



Summary Annual report 2016

Financial year 1-1-2016 incl. 31-12-2016

1. Key figures

All amounts are rounded to thousands of euros, unless otherwise stated.

	2016	2015	2014
Contributions			
Pension plan contributions	93.948	92.794	85.704
Other contributions	2.325	2.275	5.146
Total	96.273	95.069	90.850
Pension benefits	183	62	25
Costs			
Operating and administration costs	1.794	1.845	1.570
Pension administration (in euros per participant and pension beneficiary)	310	317	260
Asset management (as % of invested assets)	0,37%	0,47%	0,90%
Indexation			
As at 1-1-2017 / 1-1-2016 / 1-1-2015	0,00%	0,20%	0,00%

	31-12-16	31-12-15	31-12-2014
Numbers			
Participants	5.697	5.779	5.677
Former participants	1.579	1.375	1.619
Pension beneficiaries	84	39	84
Total	7.360	7.193	7.380
Financial data			
Investments at pension fund's risk			
Invested assets	309.973	191.627	100.535
Investment result	24.156	-2.032	12.237
Return on investments*	11,7%	1,2%	20,2%
Technical provisions			
Provision for pension liabilities own account	292.799	176.048	80.865
Provision for pension liabilities reinsurance	680	701	1.564
Total technical provisions	293.479	176.749	82.429
Reserves			
General reserve	19.564	17.051	19.296
Funding ratio			
Present	106,7%	109,6%	123,4%
Required (strategic, 2014: real)	120,8%	118,4%	116,3%
Minimum required	104,4%	104,5%	105,1%
Policy	103,7%	113,2%	
Real	82,6%	88,8%	

* The return on investment is the arithmetic average of the year's monthly returns. Total return on investment was negative due to the large loss in December. However as the return on investment was positive in most months, the arithmetic average for 2015 turned out positive.

2. Highlights of 2016

NN CDC Pensioenfond's Annual Report for 2016 marks the end of the pension fund's transitional period. When the pension fund was incorporated in the second half of 2013, it was decided to implement a transitional period and a transitional board, as the fund was still in its pioneering and start-up phase. In August 2014, the transitional period was extended until 31 December 2016.

Over the past eighteen months, the board had extensive talks with all stakeholders to discuss the conditions, parameters and options for the pension fund's governance structure that would be effective from 1 January 2017. Based on these consultations, it was decided to maintain the joint governance model in the final situation and to continue with the board members who had been on the board during the transitional period. This ensures continuity for the pension fund. However, the number of positions within the board was raised from seven to eight with effect from 1 January 2017, to reflect the principle of "one man, one vote" and proportional representation of the employer and the employees. The employer's nomination for the new board member had not been finalised by year-end 2016.

One of the most relevant changes to NN CDC Pensioenfond's in 2016 was the decision of the social partners to modify the calculation method for contributions made to the pension fund. This was done because the Dutch central bank (DNB) had in 2015 changed the level of the discount rate which pension funds must use for the calculation of their future pension commitments. The board approved the modification after having assessed whether the contributions would still be adequate and whether all interests had been sufficiently weighed.

The pension fund's funding ratio decreased in 2016, mainly on account of declining interest rates. This led to a substantial increase of the fund's pension commitments, which was only slightly set off by the rising value of the pension fund's assets. At year-end 2016, the funding ratio stood at 106.7%.

The policy funding ratio (the average current funding ratios for the preceding twelve months) was 103.7% at year-end 2016, which is below the funding ratio required by law. In other words, the pension fund has a funding deficit. If a pension fund has a funding deficit for a period of five consecutive years, it is required to cut pension entitlements. At present, this is not the case for our pension fund. However, it does mean that under current laws and regulations, NN CDC Pensioenfonds is not allowed to increase pensions for 2016. Pensions can only be increased if and when the policy funding ratio is above 110% on the reference date.

In light of significant changes occurring in the financial markets in 2016, the long-term decisions regarding the pension fund's investment policy were again assessed by way of an Asset Liability Management (ALM) review. Based on the outcome of the review, it was decided not to change the current and future investment policy and to maintain the phasing-in procedure that had been agreed when the pension fund was incorporated. The phasing-in procedure means that as the pension fund grows, the proportion of assets it allocates to its return portfolio (investments in equity and property) grows as compared with the assets it allocates to its matching portfolio (investments in fixed-interest securities like bonds). The degree of interest hedging was gradually reduced as well.

In view of these changes, the pension fund continued to communicate with its participants consistently and intensively, in order to explain the risks they run in the new pension plan and to make them aware of their personal pension situation. A milestone in this respect was the realisation of a portal for participants in June.

Important aspects of our communications policy included transparency on the pension fund's policies, the impact of the new discount rate and ongoing low interest rates on the funding ratio and policy funding ratio, the headroom available to increase pensions, the reserve deficit and the new governance structure. We communicated through specials and news items posted on the pension fund's website.

We wish to thank all those who worked hard during the transitional period to incorporate, design and implement the final governance structure of NN CDC Pensioenfonds.

3. Balance sheet

All amounts are rounded to thousands of euros, unless otherwise stated.

Balance

(after appropriation of results)

Assets

	31-12-2016	31-12-2015
Investments at pension fund's risk		
Real estate investments	24.830	12.655
Equities	96.024	51.693
Fixed income investments	191.167	128.310
Derivatives	642	116
	312.663	192.774
Receivables and prepayments	3.043	2.339
Cash and cash equivalents	2.273	1.088
Total assets	317.979	196.201

Liabilities

	31-12-2016	31-12-2015
Reserves		
Fund's capital	19.564	17.051
	19.564	17.051
Technical provisions for pension fund's risks		
Provision for pension liabilities	292.799	176.048
Provision for occupational disability risk	680	701
	293.479	176.749
Current liabilities and accrued liabilities	4.936	2.401
Total liabilities	317.979	196.201

4. Cash flow statement

	2016	2015
Pension activities		
Income		
Contributions by employers and employees	96.607	95.364
Benefits from reinsurance	0	0
Incoming value transfers of pension rights	1.837	1.596
Other	0	0
	98.444	96.960
Expenditure		
Pension benefits	-889	-60
Premium for reinsurance	-157	-50
Outgoing value transfers of pension rights	-62	-232
Operating and administration costs	-1.511	-1.953
Other	0	0
	-2.619	-2.295
Total pension activities	95.825	94.665
Investment activities		
Income		
Sale and redemption of investments	72.561	107.536
Direct investment results	6.424	2.649
	78.985	110.185
Expenditure		
Acquisition of investments	-173.009	-204.051
Asset management expenditures	-616	-448
	-173.625	-204.499
	-94.640	-94.314
Movement in cash and cash equivalents	1.185	351
Cash and cash equivalents at 1 January	1.088	737
Cash and cash equivalents at 31 December	2.273	1.088

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