

Highlights:

- Policy funding ratio 31 March 2017: 98.4%
- Current UFR funding ratio 31 March 2017: 103.9%
- Return on investments in first quarter 2017: 2.0%
- Invested assets 31 March 2017: € 24.5 billion

Ruud Degenhardt, chairman of the board of Pensioenfond PGB: “Our financial situation has improved during the first months of 2017. This is due to the somewhat higher interest rate and the return on our investments in equities. These improvements are also seen in the monthly UFR funding ratio. And also in the policy funding ratio, which is a 12-month average. The risk of a reduction of pensions in 2018 is now very small. However, as long as the policy funding ratio is below 104 per cent, a reduction cannot be ruled out in the next few years.”

Financial results

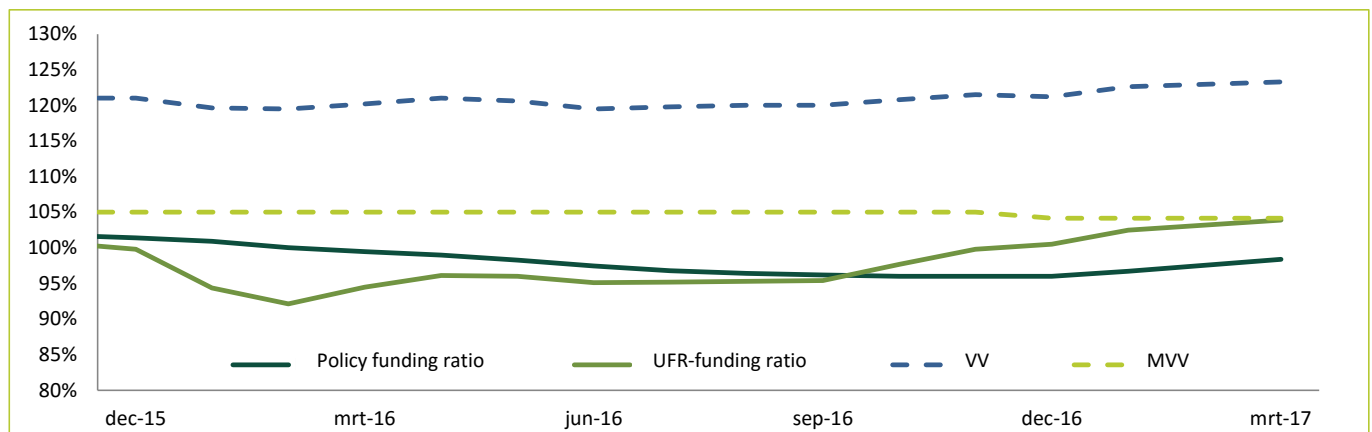
Funding ratio

The financial position of the fund has improved further in the first quarter of 2017. In the first quarter of 2017 the policy funding ratio rose from 96.0% (31 December 2016) to 98.4% (31 March 2017). The UFR funding ratio rose from 100.7% (31 December 2016) to 103.9% (31 March 2017).

The UFR funding ratio is established each month using the actuarial interest rate Pensioenfond PGB is required to use by the Dutch Central Bank to calculate its liabilities.

The policy funding ratio is an average funding ratio over a twelve-month period (twelve UFR-funding ratios).

Chart 1: Development of the funding ratios



Explanation: the required policy funding ratio of Pensioenfond PGB is currently around 123.3% (Capital Requirement) (VV). PGB must be able to reach this level at the end of 2026. If not, PGB is required to lower the pensions. What if the policy funding ratio, during a period of five continuous years, is lower than the Minimum Capital Requirement (MVV), the minimum required funding ratio of 104.1%? Also in that case Pensioenfond PGB is required to lower the pensions. Indexation (increasing pensions) is only possible if the policy funding ratio exceeds 110%.

Key figures PGB	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Policy funding ratio	98.4%	96.0%	96.2%	97.5%	99.5%
Investment return	2.0%	-0.3%	2.9%	3.9%	4.1%

Return

The return on the investments over the first quarter of 2017 was 2.0%.

Table 1: Investments and returns up to and including 31 March 2017

	Investments		Return	
	In mln €	In %	2017	Q1 2017
PGB-total	24,469	100%	2.0%	2.0%
Low-risk investments (Matching)	10,844	44.3%	-1.8%	-1.8%
Government bonds	4,499	18.4%	-2.0%	-2.0%
Corporate bonds	3,733	15.3%	0.0%	0.0%
Mortgages	1,3273	5.4%	0.8%	0.8%
Euro liquidities	-14	-0.1%	–	–
Inflation-linked bonds	1,077	4.4%	-5.1%	-5.1%
Interest coverage	222	0.9%	–	–
Higher-risk investents (return)	13,625	55.7%	5.3%	5.3%
Equities	10,814	44.2%	6.2%	6.2%
Alternative fixed-income securities	1,025	4.2%	1.4%	1.4%
Alternative real assets	1,743	7.1%	2.8%	2.8%
<i>Real estate</i>	751	3.1%	2.4%	2.4%
<i>Infrastructure</i>	936	3.8%	3.1%	3.1%
<i>Private Equity</i>	56	0.2%	4.2%	4.2%
Liquidities	57	0.2%	–	–
Currency hedging	-14	-0.1%	–	–

Explanation: The matching portfolio partly covers the interest rate risk of the liabilities. The purpose of the return portfolio is to achieve a return allowing us to increase the pension benefit payments.

Market developments

The interest rate rose in the first quarter. This had a negative effect on the matching portfolio, which consists of fixed-income securities such as government bonds. The prices of the fixed-income securities dropped. French bonds dropped in value over fears for a victory of the right-wing Front National or an extreme left-wing candidate in the French elections. The return portfolio, which consists mostly of equities, achieved positive returns in the first quarter.

Pension liabilities

Liabilities (UFR): the actuarial interest rate of the Dutch Central Bank increased from 1.3% to 1.4% in the first quarter of 2017. As a result of this increase, the fund was allowed to reduce the amount to reserve for the payment of pensions. The value of the liabilities dropped from 23.9 billion to 23.5 billion euro.

Developments at Pensioenfonds PGB

- [Marjan van Noort \(56\) appointed as board member to Pensioenfonds PGB.](#)
She represents the pensioners in the board.
- Pension funds in the Netherlands, including Pensioenfonds PGB, and the trade association Pensioenfederatie, have subscribed to a [declaration of intent on socially responsible investing](#).
- [Pensioenfonds PGB signed the principles for responsible investing of UNPRI.](#)
Most asset managers who work for the pension fund have already done this.
- Pensioenfonds PGB board member Jochem Dijckmeester (34) has been acclaimed as '[young board member of the year](#)'.

Development participants

The number of participants accruing pension with Pensioenfond PGB - including allocation on account of disability – increased by 5,689 (8.3%) in the first quarter, from 68,602 to 74,291. The number of participants receiving pension dropped in the first quarter from 73,733 to 73,525; a decrease of 0.2 per cent. In total, 147,816 participants accrued or received pension at the end of the first quarter.

Table 2: development participants (31 March 2017)

Number of participants	31-03-2017	31-12-2016	30-9-2016	31-12-2015
Graphics media and off-set printing	22,154	22,332	22,489	22,180
Cardboard and flexible packaging business	5,325	5,300	5,365	4,466
Painting and printing ink industry	1,897	1,831	1,818	1,720
Publishing trade	9,074	9,100	9,052	8,111
Plastics and rubber industry	4,081	1,845	1,834	1,791
Paper industry	2,544	2,347	2,294	2,320
Chemicals and pharmaceuticals industry	6,569	6,263	6,146	4,587
Wholesale	2,010	1,945	1,803	1,075
Services industry	1,830	1,704	1,689	1,111
Wholesale in flowers and plants	4,930	4,523	4,448	3,833
Process industry	6,439	3,878	2,865	2,793
Maritime contracting	1,976	1,995	1,993	1,834
Offshore fishing	909	908	940	-
Participants with allocation on account of disability	4,553	4,631	4,379	4,131
Total number of participants including allocation on account of disability	74,291	68,602	67,114	59,952
Total number of recipients of pension	73,525	73,733	72,282	71,492
Total number of participants and recipients of pension	147,816	142,335	139,396	131,444

The total number of participants - including participants who left their pension with Pensioenfond PGB after they left Pensioenfond PGB's service (deferred participants) was approximately 310,000 at the end of March 2017.

Disclaimer

The figures in this quarterly report are preliminary, partly based on estimates, and have not been checked by the certifying accountant and an external actuary.