

Risk attitude and risk attitude measures

For pension schemes adapted to the Future of Pensions Act

Intended for the default investment risk '**Neutral with reduction to a fixed pension benefit**'





You have a pension scheme with BeFrank through your current or former employer that complies with the Dutch Future of Pensions Act (*Wet toekomst pensioenen*, Wtp). As part of this defined contribution scheme, we invest your pension contributions for you. As long as you have not yet made any choices about how we invest for you, we will invest according to the default choice of your employer.

We reduce the risk as you get older

We invest your pension capital in a lifecycle. This means that we adjust the investments according to your age. When you are young, we want your investments to yield a generous return. We therefore take a little more risk with our investments during that period. The closer you get to your retirement age, the less risk we take when investing. This is how we ensure a balance between risk and return.

On average, we reduce the risk 12 years before your retirement date. However, we may do this much earlier or later, depending on your risk profile. Your personal pension page will show you when we will start reducing your risk.

The amount of your pension therefore depends, among other things, on the investment result that we will achieve. Each year, we check whether our investment strategy is still appropriate.

How do we check whether our investment strategy is still appropriate?

We check this against two 'risk attitude measures':

1. The *risk measure*. This measure shows the average maximum acceptable investment risk that everyone with the default Neutral investment risk can and wants to take with their pension capital.
2. The *expectation measure*. This measure provides information about the average minimum return that everyone with the default Neutral investment risk wants to achieve when taking investment risk. An investment pension entails risks, and the expectation measure determines the minimum investment risk that we must take for your pension.

We set these risk attitude measures based on the outcomes of a survey among those participants that have an investment pension with us. We call this a 'risk preference survey'. It helps us determine which risks we can take based on personal characteristics and scientific insights. We determine risk attitude measures for each five-year age cohort. At least once every five years, we check whether the risk attitude measures we have set are still correct.

Risk measures help us invest your pension contributions

An investment pension entails risks, but these risks must also translate into returns. We cannot take too much risk (risk measures) with investments, but also not too little risk (expectation measures). We determine this based on your preference. We also do this in such a way that we will only have to adapt our investment strategy in special cases and circumstances.

What do we check?

We check the default investment strategy for the default investment risk in a Wtp scheme. Your employer has set this to the investment risk 'Neutral with reduction to a fixed pension benefit'. You can change this to another lifecycle yourself or to Do It Yourself investing if this is possible for your scheme. However, you must then determine your risk profile first by completing the profile selector on your personal pension page. Once you have done this, you can choose another investment risk that matches your risk profile. You can also continue to invest according to the default investment risk.

As long as you have not made your own choice, we will invest your pension contributions according to the default investment risk. In that case, the table on the following page applies:



Risk attitude measures – investment risk ‘Neutral with reduction to a fixed pension benefit’

AGE COHORT	RISK MEASURE	EXPECTATION MEASURE
22 OR YOUNGER	61.7%	172.1%
23–27	57.9%	146.7%
28–32	57.5%	124.7%
33–37	56.6%	98.8%
38–42	55.9%	73.6%
43–47	53.9%	51.2%
48–52	50.6%	37.5%
53–57	42.7%	27.8%
58–62	30.4%	29.7%
63 OR OLDER	17.0%	26.0%

What do the risk attitude measures mean for your pension?

For the default investment risk, we have determined the maximum acceptable risk in the risk measure. This measure indicates how much lower the pension under ‘unfavourable circumstances’ is allowed to be when compared to the pension ‘according to expectations’.

Example: a risk measure of 17.0% for the age cohort 63 or older means that, with our investment strategy, we accept that a pension benefit is at least 83.0% of the expected pension under ‘unfavourable circumstances’.

As mentioned, we invest according to this risk in order to obtain a higher expected pension. The expectation measure sets out how much additional pension a participant wants to achieve by investing. This is a minimum, as a lower expected pension is incompatible with the appropriate investment strategy for this risk. The expectation measure therefore reflects the minimum additional pension that we consider appropriate in relation to ‘risk-free investing’. Risk-free investing means that we take no investment risks with your pension and the amount of your pension is fixed, which means that it cannot increase or decrease.

Example: an expectation measure of 26.0% for the age cohort 63 or older means that, with our investment strategy, we want to achieve a pension benefit that is at least 26.0% higher when compared to a pension benefit based on risk-free investing.

When do we adapt our investment strategy?

We do this if the annual check shows that our investment strategy is no longer appropriate, for example because it no longer corresponds to the risk attitude measures we have set.

If this happens, we will (depending on the result of the check):

- adapt our investment strategy; and/or
- conduct a new risk preference survey to determine the extent to which your risk attitude has changed.

We also conduct a new risk preference survey at least once every five years, even if the annual check shows that the results are appropriate for the risk attitude. In this way, we ensure that our investment policy continues to adapt to changes in your risk attitude. We will, of course, inform you of any changes.