

# SNV

Proposed new pension plan 2009  
to replace the Delta Lloyd plan

A closer look

September 3, 2008



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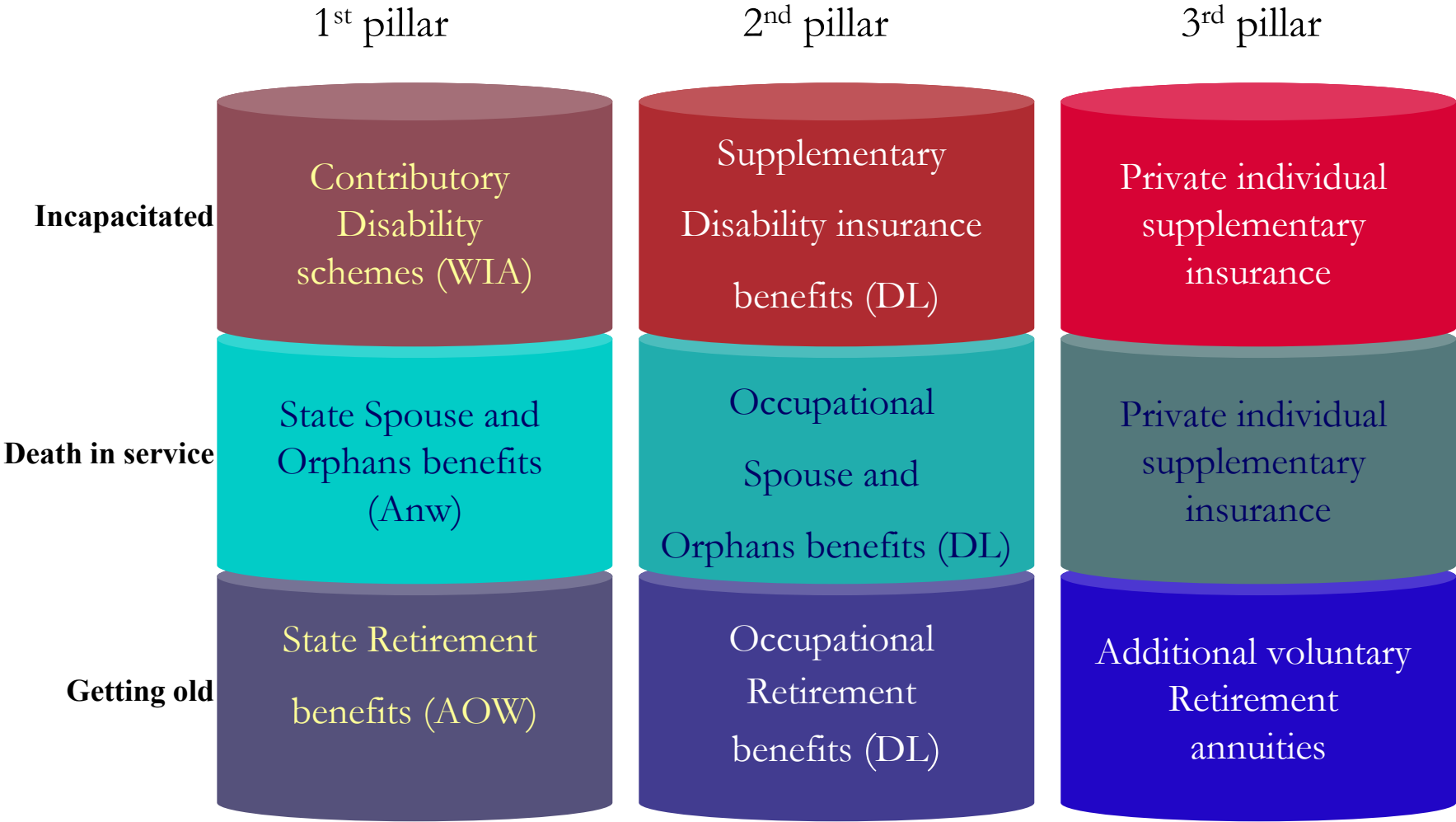


# Pension benefits in the Netherlands

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- Social insurances are meant to protect residents against reduction to poverty
- Social insurance benefits are of a level of 70% statutory minimum wages
- On top of social insurance employers and unions agreed about occupational benefits, like pensions
- The cost of these benefit plans are met by employers and employees
- Membership in these occupational benefits plans is mandatory for all qualifying employees

# Dutch 3-Pillar system



# ABP Pension fund

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- SNV employees participate in the ABP pension already for a long time
- The ABP pension fund administrates the occupational pension benefits for Dutch civil servants and teachers.
- Operates in 2<sup>nd</sup> pillar
- 2,6 million members
  
- ABP excludes some of the SNV employees, for them we've provided a pension insurance comparable to the ABP pension fund with Delta Lloyd



# Pension schemes SNV

## → ABP:

- Current SNV pension scheme for:
- NL staff
- NL expats
- Before the privatisation of SNV employees qualified for mandatory membership with ABP

Type of scheme:

- Defined benefits based on average salary development during career

DL = Delta Lloyd

TCN = Third Country Nationals



## → Delta Lloyd:

- Current SNV pension scheme for:
- TCN's
  - Because these staff members do not have access to the ABP pension scheme

Type of scheme

- DL has been set up as a mirror scheme of ABP scheme in order to provide TCN's with the same benefits as NL staff and NL expats



# Why a scheme change for TCN's?

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- Some of SNV employees do not have access to the ABP pension fund and are therefore insured with Delta Lloyd
- The contract with Delta Lloyd runs until 01-01-2009 and can only be renewed for 5 years
- The SNV pension scheme with Delta Lloyd is based on Dutch pension insurance market and a lot of the TCN's encounter problems on language and cultural issues
- TCN's are used to "Defined Contribution" (DC) pension schemes

# Why a new pension scheme for TCN's?

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Dear All

I have communicated to all of you in the last month re the payment of my pension or the transfer of my pension .I have failed to get any satisfactory answer ,or an offer of help in processing this .

I am not a Dutch speaker and therefore when **the pension fund communicates with me in Dutch it is a major problem.**

I understood that SNV provides assistance in the form of an advisor and liaison person to help in this situation .

I do not get any response to my emails unless someone is out of the office ,this just tells me they are out of the office.

IF you cannot assist me then please tell me ,and I will ask SNV Management to **tell me how I will get my pension paid**, And who will assist with translation .

When i joined SNV **I was informed that SNV was an International Organization** and that I would get all correspondence in English.

I would like to hear from any of you what progress is being made in relation to payment of my pension and how SNV will assist me in getting this payment.



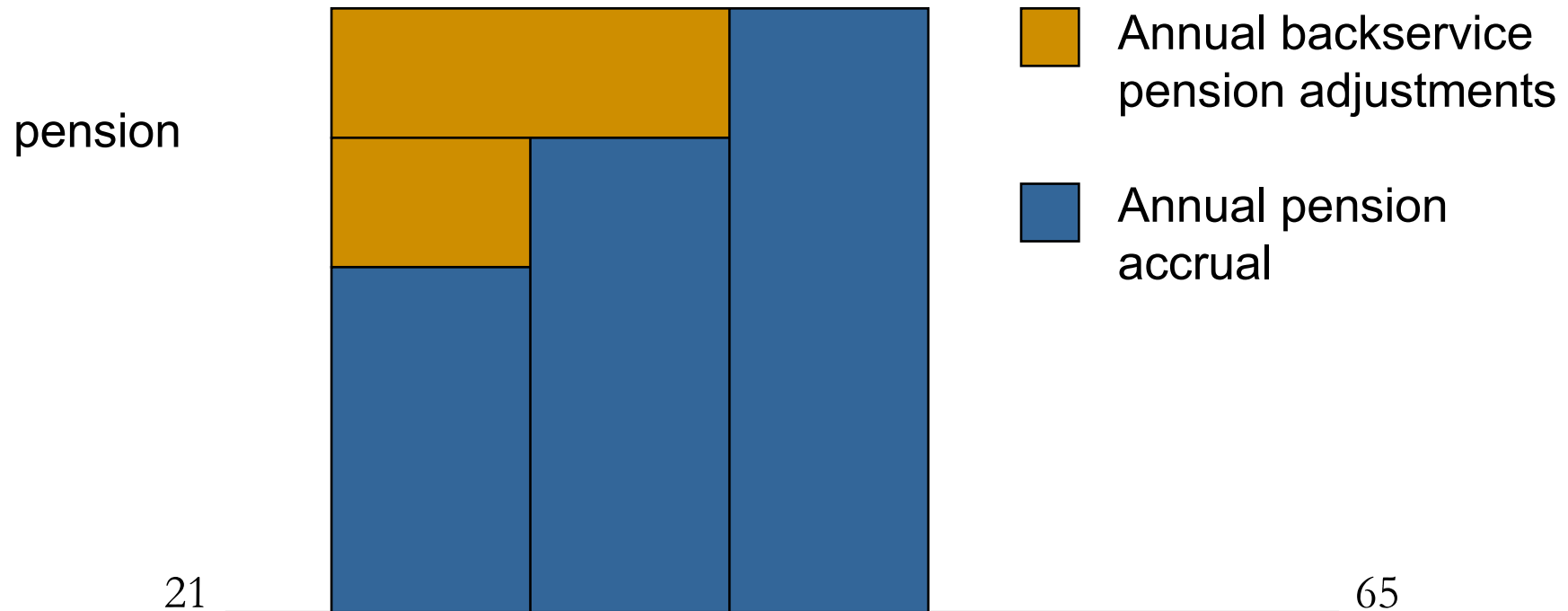
# Why a new pension plan for TCN's?

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- ↳ Why switch to another pension insurance than Delta Lloyd?
  - Due to legal and fiscal regulations current insurance is not flexible, not portable. **SNV WANTS** more **FLEXIBILITY & PORTABILITY** (by clearing away fiscal and legal obstacles)
  - Communication of insurance rules is difficult to understand for TCN staff
  - Language and cultural issues: Requirements of Expats/Third Country Nationals are different from local staff
  - Different information requirements of expats/other country nationals (especially UK/US related)
  - A switch from a DB plan towards a DC plan can provide this and is in line with international practice

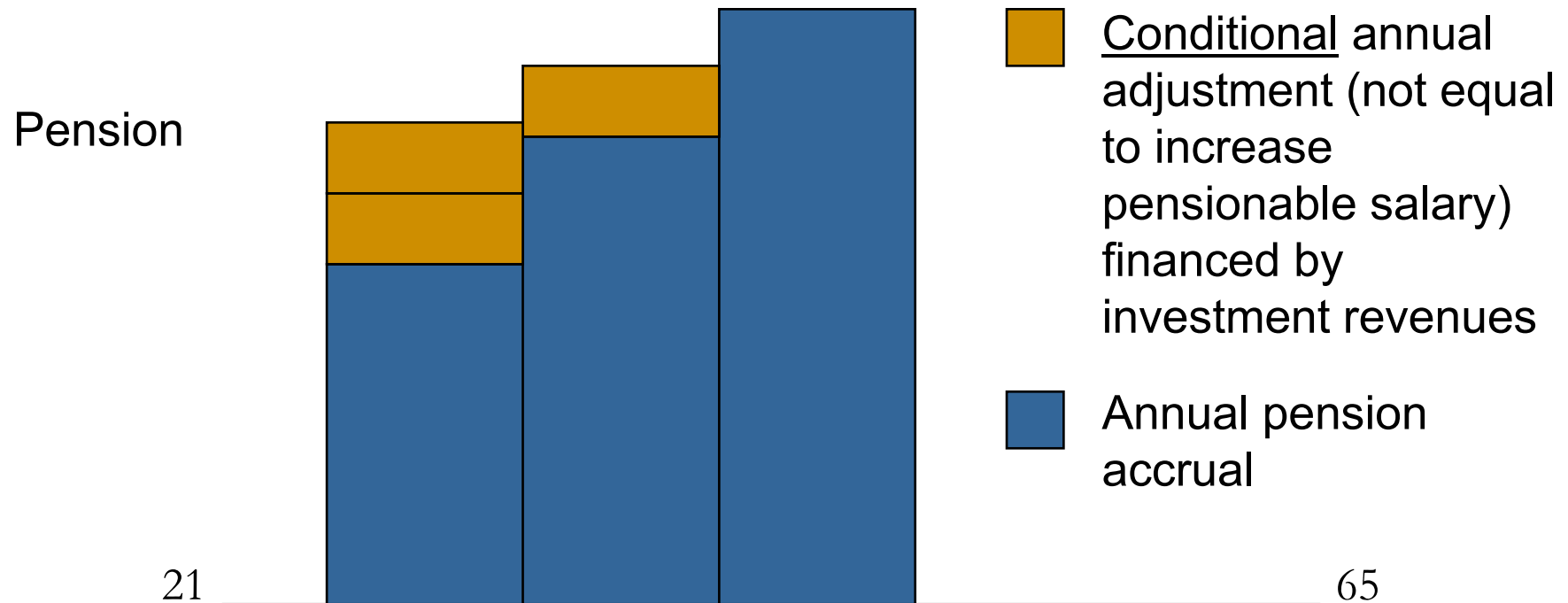
# Defined Benefit Final Pay system (Delta Lloyd)

Current SNV pension scheme for TCN's is linked to the old ABP final pay scheme and is executed by Delta Lloyd. If the pension insurance with Delta Lloyd will be continued the scheme for TCN' is to be amended to the current ABP career average scheme



# Defined Benefit Career Average system (ABP)

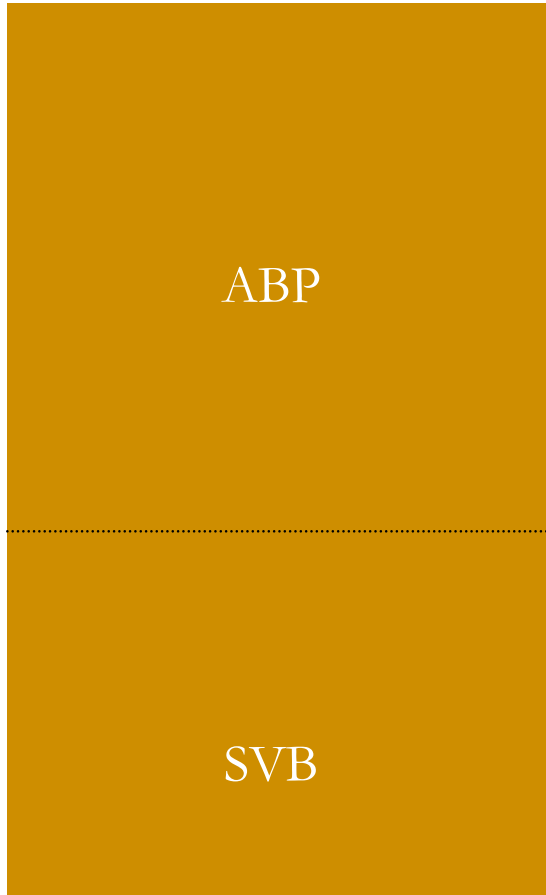
Current SNV pension scheme for TCN's is linked to the old ABP final pay scheme and is executed by Delta Lloyd. Should the pension insurance with Delta Lloyd be continued, the scheme for TCN's has to be amended to the current ABP career average scheme.



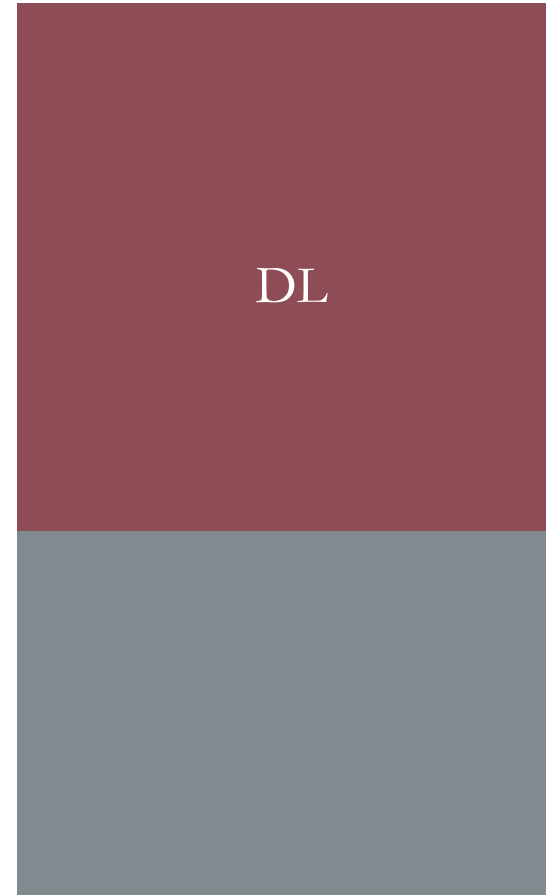
# Administrators/Insurers

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↪ NL staff + NL expats



↪ Third Country Nationals



# Attention!

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So far the Dutch approach.

Contrary to the Dutch approach, we need to think in scenario's



# Major points of difference DL and proposed plan

## Delta Lloyd

### 1. Death in Service

- Spouse death in service benefit is 5/7 of attainable retirement benefit
- Orphan's benefit 1/7 of attainable retirement benefit

### 2. Disability

- 70% of annual salary

### 3. Retirement

- DL plan is a DB plan;
- Pension benefits are starting point, calculated on the basis of a career average salary

## Proposed new plan for TCN

### 1. Death in Service

- lump sum of 4 x annual salary

### 2. Disability

- 70% of annual salary
- Terms and conditions are even better

### 3. Retirement

- Proposed DC-plan for TCN's is a flat rate DC-plan;
- Contributions are starting point; pension benefits on a money purchase basis

# Selection Insurers

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An International Insurer will be selected which is

- ↳ International based
- ↳ Neutrality and portability
- ↳ Flexible and portable plan for employees, wherever they are working
- ↳ Easy administration and information access irrespective of location
- ↳ Automated transactions for employers and employees
- ↳ Wide range of investment options to suit inclusive SRI based funds

# Member definition

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- ↳ Expatriates/Third Country Nationals employed by SNV:
  - Who have no access to ABP Pension Fund
  - Who have no access to local pension fund
  - For who the local pension fund is not appropriate in relation to home country “cost of living” level
  - Member definition can be expanded to enable other groups to be affiliated at rates and conditions to be quoted.

# 1. Death in Service Benefits

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- ↳ Type of insurance : Life insurance (risk insurance)
- ↳ Membership : Compulsory
- ↳ Currency : EUR
- ↳ Benefit : 4 x annual salary
- ↳ Term age : 65
- ↳ Premium paid by : employer



- ↳ In the event of a claim the lump sum will be paid out to the employer who will pass on the benefit to the wife and children of legal heirs.

## 2. Disability Benefits

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- ↳ Type of insurance : Disability insurance (risk insurance)
- ↳ Claim type : Sickness and Accident
- ↳ Cover type : Compulsory
- ↳ Benefit (annuity) : Base salary x 70% (taxable income)
- ↳ Claim indexation : 2% of benefit in previous claim year
- ↳ Waiting period : 52 weeks
- ↳ Claim assessment : Own or similar occupation
- ↳ Minimum degree : 25%
- ↳ Term age : 65
- ↳ Premium paid by : Employer

# 3. Waiver of Pension Contributions

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- ↳ Type of insurance : Disability insurance (risk insurance)
- ↳ Claim type : Sickness and Accident
- ↳ Cover type : Compulsory
- ↳ Benefit (annuity) : 12% of Pension contribution base
- ↳ Cover : Compulsory
- ↳ Waiting period : 52 weeks
- ↳ Claim assessment : Own or similar occupation
- ↳ Minimum degree : 25%
- ↳ Term age : 65
- ↳ Premium paid by : Employer

## 4. Proposed DC-pension scheme

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- ↳ Insurance company : International Insurer
- ↳ Type of Plan : Defined Contribution Scheme  
also known as “Money purchase scheme”
- ↳ Cover : Compulsory
- ↳ Base salary : 12 x monthly salary  
plus holiday bonus  
plus fixed additional salary components
- ↳ Offset : 8/7 x Dutch state retirement benefit
- ↳ Pension contribution base : Base salary minus offset
- ↳ Normal retirement date : 65
- ↳ Provisional employers contribution : 6,60% of pension contribution base
- ↳ Provisional employees contribution : 5,40% of pension contribution base

# 4. Proposed DC-pension scheme

↳ Contribution rates have been defined from the perspective that the accumulated value on the normal retirement date enables the retiree to purchase an equal retirement pension as he would have accrued in an career average defined benefit scheme.

↳ Example:

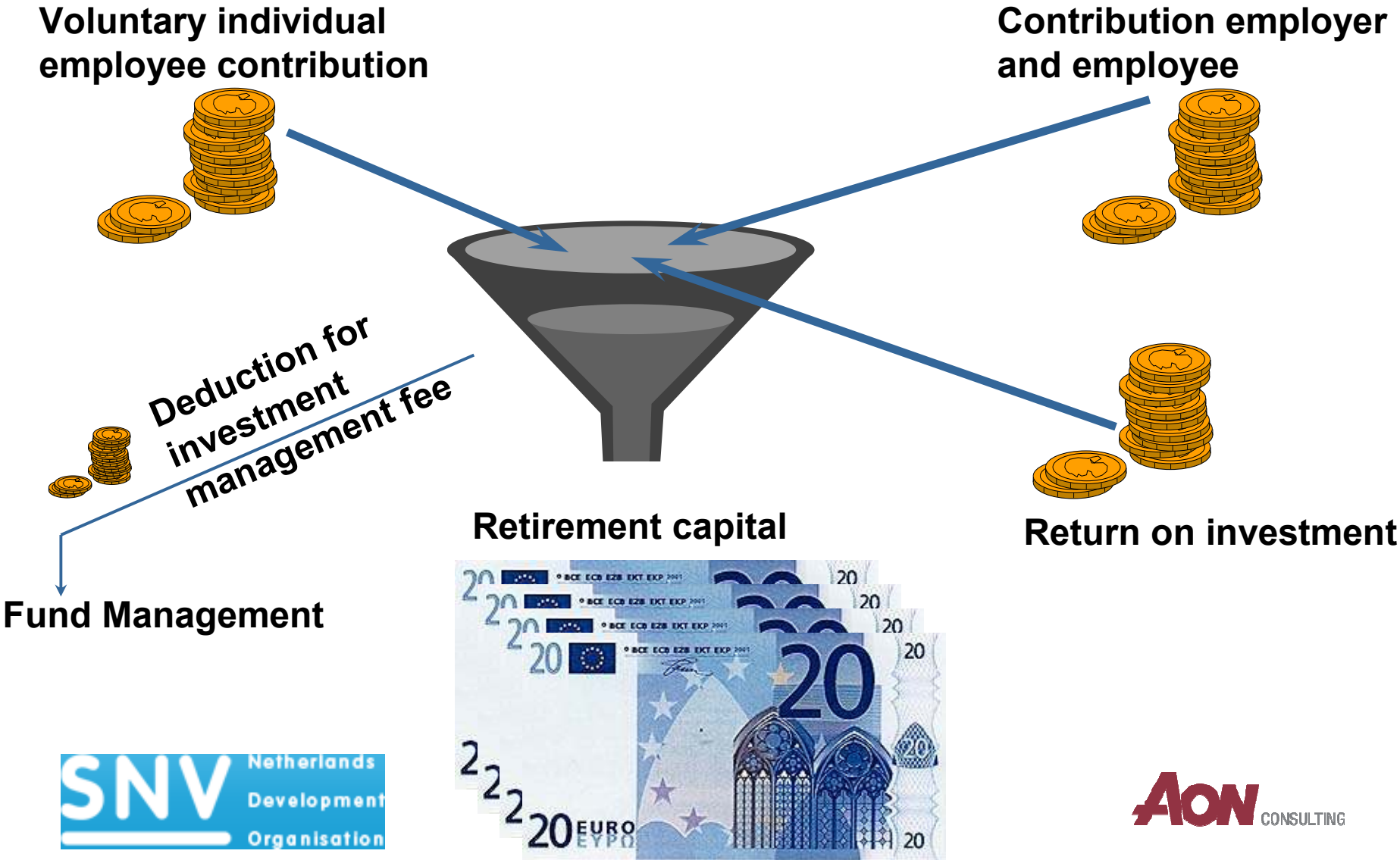
**Career average scheme 2,05%/40 years:**

– Salary at age 25	= EUR 29.500
– Pension base	= EUR 19.650
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– Salary at age 64	= EUR 51.800
– Pension base	= EUR 41.950
–	
– Gross pension	= EUR 28.900
– Income tax	= EUR 7.586
– Net pension	= EUR 21.324

**Defined Contribution scheme 12%/4,50%/1,25%**

Salary at age 25	= EUR 29.500
Contribution base	= EUR 19.650
Total contribution	= EUR 2.358
Salary at age 64	= EUR 51.800
Contribution base	= EUR 41.950
Total Contribution	= EUR 5.037
Accumulated value	= EUR 333.173
Net Pension	= EUR 21.365

# Defined Contribution pension plan



## Investment options employer's contribution

↳ Zurich International Life funds with a Social Responsible Investment approach

- ZI HSBC GLOBAL Equity SRI(USD)
- ZI Pioneer Global Sustainable Equity Fund
- ZI Invesco Capital Shield 90 (EUR) Fund
- ZI Money Market Fund

Alternative:

- ↳ ZI Islamic Funds
- ↳ Currency options:
  - EUR, USD, GBP, CHF
- ↳ More information on:
  - [zurich.com](http://zurich.com)

# Investment options employee's contribution

## ↳ Zurich International Life funds

- Managed Fund - Adventurous
- Managed Fund - Performance
- Managed Fund - Blue Chip
- Managed Fund - Cautious
- Managed Fund - Defensive
- Money Market Fund

## Alternatives:

- ↳ Automatic Investment Strategy
  - Zurich determines what investment strategy fits best in relation to age, investment horizon and target
- ↳ ZI Islamic Funds
- ↳ SRI funds
- ↳ Currency options:
  - EUR, USD, GBP, CHF
- ↳ More information on:
  - [zurich.com](http://zurich.com)

[MSP 194 Guide to investments.pdf](#)

# Additional Voluntary Contributions

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- ↳ Members can opt for an Additional Voluntary Contribution (AVC).
- ↳ AVC will be withheld from the after-tax salary
- ↳ AVC will be expressed as a percentage of the salary

# Retirement benefit options

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→ Accumulated value on age 65 can be converted in:

- Individual Retirement Annuity
- Individual Retirement Annuity combined with a Survivor's Annuity

The retired member needs to consult a local qualified financial planner or broker (due to local financial act directives)

→ Annuity with Insurer or an Open Market annuity

→ Encashment option

- In one or more installments



# Charges on retirement contributions

	<u>Employer</u>	<u>Employee</u>
↳ Annual scheme fee	EUR 0	
↳ Policy charge per month per member	EUR 14,00	
↳ Investment Allocation Rate		100% = EUR 0,-
↳ Annual fund management charge		
– Money market funds	:	0,75%
– Managed funds	:	1,50%

# Access to the insurances

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- The Dutch Act Medical Examinations (Wet Medische Keuringen, WMK) in relation to employment related schemes is not applicable
- An offshore insurer is entitled to require medical information if benefits exceed the Automatic Acceptance Limits
- Benefits less than the Automatic Acceptance Limits are always insured.

# Communication

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- All members will be provided with an user identification, password and PIN-code for access to the Online System
- They have access to their own policies and can:
  - Download valuation statements
  - See their payment history
  - Retrieve literature with information about investment funds
  - Retrieve performance bulletins, investment bulletins and guidelines



# 5. Tax consequences

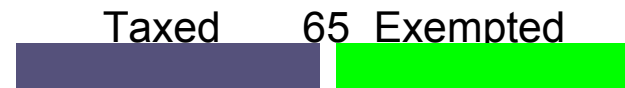
## ABP/DL pension plan:

- ↳ Employers contributions are tax exempted
- ↳ Employees contributions are tax deductible (withheld from pre-tax salary)
- ↳ Pensions in payment will be taxed
  - Reversal rule Act Wage Tax (Wet LB)



## Proposed Offshore Pension Plan:

- ↳ Employers contributions are taxed;
- ↳ Tax consequences will be met by SNV
- ↳ Employees contributions are not tax deductible (withheld from after-tax salary)
- ↳ Pensions in payment are tax exempted (net)
  - No Reversal rule



- ↳ The value of the accumulated funds are to be considered as assets and subject to taxes related to assets, valid in the country of residence.

# Leaving SNV

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- ↳ When the employment contract is terminated before age 65, next options are available for the employee:
  1. Leaving the accumulated value in the policy with the insurer
  2. Request for a transfer of the accumulated value to the fund of the new employer;
  3. Request for a surrender and encashment of the accumulated value and have it transferred to a private account
  - Risk Insurances (life, disability) will be terminated.
  - No continuation option.
  
- ↳ If pension benefits are less than EUR 400 per year, Zwitserleven or/and Delta Lloyd might surrender the entitlement and pay out the encashment value (2 years after termination membership and after tax)

# Proposed procedure

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- ➔ All TCN employees (currently insured with Delta Lloyd) will be announced for the new plan with effect from 01-01-2009
- ➔ Allocation contributions:
  - Contributions will be allocated to safe funds (Money Market Funds)
  - Having received the user name, password and PIN code the member will be able to switch to an investment strategy of his/her own choice within a selected fund range
- ➔ Current accrued pension rights with Zwitserleven and Delta Lloyd will continue without further contributions as paid up policy

# Indexation fund

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- Current balance of indexation fund will be used for increase of accrued pension benefits with Delta Lloyd and Zwitserleven

# Time for questions

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