score showed a slight improvement. From the audit report: "It has emerged in the breadth of the organization that the voice of the customer in its actions is leading. This mindset focused on customer experience is rooted in values, this is evident from the conversations and is recognizable as the way of working. ”

Customer satisfaction participant and employer activities

We refer to the steps taken by an employer in a specific process as the customer journey. For example it process 'I want to become a customer'. We constantly ask employers for feedback and adjust the customer journeys accordingly. The customer satisfaction of employers in 2019 lagged behind our own norm. Especially in the voluntary connection process there is still room for improvement.

We also work with customer journeys with participants and these are also constantly measured and improved.

On the left the most important customer travel scores of participants, on the right those of employers.

Investing

Financial return objective

The objective for the financial return follows from PFZW's ambition for an indexed index pension where we do not take more investment risk than is necessary as stated here.
On the basis of an ALM study, we determine the distribution of assets over four different ones building blocks: corporate securities, commodities, credit and fixed income. This distribution determines the portfolio return and controls investment risk to a large extent.

We have three types of hedges. These are intended to make the current funding ratio less sensitive for changes in interest, inflation and currency.

The distribution of invested capital in outline has changed in 2019 compared to 2018 allocation to commodities has been reduced in favor of corporate securities, credit and fixed income values. As a result, the distribution within the building blocks shown is also in a few places changed. Within corporate values, for example, there is further growth in the allocation to investments in the private markets for private equity, insurance and infrastructure. In these categories we want invest more, but this will take some time due to the limited liquidity in these markets.

The importance of private markets grew within the business values building block. The lower allocation commodities have been redistributed within private values to private markets. Investments in private markets are fixed for a long time and have limited adjustments. It is therefore important to use the view the allocation of these investments from a long-term perspective.

Market developments and explanation of outperformance

Explanation of the impact of the corona crisis in 2020

2020 is the year of the corona crisis, resulting in enormous blows to the economy and our financial position. We will try to improve our strategic position in small steps to recover. At the same time, 2020 is also the year in which, in view of the long term, we must invest in companies that have potential when this crisis is over.

Economy and central banks

Global economic growth slowed in 2019. After a period in which the growth of the real gross domestic product (GDP) was well above trend, growth in the United States is now weakened to trend (2.1% year-on-year) and in the eurozone to slightly below trend (1.2% year-on-year). This is partly due to the uncertainty caused by the trade war between the United States and China caused, so willingness to invest and world trade growth declined. This hit in particular industry, while the services sector, which is more dependent on domestic demand, it continued to do relatively well. The strong labor market and high consumer confidence supported consumer spending in the developed world. Because unemployment is low, job growth is slowing and growth in consumer spending must increasingly come from wage growth come forth. Wage growth has been picking up in both the eurozone and the United States since 2018, and is flat now on an annual basis at over 2% in the eurozone and almost 4% in the United States.

In early 2019, it was still expected that the central banks of the United States and the eurozone policy rates would increase (further) in 2019 and thus normalize monetary policy policy would continue. As a result of a cyclical slowdown, which mainly resulted from the increased uncertainties due to the trade war between the United States and China combined with the absence of a significant increase in inflation (expectations), policy rates were actually cut. The United States central bank labeled the policy rate cut as an interim adjustment (“mid-cycle adjustment”). The ECB decided in September 2019 not only to cut interest rates, but also to buy bonds again.

Business values: stock markets had a strong year

The prospect of interest rate cuts by central banks caused this at the beginning of 2019 Stock exchanges account for a large part of the price losses of the last quarter of 2018 made up for it. Later the prospect of a trade agreement between China and the United States resulted United States in expanding exchange rate gains. Stock markets eventually booked worldwide profit of over 25%. Other corporate values also showed positive returns.

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4
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Credit: Investments benefited from interest rate cuts and lower credit spreads

The picture within the credit building block was positive, due to the further decline in risk premiums and the risk-free rate. Emerging market debt local currency stood out in a positive sense, partly due to the decline in interest rates in emerging markets and the rise in exchange rates against the euros. In contrast to the aforementioned investments in credit is included with this asset class does not hedge the foreign exchange risk, thus contributing to the total portfolio return was extra positive.

Commodities: oil price rose sharply

Brent oil started the year with a sharp increase. Stocks fell, partly because of sanctions imposed by the United States on Venezuela. Oil prices continued to rise during the year , including after attacks were carried out on two major oil installations in Saudi Arabia. The installations - which account for 50% of Saudi oil production - were repaired quickly, causing this price shock to disappear again. Commodity investors invest in forward contracts. In front of At the end of the contract, these forward contracts are sold and new contracts are made purchased with a longer term, a process that is repeated monthly.

Fixed income securities: hedging interest rate and currency risk

Long-term interest rates had already anticipated the central banks' policy turn, and are set to continue fell in the fall of 2018, briefly lowering US 10-year yields to 1.5%.
Looking across 2019, German 10-year interest rates fell 40 basis points to -0.20%. Intermediate a level of -0.71% was reached, but subsequently recovered. The 30-year swap was made for it negative at first, but ended the year at 0.60%. Within fixed income securities it becomes interest rate risk and inflation risk of the liabilities partly hedged through investments in government bonds and inflation linked bonds. We use derivatives to hedge the risks to obtain the desired size and to cover long-term liabilities. These derivatives, mainly interest rate swaps, together form the interest overlay. Due to the fall in long-term interest rates government bonds and interest overlay posted positive returns.

Like the interest rate risk, we also partially hedge the currency risk with derivatives. These fall under the currency overlay category. A decrease in the hedge ratio (both 70%) for reserve currencies dollar and yen adds less risk than non-reserve currencies. For example, for the dollar exposure, the development of the euro-dollar exchange rate the determining factor. An important part of the investments is in US dollar and the associated exchange rate risk are 70% hedged.
Due to the appreciation of the dollar against the euro, the dollar was partially left open exposure has a positive effect on the return of the investment portfolios that invest in dollars.
Currency risk in emerging markets is not hedged because here the costs of hedging by the higher interest rates in these countries do not outweigh the reduction in risk.

Explanation outperformance

A comparison of the net return per investment category with the benchmark provides insight into the performance per asset class. This performance does not only depend on the choices of the portfolio manager, but also of his freedom to deviate from the benchmark. A portfolio manager who has the task of largely following the benchmark, leaves no more see limited out- or underperformance. In 2019, the outperformance of the entire portfolio 0.23%. This concerns the net return unless explicitly stated otherwise.

The outperformance for 2019 was mainly driven by private real estate, insurance linked investments (ILI), credit risk sharing (CRS) transactions and infrastructure. In line with 2018, the global logistics funds and investments in Dutch homes also continued last year made a positive contribution to the return on the private real estate portfolio. Also investments in offices in the four largest Dutch cities, Berlin and Seoul, contributed in 2019 to the (out) performance of the Private real estate investment fund. Credit risk sharing (CRS) Transactions provide exposure to credit risk from a portfolio of loans that a bank has on it has balance. The bank pays PFZW a fee for taking over part of the risk that loans in a selected portfolio are not fully repaid. CRS had one excellent year in which fewer credit losses occurred than expected. Within ILI, the outperformance (after two years of loss due to many major hurricanes) due to allocation choices of the team by consciously taking less risk. The outperformance within private equity is attributable primarily to investments in the United States and worldwide markets and in especially through co-investments. The outperformance achieved with Investment Grade corporate bonds during 2019 were entirely the result of credit selection. The biggest contributions were provided by overweight positions in companies with relatively high credit premiums. in addition the fund was overweight in subordinated bonds of both banks and non-financial institutions, which also made a strong positive contribution.

Underperformance was realized in alternative equity strategies, among other things. This is with mainly due to the mood on the stock exchange. The FTSE Developed customized rose in euros measured by over 30%. The alternative equity strategies lag behind in such a market as as a result of the pursued lower risk attitude. In addition, the style factor value provided a negative contribution and the strategies lagged due to underweight positions in some large IT companies those rose. The underperformance of the interest rate mandate is largely due to the summer in the event of falling interest rates, the demand for interest rate swaps is relatively greater than the demand for AAA government bonds. This is partly due to the fact that these bonds now have a negative interest rate know. Because the benchmark is linked to swap rates, but so is the PFZW portfolio government bonds, this leads to underperformance.

Investments and return PFZW — December 31, 2019

	Allocation € In million 1	In %	Gross efficiency	Costs 2	Net return 3	Net benchmark	Out-performance
Business values	**€ 126 208**	**53.1%**	**19.0%**	**0.8%**	**18.2%**	**17.7%**	**0.5%**
Shares of classically developed markets	€ 28 757	12.1%	25.5%	0.0%	25.4%	25.3%	0.1%
Classically emerging markets equities	€ 9 734	4.1%	21.8%	0.1%	21.7%	21.9%	(0.2%)
Shares Investing in Solutions	€ 3,800	1.6%	28.2%	0.3%	27.9%	27.1%	0.7%
Alternative stock strategies	€ 25 254	10.6%	22.1%	0.1%	22.0%	23.4%	(1.1%)
Private Equity	€ 13,960	5.9%	20.9%	4.0%	16.9%	13.7%	2.8%
Listed real estate	€ 14,461	6.1%	20.3%	0.1%	20.2%	20.5%	(0.2%)
Private real estate	€ 14,180	6.0%	9.8%	1.2%	8.6%	5.0%	3.4%
Infrastructure	€ 9,474	4.0%	8.2%	1.2%	7.0%	6.4%	0.6%
Insurance	€ 5 791	2.4%	4.2%	0.7%	3.5%	3.6%	(0.1%)
Other corporate values	€ 798	0.3%	1.7%	2.1%	(0.4%)	5.0%	(5.2%)
Commodities	**€ 8,622**	**3.6%**	**26.1%**	**0.1%**	**26.1%**	**25.5%**	**0.4%**
Credit	€ 31 918	13.4%	11.4%	0.2%	11.2%	10.2%	0.9%
Corporate bonds developed markets	€ 4 504	1.9%	6.6%	0.1%	6.5%	6.2%	0.2%
High yield developed markets	€ 2,386	1.0%	10.7%	0.4%	10.3%	11.2%	(0.8%)
Corporate bonds and high yield emerging markets	€ 4 693	2.0%	10.8%	0.1%	10.7%	9.7%	0.9%
Emerging markets debt local currency	€ 11 852	5.0%	15.5%	0.1%	15.3%	15.4%	(0.1%)
Credit risk sharing	€ 5 695	2.4%	8.7%	0.2%	8.5%	4.6%	3.7%
Mortgages	€ 2,788	1.2%	9.3%	0.4%	8.9%	6.8%	2.0%
Fixed income securities	€ 72 570	30.5%	20.3%	0.0%	20.3%	20.7%	(0.3%)
Interest hedging mandate	€ 68 405	28.8%	22.3%	0.0%	22.3%	22.6%	(0.3%)
Fixed Income Legacy and Inflation	€ 2 670	1.1%	(28.4%)	0.0%	(28.4%)	(28.4%)	0.0%
Cash and other	€ 1 495	0.6%		€ 5	€ (18)		
Currency overlay	**€ (1,449)**	**(0.6%)**		**0.5%**	**€ 897**		
Reimbursement of the implementing organization				€ 2			
Charged general costs				€ 1			
Total	**€ 237 869**	**100.0%**	**19.2%**	**0.4%**	**18.8%**	**18.5%**	**0.2%**
PFZW VPL 4	€ 503						
Total invested capital	**€ 238 372**	**100.0%**	**19.2%**	**0.4%**	**18.8%**	**18.1%**	**0.6%**

1 The table above follows the classification of the strategic benchmark of PFZW, whereby the associated receivables, debts and cash positions are looked at. This excludes amounts from this table with the balance sheet in the financial statements, where a classification according to the Guidelines for the Annual reporting is applied. The allocation (in euros and percentage) does not match the Costs table asset management per investment category, in which the allocation is in accordance with Recommendations for Implementation Costs of the Pension Federation on the basis of the average invested capital is presented.

2 Relates to asset management costs excluding transaction costs.

3 The net return is calculated on the basis of a full hedging of the seven largest developed markets currency risks. The currency overlay is the difference between a full hedge and the actual one currency risk hedging reported.

4 PFZW VPL are prepaid premiums for VPL (Adjustment of tax treatment for early retirement pre-pension schemes and introduction of life-course savings schemes) and are invested separately. That's how it gets investment risk minimized. The remaining VPL obligations will be purchased at the end of 2020. The split took place in the 4th quarter.

Investment results

Cumulative multi-year return

The return - net of asset management costs - was 18.8%, 0.2% in 2019 - point above the benchmark. This brings the average return since the inception of the pension fund in 1971 at 8.2%. The graph below shows the cumulative realized return in the past ten years (8.7%).

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Z-score and performance test

The performance test is intended by the legislator to assess the quality of the implementation of the measure investment policy. This is calculated based on the Z scores of five consecutive years. The Z score is a cost and risk adjusted (outperformance) measure in which the return on the portfolio is compared with the return on the predetermined norm portfolio. If the performance test is not passed, the obligation for the employers who are affiliated with PFZW. PFZW meets the performance test since the score is above -1.28.

The table below shows the Z score and the performance test of the past five years.

Z-score and Performance test

Year	Z score	Performance test
2015	1.34	2.08
2016	1.30	2.35
2017	0.72	2.37
2018	1.12	2.41
2019	1.05	2.48

In 2019, the net return on the actual portfolio was 1.8% higher than on the standard portfolio.

Adjusted for costs and risk, PFZW will have a Z score of 1.05 for 2019. The Z scores from 2015 determines the performance test up to and including 2019. The performance test results in a score of 2.48 and with that PFZW passes the performance test.

Connection to the annual accounts and cost notes

Wallet layout

(amounts x € 1 million)

December 31, 2019

	real estate	infrastructure	shares	private equity	loans	bonds	money market investments	derivatives assets	Commodities	Overige investments	Total	receivables and payables	derivatives liabilities	allocated capital
Business values														
Shares classic														

developed markets	-	-	28,724	-	-	-	31	-	-	-	28,755 1	-	28,756
Shares classic emerging markets	-	-	9,734	-	-	-	-	-	-	-	9,734 -	-	9,734
Stock investing in Solutions	-	-	3,711	-	-	-	84	-	-	-	3,795 5	-	3,800
Alternative stock strategies	-	-	25,254	-	-	-	-	-	-	-	25,254 -	-	25,254
Private equity	-	-	-	14,024	-	-	81	-	-	-	14,105 (145)	-	13,960
Listed real estate	14,459	-	-	-	-	-	-	-	-	-	14,459 2	-	14,461
Private real estate	14,155	-	-	-	-	-	20	-	-	-	14,175 5	-	14,180
infrastructure	-	9,456	-	-	-	-	2	12	-	-	9,470 16	(12)	9,474
insurance	-	-	-	-	-	2,319	57	-	-	3,462	5,838 (47)	-	5,791
Other business values	-	-	44	45	66	-	3	-	-	649	807 (9)	-	798
Commodities	-	-	-	-	-	-	-	-	8,621	-	8,621 1	-	8,622
Credit													
Corporate bonds developed markets	-	-	-	-	-	4,504	-	-	-	-	4,504 -	-	4,504
High yield developed markets	-	-	-	-	-	2,386	-	-	-	-	2,386 -	-	2,386
Corporate bonds and high yield emerging markets	-	-	-	-	94	4,526	74	-	-	-	4,694 (1)	-	4,693
Emerging markets debt local currency	-	-	-	-	-	11,859	(7)	-	-	-	11,852 1	(1)	11,852
Credit risk sharing	-	-	-	-	-	5,717	27	-	-	-	5,744 (49)	-	5,695
Mortgages	-	-	-	-	2,774	-	(1)	-	-	-	2,773 15	-	2,788
Running fast values													
Interest rate hedging mandate	-	-	-	-	-	51,852	(2,716)	19,102	-	-	68,238 (125)	292	68,405
Legacy fixed income and inflation	-	-	-	-	33	7,686	2	4,710	-	-	12,431 (1)	(9,760)	2,670
Greenhouse and overlay	-	-	-	-	-	-	14,950	865	-	-	15,815 (15,079) (187)		549
Grand total	**28,614**	**9,456**	**67,467**	**14,069**	**2,967**	**90,849**	**12,607**	**24,689**	**8,621**	**4,111**	**263,450 (15,410) (9,668)**		**238,372**

Low costs

Objective of implementation costs

Cost control is an important theme, both from a strategic and social point of view and from integrity management. It is important to present costs in a uniform manner for comparability. PFZW follows the Pension Federation's Recommendation on Implementation Costs. These recommendations distinguish between the costs of pension management, asset management and transaction costs. General costs are divided between pension management and asset management.

We express the costs of the pension fund in costs per participant. PFZW has the ambition that at the end of 2023 the costs per participant will be less than € 60. In addition, PFZW must invest in to respond to future changes in the pension system. Considering these adjustments is challenging the objective.

The costs of asset management are expressed as a percentage of the average invested capital. The target to drop below 0.50% has been achieved.

PFZW has not formulated targets for transaction costs. The costs depend on the amount of transactions. This amount is not only determined by the investment strategy but also due to market conditions.

Pension management costs

The number of sleepers and pensioners has increased for several years. Retire from sleepers and participants entail administrative actions. The number of active participants increased in 2019. Extensive automation is essential to achieve the cost target realize.

The costs per member for the administration of the pension scheme in 2019 amounted to € 61.70 (2018: € 62.10). These costs per participant take into account a charge of general costs of € 1 million (2018: € 1 million). This is about the administrative overhead costs (management and administrative office) allocated on the basis of distribution keys pension management and asset management. These distribution keys are evaluated annually after the drawing up the fund budget for the following year.

Asset management costs

Attention is paid to the costs that pension funds incur for the management of their assets. Costs in asset management are relevant for PFZW, because it concerns large amounts, the investment portfolio is large and services are provided by third parties.

PFZW applies the 'look through' principle in determining the costs of asset management. PFZW takes the asset management costs of investments in investment funds or so-called fund of funds included in the total costs. In addition, PFZW provides for investment categories private markets use estimates to complete the total costs of asset management to make. Approximately 7.9% of asset management costs are based on estimates or preliminary statements.

The costs of asset management decreased from 0.45% in 2018 to 0.43% in 2019. PFZW thus meets its own objective, that the costs of asset management are less than 0.50% of the average invested capital. In the past five years, the cost of it asset management expressed as a percentage of the average invested capital with more than 10% decreased.

The table below shows the asset management costs per investment category.

(amounts x € 1 million)	2019				2018			
	Average invested power	Management compensation	Performance dependent compensation 2	Net return 1	Average invested power	Management compensation	Performance dependent compensation	Net return 1
Business values	115,225	486	410	18.2%	103,499	474.4	356.3	(3.0%)
Shares classic developed markets	25,865	9.5	0.6	25.4%	23,734	8.9	0.7	(8.9%)
Shares classic emerging markets	8,291	11.3	-	21.7%	7,378	10.5	-	(8.1%)
Shares Invest in Solutions	3,435	10.0	-	27.9%	3,122	8.9	-	(12.5%)
Alternative stock strategies	22,743	15.9	-	22.0%	20,507	12.9	-	(8.4%)
Private equity	12,771	218.8	290.6	16.9%	11,736	219.9	350.4	5.0%
Listed real estate	13,846	9.0	-	20.2%	11,976	8.1	-	(4.2%)
Private real estate	13,558	116.2	51.4	8.6%	12,423	121.1	8.4	10.1%
Infrastructure	8,703	43.2	64.6	7.0%	7,456	38.3	(2.4)	8.8%
Insurance	5,178	36.8	-	3.5%	4,176	28.9	-	(3.1%)
Other corporate values	835	15.1	2.5	(0.4%)	991	16.9	(0.8)	(12.2%)
Commodities	**8,649**	**4.8**	**-**	**26.1%**	**10,829**	**5.2**	**-**	**(17.8%)**
Credit	**30,386**	**52**	**-**	**11.2%**	**26,328**	**47.2**	**-**	**0.2%**
Corporate bonds developed markets	4,304	3.1	-	6.5%	4,112	2.6	-	(1.3%)
High yield developed markets	2,289	8.6	-	10.3%	2,351	9.5	-	(4.9%)
Corporate bonds and high yield emerging markets	4,474	4.8	-	10.7%	3,914	4.2	-	(4.7%)
Emerging markets debt local currency	11,015	14.9	-	15.3%	9,247	14.7	-	(1.9%)
Credit risk sharing	5,801	10.2	-	8.5%	4,872	8.2	-	12.2%
Mortgages	2,502	10.7	-	8.9%	1,832	8.0	-	1.6%
Fixed income securities	**70,625**	**15**	**-**	**20.3%**	**60,104**	**10.3**	**-**	**4.3%**
Interest hedging mandate	68,550	8.6	-	13,368	55,134	6.8	-	3,270
Legacy fixed income and Inflation	2,579	0.6	-	(28.4%)	4,186	0.8	-	(16.4%)
Cash and other	(504)	5	-	(18)	785	2.7	-	€ -37

Currency overlay	(712)	-	-	897	(1)	-		€ 1,424
compensation implementing organization		2				13		
Charged General cost		1				1		
Total	**224,173**	**560**	**410**	**18.8%**	**200,759**	**551**	**356**	**(0.4%)**
Costs in percentage invested on average power		**0.25%**	**0.183%**			**0.27%**	**0.18%**	

1 The net return is calculated on the basis of a full hedging of the seven largest developed markets currency risks. The currency overlay is the difference between a full hedge and the actual one currency risk hedging reported.

2 Of the amount shown in the performance-related fee column, € 41.7 million oversees costs previous years. In previous years, these costs were included in the revenue presented and returns, but not previously presented separately in the table.

The amounts shown in the table under the heading 'management fee' are based on invested or committed amounts. This includes the fixed agreed fees, custody fee and other costs. In some cases it becomes a performance-related fee agreed with external asset managers. Performance-related fees depend the return of the investments to which they relate.

The management fee decreased from 0.27% in 2018 to 0.25% in 2019. The performance dependent fee is 0.18%, as in 2018. Investment policy and returns largely determine the amount of these fees.

Investment policy

Five aspects of the investment policy affect the level of the costs of the asset management:

1. investment mix
2. scale
3. the degree of active or passive management
4. the degree of internal or external management
5. direct or indirect investment

When deciding on the investment mix, PFZW takes into account the costs, but adjustments of the investment mix because of cost reduction is not an end in itself. The goal is the cost of it reduce asset management while maintaining the targeted return. The cost of it asset management within the investment mix partly depends on the division between private markets and public markets. Investments in private markets will make up around 23% of the investment mix from (2018: approximately 22%). The changes in the investment mix also contributed this will have a limited effect on the level of costs in 2019.

The private markets are responsible for 87% (2018: 88%) of all costs. PFZW is of the opinion that the return expectations of private investments outweigh the higher costs. The PFZW's private market investments delivered with an average net annual return of 7.7% in the period 2008 to 2019, a higher return than the Liquid Benchmark of public market investments of PFZW, weighted by actual portfolio weights on average net 6.4% paid off.

The scale is a given for PFZW and offers advantages. Comparisons with Dutch peers with less invested capital show that this is lower due to this scale costs are realized.

The share of direct investments, such as projects with one or more co-investors, is the expanded in the private markets in recent years. An important reason for this expansion is that direct investments generally entail lower costs than indirect ones investments. The share of indirect investments of PFZW, such as participations in investment funds within the private markets, has therefore declined in recent years. Investments in mutual fund structures are often more expensive and are avoided where possible for this reason.

Asset management costs in relation to return

The intended return must be related to the costs of asset management. The long-term return is therefore important when assessing the cost level and the choice of the investment mix.

The following table shows the total cost of asset management versus return. The net and gross returns by investment category are shown in the notes paragraph Financial return. The table shows that the composite return is not too direct link to the total performance-related fee.

Asset management costs as a percentage of average invested capital

	2015	2016	2017	2018	2019
Total asset management costs in%	0.48%	0.46%	0.49%	0.45%	0.43%
Of which performance-related fee in%	0.18%	0.16%	0.20%	0.18%	0.18%
Net return after costs	(0.1%)	12.0%	5.1%	(0.4%)	18.8%

Benchmark return after costs	(1.1%)	11.6%	5.2%	(0.8%)	18.5%

The amount of this performance-related fee depends, among other things, on the various performance fee structures at external asset managers. When investing in private markets in many cases, the performance-related fee only becomes effective at the end of the term actually paid. During the term, PFZW will make reservations for the hitherto calculated performance-related fee.

Returns, risk and costs of asset management form an inextricable whole. It
The net return of the infrastructure investment category in 2019 was 7.0%. Multiple external managers left a multi-year performance above the agreements made about it minimum required return. This return leads to a higher size within Infrastructure of the performance-related fee than in 2018.

The performance-related fee within the investment categories private real estate and infrastructure increased in 2019. Several managers experienced higher rates in 2019 return than in 2018. This has led to an increase in the reservation of the performance-related compensation for these managers. Within the investment category private equity, Despite a higher return, a lower performance-related fee is reserved than in 2018. This is the result of adjusting part of the portfolio where one performance-related fee must be paid or reserved. These adjustments have resulted in a lower reservation in 2019. The total performance-related fee was 0.18% in 2019, as well as in 2018.

Transaction costs

Transaction costs are a separate cost category. The scope is determined by the nature and the size of investment transactions and asset classes. About 57% (2018: 64%) of the transaction costs are based on estimates or on preliminary statements. When determining the transaction costs PFZW uses the 'look through' principle. PFZW takes the transaction costs into account of investments in investment funds or so-called fund of funds are included in the total transaction costs.

PFZW strives to limit transaction costs. In order to realize this, it will be added rebalance the portfolio to the strategic investment mix, the number of transactions as much possibly limited.

Transaction costs amounted to € 201 million in 2019, representing 0.09% of the average invested capital. In 2018, this was € 171 million and therefore also 0.09% of the average invested capital. The increase is mainly due to a higher transaction volume within the investment category shares and higher acquisition costs within the investment category infrastructure as a result of new investments. Higher transaction volumes and higher spreads within the investment category fixed-income securities also contributed to the increase. Within the investment category credit had a higher spread, which means transaction costs increased.

Transaction costs per building block (amounts x € 1 million)	**2018**	**2019**
Business values	61.3	86.9
Commodities	25.9	23.8
Credit	35.2	28.4
Fixed income securities	48.3	61.7
Total transaction costs	**170.7**	**200.8**

PFZW distinguishes three categories within transaction costs:

- Entry and exit charges at investment funds
- Purchase and selling costs for direct investments in investment titles
- Acquisition costs

PFZW partly invests in investment funds. Entry and exit costs will be charged brought. In addition, these investment funds themselves incur transaction costs. Proportionally of the participation rate and based on 'look through', these items are allocated.

The buying and selling costs for direct investments in investment titles have three components:

- Brokerage fees for processing transactions
- Spread for various costs and profit spreads at the intermediary
- The processing and recording of transactions in the administration of asset managers

The purchase and sales costs for direct investments in investment titles amounted to € 148 million in 2019 (2018: € 132 million). The increase was mainly due to the higher volume traded. Transaction costs for direct investments in fixed income securities and derivatives are estimated. Use is made of the so-called spread, the difference between the bids and late quotes. PFZW makes on the basis of transaction characteristics, such as rating, maturity, volume, region and currency pairs, a best estimate of this spread.

Acquisition costs in 2019 amounted to € 58 million (2018: € 42 million). These relate to direct transactions in private markets. The costs of advisers are an important component. The The largest contribution to the increase in acquisition costs comes from the investment category infrastructure, as a result of multiple new investments in 2019.

Benchmarking the costs

The costs for pension management and asset management are compared with the global ones benchmark comparison of Cost Effectiveness Measurement (CEM). PFZW also distinguishes itself due to economies of scale positive compared to this benchmark.

For pension management, the costs per active participant and pensioner in 2019 were € 62 and therefore below the average of the large Dutch pension funds (€ 77) and below the world average (€ 93). PFZW believes it is important to lower the long term as well cost level than the benchmark. At the time of publication of the annual report no CEM data for 2019 available.

The peer group with which PFZW is compared for asset management costs consists of international pension funds of comparable size. The structure of the investment mix relatively included in the comparison of costs. The costs of asset management of PFZW is 3.5 basis points below the benchmark, according to the latest available CEM (2018). A an important reason for this is that economies of scale make it possible to lower costs for services to negotiate from external asset managers. Also compared to the peers it carried greater share of direct and co-investments within private markets contributes to lower costs. To the on the other hand, the CEM report shows that higher costs are associated with peers to the implementation style. The implementation style is less passive compared to peers especially the corporate values. When implementing these investments, more often made use of external managers, with higher costs. The added According to the most recent CEM report, the value of our chosen policy is 0.5% (€ 4.4 billion) over a five-year period (2014-2018).

Connection to the financial statements notes

PFZW follows the Recommendations for the presentation of costs in the management report Implementation costs of the Pension Federation. The guidelines of the Board apply to the financial statements for annual reporting. The financial statements therefore only present the costs directly with PFZW have been charged or are being charged, while in the management report also the indirect costs (the so-called 'hidden costs') are presented. These indirect asset management and transaction costs are part of the change in value in the financial statements investments and therefore affect the return achieved. Therefore, the total cost of asset management in the financial statements lower.

(amounts x € 1 million)	Power related (excl. Performance related)	Performance related fees	Transaction-cost	Total
Management fees	(61.1)	-	-	(61.1)
Custody fee	3.3	-	-	3.3
Other costs	6.4	-	-	6.4
Direct costs, included in the Financial Statements	(51.4)	-	-	(51.4)
Indirect costs, part of the value changes of investments	611.7	409.7	200.8	1,222.2
Total asset management costs and transaction costs	**560.3**	**409.7**	**200.8**	**1,170.8**

Business operations

Business operations

Three themes regularly came back to the PFZW board. First, it
pension agreement and its meaning and possibilities for PFZW. Furthermore, the new came
Multi-year Policy Plan 2020-2025, which came into effect on 1 January 2020. Finally the
pay attention to the adoption of the Investment Policy 2020-2025.

On the basis of the latest technological developments, PFZW takes steps to conduct business and
improve services. In 2019, a further study was conducted into the possibilities of machine learning
and provide blockchain technology.

To be able to provide a high level of service, the processes have to be highly effective be standardized and cost efficient (mass). Thanks to new technologies, we can enter these standard processes make smart use of data to tailor specific target groups operate.

In addition, the tilting of the pension management services direction started in 2019 customer journeys. To increase agility, PFZW wants to work with outsourcing mandates per customer journey.

Governance

Changes to the board, committees and Pension Council

Board

On January 1, 2019, Cees Dert, Jacques Moors, Florent Vlak and Pascal Wolters were reappointed in the board.

On June 1, 2019, Joanne Kellermann took office as independent chairman of the board. She followed Carla Moonen who stepped down on November 1, 2018. In the intervening period, Albert Vink acted as acting chairman.

On September 1, 2019, Jorick de Bruin became a board member on behalf of CNV Connectief.

Commissions

Joanne Kellermann joined the General Affairs Committee on 1 June 2019.

Jorick de Bruin joined the pension committee on 1 September.

Pension council

See under Pension Council.

Training and theme meetings

In 2019, a program for the board was started. This program was intended for the strengthen mutual ties and especially to get more inspiration from the outside world. There attention was paid to themes that are a little further away from daily pension practice. Which happened in three two-day meetings, which included geopolitical developments, leadership and behavioral economics were discussed.

The theme meetings of the board in 2019 were devoted to the Investment Policy 2020-2025 and the administrative structure of the pension fund. In addition, attention was paid to the pension agreement and its significance and possibilities for PFZW. It came further new multi-year policy plan 2020-2025, which has been in force since 1 January 2020.

In the annual Summer Course, the board formulated a number of principles and points of attention for the discussion about the structure of the management of the pension fund. Thereby taking into account the departure of a number of experienced directors in the coming years, however also with the changing environment of PFZW and the demands this places on knowledge, representativeness and time spent by the board. Also the role of the administrative office and the relationship with the the implementation organization was discussed. The board brought during the Summercourse also a visit to an affiliated institution.

Self-evaluation board

Under external supervision, the board conducted a self-evaluation as part of the last part of the team strengthening program. In this self - assessment, attention was paid to the effectiveness of the controls in relation to the increasing complexity and aspects such as representativeness and suitability of the board. This self - evaluation was the prelude to the wider discussion about the governance of the pension fund.

Test for compliance with the Pension Funds Code

PFZW strives to fully comply with the Pension Funds Code regarding, among other things, the management, the integrity and risk management of pension funds. To the standard (in accordance with Article 107 of the Pension Act) to have at least one board member under the age of 40, PFZW is not sufficient. PFZW will continue to draw attention to this from the nominating organizations, including in the profile from employers and employees. The board had a trainee during part of 2019 driver.

Composition by gender and age structure

	Sex		Age				
	man	Woman	20 to 40	40 to 50	50 to 60	60 to 70	70 to 80
Board	8	5	0	2	6	5	0
Pension council	26	10	5	5	11	9	6
Supervisory Board	2	1	0	0	1	2	0

In 2019, PFZW did not yet meet the new standard in the revised Pension Fund Code members of the accountability body must also have a code of conduct. Be on January 1, 2020 the statutes of the pension fund have been adjusted accordingly and an amended code of conduct applies, too must be observed by the members of our Pension Council. The changes in the code of conduct have been drawn up in close coordination with a delegation from the Pension Council, and the content it fits in well with our duties, powers and responsibilities accountability body.

Adjustment of laws and regulations in the field of Governance

Implementation of IORP II

Dutch legislation has been adapted to the IORP II Directive as of 1 January 2019. For the pension regulations, the following three topics are relevant:

- extension of information on Uniform Pension Statements and other mandatory information
- former participants (sleepers) must henceforth become compulsory annually about their entitlements informed, instead of five-yearly as is the case now
- a reduction of pension entitlements and / or entitlements must be made three months in advance pensioners are announced instead of one month in advance

Accountability of the board

The board is responsible for the policy of PFZW and the implementation of the pension plans. Administrative committees support the board in its activities. In addition, the board speaks regularly with the Pension Council in the context of its duties and the supervisory board. The board met thirteen times in 2019. Following the meetings there were theme or in-depth meetings.

Agenda 2019

Various topics were discussed in 2019, including:

- developments in the discussion about the future of the system
- the governance of the pension fund
- the sustainable investment policy that is aligned with the Sustainable Development Goals (SDG) of the United Nations

Governance

The board found that with the current management, the pension fund is reaching limits. Increasing demands from both legislation and regulations and society are here the cause of. These developments prompted the board to weigh up with which interpretation of the management the optimal balance is achieved between representativeness of social partners, legitimacy towards employers, members and pensioners and expertise and effectiveness of the board itself. The board expects to find a solution in 2020.

Furthermore, the board discussed and established:

- the multi - annual policy plan 2020-2025: developments within and outside the healthcare sector and well-being and its significance for PFZW. This includes developments in the field of pension, society, care and welfare, the labor market and IT.
- the 2018 annual report and annual accounts
- the Economic Future Forecasts (ETV) and the Asset Liability Management (ALM) memorandum
- the 2019 investment plan and the related policy and mandates to be granted
- the principles and pension contributions
- the Actuarial and Business Technical Note (ABTN)
- the Service Level Agreement (SLA) with the implementing organization
- amendments to the articles of association, the pension and administration regulations
- the budget
- quarterly reports for monitoring, discussion and adjustment

Accountability committee general affairs

The General Affairs Committee prepares the meetings of the Board and ensures the handling of practical matters. The committee supervises the administrative office of PFZW and thereby fulfills the employer's role. In addition, the committee prepares the discussion of the strategy of PFZW for the board, including the organization of the organization. Also speaks the committee regularly with the supervisory board. The committee reports to the board with advice for decision-making and with reports of meetings. The committee met fourteen times in 2019.

Accountability of the appeals committee

An employer or participant can appeal against a decision of PFZW. This decision is not allowed are about an exemption in connection with objections or compulsory participation. The committee of appeal judges on the grounds of fairness objections and records its judgment in a judgment. The judgment is binding. Instead of going to the appeals committee, the participant can also go to the judge or go to the Pensions Ombudsman.

Pronunciations

The committee held eight sessions in 2019 and delivered a judgment in 30 cases. The statements passed various subjects such as old-age pension, partner's pension, flex pension, disability pension, compulsory affiliation and chargebacks. PFZW was registered in 21 cases successful. PFZW has been unsuccessful in 9 cases. This was mainly about it wrongfully imposing chargebacks and inconsistent provision of information. The statements of the committee are published on our website.

Numbers appeal cases	2013	2014	2015	2016	2017	2018	2019	2020
Outstanding at 1 January	12	11	16	13	20	23	18	12
Entered	36	40	31	35	50	41	32	
Withdrawn	7	3	6	10	12	6	8	
Pronunciations	30	32	28	18	35	40	30	

Accountability of the audit committee

The audit committee mainly advises on financial and economic policy, the operational one risk policy and external reporting. In this role, the audit committee has the board advised on:

- the 2018 annual report
- various policy frameworks (including the risk management policy framework)
- the implementation of the key holder functions under IORP II
- the recovery plan 2019
- the model annual accounts 2019
- the ABTN 2020
- the ALM note 2020 and the interest rate hedging
- economic expectations for the future

- risk bases
- premiums and rates 2020, SLA 2020
- the 2020 budget
- the choice of a new external auditor

The audit committee also advised the board on the policy principles of an MVEV reduction. In addition, the audit committee discussed the risk maps and devoted attention to them the IT situation at the implementing organization.

The audit committee assesses and checks the proposals submitted by the board office to the board. In most cases, this leads to preliminary advice to the board. The audit committee reports to the board through preliminary advice and reports of the meetings.

In 2019, the audit committee met seven times, including the external auditor and, depending on the agenda items, the external certifying actuary were present. In addition held two thematic meetings dedicated to the cloud and its management, and of the key holder functions under IORP II. The audit committee has written four times consulted on the quarterly report PFZW.

For 2020, the following points for attention were formulated during the evaluation: governance (role and mandate of committees); risk reporting and maps (new design); focus on exceptions.

Accountability board committee investments

The Investments Board Committee (BcI) advises the board on investment matters and supervises the implementation of the investment policy. In this role, the BcI advised the board in 2019 on under Lake:

- the economic expectations for the future
- the ALM memorandum 2020
- the various consequences of the IMBV covenant

- the interest rate hedging policy
- the re-contracting of asset management with the implementing organization
- the 2020 investment plan
- investment proposals of a special nature and size

An important focus of attention for the BcI was the entire environment of low interest rates and the consequences of this for the pension fund. The BcI looked at the action perspectives and when can be deployed. On the advice of the BcI, the board proposed an adjusted basic scenario economic forecast for the future.

In 2019, working groups were set up to deal with the Investment Policy 2020-2025. In these working groups have general board members and members of the BcI. This one working groups advised the board on the Investment Policy 2020-2025. It is one of the pillars new sustainability policy PFZW. The chosen direction with a responsible basis and interpretation of the sustainable world on the basis of the proposed seven SDGs - with the main themes of People & Health and Climate - ties in with the identity of PFZW and the themes for the participants of PFZW are important.

The BcI reports to the board through preliminary advice and reports of the meetings. The BcI is in 2019 consulted four times in writing on interim investment proposals of a special nature and / or size. Such investment proposals fall under the mandate of the BcI within the policy adopted by the board to take decisions independently.

The committee met eight times in 2019 and there were also three thematic meetings. During this theme meetings included a more detailed look at the credit building block, the theme materiality, Treasury BV, the costs of asset managers and there are various methodologies for interest determination further investigated under the guidance of external experts.

Accountability committee of objection

The objection committee is an internal committee where an employer or participant can object against a decision of PFZW about whether or not to grant an exemption in connection with concerns or compulsory participation in the pension fund. The objection committee reconsiders the decision of the pension fund on the grounds of the objections and then takes one decision. If the employer or participant disagrees with the committee's decision, it can bring his case to court.

In 2019, the committee did not reconsider any decisions. The objections submitted are either first processed by the appeal committee, or pending a decision by the civil judge. The case brought before the civil court was brought before the objection committee. The Objection Committee will make a decision in three cases in 2020.

Numbers of objection cases	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Open on January 1	2	2	1	1	3	3	4
Entered	1	8	1	6	5	2	
Withdrawn	1	3	0	3	1	1	
Pronunciations	0	6	1	1	4	0	

Accountability of the pension committee

The pension committee advises on proposals in the field of pension policy and the market and communication policy of PFZW. The pension committee can propose to the board submit and have proposals prepared by the implementing organization. The Commision reports to the board through preliminary advice and reports of the meetings. Gathered in 2019 the committee seven times. In addition, there were two theme meetings together with the pension committee plus. Topics to these theme meetings included one pension provision for self-employed persons, the new pension contract and a presentation by an external party pension fund about administering different pension schemes within one pension fund.

In 2019, the committee advised the board on matters such as the Better communication strategy World, the Entry Plan, the Extra Pension product in the context of gaining insight into and experience gaining a DC product, updating the obligation, proposing the simplification of the pension scheme, the contribution and various changes in the administration and pension regulations. The committee also paid attention to the subject innovation. This included the project blockchain in value transfers, applications of artificial intelligence such as a digital financial coach, speech recognition and the further development of the Future Explorer. The committee also spoke about the labor market related propositions, communication about risks and communication in the case of pensions should be lowered.

In 2019, the committee further elaborated the marketing strategy for social partners.

Accountability of the pension committee plus

On 1 January 2017, the pension committee plus, consisting of social partners, was established in collective bargaining. This committee met three times in 2019. At the end of 2019, the committee ten members. The pension committee plus discusses matters such as the accrual percentage, the franchise, premium and indexation. But also any remedial measures are here discussed. The pension committee uses the opinion of the pension committee plus in assessing drawing up advice for the board on the content and price of the scheme. These advices are important if the committee issues the preliminary advice with unanimity and the advice is in line with the opinion of the pension committee plus.

In the year under review, a joint working group of social partners was active in adjusting of the texts of the duty of care. It has further been proposed to take effect from 1 January 2020 to invest this work with the pension committee plus.

Accountability Pension Council

The Pension Council is the accountability body of PFZW and is authorized to express an opinion about the actions of the board and about the policy pursued and the policy choices. The The Pension Council advises the board on intended board decisions. The Pension Council has run out set up on the basis of representativeness and consists of eighteen members on behalf of employees, six members on behalf of pensioners and twelve members on behalf of employers.

In 2019, there were five regular meetings, four of which were meetings with the board. The During the year under review, the Pension Council paid attention to the new pension agreement and the intended policy with regard to reduction. There were also two informal meetings with it govern, inter alia, the financial position of the pension fund and the administrative dynamics. The Pension Council also spoke to the supervisory board in regular interim consultations on the progress of the concerns of the Supervisory Board for 2019.

There are three theme meetings for the Pension Council in 2019, two master classes, one joint theme meeting with the board and the supervisory board and two training days organized. The entire council also passed a knowledge test.

In 2019, the Pension Council gave positive advice on, among other things, the annual report 2018, the ABTN 2020, bases for 2020, indexation as of 1 January 2020, the ALM memorandum 2020, the budget 2020 and over amendment of the administration regulations and the pension regulations. The Pension Council has in the meeting of December 2019 gave a positive opinion on the code of conduct for the Pension Council, after the previously proposed 'own' code of conduct for the Pension Council has been replaced by the 'general' code of conduct that also applies to directors and employees of the administrative office.

Finally, the Pension Council decided to approve amendments to PFZW's articles of association. The changes included the indemnification of the members of the supervisory board, the code of conduct for the Pension Council and the powers of the Pension Council with regard to the feasibility test and the financial structure.

In 2019, the Pension Council evaluated its own performance under external supervision. The following have been identified as points for attention: monitoring the role of the Pension Council and the visibility of the Pension Council. The next evaluation is scheduled for 2021. The training days have been evaluated, these have been generally well assessed.

Announcement by the Pension Council

In the context of the performance of its duties, the Pension Council has 23 before the consultation April 2020 in which the annual report of PFZW for the financial year 2019 is adopted, the draft report discussed. As a result of the corona crisis, consultation did not take place physically, but with digital support place.

The Pension Council also took note of the audit report, the actuarial report and the report of the supervisory board for the financial year 2019. The Pension Council has this documents with the accountant (in writing), the certifying actuary (in writing) and discussed the supervisory board (digitally).

The Pension Council comes to the following opinion:

- The Pension Council believes that the 2019 annual report is clear, accessible and thorough report on the activities of PFZW.
- At the moment, there is still a (persistent) substantial reserve shortfall and the fund once again had to submit a recovery plan. The Pension Council is concerned about the financial situation of the fund, which may require a decision to end 2021 at the end of 2020 reduce pension entitlements.
- The board has adequately and actively responded to current events and the problems of the pension system. Nevertheless, due to stagnation of decision-making, there is no more national level, still no clarity about the future of the pension system. The

The Pension Council is disappointed about this.

- In 2019, the board appointed a new chairman. The Pension Council is pleased that there a chairman is quickly found and is looking forward to good cooperation.
- The Pension Council was informed during the year about the IT improvement plan of the implementing organization. The Pension Council was recently informed about the realization and the production of a new basic administration.
- In 2019, the board took over all advice from the Pension Council, with the exception of of the advice to expand the Supervisory Board to four persons.
- The Pension Council advises the board to adopt the 2019 annual report.

The Pension Council makes the following recommendations to the board:

- The Pension Council asks the board even more emphatically for the efforts of PFZW in the discussions about this publish a new pension system and the financial assessment framework.
- The Pension Council continues to draw attention to communicating with in an accessible manner the participants. Not only about complex pension matters and the transition to a new one pension contract, but also about PFZW's financial position, including remedial measures.
- The Pension Council believes that the Board, partly in view of the recommendations of the Board of supervision, the external auditor and the external certifying actuary, must be addressed in 2020 spend on:
  - the financial position of the fund;
  - governance and administrative continuity;
  - forward-looking and sustainability.
- The Pension Council expressly asks the Board to request the Pension Council as soon as possible stage in the discussion that has started within the board about the governance of PFZW.
- There is currently a lot of attention for sustainable investment by pension funds. PFZW is one leader in sustainable investing. The Pension Council recommends that the results of the Evaluate investment policy 2020 and explicitly discuss the theme of sustainability involve.

Zeist, April 2020

Accountability of the supervisory board

preface

The duties of the Supervisory Board result from Article 104 of the Pensions Act and are described in the statutes of PFZW.

The Pension Funds Code is the starting point for the Supervisory Board. The Code has been prepared by the Pension Federation and the Labor Foundation, which formulate standards for 'good' pension fund management ', with the aim of determining the relationships within the pension fund and the make communication with stakeholders more transparent and contribute to strengthening of 'good pension fund management'.

With this report, the Supervisory Board reports to the Pension Council in its role as accountability body, about the way in which he has given substance to the implementation of his tasks and powers in the past year. The supervisory board has the draft version of the report discussed with the board on April 8, 2020.

Information for the 2019 report

In its work, the Supervisory Board used information from the minutes of the board and committees, various reports, reporting of the self-evaluations of the board, the board committees and the Pension Council, and by attending committee meetings and theme meetings.

Four meetings were held with the General Affairs Committee and the Board of Directors supervision has regularly spoken to the Pension Council twice. In addition, there was an extra meeting of the Pension Council, the Executive Board and the Supervisory Board with regard to the policy principles for a possible MVEV reduction.

The Supervisory Board is interested in the administrative decision-making regarding a number files followed, such as the revocation of asset management, the change in risk attitude, the interest rate hedging, credits and the operation of the flag framework.

During the year under review, the chairman and members of the supervisory board have regular contacts meet with the chairman and members of the board and with the director and employees of the administrative office.

Finally, the Supervisory Board conducted a large number of interviews at the end of the year under review kept. On the basis of all the information, the Supervisory Board has obtained a good picture to give an opinion on the year under review.

Evaluation of the recommendations of the supervisory board for the year under review 2018

Follow-up of recommendations and improvement actions in the 2018 reporting year:

- The supervisory board has, through the interim report, drawn up by the management office, took note of the status of the follow-up of the various recommendations mentioned in the report of the supervisory board for 2018.
- The Supervisory Board believes that the Board is following the recommendations of the Supervisory Board has generally followed suit adequately. Insofar as points have a continuous character in 2019, these will be discussed in the findings for the 2019 reporting year.

Overview of the activities in 2019

Based on the requests submitted by the Board, the Supervisory Board has the following approved or tested and the board by letter of approval or the results of the assessment notified.

- Assessment of the candidate chairperson against the profile and a preliminary advice to the board given on April 1, 2019.
- Approval of profile sketches board member and also member of the pension committee respectively also member of the board committee investments on April 16, 2019.
- Three candidate board members, also members of the pension committee, were assessed at the profile sketch and preliminary advice given to the board on 14 March, 9 July and October 21, 2019.
- Approval of the annual report (including the financial statements) PFZW 2018, with due observance of the positive advice of the Pension Council, on 25 April 2019.
- On March 25, 2020, the supervisory board has the draft management report and the annual accounts PFZW 2019 discussed. No matters emerged from this. It is expected that the the supervisory board on 23 April 2020 the management report and the financial statements for the 2019 financial year to approve.
- On 25 March 2020, the Supervisory Board took note of the analysis carried out by PFZW with regard to meeting the standards of the Pension Funds Code and noted that the management report reported on compliance.

Reporting year 2019

In 2019, the Supervisory Board consulted more intensively with the Executive Board, which offers scope for to draw up a report that will gradually become more characteristic of a report by activities than of findings.

Governance

The Supervisory Board appreciates the efforts of the Board to convert to a renewed one administrative structure, with a focus on the quality and effectiveness of the decision - making and the further positioning and clarity of the tasks of the committees of the board. A new model aims to promote a balanced balance between organize, manage and negotiate. In the process of recalibration of the

governance found that this balanced balance will lead to better focus, more depth and a more effective and efficient way of management.
The Supervisory Board recognizes the broad outline in most aspects. So are in some important files had taken adequate decisions, but had the process of establishing the decisions can be made more effectively and efficiently.

The Supervisory Board draws attention to follow-up issues and securing sufficient executive management experience (acquired at the highest administrative level of large, relevant organizations).
With a view to the departure of the director of the administrative office, the supervisory board orders it management to pay attention to the direction of development during his succession

and the continuity of the management office. Considering the important function that the administrative office has fulfilled, a better distinction can be made between tasks and authorizations. This applies both to the delegated tasks of the board to the administrative office, as in the directing role of the administrative office towards the executive organization. As a precondition, the Supervisory Board sees that the masters are essential expertise role maintain a sufficiently strong and factual role.

The new chairman has quickly and properly found her place on the board. The first observations are satisfactory to the supervisory board; the council of supervision greatly appreciates the work of the Vice - Presidents in the transition from the previous to the current chairman. In addition, the Supervisory Board appreciates the support greatly the secretary and the administrative office.

In times of many personnel changes and likely changes to the governance of the it is essential to continue investing in the relationship between PGGM and PFZW in all relevant areas levels.

IT

The implementing organization has taken a major step forward in IT management by Replacing BAD and the connection of GFA to BAS and DAS, as well as by implementing the new IT strategy, including the transition from IT to Pension Management.

The number of major incidents was limited to one case in 2019 and the service was in it year under review.

When new pension agreements settle into contracts will be one of the most important acceptance criteria are practicable. In the opinion of the supervisory board, the board is doing well to pursue the further development of IT (Butterfly Report) with vigor: analysis, directions, scenarios and modules. The conversations are over with more knowledge about practicality to perform a new contract more fully.

The business control of the management and change organization is a point of continuous concern attention and goes beyond IT. The fund's agility is essential to its ability absorbing a new pension contract.

Financial position and policy

The continuity of the fund can be considered good. PFZW is a young, growing fund whereby debt collection and debt collection continue to balance each other in the long term, even if the formal value of the coverage to care and requires attention. This applies to very low interest rates the calculated funding ratio must be interpreted wisely. The shelf life of the scheme will remain a topic of discussion.

Balancing the formulated risk attitude has taken a lot of effort asked. The translation of this into the investment policy has proved challenging. It decision-making process in this regard was complex and has not yet been completed.

PFZW has taken steps in developing the investment policy for 2025 and updated it sustainability policy. The Council is pleased to note that the sustainable ambition is tightened up to remain in the leading group of sustainable investment. A goal of the new, more ambitious SRI policy is to make a greater contribution to a sustainable world, including through a doubling of the measured impact on the focus SDGs. Climate risks are also becoming more emphatic attention and will be integrated into investment and risk management processes.

IORP II is adequately arranged. The key function holders have been appointed and tested. The council of supervision recommends the board to monitor the operation and functioning carefully and to take timely action to evaluate.

Other

The re-contracting of Asset Management has been extended for one year and still requires 2020 considerable attention.

Discussion with the external auditor and external certifying actuary

At the end of the year under review, the Supervisory Board spoke to the external auditor and the external auditor certifying actuary. The following topics were discussed during the discussions: the long-term risks of the pension fund, low interest rates and funding ratio, cooperation with the board office and contacts with the board. In addition, the financial was discussed position, the ambition and risk attitude of the pension fund, the management of complexity and the relationship with the audit committee and with the accountant of the implementing organization.

Both the external auditor and the external certifying actuary have expressed positive comments about the mature control of the financial processes, as well as the open attitude of those involved and the quality of the reports. To the question of the supervisory board to the external auditor and the external certifying actuary whether they must present special observations is by both answered in the negative.

In general, and as confirmed in the discussions, the impression of the Supervisory Board is that the external accountant and external certifying actuary believe that this is going well processes and close cooperation with the implementing organization regarding the annual work process.

Annual report and annual accounts 2019

The Supervisory Board has thoroughly reviewed the annual report and annual accounts for 2019, discussed and reviewed and approved. The annual report and annual accounts in so far as can be assessed, the Board of Trustees gives a true and fair view of the events in the past year. Based on approval by the Supervisory Board on 23 April 2020.

- Can the coordination between the supervisory board and the relevant fora be continued optimized?
- Take a closer look at how the various forums can be used to meet more effectively and, above all, more efficiently.
- Rotation among the members of the supervisory board to attend meetings of committees and board, in addition to the discussions that the supervisory board has with individuals, also to get a better feeling together about the group dynamics in the different forums.

Evaluation of the supervisory board for 2019

The Supervisory Board evaluates its performance every year. The 2019 self-assessment, which is in accordance with the provisions of the Governance Code would take place under the supervision of an external expert postponed by the measures taken due to the Corona virus. In the preparation of the evaluation involved individual interviews with the members of the supervisory board, from which the Supervisory Board has appointed a number of points for attention in the coming year to tender:

Points of attention for the Supervisory Board for 2020

In 2020, the Supervisory Board will pay special attention to regular supervisory topics donate to:

- Governance design and implementation;
- Pension contract: balanced weighing of interests and practicability;
- Asset management: re-contracting and elaboration of new Socially Responsible Investing Policy and Investment Policy 2025.

Zeist, April 8, 2020.

Jack Buckens, chairman
Jo van Engelen
Anne Gram

Response of the board to the accountability of the board supervision and communication from the Pension Council

The Executive Board is grateful to the Supervisory Board and the Pension Council for their efforts. It board recognizes the recommendations and will include them in its work. To a number of the subjects and findings mentioned by the Supervisory Board and the Pension Council attention has also been paid in this report. The board has the following with a number of findings explanation:

- The board shares the concern of the Pension Council and the supervisory board about financial matters position of the fund. Like the talks about a new pension system in the foreseeable future leading to results could offer a solution. However, given the current financial Unfortunately, in 2021, reducing pensions in 2021 is a realistic prospect.
- In the discussions about a new pension system, the board adopts a cooperative approach to the parties - the cabinet, employers 'and employees' organizations - that must agree on this to make. In view of the financial position, PFZW will continue to propagate the current one pension agreements and regulations no longer suffice and that a new pension contract is urgently needed.
- Communicate in an accessible manner, even where complex matters are, and will remain an important point of attention for the board. Understandable communication is of great importance

for the support and confidence of pensioners, members and employers in the fund.

- The board is discussing changes to the fund's administrative structure. It from the point of view of care, the board takes ample time and strives to achieve this with appropriate involvement of the Pension Council and the Supervisory Board as of 1 January 2021 a implement an appropriate administrative structure.
- Sustainable investing remains a spearhead, also in the context of Sustainable Investment policy 2025 returns. The experiences with the Investment Policy 2020 are taking it take part in this.

Risk management

Because we work closely with our implementing organization and do most of the work on them outsourcing, the board of PFZW has adapted the risk management to this: we speak one joint risk language. Identifying and controlling risks helps PFZW to realize its goals.

Three PFZW management committees deal with the General Affairs Committee and the manage all risks of the pension fund. These are the audit committee, the executive committee investments and the pension committee. The audit committee gathers the input from the two other committees and advises the board on matters such as internal control, in- and external audits, compliance and ethics and about the risks related to it investment policy. The risk managers of the board office support the committees and the board. In addition, at the end of the year, risk managers will consult with the Board of Directors supervision of the risks and their management.

Risks, risk management and risk appetite

Risk appetite

If all risks could be fully contained, the costs of risk management will increase significantly. That is why we make a clear trade-off between costs of control of risks and the impact of risks. Moreover, there are risks that PFZW cannot such as demographic and financial market developments.

Risk appetite indicates to what extent, given the ambition, the board wants to run the risk of one certain risk may arise, and what consequences are then acceptable over a given period.

The risks that PFZW runs are made transparent with the help of critical risk indicators, audits and risk reports. To ensure that the actual risks are within our risk appetite we will make improvements if possible.

Standard 3402 and 3000A: more insight and security

All activities related to the pension scheme and the management of the invested capital have been outsourced to the implementing organization with the PFZW board having ultimate responsibility remains. In addition, despite the outsourcing of the implementation, the board is responsible for the design and operation of the internal risk management and control systems with regard to the financial reporting and the non-financial risks. Using a Standard (ISAE) 3402 (financial risks) and 3000A (non-financial risks), the implementing organization is accountable for this to the board.

The board receives two Standard 3402 / 3000A reports from the implementing organization: one for pension management and one for asset management. These relate to the design and operation internal control of financial and non-financial processes and internal control. The Standard 3402 / 3000A reports from the implementing organization are certified by the auditor of the implementing organization.

Risk management main risks

Out of the total number of risks, the board has ten risks as the main risks for 2019 appointed. In addition, there are risks that PFZW cannot influence, such as demographics developments and developments on the financial markets. Sometimes these risks even coincide, as in the case of the corona crisis in 2020. PFZW has about 50 risks, which together form the risk universe. The risks are divided into four areas of governance, strategic, financial and operational.

The ten most important risks have been monitored and assessed by the board throughout the year.

To make the choice for the risk assessment sharper, there are three qualifications: low, medium or high. In order to arrive at a qualification, the probability of a risk occurring is examined and to the impact. The combination of both gives a gross risk assessment. By taking into account there is a net opinion with the existing control measures. In addition to this net risk, it gives also control the risk tolerance. If the net risk assessment is not at the same level as the additional risk management measures are taken.

The main risks are related to the increased chance that the pensions in the cannot be indexed in the future, that there is no clarity about a new one pension contract and that operational risks may arise, where additional control measures must be set up for.

These ten risks are further elaborated below. For each risk, the net risk assessment and the risk tolerance shown.

Administrative risks PFZW	Judgment	Tolerance
1. Alignment (Strategic)		
2. Ambition risk (Governance)		
3. Balance sheet risk (Governance)		
4. Principles of risk (Governance)		
5. Imaging (Strategic)		
6. Commitment (Strategic)		
7. Political risks Pension contract (Strategic)		
8. Product and service development (Operational)		

9. Processes IT (Operational)

10. Organizational competences (Operational)

1. Alignment: the risk that our ambitions and interests are not in line with the implementing organization. This risk exists because of the high degree of outsourcing and the projects that are related to that. We estimate the net risk to be low. The risk tolerance is low. A reinforced administrative consultation between PFZW and PGGM has reduced the net risk from mid to low.

2. Ambition risk: the central question in this risk is whether the pension fund is capable of achieving its ambition future-proof indexing. The net risk is high. Because the risk tolerance is middle, the board discussed the risk attitude in several sessions and re-established.

3. Balance sheet risk: the risk that at the end of the year the value of the investments will be insufficiently rated pension entitlements will follow. The central question is: is the pension fund on the way to one (unconditional) reduction and threatens a situation in which the nominal backlog is so high that the ambition will no longer be fulfilled as a result? PFZW can limit this high risk to influence. There are not many buttons that can be turned meaningfully. That means that the risk tolerance is high.

4. Principles risk: the risk that the financial structure is no longer sufficient and must be reduced by wrong decision making due to incorrect economic and actuarial principles or other exogenous factors. The realization of the pension fund's ambition is then in danger. This risk is at the center, just like the risk tolerance.

5. Imaging: this consists of the communication risk (the risk of incorrect communication outward), and image risk (the risk posed by negative reports about the financial or the pension sector a large proportion of our participants and employers also feel negative about PFZW). The risk is estimated to be high. The communication risk, which also concerns the communication to the participants is more manageable than the image risk. The risk tolerance is layer, communication and image are essential for the interest of the participants.

6. Mandatory: the risk that the current mandatory legislation will be amended or will become expired and that the existing legal option to make it mandatory has not been sufficiently maintained is going to be. We estimate the risk to be high, as long as there is no new pension contract yet. The risk tolerance is middle. We remain in dialogue with social partners and politicians.

7. Political risk pension contract: the risk that a new pension contract will not be concluded in time that can count on social support. The risk is high, because there is no final yet proposal for a new pension contract. The risk tolerance is medium. To monitor this risk we are talking to all stakeholders.

8. Product and service development: the risk caused by late or incorrect implementation development of products and services does not become the desired goals of the pension fund achieved. This risk is estimated to be high, while this risk was still medium in 2018. The risk tolerance is low. Additional measures such as the introduction of a product and services have been taken in 2019 approval process in pension management and tracking results at the level of a customer journey

9. Process and IT: the risk that the complexity of the existing processes and the supporting IT makes executing the strategy difficult. This risk is estimated to be high, while risk tolerance is low is. The board tries to further reduce the risk by reducing complexity and legacy.

10. Organizational competences: the risk that the implementing organization does not have the quality in house has to implement our strategy. This risk is medium. The risk tolerance is low. The implementing organization has taken actions such as conducting a strategic personnel planning and preparing for the future labor market.

In addition to the ten most important risks that were monitored and assessed by the board in 2019, in In the first quarter of 2020, due to the corona crisis, the following risks are more than current: liquidity risk and outsourcing risk. Is the pension fund capable of operating? continue to carry out activities. This looks like this:

Participants: the corona crisis will have no direct consequences for our participants in 2020 retirees. Pension accrual and pension payments continue as normal. The consequences of the crisis will only be translated into a possible adjustment of the commitments.

Employers: employers who will experience problems in 2020 due to the corona crisis premium payments, may make use of deferral or distribution of premium payments. There are per institution made appropriate agreements about the best solution for both parties.

Outsourcing: PFZW has agreed with the implementing organization that due to the corona crisis in The primary processes of pension provision take precedence by 2020.

Developments in 2019: strategy, IORP II and GDPR

It is important for PFZW that the interests of PFZW and those of the implementing organization be aligned. The elaboration of the strategy of pension administration of the implementing organization to be prepared for future developments and the associated IT organization set up in 2019. Implementation will take place in 2020.

PFZW has the key holders for actuarial, internal audit and risk management under IORP II appointed with the approval of DNB.

The members of the Pension Federation have adopted a policy in which the general standards from the GDPR have been made more concrete for the sector and therefore also for PFZW.

Incidents

The implementing organization informs us about incidents. Incidents can say something about the control of processes and reason to improve processes. None have occurred in 2019 serious incidents occurred.

Fines and periodic penalty payments

No penalties or fines were imposed on the pension fund in the year under review.

AFM

The Netherlands Authority for the Financial Markets (AFM) has investigated the demonstrability of MIFID II and has concluded that demonstrability needs to be improved. In response to the A plan of action has been drawn up and shared with the AFM. The AFM also has investigations done according to the current structure of the treasury of the implementing organization. This is not sufficient longer the supervisory rules with regard to asset separation (in particular Section 4:87 Wft and Article 165 BGfo). A new interior is planned for Q3 2020.

Anti-corruption

Compliance with laws and regulations is essential for PFZW. This also includes compliance with regard to money laundering, terrorist financing and sanctions legislation. In the Standard 3000A the process of described and reviewed changes in legislation and regulations. Various risks involving integrity in the litigation have been described as part of the risk universe. It concerns a conflict of interest, behavior and integrity, terrorism, laws and regulations, fraud, cyber crime and compliance. Together with the implementing organization becomes a self-assessment of a conflict of interest and a systematic integrity risk analysis (SIRA) that is discussed and discussed at an administrative level established.

DNB investigations and self-assessments

DNB conducted new investigations in 2019 and issued a final opinion on earlier ones to research.

Description of the research	**rounded**
Research from previous years:	
◦ Research operational and IT risks (Focus program)	Runs
New studies in 2019:	
Infrastructure Research, Asset Quality Review (AQR)	Runs
◦ Research data quality	Runs
◦ Investigate managerial effectiveness in strategic decision-making	
◦ Request for non-financial risks for pension funds 2019	
◦ Validation of conflict of interest	
◦ Research into the Improved Premium Scheme Act	

Any findings from these investigations are followed up by the pension fund.

Personal Data Authority

PFZW has reported data breaches to the Dutch Data Protection Authority that were primarily related to this with logistics (mail) flows. The number of data breaches was limited in relation to the number of participants.

There is continuous attention and action to prevent data leaks.

Authority for Consumers and Markets

ACM has not conducted any investigations at PFZW.

In Control Statement

With the 'In Control Statement', PFZW makes an explicit statement about the quality of the internal risk management and control systems. This shows the importance we attach to controlled pension administration and transparent accountability. PFZW focuses on 'In Control Statement 'on the financial reporting risks and the non-financial risks. In below statement indicates the scope of the statement and the reasons for it.

Responsibility

The PFZW board has separated the policy from its implementation. The implementation of the pension administration and invested capital management have been outsourced to subsidiaries of PGGM NV (hereinafter: PGGM). Between PFZW and PGGM the outsourcing agreements laid down in a service level agreement with related performance criteria and accountability reports. The board of PFZW remains responsible for the entire policy and implementation of all activities related to the pension scheme and asset management. In addition, despite the outsourcing of the implementation, the board is responsible for the design and operation of the internal risk management and control systems with regard to financial reporting and non-financial risks. Some risks are not too influence by the board, such as demographic developments and developments on the financial markets.

Scope

The Standard 3402 report relates to the external financial reporting of PFZW in the the form of the financial statements, quarterly reports, quarterly and annual reports of the pension fund to DNB and reporting Z-score. The declaration was made with regard to the quality of the design, existence and operation of the internal risk management and control systems for 2019. The annual financial report is based on a going concern situation and assumes continuity in line with the objectives of PFZW in the long term.

The Standard 3000A report relates to the quality of non-financial processes. It's alright thereby about the following processes:

- performing the mandatory pension communication
- implementing changes in laws and regulations
- compliance with privacy laws and regulations
- taking care of customer and supervisory reports
- monitoring the outsourced services
- drawing up the ALM note and the ABTN
- calculating the funding ratio
- conducting cyber security business continuity management and physical

access security,

- performing incident management.

Justification scope

For the outsourced services, the implementing organization has PFZW among other things two Standard reports, one for pension management and one for asset management, for 2019 provides information on the structure and operation of internal control and internal control. Every report has two parts, namely a 3402 part and a 3000A part. No restrictions have been identified.

In addition, the PFZW management office has a system of risk management and internal control and reports its independent opinion to the board. The board has insight into its strategic risks, assessed in an annual risk assessment.

This is the basis on which the board believes it can issue a statement, aimed at the external party financial reporting based on Standard 3402 and the design and quality of the staple financial processes as included in the Standard 3000A.

It closes by focusing on the financial reporting risks and non-financial risks pension fund to the social developments in the field of internal risk management and takes into account the best practice provision of the Commission, for example Corporate Governance. The core of this recommendation is that an explicit statement is made about the management of the financial reporting risks and that of the other risks a description is given of the management framework and planned improvements. Some of these others risks are now explicitly included in the Standard 3000A report.

Statement

The board of PFZW declares that, with regard to the external financial reporting the scope specified above, with a reasonable degree of certainty the internal risk management and control systems worked in 2019 in such a way that the external financial going concern reporting for 2019 does not contain any material misstatements.

With regard to non-financial processes, the board of PFZW declares that, given the previously stated scope of the Standard 3000A, with a reasonable degree of certainty the internal risk management and control systems worked in 2019.

Outsourcing

Outsourcing policy advice and management support

To develop the desired maneuverability, the process for products is planned in 2019 service development redesigned with the aim of making faster and more changes feed. The new litigation will be phased in in 2020. The new litigation is based on multidisciplinary work and on mandating customer journeys in the pension administration.

In addition to improving the process, the pension product is also analyzed. In 2018 determined that the product is complex due to the accumulation of changes in the scheme become. Various results were achieved in 2019 regarding the complexity of the scheme and its implementation reduce. This not only contributes to increasing maneuverability and lowering costs, but also to reduce the risk of incidents. Initiatives to the scheme simpler ones that have a negative effect on the funding ratio have been postponed until after the reform of the pension system.

Pension management outsourcing

PFZW has over 25,000 employers and 2.9 million participants as customers. For the service of a high level, processes must be highly standardized and be cost efficient (mass). New technologies make it possible to within this make standard use of standard processes to make use of specific target groups and needs can be distinguished. In practice, this means that there are several types per customer journey messages and contact moments are used that address the needs of the various target audiences. In this way, participants, employers and social partners experience services better meet their needs.

Customer travel participants

PFZW has been working increasingly intensively with the customer travel concept since 2019.

- New participants get in touch for the first time via the 'Nieuwe Baan' customer journey pension fund. Satisfaction has risen from 7.9 to 8.0.
- In the customer journey 'Participating in the scheme', participants receive their pension message and various expressions. The service fluctuated between 7.1 and 7.3 in 2019 and is therefore fell from a 7.5 in 2018. The chance of lowering has had an impact on the satisfaction rate.
- If the participant separates from the partner, he / she will be helped through the customer journey 'Divorce'. This service is valued alternately between 7.3 and 7.8. PFZW aspires one constant high level of 7.6.
- Participants who get married are served with the customer journey 'Getting married and living together'. This one service is well appreciated with an 8.6 average.
- In the 'Death' customer journey, the next of kin are helped with pension issues. The satisfaction for this customer journey increased from 8.4 to 8.6.
- In the customer journey 'Going with a pension' we assist participants with financial insight and overview when one retires. This service was stable at 8.6.
- When participants are retired, they receive, among other things, the pension payment via the customer journey 'Retire'. This customer journey was stable with an 8.5 satisfaction score.

Overall, the quality of service is of a stable, high level.

The continuous improvement of online services has been since the realization of the new IT
architecture greatly improved. Some examples of improvements are:

- A new point of contact has been set up in the 'Disability' customer journey ('soft landing').
Long-term sick participants become proactive in the second year of illness by PFZW
approached, even before the UWV inspection. As a result, a participant knows that in terms of pensions
everything is arranged automatically via UWV. This relieves the participant and provides convenience.
- From the fourth quarter of 2019, no separate request will be made for the customer journey 'Moving'
da Vita (proof of life) at the Social Insurance Bank more done. The data is
picked up directly at Registration Non-Residents (RNI).
- For the customer journey 'Other Job', there is an investigation into the current voluntary continuation (VV) -
proposition carried out among freelancers. Communication and application form have been improved.
- In the customer journey 'Divorce', registration of equalization of pension rights in the event of divorce of
'legal separation' and 'remarriage / divorce with the same partner' possible
become. In addition, settlement outside the 2-year period has become possible, including check
on exceeding the 2-year term.
- In the customer journey With Pension, new AOW ages are used and the redistribution of
realized the early retirement pension.

Client travel employers

Employer satisfaction was restored in 2019. The customer satisfaction results for 2019 are
as follows:

- In the customer journey 'I want to become a customer at PFZW', we connect employers who are not under the
compulsory. The satisfaction of the voluntary connections has increased from 6.4 to
7.7.
- In the customer journey 'I have to become a customer', PFZW connects employers who are under the obligation
fall. Because these are not free connections due to the obligation, the customer satisfaction
always lower. Satisfaction fell from 7.0 to 5.6 this year. The number of measurements is too
limited to make significant statements about this.
- Employers pay a premium via the customer journey 'I want to meet my obligations'. The
the satisfaction of the administrators increased from a 7.1 to a 7.3.
- PFZW supports employers with various HR support services in the customer journey 'I want
be supported in the development of my organization '. Satisfaction is stable this year
at 8.3.

Customer travel social partners

In 2019, a policy was developed to achieve customer journeys for social partners. The most important
The conclusion is that social partners like to receive data-driven insights into regional and national
trends on the labor market and support in the formation of the collective labor agreement. The
customer satisfaction results for 2019 is an 8.2 where the standard is 7.7 or higher. In 2020, the
implementation of customer journeys for social partners will be continued.

Mandates per customer journey

In 2019, a start was made on tilting the pension management services towards customer travel. This
has consequences for the organization, processes and IT. To increase maneuverability
PFZW wants to work with outsourcing per customer trip in the outsourcing in 2020. A mandate is one
defined framework within which the implementation and the continuous improvement of the implementation
take place. When making a mandate, PFZW focuses on at least four domains:

- customer satisfaction
- the degree of simplicity to get a service delivered
- the basic process performance of a service
- the direct costs.

Within the set mandate, the customer travel owners are free to optimize the service to the maximum.

Given the above developments and results, the board is satisfied. The realization of customer journeys and restructuring of the provision of the pension management services are progressing to wish. In accordance with the ambitions, there is still a controlled cost level. Over the past For five years, the costs per participant decreased from € 69.40 in 2015 to € 61.70 in 2019.

Asset management outsourcing

The asset management services are running according to plan. The returns are good, however unfortunately cannot compensate for the lower interest rate. Just like with pension management, there are asset management the investments needed in IT and business operations. The basic administration for asset management is provided with a new product - oriented architecture so that in the several types of pension plans can be administered efficiently in the future. in addition growth is needed in the field of data management and the long-term application of machine learning algorithms.

The outsourcing for asset management services has been confronted with changed views of the AFM around the treasury function. For more information, see the page Risk management.

After the evaluation with the implementing organization of the asset management contract in 2018, it was decided to shape the asset management re-contracting through a new methodology. The the standard working method for a contract is to consult the market via a request for information 'and a' request for offer '. The evaluation established that there is none for PFZW reason to deviate from the current implementing organization. It has been established that the degree of cooperation and operation of the partnership could be improved. By the 'agile contracting 'could become cooperation during the re-contracting process intensified. To this end, six improvement themes were investigated in 2019:

- business plan
- responsible investing
- best in class implementation and findings management
- sourcing, internalization and foreign offices
- contract management and future management model
- treasury function

At the end of 2019, we concluded that some themes had not yet been sufficiently elaborated. In the first We expect to realize the last points for improvement in the middle of 2020, after which a new one agreement is concluded.

Guardian role - PGGM Coöperatie UA

As of 1 January 2017, PGGM Coöperatie UA is a related party. As of this date, PFZW is one guardian role granted.

The guardian role gives PFZW special rights for a number of specifically named subjects regarding PGGM Coöperatie UA These are rights for (the approval of) amendments to the articles of association, merger, division or collaboration and appointment and retirement of directors.

In 2019, PFZW in its role as guardian approved (re) appointment as a member of the chairman and two members of the cooperative board. In addition, PFZW has agreed to a amendment of the articles of association of PGGM Coöperatie UA and PFZW has made the intended decision of the cooperative adopting the annual accounts of the cooperative approved. Furthermore, PFZW agreed to take over a business.

Remuneration policy 2019

The European IORP II Directive was implemented in Dutch legislation in early January 2019. It states that the board of a pension fund is responsible for determining and applying the remuneration policy. This includes:

- the compensation scheme for directors and members of the various committees
- the remuneration of employees at the management desk
- provisions on remuneration in the outsourcing policy (PW article 14 paragraph 5)

There is also if third-party services are involved or if investments are made in a company reward. PFZW therefore has an adjoining compensation policy that applies to financial service providers and companies in which we invest. Set with the compensation policy we set standards and goals for change.

The remuneration policy takes into account the social debate about remuneration. Policy the strategic objectives of PFZW and the long - term interests of participants and support pensioners. The remuneration policy should not encourage taking risks that do not suit PFZW.

PFZW drew up a remuneration policy in 2018. This policy was evaluated in 2019. Element of the evaluation is compliance with policy and procedures, the assessment of the operation of the policy and the control or policy is in line with laws and regulations.

Adjustment from legislation and regulations

Revised Capital Markets Directive: MiFID II

In November 2007 Markets in Financial Investments Directive (MiFID) became a European directive 2004, implemented in the Netherlands in the Financial Supervision Act (Wft). The purpose of this MiFID guideline was threefold:

1. increasing investor protection
2. making European financial markets more transparent and fair
3. to promote trading opportunities within the European investment market

MiFid II came into force in the Netherlands in early 2018. As a result, research costs may increase no longer form part of the costs (so-called 'unbundling') incurred for the execution of transactions.

PFZW uses a centralized execution of interest and currency bundled with other parties hedging and cash management of cash in which an alternative form of asset separation. This alternative form has received explicit approval from the AFM since 2014. In 2019, the AFM took the formal position that the current organization concerns it no longer meets the supervisory requirements with regard to asset management. For PFZW this means that the establishment will be adapted, with financial instruments in the name of PFZW will be detained. Furthermore, the financial benefits of bundled implementation lost.

Evaluation EMIR by the European Commission

In response to the 2008 financial crisis, the European Union launched a European in 2012 regulation in the field of derivatives, the European Markets Infrastructure Regulation (EMIR). It the purpose of this legislation is to make financial markets safer and more transparent. The parties that Derivatives are obliged to participate in a central settlement system of transactions by central counterparties ('cleared' transactions). They should use this where that is possible, shifting the counterparty risk to the central counterparty. By this measures, the costs for pension funds will increase and they will have to deal with larger ones liquidity risks. Due to the higher costs, the European Union exempted pension funds from the obligation of central clearing until August 18, 2018.

The new EMIR Refit came into effect on 17 June 2019 and is an extension of the exception for Pension funds of 2 + 1 + 1 years from August 18, 2018. This implies that regulations for pension funds can be postponed twice by one year.

Benchmark Regulation

The Benchmark Regulation (BMR) entered into force on January 1, 2018. As a result of this Regulations, EONIA and EURIBOR no longer meet the legal requirements for benchmarks.

EURIBOR is the interest used for the fixed interest in the interest rate derivatives contracts and in the determination of the yield curve in the FTK with which we value the pension obligations. The EONIA interest is used for valuing (interest) derivatives. This interest is settled with the exchange of cash collateral. The complete disappearance of EONIA and EURIBOR in the long term impact on the capital and derivatives market, but also on the funding ratio of pension funds through DNB's Dutch FTK. The magnitude of the effect is uncertain and depends on the the manner and duration permitted for the transition.

Shareholder rights

The Shareholders rights directive II (SRD II) directive was transposed into national law in 2019. The shareholder direction has been implemented through amendments to Book 2 of the Dutch Civil Code, the Wft, and the Act transferable securities transactions.

During implementation, an explicit connection was sought with existing regulations and Corporate Governance Code. The main new requirements monitor:

- the remuneration policy
- related party transactions
- transparency obligations for institutional investors, asset managers and voice advisers
- identification of shareholders and the custody chain

PIE status

Finance Minister Hoekstra has designated pension funds as public organizations interest (PIEs). The limit is set at € 10 billion in assets under management. The PIE status hits fifteen pension funds in the Netherlands, including PFZW. The added value of the PIE status is there especially in additional legal safeguards for the quality of the audit.
For example, by engaging an independent quality assessor and by a more comprehensive auditor's report. Furthermore, large pension funds have to pay once every ten years change accountancy firm. All in all that reduces the chance of a faulty one auditor's report.

For investing the duties of an audit committee with an organization of public interest, in the case of pension funds, to join the existing bodies of pension funds, such as internal supervision or an existing audit committee.

The minister's decision came into effect on 1/1/2020.

IORP II

See Chapter 'Outsourcing '(paragraph' Adjustment of laws and regulations in the field of Governance ') for the changes in the pension regulations with regard to the implementation of IORP II.

Sustainable Tax 2019

Socially responsible tax operations

Taxation plays an important role in a country's public finances and taxpayer has a responsibility in this, in addition to the legislator and the tax authorities. Pension funds operate in a complex international environment in which regular use is made of investment structures. PFZW meets the spirit of the law and double taxation so much is being done in a socially responsible manner for the pension fund and the members possibly prevent.

As a pension fund, we believe it is important that within an organization 'well-founded tax decisions' are made at the right level when carrying out the activities. Where to interested parties (in retrospect) can be explained how and on what basis these tax decisions have been established. This requires more tax transparency in the investment chain and of the companies invested in. It is then easier for an investor to reduce the tax to understand the strategy of an investment fund or company and the tax risks of the assess investment portfolio. This is all the more important in a period of great change in the tax regulations as in this period. It would help if tax data on one be provided to investors in a structured and digitized manner. We expect that socially responsible fiscal behavior in the long term stability and predictability will support PFZW's investment return.

In the past period, fiscal risk management within the implementing organization has been against it kept light and improved further. This concerned all tax processes within asset management where the focus was on making the control measures more robust and the process surrounding the identification of tax risks.

In June 2019, the PGGM Sustainable Tax Position Paper of our implementing organization was updated and published. This is derived from the fiscal PFZW policy and this includes our joint vision on socially responsible tax behavior. This document also includes one number of tax principles formulated for common tax situations in our investment practice.

In addition, the implementing organization has a number in the field of taxation digitization initiatives launched. For example, fiscal data of listed instruments are included made from the data warehouse of the implementing organization. As a result, this is in a dashboard data has become directly accessible and transparent to tax experts and other internal stakeholders. A similar dashboard has been developed to record the tax principles of the private investments of PFZW.

It is important for PFZW to contribute to the development of a uniform,
simple and fair international tax system for pension funds. The implementing organization
has, for example, recently devoted itself to the context of the European Capital Markets
Union initiative to introduce the concept of an 'EU tax register for pension funds', so that the
tax status of a pension fund is easy to determine in a Member State. Another
an example is the response of the implementing organization, together with fellow implementers and
pension funds, at the public consultation of the OECD on the Global Anti-Base Erosion
Proposal ('GloBE') - Pillar Two initiative (proposed measures to achieve a minimum level of
taxation of internationally operating companies) to avoid unintended consequences
for the pension sector.

Future 2019-2020

Future 2019-2020

PFZW has four policy spearheads for the period 2015-2020:

1. Making our pension product future-proof
2. Increase confidence in the pension fund
3. Increasing our responsibility to society
4. Increase the agility of the service

After the negotiations broke down in 2018, a pension agreement was reached in June 2019. A steering committee consisting of the cabinet and the social partners must further develop this agreement. PFZW is in a facilitating sense, together with several other large pension funds involved in the development of the pension agreement (spearhead 1).

In 2019, discussions with social partners in the cultural sector continued at one to offer a pension provision for self-employed persons. An appropriate solution requires adjustment of existing laws and regulations.

With regard to spearhead 2, we mainly focus on optimizing our services customer journeys. We know thirteen customer journeys for participants. Think for example of a new job, move and separate. We constantly ask our participants for feedback and use it for adaptation of customer journeys. We are also increasingly training in the ministry towards employers customer journeys. We were able to realize various improvements in service provision to employers.

Spearhead 3 is about the choices that PFZW makes in asset management. We do this, for example by making our investment portfolio more sustainable without making concessions to return and risks. We have the ambition to develop our investments that contribute to to quadruple social issues from € 5 billion in 2015 to € 20 billion in 2020. At the end of 2019, PFZW had € 17 billion in such investments.

In increasing the agility of our services (spearhead 4) we now and in the future emphasis on lowering implementation costs per participant, the making the pension administration future-proof and responding in a timely, efficient and effective manner on current developments. In this way, PFZW can adjust the services on time and the strengthen market position.

Multi-year policy plan 2020 - 2025

Multi-year policy 2020 - 2025

In 2019 we have the PFZW Multi-year Policy Plan 2020-2025 Caring for Each Other, Good Pension, vital sector and sustainable investment. In the plan are our mission, ambition and core values included.

Our mission is: PFZW is the pension fund of, for and by the health and welfare sector. Employees and employers together provide a good collective pension at PFZW, whereby customization is possible. We take care of each other by sharing costs, risks and returns. Through with contribute our investments to a livable world and by developing services to support the keep the sector healthy and people vital. Because a good old age requires more than money only. This includes the PFZW core values: accessible, together and involved.

The new multi-year policy plan was drawn up against the background of the discussion about it the future of the Dutch pension system and the principle of the pension agreement that the social partners nationwide in 2019. In 2020, the focus will be on further elaboration thereof.

In this context, we have the four spearheads from the previous multi-year policy plan 2015-2020 perpetuated with further tightening from current events. PFZW wants for the participants now and in the be the provider of one good and affordable pension as a distinctive future employment condition for the entire care and welfare sector. PFZW bets on four spearheads for the achieve ambition and goals on the route to 2025:

1. Future-proof market and product policy
2. PFZW as a natural partner in the care and welfare sector
3. Strengthening responsibility to society
4. Increase the agility of our services

Spearhead 1. Future-proof market and product policy

PFZW wants to be a good and affordable provider for the participants, now and in the future retirement. A good pension is an indexed pension. PFZW will make a choice for one new pension contract within the frameworks of the social partners, government and regulators set. A choice that also meets more individual wishes and choices of employees and employers. A new pension contract that is robust for the future and meets requirements of modernization without compromising the values of collectivity and solidarity. Thereby one pension applies to one sector of care and welfare. This will require additional efforts in the coming period of time.

Four strategic goals have been formulated for this spearhead:

1. A robust pension product based on collectivity and solidarity
2. Consolidated sector: one pension fund for the entire healthcare and welfare sector
3. Self-employed person's solution: one pension for all workers in the care and welfare sector
4. Simplification and standardization of the current pension scheme

Spearhead 2. PFZW as a natural partner in the healthcare sector and well-being

PFZW wants to be the natural partner for employees, employers and social workers, now and in the future partners in the care and welfare sector. PFZW understands the issues of the sector and the participant as an individual. PFZW offers participants recognisability and club feeling: as a participant you belong to this club and together we ensure the best pension for each other. PFZW is the partner for good pension, a healthy sector and vital aging.

This spearhead also involves four strategic goals:

1. PFZW wants to increase trust by keeping promises
2. Optimal customer service, service and customer experience to participants
3. Optimal customer service and services to employers
4. Optimal customer service and services to social partners

Spearhead 3. Strengthening responsibility towards the society

PFZW fulfills an important responsibility to society. That starts with a good pension for our sector. Later income of the participants is as assets to PFZW entrusted. It is also about the world of tomorrow, a better and liveable world for the future generations in which PFZW, as a large pension investor, has a responsibility.

We determined five strategic goals for this spearhead:

1. Sustainable investing for a high and stable return at a responsible risk
2. Healthy sector and vital retirement
3. Making the investment portfolio more sustainable. PFZW invests sustainably unless…
4. Presence as an investor in the Netherlands
5. Presence as a financial advisor in the care and welfare sector (research, exploration and possibly fill in)

Spearhead 4. Increase the maneuverability of our service

PFZW has recently come up against the limits of the complexity of its operational aspects services, in particular pension administration. Complexity from laws and regulations and from the pension scheme and the administrative processes surrounding it. The current scheme and the long history that PFZW now knows means that PFZW will be fundamental in the coming period look at the structure of the pension administration and the associated IT support. Another an approach to pension administration is necessary. In response to the increased complexity and om be sufficiently agile in the various scenarios that may arise in the pension system discussion. Our products and processes must be easier and faster to scale and be prepared for more choices.

Three strategic goals have been formulated for this spearhead:

1. Lowering the implementation costs per participant, while meeting an optimal one balance between quality and costs
2. Keeping the implementation future-proof
3. Robust business operations. Digital unless ...

Spearhead 1: Future-proof making our pension product

Targets for 2019

The spearhead 'making our pension product future-proof' included the following three in 2019 goals:

1. In 2020 we will have a robust product (range) and a corresponding resistant one market organization in line with the seven fundamental values, labor market developments in the care and welfare sector, as well as the wishes and needs of our participants, employers and social partners.
2. We aim for a freelance solution in 2021.
3. We are committed to rationalization and simplification of pension product and processes (indoors set preconditions).

Robust product (range) and corresponding resistant market organization

After the negotiations broke down on a new pension agreement in 2018 the Minister of Social Affairs wrote in a letter to the House of Representatives about the steps he wanted to take to renew the pension system. With this, the minister intended the stalled discussion about the pension contract. This led to a resumption of the negotiations and a pension agreement in June 2019. A steering committee consisting of cabinet and social partners must further develop this agreement.

PFZW is involved in a facilitating sense and in collaboration with several other large pension funds in the elaboration of the pension agreement. It is important that pension funds and their participants have insight into a future-proof pension contract that is in line with social developments and we can get started with the transition to this new one pension contract.

Due to 'an exceptional economic situation', the Minister of Social Affairs announced November 2019 measures that allow pension funds to use exemptions for the prevent or mitigate pension cuts. One of the exemptions is that pension funds with a funding ratio higher than 90% (at the end of 2019), no discounts are required. The measures are aimed at creating peace and stability in the elaboration of the pension agreement. Despite the measures, a reduction in pensions and pension entitlements for PFZW participants not excluded in 2021. On December 31, 2020 it will become clear whether PFZW will be in mid-2021 should decrease. It is therefore important that the elaboration of the pension agreement is successful. About the The minister will inform the chamber in mid-2020 with a main outline memorandum, the bill should follow early 2021.

Talks were held with social partners in 2019 to meet the health care obligation update and clarify. A current and clear description of business activities in the Mandatory assists the implementing organization in identifying employers who are under the become mandatory and facilitate its enforcement. The end of 2019 is sufficient support among social partners for an updated commitment text for the care. It is expected that no later than 1 July 2020 an application for a change in the healthcare obligation can be submitted to the Ministry of Social Affairs and Employment.

General developments in the regulations for PFZW of interest

Small Pension Value Transfer Act

This law entered into force on January 1, 2019 and applies to small pension entitlements that are arose at the end of participation from 1 January 2018. The board of PFZW decided at the end of 2018 to to make use of the right to automatic outgoing value transfer small pension. In front of with regard to the incoming automatic value transfers, PFZW is obliged to participate in this to work. Also, the ex-spouse entitled to equalization with a converted right, the transfer the value of this to the pension provider of your own employer.

As a result of this law, claims of € 2 or less also lapsed last year. In front of PFZW involves approximately 5,000 participants.

General explanation and description of the relevant developments in legislation and regulations

Pension rights distribution in case of divorce

On 16 September 2019, the Bill on the Distribution of Divorce 2021 was submitted. In this Conversion of pension as a distribution method will be the starting point instead of equalization. Conversion becomes half of the retirement pension that is during the marriage accrued and half of the partner's pension accrued during the marriage converted (converted) into an independent right for the ex-partner. The bill asks according to the House of Representatives for a careful assessment. That is why the Chamber has asked for the postpone consideration of the bill to the bill and accompanying (draft) decision to be able to assess together. PFZW monitors developments and strives for a constructive contribution to this file, with feasibility in particular being a point of attention.

Sudden amount, RVU and leave savings law

On November 18, 2019, the internet consultation for the Bill on Sudden Amounts Bill, RVU, started and leave savings. This bill gives participants the choice to take part of it on their retirement date pension as a lump sum. In addition, participants are given more choice to stop working earlier, because tax rules surrounding the early retirement scheme and extra-statutory leave are adjusted. One of the main comments of PFZW on the Internet consultation means that the right to benefits (such as rent allowance) may lapse by withdrawing the benefit at once. PFZW therefore pleads for the income from the one-off payment not to be included in the test income, so that participants who opt for the one-time benefit does not lose their housing benefit.

Survivor's pension

In a letter dated January 14, 2019, the Minister of Social Affairs asked for advice from the Labor about the (more uniform) interpretation of the survivor's pension. The advice must be taken

outline the coverage and design of the survivor's pension in the second pillar.
In addition, attention is also drawn to the orphan's pension. The Labor Foundation came in 2019, there will not yet be unanimous advice for a uniform scheme. It will also follow in 2020 manage developments closely.

Bill on the SZW 2020 Collective Act

This bill makes customization possible, especially for (early) pensioners who previously opted for early retirement and high-low variants of the pension. This one pensioners can now experience a changed state pension age as a result of the delay in raising the state pension age, as agreed in the pension agreement. It bill prevents this group from having negative tax consequences. The benefit can remain unchanged (and continue until the original, later state pension age) or become adjusted (at the new, earlier state pension age). If the benefit is not adjusted, then this has no tax consequences. The date of entry into force of the bill is January 1, 2020.

Changes to the pension and administration regulations

The pension regulations stipulate that in the event of a delayed payment of the pension benefits are entitled to an official award of interest if the payment is delayed attributable to the fund.

The interest on the savings contribution for conscientious objectors is no longer based on 1 January 2019 on the previously used account, because this account no longer exists. For that reason alone this will be replaced in the pension scheme rules by an interest that is the interest due as much as possibly approaches. The aim is to align as much as possible with current policy.

Self-employed solution

The Ministry of Social Affairs and Employment is positive about initiatives by social partners with regard to additional pensions for freelancers, as is also evident from the pension agreement. The ministry goes examine whether the turnaround time for legislation that makes it possible to (temporarily) deviate from legislation and regulations can be shortened.

Rationalization and simplification of pension product and processes

Simplification proposals have been submitted in 2019 in collaboration with the implementing organization for the

pension scheme and administration further elaborated and implemented. These are mainly technical in nature and do not change pension entitlements and rights.
The proposals contribute to reduce complexity in implementation, better understandable and explainable pension scheme, cost reduction and a sufficiently controlled implementation of the pension administration.

In addition, we are looking for a modular arrangement of the pension products and customer service. Where it gets too complicated, we see if we can leave out elements. This initiative is in 2020 to be continued.

Spearhead 2: increase confidence in the pension fund

Targets for 2019

The spearhead 'Increasing confidence in our pension fund' included the following three in 2019 goals:

1. We have a strong brand with a clear face, which enjoys the confidence participant 1.
2. Our customer service and services towards participants are relevant and we offer a maximum customer experience.
3. Our customer service and services towards employers are relevant and we offer a maximum customer experience.

We have a strong brand

To propagate what PFZW stands for, we started the 'Better' campaign three years ago World'. For us, a better world is both about sustainability and vitality. With this campaign we want to inspire people and at the same time bind them to us. Better World has one own website where we show what the sector is already doing to make the world a better place, what PFZW does (with his investments) and what else the participant can do. In addition to the realization of recurring video series such as 'First Week, Last Week' and 'ZorgisZó', we asked young people in 2019 participants vlogging about their work and we provided a stage for their vlogs. A number of participants received a master class from us, to better illustrate how versatile it is working in the sector. With the PFZW Design Award we stimulated students from TU Delft to think about a vitality challenge at the Reinier de Graaf Hospital. What we ourselves under one good pension, sustainable investment and vital sector were understood by employees in three short videos explained.

In recent years, our Better World campaign has attracted nearly a million people we attracted more than 350,000 visitors to the campaign site and both spontaneous, as top of mind and aided brand awareness. PFZW was also valued higher than before when it comes to 'being involved in the sector'. The campaign will be continued in 2020 and integrated in the regular communication of PFZW.

Thinking along with the Reinier de Graaf Hospital

Absenteeism due to illness is relatively high in the care and welfare sector. In addition to provide a good pension, PFZW wants to contribute to innovative solutions. Solutions through which employees can later also enjoy their pension in good health. Therefore took PFZW the initiative for the PFZW Design Award.

This first PFZW Design Award was a collaboration between PFZW, Reinier de Graaf hospital and TU Delft. The students were presented with a case at the beginning of April 2019. The Reinier de Graaf hospital asked them to design a solution for 200 doctor assistants during the get work moving in order to reduce absenteeism. From a group of 17 students Tara Mulder was declared the winner in July 2019. Tara wants it with her idea 'Boswandeling' Adjust the staircase of the Reinier de Graaf by means of smell, sound and photo wallpaper making it appear as if the stair runner is walking through a forest and is more inclined to take the stairs. The intention is to actually realize Tara's innovation in the hospital.

The entire process from submission to distribution is recorded in a mini-video series on the YouTube page of PFZW can be seen.

Optimal service to participants as a goal

We call all steps a participant takes in a certain process the customer journey. We know before participants thirteen customer journeys. Think for example of a new job, moving and divorcing. We our participants constantly ask for feedback and use it to adjust the customer journeys. This results in continuous improvement of the service. The following improvements are in 2019 realized:

- People who are long-term ill are approached earlier, namely in the second year of illness before the UWV inspection. As a result, a participant knows that everything in the field of pension is important is automatically arranged through UWV. Furthermore, people who are incapacitated for work do not have to decision to send more in case of a change. Everything is adjusted automatically based on data from UWV.
- Our online calculation tool for divorced people is for a larger group of participants available. People who are going to divorce or divorce for the second time the same partner (after reparative marriages) can now also equalize their pension rights.
- People with a new job in the sector will receive more explanation and help with the offer value transfer. This makes them better able to make an appropriate choice.
- People who are going to live together can now easily find their partner with their mobile phone register and deregister via MijnPFZW.

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Satisfaction among participants declined at the end of 2019. This is probably a result of the much media attention about the possible reduction of pensions.

Optimal service for employers as a goal

We are also constantly looking for further improvement in the service to employers. How to make we make the delivery of data easier, the overviews and notes more understandable, the alignment with PFZW a positive experience? We managed to realize various improvements:

- In the connection process, efforts have been made to improve customer focus and increase the reaction speed of PFZW.
- Improvements have been made in the delivery of data. 85% of employers now deliver in such a way that the delivery passes our audit in one go and can be processed (2018: 80%). The supplied and processed UPA messages are immediately visible on My Organization. And settlements are automatically included in the next monthly invoice.
- In the area of extra support in informing employees about their pension we do different pilots. PFZW was present in three during the Pensioen3daagse hospitals, and also via the Pension Advice Days on location, we look at how we are the employer

can support in informing its employees.

- PFZW supports HR managers and directors in their strategic personnel policy
the return of data. We have revised and improved the existing tools.
Job data can now be added to the successor to the labor market monitor. The tool
is available for summer 2020.

Getting young people to read about retirement

PFZW released a new magazine in 2019 especially for participants under the age of 42 with as title Good Busy.

PFZW has been publishing the magazine Eigtijd for participants and retirees for almost 20 years. from Research showed that Eigtijd was read much less by young people than by people over 50. To Two new magazine concepts were developed and tested to reach that target group with the younger target group. The concept with the 'work' approach scored above expectations.

The format of Goed Busy is small and handy and the design and photography are tailored to young people. In terms of content, it is mainly about the work of the participants. In the in the wake of this, brief information about pension is included.

The Goed busy approach is successful. The reach and rating were on it within a short time level of Property Time among older readers. In November 2019, Goed Bus was awarded 'Best magazine 'at the Grand Prix Content Marketing.

Appreciation for care and well-being in the picture

At the end of September 2019, we visualized our appreciation for working in the sector. With four short films in which we provide people in childcare, elderly care and rehabilitation care see work. The special, involved and intensive care that the care providers themselves sometimes see as 'the most normal thing in the world' for the patients, the clients and also for us actually very special. More than 300,000 people saw the videos, which could be viewed via youtube.

What people in healthcare often experience as complicated and therefore also special is for us daily fare: working with money and numbers. Employees explain in three in-depth videos what PFZW understands by a good pension, sustainable investment and building a vital one sector.

Spearhead 3: increasing our responsibility to the society

Sustainable investment results 2019

Targets for 2019

Without making concessions on returns and risks, PFZW aimed for the spearhead in 2019 'Increasing our responsibility to society' pursues the following three objectives:

1. Increasing our presence in the Netherlands.
2. Solving the financing issues in the healthcare and welfare sector by investing.
3. Making the investment portfolio more sustainable.

Increasing the presence in the Netherlands

We feel a responsibility when it comes to investments in our own country. A strong and sustainable Dutch economy contributes to a valuable future for our participants.

Investments in the Netherlands, including government bonds, amounted to € 20.9 billion in 2019. This is 8.8% of the invested capital. Without government bonds, PFZW invests approximately € 7.2 billion in the Netherlands. That is 3.0% (2018 3.3%) of the invested capital

Contributing to solutions of financing issues in the healthcare and welfare sector invest

PFZW globally invests € 11.1 billion of its assets in the healthcare sector. This is 4.7% of the invested power. The objective is to bond with the care and welfare sector. PFZW will do this in 2020 the sector discusses issues. It also contributes to solutions for the sector within the investment portfolio.

Making our investment portfolio more sustainable

Further steps towards 2020

The primary responsibility of PFZW is to ensure a good pension - now and in the Netherlands future. PFZW also feels responsible for contributing to a liveable, sustainable environment world, in which the participants receive this pension. The investment framework of PFZW and the Investment Policy 2020 important for the design of the investment policy and the investment portfolio.

What PFZW invests in must match the identity of our pension fund and our members. PFZW does not invest in product groups, which we believe do not fit our identity as pension fund for the care and welfare sector. These product groups are controversial weapons and tobacco products. In addition, PFZW adheres to legal exclusions as a result of sanctions of the United Nations (UN) and the European Union (EU).

In 2019, progress was made on several policy initiatives that have been drawn up in the framework of the Investment Policy 2020. PFZW is a large investor and can be a social investor in this fulfill responsibility. We do this, for example, by making our products more sustainable investment portfolio without making concessions on returns and risks. Our focus is on the focus areas: (1) climate change, pollution and emissions; (2) water scarcity; (3) food security; (4) health care; (5) human rights; (6) good corporate governance; (7) stable financial system.

We have formulated a number of policy initiatives that focus on sustainability. Below we provide an overview of the progress on these initiatives.

Quadruple the positive sustainability contribution

Investing in Solutions (BiO)

PFZW invests in solutions for climate change, water scarcity, healthcare and food security. Recent examples of BiO investments are direct investments in railway infrastructure, public transport and solar energy. We have the ambition to be our investments that contribute to social issues quadruple from € 5 billion in 2015 to € 20 billion in 2020.

With the current policy, we do not expect to achieve this target by the end of 2020. This is because the the condition is that these investments must meet the existing risk-return requirements. It is a challenge for the investment teams to find good ones within the existing mandates find investments that both have a good financial return and contribute to solutions for the chosen themes.

At the end of 2019, we more than tripled our organic investments from € 5 billion to € 17.3 billion. This means that we have a large part of our ambitious target of 20 billion at the end 2020 realized. € 3.5 billion of these investments are new in 2019.

In 2019, new investments were made in solutions in the field of climate.

In 2019 we again mapped out how our participants' pension money contributes to the UN's seventeen sustainable development goals, the Sustainable Development Goals (SDGs). At the end of 2018, PFZW had invested 18% of the total invested capital in projects that contribute sustainable development. We call these investments SDI: Sustainable Development Investments. Read more about our SDIs in the Sustainable Investment Annual Report 2019.

The social impact of our Investments in Solutions

In addition to the financial contribution to solutions (euros invested capital), our implementing organization the social impact of these investments. We want to know what the tangible impact (in absolute units such as kilograms of avoided CO_2 emissions, or numbers extended human lives) of our investments. This is essential both for understandable communication of the positive impact of the pension investments as for the credibility of investing with impact.

Halve the portfolio's negative footprint

We want to limit the climate risks in our portfolio where possible. Our goal is that by 2020 the CO_2 emissions from our investments are half that of 2015. We have been selling shares since 2016 of the most CO_2-intensive companies in the most polluting sectors: utilities, energy and materials (approximately 70% of the total footprint comes from companies in these sectors). It we reinvest released capital in shares of the CO_2-efficient companies these three sectors.

Since the baseline measurement at the end of 2014, the CO_2 footprint has decreased from 339 tons of CO_2 per million dollars business turnover up to 202 tons at the end of 2019. This is in addition to the company's own CO_2 emissions (scope 1) also the electricity consumption (scope 2) and the CO_2 emissions of the suppliers (scope 3). We also encourage investment funds and companies in the real estate portfolios to improve their CO_2 reduce emissions. More and more of our investments are classified by GRESB as Green Star, the category that pays the most attention to sustainability.

Systematically integrate sustainability in all steps of the investment process

The third sustainability initiative from the 2020 Investment Policy concerns the full integration of ESG factors (Environmental, Social & Governance) in all investments. These are factors in the field environment, social conditions and good corporate governance.

PFZW has a long-term investment policy, which aims to keep participants a good one offer retirement at an affordable premium. The policy is based on the long-term pension obligations. We always make a trade-off between return and risk. Bee ESG factors are also included in this risk analysis. By addressing these risks and opportunities integrating into the investment process we achieve a better risk-weighted return.

Processes are used to assess whether ESG factors are relevant for a specific investment set up that are gone through with all investments. ESG factors are therefore not ad hoc part more, but an integrated part of the investment process. The approach differs per investment category. This difference is caused by the degree of influence on it investment process, for example whether it is managed externally or internally. In addition, it makes a difference whether it concerns passive or active investment strategies.

Active shareholding

Through our voting and engagement activities, we address companies and market parties about their policies and activities, if in our view they do not take the environment and society into account. Through In this dialogue we try to realize improvements in the ESG area.

Investing in green gas

PFZW took an interest in SCW Systems in 2019. This Alkmaar company produces with the latest technology for green gas from, among other things, sewage sludge, manure and organic waste. SCW Systems expects that its technology can play an important role in the transition from fossil fuels to renewable energy sources. Thanks to the investment of PFZW, SCW can build new installations at various locations in the Netherlands.

The technique used for this is supercritical water gasification. It is the first time such technology is applied in this way, a Dutch world first.

More investments in companies will follow in the coming years develop sustainability solutions.

Spearhead 4: Increasing the maneuverability of services

Future-proofing the retirement fund administration

In 2019, PFZW investigated a pension proposition for self-employed persons. Together with the The culture sector has conducted research among the self-employed. The results are encouraging. Still, the developed proposition will not yet be tested in practice as a pilot in accordance with ambition. There is temporary legislation is needed to achieve this.

Employment services have improved in two areas. First there is a new e-learning service for HR officers in healthcare institutions successfully completed. The rollout will be in 2020 of the concept. The second improvement concerns the development of data services for employers. PFZW has inflows, outflows and flow-through data that indicate job retention and support absenteeism prevention for institutions. It is together with employers data portal developed. The launch and further development will take place from the end of Q1 2020.

The accrued capital in the Extra Pension Pension is now standard at the age of 58 age converted into a retirement pension entitlement. The participant can convert the advance or defer capital, which may mitigate the risk of low interest rates on conversion turn into. PFZW is investigating whether risk mitigation can also be introduced via the investment policy invest with lifecycle. The product could possibly also be used as an additional savings module.

Finally, an effort has been made to eliminate complexity and improve the efficiency of the pension management chain. These initiatives have largely been realized in 2019. The adjustments include the freezing of the actuarial surrender factors and the stopping delivery of the AO decision by the participant. In addition, the

Accent pension scheme, which is applied on a limited scale, has been converted to regular PFZW scheme.

The new IT architecture for administering pension management was introduced in June 2019. The new architecture is modular with a separation between customer control channels and the core systems. The core systems have been made modular, so that manageability and agility have increased. To further increase control and maneuverability continued investment needed. Special attention is paid to further modularisation systems, implementing data management and using new technologies such as blockchain, cloud, machine learning and low code IT platforms. Finally, invest in cyber security is very important. The IT platforms are increasingly exposed to the outside world and cloud computing is being extensively implemented. Investing and collaborating in the field of IT security is of great importance to protect the data and privacy of participants.

New system of basic administration

In 2019, the implementing organization realized an important improvement: replacing the basic administration for pensions. We can simplify with the new system make changes to the basic administration, with a shorter time-to-market, higher productivity and better quality and reliability. It is thus a contribution to it realizing the strategic PFZW goal of a flexible and efficient implementation.

Responding promptly to current developments

PFZW has an innovative capacity in a rapidly changing technology and pension landscape 2019 intensified.

Customer chooses the Channel

In recent years, a fragmented situation has arisen in which participants are confronted with various online environments in which their data is stored. Participants do not receive an integral image and have to log in again and again to get to their information. New platforms originated at home and abroad to provide consumers with aggregated overviews and to offer better services with this data. Ultimately, the participant will decide for himself where he wants to see his information. This offers opportunities for PFZW as a data provider and aggregator, but also poses a threat if PFZW has less insight into how the data is used. The chance that the importance of the specific My Environments is diminishing. To further this development exploration has been conducting a study into the provision of pension data since 2018 third parties such as in the banking app. In 2019, research has shown that participants participate in this development applaud. In 2020 it will be investigated with which parties PFZW can realize this.

Future explorer

The Future Explorer was launched in 2019. Participants can do it for themselves in 5 minutes and their partner understand their entire financial situation. Data from participant and partner obtained from UWV, the Tax and Customs Administration, the Nibud and the Pension Register. The Future Explorer is available for all pension funds in the Netherlands. The participating pension funds have united in a client council and jointly determine the further development. Experiences of participants teach that obtaining the data from the various authorities must do better. PFZW has therefore actively started the lobby to make more interfaces available from the UWV, the Tax and Customs Administration and the Pension Register, so that participants only have one DigiD need to log in to view their own data.

Artificial Intelligence program - machine learning

The arrival of strong computers increases the possibility of applying machine learning to. PFZW expects machine learning to make it possible to do better and cheaper provide services in the future. Machine learning techniques use this large datasets. PFZW started developing a targeted program around four in 2019 areas:

- digital financial coach for participants
- smart pension administration
- smart asset management
- data services employers

A data lab was set up in 2019 to make progress within these four areas. Together with the business cases are defined and developed. Most progress has been made within it theme Digital Financial Coach. The goal within this program is to enroll participants within 7 years providing services by voice. Banks are now familiar with the principle of using voice operate banking app and transfer money. PFZW explores which techniques are needed and which services are eligible to offer to participants by voice. The first result of this program will go into production in 2020, namely the automated recording of the summary of telephone calls at the customer contact center. In addition, there are several conducted studies, the results of which we will further develop in 2020. An example of this is to determine the identity of participants based on biometric features.

Value transfers with blockchain technology

In 2019, the foundation was laid for the first blockchain application for pension funds in the Netherlands. In 2020, PFZW will be one of the first pension funds to join the blockchain for value transfers. This solution ensures that participants can easily use the online arrange value transfers. Should funds be underfunded, the participant informed and the transfer will be reactivated as soon as the financial situation is restored.

Zeist, April 23, 2020

The board

AJ (Joanne) Kellermann, chairman (as of 1 June 2019)

AJ (Albert) Vink, deputy chairman

AFP (Age) Bakker

GH (Gerard) Bergsma

J. (Jorick) de Bruin (as of September 1, 2019)

PA (Petra) de Bruijn

CL (Cees) Dert

J. (Jacqueline) Joppe (as of January 1, 2020)

JMJ (Jacques) Moors

OMC (Odette) Perik

MHACJ (Mariëtte) Simons

EMA (Ilse) van der Weiden

P. (Pascal) Wolters

Financial Statements

- Consolidated financial statements 2019

- Separate financial statements 2019

Consolidated financial statements 2019

Consolidated balance sheet as at 31 December 2019

(after allocation of balance of income and expenses)

	(amounts x € 1 million)	2019		2018	
1)					
	Assets				
3	Investments for pension fund risk				
3.2	Real estate and infrastructure	38,059		33,000	
3.3	Shares	81,519		63,587	
3.4	Fixed income securities	106,395		91,115	
3.5	Derivatives	24,682		18,799	
3.6	Raw materials	8,618		7,813	
3.7	Other investments	4,110		3,530	
			263,383		217,844
3	Investments for risk participant				
3.2	Real estate and infrastructure	11		11	
3.3	Shares	17		17	
3.4	Fixed income securities	28		28	
3.5	Derivatives	7		6	
3.6	Raw materials	3		2	

3.7	Other investments	1	1
		67	65
3	Total investments	263,450	217,909
4	Reinsurance part technical provisions	147	151
5	Participations	160	160
6	Receivables from investments	179	252
7	Receivables and prepayments	227	183
8	Liquid assets	288	162
	Total assets	**264,451**	**218,817**

1 The above numbers refer to the Notes to the consolidated financial statements chapter.

	(amounts x € 1 million)			2019	2018
1)					
	Liabilities				
9	Foundation capital and reserves			(1,976)	(5,159)
10	Technical provisions				
	Provision for pension liabilities for risk pension fund	239,340	203,130		
	Other technical provisions	908	980		
	Net pension provision for pension fund risk	2	1		
				240,250	204,111
11	Provision for pension liabilities for risk participant			64	62
12	Obligations arising from investments				

Derivatives for pension fund risk	9,665		8,643	
Derivatives for participant's risk	3		3	
Debts	15,585		10,513	
		25,253		19,159
13 Other debts and accruals and deferred income		860		644
Total liabilities		**264,451**		**218,817**

1 The above numbers refer to the Notes to the consolidated financial statements chapter.

Consolidated income statement and charges 2019

(amounts x € 1 million)		**2019**		**2018**
1)				
Benefits				
17 Contributions from employers and employees	5,950		5,584	

18	Investment results for pension fund risk	37,385		(821)	
18	Investment results for risk participant	10		(1)	
22	Other income	(2)		(6)	
	Total benefits		43,343		4,756
	Burdens				
19	Pension benefits		(3,970)		(3,699)
20	Pension administration costs		(110)		(106)
10	Movement in pension obligations for pension fund risk				
	- Pension accrual	(6,837)		(6,211)	
	- Indexation or reduction	-		-	
	- (Interest addition) / withdrawal	480		509	
	- Withdrawal for retirement benefits and pension administration costs	3,940		3,659	
	- Change in market interest rates	(35,100)		(9,406)	
	- Change under transfer of rights	(27)		(645)	
	- Adjustment of actuarial principles for pension scheme	980		3,334	
	- Other changes	353		(117)	
			(36,211)		(8,877)
10	Change in other technical provisions		72		(20)
10	Movement in net pension provision for risk pension fund		(1)		-
11	Movement in provision for pension liabilities for risk participant		(2)		10
4	Movement reinsurance part technical provisions		(4)		(14)
21	Balance of transfer of rights		66		647
	Total expenses		**(40,160)**		**(12,059)**
31	**Balance of income and expenses**		**3,183**		**(7,303)**
9	Addition to / (withdrawal from) premium stabilization designated reserve		(24)		(22)
9	Addition to / (withdrawal from) other reserves		3,207		(7,281)

1 The numbers mentioned above refer to the sections of the Explanatory Notes chapter consolidated annual account.

Consolidated actuarial analysis of the balance of income and expenses 2019

(amounts x € 1 million)	2019	2018
1)		
24 Result on premium contributions and value transfers	(978)	(758)
25 Result on investments and liabilities	2,725	(9,732)
26 Result on pension payments and pension administration costs	(4)	(14)
27 Result on net pension	1	1
28 Adjustment of actuarial principles	1,085	3,355
29 Other results	354	(155)
Balance of income and expenses	**3,183**	**(7,303)**

1 The above numbers refer to the Notes to the consolidated financial statements chapter.

Consolidated cash flow statement 2019

(amounts x € 1 million)	2019	2018
Cash flow from pension activities		
Contributions received	6,097	5,792
Received in connection with transfer of rights	222	995
Paid retirement benefits	(3,950)	(3,688)
Paid in connection with transfer of rights	(156)	(348)
Paid pension administration costs	(108)	(111)
Other income (and payments) from pension activities	(3)	(33)
Total cash flow from pension activities	**2,102**	**2,607**
Cash flow from investment activities		
Sales and redemptions of investments	27,242	15,351
Direct investment income received	2,353	1,718
Derivatives realized results received	1,263	(2,328)
Purchases of investments	(37,424)	(21,627)
Paid asset management costs	59	47
Balance received / paid cash collateral	5,053	824
Other income (and payments) from investment activities	41	(518)
Total cash flow from investment activities	(1,413)	(6,533)
Net cash flow	**689**	**(3,926)**

For the reconciliation with the position of the liquid assets in the balance sheet and explanation see note 30 Consolidated cash flow statement.

Notes to the consolidated Financial Statements

1 Introduction

1.1 Information about the foundation

Stichting Pensioenfonds Zorg en Welzijn (hereinafter: PFZW) was founded on 19 June 1969 and has a statutory basis located in Utrecht and with offices in Zeist, Chamber of Commerce number 41179049.

PFZW aims, in accordance with article 3 of the articles of association, to (former) employees in the sector protect care and welfare and their partners from the financial consequences of old age, disability and death. PFZW wants to achieve this goal by collecting financial contributions from the affiliated employers (including employees) to invest and manage these funds and from there to grant benefits in the event of old age, invalidity and death. Low costs due to scale and simplicity is a fundamental value here.

1.2 Amendments to the implementation regulations

With effect from **1 January 2019** , the PFZW Implementing Regulations have been amended as follows.

- The method of controlling the premium has been adjusted as of 1 January 2019 and this is reason for refer to the actuarial and business technical note (hereinafter: ABTN).
- It is made clearer for an employer when compensation for it An insurance disadvantage is requested and how it is calculated. There is a difference made between a compensation due to the financial situation of PFZW and a compensation due to file differences. For the calculation method, please refer to the ABTN.
- It is explicitly stated that the statutory premium limitation period will only start when the

premium invoice has been sent and the payment date stated therein has expired.

The changes in the implementing regulations mentioned here have no effect on the in the financial statements presented.

1.3 Changes to pension regulations

As of **1 January 2019** , the PFZW pension regulations have been amended as follows.

- In January 2019, European regulations were included in the Pension Act, among others. This also has consequences for the pension regulations, especially with regard to the information obligations as included in chapter 9.
- The Small Pension Value Transfer Act entered into force on 1 January 2019 and there is the pension scheme adjusted in content. PFZW has opted for one as of 2019 automatic value transfer for small pensions (below the surrender limit). Very small pensions, € 2 per year or less, are canceled.
- Ex-partners who received their own pension entitlement after the divorce (conversion), may now take this to the pension provider of their own employer.
- The method of controlling the premium has been adjusted as of 1 January 2019 and this is reason for refer to ABTN for this.
- The temporary scheme whereby variability of old-age pension that has already commenced became permitted has been replaced by a structural arrangement. This applies to all participants who follow early retirement will experience an income gap caused by a raising the state pension age.

- In the event of a delayed payment of a pension benefit, PFZW will reimburse the statutory interest as the delay in payment to PFZW is attributable.
- The interest on the savings contribution of conscientious objectors over a calendar year is effective January 1, 2019 the highest interest rate from the published top ten interest rates on savings accounts December 1 of the previous year.

The changes in the pension plan mentioned here have no effect on the financial statements information presented.

1.4 Description of the 2019 pension plan

The description of the 2019 pension plan is set out below.

General

PFZW uses the New Flexible Pension Scheme (NFP). This scheme, in the pension scheme Called regulation A applies to all participants who are born on or after 1 January 1950 or who are joined the scheme on or after 1 January 2006.

The pension package consists of the compulsory retirement pension scheme, partner scheme and orphan's pension and disability pension. On the death of a pensioner

PFZW also grants, under certain conditions, a lump sum payment upon death. In addition, there is one scheme for non-contributory pension accrual in the event of incapacity for work and there is a possibility that to continue voluntarily in certain situations.

In addition to the mandatory arrangements, participants were able to participate on a voluntary basis until 1 July 2013 within the statutory fiscal space, participate in 'Extrapensioen' in order to supplement their pension. As of 1 July 2013 and subsequently as of 1 January 2014, the fiscal scope is so limited that deposits Extra pension no longer leads to a substantial supplement to the pension and therefore no longer is possible.

The pensionable salary is statutory for the retirement, partner and orphan's pension maximum, for 2019 the limit is € 107,593. For participants with an income above that amount is both a net partner's pension and a net retirement pension on a voluntary basis introduced. The Net Old-Age Pension Scheme was terminated on 1 January 2018.

Indexation and management

As of January 1, 2017, PFZW has the ambition to increase pension entitlements and pension rights index with price developments. Indexation is conditional. PFZW decides every year whether and if so to what extent can indexation be taken into account in view of the financial situation of the fund and the expect development thereof. The following conditions apply to indexation:

- The policy funding ratio must be higher than 110%.
- The degree of indexation granted is expected to remain possible in the future.
- The indexation must be in accordance with a possible recovery plan.

As long as the policy funding ratio does not meet the required equity capital (VEV), an annual updated recovery plans are submitted to DNB. This shows the board that recovery to it VEV is possible in a maximum of ten years. The following measures can be included in the recovery plan included:

- not or not fully indexing pensions (insofar as this is already permitted by law)
- a temporary premium increase
- and, in the most extreme case, reduce pension entitlements and pension rights

Any reduction applies to all pension types and to everyone with the same percentage. The reduction can be spread over ten years.

The method of controlling the premium has been adjusted as of 1 January 2019 and has been included in the ABTN. What With regard to the regulations, premium management is now referred to this ABTN.

Retirement pension

The retirement pension is a benefit agreement based on (conditionally) indexed average wages. For the year 2019, the accrual percentage is 1.75% with a retirement age aged 68. The 2019 franchise for Regulation A is € 12,426. The retirement pension has one retirement age that is equal to the state pension age and can be early or postponed.

Partner's and orphan's pension

The partner's pension upon the death of the active participant is 1.25% of the pensionable earnings per year. This is half (0.625%) under construction and half based on risk coverage. To determine the amount of the partner's pension in the event of death before the retirement age as a premium paying participant, it is assumed that the participation up to the retirement age would have continued. In some cases there is also a right to ANW compensation. If an ex-partner is entitled to special partner's pension, it will be partner's pension reduced.

After the death of an active participant, a former participant or a pensioner their children up to the age of 21 are entitled to an orphan's pension.

Flex pension

The Flex pension was abolished on January 1, 2006 for members born on or after January 1, 1950. The flex pension rights accrued up to that date become automatic at the age of 60 converted into old-age pension, unless the participant explicitly objects to this.

In addition, a compensation arrangement has been made for participants who are still in use on 31 December 2005 were eligible for the NCP transitional law. They receive up to 1 per accrued participation year January 2006 a conditional compensation of 1.5 months pension accrual in the new regulation. This compensation, also known as VPL compensation right, is granted at 31 December 2020 or earlier if the participant turns 55 before this date, and only to participants who are still members of the fund as active members.

Choices

The (former) participant has the option to adjust his pension more to individual wishes to target.

On retirement, the (former) participant can choose to collect part of the retirement pension exchange for an increase in partner's pension. But also the other way around (from 2006) accrued partner's pension can be exchanged for a higher retirement pension.

The retirement pension can be brought forward or deferred. The earliest possible start date is from 1 January 2014 set at five years before the state pension age. A (former) participant may also postpone the retirement pension in whole or in part up to five years after the retirement age. On the commencement date, the participant can choose to take the retirement pension vary in height once. He can opt for a high retirement pension followed by a low retirement pension, or vice versa. The high pension amounts to a maximum of 100/75 times low retirement. The high (or low) pension must be transferred to no later than ten years after the retirement age the low (or high) pension.

Non-contributory continuation in the event of incapacity for work

The participant who fell ill during the participation and subsequently a WIA benefit is entitled to non-contributory pension accrual. The non-contributory continuation depends on the disability percentage that PFZW has determined. PFZW determines this by hand information from the UWV. The premium-free accrual is based on total incapacity for work on a maximum of 75% of the last-earned pensionable salary. The non-contributory continuation ends at the end of the WIA benefit.

Disability pension (AP scheme)

The disability pension consists of a WIA top-up pension and a WGA shortfall pension. The WIA top-up pension is intended for members who exceed the maximum earn daily wages. The WGA shortfall pension is intended for participants who receive a follow-up benefit and earn more than the minimum wage. As a participant more than it minimum wage, the WGA shortfall pension is approximately 70% of the last-earned income salary.

The financing method of the AP scheme is based on the interest coverage system. The active in any year, participants pay a risk premium, from which the disability pensions are paid be funded from participants who are expected to be incapacitated for work two years later turn into.

As of 1 January 2015, the Disability Pension Scheme and the non-contributory continuation have been added disability adapted to the agreements made in the “Covenant on cover of disability pension and waiver of premium ”.

Voluntary continuation and protection on leave and unemployment

In a number of situations, PFZW offers the participant the option of voluntary pension accrual to continue. This is possible within the employment contract with, for example, unpaid leave. But also after termination of employment. For example, during the period that a participant has a receive salary-related benefits.

From 2013, the former employee can participate in the pension scheme for ten years voluntarily continue as long as he enjoys profit from business (IB entrepreneur). It is pensionable salary is capped in the first three years on the pensionable salary for the member applied immediately before the start of voluntary continuation. As of the fourth year counts as an extra maximum that if the joint elements of the entrepreneurial income are lower than the the pensionable salary that the participant had as an employee, this applies lower entrepreneurial income. Is this entrepreneurial income higher than the last earned salary if employee, the latter applies.

For the duration of a salary - related unemployment benefit and during a number of forms of unpaid leave maintains the risk coverage for incapacity for work and death.

Net partner pension scheme

PFZW has had a Net Partner Pension Scheme since 2015. The net partner's pension scheme is one defined contribution scheme on a voluntary basis and has separate administration from it of the gross collective basic scheme of PFZW.

This scheme applies to all participants with an income above the capping limit. This limit is in 2019 € 107,593.

Accent and Entry plan pension scheme

As of 1 January 2010, PFZW has taken over all pension obligations from Pensioenfonds FNV in liquidation. This means that all (former) members and pensioners from 1 January 2010 be insured with PFZW. The Accent Pension Plan applies to them. This is a temporary arrangement that ends on January 1, 2020 and differs in one aspect from the regular PFZW scheme. The conditional indexation for sleepers and pensioners amounts to 60% of the regular conditional indexation of PFZW.

In addition, from January 1, 2011 PFZW has the Entry Scheme. This arrangement gives employers the possibility to gradually join the fully-fledged collective in a maximum of eight years pension scheme of PFZW.

For both schemes, it has been made statutory possible to do so when switching to the general collective pension scheme the pension entitlements and pension rights become administrative converted. The cumbersome procedure of internal collective value transfer is done in this way avoided.

Regulation of conscientious objectors

PFZW has long had an arrangement for persons who have objections to everyone form of insurance.

2 Principles

2.1 Accounting policies

General

The financial statements have been prepared in accordance with the legal provisions as they are included in Title 9, Book 2 of the Civil Code and with due observance of the Guidelines for Annual Reporting. The financial year is equal to the calendar year.

Article 2: 402 of the Dutch Civil Code applies to the establishment of the statutory statement of income and expenditure applied. As a result, in the simple statement of income and expenses, the as is sufficient disclose the separate result from participating interests after tax.

Comparison with last year

The principles of valuation and determination of results used are unchanged compared to from last year.

Basis of consolidation

The consolidated financial statements include the financial data of PFZW and her group companies and other legal entities over which control can be exercised

exercised or over which central management exists. Group companies are participations in which PFZW has a majority interest, or in which policy-making is determined in another way influence can be exercised. In determining whether policy can become a determining factor are exercised, financial instruments that contain potential voting rights and are able to do so immediately are exercised, involved. Participations acquired solely for the purpose of acquiring them to be disposed of again within the foreseeable future will not be consolidated.

Newly acquired participations are included in the consolidation from the date on which policy-making influence can be exercised. Divested participations are included in the consolidation until the time of termination of this influence.

In the consolidated financial statements are the mutual debts, receivables and transactions eliminated, as well as intra-group result. The group companies are integral consolidated, with any minority interests of third parties separately reflected brought.

The companies included in the consolidation are: Himalaya Investments BV, PFZW Australian Investment Trust, Gottex Hudson ABL Fund Limited, FRM Thames Fund LP and Aconcagua Investments LP: RMK Timberland, PGGM Coöperatie UA, PGGM NV and various subsidiaries, Amvest Vastgoed BV, IEF II - IEF Capital Berlage BV, MacFarlane Urban Real Estate Fund III LLC, Ampere Equity Fund BV, Meridian Infrastructure A2 Sarl and Meridian Infrastructure A2 West Sarl

Related parties

All legal persons over which predominant control, joint control or significant influence can be exercised. Also legal entities that predominant control can be regarded as a related party. Connected Parties with predominant control are group companies as explained in the basis for consolidation. The members of the Board of Directors, other key officials of the pension fund and close relatives are related parties.

PGGM Coöperatie UA and its subsidiaries are also a related party of PFZW as of 1 January 2017. As of that date, PGGM Coöperatie UA implemented a change to the articles of association whereby PFZW received a guardian role has been assigned. The guardian role gives PFZW with regard to a number of specifically appointed persons subjects special rights with regard to PGGM Coöperatie UA These are rights with regard to regarding (approval of) amendments to the articles of association, merger, division or cooperation and appointment and retirement of directors.

In 2019, PFZW in its role as guardian approved the (re) appointment of two members of the cooperative board.

Transactions with related parties are conducted at arm's length conditions. Transactions of significance with related parties are explained to the extent that they are not under normal conditions market conditions have been entered into. The nature and size of the transaction are explained here other information necessary to provide the understanding.

Under the arm's length principle, affiliated companies must act in a similar manner acting as independent parties would. That means also the transactions between PGGM and PFZW must take place in a similar manner to transactions between independent parties third parties in comparable situations. To determine whether the rates between PFZW and PGGM are 'at arms length' link to benchmarks of pension fund implementation costs. The costs for pension administration in a broad sense are compared, among other things, in the CEM benchmark.

Processing

An asset is recognized in the balance sheet when it is probable that the future economic benefits will accrue to PFZW and its value can be reliably determined.
A liability is recognized in the balance sheet when it is probable that the settlement this will be accompanied by an outflow of resources and the amount of that amount can be reliably determined.

Income is recognized in the statement of income and expenditure when an increase in it economic potential associated with an increase in an asset or a decrease of an obligation has taken place, the size of which may become reliable established. Expenses are processed when a reduction in economic potential, that associated with a decrease in an asset or an increase in a liability the size of which can be reliably determined.

If a transaction results in all or nearly all future economic benefits and risks have been transferred to a third party in respect of an asset or a liability, the asset becomes or the liability is no longer included in the balance sheet. Furthermore, assets are no longer on the balance sheet recognized from the time when the conditions of probability of future economic benefits and reliability of the determination of the value. A liability is no longer recognized in the balance sheet from the time when the conditions of probability of the expected outflow from means and reliability of the determination of the value.

PFZW holds the majority of its investments through participations in investment funds. This one units are classified under the main category in which these investment funds invest. Mixed investment funds are linked to the main category. When PFZW invests in an investment fund that invests in another fund and cannot be invested by this fund looked through ('look through'), this investment is classified as other investments.

Netting

A financial asset and a financial liability are netted. These are and as net amount in entered the balance sheet if there is a legal or contractual authority to operate the asset and the obligation to be netted and settled simultaneously and, moreover, there is an intention to provide the settle items in this manner. The interest income and interest expenses associated with netted recognized financial assets and liabilities are also netted.

Appreciation

Virtually all of PFZW's assets and some liabilities relate to financial instruments. Financial instruments are valued at the acquisition price at the time of acquisition. The acquisition price is the fair value (market value) of the asset or liability, plus the transaction costs. Then, financial assets and financial liabilities are listed on the following valuation moment measured at fair value, unless stated otherwise.

The fair value is the amount for which an asset can be traded or a liability can be made are settled between knowledgeable, willing and willing parties be independent of each other. This assumes that the transactions are not part of execution or liquidation are carried out.

The obligations mainly relate to the provision for pension obligations that are valued at fair value. The fair value is the present value of the nominally unconditionally accrued pension rights. When determining the provision the actuarial file bases are used. The discount rate is assumed of the nominal interest rate term structure at the balance sheet date as published by DNB.

Value changes

No distinction is made between realized and unrealized changes in value of financial instruments. All changes in value of investments are made directly in the state of income and expenses recognized as indirect investment results. Value changes from other financial assets and financial liabilities are also recognized directly in the result under investment results.

Estimates and assumptions

The preparation of the financial statements requires that the board makes judgments and estimates and makes assumptions that affect the application of policies and the reported value of assets and liabilities, and of income and expenses. The actual results may differ from these estimates. The estimates and underlying assumptions are continuously reviewed. Revisions to estimates are included in the period in which the estimate is revised and in future periods for which the revision has consequences. A possible revision in the estimates is explained under the relevant valuation basis. The financial effect is quantified in the notes to the financial statements.

Cover ratios

In accordance with the rules of the Financial Assessment Framework, the policy funding ratio is determined as the average of the twelve current funding ratios at the end of the month. The current funding ratios during the year are determined on the basis of the month in question interest rate term structure published by DNB and the other estimates and assumptions per that date. The current monthly funding ratio is calculated by dividing the pension assets by the sum of the technical provisions for risk fund, the technical provisions covered by warranty contract and technical provisions for risk participants. The legal The prescribed value of the real funding ratio is the ratio between the current one policy funding ratio and the policy funding ratio whereby fully future-proof with price inflation can be indexed. The premium coverage ratio is the actual premium, less with the necessary administration costs, divided by the nominal value of the pension accrual. The Unlike the other funding ratios, the funding ratio is not a measure of the financial position of the fund, but for the adequacy of financing.

Performance

PFZW has outsourced the implementation of the pension scheme to PGGM NV and its subsidiaries. In front of PFZW has concluded long-term contracts for the implementation. The main tasks it fund administration company performs its pension management, asset management, communications, policy advice and management support.

Foreign currency

Assets and liabilities in foreign currency are converted into euros at the exchange rate per balance sheet date, being the 'WM company fixed Closing Spot rates (mid) at 16:00 hours UK time'.

This valuation is part of the fair value measurement basis. Income and expenses that arising from transactions in foreign currency are converted at the exchange rate per transaction date.

The exchange rate on the balance sheet date of the euro against the major currencies is:

	2019	2018
U.S. dollar	1.1225	1.1432
Canadian dollar	1.4556	1.5613
Australian dollar	1.5968	1.6238
British pound	0.8473	0.8976
Swiss Franc	1.0870	1.1269
Japanese Yen	121.9877	125.4207
Hong Kong dollar	8.7463	8.9501

2.2 Principles for valuation of assets and liabilities

Investments

This section sets out the general accounting policy as set out above paragraph, further explained per investment category. This concerns investments for both risk pension funds as risk participants. In note 3.8 "Overview of market value of investments and n valuation methodsAre the valuation methods applied and applied assumptions.

Real estate and infrastructure

Capital interests in real estate or infrastructure are valued at fair value.

The fair value of capital interests in unlisted open end investment funds is the net asset value, as published by the fund manager. This net asset value is the value that the relevant investment fund uses on entry or exit.

The fair value of capital interests in unlisted closed-end investment funds (including associates and joint ventures) is the net asset value provided by the fund manager is decided. The fair value of equity interests in directly held investments is the net asset value that is provided by the asset manager and / or an external valuation specialist determined. When determining the net asset value of the capital interests in non-listed closed-end investment funds and directly held investments are for real estate the guidelines of the European Association for Investors in Nonlisted Real Estate Vehicles (INREV) and for infrastructure the International Private Equity and Venture Capital Valuation Guidelines (IPEV) followed.

Investments in real estate and infrastructure are long-term investments with limited liquidity. The most important factor in the valuation of the investments is the value of the real estate infrastructure investments in which investments are made.

To determine the value, assumptions are made that depend on the specific investment. These assumptions are not always immediately observable and require a certain amount of professional expertise. If financing is also provided in the form of private loans that are inextricably linked to the equity instrument also become such accounted for under the relevant investment category.

Shares

Listed shares with an active market are valued at the fair value based on closing prices.

Capital interests in unlisted open end investment funds that invest in shares are valued at fair value. The net asset value is the fair value used by the fund manager. The net asset value is the value that the relevant investment fund uses in the event of entry or exit.

Capital interests in unlisted closed-end investment funds (including associates) that investing in private equity, measured at fair value, are the de net asset value provided by the external manager or the management of the relevant investment is determined.

Unlisted private equity capital interests in the form of co-investments measured at fair value. Private equity investments are long-term investments with a limited liquidity. The most important factor in the valuation of the investments is the value of the companies invested in. When determining the fair value of this investments become the guidelines of the International Private Equity and Venture Capital Valuation Guidelines (IPEV) followed.

The valuation for private equity at the end of the financial year is based on the valuation at the end of the year third quarter, as reported by the external manager, last quarter cash flows and an estimate for the last quarter revaluation that is on relevant market indices based.

If financing is also provided in the form of loans which are inextricably linked with the equity instrument, these are also recognized under the relevant investment category.

Fixed income securities

Loans are measured at fair value. This value is based on broker quotes or a model in which future cash flows are discounted. Thereby the variables derived from active markets (eg mortgage market or bond market).

Capital interests in unlisted closed end investment funds that invest in mortgage loans are valued at fair value, being the net asset value determined by the fund manager.

Listed bonds with an active market are valued at fair value value based on data provider prices, plus accrued interest.

Capital interests in unlisted open-end investment funds that invest in bonds, are valued at fair value. The net asset value is the fair value used by the fund manager. The net asset value is the value that the relevant investment fund uses in the event of entry or exit. The under bonds included credit risk sharing transactions are valued at fair value, based on a model whereby one or more variables cannot be derived from an active market. When valuing the administrator makes assumptions for, among other things, illiquidity, correlation and recovery ratios.

Money market investments are valued at fair value. The balance of the bank accounts and money market instruments in the name of PGGM Treasury BV concerns PFZW's share in the fair values of the financial instruments held by PGGM Treasury BV for and risk of its clients. For PFZW and the other pension funds and investment institutions PGGM implements treasury management that have issued a current mandate collectively through PGGM Treasury BV Bank balances in current account are accounted for based on the nominal value. Considering the very short-term liquidity of these assets it is assumed that the nominal value is equal to the fair value.

Derivatives

Listed derivatives with an active market are valued at the fair value based on closing prices. Listed derivatives that do not involve a active market, and unlisted derivatives are valued at fair value on a basis of a model in which the variables are derived from active markets. As one or more variables no fully objectively observable market data are available application of the model made use of estimates or assumptions.

Commodities

Capital interests in unlisted open end investment funds that invest in commodities are valued at fair value. The net asset value is the fair value used by the fund manager. The net asset value is the value that the relevant investment fund uses in the event of entry or exit.

other investments

Capital interests in unlisted open end investment funds are valued at fair value. For the fair value, the net asset value is used that is the fund manager has published. The net asset value is the value corresponding investment fund uses on entry or exit.

Capital interests in unlisted closed end investment funds (including participations and joint ventures) that invest in alternative investment strategies are valued at the fair value, being the net asset value determined by the external manager.

Reinsurance part technical provisions

Reinsurance contracts are valued at the actuarial discounted present value of the reinsured pension rights and calculated according to the principles of the technical provisions, taking into account any change in the current credit risk of the reinsurers.

Participations

Participating interests are valued at net asset value, based on the principles of PFZW. Other capital interests are recognized at purchase price. There is (if necessary) takes into account the lasting impairments expected on the balance sheet date turn into.

Receivables, receivables from investments and accruals

Receivables, receivables from investments and accruals are accounted for with initial recognition at fair value and subsequently amortized cost (in the absence of premium / discount equal to the nominal value), possibly adjusted by the provision for bad debts. The provision for bad debts is determined on the basis of the assessment of the credit risk of various identified risk categories of debtors.

Liquid assets

The liquid assets are valued at the fair / market value, which is equal to the nominal value is.

Foundation capital and reserves

Other reserves

The other reserve is, insofar as sufficient, intended to accommodate non-quantified risks such as general business risks and cost risks, as a buffer for investment risks and as a source for possible future surcharges. The balance of income and expenses is passed through the profit appropriation and after deduction of the balance of the movement in the designated reserves to or withdrawn from the other reserve, depending on the outcome.

Premium stabilization destination reserve

PFZW expects an increase in the cost price premium in 2014 to 2020. The basic premium (exclusive VPL transitional rights) is therefore equal to the average of the cost price premium over the period 2015 to 2020. With this, the board strives for stability of the premium. The difference between the average cost price and the one-year cost price premium is added (or withdrawn as such) annually difference is negative) to the premium stabilization destination reserve. The premium stabilization designated reserve is increased annually by the interest rate below the premium, 2019: 2.63%, (2018: 2.63%) plus the indexation allocated (2019: 0.0%). The methodology of the premium setting is such that, in principle, the premium stabilization destination reserve will be nil at the end of 2020.

The premium stabilization designated reserve must be used to reduce any loss avoid or reduce. The addition to or withdrawal from the Premium stabilization destination reserve is effected via the profit appropriation.

Technical equipment

The provision for pension liabilities for is recognized under technical provisions pension fund risk under the pension scheme, the other technical provision under the AP scheme and the net pension provision for the retirement pension and the partner's pension.

The technical provisions are calculated actuarially and are determined on the basis of op balance sheet date legally enforceable acquired entitlements (nominal vested rights). This means that the conditional future indexation is not in the provision but the indexation promised on the balance sheet date is included in the provision. The future pension accrual of active members has been disregarded. The technical Provisions are equal to the present value of the cash flows arising from the legal system enforceable acquired entitlements. This is done at the nominal interest rate term structure per balance sheet date as published by DNB.

In determining the provision, actuarial principles that have been approved by the board. The accounting policies are fully updated once every three years. In 2019, a complete update has taken place. All bases are based on the most recent data determined. In the intervening years, the bases are evaluated and if that has been changed. Changes in accounting policies become effective upon adoption. See for one further explanation note 28 in the financial statements.

Provision for pension obligations for pension fund risk (pension scheme)

The pension scheme contains the provision for pension obligations for the retirement pension, partner's pension, orphan's pension and Flex pension. This also includes the future non-contributory premium pension accrual for current disabled members. In addition, for the participants who are ill on the balance sheet date and who may become incapacitated for work within two years declared, taking into account the expected future loss related to non-contributory pension accrual. The retirement pension is based on pension rights based on a retirement age of 68 (2018: 68).

The main actuarial principles are:

Market rate:	interest rate term structure including Ultimate Forward Rate (UFR) such as published by DNB.
Mortality:	2018 forecast table of the Dutch Actuarial Association (AG), with age and gender dependent correction factors based on the experience mortality of the participant base (2014-2018).
Frequency live together:	experience data participant base pension fund (2014-2018).
Insured partner:	based on the frequency of cohabitation of the PFZW participant database: before legal retirement age: system indefinite partner, after legal retirement age: certain partner. The age difference between man and woman is assumed three years, with the man is older than the woman.
Frequency for age use Flex and early retirement:	the retirement age for men is 1.2 years before the expected state pension age and for women 1.4 years before the expected state pension age.
Incapacity for work:	based on observations in the fund stock (age 55-: 2014-2018; age 55+: 2017-2018).
Reactivation:	based on observations in the fund stock (2014-2018).
Administration and collection costs:	2% of the provision.
Retirement age:	68 years.

Other technical provisions (AP scheme)

The AP scheme contains the provision of AP obligations for the entered and non-entered AP rights. The AP scheme also includes the unearned premium for new inflow. The most important actuarial principles are:

Market rate:	interest rate term structure including Ultimate Forward Rate (UFR) such as published by DNB.
Mortality:	forecast table 2018 of the Actuarial Association (AG), with age and sex-dependent correction factors based on experience mortality of the participants database (2014-2018).
Incapacity for work and reactivation:	based on observations in the fund stock (2017-2018 for disability and 2017-2018 for reactivation).
Administration and collection costs:	2% of the provision for entered AP pension and 3% of the provision for non-effective AP pension.

Net pension provision

The net pension scheme (for the risk of the participant) contains the provision for the partner's pension.

The main actuarial principles are:

Market rate:	interest rate term structure including Ultimate Forward Rate (UFR) such as published by DNB.
Mortality:	forecast table 2018 of the Actuarial Association (AG), with age and sex-dependent correction factors based on experience mortality of the participant base (2014-2018) taking into account a salary higher than € 107,593.
Administration and collection costs:	2% of the provision.

Retirement age: 68 years.

Flex pension compensation (VPL debt)

With the introduction of the VPL debt in 2015, a reservation is made each year for still in buy Flex pension compensation. Ultimately, the aim is to achieve without major premium increases to have enough finances for the final settlement of the Flexpensioen compensation in 2020. Annually, part (VPL premium) of the actual premium is intended for compensation Flex pension (2019: 1.1 percentage points). Rights are derived from this premium every year compensation Flex pension purchased that becomes unconditional in that year on the basis of the principles for the collective pension. The premium coverage is for the purchase of VPL at least equal to the premium coverage ratio for the regular pension. The remainder of this premium is treated as prepaid VPL premiums and is added to the VPL debt.

The same applies to prepaid VPL premiums up to the premium decision 2020 (November 2019) investment policy as for the PFZW capital. The investment policy is from the 2020 premium decision filled in with less risk to avoid a shortage as much as possible by the end of 2020 At the VPL debt, the return associated with the investment policy is added. The VPL premium becomes determined so that the VPL debt plus premium and yield is expected to be sufficient to finance rights.

Provision for pension obligations for risk participants

The provision for pension obligations for the Extra Pension scheme relates to the accrual phase for the Return Pension. The provision for pension liabilities scheme net old-age pension related to the accrual phase of this pension product. The facility risk participants are valued on the balance of the amount invested up to the balance sheet date premium contributions, the agreed contractual return, the withdrawal for pension administration costs and the use of the accrued balance for the purchase of a non-contributory right to old-age pension, flex pension or net old-age pension.

Obligations arising from investments

Liabilities arising from investments with a term of less than one year are the first processing measured at fair value. After initial processing, these obligations become valued at amortized cost (in the absence of premium / discount equal to nominal value). Other liabilities with a term of more than one year are valued at fair value. The fair value is determined by discounting the future cash flows at discount rate derived from the market.

Other debts and accruals and deferred income

Other debts and accruals and deferred income are valued at fair value on initial recognition value. After initial processing, debts are valued at amortized cost (equal to the nominal value if there are no transaction costs).

2.3 Principles for determination of results

Contributions from employers and employees

The premium contributions are credited to the result in the period in which the related pension rights are accrued.

Investment results

The investment results are allocated to the period to which they relate. Below the direct investment income includes dividends and interest. Dividend is recognized on the moment of payment. Interest is recognized in the period to which it relates has. Account is taken of the direct investment income non-refundable withholding tax. Changes in the value of investments are accounted for as indirect investment income. The costs of asset management charged directly to the fund invoiced or still to be invoiced are deducted from investment income and are presented separately as part of the investment results. The costs of asset management to the benefit of external managers and already by these managers are withdrawn from the value of the investments concerned, are part of the changes in value of these investments. Transaction costs incurred when purchasing the investment in the cost, are also part of the value adjustments after first processing.
Insofar as the transaction costs have not been invoiced, use is made made estimates based on the recommendations of the Pension Federation.

Other income

Other income is allocated to the period to which it relates.

Pension benefits

The pension benefits are recognized in the statement of income and expenditure in the period in which they relate.

Pension administration costs

The pension administration costs are included in the statement of income and expenditure in the period to which they relate.

Changes in pension obligations for pension fund risk

Pension accrual

Pension accrual with regard to old-age pension is allocated to the period in which accrual of pension rights takes place. The pension rights related to the compensation VPL are recognized in the period in which they become unconditional. The

obligations with regard to survivor's pension and disability pension
are included in the period in which they arise. The (partially) non-contributory accrual
people with a disability are charged to the result in the period in which the illness occurs
originate.

Indexation or reduction

The increase in technical provisions under indexation is in the statement of income
and expenses recognized when the commitment is made.

Interest addition

The pension obligations are discounted at the nominal market interest rate based on the
interest rate term structure published by DNB on the balance sheet date (with a UFR for the longer term
maturities). The interest addition is calculated on the average of the position of the
Primo period provision and the state of the provision at the end of the period, the latter excluding the
effect of indexation.

Withdrawal for retirement benefits and retirement benefits

The release is credited to the statement of income and expenses in the period in which the expenses
were provided for in the calculation of the provision.

Change in market interest rates

The change in market interest rates on the balance sheet date as a result of changes in those published by DNB
interest rate term structure is included in the statement of income and expenditure.

Change under Transfer of Rights

The balance of incoming and outgoing value transfers, calculated on the basis of actuarial
assumptions, are included in the statement of income and expenditure at the time of transfer
of the pension obligations.

Adjustment of actuarial principles for pension scheme

Movement in the provision as a result of the adjustment of actuarial principles in the year under review
is included in the statement of income and expenditure.

Other changes

The other movements are allocated to the period to which they relate.

Change in other technical provisions

Movement in the provision relates to unearned premium contribution for new
cases of sickness, indexation, addition of interest, withdrawal from retirement benefits and
pension administration costs, changes in market interest rates and other movements.

Movement in provision for pension obligations for risk participants

Movement in the provision relates to premium contributions received, added yield, withdrawal for pension administration costs and conversion to technical provision.

Movement in net pension provision

Movement in net pension provision relates to commencement of partner's pension, purchase of pension (net old age pension), addition of interest, change in market interest rate, withdrawal for pension payments and other changes.

Movement reinsurance part technical provisions

Movement reinsurance part technical provisions relates to addition of interest, change market interest, withdrawal for pension payments, change in credit discount and other changes.

Balance transfer of rights

Value transfers are recognized in the statement of income and expenditure at the time of transfer of pension obligations.

2.4 Accounting policies for the cash flow statement

The cash flow statement is prepared using the direct method. This means that all revenue and expenditure are presented as such. A distinction is made between cash flows from pension and investment activities. Cash flows in foreign currency converted to euro at the exchange rate on the transaction date.

Under cash (note 8) means current account balances held with banks cash and assets held with banks that are without restrictions and without material risk of impairment can be immediately converted into cash and a have an original term of no more than one year. This includes call charges and deposits.

3 Investments

3.1 Overview of investments

Composition of investments for pension fund risk and for risk Attendees

The composition of the investments for risk pension fund and risk participants per balance date is as follows:

(amounts x € 1 million)	2019			2018		
Investments at risk of:	Retirement- fund takers	Part-	Total	Retirement- fund takers	Part-	Total
3.2 Real estate and infrastructure	38,059	11	38,070	33,000	11	33,011
3.3 Shares	81,519	17	81,536	63,587	17	63,604
3.4 Fixed income securities	106,395	28	106,423	91,115	28	91,143
3.5 Derivatives (active)	24,682	7	24,689	18,799	6	18,805

3.6 Raw materials	8,618	3	8,621	7,813	2	7,815
3.7 Other investments	4,110	1	4,111	3,530	1	3,531
Subtotal	**263,383**	**67**	**263,450**	**217,844**	**65**	**217.909**
3.5 Derivatives (passive)	(9,665)	(3)	(9,668)	(8,643)	(3)	(8,646)
Total	**253,718**	**64**	**253.782**	**209,201**	**62**	**209,263**

The money market investments that are included in the category fixed income securities held for the VPL premium received in advance, see note 13 for more details .

Investment composition by region

The composition of the investments by region for risk pension fund and risk participants joint as at balance sheet date is as follows:

(amounts x € 1 million)	**Europe**	**North America and other dollar zone**	**Far East**	**Emerging markets**	**Total**
Real estate and infrastructure	14,266	16,007	6,208	1,589	38,070
Shares	19,862	40,028	7,973	13,673	81,536
Fixed income securities	85,106	3,240	437	17,640	106,423
Derivatives (active)	24,689	-	-	-	24,689
Commodities	8,621	-	-	-	8,621
other investments	476	3,635	-	-	4,111
Subtotal	153,020	62,910	14,618	32,902	263,450
Derivatives (passive)	(9,668)	-	-	-	(9,668)
Total 2019	**143,352**	**62,910**	**14,618**	**32,902**	**253,782**
Total% 2019	**56%**	**25%**	**6%**	**13%**	**100%**
Total 2018	**118,568**	**49,772**	**14,027**	**26,896**	**209,263**
Total% 2018	**56%**	**24%**	**7%**	**13%**	**100%**

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3.2 Real estate and infrastructure

The composition and course of the property and infrastructure item are as follows:

(amounts x € 1 million)	Balance sheet value early years	Purchases	Sales	Value-changes	Balance sheet value at the end of the year
Investments for risk pension fund					
Indirect investment property	25,297	28	(618)	3,898	28,605
Infrastructure investments	7,703	1,335	(268)	684	9,454
Subtotal	**33,000**	**1,363**	**(886)**	**4,582**	**38,059**
Investments for risk participant					
Indirect investment property	9	-	(1)	1	9
Infrastructure investments	2	-	-	-	2
Subtotal	**11**	**-**	**(1)**	**1**	**11**
Total 2019	**33,011**	**1,363**	**(887)**	**4,583**	**38,070**
Total 2018	**30,740**	**936**	**(896)**	**2,231**	**33,011**

Of the total property and infrastructure investments, € 36,885 million (2018: € 31,522 million) invested in PGGM investment funds. PFZW fits in the notes to the PGGM investment funds the 'look through' reporting principle.

Real estate

Under real estate, indirect investments via participations, joint ventures and participations or shares in unlisted investment funds that are listed and unlisted investing real estate, responsible.

The composition of the investment properties by listed and unlisted per balance date is as follows:

(amounts x € 1 million)	**2019**	**2018**
Listed	14,459	12,093
Not listed	14,155	13,213
Total	**28,614**	**25,306**

The investment properties at the balance sheet date are divided into the following sectors:

The Other category includes parking garages, care homes and medical offices.

Infrastructure

Infrastructure includes indirect investments through participations, joint ventures and participations in unlisted investment funds that invest in infrastructure, justified. below infrastructure also includes direct investments in projects that PFZW has one or several co-investors have been contracted.

The composition of the infrastructure investments by direct and indirect as at the balance sheet date is as follows:

(amounts x € 1 million)	**2019**	**2018**
Straight away	7,792	6,210
Indirectly	1,664	1,495
Total	**9,456**	**7,705**

Infrastructure investments at the balance sheet date are divided into the following sectors:

3.3 Shares and Private Equity

The composition and the development of the item shares are as follows:

(amounts x € 1 million)	Balance sheet value early years	Purchases	Sales	Value-changes	Balance sheet value at the end of the year
Investments for risk pension fund					
Shares	51,374	8,090	(6,503)	14,493	67,454
Private Equity	12,213	1,459	(2,021)	2,414	14,065
Subtotal	**63,587**	**9,549**	**(8,524)**	**16,907**	**81,519**
Investments for risk participant					
Shares	13	2	(6)	4	13
Private Equity	4	-	(1)	1	4
Subtotal	**17**	**2**	**(7)**	**5**	**17**
Total 2019	**63,604**	**9,551**	**(8,531)**	**16,912**	**81,536**
Total 2018	**65,785**	**2,321**	**(2,981)**	**(1,521)**	**63,604**

Of the total equity and private equity investments, € 76,095 million (2018: € 58,698 million) invested in PGGM investment funds. PFZW fits in the notes to the PGGM investment funds the 'look through' reporting principle.

Shares

Shares include listed shares and units or shares in unlisted shares

investment funds that predominantly invest in listed shares, accounted for.

Investments in shares as at the balance sheet date are classified according to the following industries:

Private equity

This includes investments in venture capital and acquisitions, which are both direct and indirect through investments and funds take place.

The composition of the private equity investments by direct and indirect on the balance sheet date is as follows:

(amounts x € 1 million)	2019	2018
Straight away	3,480	1,990
Indirectly	10,589	10,227
Total	**14,069**	**12,217**

3.4 Fixed income securities

The composition and development of the item fixed-income securities are as follows:

(amounts x € 1 million)	Balance sheet value early years	Purchases	Sales	Value-changes	Balance sheet value at the end of the year

Investments for risk pension fund					
Loans	2,334	457	(45)	221	2,967
Bonds	76,741	26,473	(17,335)	4,945	90,824
Subtotal (exclusive Money market investments)	**79,075**	**26,930**	**(17,380)**	**5,166**	**93,791**
Money market investments	12,040				12,604
Subtotal (inclusive Money market investments)	**91,115**				**106,395**
Investments for risk participant					
Loans	-	-	-	-	-
Bonds	24	5	(5)	1	25
Subtotal (exclusive Money market investments)	**24**	**5**	**(5)**	**1**	**25**
Money market investments	4				3
Subtotal (inclusive Money market investments)	**28**				**28**
Total 2019	**91,143**				**106,423**
Total 2018	**88,204**				**91,143**

€ 17,506 million (2018: € 16,144 million) of the bond investments is invested in PGGM investment funds. PFZW fits in the notes to the PGGM investment funds reporting principle 'look through'.

The composition of the loans and bonds by contractual residual maturity per balance date is as follows:

2019

(amounts x € 1 million)	<1 year	1-5 years	> 5 years	Total
Loans and bonds	**3,610**	**26,795**	**63,411**	**93,816**

2018

(amounts x € 1 million)	<1 year	1-5 years	> 5 years	Total
Loans and bonds	**6,156**	**20,977**	**51,966**	**79,099**

The creditworthiness of the loans and bonds at the balance sheet date can be as follows showing:

	2019	2018
AAA rating	38%	37%
AA rating	29%	29%
A rating	5%	7%
BBB rating	11%	10%
BB and lower rating	8%	8%
No rating	9%	9%
Total	**100%**	**100%**

Loans

Loans include investments in mortgage loans, participations in one mezzanine fund and participations in hedge funds that predominantly invest in loans.

The composition of the loans by interest rate as at the balance sheet date is as follows:

(amounts x € 1 million)	**2019**	**2018**
Fixed rate loans	2,906	2,239
Variable rate loans	-	-
Inflation linked loans	-	6
Other loans	61	89
Total	**2,967**	**2,334**

Investments in mortgage loans are included under fixed rate loans. Past the allocation to mortgages increased from 1.0% to 1.2%. This has partly resulted in the increase from € 2,239 million to € 2,906 million.

Bonds

Bonds include listed bonds and participations or shares in non-listed investment institutions that predominantly invest in listed bonds, responsible.

The composition of the bonds by interest rate as at the balance sheet date is as follows:

(amounts x € 1 million)	**2019**	**2018**
Fixed rate bonds	74,392	61,051
Variable rate bonds	3,053	2,604

Inflation bonds	7,687	7,443
Credit risk sharing transactions	5,717	5,667
Total	**90,849**	**76,765**

The credit risk sharing transactions portfolio consists of private structured credit risk sharing contracts. These are transactions in which PFZW has the credit risk related to specific partly takes over loan portfolios from counterparties (banks). Make transactions with these the banks release some of their capital because some of the potential losses on the portfolio is covered by PFZW. PFZW receives compensation for this. The nominal value amounts to € 5,527 million (2018: € 5,716 million). This represents the amount of money credit risk is run. The credit risk sharing transactions are structured in two ways, via a credit linked note ('CLN structure') or via a credit derivative or a credit default swap ('CDS structure').

An inflation bond is a bond that is linked to inflation. As with ordinary bonds, credits or loans, the value of an inflation bond is directly related to the nominal interest rate. The value of the principal amount of an inflation bond is indexed, causing both the coupon payment if the final payment of the principal depends on inflation.

The breakdown by government and corporate bonds as at the balance sheet date is as follows:

(amounts x € 1 million)	**2019**	**2018**
Government bonds	70,701	58,926
Corporate bonds	20,148	17,839
Total	**90,849**	**76,765**

Money market investments

Money Market Investments includes the balance of bank accounts and money market instruments.

The money market investments at the balance sheet date are as follows:

(amounts x € 1 million)		**2019**		**2018**
Bank overdrafts	151		87	

Total cash		**151**		**87**
Bank accounts and money market instruments in the name of PGGM Treasury BV	12,456		11,957	
Subtotal		**12,456**		**11,957**
Total		**12,607**		**12,044**

An amount of € 12 million (year-end 2018: € 2 million) of the liquid assets is not free decision. This concerns balances on margin accounts held in connection with future positions.

PGGM Vermogensbeheer BV is the asset manager appointed by the fund, which is also responsible for other pension funds and PGGM's investment institutions is the asset manager. In front of the fund and the other pension funds and investment institutions that have a purpose to that effect have issued a mandate, PGGM Vermogensbeheer BV will implement treasury management togetherness. PGGM holds Asset Management for the implementation of this joint management BV in the name of PGGM Treasury BV bank accounts and money market instruments for account and risk of its clients. As a result, the economic property of the aforementioned bank accounts and money market instruments with the clients of PGGM Vermogensbeheer BV and is the legal property of PGGM Treasury BV

At the end of the reporting period, this concerns a receivable of € 12,456 million (year-end 2018: € 11,957 million) of which PFZW only owns economic ownership. This amount is presented under Bank accounts and money market instruments in the name of PGGM Treasury BV for account and risk from PFZW. The results are proportional to the absolute interest in the jointness of the PGGM Treasury BV participants divided.

The balance of money market instruments at the end of the reporting period largely consists of received collateral in the form of cash. Due to the decreased value of PFZW's derivatives positions, it is share of the collateral in cash within the money market investments increased to € 14,832 million at the end of the reporting period (year-end 2018: € 10,209 million).

The balance of money market instruments at the end of the reporting period largely consists of received collateral in the form of cash. The composition of the balance of the balance sheet item Bank accounts and money market instruments in the name of PGGM Treasury BV as at the balance sheet date are as follows:

	2019	2018

Bonds	60%		59%	
Derivatives	0%		0%	
Call money at banks	4%		0%	
Deposits with banks	6%		14%	
Liquidity funds	16%		15%	
Receivables from reverse repos	16%		13%	
Receivables from investment activities	1%		0%	
Total assets		**103%**		**101%**
Debts arising from investment activities	(3%)		0%	
Debts arising from repos	0%		0%	
Current accounts payable to PTBV activities	0%		(1%)	
Total debts		**(3%)**		**(1%)**
Total		**100%**		**100%**

The above items are liquid and predominantly of a short-term nature.

3.5 Derivatives

Derivatives are financial contracts that derive their value from an underlying financial instrument or product, such as shares, currency and interest. Basic forms of derivatives are forward contracts, swaps and futures.

PFZW uses derivatives to hedge risks. These are mainly interest rate risk, inflation risk and currency risk. PFZW also uses derivatives to gain exposure in a more efficient manner than by purchasing the underlying financial instrument or product. Derivatives are furthermore only used to a limited extent to take on a specific risk.

PFZW uses the following derivatives. Derivatives with a positive fair value accounted for as active. Derivatives with a negative fair value are recognized as liabilities. The breakdown by asset and liability as at the balance sheet date is as follows:

(amounts x € 1 million)

			2019			**2018**
	Real value			**Real value**		
	Active	Passive	Total	Active	Passive	Total
Interest rate derivatives	23,812	9,468	14,344	18,211	8,516	9,695

Equity derivatives	-	-	-	-	-	-
Currency derivatives	877	200	677	594	130	464
Credit derivatives	-	-	-	-	-	-
Total	**24,689**	**9,668**	**15,021**	**18,805**	**8,646**	**10,159**

The composition and movements of the derivatives (balance of assets and liabilities) are as follows:

(amounts x € 1 million)	Balance sheet value early years	Purchases	To sell / Expirations	Value-changes	Balance sheet value at the end of the year
Investments for risk pension fund					
Interest rate derivatives	9,692	-	(4,783)	9,431	14,340
Equity derivatives	-	-	-	-	-
Currency derivatives	464	-	3,521	(3,308)	677
Credit derivatives	-	-	-	-	-
Subtotal	**10,156**	**-**	**(1,262)**	**6,123**	**15,017**
Investments for risk participant					
Interest rate derivatives	3	-	(2)	3	4
Equity derivatives	-	-	-	-	-
Currency derivatives	-	-	1	(1)	-
Credit derivatives	-	-	-	-	
Subtotal	**3**	**-**	**(1)**	**2**	**4**
Total 2019	**10,159**	**-**	**(1,263)**	**6,125**	**15,021**
Total 2018	**9,631**	**-**	**2,328**	**(1,800)**	**10,159**

In the case of derivatives, a positive or a negative can be concluded in the event of premature conclusion of the contract result on the sale. Depending on the way the derivatives position is entered into (active or passive) and the applicable spot price can be entered under the item Sales / expirations positive or negative amount are presented.

The majority of the derivative positions are held via PGGM Treasury BV This means that PGGM Treasury BV concludes derivative contracts at the expense and risk of its clients with external parties. The clients keep the economic property and PGGM Treasury BV acquires legal ownership. On the balance sheet date this concerns a balance of € 15,021 million (year-end 2018: € 10,159 million). This balance is part of the derivatives assets and derivatives liabilities.

The following sections provide insight into the composition and the per category of derivatives value of all outstanding derivative positions of PFZW.

Interest rate derivatives

The following overview provides insight into the size and composition of the interest rate derivatives per balance sheet date.

(amounts x € 1 million)		**2019**		**2018**
	Fair value		**Fair value**	
	Active	Passive	Active	Passive
Interest rate swaps	23,670	4,420	18,096	4,683
Inflation swaps	142	5,048	115	3,833
Interest rate derivatives balance	**23,812**	**9,468**	**18,211**	**8,516**

Interest rate and inflation developments affect PFZW's financial position. The interest rate risk on PFZW's obligations are partly covered by inflation bonds and partly by interest rate derivatives.

Because the value of the interest rate derivatives, which serve to hedge the interest rate risk of the pension obligations, just like the value of the pension obligations moves with interest, interest rate derivatives ensure that PFZW's pension obligations are less sensitive to interest rate fluctuations. Likewise, inflation swaps hedge inflation risk.
The risk section includes the effect of a change in interest rates or inflation on the derivatives that are used to hedge the interest rate risk and the inflation risk of the pension obligations.

Interest rate swaps are contracts in which two parties pay fixed interest at variable rates exchange interest payments. Inflation swaps are contracts where two parties have inflation risk exchange, for a fixed fee. To what extent the interest rate and inflation risk per the balance sheet date is hedged by the derivatives, is explained in the risk section.

The scope of the contract and the terms of the interest rate swaps and inflation swaps determine in which to the extent that the interest and inflation risk is hedged. The presented net contract size per balance date can have a negative or a positive balance. A negative balance means interest rate swaps that receive a fixed interest payment and become a variable interest payment paid. With inflation swaps, a positive balance means a variable inflation compensation received.

The following overview provides insight into the net contract size and the term of the interest rate derivatives per balance sheet date.

(amounts x € 1 million)	Fair value		
	Active	Passive	Contract Size
Interest rate swaps			
Less than one year	1	-	(20)
One to ten years	313	1,009	20,310
More than ten years	23,356	3,411	(48,951)
Total interest rate swaps	**23,670**	**4,420**	
Inflation swaps			
Less than one year	10	39	320
One to ten years	61	527	4,626
More than ten years	71	4,482	8,858
Total inflation swaps	**142**	**5,048**	
Balance	**23,812**	**9,468**	

PFZW invests in futures. Futures are exchange traded futures contracts with mandatory future delivery of an underlying financial instrument or product set price. Bond futures are used to efficiently enter a position take in the underlying bonds. The futures are settled daily, increasing the value is zero at the balance sheet date. For this reason, these futures are not included in the overview above.

The exposure of these futures, which is subject to interest rate risk, is € 288 million positive (year-end 2018: € 279 million negative). The futures maturities are largely less than a year.

Currency derivatives

The following overview provides insight into the size and composition of the currency derivatives per balance sheet date.

(amounts x € 1 million)	2019		2018	
	Fair value		Fair value	
	Active	Passive	Active	Passive
Currency swaps	877	200	594	130
Currency derivatives balance	**877**	**200**	**594**	**130**

PFZW has investments in foreign currency. This creates the risk of changes in value of these investments as a result of a change in the exchange rate of the relevant currency. Cover this currency risk to the euro takes place partly and is exclusively carried out by PFZW. Hedging is largely through currency derivatives with maturities of less than one year.

The contract size of PFZW's currency derivatives as at the balance sheet date is € 74,664 million positive (€ 60,600 million positive at year-end 2018). To what extent the currency risk on the balance sheet date total level covered by the derivatives is explained in section 15. Risk management.

3.6 Raw materials

The composition and progress of the item raw materials is as follows:

(amounts x € 1 million)	Balance sheet value early years	Purchases	Sales	Value-changes	Balance sheet value at the end of the year
Investments for risk pension fund					
Commodities	7,813	-	(1,208)	2,013	8,618
Subtotal	**7,813**	**-**	**(1,208)**	**2,013**	**8,618**
Investments for risk participant					
Commodities	2	-	-	1	3
Subtotal	**2**	**-**	**-**	**1**	**3**
Total 2019	**7,815**	**-**	**(1,208)**	**2,014**	**8,621**
Total 2018	**10,018**	**-**	**(574)**	**(1,629)**	**7,815**

Of the total raw materials, € 8,621 million (2018: € 7,815 million) is invested in PGGM investment funds.

Investments in commodities are investments via the commodity futures market. PFZW does not invest in the physical market of raw materials. The investment in raw materials concerns the investment in PGGM Commodity Fund. Within this fund, commodity futures are used to increase exposure to obtain commodity-related indices. Because the open positions to futures to it are settled at the end of the day, the value of this on the balance sheet date is nil. The value of it fund is determined in particular by the money market investments the fund holds as collateral for the future positions on so-called 'margin accounts'.

3.7 Other investments

The composition and development of the item other investments are as follows:

(amounts x € 1 million)	Balance sheet value early years	Purchases	Sales	Value-changes	Balance sheet value at the end of the year
Investments for risk pension fund					
Other	3,530	590	(246)	236	4,110
Investments for risk participant					
Other	1	-	-	-	1
Total 2019	**3,531**	**590**	**(246)**	**236**	**4,111**
Total 2018	**2,625**	**1,014**	**(42)**	**(66)**	**3,531**

Other category mainly includes investments in funds with alternative options investment strategies and instruments to achieve an absolute (positive) return among all market conditions.

3.8 Overview of market value of investments and valuation methods

The following hierarchical distinction is used to determine the fair value valuation methods made depending on the availability of objective data.

- Direct market quotes - Investments the value of which is based on quoted shares, not adjusted prices for identical investments in active markets, including on the valuation moment has been reached.
- Derivative market quotes - Investments the value of which is based on market data, other than direct market quotations, which are directly or indirectly observable and on which any adjustments are made. This category also includes plan assets of which a net asset value is received less frequently which can be traded.
- Valuation models and techniques - Investments the fair value of which is based on valuation models and techniques involving estimates and assumptions were used by the asset manager due to the lack of complete observable market data. This category also includes investments in closed end investment funds, of which the asset manager has the net asset value determined on the basis of an established valuation method.

As far as PGGM investment funds are concerned, the specifications included below are based on the principle look through not applied. Therefore, the values of open end investments are PGGM investment funds under derived market quotations and those of closed-end PGGM investment funds accounted for under valuation models and techniques.

The market value of the investments at the balance sheet date can be shown as follows:

(amounts x € 1 million)	**Immediate market- odds**	**Derivative market- odds**	**Valuation models techniques**	**Total**
Real estate and infrastructure	-	36,885	1,185	38,070
Shares	3,775	63,851	13,910	81,536
Fixed income securities	74,464	26,077	5,882	106,423
Derivatives assets	-	24,689	-	24,689
Commodities	-	8,621	-	8,621
other investments	82	-	4,029	4,111

Total investments assets	**78,321**	**160,123**	**25,006**	**263,450**
Derivatives liabilities	-	(9,668)	-	(9,668)
Total 2019	**78,321**	**150,455**	**25,006**	**253,782**
Total% 2019	**31%**	**59%**	**10%**	**100%**
Total 2018	**64,678**	**121,697**	**22,888**	**209,263**
Total% 2018	**31%**	**58%**	**11%**	**100%**

In explanation “2.2 Principles for valuation of assets and liabilitiesPer investment category are the accounting policies explained. After this, depending on the complexity and size of the investments explained additional assumptions used to determine the fair values.

Direct market quotations

Listed shares and listed bonds in which there is an active market, are valued at bid and mid closing prices. Bonds are valued including the accrued interest. Closing prices and. Are used to value inflation bonds consumer price indices. The closing price includes the expected inflation, the realized inflation is taken from the consumer price index.

Derived market quotations

Capital interests in unlisted open-end investment funds are valued at based on the net asset value published by the fund manager. The most important given to determine the net asset value is the value of the investments in the investment fund as at balance sheet date. The fund manager follows the principles applied by PFZW and methods. Participations in open end PGGM investment funds are worth in this category of € 126,725 million (2018: € 103,998 million).

Over-the-counter derivatives, such as interest rate swaps, total return swaps, inflation swaps and foreign exchange forward contracts are valued using one or more standard models using variables that can be derived from an active market, such as interbank interest rate curves, swap rates, exchange rates, prices of underlying assets, indices, reference rates and spreads of credit default swaps. These variables are obtained from data providers. The calculated values are agreed daily with the counterparties in the context of the collateral management process.

Valuation models and techniques

When determining the value of shares and bonds that do not involve an asset market, loans and some derivatives where one or more variables are not from an active market can be derived, assumptions are made that lead to a certain degree of subjectivity.

Capital interests in closed-end investment funds (including associates and joint ventures) valued at net asset value. This net asset value is due to the fund manager estimated on the basis of a valuation method (often discounted cash flow method) agreed with this party.

In the case of direct investment in enterprises, the fair value is measured by the asset manager determined on the basis of valuation models and techniques where (independent) valuation specialists are involved. These valuation models and techniques are mostly based on the discounted cash flow method. If financing is also provided in the form of private loans which are inextricably linked to one's own equity instrument, these are also recognized under the same category of the valuation method.

The methods used to determine the value are subjective so that the estimated value can deviate from the value that would have been realized if the investment concerned had been sold. When no estimate is available, the value of an investment is based on the most recent valuation considering adjustments.

The credit risk sharing transactions are valued using a valuation model that has been validated by an external advisor. In this model, expected future cash flows discounted at an interest rate variable.

3.9 Securities lending

Securities lending is found within the PGGM investment funds in which the pension fund invests activities take place. These activities relate to listed real estate, listed shares and listed bonds. The PGGM's lending policy investment funds aim to limit these risks as much as possible by applying requirements the quality of the collateral, the possibilities for substitution if the quality below standard, and applying a minimal haircut. For hedging the risk of PGGM investment funds only accept non-return of the securities lent collateral in the form of cash and (government) bonds. In the included herein specification, the 'look through' reporting principle has been applied.

Real estate

The part of the securities lending positions attributable to PFZW from the PGGM investment funds listed real estate was € 3 million at the balance sheet date (2018: € 13 million). The to PFZW attributable net proceeds from securities lending amount to € 0.0 million (2018: € 0.2 million). To cover the risk of the items not being returned being loaned, the PGGM investment funds receive collateral in the form of government bonds, issued by creditworthy countries with at least an AA rating.

For the lending transactions, counterparties provide collateral in the form of collateral. The composition of the collateral may vary daily, resulting in a maturity of the certainties have an open character. Receive the composition of the securities lent collateral by collateral type, creditworthiness, counterparty country and currency as at balance sheet date as follows:

(amounts x € 1 million)

Kind of security	**Credit dignity**	**Country counterparty**	**Currencies**	**2019**	**2018**
Government bond	AA	United Kingdom	British pound	2	11
Government bond	AAA	Sweden	Euro	1	-
Government bond	AAA	Germany	Euro	-	1
Government bond	AAA	Denmark	Danish Crown	-	1
Government bond	AA	France	Euro	-	1
Total				**3**	**14**

Shares

The part of the securities lending positions attributable to PFZW from the PGGM investment funds shares listed on the balance sheet date amounted to € 749 million (2018: € 882 million). The to PFZW attributable net proceeds from securities lending amount to € 6.1 million (2018: € 11.5 million). To cover the risk that the loaned items will not be returned the PGGM investment funds receive collateral in the form of government bonds, issued by creditworthy countries with at least an A rating.

For the lending transactions, counterparties provide collateral in the form of collateral. The composition of the collateral may vary daily, resulting in a maturity of the certainties have an open character. Receive the composition of the securities lent collateral by collateral type, creditworthiness, counterparty country and currency as at balance sheet date as follows:

(amounts x € 1 million)

Kind of security	**Credit dignity counterparty**	**Country**	**Currencies**	**2019**	**2018**
Government bond	AAA	United States of America	U.S. dollar	190	93
Government bond	a	Japan	Japanese Yen	175	218
Government bond	AA	United Kingdom	British pound	138	175
Government bond	AA	France	Euro	84	182
Government bond	AAA	Australia	Australian dollar	67	88
Government bond	AAA	Germany	Euro	41	87
Government bond	AAA	The Netherlands	Euro	39	-
Government bond	AA	Austria	Euro	34	18
Government bond	AAA	Canada	Canadian dollar	12	8
Government bond	AA	Finland	Euro	10	4
Government bond	AA	Belgium	Euro	6	26
Government bond	AAA	Switzerland	Swiss Frank	5	-
Government bond	AAA	Denmark	Danish Crown	1	9
Government bond	AAA	Supra National	Euro	-	41

Government bond	AAA	Sweden	Swedish Crown	-	8
Government bond	AAA	Europe	Euro	-	7
Government bond	AAA	Norway	Norwegian Crown	-	2
Total				**802**	**966**

Bonds

The part of the securities lending positions attributable to PFZW from the PGGM investment funds in bonds at balance sheet date was € 128 million (2018: € 29 million). The attributable to PFZW net proceeds from securities lending amount to € 0.4 million (2018: € 0.1 million). For covering PGGM have the risk of the documents not being returned being returned investment funds receive collateral in the form of government bonds, issued by creditworthy countries with at least an A rating.

For the lending transactions, counterparties provide collateral in the form of collateral. The composition of the collateral may vary daily, resulting in a maturity of the certainties have an open character. Receive the composition of the securities lent collateral by collateral type, creditworthiness, counterparty country and currency as at balance sheet date as follows:

(amounts x € 1 million)

Kind of security	Credit dignity	Country counterparty	Currencies	2019	2018
Government bond	a	United States of America	U.S. dollar	81	-
Government bond	AA	United Kingdom	British pound	30	-
Government bond	AA	Europe	Euro	16	33
Government bond	AAA	Australia	Australian dollar	1	-
Total				**128**	**33**

4 Reinsurance part technical provisions

Reinsurance part technical provisions is understood to mean the long-term receivable from the reinsurers because of the reinsured pension obligations. The (re) insurers are responsible for the direct payment of benefits to participants. They were allowed in in the event of default, PFZW remains responsible for these payments. Because of the credit risk of the (re) insurers where the reinsurance is held take into account a credit cutoff.

(amounts x € 1 million)	**2019**	**2018**
Warranty contracts	142	146
Other contracts	5	5
Balance sheet value at the end of the year	**147**	**151**

With guarantee contracts, lifelong pension benefits are guaranteed by the reinsurer for purchased entitlements. These contracts can be non-contributory after the contract has ended are left with the insurer. The pension benefits are paid by the insurer guaranteed and the technical insurance risks also lie with the insurer. The rest contracts cannot be left with the insurer after the contract has ended.

The mutations are as follows:

(amounts x € 1 million)	**2019**	**2018**
Balance sheet value at the beginning of the year	151	165
Interest addition	-	-
Change in market interest rates	8	3
Adjustment of actuarial principles	(1)	(3)
Distributions	(13)	(14)
Change in credit discount	2	-
Other changes	-	-

Balance sheet value at the end of the year	**147**	**151**

The movement of the reinsurance part of the technical provision in the statement of income and expenses for 2019 amount to € 4 million positive (2018: 14 million positive). The credit cut has fallen and amounts to € 3 million (2018: € 5 million).

5 Participating interests

(amounts x € 1 million)	**2019**	**2018**
Other capital interest	160	160
Total	**160**	**160**

PFZW has provided a capital interest of € 160 million to PGGM Coöperatie UA to this no capital interest is linked.

PFZW has a right of veto on the sale of the shares in PGGM NV by PGGM Coöperatie UA In the event of the sale of the shares, PFZW can demand a capital interest of € 160 million will be refunded. In addition, PFZW is contractually entitled to a percentage of the additional proceeds from the sale of the shares if the total selling price of the shares is higher is then € 300 million. The portion above € 300 million is to be regarded as additional income PFZW is entitled in percentage terms. The percentage for 2019 is 2%.

In addition, when the property is sold at Noordweg-Noord 150 in Zeist, PFZW is entitled to the actual proceeds from the sale up to an amount of maximum € 145 million at the same time reduction of the capital interest held by PFZW.

6 Receivables from investments

(amounts x € 1 million)	**2019**	**2018**

Receivables from investment activities		
Claims under collateral management	-	-
Investment transactions to be settled	136	183
Dividends receivable	5	7
Withholding taxes receivable	14	13
Other receivables and prepayments	24	49
Total	**179**	**252**

Claims on investment activities usually have a term of less than one year and are related to investments for risk pension fund. The other receivables have one term longer than one year.

Investment transactions to be settled

The pension fund has executed investment transactions that were not settled at the end of the financial year and in settle at the beginning of the next financial year. This has resulted in a claim. The investment transactions to be settled at the end of the financial year largely consisted of transactions under collateral management.

Other receivables and prepayments

As part of the item other receivables and prepayments and accrued income are those on behalf of PFZW EU claims submitted included. These have a nominal value of € 81 million (2018: € 51 million) of which approximately € 81 million (2018: € 41 million) is provided as at the balance sheet date.

7 Receivables and prepayments

(amounts x € 1 million)	2019	2018
Pension activities receivables		
Premium contributions to be invoiced	69	63
Premium debtors	131	93
Other receivables and prepayments	27	27
Total	**227**	**183**

Receivables from pension activities often have a short term. The other receivables have a term longer than a year.

Credit facility provided to PGGM NV

PFZW has provided a credit facility to PGGM NV. PFZW receives for this credit facility an interest equal to EURIBOR with a surcharge of 50 basis points. The total credit facility is capped at € 150 million. The credit facility is indefinite. There is no repayment arrangement agreed. This credit facility was agreed at the time of the split of the administration organization and the pension fund. No use was made in 2018 and 2019 this credit facility.

8 Cash and cash equivalents

Liquid assets of € 288 million (2018: € 162 million) relate to
pension activities. The liquid assets concern balances that are held with Dutch banks
credit institutions. All credits are immediately due and payable and are completely at your disposal.

9 Foundation capital and reserves

(amounts x € 1 million)	2019	2018
Foundation capital	-	-
Premium stabilization destination reserve	23	47
Other reserves	(1,999)	(5,206)
Position at the end of the year	**(1,976)**	**(5,159)**

The foundation capital amounts to € 45.38.

Premium stabilization destination reserve

(amounts x € 1 million)	2019	2018
Position at the beginning of the year	47	69
(Withdrawal from) /		
addition to the balance of income and expenses	(24)	(22)
Position at the end of the year	**23**	**47**

PFZW expected an increase in the cost price premium in 2014 through 2020. The basic premium (excluding VPL transitional rights) is therefore equal to the average of the cost price premium over the period 2015 to 2020. In this way, the board strives for stability of the premium. The difference between the average cost price and the annual cost price premium is added annually (or withdrawn if this difference is negative) from the premium stabilization destination reserve. The premium stabilization designated reserve is increased annually by the interest rate below the premium, 2019: 2.63% (2018: 2.63%), plus the indexation allocated. The addition and withdrawal from the Premium stabilization destination reserve is effected via the profit appropriation.

The premium stabilization destination reserve must be used to reduce the premium
avoid or reduce pension entitlements.

Other reserves

(amounts x € 1 million)	2019	2018

Position at the beginning of the year	(5,206)	2,075
Withdrawal from balance of income and expenses	3,207	(7,281)
Position at the end of the year	**(1,999)**	**(5,206)**

On December 31, 2019, the size of the minimum required equity is € 10.4 billion (year-end 2018: € 8.7 billion) and the required equity capital was € 54.7 billion (year-end 2018: € 49.8 billion). Equity (foundation capital and reserves) is therefore lower than both the minimum required and it requires equity.

10 Technical provisions

The provision for pension liabilities for is recognized under technical provisions pension fund risk under the pension scheme, other technical provisions (AP-scheme) and the net pension provision for pension fund risk.

(amounts x € 1 million)	**2019**	**2018**
Provision for pension liabilities for pension fund risk	239,340	203,130
Other technical provisions	908	980
Net pension provision for pension fund risk	2	1
Position at the end of the year	**240,250**	**204,111**

The net pension provision consists of the net partner's pension that has commenced.

The provision for pension liabilities for pension fund risk is composed as follows:

(amounts x € 1 million)	**2019**	**2018**
Retirement pension not entered into		
Active participants	119,790	100,054
Former participants	33,672	28,422
Incapacitated persons	14,156	11,442
Survivor's pension not entered into		
Active participants	4,397	3,619

Former participants	1,319	1,118
Incapacitated persons	703	562
Retirees	4,302	3,701
Retired		
Retirement pension, Flex pension	50,179	44,686
Partner's pension	6,082	5,497
Orphan's pension	48	47
Administration and collection costs	4,692	3,982
Total	**239,340**	**203,130**

The other technical provisions are composed as follows:

(amounts x € 1 million)	**2019**	**2018**
Entered disability pension	738	784
Disability pension not entered into	149	170
Administration and collection costs	21	26
Total	**908**	**980**

The movements in the technical provisions are as follows:

1)	**Retirement-**			
	obligations	**Others**		
	for risk	**technical**	**Total**	**Total**
(amounts x € 1 million)	**pension fund provisions**		**2019**	**2018**
Position at the beginning of the year	**203,131**	**980**	**204,111**	**195,214**
Pension accrual				
Active	6,119	-	6,119	5,521

Non-contributory pension accrual AO	345	-	345	308
Commenced survivor's pension	194	-	194	181
Unconditional VPL compensation rights	179	-	179	201
Unearned premium contributions for new cases	-	80	80	89
Indexation or reduction	-	-	-	-
Interest addition / (withdrawal)	(480)	(2)	(482)	(511)
Withdrawal for retirement benefits and pension administration costs	(3,940)	(80)	(4,020)	(3,739)
Change in market interest rates	35,100	42	35,142	9,422
Change pursuant to transfer of rights	27	-	27	645
Adjustment of actuarial principles pension scheme	(980)	(105)	(1,085)	(3,355)
Other changes	(353)	(7)	(360)	135
Position at the end of the year	**239,342**	**908**	**240,250**	**204,111**

1 Pension obligations for pension fund risk include provision for net partner's pension for risk pension fund

Pension accrual

Under pension accrual, the actuarial value of the years of service accrual of the nominal rights to old-age pension, including non-contributory pension accrual for new ones incapacitated for work, compensation rights and commencement of survivor's pension.

Indexation or reduction

On 8 November 2019, the board decided not to index the nominal rights as of 1 January 2020. As of January 1, 2019 there was also no indexation.

The accrued rights do not have to be reduced on the balance sheet date.

Interest addition

The interest addition concerns the increase / decrease of the technical provisions on the basis of the one-year interest in the interest rate term structure published by DNB at the beginning of the year under review. For the 2019 financial year, this interest is approximately - / - 0.2% (2018: approximately - / - 0.3%).

Withdrawal for retirement benefits and retirement benefits

This concerns the decrease in the technical provisions for the expected actuarial principles making distributions and paying the pension administration costs.

Change in market interest rates

The value of the pension obligations changes due to changes in market interest rates.

Pension obligations for pension fund risk

	2019	2018
Modified duration (in years)	21.4	20.9
Average long-term interest	0.8%	1.4%

Other technical provisions

	2019	2018
Modified duration (in years)	8.0	7.7
Average long-term interest	0.3%	0.9%

Change under Transfer of Rights

The value of the pension liabilities changes due to the incoming and outgoing value transfers calculated on the basis of actuarial assumptions.

Adjustment of actuarial principles for pension scheme

The actuarial principles are the assumptions and assumptions on which the calculation of the technical provisions are based. The effect is adjusted under actuarial principles of adjustment of stock bases, economic bases and cost bases on the technical provisions included. These adjustments are further explained in section 28 .

Other changes to pension scheme

Changes in the provision are recognized under other movements, other than those under one of the other categories can be classified.

11 Provision for pension liabilities for risk Attendees

	2019	2018
Extra pension	64	62
Total	**64**	**62**

Obligation for extra pension

(amounts x € 1 million)	2019	2018

Position at the beginning of the year	62	72
Agreed contractual return	12	(1)
Withdrawal for pension administration costs	-	-
Conversion into technical facility	(10)	(9)
Position at the end of the year	**64**	**62**

12 Obligations arising from investments

(amounts x € 1 million)	**2019**	**2018**
Derivatives	9,668	8,646
Debts arising from collateral management	14,832	10,209
Investment transactions to be settled	647	175
Taxes	-	-
Other debts and accruals and deferred income	106	129
Total	**25,253**	**19,159**

Obligations under investments have a term of less than one year, unless below otherwise stated.

Derivatives

See for explanation paragraph 3.5 .

Debts arising from collateral management

The debts under collateral management relate to receivables and repayments pay cash (as security) in connection with the positive fair value of derivative positions.

Investment transactions to be settled

The pension fund has executed investment transactions that were not settled at the end of the financial year. This has created an obligation. The investment transactions to be settled item existed at the end of the year financial year mainly from transactions with PGGM investment funds.

Other debts and accruals and deferred income

On 1 January 2008, the implementing organization of PFZW with the related assets and liabilities sold to the implementing organization PGGM. The subsequent result from this transaction amounts to € 34 million and will be credited to the result in six years from 2014. In the the item 'Other debts and accruals and deferred income' as at 31 December 2019 is € nil million (2018: € 5.6 million) recognized in respect of the portion still to be amortized in respect of the realized result on the sale of the implementing organization and related assets and liabilities (including participations) as of 1 January 2008.

13 Other debts and accruals and deferred income

(amounts x € 1 million)	2019	2018
Taxes and social security contributions	86	81
VPL premium received in advance	529	338
Savings fund conscientious objectors	21	20
Payments still to be paid	203	187
Goodwill received in advance	11	16
Other debts and accruals and deferred income	10	2
Total	**860**	**644**

Other debts and accruals and deferred income has a short-term nature of less than one years unless otherwise noted below.

VPL premium received in advance

(amounts x € 1 million)	2019	2018
Position at the beginning of the year	338	257
Addition of charged VPL premium	280	263
Af: Purchase of pension	(155)	(181)
At: return	66	(1)
Position at the end of the year	**529**	**338**

From 2015, a separate premium will be levied for the VPL compensation rights (VPL scheme). This premium is 1.1% of the contribution base. Part of this premium is used for direct purchase of the compensation rights that became unconditional in the premium year. The rest concerns one debt due to VPL premiums received in advance. The debt is increased annually by the PFZW yield achieved.

Given the expected premium and purchase of the coming year, the current value of the debt is in the premium system used by PFZW sufficient to cover all rights up to and including 2020 finance. A surplus is currently expected at the end of 2020.

Savings fund conscientious objectors

The savings fund of conscientious objectors has an average term of more than five years.

Goodwill received in advance

The remaining amortization period of the goodwill received in advance is two years.

14 Rights and obligations not included in the balance sheet

Legal proceedings

There are no legal proceedings pending at year-end that have a material effect on the financial position of the fund.

As of the balance sheet date, PFZW has a number of legal proceedings pertaining to withheld withholding tax on dividends in other EU member states. Based on current insights and state of The value to be claimed amounts to approximately € 24 million (2018: € 58 million).

Investment and payment obligations

The following investment and payment obligations exist on the balance sheet date:

(amounts x € 1 million)	2019	2018	Maximum duration
Real estate	189	83	5 years
Infrastructure	431	1,746	5 years
Private equity	7,740	7,238	5 years
Loans	53	55	5 years
Others	90	638	5 years
Total	**8,503**	**9,760**	

Of the total investment and payment obligations, € 7,689 million (2018: € 8,431 million) entered into with PGGM investment funds.

The pension fund has no direct investments in premium-contributing companies.

At the end of the financial year, an amount of € 65 million (2018: € 83 million) was in binding offers (signed return received) under the mortgage loans.

Conditional pension entitlements

The contingent liabilities that are not included in the balance sheet pension entitlements amount to € 1,091 million (€ 1,083 million at year-end 2018). This concerns the compensation rights (VPL) and applies only to those active on 31 December 1998 participants whose employment has not been terminated prematurely. The purchase of this contingent liabilities related to VPL will continue until 31 December 2020 the valuation of these obligations does not take into account the expected outflow of participants, causing them to lose their right.

These obligations will be financed from the premium contributions in the coming years. From 2015 to and with 2019 the premium intended for this will be higher than the buy-in in that year obligations. The difference is recognized in the balance sheet as premiums received (note 13) for the future purchase of these claims. As of November 29, 2017, the law states that the premium coverage of the purchase of the VPL rights is at least equal to that of the regular pension accrual.

Fiscal unit

PFZW is part of a fiscal unity with PGGM Coöperatie UA, PGGM NV and her subsidiaries for sales tax, which makes it jointly and severally liable for any turnover tax debts of entities belonging to the fiscal unity.

(Long-term) contractual obligations

PFZW has concluded various outsourcing agreements with PGGM NV and its subsidiaries. The the following agreements have been concluded:

- Framework agreement (duration: indefinite)
- Further agreement regarding Customer service and advice (pension management) (term: until 1/1/2022)
- Further Asset Management Agreement (duration: to 1/1/2021)
- Further agreement regarding investment policy advice and fiduciary advice (duration: until 1/1/2021)
- Further agreement on management support and policy advice (duration: 1/1/2022)

The annual fee that PFZW owes for the provision of these services is annual established in the Service Level Agreement (SLA). In 2019, the total compensation was below the agreements € 233.7 million divided into € 106.0 million for the cluster: Customer service and advice and management support and policy advice, and € 127.7 million for the cluster: Asset management and advice Investment policy and fiduciary advice.

15 Risk management

Under the Pension Act, PFZW's goal is to be able to distribute nominal pension rights. In addition, PFZW has the ambition to provide the pension entitlements and the pensions in payment annually adaptable to price inflation. In the financial structure, PFZW partly finances the indexation ambition from premium and partly from return on investments. The premium has not been sufficient in recent years to fund the nominal entitlements. As of 2008, only in 2009 and in 2013 partial indexation has taken place. The financing of the indexation office is highly dependent of the return on investments. To this end, conscious risk is taken.

The deliberately taken risks arising from the investment activities are both long-term term as controlled in the short term, as described in the chapter 'Risk management 'of the report of the board. This 'risk paragraph' provides more insight into the risks and changes in those risks in the past year.

15.1 Coverage risk

The funding ratio risk is the potential impact on the funding ratio due to uncertainty in future investment returns, interest rate trends and demographic fundamentals.
In the short term, it is particularly the uncertainty in the nominal funding ratio that is important so-called solvency risk. For assessment against the financial assessment framework (FTK), the policy funding ratio used. This is the average of the funding ratios on the last 12 month ends.

The minimum required funding ratio at the end of 2019 is equal to 104.3%. The policy funding ratio has ended 2019 lower than the minimum required funding ratio, namely 96.5%. So there is one funding shortfall. In the FTK, a fund does not have a funding shortfall for more than six years in a row may have. If this is the case, and the current funding ratio at the sixth year end is lower than the minimum required funding ratio, pension rights must be reduced. It is late 2019 fifth year at which the policy funding ratio is lower than the minimum required funding ratio.

To assess whether PFZW has sufficient capital to deal with short-term investment risks PFZW uses the standard model of De Nederlandsche Bank (DNB) for the determination of required own funds, supplemented by a partial internal model for risks that do not fit well within the standard model. PFZW currently uses a partial internal model for the raw materials category (S4). It requires equity, based on the strategic investment mix for 2019, amounted to € 55 billion at year-end 2019 (year-end 2018: € 50 billion), which corresponds to rounded 22.7% of the nominal liabilities (year-end 2018: 24.4%).

(amounts x € 1 billion)	**At the end of 2019**		**At the end of 2018**	
S1 Interest rate risk	7.3	3.0%	11.0	5.4%
S2 Risk of corporate values	44.3	18.4%	37.8	18.5%
S3 Currency risk	11.3	4.7%	10.4	5.1%
S4 Commodity risk	3.7	1.6%	4.9	2.4%
S5 Credit risk	8.4	3.5%	7.5	3.7%
S6 Technical insurance risk	8.7	3.6%	7.3	3.6%
S10 Active management risk	2.3	1.0%	1.7	0.8%
Af: diversification effect	(31.3)	(13.1%)	(30.8)	(15.1%)
Total S (required buffers) = required own funds	**54.7**	**22.7%**	**49.8**	**24.4%**

Technical equipment	240.2	204.2
Required power	294.9	254.0
Available power	238.3	199.0
Shortage	**56.6**	**55.0**

The policy funding ratio is lower than the required funding ratio. That is why there is a recovery plan submitted to be at a funding level above the requirement again after the end of 2019 at the latest after ten years funding level.

The various risks to the funding ratio are described below. From any risk described what it entails, which control measures are taken and what impact a would have a potential shock to the funding ratio.

15.2 Risks

Risks S1 to S5 and S10 relate to market risk. Market risk is the potential impact on the value of investments and liabilities due to uncertainty in market prices, such as share prices and the level of the interest rate term structure. Market risk has been taken deliberately risk, the return on risky investments contributes to the financing of the indexation ambition. The investment strategy and the corresponding risk are aligned with the pension obligations, partly due to a well-considered spread of the investments across categories, regions, sectors, companies and counterparties.

Interest rate risk (S1)

Interest rate risk is the potential impact on the value of the investments and the liabilities as a result of uncertainty in the development of the interest rate term structure.

The investment strategy aims to optimally match the interest rate risk in the liabilities and investments. The strategic hedging rate at the end of 2019 for the PFZW's nominal interest rate risk is 31% of the liabilities. The hedge is filled in with government bonds and interest rate swaps. The interest rate risk is partially hedged, thus retaining PFZW the scope to restore the funding ratio recovery in the event of a possible future interest rate rise. As the interest rates fall, however, the incomplete hedging will lead to a lower coverage ratio.

(amounts x € 1 million)	**Ultimo 2019**	**Ultimo 2018**
Balance sheet item		

Government bonds	57.9	40.2
Interest rate swaps	123.6	118.5
Obligations	583.6	466.8
Hedging percentages interest hedging mandate		
compared to actual obligations	31.1%	34.0%
benchmark	31.0%	34.1%
Interest rate		
30-year swap rate	0.6%	1.4%

The interest rate hedge takes market liquidity into account when distributing over maturities and systemic risks. The starting point is that the total interest rate sensitivity remains unchanged.

The required equity capital is subject to a maturity-dependent shock when determining the interest rate risk applied that increases for longer durations. Applying this shock leads to a decrease of the coverage ratio by about 3%.

The following table shows the sensitivity of the interest rate hedge, the fixed income securities and the technical provision for a parallel interest rate shock of +1 and -1 percentage point. This leads to changes in funding ratio.

The technical provision is sensitive to a change in interest rates. A drop from the nominal interest by one percentage point leads to an increase in the technical provision of approximately € 50 billion. This increase is partly due to the interest rate hedge and the investments in fixed-income securities offset by its value increasing by approximately € 26 billion. As a result, the decrease in funding ratio limited to over 8 percentage points. This is offset by an increase of interest, the rise in the nominal funding ratio is also dampened.

Sensitivity to nominal interest		**Stand**	
(amounts x € 1 billion)	**-1%**	**12/31/19**	**+ 1%**
Interest rate and inflation hedge			
Derivatives	32.9	18.7	7.8
Other	61.2	49.7	40.6
Other fixed-income securities	31.4	30.9	30.4
Total fixed income securities	**125.5**	**99.3**	**78.8**
Technical provision	290.7	240.3	200.5
Nominal funding ratio	**91%**	**99%**	**109%**

Business values risk (S2)

Business value risk is the equity and real estate risk. This risk is the potential impact on the value of investments due to uncertainty in market prices. Also the categories infrastructure, insurance and private equity are covered by equity and real estate risk. It is, in line with the investment strategy, it is expressly not the intention to minimize this risk. This risk becomes controlled, with the most important control measure being a well-considered distribution of the underlying investments across countries and sectors.

Because the strategic investment mix consists to a large extent (52.2%) of corporate securities, the funding ratio sensitive to changes in share prices and real estate. So it gives a decrease of the prices of real values in accordance with the shocks used in the determination of the VEV a decrease of the (current) funding ratio of approximately 15 percentage points.

The graph below shows the distribution of the real values over the categories in accordance strategic investment mix. The main categories S2A, S2B, S2C and S2D are important for the adoption of the VEV. These main categories are each a different risk group. The categories in accordance with the strategic investment mix, are divided over these main categories according to the description from DNB.

The majority of these investments include developed market equities listed real estate (S2A). The shock on these investments is 30%.

Currency risk (S3)

Currency risk is the possible impact on the value of the investments due to uncertainty in the Currency rates.

In PFZW's strategic investment policy, currency risk is partially hedged by means of of forward contracts and swaps. The exposures to US dollars and Japanese yen are 70% covered. The exposures to Australian dollars, Canadian dollars, Hong Kong dollars, British pounds and Swiss francs are 100% hedged. Because of this cover, the risks of investing in foreign currency. The exposures to the smaller currencies inside developed markets are not hedged. Also the exposures to currencies of emerging countries are not covered.

The total foreign currency position at year-end 2019 was € 128 billion (2018: € 105 billion), of which € 54 billion (2018: € 44 billion) was not hedged.

2019 (amounts x € 1 billion)	**Investments in strange currencies**	**Hedging stranger currencies**	**Net-position**
U.S. dollar	73.0	(50.7)	22.3
Japanese Yen	7.3	(5.1)	2.2
Swiss Franc	2.3	(2.3)	-
British pound	7.7	(7.7)	-
Canadian dollar	2.6	(2.6)	-
Australian dollar	3.3	(3.3)	-
Hong Kong dollar	2.4	(2.4)	-
Other G14 currency	4.6	-	4.6
Other currencies	24.9	-	24.9
Subtotal foreign currency	**128.1**	**(74.1)**	**54.0**
Euro	109.6	-	109.6
Fair value currency swaps	0.7	-	0.7
Total investments	**238.4**	**(74.1)**	**164.3**

Because the currency risk is not fully hedged in accordance with policy, the funding ratio is sensitive to changes in exchange rates. A fall in prices, in accordance with the provisions of the VEV used shock, against the euro, on the basis of the actual hedge, a decrease of the nominal funding ratio of 4 percentage points. This shock is 20% for developed countries and 35% for emerging countries.

Commodity risk (S4)

Commodity risk is the potential impact on the value of investments as a result of uncertainty about the market prices of raw materials.

Since 1 January 2015, the risk profile of raw materials at PFZW no longer corresponds to the profile in DNB's standard model. The benchmark as laid down in the strategic investment policy 2020 only consists of oil-related raw materials. A benchmark that only investing in the oil sector is riskier than a benchmark in which investments are spread over multiple sectors. Therefore, a commodity risk is assumed at a 55% shock, that is higher than the shock of 35% in the standard model. The amount used in the required own funds shock on raw materials leads to a decrease of the coverage ratio by 2 percentage points.

Credit risk (S5)

Credit risk is the possible impact on the value of the investments if the creditworthiness of counterparties deteriorates, increasing the likelihood that they will not meet contractual obligations can meet. This mainly concerns bonds, loans and mortgages. Also the category credit risk sharing transactions fall under S5.

The funding ratio is sensitive to credit risk. An increase in credit spreads in accordance with the Determining the VEV used shock results in a decrease of the funding ratio by 3 percentage points. The The magnitude of the credit shock to be imposed depends on the creditworthiness of the investments. The lower the creditworthiness, the higher the shock.

The following chart provides an additional specification of the portfolio's rating distribution fixed income securities:

Insurance technical risk (S6)

Technical insurance risk is the possible impact on the value of the pension obligations as due to uncertainty in the actuarial principles. Longevity risk is the most important insurance risk. Longevity risk is the risk for PFZW that participants stay longer life is assumed to be average. Account is already taken into account when determining the provision account for the expected increase in life expectancy as indicated by the Actuarial Society (AG forecast table 2018) is predicted. It is also taken into account that PFZW participants live longer on average than the Dutch population (experience mortality).

The mortality and longevity basis has been adjusted in 2019. This is due to the adaptation of the fund-dependent mortality. This leads to a slight change in life expectancy.

2019

	man		Woman	
Life expectancy 2019	**0 years**	**65 years**	**0 years**	**65 years**
Old foundation	91.3	86.9	93.3	88.9
Effect AG2018 forecast	-	-	-	-
Effect of adjustment of mortality	0.1	(0.1)	(0.1)	-
Life expectancy at the end of 2019	**91.4**	**86.8**	**93.2**	**88.9**
Life expectancy at the end of 2018	91.3	86.9	93.3	88.9

There is a high degree of uncertainty about life expectancy. That is because 100 years ahead is being looked at.

When calculating the Required Equity (VEV), a shock is made to the provision as described in the DNB guide. Application of this shock leads to a 3 percentage point lower funding ratio.

Liquidity risk (S7)

Liquidity risk is the risk that PFZW will not have sufficient liquid financial resources in times of stress has resources to meet payment obligations. This could include the pension benefit obligations or collateral obligations with derivative positions for execution the risk hedging strategies within the investment policy.

To manage the liquidity risk, PFZW monitors the ratio between the liquidity requirement and the available liquidity in a strongly negative stress scenario. To be able to respond adequately is the controllability in the invested capital is important. Steerability is defined as the degree in which the different investment categories remain within the strategic bandwidths. PFZW invests a substantial part of the assets in illiquid investments that fit in well with the long - term nature of pensions, but where restrictions exist with regard to the early reduction of the size of these investments. To avoid this illiquid investments that reduce controllability are explicitly taken into account in the rebalancing policy account for the positions in illiquid investments.

Due to the mentioned control measures, the impact of the liquidity risk on the size of the Required Equity to be considered as nil.

Concentration risk (S8)

Concentration risk is the risk that arises as an adequate spread of assets or liabilities is missing.

PFZW has an investment strategy with a well-considered spread of investments categories, regions, sectors and companies. The participant base is also diverse, with a very large one number of participants and a spread over the different age cohorts. The risk is therefore limited. Therefore, when determining the required own funds, there is no buffer for this risk apprehended.

Operational risk (S9)

Operational risk refers to the risk that arises as a result of the failure or failure of internal processes, human and technical shortcomings and unexpected external ones events.

In recent years, PFZW has taken steps towards more mature risk management. Among other things, by receiving Standard 3402 and 3000A reports regarding the control of internal processes in pension management and asset management becomes financial operational risk managed. Therefore, when determining the required own funds, none buffer for this risk is maintained.

Risk active management (S10)

The active management risk relates to the scope for implementing the investment policy to deviate from the strategically pursued portfolio.

The risk premium for active management is based on the tracking errors of the portfolios within listed shares and listed real estate. Portfolios whose tracking errors are less than 1% (passive management) are disregarded in line with the guidelines for S10 left.

For the other investment portfolios, active management is conceptually inapplicable or not to a significant degree mitigate the active risk if the look-through principle is properly applied. Only a limited part of the listed equity and real estate portfolios are actively involved management. The allocations to the categories' Investing Shares in Solutions', 'Listed real estate 'and' Alternative equity strategies' have a tracking error greater than 1%. The applied shock for active management reduces the funding ratio by less than one percentage point.

16 Financial position and financing

Financial position

The current funding ratio increased from 97.5% to 99.2% during 2019. The policy funding ratio is the average of the last 12 current funding ratios on the month ends. The real funding ratio is also defined by law. This is the ratio between the policy funding ratio and the funding ratio whereby indexes would be fully future-proof could be.

The policy funding ratio of 96.5% is below the minimum required funding ratio of 104.3% and below the required funding ratio of 122.7%. PFZW therefore has both coverage and one reserve shortage. The required funding ratio includes a solvency buffer of 22.7% to reduce the probability of to come to a funding shortfall within a year.

The critical funding ratio at the end of 2019 is 94%. Because the current funding ratio is above the according to the recovery plan, PFZW can recover to a critical funding ratio of 94% the required funding ratio of 122.7%.

Cover ratios	**2019**	**2018**
Current coverage ratio	99.2%	97.5%
Policy funding ratio	96.5%	101.3%
Real coverage	77.6%	82.3%
Critical coverage ratio	94.0%	88.0%

The provision published by DNB was used in determining the provision interest rate term structure. The table below shows the impact of the various factors on the development of the current funding ratio.

	2019	2018
Coverage ratio at the beginning of the year	97.5%	101.1%
Impact investment return:		
◦ Return (excluding interest and inflation mandate)	11.8%	(2.1%)
◦ Interest and inflation mandate	6.5%	1.6%
	18.3%	**(0.5%)**
Impact development obligations:		
◦ Addition of interest provision	0.3%	0.2%
◦ Market value change	(17.0%)	(4.7%)
	(16.7%)	**(4.5%)**
Impact premiums and benefits:		
◦ Contribution contribution and pension accrual	(0.3%)	(0.2%)
◦ Making pension benefits	0.0%	0.0%
	(0.3%)	**(0.2%)**
Impact of adjustment of actuarial principles	0.4%	1.6%
Indexing	0.0%	0.0%
Other changes	0.0%	0.0%
Funding ratio at the end of the year	**99.2%**	**97.5%**

The factors that influence the development of the funding ratio are explained below:

- The total return in 2019 on the PFZW investment portfolio is 18.8%. The regular investments ensure a positive return. The return achieved exclusive interest rate hedging (11.9%) leads to an increase of 11.8 percentage points in the funding ratio. By the positive return of the interest rate hedge (6.9%) increases the funding ratio by 6.5 percentage point.
- Due to a change in market value in the interest rate term structure, the funding ratio falls by 17.0 percentage point. This takes into account the interest rate term structure published by DNB at the end December 2019.
- The contribution ratio and pension accrual decrease the funding ratio by 0.3 percentage points. The premium funding ratio was lower than the current funding ratio during 2019.
- The coverage ratio increases by 0.4 percentage point due to the adjustment of actuarial principles. This comes mainly due to the adjustment of the principles for retirement behavior and the state pension age.

The development of the funding ratio in 2019 was as follows.

Recovery plan

Since the funding ratio of PFZW is below the required funding ratio, PFZW has a recovery plan submitted. This recovery plan is updated annually, whereby it is tested that the funding ratio will return to the required funding ratio within ten years. This will be in 2020 recovery plan updated. This shows that, given the current funding ratio at the end of 2019, the coverage is expected to be higher than required within ten years without additional measures funding level.

Indexing

Indexation is conditional and is determined annually by the PFZW board. There is no right to indexation. The indexation depends on the financial position of PFZW. The policy funding ratio at the end of September 2019 was 97.3%. In accordance with the financial structure and the recovery plan, the board of PFZW decided not to index (at a price inflation of 2.6%).

PFZW has the ambition to review the pension entitlements and the pensions in payment annually adjust to price inflation. According to the financial structure, PFZW partly finances the indexation ambition from the premium and partly from return on investments.

Given the current financial position, the chance of indexation will remain small in the coming years. That expectations are highly dependent on market developments. According to the FTK, it is only allowed to indexed at a policy funding ratio above 110%. In addition, the buffers must be high be sufficient to continue to provide this indexation in the future.

Value transfers

The Pension Act prescribes that individual value transfers are suspended as with a of the pension providers involved, or both, there is a policy funding level below 100%. From June 2019, the policy funding ratio of PFZW was below 100%. Therefore no value transfers have taken place since June 2019.

In addition, January 1, the Small Pension Value Transfer Act came into effect. PFZW has chosen for automatic outgoing value transfers of small pensions. Outgoing and incoming Value transfers of small pensions have taken place since 2019, regardless of the coverage ratio.

Premium and assessment against the Pension Act

The actual pension contribution for 2019 is 23.5% of the salary above the franchise. Of these 1.1 percentage point is intended as a VPL premium for Flex pension compensation. In addition to the regular premium of 22.4%, 0.1 percentage point premium is released from the premium stabilization designated reserve. There was in it 2019 no premium discount.

The disability pension premium for 2019 is 0.6% on salary above the AP franchise.

PFZW has opted for a premium method based on the subdued premium, because this is one a more stable picture, and investment policy and ambition are taken into account. This is in accordance with the FTK.

The subdued premium is determined on the basis of an expected return adjusted for the ambition of the fund.

PFZW examines in advance whether the premium for 2019 will be sufficiently cost-effective based on the cushioned bases. Afterwards, cost recovery is tested in two ways. On base of the damped cost-effective premium and on the basis of the undamped cost-effective premium.

The undamped cost-effective premium is based on the nominal interest rate at the end of 2018 (including Ultimate Forward Rate) with corresponding yield of 1.6%. At the undamped The cost - effective premium does not take into account the additional income from the investment policy.

The different premiums are broken down in the table below. When the actual premium (excluding addition / withdrawal of premium stabilization destination reserve) is compared with the cost - effective premiums, a positive difference can be designated as a surcharge for recovery of the financial position.

	Muted **cost-effective** premium	**Undamped** **cost-effective** premium
Pension accrual for active persons	8.4%	23.9%
Non-contributory pension accrual of AO employees	0.5%	1.4%
Input Partner pension on a risk basis	0.5%	0.8%
Total actuarial purchase premium	**9.4%**	**26.1%**
Storage for required own funds	2.3%	6.4%
Storage for implementation costs	0.1%	0.1%

Storage intended for conditional indexation	3.6%	0.0%
Total cost-effective premium	**15.4%**	**32.6%**
Actual pension contribution	22.4%	22.4%
Withdrawal from premium stabilization designated reserve	0.1%	0.1%
Premium surplus / deficit	7.1%	(10.1%)

The actual pension premium (excluding VPL premium) of 22.4% is higher than the muted one cost-effective premium of 15.4%, there is also 0.1% premium from the designated reserve extracted. This meets the requirement of according to the Pension Act. The undamped cost-effective premium is 32.6%.

17 Contributions from employers and employees

(amounts x € 1 million)	**2019**	**2018**
Pension scheme	5,711	5,313
VPL pension scheme	155	181
Disability pension scheme	83	89
Net pension product scheme	1	1
Total	**5,950**	**5,584**

Premium contributions have increased due to the increase in the total contribution base.

18 Investment results

(amounts x € 1 million)	**2019**	**2018**
Investment result for pension fund risk	37,385	(821)
Investment result for risk participants	10	(1)
Total	**37,395**	**(822)**

The overview of results for pension fund risk is classified according to the nature of the financial instruments:

(amounts x € 1 million)	Direct mutations	Indirectly price- mutations	Currency asset	Cost management	Total 2019	Total 2018
Real estate and infrastructure						
Real estate	488	3,898	-	44	4,430	1,886
Infrastructure	122	676	8	21	827	600
Shares						
Shares	92	14,440	53	8	14,593	(2,513)
Private equity	1	2,383	31	9	2,424	1,062
Fixed income securities						
Loans	5	220	1	(7)	219	31
Bonds	1,646	4,732	213	(31)	6,560	1,604
Money market investments	(14)	-	12	4	2	(20)
Derivatives						
Interest rate derivatives	-	9,431	-	-	9,431	1,736
Equity derivatives	-	-	-	-	-	-
Currency derivatives	-	-	(3,308)	-	(3,308)	(3,536)
Credit derivatives	-	-	-	-	-	-
Commodities						
Commodities	-	2,013	-	7	2,020	(1,619)
other investments						
Others	21	177	59	(4)	253	(45)
Total	**2,361**	**37,970**	**(2,931)**	**51**	**37,451**	**(814)**
Of which imputed to the VPL obligation					66	(1)
Of which imputed to the receive in advance purchase price SPTT					-	8
Total for risk fund					**37,385**	**(821)**

PFZW holds the majority of its investments through participations in PGGM investment funds. This one funds do not hedge the currency risk of their investments. PFZW has its own currency hedging policy.

The results overview for risk participants is classified according to the nature of the financial instruments:

(amounts x € 1 million)	Direct mutations	Indirectly price- mutations	Currency asset	Cost management	Total 2019	Total 2018
Real estate and infrastructure						
Real estate	-	1	-	-	1	1
Infrastructure	-	-	-	-	-	-
Shares						
Shares	-	4	-	-	4	(1)
Private equity	-	1	-	-	1	-
Fixed income securities						
Loans	-	-	-	-	-	-
Bonds	-	1	-	-	1	-
Money market investments	-	-	-	-	-	-
Derivatives						
Interest rate derivatives	-	3	-	-	3	1
Equity derivatives	-	-	-	-	-	-
Currency derivatives	-	-	(1)	-	(1)	(1)
Credit derivatives	-	-	-	-	-	-
Commodities						
Commodities	-	1	-	-	1	(1)
other investments						
Others	-	-	-	-	-	-
Total	**-**	**11**	**(1)**	**-**	**10**	**(1)**

Cost of asset management

(amounts x € 1 million)	2019	2018

Management fees	60	55
Custody fee	(3)	(3)
Other costs	(6)	(5)
Total	**51**	**47**

Asset management costs

Asset management costs are costs that are charged directly to PFZW. These costs relate to management fees, custody fees and other costs. Make transaction costs not part of the costs of asset management, but are part of the indirect investment income. Any refunds will be deducted from the relevant cost item. For 2019, the refunds exceed the management fee making the management fee on balance shows a benefit.

An important part of PFZW's assets are invested in PGGM investment funds. The cost that these funds are indirect costs for PFZW. These costs are part of the valuation of these funds and as such form part of the results shown in the results overview included indirect price changes.

The indirect costs for PFZW are:

(amounts x € 1 million)	**2019**	**2018**
Asset management costs	(628)	(603)
Performance related fees	(393)	(352)
Total	**(1,021)**	**(955)**

Together with the direct costs, this makes € 679 million in total asset management costs (including income € 51 million) and € 393 million performance-related fees. About 8% of the total asset management costs including performance related fees and the transaction costs are based on estimates as included in the statements of the external party managers or estimates of the implementing organization.

Transaction costs

The transaction costs are part of buying and selling prices and are therefore part of the indirect investment income. The transaction costs for 2019 amount to € 201 million (2018: € 171 million). Within the transaction costs, a distinction is made between three categories: in and exit costs with investment funds, purchase and sales costs with direct investment in investment titles and acquisition costs.

A large part of the capital is invested in PGGM investment funds. In accordance The Pension Federation's Recommendations for Implementation Costs are the underlying transaction costs made fully transparent. The entry and exit costs of PFZW in the PGGM investment funds netted with the revenues for PFZW from the entry and exit costs at the PGGM investment funds. In 2019, this amount amounts to a net benefit of € 5 million (2018: € 4 million).

The buying and selling costs for direct investment in investment titles consist of a number components, namely:

- brokerage fees and stamp duties for processing the transaction
- spread for the benefit of the various costs and profit margins at the intermediary
- costs for processing and registering the transactions in the administration of the asset managers

In 2019, the purchase and sales costs for direct investment titles amount to € 148 million (2018: € 133 million). The transaction costs become transparent for fixed-income securities and derivatives made by estimating the spread. The spread cannot be for every individual transaction and is therefore estimated on the basis of transaction characteristics, such as rating, maturity, volume, region and currency pairs.

The acquisition costs are the transaction-related costs of direct illiquid investments. The acquisition costs for 2019 are € 58 million (2018: € 42 million).

19 Pension benefits

(amounts x € 1 million)	**2019**	**2018**
Retirement pension (including Flex pension)	(3,495)	(3,230)
Partner's pension	(380)	(359)
Orphan's pension	(9)	(9)
Total pension scheme	(3,885)	(3,598)
Disability pension scheme	(85)	(101)
Net pension scheme	-	-
Total	**(3,970)**	**(3,699)**

20 Pension administration costs

The pension administration costs relate to the costs of outsourcing and the costs of the administrative office.

(amounts x € 1 million)	2019	2018
Personnel costs	(4)	(4)
Outsourcing costs	(107)	(103)
Other costs	1	1
Total	**(110)**	**(106)**

PFZW has appointed PGGM NV as pension administrator and asset manager of the fund. The costs for the performance of the assigned tasks consist of a fixed annual fee is established in a Service Level Agreement (SLA). The implementation costs of PFZW are monitored with quarterly reports on the prepared and approved budget.

The other costs include the fees of the external auditor and the external actuary from PFZW.

The fee of the external auditor is € 330 thousand (2018: € 326 thousand). In this respect an amount of € 330 thousand (2018: € 326 thousand) for costs for the statutory audit of the financial statements and the statements and € nil (2018: € nil) for costs for non-audit services.

Willis Towers Watson Netherlands BV's fee is € 180 thousand (2018: € 173 thousand) and concerns costs for actuarial certification.

21 Balance of transfer of rights

This is the balance of incoming amounts from acquired pension obligations and outgoing amounts due to transferred pension obligations.

(amounts x € 1 million)	2019	2018
Incoming value transfers	222	995
Outgoing value transfers	(156)	(348)
Total	**66**	**647**

The Pension Act prescribes that individual value transfers are suspended as with a of the pension providers involved, or both, there is a policy funding level below 100%. From March 2019, the policy funding ratio of PFZW was below 100%.

The incoming value transfers also include affiliation with PFZW of the Foundation Pensioenfonds Tandtechniek. For more information, see abovenote 24.

22 Other income

(amounts x € 1 million)	2019	2018
Other	(2)	(6)
Total	**(2)**	**(6)**

The item other income includes the addition of the debtor provision in 2019 of € 4 million (2018: € 4 million).

23 Other information

23.1 Z-score

In accordance with the Exemption Decree Act Bpf 2000, an industry-wide pension fund must have a drawing up a performance test.

The outcome of the performance test is determined by the sum of five consecutive annual results Z scores divided by the square root of five. If the performance test yields a lower result then - / - 1.28 (the standard in accordance with DNB), based on Article 5 (1a) of the Exemption and Fine Decree Act Bpf 2000 exemption will be granted to institutions that are obliged to participate in the PFZW pension scheme.

The performance test calculated over the years 2015 to 2019 is 2.48 (2014 to 2018: 2.41). The Z-score of PFZW for 2019 came to 1.05 (2018: 1.12).

The Z-score is calculated annually and gives an indication of the ratio of the costs and costs risk adjusted return in the year in question compared to the return of the norm portfolio. The results include all results from the investment activities. At the The test assumes that the standard portfolio reflects PFZW's strategy. Not all investment categories from the strategy are market conformed by the standard portfolio benchmark replicated. These benchmarks are based on the money market rates.

23.2 Employees

The number of employees as of 31 December 2019 calculated on the basis of full-time equivalents is 20.5

(2018: 21.4).

23.3 Employee pension scheme

The employees' pension scheme is administered by PFZW itself. PFZW (the employer) no obligation to make additional contributions in the event of a deficit in the industry pension fund, other than paying future higher contributions. To for this reason, the premiums relating to a period in that period are charged to the brought to results.

23.4 Remuneration

The remuneration of the board members is:

(amounts x € 1 thousand)	**2019**	**2018**
	Fees	**Fees**
J. Kellermann (chairman from June 2019)	88	-
CPMMoonen (chairman from March 2017 to Nov 2018)	-	131
AJVink (deputy chairman) *	89	89
AFPBakker	73	73
GHBergsma	60	60
J. de Bruin (from September 2019)	20	-
PAde Bruijn	73	73
CLDert	73	73
CJElst (until April 2019) *	15	45
JMJMoors	80	73
OMCPerik	73	73
MHACJSimons (as of June 2017)	73	73
FFL Flat	91	91
EMA van der Weiden (from January 2017) *	60	73
P. Wolters	73	60
Total	**941**	**987**

* the funds are transferred to the relevant authorities where the persons work.

The board members do not participate in the pension scheme of PFZW. However, they can accrue pension from other or previous positions.

Board members have an equal fixed remuneration of € 60,000 per year excluding VAT, with exception of two board members who are also members of the General Affairs Committee. She receive an annual fee of € 75,000 excluding VAT.

If a vacancy is temporarily filled by one of the other directors, a supplement to the compensation will be granted.

The remuneration of the external members of the board committees is:

(amounts x € 1 thousand)	2019	2018
	Fees	Fees
Supervisory Board	97	91
Appeals Committee	84	112
Pension council	165	136
Total	**346**	**339**

The director's remuneration is:

(amounts x € 1 thousand)	2019	2018
PJC Borgorgorff		
Salary	168	194
Pension costs	32	37
Social Security	37	39
Other costs	2	2
Total	**239**	**272**

Mr. BORGDORFF went back in contract hours during 2019, which resulted in a lower salary.

No loans, advances or guarantees have been granted to the members of the board or the director.

24 Result on premium contributions and value transfers

(amounts x € 1 million)	2019	2018
Pension scheme		
Premium contributions (excluding cost premiums)	5,659	5,265
VPL premium (excluding debt VPL premium)	155	181
Pension accrual		
Active	(6,110)	(5,512)
Non-contributory pension accrual for incapacity for work	(345)	(308)
Commenced survivor's pension	(193)	(181)
Compensation rights (VPL)	(179)	(201)
Total pension plan contribution	**(1,013)**	**(756)**
Disability pension scheme		
Premium contributions (excluding cost premiums)	79	85
Unearned premium for new illnesses	(83)	(89)
Total premium AP	**(4)**	**(4)**
Incoming value transfers		
Balance transfer of rights (financial)	222	995
Change due to transfer of rights (actuarial)	(212)	(1,033)
Outgoing value transfers		
Balance transfer of rights (financial)	(156)	(348)
Change due to transfer of rights (actuarial)	185	388

Total value transfers	**39**	**2**
Total	**(978)**	**(758)**

The pension contribution in 2019 was 23.5% (2018: 23.5%) on salary above the franchise. Of these was 22.4% for the regular pension plan and 1.1% for the VPL plan. From this VPL premium (€ 280 million), part (€ 155 million) is used to finance the unconditional compensation rights in the year under review. The rest is added to the debt VPL premiums (VPL debt) received in advance to finance redemptions in future years (see paragraph 13). The accrual percentage for retirement pension in 2019 is 1.75% (2018: 1.75%), at a retirement age of 68 (2018: 68).

In 2019, the item rights transfers contains the individual incoming and outgoing value transfers through June. In addition, it contains the processing of the final participant base of Stichting Pensioenfonds Tandtechniek in pension administration and the value transfers of small pensions.

25 Result on investments and liabilities

(amounts x € 1 million)	2019	2018
Investment results	37,385	(821)
Interest added to technical provisions	482	511
Change in market interest on technical provisions	(35,142)	(9,422)
Pension rights indexation	-	-
Total	**2,725**	**(9,732)**

The investment result (excluding interest rate hedging) resulted in a positive result of € 24.0 billion. The interest rate hedge has a positive result of € 13.4 billion. The contribution of the investment policy (including interest rate hedging) to the result € 37.4 billion positive. The decline of the market interest rates (including UFR) lead to a negative result on the technical provisions of in total € 35.1 billion.

The interest rate hedging policy prescribes that, depending on the interest rate, the interest rate risk of the obligations between 30% and 46% are covered. The implementation of the interest rate hedging policy is realized with a portfolio in which government bonds and interest rate swaps are combined.
In terms of policy, the terms of the interest rate hedge are different from the obligations. The actual interest rate hedging as at 31 December 2019 is 31%, in line with the strategic

policy.

26 Result on pension benefits and pension administration costs

(amounts x € 1 million)	2019	2018
Actual retirement benefits	(3,970)	(3,699)
Withdrawal for technical benefit retirement benefits		
Pension scheme	3,863	3,588
Disability pension	78	78

Result on pension benefits	**(29)**	**(33)**
Actual pension administration costs	(110)	(106)
Cost premium premium contribution		
Pension scheme	53	48
Disability pension	4	4
Withdrawal for pension administration costs		
Pension scheme	77	71
Disability pension	2	2
Result on pension administration costs	**26**	**19**
Total	**(3)**	**(14)**

The negative result on the pension benefits is divided between the Pension scheme and the disability pension.

The result on costs is positive because the active stock and the number of benefits are growing faster than the pension administration costs increase. The cost premium in the premium will be reduced in 2020 from 0.20% to 0.15%.

27 Result on net pension

(amounts x € 1 million)	**2019**	**2018**
Result on net partner's pension		
Premiums received (net)	1	1
Purchase price death	-	-
Result on net partner's pension	**1**	**1**

The net partner pension result has been rounded off to € 0 million. This scheme was introduced in 2015. Due to the net nature of the scheme, the financing must be hygienically fiscal. This means that there should be no structural financial flow from the collective scheme to the net scheme to be. Due to the small participant base, the result on net partner's pension is volatile.

28 Adjustment of actuarial principles

(amounts x € 1 million)	2019	2018
Adjustment of state pension age	547	107
Exit behavior	585	49
Forecast table	-	2,690
Experience mortality	533	424
Incapacity for work	130	65
Revalidation	(856)	81
Society frequencies	234	-
Trading opportunities	(107)	-
Wage development and price inflation	(162)	(61)
Other	181	-
Total	**1,085**	**3,355**

In 2019, a full accounting study was conducted. Here are all the bases updated. From 2022, a full foundations survey will be conducted every two years, from then on, the cycles of the full foundations survey and the AG forecast table will be the same walk.

The expected retirement age increases less rapidly, due to the pension agreement. Because of this run temporary pensions for longer. In addition, participants enter their pension earlier (ten relative to the state pension age) than previously expected. Because it is bringing forward pensions calculated according to regulatory factors with an actuarial interest rate higher than the market interest rate, this yields one decrease in the provision.

Experience mortality corrects for the difference in life expectancy between the PFZW population and the Dutch population. Life expectancy is declining due to the updating of the mortality experience for women, which reduces the provision.

Fluctuations in the disability rate within the year are out of the disability and rehabilitation opportunities achieved. This has lowered both chances. Because the provision mainly concerns existing incapacitated persons for work (not the new influx) this, on balance, an increase in the provision.

Fewer participants live together than previously estimated. This results in a decrease in the provision because fewer partner pension benefits are expected to start.

29 Other results

(amounts x € 1 million)	2019	2018
Other actuarial results, on balance	360	(135)
Other income and expenses, on balance	(6)	(20)
Total	**354**	**(155)**

The other actuarial results in 2019 mainly consist of actuarial stock results, one adjustment of the reservation for partially incapacitated for work and purchased risk entitlements participant.

30 Consolidated cash flow statement

The liquid assets consist of the liquid assets from the pension activities and the liquid assets funds from investment activities. If there is a negative balance, this is presented as debt to credit institutions under other payables and accruals and deferred income.

The change in cash can be reconciled to the balance sheet as follows.

	(amounts x € 1 million)	2019	2018
3.4	Total money market investments	12,607	12,044
8	Cash and cash equivalents for pension activities	288	162
	Balance at the end of the financial year	12,895	12,206
	Balance as at the end of the previous financial year	12,206	16,132
	Change in cash	**689**	**(3,926)**

Cash from investment activities is presented in the balance sheet as part of the "fixed income securities". The liquid assets from pension activities are shown separately in the balance sheet responsible.

31 Appropriations of balance of income and expenses

There is no provision in the articles of association regarding the manner in which the balance of income and expenditure is calculated divided. Each year, after a decision to do so, the balance is credited entirely to or from the reserves. Of the balance, € 24 million is charged to the premium stabilization designated reserve. The determination of the amount is explained in more detail atNote 9. The remaining part of the balance is added or withdrawn from the other reserves.

32 Events after the balance sheet date

The corona crisis in 2020 will have a major impact on the financial position of the pension fund, in this respect It is not yet clear what the consequences will be for restoring capital. Important here is the minimum required capital and the limits that the pension fund must meet per year-end 2020. A more detailed explanation is included in the chapter 'Pension product' (section "Preparing for a cut").

Separate financial statements 2019

Company balance sheet as at 31 December 2019

(after allocation of balance of income and expenses)

(amounts x € 1 million)	2019	2018
Assets		
Investments for pension fund risk	263,348	217,777

Investments for risk participant	64	62
Reinsurance part technical provisions	147	151
Participations	198	233
Receivables from investments	179	256
Receivables and prepayments	227	183
Liquid assets	288	162
Total assets	**264,451**	**218,824**
Liabilities		
Foundation capital and reserves	(1,976)	(5,159)
Technical equipment	240,250	204,111
Pension obligation provision for risk participant	64	62
Obligations arising from investments	25,253	19,166
Other debts and accruals and deferred income	860	644
Total liabilities	**264,451**	**218,824**

Simple statement of income and

charges 2019

(amounts x € 1 million)	2019	2018
Result participations	(4)	4
Other result	3,187	(7,307)
Balance of income and expenses	**3,183**	**(7,303)**

Notes to the company financial statements

General

The principles for valuation and determination of the result for the company financial statements are the same to the principles disclosed in the notes to the consolidated financial statements. In front of the notes refer to the consolidated balance sheet and statement of income and expenditure, with except for what is included below.

Participations

(amounts x € 1 million)	2019	2018
Position at the beginning of the year	233	336
Investments	-	-
Purchases / capital deposits	-	-
Divestments	(31)	(84)
Result participations	(4)	4
Dividend received	-	(23)
Position at the end of the year	**198**	**233**

The overview of group companies as referred to in Article 379 Book 2 of the Dutch Civil Code has been filed with the Chamber of Commerce in Utrecht.

Receivables from investments

(amounts x € 1 million)	2019	2018
Claims under collateral management	-	-
Investment transactions to be settled	136	183
Dividends receivable	5	7
Receivables from group companies	-	4
Withholding tax to be claimed	14	13
Other receivables and prepayments	24	49
Total	**179**	**256**

Obligations arising from investments

(amounts x € 1 million)	2019	2018
Derivatives	9,668	8,646
Debts arising from collateral management	14,832	10,209
Investment transactions to be settled	647	175
Debts to group companies	-	7
Taxes	-	-
Other debts and accruals and deferred income	106	129
Total	**25,253**	**19,166**

Off-balance sheet commitments

PFZW is part of a fiscal unity with PGGM Coöperatie UA, PGGM NV and her subsidiaries for sales tax, which makes it jointly and severally liable for any turnover tax debts of entities belonging to the fiscal unity.

Allocation of balance of income and expenses

There is no provision in the articles of association regarding the manner in which the balance of income and expenditure should be are being divided. The balance is, however, entirely credited or charged annually to the reserves brought. Of the balance, € 24 million is charged to the premium stabilization designated reserve. The determination of the amount is explained in more detail atNote 9.
The remaining part of the balance is added to the other reserves.

Events after the balance date

See Chapter 'Events after the balance sheet date 'in the consolidated financial statements.

Zeist, April 23, 2020

The board

AJ (Joanne) Kellermann, chairman (as of 1 June 2019)

AJ (Albert) Vink, deputy chairman

AFP (Age) Bakker

GH (Gerard) Bergsma

J. (Jorick) de Bruin (as of September 1, 2019)

PA (Petra) de Bruijn

CL (Cees) Dert

JMJ (Jacques) Moors

OMC (Odette) Perik

MHACJ (Mariëtte) Simons

EMA (Ilse) van der Weiden

P. (Pascal) Wolters

Other information

- Actuarial statement

- Independent auditor's report

Actuarial statement

Order

The Stichting Pensioenfonds Zorg en Welzijn in Utrecht has given Towers Watson Netherlands BV the instructed to issue an actuarial statement as referred to in the Pension Act on the financial year 2019.

Independence

As a certifying actuary, I am independent of Stichting Pensioenfonds Zorg en Welzijn, such as required in accordance with Article 148 of the Pension Act. I do no other work for it pension fund, other than the activities under the actuarial function.

data

The data on which my research is based has been provided and compiled under the responsibility of the board of the pension fund.

For testing the technical provisions and for assessing the capital position I based myself on the financial information that forms the basis of the annual accounts.

Accountant attunement

Based on the Guide used by me and the accountant, there is coordination about the activities and expectations during the audit of the financial year.

For testing the technical provisions and for assessing the capital position as a whole, i set the materiality at € 1 billion. I have agreed with the accountant to report identified deviations above € 10 million. These agreements have been recorded and the results of my findings have been discussed with the auditor.

I also used the accountant's audit as part of the audit of the financial statements basic data examined. The accountant of the pension fund informed me about his findings regarding the reliability (material correctness and completeness) of the basic information and the other principles that are important for my assessment.

Activities

For the execution of the assignment I have, in accordance with my legal responsibility as described in Article 147 of the Pensions Act, examined whether Articles 126 to 140 of the Pension Act. The basic administrative data provided by the pension fund are such that I have accepted these data as the basis of the calculations I have assessed.

As part of the work for the assignment, I investigated whether:

- the technical provisions, the minimum required own funds and the required own capital assets are adequately determined;
- the cost-effective premium meets the statutory requirements;
- the investment policy is in accordance with the prudent-person rule.

I have also formed an opinion on the capital position of the pension fund. Thereby have I based myself on the commitments entered into up to and including the balance sheet date and those at that time available resources and the financial policy of the pension fund is also taken into account taken.

I conducted my research in such a way that a reasonable degree of certainty is obtained that the results are free from material misstatement.

The described activities and their implementation are in accordance with the interior the Royal Actuarial Society applies standards and customs and forms in my opinion a sound basis for my judgment.

Judgment

The technical provisions are, in accordance with the described calculation rules and principles, as a whole, adequately established.

The pension fund's equity was lower than the statutory minimum on the balance sheet date required equity.

Subject to the foregoing, I am convinced that the articles have been complied with 126 to 140 of the Pension Act, with the exception of articles 131 (minimum required equity), 132 (required equity) and 133 (coverage by values).

With regard to Article 137 (financing conditional indexation), I note that the level of the nominal market interest rates in recent years both the realization and the financing of the has affected conditional indexation.

The board has lowered the internal actuarial interest for calculating the required premium. This one however, adjustment did not result in an increase in the actual premium or a decrease in the construction and will therefore not contribute to improving the financing of the scheme in 2020 and the financial position. The sustainability of the financial setup is therefore to my opinion opinion unabated under pressure.

The policy funding ratio of the pension fund on the balance sheet date is lower than the funding ratio at the minimum required own funds. This situation applies to five consecutive measuring moments.

My opinion on the financial position of Stichting Pensioenfonds Zorg en Welzijn is based on the commitments entered into up to and including the balance sheet date and the resources available at that time. The asset position is bad in my opinion, because the equity available is lower than it minimum required own funds.

In the context of this opinion, I refer to developments after the balance sheet date as a result of the Corona crisis, as explained by the pension fund in the annual report.

Amstelveen, April 23, 2020

H. Zaghdoudi AAG

Connected to Willis Towers Watson Netherlands BV

Auditor's report independent accountant

To the board of Stichting Pensioenfonds Zorg en Welzijn

STATEMENT ON THE INCLUDED IN THE ANNUAL REPORT FINANCIAL STATEMENTS 2019

Our verdict

We have the 2019 financial statements of Stichting Pensioenfonds Zorg en Welzijn in Utrecht checked.

In our opinion, the financial statements included in this annual report give a true and fair view of the size and composition of the assets of Stichting Pensioenfonds Zorg en Welzijn per 31 December 2019 and of the balance of income and expenses for 2019 in accordance with Title 9 Book 2 BW.

The annual accounts consist of:

1. The consolidated and company balance sheet as at December 31, 2019.
2. The consolidated and statutory statement of income and expenses for 2019.
3. The explanation with an overview of the accounting policies used and other disclosures.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including Dutch law audit standards. Our responsibilities under this heading are set out in the section “Our responsibilities for the audit of the financial statements”.

We are independent of Stichting Pensioenfonds Zorg en Welzijn as required by the Supervision Act audit firms (Wta), the Regulation on the independence of accountants assurance engagements (ViO) and other independence rules relevant to the engagement The Netherlands. We have also complied with the Ordinance on the Rules of Conduct and Professional Accountants (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for us judgment.

Materiality

Based on our professional judgment, we have the materiality for the financial statements determined as a whole at € 1,000 million. The materiality is based on 1% of the sum of it available foundation capital and reserves and the provision for pension liabilities for risk pension fund with a maximum of € 1,000 million. For the control of asset management and the pension execution costs, we have set the materiality at € 100 million. We hold also take into account deviations and / or possible deviations that in our opinion for the users of the financial statements are material for qualitative reasons.

We have agreed with those charged with governance that we have with those charged with governance governance Report misstatements in excess of € 10 million identified during our audit as well as minor misstatements that we believe are relevant for qualitative reasons.

Scope of the group audit

Stichting Pensioenfonds Zorg en Welzijn runs the pension administration and the asset management outsourced to an implementing organization. The financial information received from this implementing organization on basic administrative data resulting in the technical provisions, premium contributions, distributions, investments and investment results included in the annual accounts of Stichting Pensioenfonds Zorg en Welzijn.

We used another auditor to audit the financial information received from the implementing organization. Given our responsibility for the judgment we are responsible for the management, supervision and implementation of the financial statements of the audit procedures by the other auditor. We have the other accountant sent instructions on the audit approach to be followed, the materiality to be used and the attention points. We have evaluated the report of the other accountant, the results discussed and conducted a file review of the file related to the work performed activities and the results thereof.

Due to the above activities in the group entities, combined with additional ones activities at group level, we have sufficient and appropriate audit evidence with regarding the financial information of the group obtained to express an opinion on the consolidated annual account.

The key audit matters

In the key audit matters, we describe matters that we consider to be professional most important were during our audit of the financial statements. The key audit matters we have communicated with those charged with governance, but they are not complete representation of everything that has been discussed.

We have identified our audit procedures on these key matters in the box of the audit of the financial statements as a whole. Our findings regarding the individual key points should be viewed in that context and not as separate judgments on these key points.

Financial position and sensitivities to the valuation of the technical equipment

The technical provision, including the provision for pension liabilities for risk pension fund concerns the main liability in the balance sheet of Stichting Pensioenfonds Zorg and Well-being and is one of the most important components for calculating the current funding ratio and policy funding ratio. InNote 16 to the consolidated financial statements is the financial position as at 31 December 2019. According to this explanation, the current funding ratio 99.2 percent and the policy funding ratio 96.5 percent as at 31 December 2019.

In our audit, we paid particular attention to the valuation of the technical provisions that are created on the basis of the basic administrative data and by the management chosen (actuarial) assumptions and estimation elements, such as mortality, cohabitation data, retirement age, incapacity for work and reactivation as well as administrative and collection costs.

Stichting Pensioenfonds Zorg en Welzijn has the principles for valuing assets and liabilities on pages 106 to 108 the (actuarial) assumptions used and estimation elements for the valuation of the technical provision are explained. In note 10 to the Consolidated financial statements have provided further details of the technical provision. from this detail and the explanation in note 28 to the consolidated annual accounts show that in 2019 a complete foundations investigation has taken place, in accordance with the Actuarial and Technical Business Note are the most important (actuarial) assumptions and estimation elements investigated.

We have reasonableness of the assumptions and estimates made by the board regarding the chosen (actuarial) assumptions and the valuation principles applied and discussed with the certifying actuary. Among other things, the certifying actuary examines the adequacy of the provision for pension liabilities and compliance with a number of specific legal provisions from the Pension Act. We have sent instructions to the certifying actuary about the audit approach and points for attention. We have reporting from the certifying actuary evaluated, discussed the results and performed a file review on the file of the certifying actuary. In addition, we performed audit procedures to determine the methods used to test basic administrative data.

Valuation of investments valued on the basis of 'valuation models and techniques'

The investments are a significant item on the balance sheet of Stichting Pensioenfonds Zorg en Welzijn and must be valued at market value in accordance with the Pension Act.

For a large part of the investments, the market value can be tested against transactions that are concluded have entered the financial markets, but there are also investments that are valued on basis of valuation models and techniques. Determine using models and techniques of market value is complex and contains subjective elements that are included in the calculation handled.

In the accounting policies for valuation of assets and liabilities on pages 103 to 105 and in note 3.8 to the consolidated financial statements gives Stichting Pensioenfonds Zorg en Welzijn insight into the valuation methods used for the investments. This explanation shows that at the end of 2019 € 25 billion (10% of total investments) is valued using valuation models and techniques.

Stichting Pensioenfonds Zorg en Welzijn has described in a valuation manual models should be used depending on the specifics of an investment. This The handbook also contains a description of the variables to be reckoned with for the determine the market value of an investment. A description of these models and techniques is presented in note 3.8 to the consolidated financial statements.

We determined whether the models and techniques described in the valuation manual are suitable, within the applicable legal provisions and the Guidelines for the Annual reporting, to be able to arrive at a market value of these investments. We also have tested whether the application of these models and techniques in determining the market value has taken place in accordance with the principles of the valuation manual.

Transparency regarding the implementation costs

Stichting Pensioenfonds Zorg en Welzijn enters note 18 and note 20 to the consolidated statement financial statements insight into the implementation costs of asset management (including transaction costs) and pension administration, including an explanation of what assumptions and estimates have been made as well an account of the composition of these costs.

We are accountable for the execution costs through substantive
activities such as analytical procedures and partial observations checked. We also have the reasonableness of the assumptions and estimates made by the board with regard to the execution costs of asset management (including transaction costs) within the principles and Evaluation method of the Pension Federation.

Reliable execution of pension management and asset management processes at the implementing organization

Stichting Pensioenfonds Zorg en Welzijn runs the pension administration and the asset management outsourced, but remains legally responsible for the entire service chain. Stichting Pensioenfonds Zorg en Welzijn runs the risk of being outsourced processes are not or insufficiently controlled and / or that the (financial) information received from the implementing organization is not reliable. In the annual report on page 55 as well as on page 62 through 64 in the chapter " OutsourcingAs well as in note 15.2 to the consolidated financial statements financial statements in the operational risk section on page 148, it provides further information the outsourcing and the manner in which risks associated with this outsourcing are controlled.

We have in mind the correct functioning of internal controls at the implementing organization insofar as relevant for our audit of the annual accounts of Stichting Pensioenfonds Zorg en Welzijn, evaluated. We have used the received Standard 3000A and Standard 3402 type II reports. As set out in the annual report on pages 59 to 61 in the chapter " Risk managementIncluded In control statement, these reports do not contain any limitations. We have also taken note of the reports of the implementing organization and the explanations to the board of Stichting Pensioenfonds Zorg en Welzijn.

Emphasizing the uncertainties regarding the pension agreement and regarding the effects of the Covid-19 virus

In the preface and in the report of the board (page 73) by the board of the foundation Pensioenfonds Zorg en Welzijn paid attention to further elaboration pension agreement concluded in June 2019 between the social partners and the cabinet. The measures taken in the context of the aforementioned pension agreement have as aim to create peace and stability in the further elaboration of the pension agreement. in addition the board there and in the financial statements, note 32 Events after the balance sheet date, requires attention for the additional uncertainties that arose in early 2020 as a result of the effects on the economy due to the Covid-19 virus (corona crisis). The financial markets are falling sharply and interest rates remain at a low level. This has a significant negative impact on the funding ratio development in the first quarter of 2020. A decrease in the pensions and pension entitlements for PFZW members in 2021 are therefore not excluded. Our opinion has not been modified as a result of this matter.

STATEMENT ON THE INCLUDED IN THE ANNUAL REPORT OTHER INFORMATION

In addition to the financial statements and our auditor's report thereon, the annual report includes other information, that exists of:

- Multi-year overview
- Report of the board
- Other information

Based on the following activities, we believe that the other information:

- Is compatible with the financial statements and does not contain material misstatements.
- Contains all information required by Title 9 Book 2 of the Dutch Civil Code.

We have read the other information and based on our knowledge and understanding, obtained from the audit of the financial statements or otherwise, considered or the other information contains material deviations.

In our work we have complied with the requirements in Title 9 Book 2 of the Dutch Civil Code and the Dutch Standard 720. These activities do not have the same depth as ours audit procedures for the annual accounts.

The board is responsible for the preparation of other information, including the multi - annual overview, the report of the board and other information, in accordance with Title 9 Book 2 BW.

DECLARATION ON OTHER BY LEGAL OR REGULATORY REQUIREMENTS

Nomination

We have been appointed as accountants of Stichting by the bodies charged with governance Pensioenfonds Zorg en Welzijn from the audit of the financial year 2008 and have been since that financial year until now the external auditor.

DESCRIPTION OF RESPONSIBILITIES WITH RELATION TO THE FINANCIAL STATEMENTS

Responsibilities of the board for the financial statements

The board is responsible for the preparation and fair presentation of the financial statements accordance with Title 9 Book 2 BW. In this context, the board is responsible for one such internal control that the board deems necessary to prepare the annual accounts without material misstatement, whether due to error or fraud.

When drawing up the annual accounts, the board must consider whether the foundation is able to provide it to continue work in continuity. Under this reporting system, the management prepares the annual accounts on the basis of the going concern assumption, unless it management intends to liquidate the pension fund or to close down its business activities termination or termination is the only realistic alternative, noting that on the basis of the Pension Act, the board can use the reduction of pensions as an ultimate remedy.

The board must identify events and circumstances that could cause reasonable doubt whether the foundation can continue its business activities in continuity, explain in the annual accounts.

Governing bodies are responsible for overseeing the financial reporting process of the foundation.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement such that we thereby obtain sufficient and appropriate audit evidence for it to be issued by us judgment.

Our audit was performed with a high, but not absolute, degree of certainty, which means that We may not discover all material errors and fraud during our audit.

Deviations can arise as a result of fraud or errors and are material if reasonable it can be expected that these, individually or jointly, may affect the economic decisions users make based on these financial statements. The materiality Affects the nature, timing and extent of our audit procedures and the evaluation of it effect of identified misstatements on our opinion.

We have performed this audit professionally critically and where relevant professional judgment applied in accordance with the Dutch auditing standards, ethical requirements and independence requirements. Our audit existed among others from:

- Identifying and assessing the risks that the financial statements differ from material interest, as a result of errors or fraud, in determining and executing in response to these risks audit procedures and obtaining audit evidence that is sufficient and appropriate is the basis for our judgment. In the event of fraud, there is a risk of material misstatement discovered is greater than with errors. Fraud can involve collusion, forgery writing, deliberate failure to record transactions, deliberate misrepresentation business or breaking internal control.
- Obtaining an understanding of internal control relevant to the audit for the purpose select audit procedures that are appropriate in the circumstances. This one activities are not aimed at expressing an opinion on the effectiveness of the internal control of the foundation.
- Evaluating the appropriateness of accounting policies used and evaluating the reasonableness of estimates by the board and the explanations that this is stated in the annual accounts.
- Determining that the going concern assumption used by the board is acceptable is. Also, based on the obtained audit evidence, determine whether there are events and circumstances that could cast serious doubt as to whether the foundation business continuity. If we conclude that there is an uncertainty of it material interest exists, we are required to draw attention to in our auditor's report the relevant related notes in the financial statements. If the disclosures are inadequate,

we must adjust our statement. Our conclusions are based on the audit evidence obtained until the date of our auditor's report. Future events or circumstances may however lead to the foundation no longer being able to continue maintain.

- Evaluating the presentation, structure and content of the financial statements and the results contained therein included disclosures.
- Evaluating whether the financial statements give a true and fair view of the underlying transactions and events.

Given our ultimate responsibility for the judgment, we are responsible for steering supervision, supervision and implementation of the group audit. In this context we have the nature and determined the scope of the work to be performed for the group entities. Determining here are the size and / or risk profile of the group entities or activities. On this basis we have selected the activities involving an audit or assessment of the complete financial information or specific items were necessary.

We communicate with the bodies charged with governance about, among other things, the planned scope and timing of the audit and the significant findings that are presented in our audit including any significant deficiencies in internal control.

We confirm to those charged with governance that we have the relevant ethical requirements have respected independence. We also communicate with the bodies charged with governance over all relationships and other matters that could reasonably affect our independence and related measures to enhance our independence safeguards.

We determine the key audit matters from our audit of the financial statements based on all matters we deal with discussed the bodies charged with governance. We describe these key points in our auditor's report, unless prohibited by law or regulation, or in extremely rare cases circumstances when not mentioning it is in the interest of society.

Amsterdam, April 23, 2020

Deloitte Accountants BV

Was signed: drs. JPM Hopmans RA

Personal details

Board

AJ (Joanne) Kellermann, chairman (as of 1 June 2019)

Members, representatives of the employers' organizations

ActiZ, organization of healthcare entrepreneurs

FFL (Florent) Vlak, secretary (until January 1, 2020)

OMC (Odette) Perik

Social Work Netherlands

PA (Petra) de Bruijn

NVZ Hospitals Association (NVZ)

JMJ (Jacques) Moors

Mental Health Care Netherlands Association (GGZ Nederland)

P. (Pascal) Wolters

Disability Care Association Netherlands (VGN)

AFP (Age) Bakker

Members, representatives of the workers' organization

FNV Care and Welfare

AJ (Albert) Vink, deputy chairman

EMA (Ilse) van der Weiden

CNV Zorg en Welzijn

J. (Jorick) de Bruin (as of September 1, 2019)

FBZ, Federation of Professional Organizations in Healthcare and related education and research

GH (Gerard) Bergsma

NU'91: professional organization of nursing and care

CL (Cees) Dert

Pensioners as referred to in art. 6 statutes PFZW

MHACJ (Mariëtte) Simons

Trainee director E. (Emiel) Deuling (until July 1, 2019)

Supervisory Board

JM (Jack) Buckens, chairman

JML (Jo) van Engelen

A. (Anne) Gram

Pension council

Chairman

EH (Els) Swaab

ActiZ, organization of healthcare entrepreneurs

Members (4)

PA (Paul) van Aachen

JAJ (John) Molenschot

GHM (Godfried) Verkerk

JA (José) van Vliet-Eppinga

ANBO

Members (2)

CM (Rina) Kleine

JCP (Sjef) Marcelis

Deputy Member

WP (Wim) Hölzel

Interest Association Pension Beneficiaries PFZW

Members (1)

CAM (Cees) Michielse

Deputy Member

J. (Jaap) van der Spek

CNV Zorg en Welzijn

Members (3)

PJW (Paul) Leurs

RM (Ronald) de Rijke

R. (Rian) Pig fisherman

Deputy Member

KC (Clasien) Weemhoff-van Eijk

FBZ, Federation of Professional Organizations in Healthcare and related education and research

Members (2)

AFJM (Alexander) Crijns

JW (Jan Willem) le Fèbre

Deputy Member

JHM (José) Klerks

FNV Care and Welfare

Members (14)

GCM (Geertrude) van Amerongen

T. (Thom) Bijenhof

E. (Eunice) Bronswijk

AJ (Amerins) Dikken

WAM (Wout) van Hal

S. (Suredj) Hayer

JWH (Jan Willem) Nieland

E. (Ellen) in Paske-Lievestro (stepped down as of 1 May 2019)

NA (Nils) van Teijlingen

L. (Leontine) Treur

JJE (Finetta) van Werven (joined 1 May 2019)

TG (Ton) de Winter

Deputy Member

EMF (Els) Verhulsdonck (stepped down as of 1 December 2019)

Representatives of pensioners

EH (Lies) Kramer

AR (Pur) Purwanto

JPM (John) Schrama

Deputy Member

H. (Harke) Dijkstra

GGZ Nederland, Mental Health Care Association The Netherlands

Members (2)

A. (Anny) Hartstra

H. (Henk) Meppelink

NU'91, professional organization of nursing and care

Members (2)

WAM (Pim) Aerts (stepped down as of 1 January 2019)

JHM (Marjos) Bardoel (joined January 1, 2019, alternate member for that)

JW (Conny) van Velden (stepped down on October 16, 2019)

Deputy Member

GRJ (Govert) Droste (joined March 27, 2019)

NVZ, association of hospitals

Members (2)

ND (Nils) Ellwanger

P. (Peter) Littooij (stepped down as of 1 July 2019)

BA (Boudewijn) Ponsioen (joined 1 July 2019)

TH (Henriëtte) Walma van der Molen (stepped down as of 1 January 2019)

Deputy Member

AL (Anne-Lieke) van 't Spijker (joined 1 November 2019)

Social Work Netherlands

Members (2)

GJ (Gerrit Jan) Hoogeland

YES (Lex) Steel

Deputy Member

GAPM (Edgar) Kannekens

VGN, Association for Handicapped Care Netherlands

Members (2)

HT (Hugo) Broekman (joined 1 December 2019)

MMC (Martijn) Koot (joined 1 December 2019)

M. (Muriël) van Rijn (stepped down as of 1 December 2019)

SLW (Sam) Schoch (stepped down as of 1 December 2019)

Composition of the administrative office

PJC (Peter) Borgdorff, director

JWG (Jan Willem) van Oostveen, deputy director

Staff members

PP (Peter) Bannink

S. (Stella) Been Hacker

K. (Karin) Bitter

PE (Pieter) Braaksma

PR (Peggy) Gangapersad

B. (Berry) Gerritsen (until May 1, 2019)

MR (Rida) el Hamdani

CAG (Gerda) van Harten – van Doorn

MJG (Marika) Groenestein

M. (Max) Iced

S. (Saida) Hamit (from July 1, 2019)

PW (Pieter) Jansen

L. (Leonie) Jonkergouw

SM (Sara) Leene

GSA (Ghislaine) Ligthart – Beuningh

LC (Linda) de Mooij

LJM (Lindia) from Munster-Rigo

ETM (Els) Stoop

WHC (Wouter) Thalen

J. (Jan) van der Torre

CHA (Coen) Weerkamp

Appeals Committee

AG Castermans, chairman

AR Creutzberg, member

PS Flute, member

W. Wille, alternate member

External compliance officer (in the under the code of conduct)

Netherlands Compliance Institute

Reporting officer (under the whistleblower policy)

OMC (Odette) Perik MBA, chairman audit committee

Actuary

Willis Towers Watson

Accountant

Deloitte Accountants BV

Attachments

- Appendix 1: General terms and abbreviations used

- Appendix 2: Checklist pension funds code

- Appendix 3: Specific board committees

- Appendix 4: Performance PFZW

Appendix 1: General terms and used abbreviations

A control

1. The A scheme is a benefit agreement that, under certain conditions, entitles you to:

a. retirement pension for the (former) participant
b. partner's pension for the partner of the (former) member or pensioner, if the partner relationship started before the retirement age of the participant
c. Anw compensation pension for the partner if the participant dies before the partner AOW has reached the age of entitlement
d. Anw compensation pension for the partner of the former participant, if:
   • the former participant has a retirement pension before the end of the partner relationship exchanged for partner's pension, and
   • the former participant dies before the partner reaches the age of entitlement to AOW
e. Anw compensation pension for the pensioner's partner, if:
   • the retired old-age pension has exchanged for partner's pension
   • the pensioner dies before the partner reaches the state pension age, and
   • the partner relationship has started before the participant's retirement age
f. orphan's pension for the orphan of the (former) participant or pensioner

Scheme A is a benefit agreement that is further elaborated in Chapter 2, paragraph 2 of the pension plan.

2. The partner's pension is half insured and half insured in risk cover.

3. The Anw compensation pension is fully insured in risk coverage.

Current coverage ratio

Relationship between the available pension assets and the value of the accrued entitlements, expressed as a percentage, whereby the accrued entitlements have been discounted with the current nominal market interest rate.

AFM

Financial Markets Authority. The AFM supervises the behavior of and the provision of information by all parties in the financial markets in the Netherlands, including pension funds. Moreover the AFM supervises compliance with the duty of care. The purpose of this is to get participants, like that applies, to advise on responsible individual investments. In addition to AFM, De Nederlandsche Bank (DNB) supervises pension funds.

ALM

Asset Liability Management. A method to model the composition of the strategic determine investment portfolio, taking into account the pension obligations.

B scheme

1. The B scheme is a benefit agreement that, under certain conditions, entitles you to:

a. retirement pension for the (former) participant
b. Flex pension for the (former) participant
c. partner's pension for the partner of the participant and the partner of the former participant, pensioner or Flex pensioner who has exchanged old age pension for partner's pension; in those cases, the partner relationship must have started before retirement age of the participant
d. orphan's pension for the orphan of the (former) participant or pensioner

Scheme B is a benefit agreement that is further elaborated in Chapter 2, paragraph 3 of the pension plan.

2. The partner's pension is insured in risk coverage. The last pension was in 2015 built up in the B scheme.

Investing in solutions

Defined investments for social developments, which not only contribute financially to the return on the portfolio, but also have the intention to social create added value.

Policy funding ratio

Degree of coverage on the basis of which management is conducted in the new FTK. It is the policy funding ratio average of the current funding ratios for the past twelve months.

Benchmark

Representative reinvestment index against which the performance of an investment portfolio is measured dropped off.

CEM

Cost Effectiveness Measurement. Canadian organization dedicated to performance comparison of pension funds.

CEM benchmark

Internationally developed by CEM together with PFZW and other pension funds standard for the efficiency of a pension administration and investment organization to measure and provide insight.

Central clearing / central clearing house

A central clearing house is an institution that facilitates trading in shares and derivatives. By the to let market participants run less risk of, for example, trading via a central clearing house defaults of the counterparty. This increases efficiency in financial markets and ensures stability. The use of central clearing houses does incur costs. Moreover, it is possible require the central clearing house to deposit collateral, allowing participants to see their liquidity Reduce.

Clearen

A step that is made in the settlement of a securities transaction. Different banks are specialized in settlement of securities transactions and safekeeping of securities.

DB scheme

DB stands for Defined Benefit (distribution agreement).

DC control

DC stands for Defined Contribution (premium agreement).

Coverage

Relationship between the available pension assets and the value of the accrued entitlements, expressed as a percentage.

Derivatives

Securities-derived investment products, such as futures, swaps, total return swaps.

Engagement

In connection with sustainable investment: conducting an intensive dialogue with companies in which invested in order to achieve improvements in the field of sustainability policy of the company concerned.

Separate financial statements

These are the annual accounts of the pension fund itself. The group companies in the company balance sheet presented as participating interests and valued at net asset value.The net asset value is equal to the balance of the assets less liabilities of the group company based on the principles of the pension fund.

ESG

English abbreviation for environment (environment), society (social) and governance (governance).

Euribor

Abbreviation for Euro Interbank Offered Rate. Euribor is the interest that banks charge each other for loans.

Extra pension

Product that offered participants the opportunity to participate in the collective pension scheme to build up extra pension on a voluntary basis.

Flex pension

A temporary retirement pension that the participant can receive at any time between the ages of 55 and 65 birthday can start. No accrual has taken place since 2010 for Flexpensioen. e

Franchise

Part of the salary that is not included in the calculation of the pensionable earnings.

FTK

Financial Assessment Framework. Regulations for reviewing the financial design and situation of pension funds by De Nederlandsche Bank.

Future

Exchange traded futures contract with mandatory delivery of underlying securities / goods in the future at a predetermined price. The underlying asset may be one bond or a stock index, money market rate, commodity or currency. Set futures an investor able to hedge investment risks.

Consolidated balance sheet (statement of income and expenditure)

In the consolidated balance sheet / statement of income and expenditure, the financial data are combined of the pension fund and all group companies over which there is predominant control can be exercised with regard to management and financial policy.

Muted premium

Cost-effective premium calculated on the basis of the expected return.

Pensioner

Person for whom the pension has been entered under the pension scheme rules.

Group companies

Group companies are companies and other legal entities that are grouped together are connected. The group companies of the pension fund are held for investment purposes.

Hedge

Covering (interest, inflation and currency) risks in pension obligations.

Hedge funds

Funds using a wide range of investment strategies and - instruments to achieve an absolute (positive) return under different market conditions achieve.

High yield

Investment portfolio with bonds with a credit rating of BB and lower.

Indexation (indexation)

Increasing the acquired pension entitlements and pension rights, on the basis of the in pension scheme defined pension scheme, based on the financial position.

Inflation swap

A derivative contract in which inflation risk is transferred between counterparties.

Inflation-linked bonds

Bonds whose principal and interest payments are indexed with inflation of one certain country.

Interest rate swap

A derivative in which a fixed interest coupon is exchanged for a variable interest coupon.

Customer journey

The 'journey' that the customer makes to (start to) use a service. His experiences and emotions during that journey, any shortcomings in the process are exposed. These insights can also improve the services or the product range are adjusted. Also called 'customer journey'.

Customer travel owner

A customer travel owner is the team manager who is fully responsible for the functioning of a customer journey and for the results to be achieved with it. They cannot be external persons.

Cost-effective premium

The premium which, according to the FTK, is just enough to be able to receive the nominal benefits comply with pension rights that accrue in a certain period,
including a surcharge for building up the required equity.

Cost price premium

The one-year costs of pension accrual, which do not take into account on or rebates for recovery, premium stabilization, designated reserve, etc.

Critical coverage ratio

Current coverage ratio whereby, according to the recovery plan, recovery to the Requirement within 10 years funding ratio is no longer possible.

Look-through principle

Providing insight into the costs of asset management. If a fund chooses to use funds or Investing in so-called fund of funds, these levels may provide an overview of the total costs incurred don't bother.

Minimum required funding ratio

The minimum required funding ratio is the funding ratio where the funding ratio in the nFTK is not may be under longer than five years (undercover).

NCP

New Collective Pension Scheme (= the B scheme).

NFP

New Flexible Pension Plan (= the A plan).

Nominal market interest rate

The market interest rate that follows from the pricing of bonds. The level of this interest fluctuates in the time and depends on the maturity of the cash flows.

Undamped premium

Cost-effective premium calculated on the basis of the current interest rate term structure.

Outperformance

Outperformance occurs when the realized return on a portfolio exceeds the return of the benchmark. With a negative return, there is outperformance if it benchmark return is even more negative.

Over-the-counter (OTC)

Over-the-counter contracts are contracts that are traded off-exchange.

Pensioner

Person whose pension has started.

Pensionable earnings

The pensionable salary minus the so-called franchise; there will be no information about that franchise pension premium paid.

Retirement age (or retirement age)

- The state pension age, or
- The first day of the month in which the (former) member turns 60 with Flexpensioen on under Regulation B. If the state pension age has not yet been determined, then based on the highest state pension age already established.

Retirement calculation age

The age at which the pension accrual is based.

Premium coverage ratio

The premium contributions received (excluding cost premiums) divided by the actuarial value of the new pension accrual.

Premium stabilization destination reserve

Reserve that is filled to be able to withstand this increase if the premium increases in the coming years mute.

Private equity

It is the name for investments in non-listed companies.

Real coverage

The statutory value of the real funding ratio is the ratio between the current one policy funding ratio and the policy funding ratio whereby fully future-proof with price inflation can be indexed.

Fair value

The amount for which an asset can be traded or a liability settled, between knowledgeable, willing to trade parties, who are independent.

Interest rate swap

An interest rate swap or Interest Rate Swap (IRS) is an agreement between two parties for one exchange interest payments on a given principal amount for a certain period (one to ten years).

Interest rate term structure

Graph showing the relationship between the life of a fixed income investment on the one hand and the maturity of a market interest to be received on the other.

LETTUCE

Service Level Agreement. A Service Level Agreement is a type of agreement that includes agreements stand between provider and customer of a service or product.

Spreads

Efficiency storage.

Standard 3000A

The statement on the Standard 3000 relates to the quality of non-financial processes. This concerns the following processes; performing the mandatory pension communication, implementing changes in laws and regulations, customer and supervisory reports, the monitoring the outsourced services, drawing up the ALM, drawing up the ABTN note, the calculating the funding ratio, cyber security, business continuity in an operational sense and the privacy laws and regulations.

Standard 3402

The Standard 3402 statement relates to the external financial reporting of PFZW in the the form of the financial statements, quarterly reports, quarterly and annual reports of the pension fund to De Nederlandsche Bank and reporting Z-score. The statement was issued at the quality of the design, existence and operation of the internal risk management and control systems for 2018. The report is drawn up by the service organization and assessed by a service organization appointed auditor.

Structured credit

An innovative way to address credit risk to investors with different risk preferences by dividing the risk of default on a total package of loans into pieces with different risks.

Swap

A swap is a derivative in which a party changes a certain cash flow or risk against that of another party.

Total Return Swap

Exchange the return on a fixed reference value at a variable short-term interest rate for a specified term.

Tracking error

The tracking error measures the sensitivity of the portfolio relative to the one used benchmark. This is expressed in the standard deviation of the difference between the benchmark return and actual return.

Ultimate Forward Rate

A new calculation method prescribed by DNB to measure the market value of the obligations introduced on September 30, 2012.

Currency swap

Exchange of interest amounts and principal amounts in different currencies against a pre-payment agreed relationship between the currency.

Currency forward contract

Binding agreement between a bank and a counterparty, in which it is agreed to a to buy or sell foreign currency in the future at an already determined forward rate.

Fixed income securities

Debt securities (bonds) that yield a regular and fixed interest payment.

Venture capital

Category within the private equity portfolio, for financing young, innovative companies.

Required own funds

The Required Equity (VEV) is the equity that is required to meet the expected risks within one year. The required funding ratio is the funding ratio associated with the VEV. As the funding ratio is lower than the required funding ratio, the pension fund must have a recovery plan to return to this funding ratio within ten years.

VPL scheme

Regulations under the VPL Act. At PFZW, this is the Flex pension compensation. This concerns the VPL compensation rights and applies only to participants active on 31 December 1998 whose employment has not been terminated prematurely. The purchase of this conditional obligations related to VPL will continue until December 31, 2020 premium paid annually by the social partners.

VPL debt

Premiums received in advance from the social partners for the future purchase of the to be able to finance compensation rights.

Value transfer

Transferring the value from one to a certain moment to another pension scheme accrued pension law.

WGA

Return to work Partly disabled.

WIA

Work and Income according to Labor Capacity Act. The successor to the WAO.

Yield

Average interest.

Z score

Annual score that shows the deviation from the actual achieved return compared to the return on a statutory standard portfolio predetermined by the board.

Appendix 2: Checklist code Pension funds

Number Code		From application per 1/1/2019	Is going to be adhered to per 1/1/2019	Actions for compliance or motivation for different policies
1-9	**Building trust**			
1.	The board will implement the scheme best power in one balanced consideration of interests, and has the ultimate responsibility.			The board gives substance to this. The policy is laid down in the ABTN. The implementation of the pension administration and asset management is outsourced, agreements are made through SLAs captured with the implementing organization. This one appointments are monitored in the SLR per quarter.
2.	The board is responsible and ensures the implementation of the pension scheme. It has a vision on implementation, sets requirements which it must meet and determines which cost level is acceptable.			The board carries responsibility for the implementation of the pension scheme in accordance with the Pension Act. The vision on the implementation is included in the policy of the fund, and the requirements that the implementation must be sufficient included in the outsourcing documents, for as far as outsourcing is concerned. It cost level is part of the SLA negotiations, for which the board determines the commitment.
3.	The board sets a mission, vision and strategy on. It also takes care of it a clear and documented one policy and accountability cycle. The board also assesses periodically the effectiveness of being policy and makes adjustments if necessary.			The mission, vision and strategy are expressed in the Multi-year policy plan and documented in the ABTN, Also included in the 2019 annual report.
4.	The board explains all decisions clearly established on the basis of which considerations the decision is taken.			Decision-making is made by the various bodies of the fund prepared before it motivated is submitted to the board of the fund. The reporting of the board meetings are extensive and provides insight into how the board has reached a decision come.

5.	The board is accountable about the policy it pursues, the realized outcomes of this policy and the policy choices it possibly for the future. The board weighs the different interests from the groups affiliated with the pension fund involved. It also gives manage insight into the risks of the stakeholders in short and long term, related to it agreed level of ambition.	These parts are included in the report of the 2019 board the chapter 'Risk management' and in the 2019 financial statements in the Risk management section.
6.	The board takes into account the obligations that the fund is contracted and takes care of that for optimal indoor efficiency an acceptable risk.	The policy regarding responsible investing included in the report of the board 2019 in the chapter 'Good financial return 'under the paragraph 'Financial objective efficiency'.
7.	The board ensures that there support among stakeholders exists for choices about responsible investing.	Information is included on the website of the fund. in addition there are regular publications in which the policy is discussed. Via the PR have stakeholders involved the fund influences the choices for responsible investing. in addition is used in satisfaction surveys among participants also the satisfaction with the investment choices measured.
8.	The board promotes and guarantees one culture in which risk awareness goes without saying. It also ensures make sure it is integral risk management adequate is organized.	Accountability regarding the risk universe of PFZW is included in the 2019 board's report in eg the chapter 'Risk management'.
9.	The board provides one emergency procedure to get in emergency situations to trade.	There are adequate procedures with the implementing organization agreed and contractual captured.
10-14	Take responsibility	
	The board ensures a clear	

10.	and explicit division of tasks and roles between management and implementation and appropriate adequate control and controls for the implementation of the activities of the pension fund.	See comments to 30 and 31. It fund has an adult outsourcing that regularly is evaluated and adjusted.
11.	When outsourcing tasks takes the board in the agreement with the service provider adequate measures for as the service provider or one by him engaged third party insufficient performs, the agreement does not complies with, damage caused by act or omit.	These measures are included in the implementation agreement and SLA with the implementing organization.

12.	The board ensures that the view on the outsourcing chain.	This is included in the outsourcing contracts of the foundation. These agreements be periodically with the evaluation organization
13.	The board ensures that it remuneration policy of the parties who is outsourced tasks, not encourages more risks then take for the fund is acceptable. To achieve this the board makes this part of the contractual agreements with the closing or extending the outsourcing agreement or - if applicable - via shareholder position.	The principles of the fund are included on the website. This discusses the compensation policy.
14.	The board evaluates the quality of implementation and costs incurred critically and addresses a service provider as these are not the agreements or fails to comply.	The fund evaluates the contracts with the executor for of the new SLA.
15-22	Act with integrity	
15.	The board explains the desired culture and establishes an internal code of conduct.	The desired culture is recorded in the fund's code of conduct.
	The members of the board, the VO or the BO, internal supervision and	

16.	other co-policymakers sign the internal fund code of conduct and a annual compliance statement, and they behave accordingly.	The code of conduct is bi-annual brought to the attention of the various organs. This also becomes provided with a signature.
17.	All additional positions are reported to the compliance officer.	The requirements are laid down in the Additional positions scheme.
18.	Conflicts of Interest or reputation risks are reported. The members of the board, the VO or the BO, internal supervision and other co-policymakers avoid any form and appearance of personal favor or conflict of interest. They leave test their functioning.	This is included in the code of conduct of the fund.
19.	Membership of an organ is not compatible with that of one other body within the fund or of the visitation committee.	This is included in the articles of association and fund regulations.

20.	The board ensures that irregularities and that those involved know how and with whom.	This is included in the whistleblower policy.
21.	The organization has one whistleblower policy and this also promotes external service providers a have whistleblower rules. The organization ensures that people knows how and to whom reported.	Both PFZW and the implementing organization has a whistleblower scheme that is embedded in the organization.
22.	The board is aware of the relevant legislation and regulations and internal rules, knows how the fund implements there indicates and monitors compliance (compliance).	New laws and regulations carefully monitored and timely implemented. Monitoring of which takes place by below more the Compliance department of the implementing organization and the administrative office. To the board is reported on this.
23-30	Striving for quality	

23.	The board is collective there responsible for that itself functions well. The chairman is first point of contact; he / she is like responsible for careful decision making and procedures.	See note to 5. The pension fund has one independent chairman who a balanced consideration monitors decision making, and is open to signals from others organs of the fund the board.
24.	The board guarantees that the members can be independent and critical to operate.	The governance structure of the pension fund guarantees it independent and critical functioning of the board. This one structure is also included in the fund's articles of association. In the annual self-assessment tests it govern whether it is independent and operate critically in practice sufficient takes place.
25.	Every board member has voting rights	This is laid down in the articles of association and fund regulations.
26.	The board ensures permanent education of its members.	There is a training plan about which is reported in the annual report of the pension fund.
27.	Board is open to criticism and learns from mistakes.	This is part of it driver profile. Herein are the competencies included to which a board member must comply. In the annual self-evaluation will be the points for improvement identified and of follow up appointments.

28.	The own functioning is for it management and internal supervision a continuous point of attention. It management and internal supervision in any case, evaluate it annually own functioning of the body as a whole and of the individual members. Involve it management and internal supervision one once every three years one independent third party.	The evaluation has taken place under external supervision in 2019. Account will be made about this in the report of the board 2019.

29.	The own functioning is for it BO a continuous point of attention. It In any case, BO evaluates annually the functioning of one's own body as a whole and of the individual members. Involves this the BO once every three years one independent third party.	N / A	PFZW has no BO.
30.	The own functioning is for it VO a continuous point of attention. It VO regularly evaluates the functioning of one's own organ.		Requirements are included in the profile sketch of the body, which is made available to nominating social partners.
31-40	Naming carefully		
31.	The composition of fund organs is touching fitness, complementarity, diversity, reflecting stakeholders and continuity laid down in policy. Both at the start of a term as in the interim during the self-evaluation a check place.		The various represented parties supply members to the fund and take care of as much as possible diversity. However, the fund has none established diversity policy. PFZW promotes the diversity of the fund and stimulates the youth involvement. This is also included as a requirement in the profile sketch.
32.	The board takes care of it suitability, complementarity and continuity within the board. It takes this into account education background, personality, gender and age. The board assesses suitability of board members at the and during the board membership.		From the board, the nominating social partners via briefed specific job profiles on the requirements of the candidates must meet. There are where necessary agreements with social workers partners to promote the continuity of control. Find regularly (individual) investigations take place into the expertise in the board.
33.	In both the board and in the VO or the BO is at least one woman and one man. There are both people from above as from below into 40 years. The board proposes a roadmap to diversity in promote governance.		All board members and members of the supervisory board are older than 40 years. In the VO there are some members under 40 years. To date it is failed board members and / or find members of the Supervisory Board who meet the suitability requirements that apply for a large fund such as PFZW and be younger than 40 years. From 1 January 2018 is one trainee directors under the age of 30 adopted to leave a year participate in the board.

34.	The term of office of a member of the board, VO, BO and council supervision is a maximum of four years. A board member and a member of the BO can do up to twice are reappointed, a member of the supervisory board maximum one times. Members of a visitation committee are maximum eight years involved in the same fund.	The term of office is laid down in the statutes of the fund and the board regulations.
35.	The board, the BO and the internal supervise drafting of the profile sketch take into account the diversity policy. The VO holds take this into account when drafting of the competence vision.	Job profiles have been developed for the various forums, in which attention is paid to diversity.
36.	The board, the VO or the BO and submit the supervisory board to a vacancy the requirements for the vacant function fixed. This is taken into account taking into account the standards 31 32 and 33 included requirements.	This is elaborated in the job profiles per group have been established.
37.	When filling a vacancy is actively sought (and / or active called to search) for candidates who fit in the diversity objectives. It board takes this in time check with those who involved in the nomination or the election of candidates.	In the job profile for board positions it is like required included.
38.	The board and the BO tests nominated candidates on the basis of the diversity objectives. The VO in the procedure, does this promote competence vision included, including the diversity objectives.	In the job profile for board positions it is like required included
39.	A board member is appointed and fired by the board, after the hear from the supervisory board about the procedure. A member of the council of supervision or visitation committee is appointed by the board after binding nomination of the accountability body and becomes fired by the board after binding opinion of the accountability body. A member of becomes the accountability body appointed by the board and fired by it accountability body itself. In exceptional situations board in consultation with the internal supervision a member emerged.	Naming and firing members are laid down in the statutes of the fund and the regulations board.

40.	The board ensures that in the articles of association a suspension procedure has been captured.	This is laid down in the articles of association of the foundation.

41-45	Reward appropriately	
41.	The pension fund conducts a controlled and sustainable remuneration policy. This policy is in accordance with the objectives of the pension fund. Also is the policy appropriate to the industry, company or profession for which the fund the pension scheme.	The fund has one appropriate remuneration policy. About this is accountable in the report of the board.
42.	The reward is reasonable relation to the worn responsibility, the to the requirements and the time consuming.	See note under 41.
43.	The board is reluctant as it is performance related rewards. Performance related rewards do not exceed 20 percent of the fixed salary. They are not related to the financial performance of the fund.	The fund has no performance related rewards.
44.	The board prevents this by amount of the remuneration of the members of internal supervision, a financial interest a critical one obstruction.	The compensation of the board is appropriate to social standards.
45.	In the event of premature dismissal of a board member without employment contract or of a member of internal supervision it provides do not administer severance pay. Upon dismissal of one (other) co-policymaker must have a any severance pay are appropriate having regard to the position and the reason for dismissal.	For the board and the board of supervision is not a severance payment applicable. For members of the board office complies with this the collective labor agreement provisions.

46-57	Supervision and participation safeguards		
46.	Internal supervision contributes to this effective and decisive functioning of it pension fund and to controlled and ethical business operations.		The duties and responsibilities of the Supervisory Board are laid down in the statutes and regulations of the RvT. The composition of the Supervisory Board and the working method of the SB guarantees the intended contribution.
47.	Internal supervision involves this Code when exercising task.		See point 46.

48.	Members of internal supervision involved in the pension fund and must be such independent draft that conflicts of interest appearance. They have it ability and daring to be oneself critical towards the board.		In the job profile of the Board of supervision has been taken into account these requirements.
49.	The Supervisory Board positions itself as a discussion partner of the board.		The SB acts as a sounding board and interlocutor. In 2018, among others, with the board discussed the strategy of the fund, the risk appetite, ICT and the FTK.
50.	The board weighs the recommendations of the Board of supervision or the visitation committee. Does the board want to deviate from the recommendations, it should be this motivate.		The board will respond be at the discretion of the Pension Council and the Rvt report, this response will be recorded in the 2019 board's report.
51.	The stakeholder body (BO) performs his task as' good family man '(m / f) for all stakeholders.	N / A	PFZW has no BO.
52.	The BO ensures that the members can be independent and critical Operate.	N / A	PFZW has no BO.
	The BO monitors whether the board		

53.	implementation agreement or the implementing regulations and the pension regulations correctly. The BO or the board also monitors the interests of the various stakeholder groups balanced.	N / A	PFZW has no BO.
54.	The BO takes action like it is of the opinion that the board does not functions properly.	N / A	PFZW has no BO.
55.	The board enters into a dialogue with the VO or the BO at the accountability.		The fund's board is been in conversation during 2019 with the PR on various topics, not just in it in the context of advice from the PR, but also outside it in the frame of sharing images and mindsets. About this is accountable in the report of the board.

56.	The board bears the accountant or actuary carrying out control in no other principle work on then control. Give the board another one command, then this asks careful consideration and a separate assignment formulation.		The fund provides for non-audit procedures always separate assignments to the external party actuary and / or accountant. The independence becomes good guarded. Mostly find consultancy assignments do not take place the certifying actuary and accountant himself.
57.	The board assesses every four years the functioning of the accountant and the actuary and put it internally supervision and VO or BO of the outcome informed.		The audit committee evaluates the functioning of the accountant and actuary.
58-65	Promote transparency		
			This is included in the report by the board in 'Pension product'

58.	The board gives publicly insight into mission, vision and strategy.	and 'Good financial return' the report of the board. In there attention has also been paid to realized goals.
59.	The board provides insight into the policy, the decision - making procedures, the decisions and the realization of it policy.	In the annual report 2019, accounted for (the implementation of) the policy.
60.	The board fulfills its task on one transparent (open and accessible) way. That ensures stakeholders to gain insight into the information, considerations and arguments that underlie are due to decisions and actions.	The board and pension fund report transparently on decisions and considerations in the quarterly reports, on the website, via press releases and in the report of the board 2019.
61.	The board records motivated for which method of implementation chosen. This information is available for the stakeholders.	This is included in the outsourcing contracts of the foundation. These agreements be periodically with the evaluation organization.
62.	The board explains its considerations regarding responsible investment and ensures that it available for stakeholders.	The considerations regarding responsible investing included on the website of the fund. See also chapter Spearhead 3. Increase our responsibility in the society 'under paragraph Sustainable investing in the report of the board 2019.

63.	The board adopts policy around transparency and communication. The board evaluates this policy periodically and at least once every three years.	The communication policy is sufficient to the requirements of accessibility tailored to 'personas' and is event-oriented. The implementing organization measures in order of the fund the satisfaction of the stakeholders. A part of this satisfaction measurement the means of communication used

		and its effects.
64.	The board reports in the annual report on compliance with the Code of Conduct and this Code, just like on the evaluation of the functioning of the board.	This is included in chapter Governance of the report of the board 2019. Here will be specific discussed the Code.
65.	The board provides one adequate internal complaints and litigation before stakeholders simply accessible. In the annual report the board reports on the handling of complaints and the changes in arrangements or processes that result from it.	There is a complaints and dispute procedure. About this is accountable in the annual report.

Appendix 3: Specific board committees

General Affairs Committee

- AJ (Joanne) Kellermann
- AJ (Albert) Vink, deputy. chairman
- FFL (Florent) Vlak, secretary

Investments board committee

- FFL (Florent) Vlak, chairman (until January 1, 2020)
- AFP (Age) Bakker
- GH (Gerard) Bergsma
- CL (Cees) Dert

Pension Committee

- EMA (Ilse) van der Weiden, chairman
- JMJ (Jacques) Moors
- PA (Petra) de Bruijn
- J. (Jorick) de Bruin

Audit committee

- OMC (Odette) Perik, chairman
- AJ (Albert) Vink
- P. (Pascal) Wolters
- MHACJ (Mariëtte) Simons

Appendix 4: Performance PFZW

Investments and return PFZW							December 31 2019
	Allocation € In million 1	In %	Gross efficiency	Costs 2	Net return 3	Net benchmark	Out-performance
Business values	**€ 126 208**	**53.1%**	**22.9%**	**0.8%**	**22.1%**	**21.1%**	**0.8%**
Shares of classically developed markets	€ 28 757	12.1%	30.6%	0.0%	30.6%	30.5%	0.1%
Classically emerging markets equities	€ 9 734	4.1%	21.8%	0.1%	21.7%	21.9%	(0.2%)
Shares Investing in Solutions	€ 3,800	1.6%	32.1%	0.3%	31.8%	30.9%	0.7%
Alternative stock strategies	€ 25 254	10.6%	27.2%	0.1%	27.1%	28.5%	(1.1%)
Private Equity	€ 13,960	5.9%	24.5%	4.0%	20.5%	17.2%	2.8%
Listed real estate	€ 14,461	6.1%	25.0%	0.1%	24.9%	25.2%	(0.2%)
Private real estate	€ 14,180	6.0%	12.7%	1.2%	11.4%	7.7%	3.4%
Infrastructure	€ 9,474	4.0%	11.0%	1.2%	9.8%	6.4%	3.2%
Insurance	€ 5 791	2.4%	9.0%	0.7%	8.2%	3.6%	4.5%
Other corporate values	€ 798	0.3%	5.1%	2.1%	3.0%	5.0%	(1.9%)
Commodities	**€ 8,622**	**3.6%**	**26.1%**	**0.1%**	**26.1%**	**25.5%**	**0.4%**
Credit	**€ 31 918**	**13.4%**	**13.2%**	**0.2%**	**13.0%**	**11.1%**	**1.7%**
Corporate bonds developed markets	€ 4 504	1.9%	6.6%	0.1%	6.5%	6.2%	0.2%
High Yield developed markets	€ 2,386	1.0%	14.9%	0.4%	14.5%	15.4%	(0.8%)
Corporate bonds and high yield emerging markets	€ 4 693	2.0%	16.0%	0.1%	15.9%	14.9%	0.9%
Emerging markets debt local currency	€ 11 852	5.0%	15.5%	0.1%	15.3%	15.4%	(0.1%)
Credit risk sharing	€ 5 695	2.4%	12.4%	0.2%	12.2%	4.6%	7.3%
Mortgages	€ 2,788	1.2%	9.3%	0.4%	8.9%	6.8%	2.0%
Fixed income securities	€ 72 570	30.5%	20.3%	0.0%	20.3%	20.7%	(0.3%)
Interest hedging mandate	€ 68 405	28.8%	22.3%	0.0%	€ 0	€ 0	€ 0
Legacy fixed income and inflation	€ 2 670	1.1%	(28.4%)	0.0%	(28.4%)	(28.4%)	0.0%
Cash and other	€ 1 495	0.6%		€ 5.4	€ (18)	€ 2	€ 0
Currency overlay	**€ (1,449)**	**-0.6%**		**€ 0.0**	**€ (3,328)**		
Reimbursement of the implementing organization				€ 1.5			
Charged general costs				€ 1.3			
Total	**€ 237 869**	**100.0%**	**19.2%**	**0.4%**	**18.8%**	**18.5%**	**0.2%**

PFZW VPL 4	€ 503						
Total invested capital	**€ 238 372**	**100.0%**	**19.2%**	**0.4%**	**18.8%**	**18.1%**	**0.6%**

1 The table above follows the classification of the strategic benchmark of PFZW, whereby the associated receivables, debts and cash positions are looked at. This excludes amounts from this table with the balance sheet in the financial statements, where a classification according to the Guidelines for the Annual reporting is applied. The allocation (in euros and percentage) does not match the Costs table asset management per investment category, in which the allocation is in accordance with Recommendations for Implementation Costs of the Pension Federation on the basis of the average invested capital is presented.

2 Relates to asset management costs excluding transaction costs.

3 unhedged

4 PFZW VPL are prepaid premiums for VPL (Adjustment of tax treatment for early retirement pre-pension schemes and introduction of life-course savings schemes) and are invested separately. That's how it gets investment risk minimized. The remaining VPL obligations will be purchased at the end of 2020. The split took place in the 4th quarter.