



# Your pension: fixed or variable?

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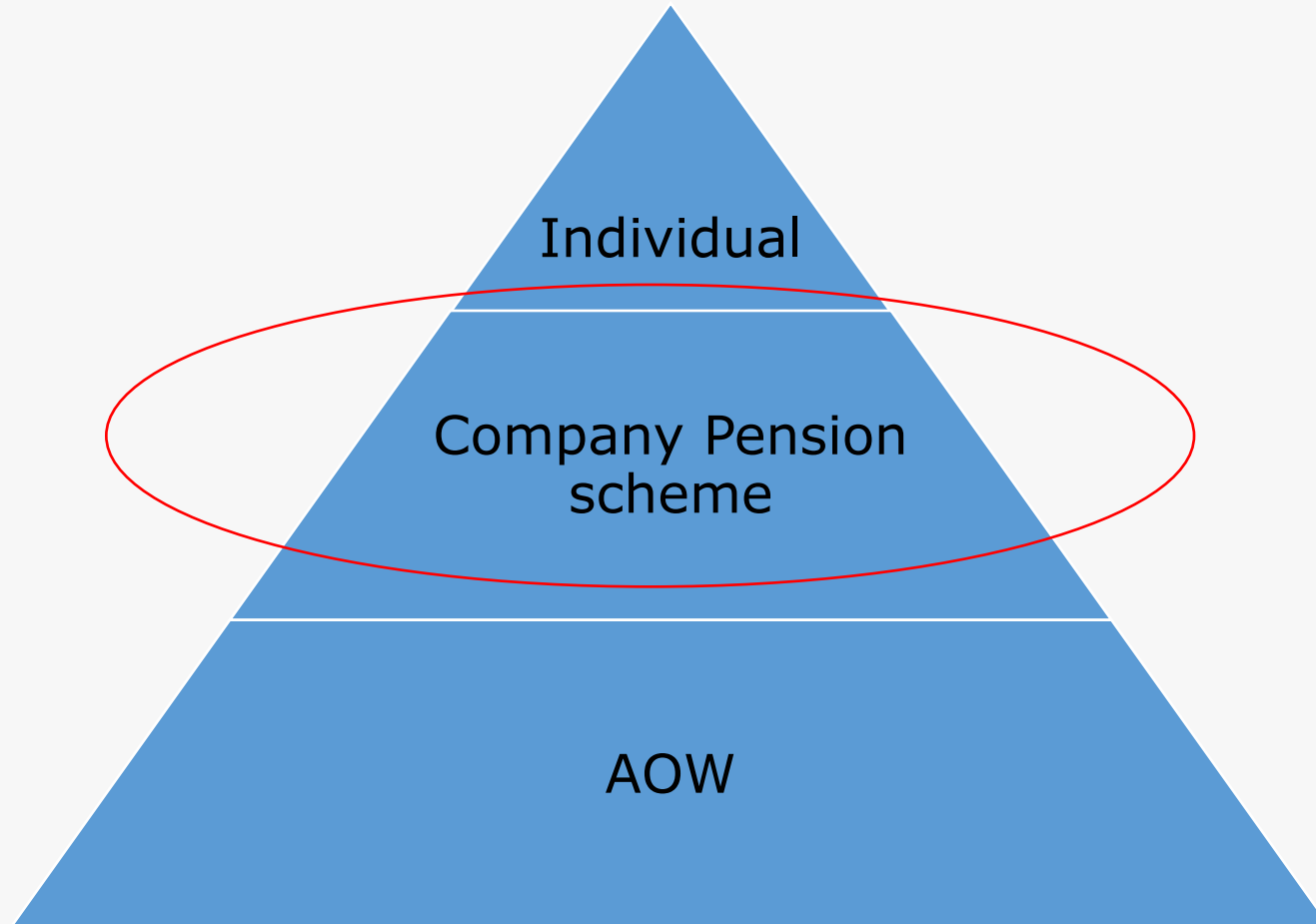


Stichting Pensioenfonds IBM Nederland

# Welcome

- A short introduction: Celeste de Quelerij (TKP) and Martin Hulst (SPIN)
- What is this presentation about?
- Please ask your questions!
- After this presentation we have an extra timeslot for further questions

# Pensions in the Netherlands



Eg: savings, private investments, annuities, homeownership, cash

Your SPIN pension

State Pension

# DC-scheme (Defined Contribution)



You and IBM deposit a monthly premium. Thus accruing your pension capital.  
SPIN invests your pension capital according to the investment profile you select.

Investment = return and risk.



Returns are added to your pension capital, but you also run the risks involved.

At retirement age you will select a pension provider and use your pension capital to buy an annuity. The amount payable depends on actual interest rates, life expectancy and provider costs when buying an annuity.



Retirement age is 67 years and 3 months, but can be brought forward.

# Life cycle investing

- The pensionfund manages your investments.
- When approaching retirement age, investment risk is lowered.
- “The other way around” : more investment risk is taken when younger. There is still enough time to recover in case of disappointing returns.
- In general: more investment risk will generate higher average returns. However, investing always carries risk. It is possible that your pension capital will decrease.
- The pensionfund offers 3 different investment profiles with different paths to reduce investment risk.

# Legal Cause

- The Dutch pensionlaw “Wet verbeterde premieregeling” enables investing after retirement.
- This only applies to DC schemes.
- There are choices to be made at retirement, but also during the accrual of your pension capital.

# Do you prefer a fixed or a variable pension?



This video is in Dutch

# What is a fixed pension?

You use your pension capital to buy a fixed normal annuity at the pension provider you selected. You will receive a fixed lifelong income.

**Advantage:** you know in advance the amount you will receive each month.

**Disadvantage:** when prices rise, your purchasing power will decrease.



# What is a variable pension?

You select a pension provider. Each year part of your pension capital is used to buy a pension (for one year)

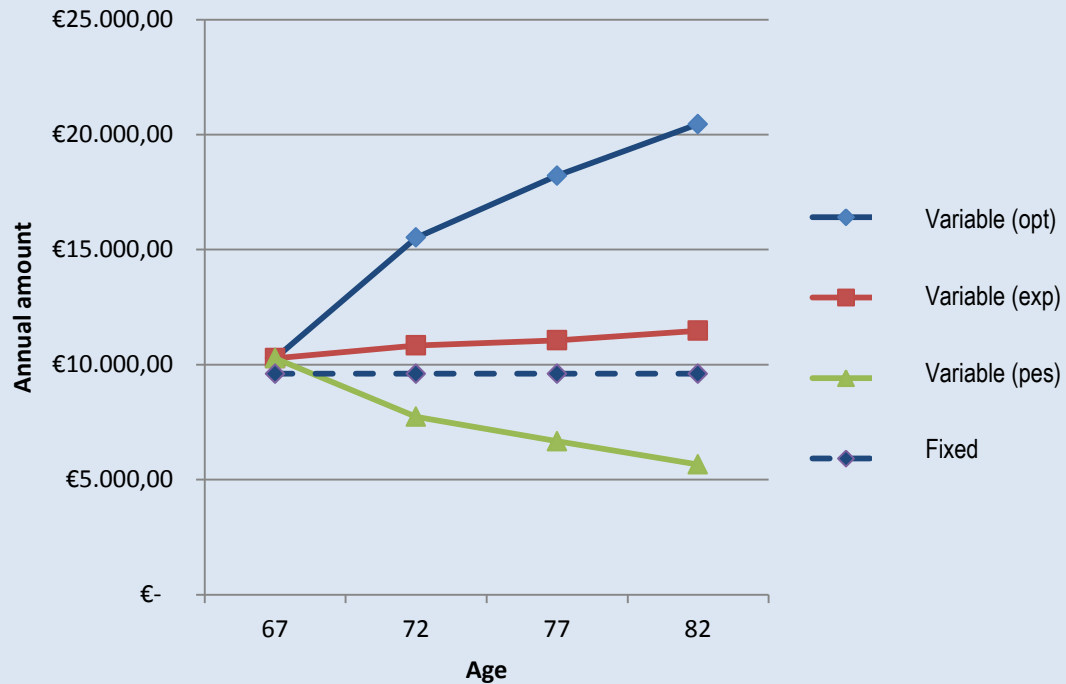
The remaining pension capital is invested by the selected pension provider in order to secure more return.

**Advantage:** Buying a pension annually improves the chance of adjusting your pension to keep up with rising prices.

**Disadvantage:** The amount you receive monthly will fluctuate from year to year. More risk is taken and it is possible that your pension will be lower when returns prove to be disappointing.

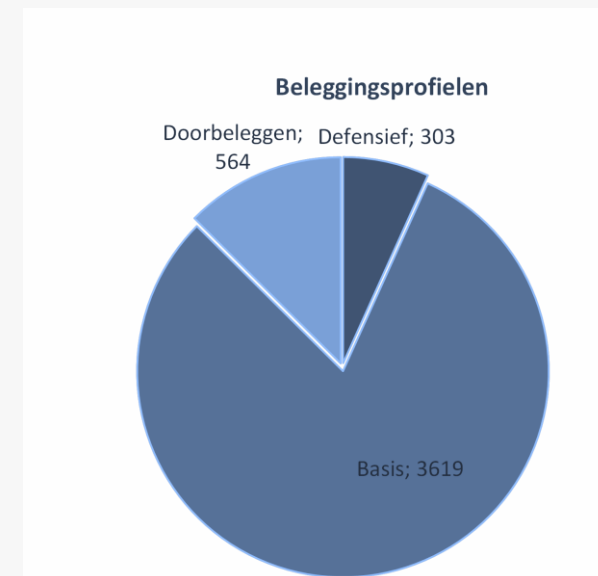
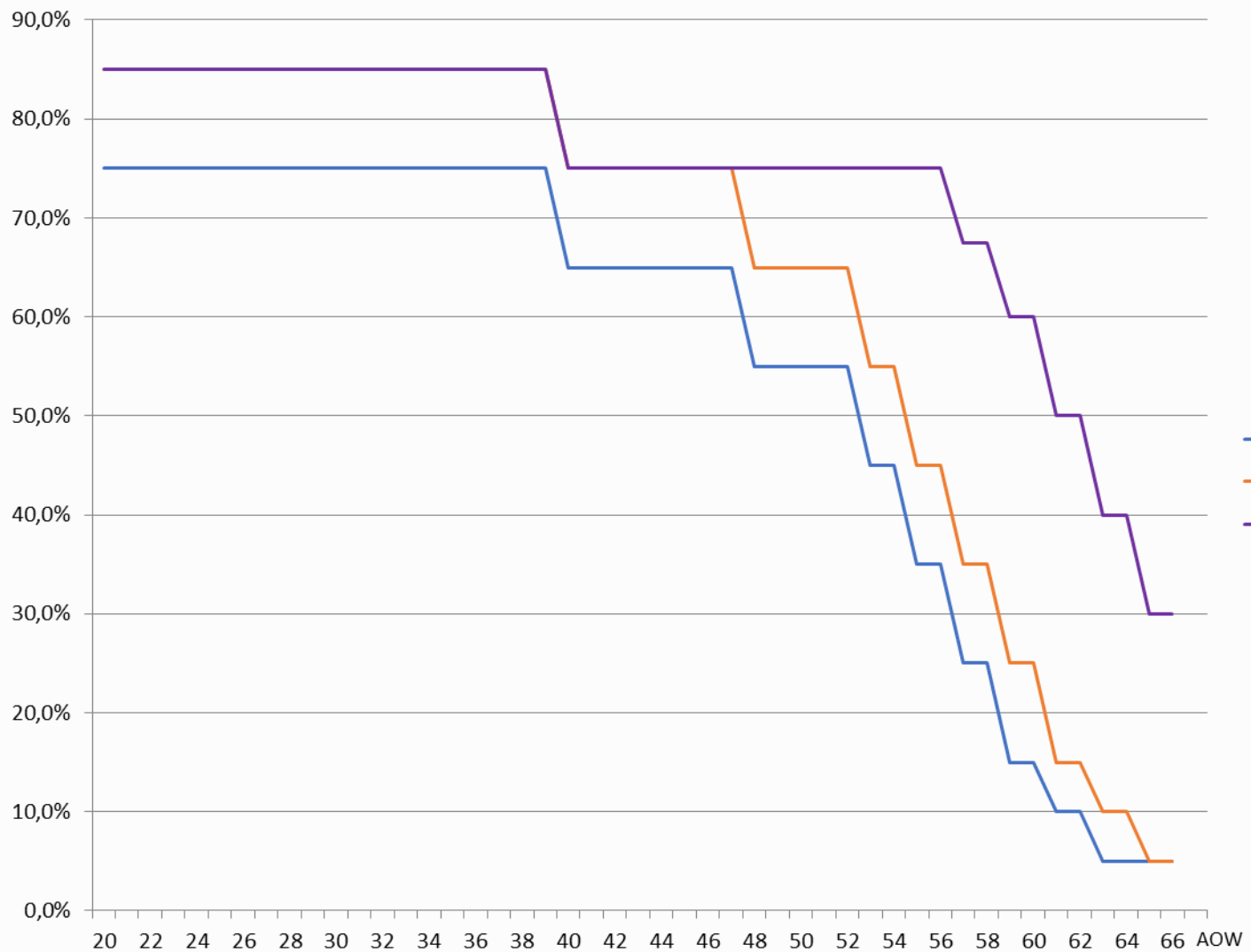
# Example

Capital at retirement age: 200.000



Age	Variable (optimistic)	Variable (expected)	Variable (pessimistic)	Fixed
67	€ 10.274,52	€ 10.274,52	€ 10.274,52	€ 9.602,36
72	€ 15.519,84	€ 10.837,08	€ 7.728,84	€ 9.602,36
77	€ 18.212,76	€ 11.057,84	€ 6.666,48	€ 9.602,36
82	€ 20.456,20	€ 11.473,20	€ 5.658,52	€ 9.602,36

# Investment profiles



# Equities



Years to retirement	>27	27-20	19-15	14-13	12-11	10-9	8-7	6-5	4-3	2-1
“Doorbeleggen”	85	75	75	75	75	67,5	60	50	40	30
“Basis”	85	75	65	55	45	35	25	15	10	5
“Defensief”	75	65	55	45	35	25	15	10	5	5

# How about my personal capital?



Collective sharing of mortality results and re-insurance: if all “goes to plan” the participants personal account will be empty when you decease. But what if things do not “go to plan” and the participant lives longer than expected?

Remains alive



Deceases early

Date	1-1-2016
	
Age	67
Life Expectancy	20 years
Capital	 € 100.000
Old Age Pension	€ 5.000



Date	1-1-2036
	
Age	87
Life Expectancy	0 jaar
Capital	 € 0
Old Age Pension	€ 5.000

Or

Date	1-1-2026
	
Age	77
Life Expectancy	<u>10 years</u>
Capital	 € 50.000
Old Age Pension	€ 5.000



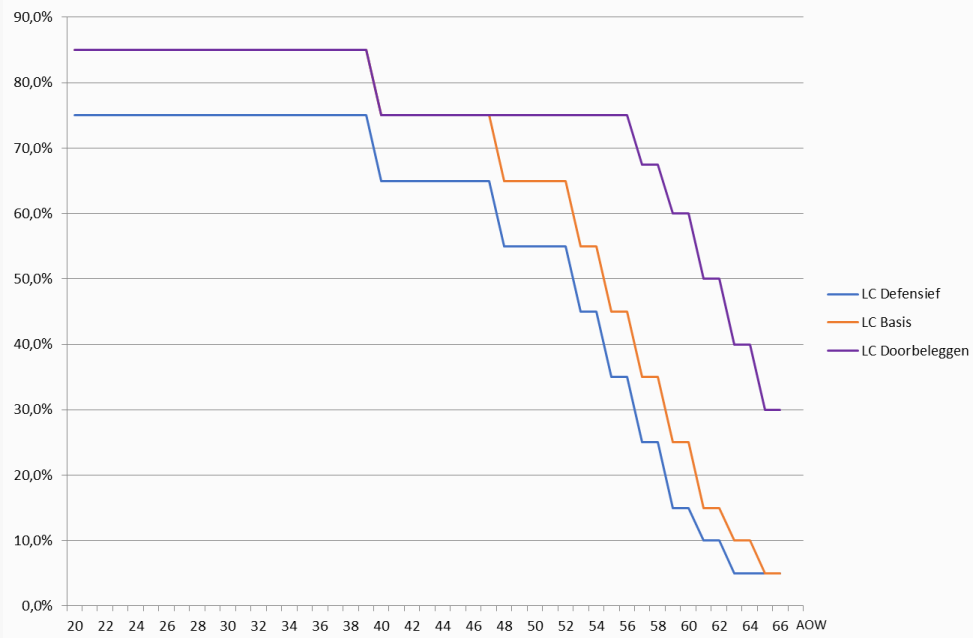
# The effect of investment return

## Fluctuating returns:

Date	Participants	Capital	Expected return	Old Age Pension per participant	Actual return
1-1-2016	10.000	€ 1.000.000.000	3,0%	€ 6.964	4,0%
1-1-2017	9.920	€ 970.919.398	3,0%	€ 7.036	-6,0%
1-1-2018	9.833	€ 843.478.639	3,0%	€ 6.376	3,0%
1-1-2019	9.738	€ 806.694.184	3,0%	€ 6.376	...

- Higher than expected returns → next years pension increases
- Lower than expected returns → next years pension decreases
- Returns match expectations → next years pension is the same

# When do I need to decide?



- When you retire you will make a final decision on buying a fixed or a variable pension.
- While accruing your pension capital, you can predetermine whether you will decide buying a fixed or variable pension on retirement. If you expect to be buying a variable pension, you can select the "Doorbeleggen" investment profile.
- When selecting the "Basis" or "Defensief" investment profiles, you are preparing for the purchase of a fixed pension.
- Up until retirement age it is always possible to alter your selection (switch).
- You can select your investment profile using the "profielwijzer" @ [www.spin.nl](http://www.spin.nl). If you choose before the 25th of any given month, your choice will implemented at the start of the following month.

# Personal Choice

- Do I still sleep well when my investment returns are (temporarily) lagging if I choose a variable pension?
- Do I mind a certain opportunity loss when choosing a more defensive investment profile.
- Can I still make ends meet if my pension payment decreases in a given year if I choose a variable pension?
- Can I afford to take a certain risk with my Pension capital if I choose a variable pension?
- Am I willing to expose myself to additional investment risk in order to increase my expected pension payments?
- Am I able to sustain loss of purchasing power if I choose a fixed pension?



# Investment profiles using the Profielwijzer

The image shows a screenshot of the website for Stichting Pensioenfonds IBM Nederland. The top navigation bar includes links for 'Nieuws', 'Contact', and 'Woordenboek', along with a search bar containing the text 'Zoeken...'. Below this, a blue banner contains the text 'Terug naar startpagina' and 'Mijn IBM-Pensioen'. The main content area features a navigation menu with 'In bij IBM', 'Wat gebeurt er bij...', 'Over ons', 'Verkiezingen VO 2017', and 'Mijn IBM-Pensioen'. A central pop-up window displays a login form with the heading 'Inloggen', a field for 'Log in met uw DigiD account', a 'DigiD' logo, and a link for 'Log in zonder DigiD'. Below the pop-up, there are three large buttons: 'Mijn beleggingen' (with a person icon), 'Mijn gegevens' (with a person icon), and 'Contact' (with a smartphone icon). To the right of the main content, there are two large white boxes with rounded corners. The top box contains a green arrow icon and the text 'Profielwijzer'. The bottom box contains a smartphone icon and the text 'Contact'.

# Summary

- Preparation for the purchase of a variable pension at retirement age while accruing pension capital is possible through selecting the “Doorbeleggen” investment profile
- Not until retirement will you make a final decision on purchasing a fixed or a variable pension.
- If you select an investment profile in the “Profielwijzer” no later than the 25th of any given month, your selection will be implemented at the start of the following month.
- Until retirement age it is possible to alter your choice and switch to a different investment profile.

Thank you for coming!

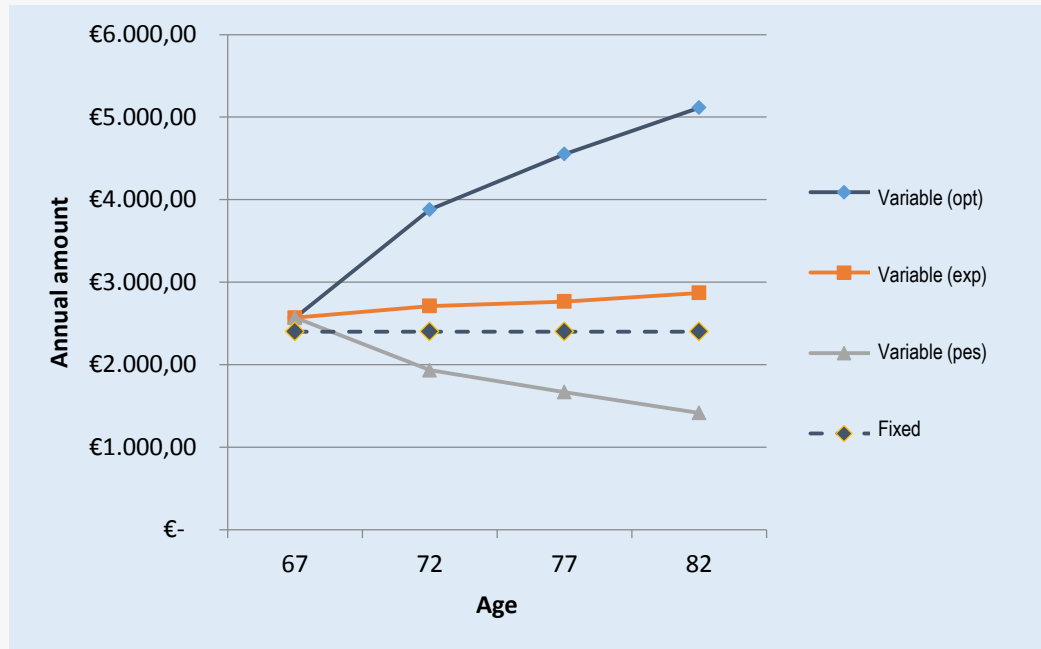


- Join us in room Piet Mondriaan (HDK1 N-08) and ask your questions.
- Or sign up for a pension consultation (starts in March)

Join our participants board and help us improve how we communicate with you!

# Example 2

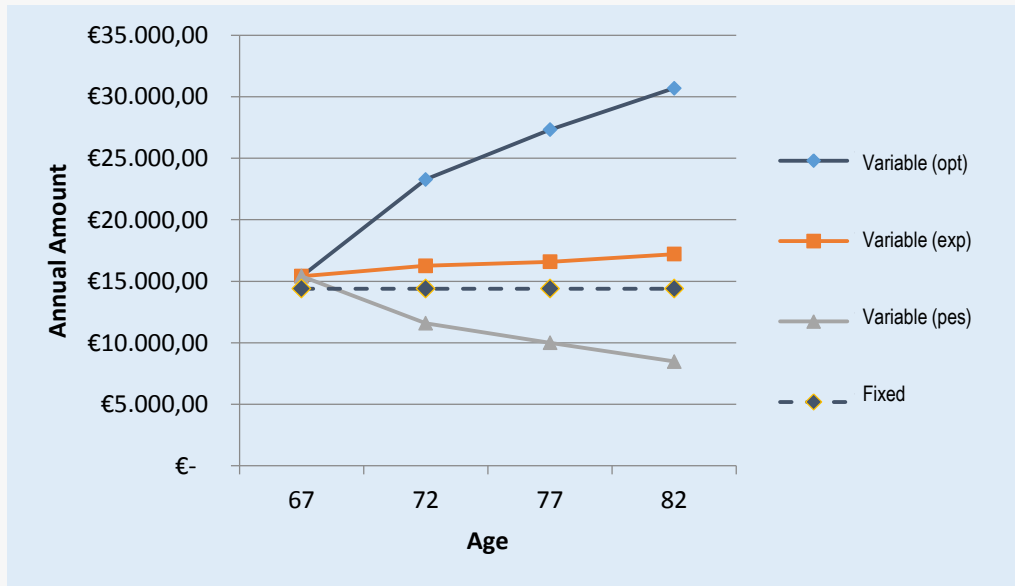
Capital at retirement age: 50.000



Age	Variable (optimistic)	Variable (expeted)	Variable (pessimistic)	Fixed
67	€ 2.568,63	€ 2.568,63	€ 2.568,63	€ 2.400,59
72	€ 3.879,96	€ 2.709,27	€ 1.932,21	€ 2.400,59
77	€ 4.553,19	€ 2.764,46	€ 1.666,62	€ 2.400,59
82	€ 5.114,05	€ 2.868,30	€ 1.414,63	€ 2.400,59

# Example 3

Capital at retirement age: 300.000



Age	Variable (optimistic)	Variable (expeted)	Variable (pessimistic)	Fixed
67	€ 12.843,15	€ 12.843,15	€ 12.843,15	€ 12.002,94
72	€ 19.399,80	€ 13.546,35	€ 9.661,05	€ 12.002,94
77	€ 22.765,95	€ 13.822,30	€ 8.333,10	€ 12.002,94
82	€ 25.570,25	€ 14.341,50	€ 7.073,15	€ 12.002,94