

YEARS REPORT 2019

PMT

YEARS REPORT 2019

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PREFACE

We look back on 2019 as a turbulent year. It was the year in which a cut of pensions - thanks in part to our insistence - at the last minute prevented, a pension agreement was concluded and the year in which social partners a new pension scheme in the metal. Both within the Pension Federation as within the consultations between the five largest Dutch pension funds, PMT in 2019, contributions were made to further elaborate the pension agreement. However, much remains to be done. It is under the current conditions of one persistently low interest rates are unlikely to meet the targets set in the agreement are actually feasible. PMT will also continue its involvement in 2020 with we remain committed to a future-proof pension system that suits the sector Metal and Technology.

But there is more to do! Considering the current situation with the Coronavirus in the society, we expect 2020 to become even more turbulent than last year. Not just for PMT. The Coronavirus is gripping the world and will likely to lead to a recession. The Corona crisis is causing a shock in the economy like we have never seen it before. In a short time, a large part of the Dutch economy stalled. Different sectors are hit hard and on entrepreneurs and companies are losing orders all over the country. The government has therefore put together a support package to help companies - large and small - to assist. PMT also pursues a leniency policy regarding premium collection.

We cannot yet indicate or predict exactly what the impact of the

Corona crisis on PMT's financial situation. PMT works with scenarios in which the control of the Corona distribution is a crucial factor. In the scenarios that has impact on the magnitude and duration of the economic crisis, impact on the global economy and the financial markets.

Since the Corona crisis, we have been following market developments even more closely than usual. We monitor continuously and report daily on possible bottlenecks in the application of our investment policy. We, of course, as a long-term investor, without prejudice to the principles of the strategic investment policy, the established bandwidths, procedures and mandates.

We do not close our eyes to reality and we will assess in time what this crisis is means for pensions in 2021.

It is precisely in an economic crisis that the value of our pension system proves itself. Because pension funds focus on long-term goals (lifelong retirement benefits for both the young starters in the sector and those who are retired career) they pursue a long-term investment policy and because they are less committed attracting daily rates they contribute to economic stability.

Another value is the sharing of risks in a collective system. Excellent investment results such as in 2019 but also a crisis such as in 2020 will not be immediate translated into pension benefits. The participant is more in an individual system exposed to the effects of volatile financial markets with huge shocks in it individual pension perspective. This damping of risks is particularly important in these times meaning for our participants.

We are all facing a huge task, but together we are strong!

The Hague, May 6, 2020

The board

JPM Brocken, chairman on behalf of the employees and pensioners
KB van Popta, chairman on behalf of the employers

PROFILE 2019

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ORGANIZATIONS

Employers and employees are affiliated with the Metal and Engineering Pension Fund are subject to the mandatory decision.

The employers' members of the board are nominated by the Federation Employers' organizations Technology (FWT), where various employers' organizations from the Metal and Technology are affiliated with.

Companies affiliated with PMT are usually affiliated with one of the following organizations:

- Koninklijke Metaalunie
- Technology Netherlands ¹
- BOVAG
- Dutch association of entrepreneurs in the bodywork company (FOCWA)
- Dutch Association of Entrepreneurs in the Thermal Insulation Company (VIB)
- Dutch association of companies in the field of refrigeration and air treatment (NVKL)
- Federation Gold, Silver, Timepieces, Gemstones and Related Articles ²
- Dutch Form Association
- Association of Galvano-technical Industry Enterprises NGO-SBG
- Engraving and Sign Association
- Dutch Association of Salvage Specialists (VBS)
- Association of roller shutter, awning and sun protection companies (Romazo)
- Association of employers in the diamond industry
- Stichting Scheepsbenbenders, sailmakers and ships' rigging
- Association of Orthopedic Technology NVOS-Orthobanda

The employees on the board are nominated by the following trade unions:

- FNV
- CNV Professionals

The members on behalf of the pensioners on the board are nominated by the accountability body.

¹ As of January 15, 2019 (previously UNETO-VNI)

² As of 1 January 2019, the Association of Precious Metals Industry and the Association of Gold and Silversmiths have merged into the Federation of Gold, Silver, Timepieces, Gemstones and Related items

MISSION, VISION AND AMBITIONS

MISSION PMT

PMT ensures an affordable, sustainable and value-retaining pension for as much as possible all participants. We know what is going on and anticipate future developments.

There is collaboration with participants, employers and social partners. The importance of participants always come first.

PMT is accessible and gives participants - both digitally and in personal contact - optimal insight into their pension and their options. Also about what happened to the premiums are paid, PMT is transparent.

VISION PMT

PMT is committed to providing an affordable and sustainable pension for all participants with customization within the collective scheme.

The objective of our investment policy is to achieve sufficient returns to achieve such an combine affordable pension with striving for a stable pension.

No more risk is taken than is necessary and there is a sharp focus on the cost level having. Making investments in the Netherlands gives substance to the social responsibility of PMT.

We offer our participants insight into our services through a flawless and appropriate service their retirement and the choices they can make.

As a fund of the Metal and Engineering industry, we operate in an ever-changing environment surroundings. We make our contribution clearly visible and are recognized for our contribute to improvements.

AMBITIONS

A number of ambitions arise for PMT from the mission and vision.

FINANCIAL SECURITY

PMT provides - at a given premium - for a good supplementary income participants in old age and also provides security to people during their active careers are faced with situations in which to fall back on it fund, such as in the event of death, disability and unemployment. PMT does this indoors a compulsory scheme in which it has no profit motive. Under unfavorable circumstances, PMT may be forced to cut pensions.

VALUABLE PENSION

PMT's investment policy is aimed at achieving an adequate return on the invested ability to achieve such an affordable pension with the pursuit of a stable pension. No more risk is taken than necessary.

CHOICES IN THE ARRANGEMENT

Given the trend of individualisation in society, PMT strives for choices within the scheme and the legal framework in the implementation to the maximum.

PROACTIVE AND VISIBLE

PMT has a clear and recognizable vision and opinion on the developments in the pension domain. The fund actively contributes to the social debate about pensions. The clear vision is appreciated by the supporters and leads to opinion leadership in the pension sector.

LOW THRESHOLD AND INVOLVED

PMT has a strong connection with the supporters and continuously invests in the relationship with all stakeholders. The fund reflects their wishes and needs and demonstrates that in his attitude, behavior and actions. The fund is both digital and in personal contact easily accessible.

The service is reliable and accurate. PMT tests this among the supporters. PMT communicates accessible, clear and adequate. Participants, employers and pensioners feel known and understood.

INTEGRAL, RELIABLE AND MANEUVERABLE

PMT is used by its employers, (former) participants, and pensioners environment viewed as an honest, reliable pension provider that is capable of operational management in a timely manner and adaptable to changing circumstances and ambitions.

PENSION IN A RESPONSIBLE WAY

PMT strives to be within the framework of the risk attitude and striving for excess return to meet the requirements of ESG integration as much as possible. Thereby strives PMT strives to avoid negative social effects of its investments and to achieve positive social impact where possible. In addition, indicates the 'responsible way' in cost efficiency.

KEY FIGURES

2019

KEY FIGURES

EMPLOYERS AND PARTICIPANTS	2019	2018	2017	2016	2015
EMPLOYERS (NUMBERS)					
Affiliated employers with personnel	34,343	34,002	33,538	33,355	33,019
PARTICIPANTS (NUMBERS)					
ACTIVE PARTICIPANTS	418,302	408,150	395,104	385,339	379,005
- of which premium-paying	400,438	390,737	377,930	368,255	362,183
- of which non-contributory due to incapacity for work	17,864	17,413	17,174	17,084	16,822
Former participants 1)	700,474	691,230	675,154	666,490	661,179
PENSION BENEFICIARIES					
Retirement pension	157,934	154,860	152,488	148,960	144,828
Early retirement pension	4,789	4,931	4,628	5,898	7,465
Partner's pension	61,474	60,204	59,623	58,277	56,474
Orphan's pension	2,551	2,424	2,512	2,438	2,303
TOTAL PENSION BENEFICIARIES	226,748	222,419	219,251	215,573	211,070
Unclaimed pensions	62,826	62,991	63,091	63,392	64,053
TOTAL PARTICIPANTS	1,408,350	1,384,790	1,352,600	1,330,794	1,315,307
Pensioners with ANW Pension 2)	1,249	1,258	1,211	1,228	1,206
Surrender 3)	11,779	11,061	17,970	20,722	9,466
Active participants					
average salary (x € 1)	37,630	36,580	35,940	35,310	34,760
average age (in years)	42.1	42.0	41.8	41.7	41.5

1) The number of former participants was 89,378 participants without entitlements at year-end 2019 (2018: 87,057 participants). It concerns below other many young participants with a pension base equal to or less than € 0.00, as a result of which they do not accrue entitlements.

2) Pensioners with partner's pension who also receive a benefit because they voluntarily participate in ANW Pension (until 1 January 2016 reinsured product).

3) Surrenders include surrender before retirement date.

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PENSION OBLIGATIONS (X € 1 MILLION)		2019	2018	2017	2016	2015
Active participants		41,997	34,014	32,218	32,415	28,294
Former participants		20,547	16,445	15,570	15,493	13,426
Pensioners		23,148	21,239	20,936	21,039	19,917
TOTAL PENSION OBLIGATIONS (A)		85,692	71,698	68,724	68,947	61,637
Market interest obligations		0.80%	1.45%	1.58%	1.43%	1.79%
Premium equalization depot 4)		-	-	423	395	270
Provision VPL 5)		2,201	1,521	1,189	840	494
CAPABILITY FOR COVERAGE (X € 1 MILLION)		2019	2018	2017	2016	2015
General reserve	(B)	- 787	- 427	1,543	1,947	1,569
Capital for coverage ratio	(C = A + B)	84,905	71,271	70,267	67,000	60,068
Coverage	(D = C / A)	99.1%	99.4%	102.2%	97.2%	97.5%
Policy funding ratio 6)		97.6%	102.3%	100.6%	92.8%	98.5%
Real coverage ratio 7)		78.2%	82.9%	81.4%	75.6%	79.5%

- 4) This item is further explained in the notes to the balance sheet.
- 5) At PMT, the VPL provision specifically concerns the contingent rights associated with the transitional arrangements.
- 6) The policy funding ratio is the average of the 12 monthly funding ratios reported to DNB.
- 7) In addition to the nominal pension obligations, future indexation is also taken into account. To give substance to it the conditional nature of the indexation is quantified with an expected return (the same for all funds). See for the exact calculation method art. 133b PW. The calculation of the real funding ratio is in line with the indexation rule in the revised financial assessment framework, which similarly distinguishes between the unconditional nominal commitment and the conditional indexation commitment.

PREMIUMS	2019	2018	2017	2016	2015
Premium percentages (%)					
Old-age and partner's pension 8)	22.20%	22.60%	23.00%	23.50%	24.00%
Premium VPL 9)	5.78%	5.88%	5.99%	6.12%	6.26%
Premium contributions (x € 1 million)					
Old-age and partner's pension premium	1,997	1,899	1,801	1,729	1,707
Premium VPL	509	483	458	440	433
PREMIUM INCOME TOTAL	2,506	2,382	2,259	2,169	2,140
Premium claims					
Premium contributions receivable (x € 1 million)	62	75	64	51	63
Contributions to be claimed in percentage of the total premium income	2.5%	3.1%	2.8%	2.4%	2.9%
PENSION BENEFITS (X € 1 MILLION)	2019	2018	2017	2016	2015
Old-age pension benefits	1,040	1,006	969	922	868
Early retirement benefits	116	110	123	163	216
Partner's pension benefits	226	216	210	202	191
Orphan's pension benefits	4	4	4	3	3
Distributions on ANW pension	15	15	14	15	14
SUBTOTAL BENEFITS	1,401	1,351	1,320	1,305	1,292
Surrender 10)	14	15	24	35	23
ALLOWANCES	1,415	1,366	1,344	1,340	1,315
AVERAGE BENEFITS (X € 1) 11)					
Old-age pension benefits	6,651	6,550	6,433	6,276	6,110
Early retirement benefits	23,913	22,925	23,316	24,396	25,691
Partner's pension benefits	3,720	3,617	3,555	3,514	3,416

Orphan's pension benefits	1,590	1,485	1,448	1,417	1,571
Buy off	1,149	1,346	1,348	1,685	2,391

8) This contribution percentage is levied on the pensionable salary minus the deductible of 14,554.00 (2018: 14,704.00).

In 2019, a salary limit of 74,327 applies (2018: 73,711). In the period 2015 - 2019, the premium based on wage bill was the same.

The annual pensionable salary above the salary limit up to the maximum salary of € 107,593 (2018: € 105,075) applies from 1 January.

2017 a voluntary scheme based on a premium scale and accrual percentages to be determined annually, 'low' (1.59%) or 'high' (1.875%).

9) The VPL premium is levied on the same basis as that for the old-age and partner's pension premium. The premium will come from 2014 fully borne by the employers.

10) The surrenders are one-time distributions of the present value of future distributions.

11) The presented average - with the exception of surrenders - concerns the total benefit costs compared to the average number of pensioners.

OTHER PARAMETERS (X € 1)	2019	2018	2017	2016	2015
Salary limit	74,327	73,711	72,222	70,416	70,000
Maximum salary	107,593	105,075	103,317	101,519	100,000
Franchise	14,554	14,704	14,904	15,104	15,304
Inflation (CPI price index, July - July period)	1.73	1.36	-0.32	0.81	0.59
BALANCE OF VALUE TRANSFERS (X € 1 MILLION)					
Inward value transfers	45	70	-	-	41
Value transfers outgoing	96	228	9	2	93
COSTS (X € 1 MILLION)					
Regular pension administration costs	43	42	44	55	54
One-off pension administration costs	-	-	-	12	4
Direct investment costs	94	89	95	113	85
TOTAL COSTS IN FINANCIAL STATEMENTS	137	131	139	180	143
TOTAL MANAGEMENT COSTS (INVESTED FUNDS)					
Integral management costs, these are direct and indirect investment costs ¹²⁾	453	381	337	327	351

12) Indirect investment costs are the costs that have been set off against the return on the investments. These costs are not included separately in the annual accounts presented.

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INVESTMENTS	2019	2018	2017	2016	2015
COMPOSITION WALLET ULTIMO (X € 1 MILLION) 13.14, 15)					
Investment property	7,503	6,479	6,349	5,584	5,645
Shares	25,620	21,128	24,441	23,228	17,967
Fixed income securities	53,483	44,667	40,531	38,873	34,347
other investments	414	431	470	529	2,804
TOTAL INVESTED FUNDS	87,020	72,705	71,791	68,214	60,763
COMPOSITION WALLET ULTIMO (%) 13)					
Investment property	8.6%	8.9%	8.8%	8.2%	9.3%
Shares	29.4%	29.1%	34.0%	34.0%	29.6%
Fixed income securities	61.5%	61.4%	56.5%	57.0%	56.5%
other investments	0.5%	0.6%	0.7%	0.8%	4.6%
TOTAL INVESTED FUNDS	100%	100%	100%	100%	100%
TOTAL RETURN BY INVESTMENT CATEGORY (X € 1 MILLION)					
Investment property	975	276	219	340	635
Shares	5,078	- 341	2,071	2,428	1,230
Fixed income securities 14)	7,243	108	466	3,818 - 1,071	
other investments	35	68	30	63	551
TOTAL RETURN 15)	13,331	111	2,786	6,649	1,345

TOTAL RETURN BY INVESTMENT CATEGORY (%) 16)

Investment property	14.6%	2.4%	5.3%	6.0%	13.2%
Shares	27.0%	-7.3%	15.2%	11.3%	3.8%
Fixed income securities	16.1%	1.8%	-1.6%	11.5%	-1.0%
other investments	12.5%	15.5%	2.2%	12.7%	13.9%

BREAKDOWN OF THE RETURN ON TOTAL INVESTMENT (%)

Total return	18.4%	0.2%	4.1%	11.0%	2.3%
of which direct return	2.7%	2.8%	3.0%	3.3%	3.1%

Z-SCORE

Z-score per year	-0.55	0.76	-0.05	0.08	0.38
Assessment performance test 17)	1.56	1.83	1.83	2.18	2.48

13) In the key figures and the management report, the investment categories (capital and result) are presented in accordance with the manner in which the (strategic) investment policy is designed. For further explanation, see the notes to the balance sheet (7).

14) The return on derivatives overlays for currency and interest rate swaps is fully allocated to Fixed income securities.

15) The total return shown here does not include the management and board costs allocated to asset management (€ 6 million).

16) Here, the results on derivatives overlays per category have been allocated to the correct category.

17) The performance test indicates to what extent the actual investment return over a period of five years deviates from the investment return of the standard portfolio (benchmark) over the same period. The outcome is an assessment of the performance test of this test (as described in appendix 1 to the Exemption and Fine Decree Act Bpf 2000) stated including addition of 1.28. As a result, the performance test is passed if the stated result is greater than or equal to zero.

THE AMBITIONS FROM PMT

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2019: A turbulent year!

The year 2019 will start as an exciting year. A year with a pension agreement, with impending pension cuts and with an agreement on the new pension scheme for the Metal and Technology sector. But also a year in which the effects of the low interest rate PMT again played tricks. Although the strongly declining interest also accounted for part of the high investment returns (on matching portfolio), the financial position remained worrisome, as it has an even stronger rise of the obligations. Overall, invested assets rose from € 72.5 to € 87.0 billion, but the funding ratio hardly changed on balance between the beginning and end of the year. PMT concludes that with the current fall in interest rates even good investment results ultimately provide insufficient relief.

In the spring, the social partners and the government came to the long-awaited pension agreement. One of the agreements therein was that pension cuts for pension funds with a funding ratio above 100% would not be necessary. After the summer, the sharp falls in interest rates, however, mean that the funding ratios of many pension funds are falling. The Netherlands, including PMT, fell below the crucial 100% limit. With as

As a result, the chance of pension cuts was again high. At the end of the year, the Minister of Social Affairs and Employment offered the opportunity to avoid unnecessary pension cuts as of December 31, 2019. The major industry pension funds, including PMT, have made a plea to the minister for this to move.

In September 2019, the social partners in Metal and Technology succeeded after one period of unrest and firm negotiations to reach a collective agreement. On base social partners subsequently reached an agreement on this extension of the pension scheme for Technology.

Pension agreement: a good first step

PMT is positive about the pension agreement between the social partners and the cabinet. Agreements have been made on the development of two types of new contracts: one premium scheme with extensive risk sharing between generations and the so-called improved premium scheme with a more individual character. The agreement meant also that the limit at which pension funds must implement reductions, for the time being in 2019 it was reduced from 104.3% to 100%. In addition, PMT finds the temporization of raising the state pension age is a good thing. This is one for PMT participants welcome measure.

PMT sees the agreement as an important step towards a future-proof pension scheme. However, many things still require further elaboration. It is under current conditions of persistently low interest rates are unlikely to set the target are actually feasible from the agreement. Both within the Pension Federation and PMT participates in consultations between the five largest Dutch pension funds 2019 contributed to the further elaboration of the pension agreement. PMT will continue this involvement in 2020.

Reductions from the job by the end of 2019, threat remains

Although the agreements from the pension agreement seemed to be sufficient to avoid reductions at the end of 2019, there was a hitch. As a consequence of the sharply falling interest rates in 2019, to an unprecedented low level of 0.39% in August 2019, Most pension funds threatened reductions again after the summer. For the at first there was even negative interest on long-term loans. The funding ratio PMT fell to well below 100% (92.6%), and reductions, at the end of August 2019 seemed inevitable.

PMT was and believes that it will implement pension cuts over a period of time working on a new pension system - with different rules than the current - is disastrous for the support and confidence that is needed by the transition to a new system.

That is why PMT, together with other large pension funds, made a plea for politics to convince that pension cuts should be avoided as much as possible. This plea proved successful: it ultimately led to the decision of the Minister of SZW to offer pension funds with a funding ratio above 90% the opportunity to waive a cut. PMT now has this option in 2020 made use of.

Pension scheme for the Metal and Technology sector 2020 - 2022

Another important development in 2019 was the agreement between the social partners about the pension scheme for the Metal and Technology sector. PMT is like a pension fund no active party in these negotiations, the social partners come to an arrangement. The board of PMT must then consider whether the fund has the contract for the accepts implementation of the pension scheme.

PMT had already informed the social partners in the spring of 2019 that this was tacit extension of the scheme - which ran until 1 January 2020 - was not an option for PMT. PMT considered that, given the low premium coverage, funding of the scheme degree needed improvement during the term of the new scheme. The social partners take the criteria that PMT set for the engagement acceptance to heart taken. Funding for the scheme will be improved in 2021. PMT has the job therefore accepted for the administration of the pension scheme.

[website](#)

1 FINANCIAL SECURITY

PMT stated the following regarding the ambition about financial security in 2019 objective: PMT aims for the minimum required policy funding ratio (104.3%) without having to cut pensions.

OBJECTIVE PART OF ACHIEVED IN 2019

Looking back at 2019, the fund was unable to achieve a funding ratio of realize at least 104.3%. But also thanks to the efforts of the PMT board to prevent pension discounts, the minister has decided - in view of the special circumstances - to grant exemption from the pension cuts.

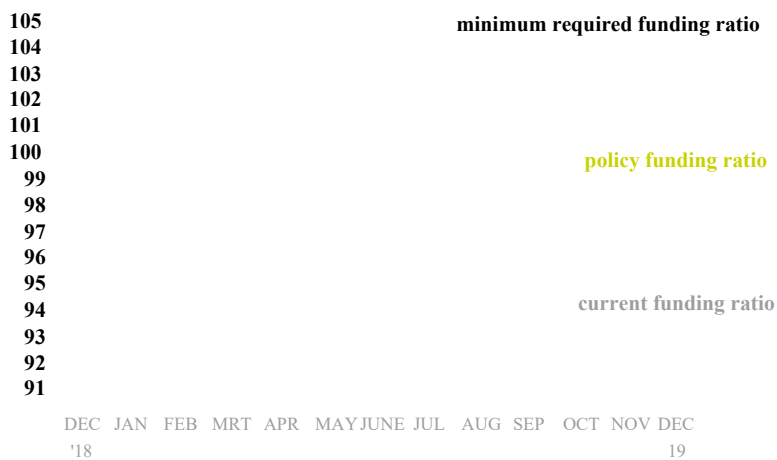
FINANCIAL POSITION

In the first eight months of 2019, the current funding ratio decreased from 99.4% to 92.6% as of August 31, 2019. After that, the funding ratio rose again to a position of 99.1% as at 31 December 2019. Without the exemption regulation that the Minister is in PM of November 19, 2019 announced, PMT about 2019 would be an unconditional had to announce a decrease for all participants of approximately 5.2%, outgoing of the current regulations, whereby the minimum required funding ratio is 104.3%. In the event that the agreed limit from the pension agreement would apply, this would be the case of a decrease of approximately 1%.

The postponement granted by Minister Koolmees applies for one year. That means that from 2020 the rules of the Financial Assessment Framework (FTK) will continue to apply. Given the financial position of PMT, there is a real chance that PMT based on the funding ratio as at 31 December 2020, a pension reduction will still be made in 2021 must implement.

After all, PMT must make an unconditional reduction under the FTK if the fund for five consecutive years at year-end one has a policy funding ratio that is below the minimum required funding ratio. For PMT, this limit is 104.3%. PMT has now been lower for five consecutive years policy funding ratio. As a result of the board's decision to use however, making the opportunity offered by Minister Koolmees did not lead to one reduction as of December 31, 2019.

Movements of funding ratios in 2019



Cover ratios 2015 - 2019



COVERAGE PMT (X € 1 MILLION)	ULTIMO	2019	2018
Capital for coverage ratio		84,905	71,271
Pension obligations provision		85,692	71,698
Coverage		99.1%	99.4%
Policy funding ratio		97.6%	102.3%
	01-01-2019		01-01-2018
Premium coverage ratio		77.1%	80.7%

In 2019, the funding ratio developed as follows:

DEVELOPMENT OF COVERAGE (IN PERCENT)	REALLY	2019	2018
COVERAGE RATE AS OF 1 JANUARY		99.4	102.2
Premium		- 0.7	-0.7
Investments		18.6	0.5
Other effects			
Interest rate term structure		- 15.4	-4.9
Change in estimate and result on actuarial assumptions		0.0	1.3
Other		- 2.8	1.0
COVERAGE RATE AS AT 31 DECEMBER		99.1	99.4

SPECIFICATION FOR TBV COVERAGE PMT (X € 1 MILLION)	ULTIMO	2019	2018
Total assets		95,539	79,193
Obligations and other debts		- 8,433	- 6,401
Designation reserve Premium equalization depot		0	0
Facility VPL		- 2,201	- 1,521
CAPACITY FOR COVERAGE		84,905	71,271

MUTATION PENSION OBLIGATIONS (VPV) TO CAUSES (X € 1 MILLION)	ULTIMO	2019	2018
Pension liabilities provision on 1 January		71,698	68,724
Change in market interest rates	13,164		3,461
Interest added to VPV	- 172		- 181
Change due to new pension entitlements and transitional arrangements	2,666		2,423
Withdrawal for benefits	- 1,413		- 1,372
Change of accounting policies	0		- 908
Change due to value transfers	- 54		- 149
Other	- 197		- 300
PROVISION FOR PENSION OBLIGATIONS ON DECEMBER 31		85,692	71,698

Premium equalization depot

There is a premium equalization depot in 2015 to stabilize the premium and the accrual formed. When the actual premium is higher than the cushioned cost recovery the surplus is added to the deposit. As in one year the actual premium is lower than the muted cost - effective contribution, the financing of the pension accrual derived from the premium deposit. As in previous years, in 2019 the actual premium higher than the damped cost-effective premium. The surplus of the contribution in 2019, amounting to 0.23% of the pensionable earnings (€ 20 million), is in 2019 added to the premium equalization deposit. In 2019 it was decided to improve the financial position, to close the premium equalization deposit at year-end 2019. Because of this there falls € 22 million free in favor of the general reserve.

REDUCTION OF PREMIUM EQUALIZATION DEPOSIT (X € 1 MILLION)	EXPIRED IN 2019	0
POSITION AS OF 1 JANUARY 2019		0
Premium income	20	
Investment income (based on fund return)	2	
Release from depot for funding ratio	- 22	
STATE AS OF 31 DECEMBER 2019		0

COST-COVERING AND FACTUAL PREMIUM (X € 1 MILLION)	2019	2018
Pure cost-effective premium (based on current RTS, incl. solvency surcharge)	3,012	2,736
Actuarial required premium (based on current RTS) for pension accrual	2,529	2,282
Muted cost-effective premium	1,961	1,852
Actually levied premium for pension accrual (excl. early retirement, pre-pension and life course (VPL))	1,981	1,884

The above premiums include the premium for administration costs (i.e. 0.6% of the pensionable earnings, or € 54 million).

PREMIUM DECISION

The premium decision for 2020 is closely related to the order acceptance decision of the pension scheme for the Metal and Technology sector. This scheme is for a premium percentage of 22.2% was agreed in 2020. In addition, the aforementioned letter of parliament from the Minister of Social Affairs and Employment (SZW) November 19, 2019 plays an important role in the premium setting for 2020.

The PMT board has determined that the premium agreements are made by the social partners under current regulations lead to a low premium coverage 2020. This will have an impact on the funding ratio of approximately 1.2 percentage points. This is for it govern a matter of concern, because it is important for PMT that the pension scheme be a has solid financing. Given a low premium coverage ratio, there is, given the frameworks of the current Financial Assessment Framework (nFTK), according to the board of PMT pressure on this desired solid financing.

NO PENSION REDUCTION IN 2020

With the letter to parliament of 19 November 2019, Minister Koolmees of SZW offered the pension funds the possibility of a one-year exemption for implementing one unconditional decrease, provided that the funding ratio would be above 90% at the end December 2019.

Now that the funding ratio as at 31 December 2019 is less than 104.3%, but is close to 100% (and higher than the 90% indicated by Minister Koolmees) the board decided to make use of the exemption scheme and to terminate it see reductions as of December 31, 2019.

The board is of the opinion that the implementation of pension cuts in a transitional period in which work is being done on a new pension system - with different rules than the current - is disastrous for the support and trust that is needed when switching to a new system. PMT also expressly supports this view brought to the attention of the minister.

Now that the minister has offered the opportunity during this transitional period to not to implement a reduction with a funding ratio above 90%, the board is fully up to date in line with his previously expressed views. The question here is whether a reduction in this situation would really have been possible, because according to the Pension law must be an ultimatum remedium. With the possibility of exemption from the minister does not seem to be the case.

The board also looked at the balance of the decision. That tradeoff is made in conjunction with the premium and accrual decision for 2020. In short, means that in the opinion of the board refraining from lowering is balanced in coherence with the fact that the premium and accrual have not been adjusted in 2020. This is described below further explained.

PREMIUM AND STRUCTURE 2020

The board has established that pensioners benefit most from the refrain from a pension reduction. After all, they no longer have the opportunity to purchase one make up for a cut and feel a drop right in their wallet. For active Participants are most likely to benefit from an unchanged structure. This structure can pay off for a long time and a decrease in the structure has a long time an effect. In addition, employers benefit from a stable premium. These considerations of the board are in line with what the Minister of Social Affairs and Employment stated in the aforementioned letter states, namely that “keeping the pension accrual stable or the pension premium in combination with the non-shortening of pension entitlements and rights balances all generations, workers and retirees. By this measures taken together, this contributes to a balanced solution for all generations. ”

As of 2016, PMT uses the method of prudent expected return for the determining the (subdued) cost-effective premium. This is based on a (prudent) real expected return of 2.5%. This is based on an assessment made in 2015 expected return of 4.83% (based on the investment portfolio and the maximum values of the Parameters Committee) minus a 2% mark-down for indexation and a 0.33% discount for prudence. The choice for this method has a duration five years. For the premium for 2020, the parameters from 2016 can still be used reckoned. The new parameters as adopted by the Parameters Committee in June 2019 will apply to PMT for the determination of the damped cost-effective premium with as of 2021.

The actual contribution for 2020 is 22.2% of the pensionable earnings. The muted cost-effective premium for the basic scheme for 2020 is also 22.2% of the pensionable earnings.

The (actuarial) premium required for the purchase of rights based on the current market interest rate (interest rate term structure (RTS) as at 30 September 2019) is 37.6%.

The ratio between the premium actually paid (after deduction of the cost premium and addition of the amount to the premium equalization deposit) and the actuarial requirement premium based on the RTS (after deduction of the cost premium) is expressed in the premium coverage. This is 58% as of September 30, 2019. The figures as of that date form the basis for calculating the premium as of 2020. As of 1 January 2020 the premium coverage ratio 63%. For comparison: as of January 1, 2019, this was 77%.

ASSIGNMENT ACCEPTANCE

The acceptance of the amended pension scheme is multiple in 2019 grind intensively in the board meetings and in the various forums of PMT discussed, including in the accountability body (VO). Before the social partners negotiations have started on the new pension scheme, the board has of PMT set a number of criteria with which the new regulation must comply to the responsibility that the board of PMT has for the implementation of the pension scheme. A balanced consideration of the interests of all is involved stakeholders play a prominent role. The input of the vo included.

The main criteria that the board has in the spring of 2019 were formulated:

- An unchanged, tacit extension of the scheme is not an option
- The premium coverage ratio must increase
- PMT wishes to have more control options for a multi-year contract period
- PMT prefers a term for the new industry implementation three-year agreement (buo). This is in line with the expected system change (from 2023).

The pension scheme that the social partners agreed in September 2019, has a term of three years. The contribution for 2020 amounts to 22.2% of the pension basis. For the years 2021 and 2022, the premium will be increased by 5.78% of the premium pensionable earnings. This concerns the VPL premium that will be added to from 2021 on the pension contribution.

The premium deposit has lapsed: any difference between the actual premium and the cushioned cost-effective premium will be credited to PMT's assets.

In December 2019, the board informed the social partners that this is the case agreements have been met the set criteria and that PMT will proceed to acceptance.

EXPLANATION OF DECISION TO ORDER ACCEPTANCE

The board has given extensive attention to the process of acceptance of the order to fund the scheme in the current low interest rate environment. We looked to the possibilities to increase the premium and / or the accrual percentage and what impact this would have on the different stakeholders in the foundation. Various scenarios were discussed with regard to the

premium, accrual percentage and effect on the premium coverage ratio. It became clear that one premium coverage of 100% would lead to draconian measures in the form of a very substantial increase in premium or decrease in accrual.

The board did not consider this acceptable. In assessing the scheme it has board subsequently made a distinction between the year 2020 and the years 2021 - 2022. The board's considerations for the 2020 premium are set out in the section Premium decision of this annual report. The board is responsible for the years 2021 and 2022 are concerned about the financing of the pension scheme. Despite the addition of the VPL premium of 5.78% as of 2021 has the premium increase due to the lower interest rate a smaller effect on the premium coverage ratio than was expected in summer 2019.

The situation in 2021 and 2022 is therefore very uncertain. Not only the development of the financial markets, but also the effect of the pension agreement and the changes of the parameters of expected return and actuarial interest will have a major impact at the position of PMT.

The board of PMT would therefore like to make agreements about the financing of the scheme as early as mid-2020, both within its own administrative circle and with the social circle partners. In any case, the expected real return for the determination of the cushioned cost recovery premium from 2021 should be adjusted as the 5-year period (2016 - 2020) has then expired. In addition, the balanced one weighing up interests explicitly. If this evaluation shows that PMT believes that the premium coverage is too low, the board will be the social partners ask to improve the financing of the scheme. Will not be fulfilled given, the board only needs to adjust the accrual percentage. This is added in the agreement with social partners.

RECOVERY PLAN

Based on the FTK, PMT submitted a recovery plan to DNB before 1 April 2019, because the policy funding ratio as at 31 December 2018 was lower than the required funding ratio (119.4%). The recovery plan indicates how PMT is within the stipulations term (10 years) can come from the reserve shortfall, based on the funding ratio as of 1 January 2019. DNB has approved the recovery plan.

In 2020, PMT again submitted a recovery plan to DNB, based on the funding ratio as at 31 December 2019 (99.1%), the prescribed methodology of DNB, the new maximum values of the Parameters Committee and assuming a recovery period of ten years. Based on this recovery plan, PMT will come within 10 years from reserve deficit and PMT will not need a conditional pension cut in 2020 to announce. PMT has also calculated alternative scenarios, including the development of the UFR (Ultimate Forward Rate) has been included. The chance of one unconditional decrease in 2021 based on the expected funding ratio however, as of December 31, 2020 is large, as the funding ratio at the end of 2020 is in the

pass-throughs are lower than the minimum required funding ratio of 104.3%.

FEASIBILITY TEST

PMT is obliged to perform a so-called feasibility test every year. With this test determines whether - within the limits set by the board - the expected pension results are achieved in different economic scenarios over one sixty-year period. If the limits are exceeded, PMT must take social measures partners consult about possible measures. From the feasibility test for 2019 shows that the expected pension result in the average scenario will be 86.2% of indexed benefits.

This means that over a period of sixty years, 86.2% of the pension obligations, can be distributed as agreed with social partners. Always be there full supplements granted (indexed) and the pensions have never been reduced. This percentage is above the limit of at least 80%, as determined in the initial feasibility test. The outcome of the pension result in bad weather scenario is 60.6%. The relative deviation between the expected pension result in the average and bad weather scenario, at 29.7%, it remains within the limit from the initial test of a maximum of 37.5%.

2 VALUABLE PENSION

PMT set the target for its ambition about a fixed-value pension for 2019 that PMT aims for an average over-return on the investments of 1.5%.

OBJECTIVE NOT ACHIEVED IN 2019

Despite the high absolute investment return of 18%, the over-return came nevertheless negative: -2.8%. This was caused by the increase in liabilities. The excess return over the five years of the 2015 strategic investment policy - 2020 was 3.8% in 2015, 0.5% in 2016, 8.4% in 2017, -3.9% in 2018 and -2.8% in 2019. This has resulted in an average excess return of approximately 1.4% over this period. This means that the target for the first five years has just not been achieved.

The results of the surplus yield over the past five years show that the PMT's financial position is highly dependent on market and interest rate movements. This has led to PMT being unable to retire in 2019 indexing. Although the sharply falling interest rate also caused part of the high investment returns (on the matching portfolio), PMT concludes that under the current low interest rate conditions, a good investment policy with ditto results is not sufficient to achieve the indexation ambition.

OBJECTIVE: AVERAGE 1.5% OVERRETURN PER YEAR

PMT's investment policy is based on the main objective of PMT: the be able to pay out pensions now and in the future. PMT determines each year capital is required to meet the obligations. The investment policy is aimed at achieving sufficient return to meet the obligations (valued at market value and UFR), plus a little extra return: this is called over-efficiency.

PMT has a long-term objective for the excess return of 1.5% on average per year. This means that the return on the long-term investments annually should on average be 1.5% higher than the change in liabilities, valued at market value. The excess return is primarily intended for indexation, but intended in the short term to contribute to the recovery of the funding ratio and the required buffer.

The average excess return over the period 2015-2020 was 1.4%. This is the target of 1.5% has just not been reached. The funding ratio is over this 5-year period however, this has not increased due in particular to negative effects from the UFR system (the 10-year averaging of interest rates causes a downward trend in the RTS) and the low premium funding ratio (below 100%). When drawing up the 2015 strategic investment framework - By 2020, such a long-term negative impact of these effects was not foreseen.

NO INDEXATION AGAIN

As PMT is still recovering, pensions are - as in previous years of pensioners, active and non-active members not increased. With that PMT was unable to achieve the ambition of a stable pension. From No supplements were granted in 2009 due to the financial position of the foundation. The indexation is based on the price index.

Until 2015, the wage index was used for active participants and for the pensioners and non-active members the price index. Since 2015, for all participants used the price index.

As of January 1, 2020, the missed supplement (cumulative) for active participants is 20.02% and for pensioners and former members 18.16%. In addition, in In 2013, claims and benefits were cut by 6.3% and in 2014 of 0.4%. The real funding ratio in 2019 was 78.2%. The real funding ratio represents the relationship between the policy funding ratio and the funding ratio at which pensions fully increase with prices. Want a real coverage ratio of 100% say that the fund has enough capital to meet the pension obligations and to fully increase the pensions with the expected increase of the price index.

INVESTMENT POLICY PMT

PMT's investment policy is as close as possible to the characteristics of the sector

Metal and Technology. Like all companies in the sector, PMT pays close attention to costs and efficiency: every euro counts.

The financial ambition is therefore paramount in the investment policy. Given that initial PMT invests as responsibly as possible. PMT does not take more risk than necessary.

PMT has laid down the investment policy for the period 2020 - 2022 in the [Strategic Investment framework](#). It states how PMT's investment policy contributes to the realizing a pension for the participants of PMT. The framework explains the objective of the investment policy, indicates the principles PMT applies in achieving and reflects the risk attitude. Parts of the framework include the costs of asset management, responsible investment, investing in the Netherlands and the be transparent about the investments. PMT explains how with the strategic investment framework PMT invests the pension contributions and which principles play a role in this.

2.4 INVESTMENT PORTFOLIO

PMT divides the investment portfolio into a matching portfolio and a return portfolio. The matching portfolio is used to build capital for the nominal pension. These investments have a relatively low risk and a limited amount expected return. The matching portfolio contains investments that increase in value if interest falls. This is necessary to limit the interest rate risk. With the return portfolio PMT works on the capital for a stable pension. Awarding any indexation is therefore (under normal economic circumstances) closely related to the development of this portfolio. The expected return on these investments is higher than the expected return on the matching portfolio. There is a higher risk opposite.

PMT mitigates this risk by distributing the investments over various asset classes. clusters: real estate, high-yield securities and equities. PMT also has characteristics which these clusters must meet.

PMT opts for a 50% -50% strategic ratio between the matching and return portfolio and a strategic interest rate hedge of 45%. PMT evaluates the portfolio regularly compared to developments in the economy and on the medium-term financial markets. PMT does not use tactical policy. This means that PMT has no active (temporary) over- or underweights relative to it of the strategic portfolio within the portfolio. Over- or underweights can therefore in principle only be the result of movements of markets, which by rebalancing within the (limits of) the strategic portfolio brought in accordance with the fund's policy. In summary, it boils down to PMT finding that predictions based on shorter term market movements are not a suitable basis forms for prudent investment policy.

The following figure shows the strategic investment mix and the bandwidths PMT has determined. During 2019, PMT increased the interest rate hedge by 40% to 45% to further hedge the interest rate risk. This decision has a positive one contribution to the funding ratio, given the fall in interest rates for that year. Within the matching portfolio, the interest hedge was chosen in 2019 mainly with interest rate swaps and less with government bonds. This choice was made because of the low effective yield of government bonds.

STRATEGIC INVESTMENT MIX AND BAND WIDTHS

WALLET PART	STRATEGIC LEVEL BANDWIDTH	
Matching portfolio	50%	45% -55%
Return portfolio	50%	45% -55%
Cluster real estate	10%	
Cluster high yield	10%	
Cluster shares	30%	25% -35%
Interest rate hedging	45%	42.5% -47.5%

RETURNS 2019

In 2019, the matching portfolio showed an increase in value due to the decrease in the market interest rate (yield 16.09%). The return portfolio resulted in a return of 19.53% due to strong positive results for equities (+ 24.23%) and real estate (+ 14.64%). The other investments also had positive results. All over 2019 came the total return was 18.41% (2018: 0.21%). The average return over the past five and ten years were 7% and 8% respectively. A complete overview of the historical returns can be found at the [PMT website](#).



The excess return (the return on investments in addition to the change in value of liabilities) amounted to -2.5% (2018: -3.9%).

The interest fell in 2019, which means that the matching portfolio and the obligations in value have risen. The return portfolio has increased in value. On balance this is not has been sufficient to achieve the intended annual return of 1.5% in 2019.

RETURNS	ULTIMO	2019	2018
INVESTMENT WALLET PMT			
YIELD (tN%)			
Matching portfolio		16.1	3.0
Return portfolio		19.5	-2.7
Real estate	14.6		2.4
High-yielding securities	12.7		-4.6
Shares (including private equity)	24.2		-3.8
TOTAL		18.4	0.2

POWER COMPOSITION	ULTIMO	2019	2018
INVESTMENT PORTFOLIO PMT (tN%)			
Matching portfolio		46	51
Return portfolio		54	49
Real estate	9		10
High-yielding securities	15		10
Shares (including private equity)	30		29

The extent to which PMT takes risks in asset management is in line with its investment policy: consistent and predetermined. PMT's risk attitude is known in this respect from two related perspectives:

- The investment policy determines the realization of PMT's financial ambition. The pension contribution is fixed. It therefore mainly concerns how many risks PMT can and does want to take to achieve the financial ambition. PMT has opted for a long term target of 1.5% annual average return. There is a strategic focus for that investment mix with a risk profile that fits this objective.
- PMT applies risk management that is appropriate to the risk profile. The way in which PMT does that is an important part of its [strategic investment framework 2020 - 2022](#).

An important starting point for risk management is that PMT no longer takes risks that are unnecessary to achieve the return target. An important risk is the dependence on interest.

By balancing the various risks, PMT has a present view on the interest rate hedge level selected: 45% based on the market value of the interest rate curve with a bandwidth of ± 2.5 percentage points. In addition, PMT opts for distribution within the investment portfolio. This is an important way of reducing risks for the return portfolio to decrease. PMT has set limits on the risks that the fund uses through its risk framework to walk. PMT remained within these frameworks in 2019.

3 CHOICES IN THE REGULATION

PMT formulated the following for this ambition about choices in the scheme objectives for 2019:

- PMT has its wishes on the basis of a new pension contract made concrete with regard to the design of a new regulation, communicated to and coordinated with social partners
- PMT has coordinated the scheme proposed by the social partners with MN implementing organization, including implementation path

OBJECTIVES ACHIEVED IN 2019

Before the social partners negotiate the new pension scheme the Metal and Technology sector, PMT's board has its wishes regarding its design made known by setting a number of concrete criteria with which the new scheme should comply (see also chapter 1 of this annual report). This assumes that the existing options in the new pension scheme are maintained and thus also in the implementation of the scheme.

USE CHOICE OF PMT

PMT participants can make use of various options in the pension scheme. For example, it is about choosing the retirement date yourself, the use part-time pension, the possibility to exchange partner's pension for extra retirement pension, the possibility to accrue voluntary pension with unpaid leave or leaving the sector and the so-called 'high-low' / 'low-high' constructions in which participants first receive a higher and then a lower pension received or vice versa.

CHOICE	NUMBER OF PARTICIPANTS IN 2019 OF THIS POSSIBILITY USED
Own choice of retirement date (granted in 2019, VOP)	1,359
Entered into 2019	1,389
Part-time pension at the end of 2019	529
Part-time pension effective 2019	331
Exchange partner's pension for higher retirement pension (effective 2019: rescheduled and partner's pension at zero)	3,931
Voluntary pension accrual	58
High / low construction (or vice versa)	897

Relatively much use is made of the 'high / low' option. Participants with a younger partner are more likely to opt for a higher pension until the partner also receives an AOW benefit. For others, they are in the want to have more income in early retirement than at a later age. It will also be partner's pension is often exchanged for a higher retirement pension.

For participants who are single, the partner's pension is always exchanged for a higher retirement pension.

PILOT CONTACT ABOUT PENSION CHOICES

By far the most important moment of choice for participants is the moment of retirement. PMT wants to support them as well as possible. 2018 is out investigation showed that participants were insufficiently aware of the options offered by the regulations. Most of the participants choose therefore for the standard distribution.

Since 2018, there has been a pilot with pension consultants in which participants have been approached and explained about 7 months before their state pension age about the options that the scheme offers. On average, 35% choose of participants for a different distribution than the standard distribution that normally offered. This service is highly valued by the participants. This service scores average in the various customer satisfaction surveys higher than 8. PMT will continue this service for the time being.

To draw attention to pension choices for a wider group of participants PMT organized webinars on the possibilities in both May and November of part-time pension and about the various options that the scheme offers in general. The webinars are discussed in more detail in chapter 5 of this annual report PMT held in 2019.

GENERATION PACT

The options for participants are laid down in the pension scheme. In addition, following collective labor agreements in the Metal and Technology sector 2018 the Generation Pact made possible in the pension regulations.

The Generation Pact aims to make older employees work less and at the same time helping more young people to find permanent employment in the sector. The employee makes in consultation with the employer the choice to work fewer hours per week, but the pension accrual by running as if a full salary is being earned. PMT takes care of the registration of employers and participants in the Generation Pact and the correct handling of it pension component. The implementation has been successfully implemented. Employers see it Generation pact also reflected in the employer portal.

After this choice was made possible in the Metal and Technology sector, we also have social partners in the motor vehicles and two-wheeler companies sector with effect made a similar appointment on 1 January 2019. Moreover, the possibilities are has been expanded in the new Metal and Technology collective labor agreement, so that it is expected that there will still be more employers and participants will make use of the Generation Pact.

NUMBER OF PARTICIPANTS GENERATION PACT IN 2019

In 2019, a total of 635 people made use of the Generation Pact:

BRANCH	NUMBER OF PARTICIPATING EMPLOYEES PER 31 DECEMBER 2019
Metal & Technology	545
Motor vehicle and two-wheeler company	90
TOTAL	635

Most participants opt for the variant of the Generation Pact, whereby 80% of the number of hours works against a salary of 90% and a pension accrual of 100%.

NUMBER OF PARTICIPANTS BY AGE

Metal & Technology	65 years 4%
	64 years 18%
	63 years 27%
	62 years 51%
Motor vehicles and Two-wheeler company	65 years 11%
	64 years 13%
	63 years 22%
	62 years 17%
	61 years 18%
	60 years 19%

PMT notes that working longer within the Metal and Technology sector is not always the case is easy for participants. The number of disabled people is increasing. Within the pension scheme offers the option of part-time retirement a solution gradually decreasing towards retirement. The Generation Pact can also do this offer possibilities.

4 PROACTIVE AND VISIBLE

In 2019, PMT linked proactively and visibly to the ambition following objectives:

- The supporters believe that PMT is proactive to the same extent or better than profiles in 2018
- The supporters believe that PMT distinguishes the distinctive elements of the sector to the same degree or better than in 2018
- The constituency recognizes the values of PMT (identity) in the same degree or better and can therefore occur to the same degree or better than identify in 2018

OBJECTIVES 2019: FOR THE Most part

The objectives that PMT has formulated for the ambition to be 'proactive and visible' surveyed among active members, pensioners and employers. In 2018 - in which a baseline measurement was done - all groups found PMT to be somewhat proactive and visible. Within this theme, it is for all respondents, including employers most important that PMT for the interests of members and beneficiaries comes up. In this baseline measurement, respondents indicated that PMT 'harder with can put your fist on the table in The Hague '.

A second measurement was taken in November 2019. This research still shows that more and more than half of the active members and pensioners see PMT as 'proactive and visible'. PMT has also been more visible in the media, although the reporting on the impending pension cuts is perceived as negative. Almost three-quarters of the respondents therefore expressly appeal again PMT to stand up for the interests of the participants, especially towards politics. A similar picture is visible among employers: the majority are still experiencing PMT always as proactive and visible, however this group attaches more importance to good pension scheme in terms of visibility in the media.

In January 2020, a similar survey was conducted among active participants and pensioners in the PMT Online Panel. From the results of that came to forward that the opinion on the proactivity and visibility of PMT relative to 2018 has gone up. PMT therefore concludes that the objectives for 2019 are largely have been achieved. PMT expresses its profile and brings the Metal and Technology sector enough attention. During the year 2019 there was a dip in the valuation visible due to the impending pension cut, but the fund closes the year with almost the same valuations as in 2018.

PROACTIVE MEDIA APPROACH

As the largest market fund in the Netherlands, PMT wants its participants and the general public

show what the fund stands for. As in previous years, PMT therefore opted for one proactive media approach. This resulted in various interviews and articles in national and regional newspapers and journals and a number of items on radio and television.

Journalists are increasingly finding PMT. The fund is requested more often to give his opinion. Also the interest in the Metal and Technology sector and the background of fund participants is increasing. PMT cooperates as much as possible such requests.

After all, it is in the interest of the participants of PMT that the issues that arise in the Metal and Technology sector are visible to the Dutch public.

MANY ATTENTION FOR LOWERING

PMT committed itself in 2019 to prevent cuts in pensions. PMT dropped heard in the media, but was also actively involved in government and politics. Also became frequently consulted with employee and employer organizations. Attendees and PMT retirees indicate that they expect the fund to be for them stands up and appreciate the efforts.

PMT has taken the position that different rules apply to a new pension system and it would be unwise to change pensions on the basis of lower old rules. After all, when the agreement in principle was concluded it was also the intention not to have to make any pension cuts. With the temporary measure that the Minister of Social Affairs and Employment took at the end of 2019 no pension cuts for 2020.

However, it is possible that pension cuts will threaten again before 2021. Should If so, PMT expects that this will not only create unrest in society, but also confidence in and support for a new system undermine. PMT therefore continues to advocate for peace and stability during the transition period.

PARTICIPATION IN THE DETERMINATION OF THE PENSION AGREEMENT

PMT is committed to the best pension contract for its members. PMT does this to contribute to the elaboration of the pension agreement concluded in June 2019. PMT wants would like the new pension contract to suit the Metal and Technology sector, where pensions are organized collectively and stability and solidarity are high in it stand.

DRIVE MORE VISIBLE

PMT experiences that participants find it important that the fund is visible, that board members are accessible and discuss with participants. This appears from research, personal experiences and evaluations of webinars and retiree meetings.

That is why the board members started to participate in the PMT webinars in 2019. During the webinars, board members discuss current topics and explain specific ones parts of the pension scheme. They also answer questions from participants. Board members also took on a more prominent role in 2019 retiree meetings. The evaluations show that the presence and contribution much appreciated. In particular, the fact that board members threatened reductions personal explanation is experienced as positive.

An extension of accessibility was during the national Pension3daagse start November 2019 in collaboration with pension fund PME and executive organization MN organized an 'open house', where participants of the PMT Online Panel have a look was offered in the kitchen. They were introduced to board members and departments Customer information, Asset management and Digitization. Via short presentations and Tours allowed participants to experience how PMT works for it every day of the supporters and they were updated on current affairs, including the impending cut. The open house also served as a pilot for a possible series' open houses' in 2020.

ATTENTION FOR INNOVATION

PMT wants to respond to developments in society and to the wishes and needs from participants and employers. In 2018, together with the PME pension fund, the company pension fund for the merchant navy and the MN implementing organization for setting up an innovation lab. Under the name MLab are innovative explored applications and creative directions that can contribute to the further improving the services and communication of the aforementioned pension funds.

Three asset management initiatives were explored in 2019, including

the digital collection of ESG information and has started two experiments on pension area, such as the exploration of an enforcement tool under the commitment and a path to address the role of employers towards their employees can support in the information about the pension scheme. Get these pathways to be continued in 2020.

5 LOW-THRESHOLD AND INVOLVED

In 2019, PMT proposed the ambitious and accessible ambition following objectives:

- Employers, (former) participants and pensioners appreciate the service more than in 2018
- Know the employers, (former) members and pensioners Better to find and reach PMT than in 2018
- The method of communication is more in line with the needs of the individual user than in 2018
- The quality of the information is more in line with the expectations of the than in 2018

OBJECTIVES FOR 2019 MAINLY ACHIEVED

The objectives that PMT has formulated for the ambition 'accessible and concerned' have been studied among active members, pensioners and employers. In 2018 - in which a baseline measurement was carried out - a majority of the active PMT pensioners and pensioners are accessible and involved. Especially it a clear picture of the pension given in the participant portal plays a role in this an important role, in addition to good accessibility and service.

A second measurement was taken in November 2019. In this study there was one slightly decreasing score for the ambition 'accessible and involved', but still found two thirds of participants and retirees that PMT meets this qualification.

A similar picture was visible among employers.

In January 2020, a similar survey was conducted among active participants and pensioners in the PMT Online Panel. These results emerged that appreciation of the accessibility and involvement of PMT in relation to 2018 has increased by a few percent. The general feeling about PMT remained somewhat behind. Explanations in the studies show that this is mainly caused by the fact that there were threats of pension cuts for 2020.

Based on the results, PMT concludes that the objectives for 2019 are largely have been achieved.

COMMUNICATION ON THREATENED REDUCTION OF PENSIONS

PMT's communication efforts were largely responsible for 2019 the sign of the impending cut in pensions in 2020. Interest rates, which continue until late As the year continued to decline, the decrease was made during the year under review more likely. During the year, PMT kept all stakeholders involved through the website constantly informed of current developments and the chance of a pension cut. PMT also made clear in its own channels and in the public media that a reduction would be unwise as long as negotiations are still underway elaboration of the pension agreement. In the fall of 2019, PMT organized together with pension fund PME has two well-watched webinars about the impending cut.

As of mid-2019, preparations have been made for communication about a pension reduction in 2020. Extensive qualitative research was conducted into this how best to convey the message of a reduction to participants and retirees. On December 31, 2019 it became clear that a reduction in 2020 is not necessary would be.

The Netherlands Authority for the Financial Markets (AFM) participated in a number of cases in the autumn of 2019 pension funds, including PMT, investigate the communication surrounding the impending reductions. The AFM agreed with the chosen approach, the participant survey, the short and powerful letters and made some suggestions for improvement.

NEW PARTICIPANT PORTAL

The new participant portal was launched at the end of 2018. My PMT is an online environment where participants can view their personal pension details and conduct business themselves can arrange. In the planner, participants gain insight into the options available to their pension and they can make calculations themselves. Participants receive via the website access to 'My PMT' by logging in with their DigiD. By a double authentication the data of participants is extra secure.

New options were added to the participant portal and planner in 2019. For example, participants can now apply for ANW pension insurance via the portal,

pension overviews and letters have become available in the planner calculations for part - time pension are made and also have surviving relatives and ex-partners were given access to the portal.

Participants who are new to the fund and log in for the first time are asked register an e-mail address and indicate whether they will digitally post PMT from now on want to receive. Existing participants will also receive this request once when they (log in again).

CUSTOMER TRAVEL

A customer journey is a research method to improve the perception of the customer (the participant or employer) and to see where there are opportunities for improvement.

In a customer travel analysis process, it is charted how a customer uses the contact moments with the fund around an event (such as retirement, death, new participant experience) and appreciates. In this way PMT gets valuable insights into the improvement possibilities per event and contact moment.

A number of customer journeys were analyzed and improvements were introduced in 2019. For the customer journey 'new employer' a step-by-step plan has been developed that indicates what a employer can expect when he is new to the fund. This prevents many questions and uncertainty about the application process. After the actual connection is the aftercare improved. This emerged from the customer journey 'preparing to retire' a large proportion of the participants want to be helped much earlier than is the case now when making the right pension choice. There are also varying needs regarding channel selection (digital, personal explanation or personal consultation). Improvements within this customer journey will be further developed and realized in 2020. The 'survivor's pension' customer journey was already highly valued, but that was also evident improvement possible. Examples include an explanation of the payroll tax credit and a step-by-step plan that clearly indicates what the next of kin can expect.

A monthly measurement of the customer rating has also been started, with the help of a questionnaire by email to participants. In this way, the entire customer journey is continuous customer satisfaction is measured and targeted improvements can be made.

WEBSITE DEVELOPMENT

In 2019, experiments were carried out on the website with the use of a so-called 'chatbot'. This allows questions from visitors to be answered automatically.

During the year is the number of topics that the chatbot can cover are constantly being expanded. The results and the appreciation of this means by visitors are encouraging. In early 2020, a live chat function will also be added to the website added, allowing visitors to chat directly with employees of the department Customer information. Incidentally, the starting point remains that participants with more complex questions always be made aware of the possibility of personal contact, for example through the pension consultants. At the end of 2019, a project to start the website in 2020 was started renew, to make it further accessible and public-friendly.

WEBINARS

Webinars, or live broadcasts over the Internet, offer the opportunity for larger ones groups of participants to deal with complex topics in a personal way.

The medium is also ideal for two-way traffic, because viewers can watch during be able to ask the broadcast questions and make comments. PMT converts this drug for several years now in order to efficiently reach and be active in many participants involve. The webinars are highly appreciated by the viewers.

In May 2019, PMT broadcast a webinar on the options for part-time retirement, with over 1,700 live viewers. These viewers asked 330 questions during the broadcast. In October and in November PMT organized two webinars together with pension fund PME. The first of this joint webinar was about the impending retirement cut in 2020, the underlying causes of the impending cut and the deployment of PMT and PME to try to avoid a cut. Speak during this webinar on behalf of PMT Jos Brocken, chairman on behalf of the employees and pensioners. More than 2,600 people watched live and about 1,100 questions were asked during the broadcast asked. In the third webinar, at the end of November, the news that the impending pension cuts had probably been averted and the focus was on the options within the pension scheme. Watched this webinar during the live broadcast more than 2,900 participants, who ask about 600 questions during the broadcast asked. Experience shows that the ratings in the weeks after the live broadcast are still approximately double, because many people take the opportunity to broadcast look back later.

WEBINAR	07-05-2019	10/1/2019	11/25/2019
Topic	Part-time pension	Pension reduction Suspend reduction, options	
Number of viewers (included look delayed)	2,386	5,320	6,209
Number of questions asked	330	1,100	600
Average rating	8.2	7.7	8.0

PERSONAL CONTACT THROUGH PENSION CONSULENTS

For many participants, a pension scheme is a complex cost. Employers are also often not working on the pension provision on a daily basis. The Customer Information Department PMT is the first point of contact for them if there is a need for personal Contact. In addition, PMT has a team of 16 pension consultants (11 for employees and 5 for employers) ready for participants and employers. The PMT pension consultants spoke to 3,270 participants and retirees in 2019 personal pension situation. They dealt with 17,470 written and telephone questions.

Employer consultants visited 135 employers and answered 4,039 written telephone and telephone questions about the pension scheme and other pension issues in the case of takeovers, reorganisations or the transition from another arrangement. They gave

121 presentations to companies about the PMT pension scheme and held open consultation hours for employees. Talks with PMT pension consultants are getting high appreciated and form an important part of PMT's services.

RETIREMENTS MEETINGS

PMT held eight meetings for pensioners in 2019.

The meetings are held across the country. During the meetings are pensioners informed about current developments and what this means for their retirement.

In 2019, much attention was given to the possible reductions in pensions and the way in which PMT deals with this. At the meetings, the PMT pension consultants present to help pensioners with personal pension - ask. At every meeting there is also a representation of the accountability PMT body present to answer questions from attendees to the accountability body reply. The meetings were attended by 2,700 pensioners.

In mid-2019, the structure of the meeting changed and the board members has been given a more explicit role by PMT. In this new format, the questions are answered of the participants answered in plenary by two board members of PMT. Even after the meeting, the board members will discuss the pension beneficiaries present. The participants give PMT an average of 7.7 for these meetings.

PARTICIPANTS HELP

PMT has had an online panel for several years, which consists of working people members and pensioners. There are now 1,374 panel members (716 active members and 658 pensioners). The panel was asked to give its opinion in 2019 give information about digital information about quitting work earlier and work less.

The panel also investigated how to report the media about the threat experienced pension cuts. The results of the studies provided in all valuable input for PMT's policy. PMT will continue to host the panel in 2020 consult again regularly. Interested participants and pensioners can [register](#) via the website.

FURTHER DIGITIZATION OF SERVICES

In line with social developments, there is an increasing need for it communication at times that matter for employers and participants, via the communication channel for which the employer or participant is currently preferred has. Digitization plays an important role in this, whereby understandability and the offering a perspective for action are paramount. Where personal contact is desired - for example when making choices with regard to the pension benefit - one can

go to the Customer Information department or a PMT pension consultant.

Digitization contributes to PMT's strategic ambitions, both from the point of view of customer service like that of cost reduction. In 2019, the digital basis was strengthened by the introduction of a new employer portal and improvement of the participant portal and the pension planner. These meet the latest safety requirements from legislation and regulations. In addition, the ease of use has been increased and more information has been provided accessible on the portals. From the end of 2019, participants have the option to no longer receive mail physically, but can be received digitally via the participants-portal. Self-service options and digital communication will become available in 2020 further developed.

CAMPAIGN EMAIL ADDRESSES

Digital communication between participants and PMT is fast, environmentally friendly, cost-efficient and increases convenience, because participants clear all correspondence together on their own portal. But the use of digital mail stands or falls when having sufficient e-mail addresses available. Therefore, late 2019 is one long running campaign started to increase the number of participants and retirees with a bee. Significantly increase PMT registered email address. The campaign runs through existing channels as the Pension journal and letters and via developed especially for the campaign online and offline communications.

COMPLAINTS AND DISPUTES

PMT has an easily accessible complaints and disputes scheme. The scheme makes no strict distinction between complaints (about treatment by the fund) and objections (about the explanation of the regulations). This means that a participant does not have to doubt whether his displeasure should be described as a complaint or objection. The complaints and Since 2017, the objection procedure also has the option of dealing with certain situations to be heard by a committee. This right of hearing gives the participant an extra possibility to further explain the circumstances of his case.

In 2019, 188 complaints were handled. This is an increase from 2018 (141 complaints). The increase is caused by the large increase in it number of complaints about the expected pension cuts. In 2018, this concerned 4 complaints, in 2019, there were 52 complaints. The complaints received are for the most part submitted digitally via the website or by email. No use was made of it the hearing right.

It is of course very important that participants receive what they are entitled to. PMT has therefore laid down the conditions of the plan in the pension plan and policies. This makes it clear to everyone what the rules are and what they have met must be.

However, unabridged application of those rules can lead to certain situations outcomes that are unreasonable and undesirable. That is why PMT has included the possibility to appeal to hardness and leniency, whereby to PMT is asked to deviate from the rules for an individual situation.

In the year under review, this concerned 101 cases (2018: 126). In the majority of the cases (80 out of 101), the Pensions Committee - to which the Board of Directors decided has mandated leniency policy - positive. This is always taken into account with the specific circumstances of each situation.

Last year, the board adopted a policy with regard to rectifying errors adjusted. Criteria such as recognisability and culpability and legitimate expectations now play a more emphatic role in the question whether a claim or payment should be made be revised or even reclaimed.

When applying the leniency policy, PMT always balances the interests of the individual and the collective. After all, it is always about the money from all PMT participants.

AND AGILE

PMT linked to the ambition with integrity, reliability and maneuverability 2019 the following objectives:

- PMT strives for this within Integrated Risk Management (IRM) framework maintains all risks controlled and measurable the current maturity level and ensures that the framework ties in with the strategy, recent developments and best practices the sector
- PMT votes the frameworks for the implementation of the outsourced work with MN
- PMT guarantees that all change projects are carried out in line with the change approach drawn up and within PMT outlined control frameworks

OBJECTIVES FOR 2019 MAINLY ACHIEVED

PMT has largely achieved its 2019 targets. In 2019 PMT has the IRM framework further improved, in particular in the area of risk strategy, identification and assessment. The frameworks for the execution of the outsourced activities are accepted by MN. The control frameworks for change are broadly in line with MN shared. These will be further elaborated within the New Pension Flow Program.

RISK MANAGEMENT AND COMPLIANCE

Good risk management is very important to PMT. The pension fund manages the pensions for more than 1.4 million people. They should be able to trust that PMT properly manages all risks associated with this. The risk attitude of PMT is determined on the basis of what the participants want and on the basis of what is responsible. PMT therefore does not take more risk than necessary.

VARIOUS TYPES OF RISK

Pension funds face many risks and uncertainties. Risks are events that could have a negative effect on the (future) retirement benefits. PMT, for example, has to do with:

- Strategic risks: what is happening in the economy, in the Netherlands and in the world
- Risks within politics and legislation: changing regulations or another political climate
- Investment risks: both in a positive sense (investment gains) and in a negative sense (losses on investments)
- Execution risks: the execution proceeds as the fund wishes
- IT risks: well-functioning and well-secured administration systems.

Through good risk management, PMT is able to operate efficiently and effectively deal with uncertainty and the associated risks. PMT does that because of the risks identify and record how the fund can manage these risks. And as one certain risk occurs, what measures PMT then takes.

In addition, PMT may face reputation risk. This mainly has consequences for support for the pension scheme and confidence in the pension fund. Thereby such as errors in administration or a controversial investment.

INFLUENTIAL AND NON-INFLUENCABLE RISKS

There are various risks that can threaten the fund's financial position. PMT can affect some risks, but not others. PMT has, for example does not affect the development of the financial markets or the rise in the life expectancy. However, both risks can have a significant effect on the fund.

Although these external factors are not controllable, PMT does identify and have them they have a place in the risk framework. PMT then takes measures to mitigate the negative effects to control and / or mitigate. The framework is a structural part of the management of the risks of investment policy, pension management and other non-financial risks of PMT.

PMT RISK FRAMEWORK

Important elements of the PMT risk framework are:

- PMT determines the pension ambition, the risk attitude and the level of the costs. coverage premium using strategic studies such as ALM studies, optimization studies and stress scenarios.
- PMT maintains the function of risk management. Functions, duties and powers have been described within the board and the administrative office. In addition, there is one risk framework with associated processes, control measures and periodic organized evaluations.
- PMT monitors the adequate performance of the risk management function in implementation organization MN on the basis of predetermined criteria. Part of this is the annual ISAE 3402 reporting from MN. MN indicates which financial risks have been recognized and how the control measures taken have addressed these risks mitigate. Based on his findings, MN's external auditor provides an assurance report to PMT. As a result, there are good guarantees for a correct one implementation according to the PMT policy. See also the paragraph 'Implementation at MN' later in this chapter.

MAIN RISKS AND DEVELOPMENTS 2019

Every year, PMT takes stock of its risks and sets the priorities in this area in a policy plan. The three areas in which PMT is most at risk are:

- **Financial risk and solvency risk:** solvency risk is the most important risk for PMT. This risk is partly determined by the financial risks PMT runs in the investment operation. The risk of lowering pensions is in 2019 temporarily decreased with the pension agreement in principle in June, followed by the ministerial temporary regulation in December that determines this with a funding ratio higher than 90% as of December 31, 2019, no reduction has to take place. because of this Although the short-term risk of lowering has decreased, the long-term risk has not decreased term risk since the scheme is valid for 1 year and the funding ratio is further below is busy.
- **Strategic risks and future pension administration:** PMT strives for that MN fundamentally renews its pension administration. A start was made in 2018 new program to realize this: the New Pension Flow (NPS). NPS has a lead time of several years. Progress is closely monitored by PMT. See also the section 'Renewal of pension administration' later in this chapter and the chapter 'Looking ahead'.
- **Execution risk and information risk :** for ambitions in relation to the pension implementation, external assessments and additional information are used. policy. PMT has held the function of information and communication since January 1, 2018 outsourcing manager at the board office.

In 2019, PMT strengthened the maturity level of risk management.

In 2019, a total of seven Risk Self Assessments (RSAs) were carried out by the board and PMT's board committees. Together they provide an integral picture of the risks that PMT runs at strategic, financial and non-financial level and with regard to legal, environmental and integrity risks. The entire board also has in 2019 two theme days devoted to risk management and are in line with IORP II legislation appointed key function holders in the field of risk management, actuarial function and internal audit. The Chairman of the Administrative Finance Committee and Risk management (CFR) is also a key function holder of Risk Management and a member of the PMT board.

In 2020 PMT will continue unabatedly with a further increase in adult governmental level of risk management with important improvement steps still to be taken are those who require a great deal of involvement from the board, such as updating the risk management policy and the Risk Self Assessment of the non-financial risks Pension management. The PMT board has committed itself to this. In addition, from March 1, 2020 the risk management function within the Executive Office will be further expanded.

FINANCIAL RISK AND SOLVENCY RISK

PMT works with a strategic investment framework that applies for the period 2020 - 2022. The framework establishes the objective of the investment policy, clarifies the risk attitude and indicates the principles PMT applies in achieving this.

The framework and the accompanying analyzes also give substance to the prudent person legislation. In chapter 2 of the management report, the strategic investment policy and associated risk management further explained. The strategic investment framework is also

which can be found on the PMT website (www.bpmt.nl/beleggen/beleggingsbeleid).

SOLVENCY RISK

It is the main risk that is also reflected in the strategic investment framework solvency risk: the risk that the fund does not have sufficient capital to fund the cover pension obligations.

If PMT's solvency develops negatively, there is a risk that PMT, if ultimate remedy, should reduce pensions. Partly from this perspective PMT opted for the long term as a concrete investment objective term excess return. This means that the return on investment in the long term must on average be 1.5% higher than the change in value of the obligations. The excess return over the five years of the strategic investment policy 2015 - 2020 amounted to 3.8% in 2015, 0.5% in 2016, 8.4% in 2017, -3.9% in 2018 and -2.8% in 2019. This has resulted in an average excess return of 1.4% on this period of time. This means that the target for the period 2015 - 2020 has just not been achieved. The fluctuation of the excess return shows that the financial position of PMT is highly dependent on market and interest rate movements.

The major influence of the main financial risk (interest rate risk) on the funding ratio was also clearly visible during 2019 and led to a significant increase in provision for pension obligations. The return of 18% was not sufficient to finance the increase in the provision, which will result in 2019 was of a slight decrease in the funding ratio.

DISTRIBUTION AND COVERAGE

On the one hand, the management of the financial risks is aimed at portfolio within the intended bandwidths, so as to have a diversification effect to realise. In addition, PMT reduces important risks by covering them, such as the interest rate risk. The desired interest rate hedging of PMT at the end of 2019 is 57% (with a bandwidth of ± 5 percentage point). This translates into a 45% interest rate hedge based of market value. For further information on this, see also the risk section of the yearbill.

This means that with a change in the market interest rate, the change in the value of fixed - income investments (including interest rate derivatives) amount to more than half of the changes in pension obligations. The choice for this cover arises from a balanced consideration of various risks.

On the one hand, account has been taken of the risk of a falling funding ratio for a falling interest. On the other hand, the operational risk that a higher one was also examined hedging would involve a significantly higher use of derivatives - and therefore with much higher liquidity and counterparty risks. Additionally included that PMT is in a situation of underfunding (in recovery): a higher one interest rate hedging would negatively affect PMT's resilience.

RISK SECTION FOR FINANCIAL STATEMENTS

The risk paragraph of the financial statements represents the main financial risks insight into the sensitivity of the funding ratio to changes in the market interest, share prices, property valuations, currencies and credit spreads.

It is clear here that two risks have the greatest impact on the funding ratio.

On the one hand, the interest rate risk remaining after hedging: an interest rate shock of -1% leads to a decrease in funding ratio from 99.1% to 92.2%.

On the other hand, the equity risk: price shocks between -30% and -40% for various investments would result in a coverage ratio of 87.6%. In line with this the funding ratio is also very sensitive to a combination of the two risks. PMT follows this sensitivity using scenario analyzes. The risk section of the annual accounts of how PMT manages these risks, including through hedging (interest and interest rate currency) or by diversification across different asset classes, regions and sectors.

EXECUTION AT MN

PMT has almost all operational activities in the field of pension administration and asset management outsourced to MN. In 2019 it concerns a service from in total € 80 million (pension management: € 43 million; asset management € 37 million).

The control of the outsourcing risk to MN is therefore of great importance and is designed in an outsourcing policy. PMT distinguishes between the usual elements such as monitoring the current outsourcing (using of various reports, service level agreements) and annual agreements such as the investment plan. Also the ISAE 3402 statement that supervises financial reporting shows to what extent MN the current implementation in accordance with the wishes and requirements of PMT performs.

Since MN became independent in 2001, PMT has managed the implementation relationship always adapted to developments in society, developments in the Metal and Technology sector and the developments of the MN organization. By policy co-developing over time PMT remains in control of the outsourcing and the related risks. This is reflected, among other things, in the close involvement of PMT in the redesign of the MN top structure and the fundamental program renewal of the pension administration that MN started in 2018.

CONSOLIDATED ANNUAL ACCOUNT

As of mid-2017, the voting rights of MN shares have been fully aligned with the share of PMT certificates of 78.3%. Because PMT and MN are therefore a group together forms, there is a fiscal unity for VAT and the obligation also applies to consolidate MN's annual accounts. This only has to do with reporting and does not affect the outsourcing relationship or strategic cooperation.

RENEWAL OF PENSION ADMINISTRATION

PMT expects from MN a modern, robust pension administration, which is capable of the efficiently deal with future developments in the pension sector. In the past MN started with the realization of the first parts. Despite a successful one test in October 2019 there is no new functionality in production to date taken. The concerns about timely delivery of the desired renewal are for it board has not yet declined. Extensive analyzes make it clear that the size and the complexity of the issue of renewing pension administration is high. After another unexpected delay at the end of 2019, PMT is in coordination with MN intensified on three themes: delivery of end products, risk management and the ability of the MN organization to actually shape the innovation. Given the importance of this program for PMT, the board of PMT is also constructive consultation with the supervisor DNB, which has now announced its supervision of the to intensify the renewal process.

RISK MANAGEMENT AT MN

PMT also relies on risk management in its risk management as set up at MN. After all, MN carries out the most important operational processes for PMT (asset management and pension management). It is therefore essential that the risk management function is placed independently within the MN organization. The risk management function of MN should be able to have direct contact with PMT and, more specifically, the Management Committee for Finance & Risks (CFR) intended for this purpose.

Outsourcing of asset management

MN is the fiduciary asset manager of PMT, but also manages about half of it PMT assets in specific investment mandates issued by PMT. PMT has - in addition to the formal contract - are principles of implementation of cooperation recorded with MN. This concerns, for example, the selection and monitoring of the asset managers of PMT by MN, the presence of MN in the administrative PMT Investments Committee or the governance of the portfolio management. This has been recorded in PMT's strategic investment framework. There is an ISAE for MN Asset Management 3402 type 2 report for 2019 received with a disability. From further analysis is however, it was found that it does not relate to PMT.

OUTSOURCING PENSION MANAGEMENT

The administration of the pension administration has been outsourced to MN. The conditions for this are contractually determined. In addition, especially the business implementation agreement and the PMT pension regulations provide direction for the desired version. MN's services to PMT are further specified in a service catalog. PMT periodically consults with the MN Executive Board the implementation practice and policy matters in the executive committee Pensions (CPS). In 2019 MN issued PMT an ISAE 3402 type-2 report for MN Pension management without restrictions.

INTEGRITY RISK AND COMPLIANCE

Risk management also involves monitoring integrity. In 2018, PMT brought the control of this to a higher level and this development 2019 continued through:

- Updating of the SIRA (Systematic Integrity Risk Analysis) and recording of the integrity risks and management measures by the board
- Update of the integrity policy and directly related documents, such as the PMT code of conduct
- Implementation of the information drawn up by the external compliance officer (EXCO) monitoring plan, including reporting of the results to the CFR
- Realizing awareness regarding conflicts of interest, privacy and cyber crime for the board and the administrative office.

PMT is ultimately responsible for all activities that MN performs on behalf of PMT. PMT therefore ensures that MN is sufficiently in control of the integrity MN is exposed to risks when carrying out its work for PMT and that MN also observe PMT integrity rules. PMT will notify MN Compliance of this to identify the elements of the legal framework - including integrity risks - PMT monitored.

The monitoring and reporting has been tightened up by MN, but still deserves further improvement. In addition, based on various policy documents and the outsourcing policy further requirements for implementation by MN.

PMT has agreed with MN that MN draws up an integrity statement every year. With this statement, MN reports to PMT on the control of the integrity risks identified by MN. This gives PMT in addition to the regular ISAE 3402 statements by the management of MN assurance from MN regarding the extent of the management of integrity-related risks.

COMPLIANCE

Another part of the management of integrity risks is the so-called compliance program. Important pillars of this program are the code of conduct (including insider regulation), integrity policy and monitoring of sanctions legislation.

PMT has an external compliance officer who annually tests the compliance program and in particular the code of conduct is observed. In 2019 Charco & After an intensive selection procedure, Dique introduced these activities for the first time PMT off. The external compliance officer also monitors the functioning of the department Compliance of MN. For more information, see the Code of Conduct used by PMT (www.bpmt.nl/downloads/reglement).

With regard to compliance, the main developments related to laws and regulations the implementation of IORP II. In the context of compliance with IORP II regulations, the following steps have been taken:

- The key functions Actuarial function, Risk management and Internal Audit have been set up including the appointments of these positions approved by DNB and the preparation

charters and job descriptions

- A new board committee has been established: the Internal Audit Committee (CIA)
- The '3 lines of defense' principle has been applied to the various board committees and the principle has been tightened up with regard to the administrative office
- The reporting format for the Own Risk Assessment (ERB) is drawn up in working with the risk managers of other major industry pension funds and has resulted in a new standard: a Good Practice document for the ERB. This document has been shared with the other Dutch pension funds via the Pension federation at the ERB Theme Meeting.

GDPR COMPLIANCE AND PERSONAL CONDUCT PROCEDURE PENSION FUNDS INFORMATION FOR THE PENSION FEDERATION

PMT has been subject to the General Data Processing Regulation (GDPR) since 2018 appointed a Privacy Officer to oversee compliance with the GDPR.

As of 1 July 2019, the Pension Federation has a code of conduct for the processing of personal data pension funds established. PMT endorses this policy and takes care of the compliance with it. There is a Data Protection Officer at the MN implementing organization appointed and regular coordination and consultation takes place.

In 2019, there were 27 data breaches subject to notification. These are included in the register Data breaches of the Dutch Data Protection Authority. A number of data breaches have been caused due to a change in technology or a technical malfunction. In these cases are at discovery immediately took measures to prevent this in the future.

Another measure is the introduction of a new e-mail policy, which includes, among other things that no documents may be sent unsecured by e-mail. At the same time the participant portal has been extended with a message box, in which the documents for the participants are placed as much as possible, so that sending by email is not more necessary.

Most data breaches are caused by human actions. In the year under review all employees of the implementing organization have been made aware of the importance of work carefully and how they can report data breaches. The awareness of the employees also means that more data leaks are reported.

7 PENSION IN A RESPONSIBLE WAY

PMT linked the ambition to pension in a responsible manner the following objectives for 2019 with regard to investment policy:

- The share of the equity portfolio that contributes to the Sustainable Development Goals (SDGs) of the United Nations equal or greater than in 2018
- PMT is committed to the agreements / objectives from the climate agreement of Paris

OBJECTIVES ACHIEVED

PMT achieved the goals set for 2019. The part of the equity portfolio contributing to the SDGs shows an increase compared to 2018. In addition PMT made the objective of contributing to the realization of the climate Paris Agreement by signing the Financial Sector Commitment and support for the EU Green Deal.

A [summary of PMT's responsible investment policy](#) can be found at the PMT website. PMT also publishes an annual responsible investment annual report. In addition, PMT attaches importance to investing in the Netherlands: 10.6% of the total portfolio consists of investments in the Netherlands.

PMT STRATEGIC SHARE WALLET

PMT wants to determine where it invests and why and can explain this to participants and society. That is why PMT does not, for example, invest in equity fund composed by another party, but wants PMT from its own objectives and principles set rules on how PMT invests.

The identity of the pension fund and its constituents thus become visible in the way on which PMT invests.

At the end of 2018, PMT introduced the new Strategic Equity Portfolio for equities in developed countries. In this portfolio, return is paramount and only becomes invested in companies that comply with financial and principal (ESG) criteria of PMT. Participants' opinions played an important role in this.

The preconditions that PMT sets are:

- Companies must comply with laws and regulations
- PMT does not want to invest in tobacco, fur, adult entertainment and weapons industry; these excluded sectors are also excluded elsewhere in the portfolio
- PMT believes that only companies that have good business operations and take into account the environment, people and society in the long term to perform well
- PMT does not invest in sectors where PMT is already at other risk, such as certain companies in the financial sector
- PMT only wants to invest in companies that do not have high bankruptcy opportunities or have bad financial characteristics.

PMT has itself determined an index based on these characteristics. Enterprises are only part of the PMT stock portfolio if they meet all of these five conditions meet. As a result, PMT knows better than other asset managers in which investments are invested and why.

In March 2019, PMT spoke with groups of active participants, pensioners and employers about the investment policy in general and the new equity strategy. In summary, the discussions showed that PMT's investment policy fits in well the wishes of participants: a good return, not taking more risks than necessary and as much responsible investment as possible in line with this return.

PMT participated in the strategy review for the equity portfolio of emerging countries 2019 examined whether the selection criteria for the PMT Strategic Equity Portfolio is also used appropriate for this portfolio. This research is in 2020 will be completed, after which the new strategy for equities is expected to emerge countries can be implemented.

PMT CONTRIBUTES TO ACQUIRED SDGs

As a global investor, PMT invests in almost all sectors and in many countries. With that PMT operates in a broader, national and international context of socio-economic opportunities and problems. The United Nations (UN) has the largest socio-economic themes of the 21st century, housed in a set of seventeen worldwide sustainability objectives: the so-called Sustainable Development Goals (SDGs). These objectives can be divided into several major themes such as poverty, human rights, climate change, employment and economic growth, security and a good legal system. The UN's aim is to achieve these goals by 2030 reach or at least approach.

Investments in companies that contribute to the SDGs become Sustainable Development Investments (SDIs). Investments that promote the SDGs can be done in different asset classes.

PMT's portfolio contains a multitude of companies that have a make a clear contribution to achieving the Sustainable Development Goals of the United Nations. Some examples are included in the [responsible investment annual report](#) discussed.

SDI-EXPOSURE PMT WALLET

Since the end of 2017, PMT has measured the extent to which the companies in which PMT invests contribute to the SDGs. This is called the SDI exposure. Since 2017, there has been an increase in the SDI exposure.

In 2019 PMT had an SDI measurement carried out in which it was investigated to what extent Investing companies will contribute to the SDGs in 2019. The total SDI exposure of the PMT portfolio as at 31 December 2018 amounted to 9.4% of PMT's total portfolio. In early 2020, PMT had the same measurement for 2019 carried out. The total SDI exposure of the PMT portfolio as at 31 December 2019 is set at 11.2% of the total PMT portfolio.

SDI-EXPOSURE PMT WALLET

At the end of 2017	8.9%
At the end of 2018	9.4%
At the end of 2019	11.2%

CLIMATE AGREEMENT FINANCIAL SECTOR AND EU GREEN DEAL

PMT signed in July 2019 as one of the more than 50 other parties (banks, insurance companies, pension funds and asset managers) the 'Commitment of the financial sector', with which the parties promise to contribute to the Climate agreement. PMT is one of the larger partners among the signatories.

With the signing, the financial sector undertakes to take action to address all measure the carbon footprint of relevant investments, strive for a more complete picture of the impact of the investments, to share experiences, results compare and take steps to improve and deepen the measurement.

All signatories also undertake to draw up action plans by 2022 at the latest setting reduction targets to avoid the negative consequences of their investments. In doing so, they contribute to achieving the climate objectives of Paris. The reporting from the financial sector will be annual along with all other reports from the Climate Agreement to the House of Representatives to be offered. Commitment commitments are not optional. Commitment of the financial sector is monitored continuously and agreements are made every five years reassessed.

In addition, PMT supports the 'Green Deal' presented in December 2019 by the European Parliament. The package of measures aims to reduce net emissions of Europe by 2050 to zero. PMT and a number of other large investors in the International Investors Group on Climate Change (IIGCC) previously urged European government leaders to develop a more ambitious climate policy.

The annual measurement of CO2 emissions is based on the data on the previous calendar year: in 2019, the emissions were calculated on the equity portfolio as of the end of 2018.

The CO2 emissions of PMT's equity portfolio per euro invested are in 2018 slightly increased. This is due to a relatively sharp fall in value of the shares at the end of 2018.

However, total portfolio emissions have fallen. PMT will provide the companies with appeal to the highest CO2 emissions for change or in the long term for divestment pass. It is expected that the next measurement will decrease CO2 emissions per invested euro is reached.

The annual measurement of the CO2 footprint - the so-called carbon footprint - of the equity portfolio is part of PMT's climate policy and also makes part of the agreements in the Montreal Pledge that PMT entered during the climate summit Signed 2015.

REDUCTION OF CO2 EMISSIONS ULTIMO	2019	2018	2017	2016	2015
Value of shares in 1,000 million euros	17.2	21.2	20.2	17.9	16.1
CO2 emissions scope 1 + 2 (tCO2e)	3,135,249	3,748,631	3,967,801	3,636,513	3,728,640
			3		
CO2 emissions scope 1 + 2 per EUR 100 invested capital	18.2	17.7	19.7	20.3	23.2
Reduction of CO2 emissions in% compared to 2015	-21.6%	-23.7%	-15.1%	-12.5%	-

Explanation: The CO2 emissions of organizations are measured according to the guidelines of the Greenhouse Gas Protocol. Scope 1 includes the emissions (emissions) that a company emits itself through mobility, heating and cooling the office and other things that need energy. At a production company, the energy consumption of machines and computers under there too. Scope 2 includes the emissions that the company must calculate itself because of the buying energy. That energy is generated by another party, but the CO2 released by that generation must are included in the user's carbon footprint in proportion to their energy purchases.

OTHER INITIATIVES

PMT is one of the signatories of International Social Responsibility Investing (IMVB) covenant that Dutch pension funds at the end of December Concluded 2019 with civil society organizations (non-governmental organizations, for short, NGOs), the trade union movement and the government to invest responsibly and abuses prevent the production chain. The agreements made in the IMVB covenant, are in line with PMT's responsible investment policy. PMT participated in 2019 to the further elaboration of the covenant and to the selection of companies for a start a joint dialogue.

Based on the framework of the Task Force on Climate-related Financial Disclosure (TCFD) reports PMT on the opportunities and risks for its investments that arise due to climate change and the way in which PMT deals with this. This can financial opportunities and risks are for the investments, but also physical events that affect these risks.

Supervisor De Nederlandsche Bank (DNB) endorses the TCFD framework. PMT was one of the first pension funds in the Netherlands to be published in 2017 a TCFD report, in the hope that other institutional investors will hope to do so, to encourage asset managers and the companies in which PMT invests to publish of comparable information. It is about promoting transparency throughout investment chain. The TCFD report for 2019 is included as an appendix to the PMT responsible investment annual report 2019. The report can also be found on the website of PMT (<http://pmt-vb-jaarverslag.nl/2019>).

In October 2019, PMT signed the Tobacco-Free Finance Pledge: an appeal to banks and investment companies to stop investing in tobacco. This is a initiative of the United Nations Environment Program Finance Initiative. PMT is of it convinced that the financial sector can play a positive role in tackling global issues health priorities and can contribute to a tobacco-free world. The signature fits in with PMT's policy to no longer invest in the tobacco industry.

TOP SCORES IN BENCHMARKS

PMT achieved a top score in the annual for the third consecutive year United Nations for Responsible Investment (UNPRI) investigation into the conducted responsible investment policy. PMT has achieved an A + or an A score on all components (on a scale from E to A +). This makes PMT one of the leading group of affiliated parties institutional investors.

PMT also again achieved a high score in 2019 in the field of responsible investment: the fund maintained its four-star rating in the VBDO benchmark 2019, making it one of the top 5 responsible investors in The Netherlands. A maximum of five stars is achievable. The Association of Investors for Sustainable Development (VBDO) annually assesses the performance of Dutch pension funds in the field of socially responsible investment. VBDO's research focuses on topics such as investment policy, implementation of policy, governance and accountability. The total score increased from 4.1 in 2018 to 4.2 in 2019.

INVESTING IN THE NETHERLANDS

PMT attaches importance to investing in the Netherlands. Both while building their pension as during their retirement, the participants of PMT are usually connected with the Netherlands. A healthy Dutch economy and a thriving business community, with associated employment benefits them. PMT wants to contribute to it promoting economic growth and employment in the Netherlands. In addition, gives PMT thus fulfills its social responsibility. Of course it remains a good return on investment is paramount.

PMT mainly invests in the Netherlands in:

- **Real estate (houses)**

PMT can provide turnover and employment by investing in real estate for companies affiliated with PMT, such as installation companies, metalworking companies, central heating companies, electrotechnical companies and insulation companies. Thereby houses in the middle rental segment - rental prices up to a maximum of € 720.42 for one-person households and maximum € 1,000.00 for multi-person households - an important spearhead. With the concept of 'affordable rent', PMT is responding to the growing demand for quality good, affordable housing.

- **Mortgages**

PMT started providing funding in 2014 together with two other pension funds Dutch mortgages. This takes place via the Munt Hypotheken label. PMT chooses for the provision of mortgages with NHG guarantee and non-NHG mortgages with a low risk profile. These mortgages yield more return than government bonds. In addition, the collateral provides extra security. Moreover, PMT invests in this way even more in the Dutch economy.

- **Business loans**

PMT promotes promising initiatives by companies through the Business Loan Fund. This fund participates in loans that banks want, but cannot fully do to healthy companies. For example, because the banks are too have a lot of financing outstanding on the company or in the sector in which the company is active. Because the fund takes on part of the financing (the other part the banks themselves take), creates space to a larger amount to the company.

- **Dutch start-ups**

PMT has been participating in a new investment fund, Innovation, since January 2019 Industries. This fund focuses mainly on young spin-offs from universities. With this will PMT prevent promising start-ups from being bought by large foreign companies tech companies that make knowledge disappear abroad. PMT impact on developments in innovation and job creation. Innovation Industries works closely with the technical universities in Enschede, Delft, Eindhoven and Wageningen and with TNO.

8 COSTS

PMT linked the ambition to pension in a responsible manner the following objectives for 2019 when it comes to costs:

- The costs for pension and asset management are below average of the benchmarks set by PMT and are not higher than the costs in 2018 or 2017 if these are lower

OBJECTIVE 2019 FOR THE LARGEST OBTAIN

Although the total costs for the administration of the pension scheme are light increased, the costs per participant have decreased compared to 2018. The total pension management costs per active member and pensionable layers € 11 lower than the CEM benchmark. Total asset management costs relative to the average invested capital has slightly decreased. It was just like the past few years cost level of PMT again around the average of the comparison group of the CEM benchmark. Based on this, PMT concludes that the objectives for 2019 have largely been achieved.

COSTS OF PENSION IMPLEMENTATION

Almost all costs of PMT can be traced back to the two core activities of PMT: the pension administration and asset management.

The pension administration costs are divided into two parts:

- The costs of outsourcing to MN implementing organization
- PMT management costs for pension management

BREAKDOWN OF PENSION PERFORMANCE COSTS	ULTIMO	2019	2018
	X € 1 thousand	X € 1 per participant	X € 1 thousand
REGULAR			
Pension administration MN	42,590	66.02	42,084
PMT Board / administrative office (incl. Supervision)	5,706	8.85	5,218
TOTAL PENSION EXECUTION COSTS	48,296	74.87	47,302

COSTS PER PARTICIPANT ALMOST QUARTER LESS THAN 2015

The total costs for administering the pension scheme amounted to € 48.3 in 2019 million (2018: € 47.3 million). This means an increase in costs of approximately 2% compared to 2018. However, the costs per participant have decreased from € 75.02 per participant in 2018 to € 74.87 in 2019. This is due to a larger number of participants 2019. Compared to the costs per participant in 2015, there is a decrease of almost 24% (€ 98.36 per participant in 2015).

Every year, an external, specialized agency (CEM) examines the cost level of PMT via benchmark analysis. The focus is on a comparison of the regular ones pension execution costs of PMT with comparable large pension funds

The Netherlands. In recent years, the cost level of PMT has always been below or below it mean of the comparison group.

In 2019, the average (CEM) cost level of PMT was € 75 per active participant and pensioner, compared to € 86 in the benchmark. PMT thinks it is important to maintain a lower cost level than the benchmark in the long term.

EXPENSES OF ASSET MANAGEMENT

PMT wants to provide as complete and clear an insight as possible into the costs of the fund makes for asset management. Not only because the participants are increasingly require insight into the costs of pension, but also because good insight is sharp and makes critical management of costs better possible. PMT continuously strives to increase transparency of the costs of asset management and the reduction of the cost level.

COST LEVEL OF POWER MANAGEMENT ON BENCHMARK

The presentation of the costs of asset management is based on the 'Recommendations administration costs, further details of asset management costs' of the Pension Federation. The costs are not isolated, but are inextricably linked to the investment policy and the returns achieved. To assess whether the costs incurred 'appropriate', PMT establishes the relationship between costs, risk profile, return potential and the investment philosophy of the fund. PMT also has an external, specialized agency (CEM) studies its cost level through benchmark analysis. The focus is on comparing PMT's asset management costs with other comparable large pension funds in the Netherlands. It has been in recent years cost level of PMT is always around the average of the comparison group.

TOTAL MANAGEMENT COSTS INCREASED

In 2019, PMT's average invested capital increased from € 72.2 billion to € 81.5 billion. Total management costs in absolute terms increased from € 310 million in 2018 to € 361 million in 2019. Compared to the average invested capital Total portfolio management costs increased slightly (0.442% in 2019) compared to 2018 (0.429%). The private equity investment category was with one share of 58% is the main source of costs, mainly due to the performance fees where a return of 12% was achieved.

The private equity investment category is largely actively managed and is therefore known higher management fees than passively managed parts of the portfolio. Total transaction costs (operational transaction costs and strategic reallocations together) will be higher at 0.085% in 2019 than in 2018 (0.070%). In 2019, the current and future performance fee for external asset managers 0.189% (2018: 0.173%). From 2014, in addition to the actually paid performance fees including the unrealized, future performance fee. Performance dependent fees to asset managers are often linked to longer time periods than one year, with periods of six years and longer being no exception. Only after this period, the final amount of the performance fee can be determined.

If an additional return was achieved in the year under review, future performance allowances allocated thereto. Performance fees in 2019 were mainly of application in the private equity category.

In addition to the above cost categories, PMT also estimates the 'see-through' to the operating costs in the underlying investment funds. This is in line with the recommendations of the Pension Federation. In 2019, operating expenses were in the underlying investment funds approximately 0.028% (2018: 0.028%).

Total integral asset management costs in 2019 were approximately 0.555% of the average assets under management (2018: 0.528%). The relative came in 2019 asset management costs are therefore slightly higher than in 2018.

DEVELOPMENT TOTAL EXPENSES OF ASSET MANAGEMENT (X € 1 MILLION / IN% AGAINST OF THE AVERAGE INVESTMENT POWER)	2019		2018		2017		2016		2015	
	€	%	€	%	€	%	€	%	€	%
DIRECT COSTS	82.4	0.101%	86.6	0.120%	90.1	0.130%	93.6	0.142%	87.2	0.142%
Fixed management costs	78.2	0.096%	82.4	0.114%	85.6	0.124%	91.7	0.139%	86.2	0.140%
Incidental costs	4.2	0.005%	4.2	0.006%	4.5	0.007%	1.9	0.003%	1.0	0.002%
PROCESSED IN FUNDS COST	268.0	0.329%	218.2	0.302%	177.7	0.257%	157.4	0.239%	174.8	0.284%
Fixed management costs	114.0	0.140%	93.4	0.129%	82.1	0.119%	76.0	0.115%	67.9	0.111%
Performance dependent cost	154.0	0.189%	124.8	0.173%	95.6	0.138%	81.5	0.124%	106.9	0.174%
OTHER COSTS	10.1	0.012%	5.0	0.007%	5.4	0.008%	7.2	0.011%	11.2	0.018%
Costs custody, advice, control, administrative office	10.1	0.012%	5.0	0.007%	5.4	0.008%	1.5	0.002%	6.1	0.010%
Processed in funds cost	0.0	0.000%	0.0	0.000%	0.0	0.000%	5.7	0.009%	5.1	0.008%
TOTAL MANAGEMENT COSTS	360.5	0.442%	309.9	0.429%	273.2	0.395%	258.3	0.392%	273.2	0.445%
TRANSACTION COSTS	69.6	0.085%	50.8	0.070%	44.3	0.064%	51.8	0.079%	58.8	0.096%
Agv Operational Portfolio management	57.5	0.071%	41.1	0.057%	42.6	0.062%	51.4	0.078%	41.3	0.067%
Agv Strategic Recast	12.1	0.015%	9.7	0.013%	1.6	0.002%	0.5	0.001%	17.5	0.028%
LOOK FOR COSTS	22.4	0.028%	20.4	0.028%	19.5	0.028%	17.2	0.026%	18.7	0.030%

**PROCESSED IN SUB
LANDING INVESTMENT
FUNDS**

Processed in funds cost	22.4 0.028%	20.4 0.028%	19.5 0.028%	17.2 0.026%	18.7 0.030%
INTEGRAL MANAGEMENT FEES	452.5 0.555%	381.0 0.528%	337.0 0.488%	327.4 0.497%	350.7 0.571%
AVERAGE INVESTMENT POWER AND ACHIEVED NET YIELD OVER CALENDAR YEAR	81,504.8 18.40% 72,158.3	0.21% 69,106.2	4.06% 65,870.7	10.96% 61,446.0	2.29%

9 LOOKING AHEAD

MEASURES AROUND COVID-19 VIRUS

At the end of February 2020 it became clear that the Netherlands was also affected by the Covid-19 virus (also called 'Coronavirus'). At the time, there were two infections reported. That was the time for PMT, in collaboration with MN, to take precautions. These measures were targeted on the one hand on preventing the virus from spreading among the employees of both organizations and, on the other hand, the continuation of services.

CONTINUITY OF SERVICES GUARANTEED

Extensive measures have been taken to provide services to participants during the Corona pandemic to continue unabated. This includes continuing all business-critical processes central.

As part of PMT's standard risk management, MN has continuity plans that state, among other things, what is required of people and systems to be able to continue the service during unforeseen events and circumstances. These plans for pension administration, asset management and information have been tested against the risks of the Covid-19 outbreak. In the period from 2 to 6 March 2020, a home work test was conducted, in which large groups were working from home. The results of this test confirmed that the internet bandwidth and ICT environment are more than adequate for large numbers home workers.

The increase in the number of infections in the Netherlands has led to PMT and MN have decided, starting March 10, 2020, that employees from the province of Northern Brabant to work from home and all employees as of March 12, 2020 possible to work at home. In addition, employees and departments are normal accessible, both by telephone and via digital channels. There is an extensive work instruction provided to work from home.

AVOID FURTHER VIRUS DISTRIBUTION

All employees, both PMT and MN, have been informed on the basis of the RIVM guidelines and have been asked to take precautions. At the offices of Both organizations have made the guidelines clearly visible and are provisions affected as disinfectant soap pumps and additional supplies of cleaning supplies for

for example keyboards. An additional protocol has also been implemented for works after visiting a risk area, reporting sick and (suspected) of) contamination. People basically work from home, no longer take business trips and meetings only take place digitally. The office is closed to external visit.

Retiree meetings that were scheduled have been canceled. Information PMT conversations can only be found by pension consultants by telephone or digitally contact place. This is according to the guidelines of the government and RIVM about it avoidance of contact.

EFFECTS OF COVERAGE

Stock prices plummeted from March 2020 onwards due to investors' fears the economic damage that the Covid-19 virus can cause. Had earlier Also the very sharp fall in the oil price has a negative impact on the prices. Afterwards prices rise or fall per day.

Investors sold their shares and initially fled in 'safer' investments as government bonds. This caused a falling interest rate, which is an increase of the obligations of PMT and thus ensured a strong declining funding ratio.

Later in March 2020, this effect reversed and interest rates rose sharply, which is a positive one affected the funding ratio. However, interest rates fluctuated daily. At the end of February 2020, this resulted in a coverage ratio of 92.3%, at the end of March 2020 the funding ratio further decreased to 85.9%.

FINANCIAL CRISIS TEAM

In accordance with the developments, PMT has issued a financial crisis team formulated. This team comes at least once a week (digitally) together and has a mandate from the board to make quick decisions. The crisis team consists of board members, supported by the board office and MN specialists.

The financial crisis team follows market developments and examines whether PMT should take action undertake to make adjustments. In doing so, PMT continues to adhere to the principles from the strategic investment policy, the established bandwidths, procedures and mandates. After all, very negative factors have also been taken into account in the preparation scenarios. The emphasis will continue to be on the fact that PMT is a long-term investor in combination with a good and fast follow-up of market developments to take action come if necessary.

OPERATIONAL ASPECTS

The non-financial aspects, including the operational progress of the critical business processes of the pension administration are entrusted to the daily management and the Pensions Committee. The executive board consults at least twice a week, supported by the management and employees of the executive office and where necessary

MN specialists.

The government has now taken measures in the form of the Temporary Emergency measure Bridging Employment (NOW). Still there can still employers are in the Metal and Technology sector who are affected by the consequences of the Covid-19 virus are struggling to meet their payment obligations. PMT is courteous for entrepreneurs who are in acute liquidity problems due to the Corona crisis offering payment arrangements and defaulting interest and penalties payments and payment arrangements. The implementing organization keeps its finger on the pulse to be able to offer customization where necessary.

The impact of these PMT measures on the fund's financial position is significant expectation very low. Based on various stress scenarios, it has financial crisis team determined that PMT will have sufficient liquidity in the near future, too without the usual premium inflow.

PENSION REDUCTIONS

A survey of PMT participants and pensioners in the last quarter of 2019 and the first quarter of 2020 showed confidence and appreciation for PMT increased after it became clear that members and beneficiaries do not were faced with a pension cut.

The declining funding ratio in the first quarter of 2020 does not yet have any consequences for (former) members and pensioners. The score as of December 31 2020 will determine whether or not to reduce pensions. PMT then prepares also for any reduction.

PENSION AGREEMENT

The pension agreement concluded in 2019 will be further elaborated from the beginning of 2020 in (technical) working groups. The proposals of these working groups are presented to the preparation group, which in turn is the steering committee pension agreement advises. It is expected that the Minister of Social Affairs and Employment (SZW) before the summer of 2020 a main lines note to the Second Room can send. The Covid-19 crisis may still cause delays in its treatment.

RENEWAL OF PENSION ADMINISTRATION

2020 will be an important year for the renewal of the pension administration. MN must demonstrate this year that this innovation can actually be a success to make. MN will enter the first important part of the mid-office in the summer of 2020 take production. In addition, MN is starting to build the back office. This construction process will take several years. PMT will continue to monitor progress emphatically in relation to the developments surrounding the pension agreement and in relation to one's own ambition to invest in an agile, modernized pension administration

and associated good services. In doing so, PMT will continue unabated and intensive continue to pay attention to the timely delivery of end products, risk management and the ability of the MN organization to actually shape the innovation. Consultations with DNB, aimed at sound and controlled business operations, will also be held continue to be.

ACCOUNTABILITY AND MONITORING

ACCOUNTABILITY AND MONITORING

ACCOUNTABILITY OF THE SUPERVISORY BOARD

Pursuant to the law, the supervisory board (SB) has the task of supervising on the policy of the board and on the general state of affairs in the pension fund. In any case, the supervisory board supervises adequate risk management and a balanced risk balance balancing of interests by the board. The SB assists and advises the board to the way in which PMT applies the Pension Funds Code. In addition, the law the supervisory board grants a number of specific approval rights, including the annual report, the profile of directors and the fund's remuneration policy. The rvt is fulfilled

task with due observance of the VITP Supervision Code.

METHOD

The SB monitors the working method of the board on the basis of, among other things, the reports of the board meetings and the accompanying meeting documents. About (sub) subjects the supervisory board receives requested and unsolicited information at the end of the year under review the SB speaks with all board members, representatives of the accountability body (vo), employees of the board office, the accountant, the actuary and representatives spokespersons of executor MN. The Supervisory Board prepares a report on this on behalf of the board. The supervisory board is accountable for its supervision the secondary education and in the annual report.

In the year under review, the Supervisory Board met twice with the full board. Hereby is in particular the financial position of the fund, the state of affairs at MN and in particular the path of NPS. The board has also indicated how the recommendations from the previous report of findings have been followed up on. The supervisory board also spoke three times with the executive board. Once practiced the recommend his right of approval (with respect to the annual report) and was twice consulted with the vo.

GENERAL IMAGE FUND

PMT's financial position is still worrying. The expected reduction is at the end of 2019 prevented because the Minister of Social Affairs and Employment has an exemption from the reduction scheme granted. The SB notes that the board, and in particular the day-to-day management, has actively lobbied to prevent a decrease. Important argument here was that reductions, in the transition period to a new system, the necessary support for changes would decrease considerably.

The supervisory board concludes that the board has communicated openly and clearly about the financial position of the fund and the impending cuts and is positive about the way on which the fund communicates with its participants.

The Supervisory Board remains unaffected by the low premium coverage ratio and is asking for it the board to pay attention to this when evaluating the industry implementation agreement (buo). Partly against the background of the inadequate the funding level also wants to mention that there seems to be a discrepancy exist between the financing, the ambition that the fund pursues and the investment risks that are taken for this.

The supervisory board is of the opinion that the board functions well. At the same time, the SB sees one certain vulnerability now that there will be some (experienced) board members in the coming years leave. The SB advises to resolve this issue of administrative continuity in good time to grab.

The SB notes that the cooperation between the board and the accountability body went well in the year under review. In line with the approach taken upon acceptance of the buo, the supervisory board considers it important that the secondary education again in the evaluation process in 2020

is involved in the process in a timely and transparent manner by the board.

The supervisory board will be full again at the end of 2019, after the chairman's planned departure on 1 July 2019 the method of the previous years continued.

BALANCED STAKE OF INTEREST

The SB notes that everyone involved is satisfied with the fact that the buo is accepted and no reductions need to be made. The supervisory board understands for the decisions, and the associated premium decision, that the board takes in the context of the buo. However, the SB is concerned that the years have already existed. Insufficient premium funding ratio is responsible for a not insignificant part shortfall in the fund. In that light, the SB considers it a good development that the board has included a condition on acceptance of the engagement that the financing of the scheme will be evaluated in 2020. The board has been given the authority to do so to lower the accrual percentage if the premium coverage ratio gives cause to do so gives. The Supervisory Board is positive about this additional steering instrument.

RISK MANAGEMENT

The SB notes that the board has taken important steps in setting up an integrated risk management framework. The supervisory board thinks this is a good development: a strong one. After all, internal risk management at the fund is also necessary to ensure proper direction can give within their own organization and manage MN.

The implementation of IORP2, and with it the further strengthening and implementation of the three lines of defense model, has been picked up energetically and has also helped further strengthening the Risk Management Organization. The appointment of key officials in the areas of risk management, actuarial and internal audit, together with the organization of the Internal Audit Committee, have led to a clear, independent and professional positioning of these functions.

The SB notes that the NPS project is causing major concerns now that there is a delay occurred. As a result, the board has a high involvement in the project intensified further.

APPLICATION CODE PENSION FUNDS

Based on the report made by the board on compliance with the Code Pension funds, the Rvt establishes that PMT complies with almost all standards from the Code. However, it has not yet been possible to find a board member younger than 40 years, which in terms of suitability meets all the requirements as with a large and complex fund as PMT. As a result, PMT does not meet all standards in the field of diversity.

RECOMMENDATIONS

The supervisory board has made a number of recommendations to the board with regard to, among other things the evaluation of the buo in 2020, the issue of administrative continuity, is necessary steps in the context of NPS, the further development of the risk framework and the financing of the scheme.

RESPONSE OF THE BOARD TO THE JUDGMENT OF THE SUPERVISORY BOARD

The board agrees with the findings of the SB. The board also shares the Supervisory Board's view that PMT's financial position in 2019 is still a cause for concern. The board recognizes itself in the recommendations of the SB and adopts them.

JUDGMENT ACCOUNTABILITY

One of the main tasks of the accountability body (VO) is to issue an opinion on the management actions of PMT over the past year. The basis for that lies in good information provided by the PMT board. At every meeting board members of the vo were present who openly asked the questions of the vo have answered. The secondary education is also included in current events and early on informed about the matters that are important to the fund. The VO is satisfied with this collaboration.

The theme of 'pensions' has received a lot of social attention in recent years got. The concerns that people have about their retirement provision also live up to the vo. With this view, secondary education last year has looked at the various aspects of it pension fund looked at. The VO provides a brief explanation and a per topic judgment. The full annual report of the VO can be found on the website of the VO, via <https://www.bpmt.nl/over-pmt/ver-responsingsorgaan>.

FINANCE

PMT's financial situation is still worrying. Threatened throughout the year there are pension cuts as of 2020. Due to the low interest rates, the board had little to none possibilities to increase the funding ratio. Although the low interest partly for it the objective was to ensure excellent investment returns of 1.5% excess return again not achieved. The board is working hard in 2019 made for otherwise applying the legal rules to pension reductions to prevent. An important consideration was that a pension cut was flat the necessary support for a transition to a new pension system would undoubtedly affect the new system. The board chose to use of the possibility offered by Minister Koolmees of Social Affairs and Employment to postpone pension cuts temporarily. Overall, the vo finds this one balanced decision. It is positive about this approach by the board.

PENSION AGREEMENT

A pension agreement has been concluded before the summer of 2019. PMT also has a contribution delivered to its realization. The board has in various consultations and in the media indicated what the effects of the different systems would be for the participants of PMT. During the year, the board regularly updated the VO about the progress of this process. The further elaboration of the agreement will take place in 2020. PMT will also play a role in this. The VO is of the opinion that the board is one played a positive role.

NEW BUO

An industry implementation agreement (buo) is the mission that social partners undertake give the pension fund to administer a pension scheme. A pension fund accepts this assignment if the fund considers it balanced, practicable and is financially sustainable. The PMT buo expired on December 31, 2019. That's why CAO parties made new agreements about the pension scheme in 2019. These agreements have subsequently been submitted to PMT for acceptance.

The board has proactively involved the VO in the process surrounding the engagement acceptance and the dilemmas related to this. Important issues were the adverse conditions such as low interest rates and the consequences this had for the premium funding ratio and the funding ratio. Also the uncertainty about the final elaboration of the pension agreement played an important role. The board has added the social partners indicate the conditions that the scheme must meet in order to be financially sustainable. Because the VO was involved at an early stage, its comments of the VO were also included in the discussions with social partners. The VO expresses its appreciation for the way in which the board has involved the VO in the process, where the first considerations were already discussed on April 24, 2019.

The VO notes that the board is very insistent on the interests of all involved and that the balance of the order acceptance decision is sufficiently substantiated. The addition of the released vpl premium to the pension premium, the planned evaluation moments and the additional possibility for the board to adjustments during the term are taken into account in this opinion. The vo finds the financial situation of PMT is worrying, but is of the opinion that the board - given the space that the board has - has done the maximum to improve it. The vo expects the board to involve the evaluation moments in 2020 as well.

RENEWAL OF PENSION ADMINISTRATION

MN has been operating under the name Nieuwe Pensioen Stroom (NPS) since 2018 to the renewal of the pension administration. In 2019 the progress of NPS a fixed agenda item with the board. The first parts of the new software seemed to be able to be completed within the set deadlines, however it turned out at the end of 2019 there is an unexpected delay. Although the VO guarantees that the current pension administration is still satisfactory, the VO together with the board is concerned about it the fact that this delay occurred unexpectedly. The VO also wonders what this delay means the introduction of a new pension contract as a result of the pension agreement. The VO calls on the board to further develop NPS more intently to follow.

RISK MANAGEMENT

PMT took steps in the field of risk management in 2019. Also the legally required (IORP-II) the introduction of key function holders is in line with this. The vo is about this informed and discussions were held with the board. The VO believes that These developments contribute to controlled business operations and the progress of follow this file with interest.

RETIREMENTS MEETINGS

PMT organizes eight to ten pensioner meetings throughout the Netherlands every year. At these meetings there is always a representation of the secondary education answer any questions from retired VO participants. The meeting in 2019, a new set-up was introduced, with board members of PMT having a take on a more emphatic role to talk to retirees. The vo is very positive about this new approach.

COMMUNICATION AND VISIBILITY

The VO states the efforts of the board of PMT to increase its visibility and intensify contact with participants on price. The increase in the number of media messages and participation in the social debate about pensions are jumping in a positive sense. The VO also appreciates the efforts of pension consultants

who approach participants proactively several months before their retirement to point them out on the options within the pension scheme.

The VO was informed about the legally required adjustment of the Uniform Pension Overview (UPO) with the navigation metaphor. Whether this changed design will contribute to a better understanding of the UPO will have to be seen in terms of secondary education.

LOOKING AHEAD

The VO will continue to follow the aforementioned topics in 2020, in particular the financial position of the fund and the renewal of the pension administration are important agenda items. The VO also looks forward with interest to the further elaboration of the pension agreement and its consequences for the pension scheme of PMT. Finally, the VO wants to continue working on its own in 2020 visibility to the supporters. Publishing an annual report of the accountability body is a step forward in this respect.

RESPONSE OF THE BOARD TO THE JUDGMENT OF THE ACCOUNTABILITY

The board has taken note of the opinion of the accountability body (vo) about administrative actions in 2019, in which intensive consultations were held on several occasions the vo. In addition, the worrying financial situation of the fund was threatening pension cuts and the pension agreement are important themes. There is also firm discussed the dilemmas with regard to engagement acceptance.

The board has taken note of the VO's comment on the innovation of the pension administration. The board shares the concerns of the secondary education and will also come During the year under review, continue to explicitly inform the company about the progress of this process.

The board thanks the VO for the constructive way in which this is done with the VO an exchange of views and the involvement of the VO in the fund. Both in administrative subjects and in contacts with participants, among others through PMT's retirement meetings.

SUPERVISION DNB

PMT consulted De. Several times in 2019 and in various configurations Nederlandsche Bank (DNB). Consultations with a delegation take place every quarter of the board. In 2019, PMT's financial position was risk management of both financial and non-financial risks and the ability to change PMT and MN implementing organization the main topics for discussion.

The financial position of PMT was explicitly monitored by DNB in 2019 because it fund was underfunded and may need to reduce the pensions.

In addition, risk management was an important point of attention in supervision. PMT has an increased strategic risk. DNB therefore followed closely whether PMT was adequate draw up and implement control measures and thus control would strengthen the strategic risks. In that context, DNB assessed the strategic plan of PMT and recommended that the documentation of the demonstrable realization of the strategic ambitions had to be in order.

DNB also investigated the qualitative aspects of operational risk management at both PMT and MN implementing organization. DNB did this by using findings from other studies and interviews with direct and indirectly involved. DNB concluded that the risks related to the outsourced rights administration are not controlled in its entirety. In order to do this follow-up, PMT will give accelerated attention to those parts of the risk framework that makes an important contribution to a higher level of control of these risks, such as updating the risk management policy and the Risk Self Assessment of the non-financial risks Pension management.

DNB also monitors the capacity for change and the IT renewal program via PMT (NPS) of the MN implementing organization. DNB asked PMT for an administrative opinion and subsequently gave his own opinion on the program in three disciplines at the end of 2019, namely the management of the program, the risk management and the project execution. DNB concluded that NPS is still lagging behind the predetermined parts expectations and not (yet) gives confidence in a controlled and honest pension administration in the future. DNB will continue to monitor the progress of the program therefore follow.

OTHER INQUIRIES AND QUESTIONNAIRES

PMT received various questionnaires and surveys from DNB in 2019, for example about IORP II, risk management, the EIOPA IORP stress test, Dutch residential mortgages and various statistical inquiries. PMT complied with all requests in time.

CODE OF PENSION FUNDS

The Pension Funds Code has been in force since 1 July 2014. The 'apply or explain from principle. In 2019 PMT complied with the Code on almost all standards.

PMT does not meet all standards in the field of diversity. There is no board member that is under 40. In practice, it has so far not been possible to have a young board member to find that meets all the requirements in terms of expertise and time commitment as with a large and complex fund as PMT.

In terms of gender diversity, the board consists of ten men and two female board members. The board continues to consider how diversity is both in the board as well as in the accountability body can be increased. A plan of approach as requested in the Code will be a first step in this respect. On the website of PMT is in the document Pension Fund Code (www.bpmt.nl/over-pmt/bestuur) described how PMT implements the Pension Funds Code.

ADMINISTRATIVE EVALUATION

GOVERNANCE

PMT has a joint governance model, with representatives of the employers, employees and pensioners. There are four seats for the employees-

representation, two seats for representatives of pensioners and six seats for employer representation.

Building on what was achieved in 2018, the board has supervised of an external expert, his own performance is re-evaluated. On base of analyzes and discussions in the board evaluation and that of the committees

drawn conclusions and, where possible, made agreements for improvement. To this was implemented in 2019. In addition, board members have training days in 2019 had to bring the collective level of expertise to fitness level B. These activities are part of the board's fitness plan.

SUITABILITY

Every board member must be permanently fit to drive. To determine the suitability of it has to maintain the board level and where necessary broaden or develop it the board will review its fitness policy in 2019.

In various board meetings attention was paid to the subject of suitability to direct the process of continuous learning and development in one appropriate to the fund's strategy and ambition. This ended last years to a renewed fitness cycle that includes the fitness requirements with regard to expertise, competences and professional behavior measured and monitored. The suitability requirements are compared with those present collective suitability of the board - taking into account the succession policy - and the personal learning and development needs of each individual board member. The personal needs arise from the self-evaluations and become recorded in personal development plans. At the end of a cycle, the development plans evaluated.

The board of PMT has set specific requirements in the recalibrated fitness policy competences. These competences at least meet the legal frameworks but are furthermore fully geared to the size and position of the fund.

At the end of 2019, a baseline measurement was performed for each driver fund-specific competences. The new suitability cycle will become compliant in 2020 go through an annual fitness plan for the first time.

ACCOUNTABILITY

The accountability body is composed as a reflection of the participant file of PMT (eight employees, five pensioners). The employers are represented by three people. The accountability body came eight in 2019 meet in a meeting. At each meeting there was a delegation from the board present. The Supervisory Board was present at two meetings. In addition, three thematic and training days organized. The accountability body also has its own performance evaluated.

SUPERVISORY BOARD

The Supervisory Board (SB) consists of three members. The SB has a statutory task supervising the administrative policy and the general state of affairs in the

pension fund. The SB assists the board with advice. The law has specific rvt approval rights, including the annual report, the profile of directors and directors the fund's remuneration policy. In the year under review, the SB has all management documents received and asked questions about this to the board and / or the board office.

Partly on the basis of this, the SB met with the board twice. Hereby discussed in particular the fund's financial position, looking forward topics and the relationship with MN. The Supervisory Board consulted three times during the year under review with the daily management. In addition, the Supervisory Board also consulted twice with the accountability body.

At the end of the year under review, the Supervisory Board draws up a report of its findings and makes one number of recommendations. In addition to the accountability in the management report, the supervisory board lays down separately report on the supervision conducted to the accountability body.

The Hague, May 6, 2020

The board

JPM Brocken,
chairman on behalf of the employees
and pensioners

M. Hulsegge
GPMJ Rust
J. van Stigt

KB of Popta,
on behalf of the employers

DF Dijkhuis
RJBM Follon
AA Jaarsma
TW Comfort
BHFB de Vries

On behalf of the pensioners:

PD Amels
JJP Schouten

ORGANIZATION

ORGANIZATION PMT

The PMT board has opted for the joint model as the form of governance. This holds that the board consists of representatives of employers, employees and pensioners. The possibility exists to appoint external experts as board members appoint outside the sections. The board made none of this in 2019 use. However, external experts have been appointed to the committees. Within the the expertise is sufficiently embedded in board members.

Within the joint model, accountability is given to stakeholders at PMT through an accountability body. This accountability body exists at PMT from active members, pensioners and employers. Internal supervision rests with the supervisory board.

The board has administrative committees:

- Investments Committee (CBL)
- Communication and Service Committee (CCD)
- Finance and Risk Committee (CFR)
- Internal Audit Committee (CIA)
- Pensions Committee (CPS)

These committees advise the board or have their own mandate to act on certain plan areas.

The board takes the Trade Council Metal and Technology into account in its considerations. The Trade Council is not part of PMT's governance, but it does advisory rights in certain areas. The relationship between the Trade Council and the board of PMT is defined in the industry implementation agreement (buo).

Schematically, the organization of PMT looks like this:



BOARD AND OFFICIALS PMT PER 31 DECEMBER 2019

BOARD PMT

MEMBERS OF EMPLOYERS

Mr. KB of Popta

Federation of Employers' Organizations Technology -
chairman on behalf of the employers

Mr. RJBM Follon

Federation of Employers' Organizations Technology

Mr. AA Jaarsma

Federation of Employers' Organizations Technology

Mrs. K. Merkus

Federation of Employers' Organizations Technology

Mr. TW Comfort

Federation of Employers' Organizations Technology

Mr. BHFB de Vries

Federation of Employers' Organizations Technology

MEMBERS OF THE EMPLOYEE SIDE

Mr. JPM Brocken

FNV - chairman on behalf of the employees
and pensioners

Mr. M. Hulsegge

CNV

Mr. GPMJ Roest

FNV

Mrs. J. van Stigt	FNV
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MEMBERS ON BEHALF OF PENSIONERS ¹

Mr. PD Amels	CNV / FNV
Mr. JJP Schouten	VG-PMT

INVESTMENTS COMMITTEE

Mrs. K. Merkus	chairman
Mr. EHW Bosman	external expert
Mr. M. Hulsegge	listener
Mr. G. de Lange	external expert
Mr. KB of Popta	
Mr. GPMJ Roest	
Mr. BHFB de Vries	listener

COMMUNICATION AND SERVICES COMMITTEE

Mr. JJP Schouten	chairman
Mr. JPM Brocken	
Mr. RJBm Follon	
Mr. M. Hulsegge	listener
Mr. KB of Popta	

COMMITTEE ON FINANCES AND RISKS

Mr. M. Hulsegge	chairman
Mr. BHFB de Vries	Deputy Chairman
Mr. PMM Gubbels	external expert / listener
Mr. JJP Schouten	listener

¹ The board members on behalf of the pensioners are nominated by the accountability body

INTERNAL AUDIT COMMITTEE ²

Mr. PMM Gubbels	chairman / external expert
Mr. JJP Schouten	Vice President
Mr. BHFB de Vries	listener
Mr. M. Hulsegge	listener

PENSIONS COMMITTEE

Mr. RJBm Follon	chairman ³
Mr. AA Jaarsma	chairman ⁴
Mr. PD Amels	

Mr. JPM Brocken ⁵
 Mr. J. Ruijtenberg external expert
 Mrs. J. van Stigt
 Mr. TW Comfort

ACCOUNTABILITY

MEMBERS OF THE EMPLOYEE SIDE

Mr. M. de Koomen (44 years old) The Union, union for industry and services
 - chairman
 Mr. V. Amiabel (33 years old) CNV - deputy chairman
 Mrs. I. Bussem (48 years old) On personal title
 Mr. R. Kleine (59 years old) FNV
 Mr. A. van Maurik (65 years old) CNV
 Mr. L. Rolf (58 years old) On personal title
 Mr. GH Verberne (63 years old) FNV
 Mr. J. Wolthuis (65 years old) FNV

MEMBERS OF EMPLOYERS

Mr. J. van den Bos (58 years old) Federation of Employers' Organizations Technology
 Mr. R. Carton (56 years old) Federation of Employers' Organizations Technology
 Mr. JA Vaas (64 years old) Federation of Employers' Organizations Technology

MEMBERS ON BEHALF OF PENSION BENEFICIARIES

Mr. R. Bernsen (68 years old) VG-PMT
 Mr. JCP Marcelis (78 years old) VG-PMT
 Mr. RK Nieuwenhuis (67 years old) in a personal capacity
 Mr. REA Surig (73 years old) KBO-PCOB
 Mr DNPR Tak Labrijn (70 years) VG-PMT

² As of 28 May 2019

³ Until 28 May 2019

⁴ As of 28 May 2019

⁵ As of 28 May 2019

SUPERVISORY BOARD

Mr. JPW Klopper ⁶ chairman
 Mr. EJGV Boers ⁷ chairman
 Ms AC Joosten-Hendriks
 Mr. HE Vosseveld

MANAGING BOARD

Ms IT van den Doel

IMPLEMENTATION ORGANIZATION

MN

ACCOUNTANT

Ms A. Snaak RA, Ernst & Young

CERTIFYING ACTUARY

Mr. M. Heemskerk AAG, Mercer (Netherlands) BV

⁶ Until July 1, 2019

⁷ As of 16 December 2019, also chairman of the Supervisory Board as of that date

EMPLOYERS REPRESENTATIVES ON THE BOARD

Mr. RJBM Follon

1967 | in management since 2018 | other relevant functions General Secretary FWT - (Vice-) chairman of the Trade Council of Metal & Technology - Board member of the Trust Office Foundation Damage insurance metal and technical industries - Board member foundation Social Fund Metal and Technology - Board member of the Childcare Foundation Metal and Technical industries - (Vice-) chairman of the early retirement of Metaal and Technology - Board member employment fund Metal and Technical industries - (vice) chairman of Stichting Administratiekantoor MN (StAK) - (Vice) chairman of the foundation Private Supplement WW and WGA Metal and Technology - Owner mr. RJBM Follon Consultancy BV

Mr. AA Jaarsma

1957 | in management since 2018 | other relevant positions Director of the Royal Netherlands Organization Metaalunie - Member of the Supervisory Board of Mevas BV | Member of the supervisory board KMU Insurance

Mrs. K. Merkus

1971 | in management since 2016 | other relevant positions Board member Pensioenfonds Wonen - Member advisory committee European Pension Fund Investment Forum (EPFIF) - Educational writer in the field of innovation in economic science - CIO / director of investments ai Rabobank Pension Fund 8

Mr. KB of Popta

1952 | in management since 2011 | other relevant positions Employer board member Pensioenfonds Detailhandel - Member of the supervisory board of mortgage funds Syntrus Achmea Real Estate & Finance - Member of ICPM discussion forum - Chairman of the Board of advice magazine Pensioen, Bestuur en Management (PBM) - Supervising board member of the Private Supplement Foundation WW and WIA (SPA WW) - Board member of the Foundation MN Administrative Office (StAK)

Mr. TW Comfort

1965 | in management since 2018 | other relevant positions Human Resources Director SPIE Netherlands - Chair committee social and legal affairs Technology Netherlands - Owner Cater BV

Mr. BHFB de Vries

1968 | in management since 2016 | other relevant positions Partner at Deloitte - Board member Pieter Gerard foundation - Member council of Rabobank 's-Hertogenbosch and surroundings - Director VFB BV and VFE BV - Member investment committee Brabant Startup Fund

REPRESENTATIVES ON THE BOARD

ON BEHALF OF EMPLOYEES

Mr. JPM Brocken

1958 | in management since 2006 other relevant positions Director FNV - Board member Company Council Motor Vehicles - Chairman of the Board Stichting Administratiekantoor MN (StAK)

Mr. M. Hulsegge

1960 | in management since 2012 | other relevant positions Board member of Pensioenfonds Vervoer - Supervisory board member of the Private Supplement WW and WIA foundation (SPAWW) - Board member of the Catholic Welfare and Development (CDW) South Africa Foundation Board member Rural Outreach Program (ROP) - Owner Hulsegge Consultancy

Mr. GPMJ Roest

1957 | in management since 2018 | other relevant positions Pension director FNV - Member of the council Board of Directors Association of Investors for Sustainable Development (VBDO) - Member of the Board of board APF Unilever⁹ - Chairman audit committee APF Unilever⁹

Mrs. J. van Stigt

1963 | in management since 2018 | other relevant functions Union administrator FNV - Board member of the Metalektro consultative body - Employee chairman of the Metal & Trade Council Technology - Member of the Supervisory Board of ROM Metalektro¹⁰ - (Vice) chairman of the Private Foundation Supplement WW and WGA Metal and Technology - Board member of the trust office foundation Metal and Technical Industry Damage Insurance - Board member of the Foundation Administration Office MN (StAK) - Executive IndustriAll EU

ON BEHALF OF PENSION BENEFICIARIES

Mr. PD Amels

1951 | in management since 2018 | other relevant functions -

Mr. JJP Schouten

1948 | in management since 2014 other relevant positions Chairman Koepel van Nederlandse Pensioners' Associations (KNVG) - Lecturer Nyenrode University

⁹ Until 31 October 2019

¹⁰ Until July 2019

SUPERVISORY BOARD

Mr. Boers EJGV, 11

1966 | on supervisory board since 2019 other relevant functions Member of the Board of Supervisory Board members Triodos Bank - Member of the Supervisory Board of Univé - Director Cooperative of Medical Specialists Gelre (CMS Gelre) - Chairman of the Board of the Foundation National Energy Savings Fund (NES) - Member of the Supervisory Board, Stichting Fonds Duurzaam Foundation Recovery (FDF) - independent chairman of Ahold Delhaize Pension Fund

Mrs. AC Joosten - Hendriks

1975 | on supervisory board since 2017 other relevant functions Executive director and Chief Investment Officer Philips Pensioenfond Nederland - Member Asset & Committee Liability Management VBA Investment professionals

Mr. JPW Klopper 12

1951 | on supervisory board since 2011 other relevant functions Chairman of the advisory board Pension Training Foundation (SPO) - Chairman of the Supervisory Board of the Pension Fund Hoogovens - Chairman of the VITP Public Affairs Committee - Director / major shareholder JPW Klopper Belegging & Beheer BV

Mr. HE Vossebeld

1964 | on supervisory board since 2019 other relevant functions Member of the Supervisory Board CBR - Director (ai) Zorgkoepel West Friesland - Member of the Advisory Board of the Foundation Pension training (SPO)

¹¹ As of December 16, 2019, also chairman of the Supervisory Board as of that date

¹² Until 1 July 2019

FEES

The amount of the compensation depends on the management activities to be carried out and amounted in 2019 to:

FUNCTION	FEE 2019
Board membership	€ 42.649, -
Additionally for membership of a board committee	€ 10.662, -
Additionally for chairing a board committee	€ 6.397, -
Additional for daily management membership (also chairmanship of the board)	€ 46.913, -
Committee membership, not also a board member	€ 21.325, -
Chairman of the supervisory board	€ 32.547, -
Membership of the supervisory board	€ 27.122, -

The total compensation per individual board member is capped at € 106,623 per year.

The compensation is paid to the nominating organization or to the board member. No bonuses are paid.

MEMBERS OF THE BOARD	PAYMENT PAID IN 2019
JPM Brocken (chairman on behalf of the employees and pensioners)	€ 106.444, -
KB van Popta (chairman on behalf of the employers)	€ 106.621, -
PD Amels	€ 53.311, -
RJBM Follon	€ 70.370, -
M. Hulsegge	€ 91.694, -
AA Jaarsma	€ 53.311, -
K. Merkus	€ 59.708, -
GPMJ Rust	€ 53.311, -
JJP Schouten	€ 75.701, -
J. van Stigt	€ 53.311, -
TW Comfort	€ 53.311, -
BHFB de Vries	€ 53.311, -
TOTAL REMUNERATION BOARD 2019	€ 830.404, -

WAGE INCREASE IN ACCORDANCE WITH SECTOR

As of 1 January 2019, the management fees have been increased by the wage increase such as this have been agreed for the Metal and Technology collective labor agreements. If the board should unexpectedly

decide to claim and receive benefits from members of the pension scheme the fees of the board members and the entitlements and benefits of (former) PMT employees decreased by the same percentage.

FUND FUNDS

Board members mainly participate, supplemented by some external experts. The accountability body and the supervisory board exist entirely made up of non-board members.

EXTERNAL MEMBERS OF THE FUNDS	TOTAL PAYMENT FEES IN 2019
Investments Committee	€ 40.873, -
Pensions Committee	€ 21.325, -
Communications and Services Committee	€ 0, -
Finance and Risks Committee	€ 21.325, -
Internal Audit Committee	€ 17,059
TOTAL REMUNERATION FOR EXTERNAL MEMBERS OF FUNDS	€ 100.582, -

SUPERVISORY BODIES	TOTAL PAYMENT FEES IN 2019
Accountability Body	€ 100.255, -
Supervisory Board	€ 81.367, -

Members of the accountability body have their own compensation scheme that is in line with the SER vacancy scheme. If the member is part of the employee section and who is employed by an employer, an arrangement can also be chosen whereby compensation is paid to the relevant employer. PMT has in 2019 total € 100,255 paid to VO members or their employer (excluding travel and expenses) fees).

MANAGEMENT BOARD OF DIRECTORS

	GROSS ANNUAL SALARY	RETIREMENT-, SOCIAL AND OTHER EXPENSES	TOTAL 2019
IT van den Doel	€ 218,803	€ 53.312, -	€ 272.115, -

SIMPLE FINANCIAL STATEMENTS 2019

10 SIMPLE BALANCE SHEET PER DECEMBER 31, 2019

(after profit appropriation)

ASSETS (X € 1 MILLION)		31 - 12 - 2019	31 - 12 - 2018
Tangible fixed assets	(1)	1	-
INVESTMENTS FOR RISK PENSION FUND			
• Investment property	(2)	7,295	6,298
• Shares	(3)	20,925	17,399
• Fixed income securities	(4)	51,235	42,605
• Derivatives	(5)	6,747	2,545
• Other investments	(6)	5,303	4,330
Total investments	(7)	91,505	73,177
Participating interests	(8)	18	25
Receivables from investments	(9)	160	117
Other receivables and prepayments	(10)	97	92
OTHER ASSETS			
Liquid assets	(11)	3,758	5,782
TOTAL ASSETS		95,539	79,193
LIABILITIES (X € 1 MILLION)			
FOUNDATION CAPITAL AND RESERVES			
• General reserve	(13)	- 787	- 427
• Appropriation reserve	(14)	-	-
Total foundation capital and reserves		- 787	- 427
TECHNICAL EQUIPMENT			
• Provision for pension liabilities for risk pension fund	(15)	85,692	71,698

Other provisions	(16)	2,201	1,521
Obligations arising from investments	(17)	8,403	6,371
Other debts and accruals and deferred income	(18)	30	30
TOTAL LIABILITIES		95,539	79,193

11 SINGLE STATE OF BENEFITS AND EXPENSES 2019

INCOME (X € 1 MILLION)		31 - 12 - 2019	31 - 12 - 2018
Contributions from employers and employees	(19)	2,506	2,382
Investment result for pension fund risk	(20)	13,325	106
Result on participating interests	[8]	1	4
Other income	(21)	4	4
TOTAL BENEFITS		15,836	2,496
CHARGES (X € 1 MILLION)			
Pension benefits	(22)	1,415	1,366
Pension plan administration costs	(23)	48	47
Movement in provision for pension liabilities for risk pension fund	(24)		
• Pension accrual		2,529	2,282
• Granting of transitional arrangements		137	141
• Addition of interest		- 172	- 181
• Withdrawal for benefits		- 1,413	- 1,372
• Change in market interest rates		13,164	3,461
• Change of estimate		-	- 908
• Change due to value transfers		- 54	- 149
• Other changes		- 197	- 300

TOTAL CHANGE PROVISION FOR PENSION OBLIGATIONS FOR RISK PENSION FUND		13,994	2,974
Change in other provisions	(25)	680	332
Balance transfers of rights	(26)	51	158
Other expenses	(27)	8	12
TOTAL CHARGES		16,196	4,889
BALANCE OF INCOME AND EXPENSES		- 360	- 2,393

DESTINATION OF THE BALANCE OF INCOME AND EXPENDITURE

The balance of income and expenses is distributed via the profit appropriation as follows to the reserves:

PROFIT APPROPRIATION (X € 1 MILLION)

Withdrawal from the General Reserve	- 360	- 2,393
Addition to General Reserve	-	423
Release from destination reserve	-	- 423
TOTAL BALANCE OF INCOME AND EXPENSES	- 360	- 2,393

12 EASY CASH FLOW STATEMENT

2019

CASH FLOW (X € 1 MILLION)	31 - 12 - 2019	31 - 12 - 2018
CASH FLOW FROM PENSION ACTIVITIES		
Premiums	2,511	2,371
Pensions paid	- 1,400	- 1,351
Buy off	- 14	- 15
Expenditure due to transferred liabilities	- 51	- 158
Pension administration and administration costs	- 45	- 50
Other revenue / expenditure	- 11	11
TOTAL CASH FLOW FROM PENSION ACTIVITIES	990	808
CASH FLOW FROM INVESTMENT ACTIVITIES		
Sales and redemptions of investments	44,827	32,131
Direct investment result received	2,121	2,044
Purchases of investments	- 47,844	- 35,960
Paid asset management costs	- 94	- 89

TOTAL CASH FLOW FROM INVESTMENT ACTIVITIES	- 990	- 1,874
Net cash flow	-	- 1,066
Exchange and translation differences on liquid assets	- 8	- 6
MUTATION IN FUNDS	- 8	- 1,072

The change in cash consists of the following balance sheet items:

Liquid assets	3,758	5,782
Obligations to banking institutions	- 1,647	- 3,663
Balance at the end of the financial year	2,111	2,119
Balance at the end of the previous financial year	2,119	3,191
MUTATION IN FUNDS	- 8	- 1,072

13 GENERAL EXPLANATION

GENERAL

ACTIVITY

Stichting Pensioenfonds Metaal en Techniek (PMT), registered office in The Hague and business address is Postbus 1965, 2280 DZ in Rijswijk (as of 1 January 2020: 2595 AK in The Hague), is an industry-wide pension fund for employees in the Metal sector and Technology. The fund is registered in the Chamber of Commerce under number 41149569.

DECLARATION OF CONFORMITY

The financial statements have been prepared on the basis of generally accepted principles in the Netherlands for financial reporting and the legal provisions regarding the financial statements, such as these are stated in Title 9 Book 2 of the Civil Code (BW) and the Guidelines for the Annual Reporting (RJ), in particular Directive 610 Pension funds.

RELATED PARTIES

All legal entities in which influence of

meaning can be exercised on business and financial policies. Also statutory executives or other key officers in the management of the fund and close relatives are related parties. Significant transactions with related parties are explained insofar as these have not been assumed under normal market conditions. This explains the nature and size of the transaction and other information is necessary to provide the insight.

Stichting Administratiekantoor MN and Mn Services NV

95% of the shares of Mn Services NV, located at Prinses Beatrixlaan 15, 2595 AK in The Hague and registered in the Chamber of Commerce under number 27191631, is held by the Stichting Administratiekantoor MN (StAK) and certified. PMT is a certificate holder of 78.3% of the shares of Mn Services NV. PMT has appointed directors to Stichting Administratiekantoor MN. The PMT appointed directors have, as regards decisions on how to voting rights on shares in Mn Services NV are cast, an absolute majority of the votes on the board of Stichting Administratiekantoor MN.

NV Non-life insurance for the Metal and Technical Industries

All shares are managed by Stichting Administratiekantoor Schadeverzekering for the Metal and Technical Industries. PMT has received 100% of the certificates. This separates the legal and economic ownership of shares. Legal ownership (the right to vote at the general meeting of NV Damage insurance for the Metal and Technical Industries) is with StAK.

Transactions with (former) directors

No loans have been granted to or claims on (former) directors.

GENERAL PRINCIPLES FOR ESTABLISHING THE FINANCIAL STATEMENTS

GENERAL VALUATION

The pension obligations are valued at current value (market value) and the investments are valued at fair value, unless stated otherwise below.

How this value is determined is indicated for each category. The other balance sheet items are valued at the acquisition or manufacturing price, unless stated otherwise.

All amounts in the balance sheet are in millions of euros. The in the statement of income and expenditure recognized items are largely related to the accounting policies for investments and the provision for pension liabilities that are on the balance sheet handled. Both realized and unrealized results are direct

accounted for in the result. The income and expenses are allocated to the year under review to which they relate. All amounts in the statement of income and expenses are denominated millions of euros.

SYSTEM CHANGES

No system changes occurred in 2019.

ESTIMATES AND ASSUMPTIONS

When applying principles and rules for the preparation of the financial statements the board of the pension fund makes various judgments and makes estimates may be essential for the amounts included in the financial statements. If it is for providing the information required in Article 2: 362 paragraph 1 of the Dutch Civil Code is necessary, is the nature of these judgments and estimates including the related assumptions included in the notes to the relevant financial statements.

RECORDING OF ASSETS, COMMITMENT, BATE OR EXPENSE

An asset is recognized in the balance sheet when it is probable that the future economic benefits will flow to the pension fund and the value can be reliably determined.

A liability is recognized in the balance sheet when it is probable that the settlement thereof will be accompanied by an outflow of resources and the size of the amount can be reliably determined.

Income is recognized in the statement of income and expenditure when an increase of the economic potential associated with an increase in an asset or an liability has been reduced, the size of which is reliable can be determined.

Expenses are recognized when a decrease in economic potential, associated with a decrease in an asset or an increase in an obligation has taken place, the size of which can be reliably measured be determined.

FOREIGN CURRENCY

Functional valuta

The financial statements are presented in euros: the functional and presentation currency of PMT.

Transactions, receivables and debts

Foreign currency transactions during the reporting period are included in the financial statements

processed at the exchange rate on the transaction date. Foreign currency monetary assets and liabilities currencies are converted at the exchange rate on the balance sheet date. The out of the settlements and conversion differences resulting from exchange rates are credited or debited to the state of income and expenses.

COVERAGE

Current coverage ratio

This funding ratio gives an indication of the fund's capital position. Hereby the pension assets are divided by the technical provisions.

Policy funding ratio

The policy funding ratio is the funding ratio on which the fund makes its policy decisions bases and is calculated as the average of the funding ratios of the last 12 months.

INTEREST PERIOD STRUCTURE

The VPV is calculated on the basis of the interest rate term structure as that of DNB is published. The final level is based on the moving average of the realized monthly '20 -year forward interest rates' in the previous 10 years. This average amounted to 2.1% at year-end 2019 (year-end 2018: 2.3%).

PRINCIPLES FOR THE BALANCE SHEET

TANGIBLE FIXED ASSETS

The tangible fixed assets are valued at acquisition price including direct attributable costs less straight-line depreciation. The tangible fixed assets are depreciated on a straight-line basis from the time of commissioning on the basis of the estimated economic life, taking into account the residual value.

The impairment losses recognized on balance sheet date are expected. The company assesses whether there is any on each balance sheet date indications are that a fixed asset is subject to an impairment could be. If such indications are present, the recoverable amount of the actively determined. If it is not possible, the realizable value for the individual asset, the recoverable amount of the cash-generating unit is determined unit to which the asset belongs.

INVESTMENTS

The investments are classified according to the nature of the financial instruments. In the explanation is the connection with the classification according to the strategic investment policy of the fund. The latter classification was used in the key figures and the management report. Unless otherwise stated, the investments are valued at the fair value, where the fair value approaches the carrying amount.

The item investment property includes:

- Direct real estate investments, including real estate investments in development;
- Indirect investment property.

Direct investment property

Investments in direct real estate are valued at current value. The current value is based on appraisals made by independent experts. Becomes made use of 5 different renowned appraisal offices, the entire property portfolio is rotated every three years between the valuation offices. The whole real estate portfolio is appraised once every (mid) year with a desktop review, and fully valued once per (year-end) year (including visits to all objects). In the in between quarters, objects with large contract changes are valued externally. Results due to changes in current value are included in the statement of income and expenditure responsible. Both the rental capitalization and the rental capital are used in the valuation the Discounted Cash Flow method (DCF) and the comparison method. The appraisals are performed by real estate certified appraisers. The appraisals have been worked on according to the guidelines of the Royal Institution of Chartered Surveyors (RICS), Investment Property Database (MSCI), International Valuation Standard (IVS) and Dutch Register of Real Estate Valuers (NRVT). The appraisers have confirmed that they benefit of the appraisals have received the requested information and have been declared by the fund that the fund has provided all relevant information to appraisers.

Investments in direct real estate for which an unconditional sale agreement has been established, but which have not yet been delivered at the end of the reporting year valued at the agreed sales price.

Indirect investment property

Indirect investment property concerns participations in listed companies real estate companies or unlisted real estate investment institutions.

Participations in listed indirect real estate investments are valued at the market price prevailing on the balance sheet date.

Participations in non-listed indirect real estate investments are valued at fair value, being the net asset value at the end of the financial year derived from the most recent reports of the fund managers adjusted for cash flows in the period until balance sheet date. The underlying investment property is valued for this at fair value, which in most cases is derived from independent appraisal, and in some cases supplemented by management estimates real estate fund. In the case of non-listed indirect real estate investments, periodic analyzes of results performed, as well as analysis of the audited annual accounts of indirect investment property, and comparison with the statements of values of the fund managers. Not all audited financial statements are available for adoption of the financial statements.

SHARES

Shares include:

- Listed shares;
- Unlisted shares;
- Participations in investment institutions that invest in shares.

Listed shares

Listed shares are valued at the closing price on the balance sheet date. To this market value will be made payable at year-end but not yet received dividends added.

Unlisted shares

Unlisted equity funds are valued at fair value value based on the last issued by the asset manager of that fund intrinsic value.

Investment institutions

Participations in investment institutions are valued at the share price at balance sheet date. For unlisted funds, this is the current value on the basis of the last net asset value issued by the asset manager of that fund value, being an approximation of the fair value.

FIXED VALUES

Fixed income securities consist of:

- Bonds, debenture loans and other securities with a fixed interest;
- Participations in investment institutions that invest in fixed-income securities;
- Mortgage loans;
- Deposits.

Bonds, loans and other securities

Bonds are valued at the market price on the balance sheet date, including the current one interest at year-end. Debenture loans are stated at fair value based on the present value of future cash flows.

Mortgage loans

Mortgage loans are valued at fair value. For participations in this is the calculated net asset value, which is the current value of the represents underlying investments.

Deposits

Deposits are valued at fair value on the balance sheet date. This is equal to the net present value of future cash flows.

DERIVATIVES

Derivatives are financial instruments derived from more traditional products like stocks and bonds. These are forward exchange contracts, interest rate swaps and futures.

Positive positions under derivative contracts at year-end presented under derivatives. Negative positions under derivative contracts at the end of the year under review were presented under liabilities related to investments. This last item also includes credit positions under credit support annexes (CSA) responsible.

The nominal value of derivatives indicates the amount of the contract locked. The market value is the value if the contract were to become year-end sold or reversed. The value is determined using market standards testable valuation models.

For interest rate derivatives, this concerns the internal theoretical valuation model, which the contract data of the swap position and relevant yield curves used to calculate the determine the value of the swap position. For currency derivatives, the value becomes on maturity date determined by multiplying the nominal value by the exchange rate on the expiry date of the contract minus the contractually determined rate. For the expiry date, the exchange rate at expiry date is estimated using the expected one exchange rate movements in the market, which are expressed as 'forward tics' (the expected changes in exchange rates based on interest rate differentials between the affected currencies). The expected cash flows are discounted at the relevant ones yield curve, using the curve of the currency concerned. Futures become valued at the last traded daily price on the stock exchange on which the future is listed, the prices of the underlying securities being weighted.

The CSA contracts relate to derivative contracts. The outstanding receivables and liabilities of the derivative contracts are periodically dated netting the counterparty. If the balance exceeds the contractually determined limit, collateral deposited by or received from the counterparty. The year-end existing rights and obligations are netted per counterparty, with a positive balance per counterparty ends up on the debit side of the balance sheet and a negative balance per counterparty on the credit side of the balance sheet (under liabilities under of investments).

OTHER INVESTMENTS

The other investments, consisting of Private Equity and Infrastructure, are measured at fair value.

The valuation takes place at the pro-rata share of the investment in own funds investment fund assets. This valuation is made by the external party asset manager and is audited by an external party at least once a year independent auditor and is based on the following valuation method for underlying individual investments:

- Comparison with the current value of another financial instrument that has similar characteristics;
- Net present value calculations (discounted cash flow);
- Valuation models.
- Last available statement from the external manager including the deposits and withdrawals up to the financial year.

Changes in value are recognized directly in the profit and loss account, without creating a revaluation reserve.

PARTICIPATIONS

Mn Services NV

The participation is valued at net asset value because it is involved significant influence. The investment's initial valuation is based on the fair value value of assets and liabilities at the time of acquisition. The subsequent valuation is based on the balance of assets and liabilities as measured in the balance sheet of the participation, which has been drawn up in accordance with Title 9, Book 2 of the Dutch Civil Code. If the valuation is negative according to the net asset value, it is used up none appreciated.

NV Schadeverzekering Metaal and Technical Industries

The initial and subsequent valuations of the investee are based on the fair value of assets and liabilities at the time of acquisition.

The fund also has no participating interests where significant influence can be exercised are supposed.

AMOUNTS RECEIVABLE

The item receivables from investments concerns the value of the information provided collateral regarding credit support annexes, investment transactions in progress and the claim dividend tax.

OTHER RECEIVABLES AND ACCOUNTING ASSETS

Other receivables and prepayments and accrued income include receivables premium contributions to employers with a term of less than 1 year. The premiums to be claimed are valued at fair value on initial recognition and on subsequent valuations valued at amortized cost, less a provision for possible bad debts. Also included under other receivables and prepayments two long-term receivables included. It is an annuity claim that is related to the first recognition is valued at fair value and at subsequent valuation is valued at amortized cost. If there is no premium or discount and transaction costs, the amortized cost is equal to the nominal value. The subordinated loan to the associate Mn Services NV is valued at the redemption value, which is equal to the fair value.

The other receivables are valued at fair value on initial recognition and valued at amortized cost at subsequent valuation. Provision due to bad debts, the book value of the receivable was deducted.

LIQUID ASSETS

The cash and cash equivalents relate to positive current account positions with banks institutions, sight deposits and investments in money market funds that are valued at face value.

FOUNDATION CAPITAL AND RESERVES

Foundation capital and reserves are determined by the amount remaining after all asset and loan capital items - including the provision pension obligations at the risk of the pension fund and other provisions - are included in the balance sheet in accordance with the applicable accounting principles.

General reserve

The general reserve is the 'buffer' for covering general risks, for example the risk of increasing life expectancy of the participants. Also is general reserve a 'buffer' for accommodating annual fluctuations in income and expenses, especially for the investment results.

Destination reserve

The designated reserve item consists entirely of the premium equalization deposit. The premium equalization depot (also in terms of valuation) consists of:

- premium levied and received minus the cushioned cost-effective premium
- the movement based on the investment return of the fund.

TECHNICAL EQUIPMENT

The technical provisions consist entirely of the provision for pension obligations.

Provision for pension obligations for risk fund

The provision for pension liabilities for pension fund risk is valued at current value (market value). The size of the provision for pension liabilities is based on the present value of expected future distributions.

These are based on the pensions of the active persons accrued at year-end, ex-participants and retirees, as well as the future total accessible pensions of disabled members with a non-contributory continuation of the pension accrual. No future salary developments have been taken into account.

Surcharges

The surcharges for the entitlements promised on 1 January of the following year are included in the provision for pension liabilities.

Actuarial interest

The VPV is calculated on the basis of the interest rate term structure as that of DNB is published. The final level is based on the moving average of the realized monthly '20 -year forward interest rates' in the previous 10 years.

This average amounted to 2.1% at year-end 2019 (year-end 2018: 2.3%). This described actuarial interest has been applied in these financial statements as market interest at the end of the year.

Survivability

The survivability at the end of 2018 and 2019 is taken from the PMT forecast table, PMT2018. This is a fund-specific derivation of the AG Forecast Table 2018 of the Actuarial Society. The fund - specific derivation is based on the fund-specific experience mortality.

Assumptions partner's pension

When calculating the provision for the partner's pension at year-end 2018 and 2019, assumes that a (former) participant in the event of death before retirement starts a

partner has Circuit 65 according to the partner frequencies. For retirees only a provision for the partner's pension calculated, if and as long as they have a partner. For the provision of the partner's pension it is assumed that the man is three years old is older than the woman.

Incapacity for work

For incapacitated participants in the first or second year of illness a provision has been formed for the waiver of premium. This facility is equal to the premium for financing the waiver of premium from the above fiscal year and the current fiscal year. Since the waiting period in the Work and Income Act according to Labor Capacity (WIA) is two years, two annual premiums are provided. For disabled members for whom the pension accrual becomes non-contributory continued, for the sake of caution it is assumed that they will not rehabilitate.

Excasso costs cover

The provision is intended to cover the costs of collection of pensions in payment pension obligations include a mark-up of 1.70%. The previous financial year was the storage also 1.70%.

Risks and reinsurance

PMT bears all risks for the basic scheme (old-age, partner's and orphan's pension), the voluntary supplementary scheme and for the ANW Pension.

Characteristics of the pension scheme

The pension scheme insured by the fund can be characterized as one conditionally indexed accrual scheme.

The pension scheme provides retirement pension for members and former participants and (in particular) partner's pension (widows, widowers and orphans) for the benefit of the surviving relatives, including also registered partnership and notified partners are understood.

The pension basis is determined by deducting the salary from a deductible. There is a maximum wage. The deductible and the maximum wages are adjusted annually, as of 1 January, adjusted in accordance with developments in the general price and wage development.

The board decides annually on the basis of policy determined by the fund whether and if so, how much supplement is granted. The indexation is conditional and is maximum the price index.

OTHER PROVISIONS

The other provisions item consists of the obligations with regard to VPL. The VPL provision is for participants with conditional entitlements.

The VPL provision consists (also in terms of valuation) of:

- premium levied and received minus the amount required for award of purchase on the basis of fund-specific principles, taking into account a surcharge size of the minimum required power;
- the movement based on the investment return of the fund.

OBLIGATIONS UNDER INVESTMENTS

The item liabilities under investments relates to the value of the received collateral regarding credit support annexes, investment transactions in progress, debts banking institutions and derivatives obligations.

OTHER DEBTS AND DEFERRED LIABILITIES

The other payables and accruals and deferred income include the items due to external parties and are valued at fair value and at follow-up valuations valued at amortized cost. The other debts and accruals and deferred income have a term of less than 1 year.

ACCOUNTING POLICIES

GENERAL

The items included in the statement of income and expenditure are largely related to the accounting policies for investments and the provision for pension obligations. Both realized and unrealized results are recognized directly in the result.

PREMIUM CONTRIBUTIONS (FROM EMPLOYERS AND EMPLOYEES)

Contributions are the total of the premiums invoiced in the year under review. The premiums still to be invoiced as at the balance sheet date have been taken into account.

INVESTMENT RESULT FOR RISK FUND

The investment result includes direct and indirect investment results net of asset management costs.

Direct investment result

The following are recognized as direct investment results:

- interest, (net) rents and the like attributable to the reporting year;
- the dividends declared in the year under review, including stock dividend.

Indirect investment result

All realized and unrealized results are the indirect investment result responsible. The indirect investment results are allocated to the period on which they relate.

Asset management costs

The costs of asset management are allocated to the period in which they are relate.

Transaction costs

Transaction costs in the sale of investments are recognized as part of the realized changes in value.

PENSION BENEFITS

The pension benefits concern the payable benefits relating to the old-age pension, early old-age pension, partner's pension, orphan's pension, ANW Pension and surrender. The pension benefits are calculated on actuarial basis.

EXECUTION COSTS PENSION SCHEME

For pension costs that originate from the past, but of which the expenditure will only take place in the future, a reservation has been made.

Employee benefits

Employee benefits are not a separate line in the profit and loss account. These costs are included in the pension scheme administration costs. For a further specification please refer to the relevant notes.

Pensions

The premium payable for the year under review is recognized as an expense.

MUTATION FOR THE PROVISION OF PENSION OBLIGATIONS FOR RISK OF PENSION FUND

The movement in provision for pension liabilities for risk fund is split into one number of parts. These components are explained below.

Pension accrual

Pension accrual includes the actuarial value of the working hours. This is the effect on the provision for pension obligations of the nominal retirement pension entitlements accrued in the year under review and survivor's pension. It also includes the effect of the individual salary development. Future is not taken into account salary developments and / or indexation.

Transitional arrangement

The amount required for granting VPL.

Interest added to VPV

The pension obligations are accrued at -0.24% (2018: -0.26%). This is the 1-year rate as of December 31, 2018, and is calculated over the entire pension liability.

Withdrawal for benefits

Expected future pension benefits are calculated actuarially in advance and

included in the provision for pension liabilities. The under “withdrawal for benefits ”recognized decrease in the provision concerns the amount that is released for the purpose of financing the pensions of the reporting period.

Change in market interest rates

As of December 31, the current value of the technical provisions is adjusted annually recalculated by applying the current interest rate term structure. The effect of the change in the interest rate term structure is accounted for under 'change market rate '. At the end of 2019, the interest rate term structure used at the time was fund-specific average internal actuarial interest rate to be derived 0.80%. Per end 2018 was this average internal actuarial interest based on the prevailing as of that date interest rate term structure 1.45%.

Change in estimate

The change in accounting policies relate to incidental changes in actuarial principles and / or methods.

Change due to value transfers

The change to the year under review is included as a change on the basis of value transfers attributable transfer value of the acquired or transferred pension entitlements with regard to actuarial value.

Other changes

The remaining movements of the provision are included under other movements.

MUTATION OTHER AMENITIES

The movement in other provisions consists of the movement in provision VPL.

BALANCE TRANSFERS OF RIGHTS

The balance of transfers of rights includes the balance of amounts under acquired or transferred pension obligations. The bee transfers from pensions are certain transfer values of the individual value transfers based on the legal calculation bases. For collective value transfers the transfer values are based on PMT principles.

The value transfers are allocated to the reporting year in which the associated pension entitlements have been processed.

OTHER INCOME AND EXPENSES

Other income and expenses are allocated to the period to which they relate.

PRINCIPLES FOR THE CASH FLOW STATEMENT

The cash flow statement has been prepared according to the direct method, whereby a distinction is made between cash flows from pension and investment activities.

The cash consists of the movement of the items Cash and Debt with banking institutions (as part of Investment obligations).

The movements in the cash flow statement are indirectly derived from the statement of income and expenses and the balance sheet changes.

14 NOTES TO THE SIMPLE BALANCE SHEET AS AT 31 DECEMBER 2019

ASSETS

(1) TANGIBLE FIXED ASSETS

PMT has moved to the same office building where its executor also houses MN. One of the reasons for moving is to be close to MN and PME. This is efficient and effective and it benefits cooperation. Also better accessibility with Public transport and the good facilities of the building and the surrounding area are reasons for this move. The tangible fixed assets mainly concern the capitalized renovation costs and new inventory of the fund's new office. The activated renovation costs will be depreciated in 10 years from 1 January 2020. The new inventory is depreciated in 3 to 5 years.

(2) PROPERTY INVESTMENTS

As of 31 December, investment property includes:

PROPERTY INVESTMENTS (X € 1 MILLION)

31 - 12 - 2019 31 - 12 - 2018

Direct investment property	2,101	2,030
Indirect investment property	5,194	4,268
VALUE DECEMBER 31		7,295
		6,298

Investments outside the Netherlands in the investment category of indirect real estate investments concern participations in real estate funds that are not listed on the market.

DIRECT PROPERTY INVESTMENTS

The development of direct investments in real estate is as follows:

DIRECT PROPERTY INVESTMENTS (X € 1 MILLION)	31 - 12 - 2019 31 - 12 - 2018	
VALUE 1 JANUARY	2,030	1,813
Purchases	89	156
To sell	- 136	- 80
Valuation differences and sales results	118	141
VALUE DECEMBER 31	2,101	2,030

The investment properties under development at the end of 2019, amounting to € 41.4 million (2018: € 48.5 million) are included in direct real estate investments.

INDIRECT PROPERTY INVESTMENTS

The development of indirect investments in real estate is as follows:

INDIRECT PROPERTY INVESTMENTS (X € 1 MILLION)	31 - 12 - 2019 31 - 12 - 2018	
VALUE 1 JANUARY	4,268	5,024
Purchases	1,828	1,978
To sell	- 1,617	- 2,678
Valuation differences and sales results	712	- 52
Other changes	3	- 4

VALUE DECEMBER 31	5,194	4,268
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The value of indirect real estate investments including the end of 2019 is still too dividends received of € 13.2 million (2018: € 10.6 million to be paid). This mutation is presented under the other changes.

(3) SHARES

The shares item consists of:

SHARES (X € 1 MILLION)	31 - 12 - 2019 31 - 12 - 2018	
Listed shares	20,925	17,399
VALUE DECEMBER 31	20,925	17,399

Shares were lent at the end of 2019 with a market value of € 199 million (2018: € 170 million). Adequate collateral is provided for the risk of non-return asked and received. These securities (€ 239 million in government bonds) not included in the balance sheet. The collateral has a minimum rating of Aa3 according to Moody's or AA according to S&P. The value of shares including the end of 2019 is still too dividends received of € 27.5 million (2018: € 26.1 million). PMT closes investments in premium-contributing companies not in principle. Such investments may arise in the performance of an investment mandate and therefore serve meet all PMT investment guidelines (such as diversification). Investments in premium-contributing companies are very limited in size compared to of the total investment portfolio. This concerns in particular some Dutch subsidiaries of international companies in which the fund invests (2019: 0.03%).

LISTED SHARES

The movement in the item listed shares is as follows:

LISTED SHARES (X € 1 MILLION)	31 - 12 - 2019 31 - 12 - 2018	
VALUE 1 JANUARY	17,399	20,684
	3,329	9,362

Purchases		
To sell	- 4,218	- 11,295
Valuation differences and sales results	4,414	- 1,351
Other changes	1	- 1
VALUE DECEMBER 31	20,925	17,399

(4) FIXED VALUES

Fixed income securities consist of:

FIXED VALUES (X € 1 MILLION)	31 - 12 - 2019	31 - 12 - 2018
Bonds, debenture loans and others securities	46,711	38,895
Investment institutions fixed-income securities	90	66
Mortgages	3,919	3,099
Deposits	515	545
VALUE DECEMBER 31	51,235	42,605

The value of the fixed-income securities includes accrued interest, of € 458.2 million (2018: € 430.4). The movement (€ 27.8 million) is presented under other movements. At the end of 2019, bonds were lent with a market value of € 1,108 million (2018: € 967 million). Adequate collateral is provided for the risk of non-return asked and received. These securities (€ 1,176 million in government bonds) are not included in the balance sheet. The collateral has a minimum rating of Aa3 according to Moody's or AA according to S&P.

BONDS, DEBT SECURITIES AND OTHER SECURITIES

Movements in bonds, debenture loans and others securities is as follows:

BONDS, LOANS ON ACKNOWLEDGMENT AND OTHER SECURITIES (X € 1 MILLION)	31 - 12 - 2019	31 - 12 - 2018
VALUE 1 JANUARY	38,895	32,869
Purchases	44,614	23,399
Sell and receive repayments	- 38,969	- 16,937
Valuation differences and sales results	2,143	- 410
Other changes	28	- 26
VALUE DECEMBER 31	46,711	38,895

INVESTMENT INSTITUTIONS FIXED VALUES

The movement in the item investment funds fixed-income securities is as follows:

INVESTMENT INSTITUTIONS FIXED VALUES (X € 1 MILLION)	31 - 12 - 2019 31 - 12 - 2018	
VALUE 1 JANUARY	66	54
Purchases	21	11
Valuation differences and sales results	3	1
VALUE DECEMBER 31	90	66

MORTGAGE LOANS

The movement in the item mortgage loans is as follows:

MORTGAGE LOANS (X € 1 MILLION)	31 - 12 - 2019 31 - 12 - 2018	
VALUE 1 JANUARY	3,099	2,639
Purchases	535	431
Valuation differences and sales results	285	29
VALUE DECEMBER 31	3,919	3,099

PMT has issued a commitment of € 3,500 million on mortgages. The commitment has an indefinite term. Of this amount, € 3,465 million is due in 2019 (2018: € 2,930 million).

Deposits

The deposits issued at the end of the reporting year all have a term of shorter than one year and have a high turnover rate. For this reason, the course of the deposits not specified.

(5) DERIVATIVES

The positions obtained through derivatives are shown in the balance sheet in a split way. Positive positions arising from derivative contracts are included under item derivatives (as part of the investments). The negative positions are included under the item investment liabilities (17).

As of December 31, this concerns the following positions:

DERIVATIVES (X € 1 MILLION)	31 - 12 - 2019 31 - 12 - 2018	
Derivatives (5, Receivables)	6,747	2,545
Derivatives obligations (17)	- 1,174	- 934
BALANCE POSITION IN DERIVATIVES	5,573	1,611

The development of the derivatives is as follows:

MUTATIONS IN DERIVATIVES (X € 1 MILLION)	31 - 12 - 2019	31 - 12 - 2018
VALUE 1 JANUARY	1,611	2,248
To sell	1,008	160
Valuation differences and sales results	2,949	- 807
Other changes	5	10
VALUE DECEMBER 31	5,573	1,611

PMT uses financial derivatives to execute the investment policy. In principle, PMT uses derivatives defensively to hedge risks, but may use derivatives also use instruments for asset allocation and to respond quickly and flexibly (temporarily) changing market conditions. With regard to the risk hedging, PMT derivatives specifically for hedging interest rate risk (interest swaps) and hedging the currency risk (forward exchange contracts). The extent to which PMT uses these instruments the table below shows:

POSITIONS IN DERIVATIVES (X € 1 MILLION)	ULTIMO	2019	2018
INVESTMENT CATEGORY AND TYPE OF INSTRUMENT (NON-CURRENT ASSETS AND LIABILITIES) 1)	NOMINAL VALUE 2	REAL VALUE 3	NOMINAL VALUE 2 REAL VALUE 3
FIXED VALUES			
Interest rate swaps	40,824	5,682	28,842 2,041
Future bonds	628	- 2	524 -
OTHER INVESTMENTS			
Index futures	65	1	60 - 1
CURRENCIES			
Currency derivatives	23,594	- 108	18,614 - 429
TOTAL DERIVATIVES (PER BALANCE)		5,573	1,611

1) This concerns balance sheet positions of assets and liabilities. The exposure is accounted for in total under the item derivatives respectively the item obligations under investments.

2) The nominal value indicates the absolute amount over which the contract has been concluded.

3) The fair value is the value if the contract were to be sold or reversed at year-end.

(6) OTHER INVESTMENTS

Other investments as at 31 December include:

OTHER INVESTMENTS (X € 1 MILLION)	31 - 12 - 2019	31 - 12 - 2018
Private equity and infrastructure	5,303	4,330
VALUE DECEMBER 31	5,303	4,330

PRIVATE EQUITY AND INFRASTRUCTURE

The movement in the item private equity and infrastructure is as follows:

PRIVATE EQUITY AND INFRASTRUCTURE (X € 1 MILLION)	31 - 12 - 2019	31 - 12 - 2018
VALUE 1 JANUARY	4,330	3,728
Investments	1,294	1,054
To sell	- 966	- 1,079
Valuation differences and sales results	645	627
VALUE DECEMBER 31	5,303	4,330

(7) TOTAL INVESTMENTS

The total investments consist of:

TOTAL INVESTMENTS (X € 1 MILLION)	31 - 12 - 2019	31 - 12 - 2018
Investments for pension fund risk	91,505	73,177
TOTAL	91,505	73,177

RELATIONSHIP FINANCIAL STATEMENTS AND INVESTMENT POLICY

The investment categories in the financial statements differ from the categories that PMT in its investment policy. The financial statements present the investments presented according to the nature of the financial instruments. The management report and the key figures reflect the asset classes according to the way PMT (strategic) investment policy. The main difference mainly concerns the allocation of derivatives, collateral, accruals and liquid assets. In the strategic investment policy, a zero weighting has been assigned to the liquid assets. Of course, PMT always has a certain position in liquid resources. For the investment policy, these liquid positions are allocated to the asset classes that have been strategically weighted. In the financial statements the cash and cash equivalents as a separate item (11), outside the investments. The participating interest mentioned in the balance sheet is shown here under shares.

The following overview shows the reconciliation between the financial statements and the investment policy:

RELATIONSHIP FINANCIAL STATEMENTS AND INVESTMENT POLICY (X € 1 MILLION)

	FINANCIAL STATEMENTS			INVESTMENT POLICY	
	TOTAL	Real estate-siege	Shares	Fixed Income values	Others siege
Invested capital 1)					
Investment property	7,295	7,287	8	-	-
Shares	20,925	232	20,693	-	-
Fixed income securities	51,235	-	-	51,235	-
Derivatives	6,747	-	1	6,746	-
other investments	5,303	-	4,889	-	414
TOTAL INVESTMENTS (6)	91,505	7,519	25,591	57,981	414
Receivables 2)	160	14	36	110	-
Obligations 2)	- 8,403	- 30	- 7	- 8,366	-
Liquid assets	3,758	-	-	3,758	-
TOTAL	87,020	7,503	25,620	53,483	414
Portfolio composition at the end of 2019		8.6%	29.4%	61.5%	0.5%
Portfolio composition at year-end 2018		8.9%	29.1%	61.4%	0.6%

1) Including the net collateral position of mainly exchange traded derivatives.

2) Receivables or obligations from investments. The obligations are inclusive negative positions under derivative contracts of € 1,174 million.

(8) PARTICIPATIONS

Movements in participations can be specified as follows:

SHAREHOLDINGS (X € 1 MILLION)

31 - 12 - 2019 31 - 12 - 2018

POSITION AS OF 1 JANUARY	25	21
Result participations	1	4
Dividend	- 8	-
STATE AS OF DECEMBER 31	18	25

The participating interests item includes the 78.3% interest in Mn Services NV in The Hague (2018: also 78.3% interest). As of 2017, it also has a 100% interest in NV Metal and Technical Business Damage Insurance, also based in The Hague, presented as a participation. The latter is because of non-controlling power left out of the consolidation.

(9) AMOUNTS RECEIVABLE

As at 31 December, the item receivables from investments includes:

AMOUNTS RECEIVABLE OF INVESTMENTS (X € 1 MILLION)	31 - 12 - 2019 31 - 12 - 2018	
Credit Support Annexes Claims	-	28
Short-term receivables	160	89
TOTAL	160	117

The receivables have a term of less than 1 year.

(10) OTHER RECEIVABLES AND ACCOUNTING ASSETS

Other receivables and prepayments as at 31 December include:

OTHER RECEIVABLES AND ACHIEVED ASSETS (X € 1 MILLION)	31 - 12 - 2019 31 - 12 - 2018	
Long-term receivables	12	6
Contributions to be claimed from employers	54	66
Other prepayments and accrued income	31	20
TOTAL	97	92

Long-term receivables

Long-term receivables as at 31 December consist of:

NON-CURRENT RECEIVABLES (X € 1 MILLION)	31 - 12 - 2019 31 - 12 - 2018	
Subordinated loan to participating interest Mn Services NV	12	6
TOTAL	12	6

The subordinated convertible loan to the associate Mn Services NV has an eternal duration. No interim repayments have been made. Interest amounts to 3.5% and must be paid annually at the end of the calendar year.

Contributions to be claimed from employers

The composition as at 31 December is as follows:

CONTRIBUTIONS TO BE RECEIVED

31 - 12 - 2019 31 - 12 - 2018

ON EMPLOYERS (X € 1 MILLION)

To be claimed from employers	62	75	
Ex: Provision for bad debts	- 8	- 9	
AMOUNT OF CLAIMS AFTER DEDUCTION OF THE SUPPLY		54	66

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ANNUAL REPORT 2019 | Notes to the company balance sheet as at 31 December 2019

The movement in the provision for bad debts is as follows:

Provision for bad debts (X € 1 MILLION)	31 - 12 - 2019	31 - 12 - 2018	
PROVISION 1 JANUARY	9	9	
Mutation due to bad debts	- 4	- 3	
Mutation via result	3	3	
PROVISION DECEMBER 31		8	9

The premiums to be claimed and the addition to the provision for bad debts receivables exclude the levies of which the employer disputes the obligation to make of € 14 million (2018: € 29 million). The first value approaches the fair value given the short-term nature of the receivables.

Other prepayments and accrued income

As of December 31, the other accruals consist of:

OTHER CONTRIBUTING ASSETS (X € 1 MILLION)	31 - 12 - 2019	31 - 12 - 2018	
Premium receipts still to be received with MN	20	16	
To be received from MN	-	3	
Various receivables and prepayments	11	1	
TOTAL		31	20

The other accruals have a term of less than 1 year. The first value approximates the fair value given the short-term nature of the accruals.

(11) CASH AND CASH EQUIVALENTS

Cash and cash equivalents of € 3,758 million relate to current account positions with banks institutions, sight deposits and investments in money market funds. Enter the debts Current account with banking institutions is accounted for under liabilities on account of investments. The balance of cash (assets) and debts with banking institutions amounts to € 2,111 million (2018: € 2,119 million). The cash is available

free spending of the pension fund.

CASH AND CASH EQUIVALENTS (X € 1 MILLION)	31 - 12 - 2019	31 - 12 - 2018
Cash for Asset Management	2,631	4,968
Sight deposits	199	200
Cash and cash equivalents for Pension Management	928	614
TOTAL	3,758	5,782

At the end of 2019, PMT had a credit facility of € 100 million with ING Bank NV.
This will not be used at the end of 2019.

LIABILITIES

(12) FOUNDATION CAPITAL AND RESERVES

At the end of 2019, the foundation capital and reserves consist of the foundation capital, the general reserve and the destination reserve. The general reserve is freely available for the implementation of the pension scheme and is therefore part of the assets for the purpose of the funding ratio. The destination reserve is not free to spend and nor is it part of the capital for calculating the funding ratio.

(13) GENERAL RESERVE

The movement of the general reserve is as follows:

GENERAL RESERVE (X € 1 MILLION)	31 - 12 - 2019	31 - 12 - 2018
INITIAL POSITION	- 427	1,543
Change in balance of income and expenses	- 360	- 2,393
Movement in destination reserve	-	423
TOTAL	- 787	- 427

Under the pension law, the minimum required capital for PMT is 4.3% of the provision for pension obligations. This amounts to € 3,642 million at year-end 2019 (2018: € 3,105 million).

The required capital is in principle based on the DNB standard risk model based on the actual asset mix of the investments.

The funding ratio of PMT as of December 31, 2019 was 99.1%, which was lower than the required 104.3%.

In accordance with DNB's guidelines, PMT submitted a recovery plan before 1 April 2019, in which the fund has worked out how to make up the reserve shortfall within the stipulated period cancels. DNB has approved this recovery plan. The forecasted in this recovery plan

funding ratio as at 31 December 2019 (102.7%) turned out to be higher than the actual one funding ratio as of this date (99.1%), mainly due to a fall in market interest rates.

The policy funding ratio is determined on the basis of an averaging of the funding degrees from the 12 month ends for the period January 2019 to December 2019 and is 97.6% (2018: 102.3%).

At the end of 2019, the required capital (rounded) was 18.9% of the provision pension obligations, which is € 16,166 million (2018: 19.5%). The general reserve at year-end 2019 amounts to € 787 million negative, so that the available capital is lower than it minimum required capital, and lower than the required capital. Therefore there is at the end of 2019 there was a reserve shortfall and a funding shortfall.

No pension cut in 2020

With the letter to parliament of 19 November 2019, Minister Koolmees of SZW offered the pension funds the possibility of a one-year exemption for implementing one unconditional reduction, under the following conditions:

- At the end of December 2019, the funding ratio is at least 90%, or the fund will take out measures so that the funding ratio increases to at least 90%;
- When submitting the recovery plan, the fund substantiates why it is based on the interest of participants, former participants, other entitled persons and pensioners make use of the exemption;
- The fund provides information about the use of the scheme and the substantiation thereof available in a timely manner to the participants, former participants, others beneficiaries and pensioners.
- It is a temporary scheme, which expires on December 30, 2020.

Now that the funding ratio as at 31 December 2019 is less than 104.3%, but is close to 100% (and higher than the 90% indicated by Minister Koolmees) the board decided to make use of the exemption scheme and to terminate it see reductions as of December 31, 2019.

The board is of the opinion that the implementation of pension cuts in a transitional period in which work is being done on a new pension system - with different rules than the current - is disastrous for the support and trust that is needed when switching to a new system. PMT also expressly supports this view brought to the attention of the minister.

Now that the minister has offered the opportunity during this transitional period to not to implement a reduction with a funding ratio above 90%, the board is fully up to date in line with his previously expressed views. The board also has looked at the balance of the decision. That consideration was made in conjunction

with the fact that the premium and accrual have not been adjusted in 2020. In short this means in the opinion of the board that refraining from reducing is balanced in the case of accrual and the premium remains stable.

If PMT would not have made use of the provisions provided by the Minister exemption, the fund had an unconditional cut of all accrued and claims commenced to announce approximately 5.2%. This cut would not affect the continuity of the fund. Taking into account the the fund would then be reduced to the minimum required funding ratio 104.3% hatch. The board could have decided to make the reductions for the spread pensioners over several years.

At the current funding ratio as of 31 December 2019 of 99.1%, the payments will commence pensions will be paid in full in 2020. Since the funding ratio ends 2019 is close to 100%, the effect of this is on the financial position of the fund for 2020 in the opinion of the board at least (based on the funding ratio of 99.1%).

Various developments are expected in 2020 that may affect the financial position of the fund, including the outcome of negotiations pension agreement, developments regarding Covid-19 virus, introduction of new UFR and reference rates and uncertainty related to elections. It was decided in 2021 to implement the add the released VPL contribution (5.78% of the pensionable salary) to the regular pension premium that has increased the actual contribution.

In the second half of 2020, it will be decided whether the build will be for 2021 adjusted. This is also the level of the muted cost-effective premium, as well the level of the premium funding ratio important in the considerations. As of December 31 2020 will again be tested to see whether an unconditional reduction should be made in 2021 are being implemented.

Statutory regulations regarding the allocation of the balance of income and expenses

There is no provision regarding the allocation of the balance of income and expenses included in the fund's articles of association. The proposal for the distribution of the result 2019 is included in the statement of income and expenditure.

It is proposed to withdraw € 22 million from the assigned reserve and the balance to be charged to the general reserve of € 338 million. This proposal is in the balance processed.

(14) DESTINATION RESERVE

The designated reserve consists entirely of the Premium equalization deposit. The course of The Premium equalization deposit is as follows:

DESTINATION RESERVE (X € 1 MILLION)

31 - 12 - 2019 31 - 12 - 2018

INITIAL POSITION

-

423

Premium received	20	32
Required for award	-	-
Interest based on fund return	2	- 3
Addition of destination reserve, via profit appropriation	22	29
SUBTOTAL	22	452
Release of reserve reserve, via profit appropriation	- 22	- 452
TOTAL	-	-

The premium actually paid for the period from 2015 to 2019 is expressed in a percentage of the pension base applicable in that year. If the actual paid premium is higher than the muted cost-effective premium, then the difference becomes added to the premium equalization deposit. If the cushioned cost-effective premium higher than the actual one, the shortfall will be charged to the premium equalization depot, insofar as resources are available for this purpose. It was decided in 2019, ter improvement of the financial position the balance present in the premium equalization depot at the end of the year to be released to the general reserve. In total amounted to this was over € 22 million (2018: € 452 million) and this explains the end position at year-end from nil.

(15) TECHNICAL DEVICES

The item technical provisions consists entirely of the provision pension obligations for pension fund risk.

THE PROVISION FOR PENSION OBLIGATIONS PER GROUP OF PARTICIPANTS (X € 1 MILLION)

31 - 12 - 2019 31 - 12 - 2018

Employees	41,136	33,323
Incapacitated persons	861	691
Active participants	41,997	34,014
Pensioners	23,148	21,239
Former participants	20,547	16,445
TOTAL	85,692	71,698

Below are the numbers of participants on which the above specified

pension liability provision is based on:

PENSION OBLIGATIONS (IN NUMBERS)	31 - 12 - 2019	31 - 12 - 2018
Active participants	418,302	408,150
Pensioners	226,748	222,419
Former participants	700,474	691,230
Unclaimed pensions	62,826	62,991
TOTAL	1,408,350	1,384,790

As of December 31, 2019, the provision for pension liabilities has been calculated on the basis of the interest rate term structure (RTS) published by DNB. See also the explanation under the following table. The internal actuarial interest rate derived from this has been applied as "market interest rate" at the end of 2019 and amounts to 0.80% (2018: 1.45%). The provision for pension liabilities increased by € 13,994 million in 2019 (2018: increased by € 2,974 million). The development of the provision can be further explained as follows.

Development of the provision for pension liabilities

The development of the provision for pension liabilities in the year under review can be considered as are specified as follows:

DEVELOPMENT OF SUPPLY PENSION OBLIGATIONS (X € 1 MILLION)	31 - 12 - 2019	31 - 12 - 2018
POSITION 1 JANUARY	71,698	68,724
Pension accrual	2,529	2,282
Granting of transitional arrangements	137	141
Interest addition	- 172	- 181

Withdrawal for benefits	- 1,413	- 1,372
Change in market interest rates	13,164	3,461
Change in estimate	-	- 908
Change due to value transfers	- 54	- 149
Other changes	- 197	- 300
SUBTOTAL CHANGE IN SUPPLY	13,994	2,974
PROVISION DECEMBER 31	85,692	71,698

The granting of the transitional arrangements early retirement pension to participants who made use of this in 2019 (total: € 137 million), is fully financed from the VPL provision. This provision is formed from the premium for the transitional rights.

The other movements of € 197 million negative concern the changes to the provision by:

OTHER CHANGES PENSION PROVISION OBLIGATIONS (X € 1 MILLION)	31 - 12 - 2019	31 - 12 - 2018
Mutations related to death	- 125	-231
Release of collection and administration costs	- 78	-82
Mutations related to retirement	- 41	-55
Termination of benefits	- 3	-3
Mutations related to disability	8	24
Change to standard retirement age	0	1
Required for granting ANW	10	10
Orphan's pension correction factors	4	-
Expired reinsurance	1	-
Other changes	27	36
TOTAL	-197	-300

In the item 'movements in connection with death', a correction was made in 2019 € 97 million related to the death of partners of pensioners in current and previous financial years.

(16) OTHER AMENITIES

The other provisions item consists of the VPL provision. This facility serves specifically for future financing of the transitional VPL scheme.

The development of the VPL provision is as follows:

OTHER AMENITIES (X € 1 MILLION)	31 - 12 - 2019	31 - 12 - 2018
--	-----------------------	-----------------------

INITIAL POSITION	1,521	1,189
Premium received	509	483
Required for award	- 137	- 141
Storage Minimum Required Power 4.3%	- 6	- 6
Release due to reciprocity	-	- 7
Interest based on fund return	314	3
Mutation	680	332
TOTAL	2,201	1,521

PMT's pension scheme has VPL schemes. These are transitional arrangements that make it possible for employees to stop working earlier. They are conditional entitlements to extra retirement pension (and extra survivor's pension) that can be converted into early retirement pension. Employees must be continuously employed in the Metal and Metal industry from 12/31/1998. Techniques have worked to claim it. The pension fund receives annual premium income from VPL. This income will be added the facility. In addition, fund returns are achieved annually allocated to the provision. The amounts are deducted from the provision necessary for the redemption of rights granted to participants in the have retired in that year. The VPL provision also concerns a reservation for claims that would be awarded after 2020. The tax facility for VPL arrangements will expire at the end of 2020. The amount then remaining will be used for purchase of unconditional claims, to be paid out after 2020.

(17) INVESTMENT LIABILITIES

As at 31 December, the item liabilities under investments includes:

OBLIGATIONS UNDER MAIN OF INVESTMENTS (X € 1 MILLION)	31 - 12 - 2019	31 - 12 - 2018
Credit Support Annexes	5,492	1,685
Obligations regarding derivatives	1,174	934
Banking institutions	1,647	3,663
Short-term debt	90	89
TOTAL	8,403	6,371

The item Banking institutions concerns bank accounts with a negative balance for this purpose of asset management. These accounts form together with the bank account with one

positive balance (€ 3,758 million) the actual bank balance.

(18) OTHER DEBTS AND ACCOUNTING LIABILITIES

Other debts and accruals and deferred income are at 31 December included:

OTHER DEBTS AND ACCOUNTING LIABILITIES (X € 1 MILLION)	31 - 12 - 2019	31 - 12 - 2018
Payroll tax due	29	28
Trade creditors	-	1
Various debts and accruals and deferred income	1	1
TOTAL	30	30

15 NOT INCLUDED IN THE BALANCE SHEET ASSETS AND LIABILITIES

At the end of 2019, PMT had a number of legal procedures surrounding the investment portfolio running due to missed returns. Based on current insights and status the value to be claimed is uncertain (2018: also uncertain). As a precaution, the claims in 2019 are not recognized as receivables on the balance sheet.

At year-end 2019, the off-balance sheet investment obligations amounted to other investments € 3,245 million (2018: € 3,488 million). These obligations are maximum amounts that can be requested on the basis of concluded contracts to deposit. The ultimate resulting investments are uncertain for what concerns actual size and time of retrieval. This applies to 2019 of the standard portfolio, the expected withdrawals in 2019. In addition, at year-end 2019 there are € 613 million in future liabilities out in connection with investment property (2018: € 408 million) and € 65 million in future obligations regarding the Business Loan Fund (2018: € 136 million). PMT has issued a commitment of € 3,500 million on mortgages. This is in 2019 € 3,465 million drawn (2018: € 2,930 million).

PMT is part of a sales tax tax entity. The fiscal unit consists of Stichting Pensioenfonds Metaal en Techniek, Mn Services NV, Mn Services Vermogensbeheer BV, Mn Services Fondsenbeheer BV and NV Non-life insurance for the Metal and Technical Industries. The entities belonging to the fiscal unity are therefore jointly and severally liable for the tax liability of the fiscal unity as a whole.

PMT has provided a credit facility of € 16.5 million to the associate MN Services NV. The credit facility has a term until December 31, 2024. There are none restrictions imposed on withdrawals and redemptions by MN. About the unrecorded part MN owes a commitment fee of 50 basis points. As of December 31, 2019 did not use this facility.

PMT has reached an agreement with MN Services NV for the implementation costs for the year 2020. The pension administration costs will amount to € 43.1 million. For the asset management administration costs, the fee amounts to € 39.4 million.

PMT has signed a lease for the Zilveren Toren in The Hague with maturity 31 August 2024. A rental amount of € 0.9 million expires within 1 year. An amount of € 3.2 million will lapse within 1 to 5 years.

16 RISK SECTION

SOLVENCY RISK

The main risk for the pension fund and members is the solvency risk: the risk that the fund does not have sufficient capital to cover the cover pension obligations. If PMT's solvency develops negatively, there is a risk that the fund will have to increase the premium, there is no room for it (full) indexation and / or no full payment is possible. Or a benefit and / or whether the pension entitlements should actually be reduced assessed on the basis of the (statutory) recovery plan at the end of a calendar year. Given the rules of the recovery plan, it can become a critical level derived for solvency, which is expressed in the amount of the funding ratio. In general, the chance of a decrease increases sharply as the funding ratio drops towards the critical level.

The postponement granted by Minister Koolmees applies for one year. That means that from 2020 the rules of the Financial Assessment Framework (FTK) will continue to apply. Given the financial position of PMT, there is a real chance that PMT based on the funding ratio as at 31 December 2020, a pension reduction will still be made in 2021 must implement.

After all, PMT must make an unconditional reduction under the FTK if the fund for five consecutive years at year-end one has a policy funding ratio that is below the minimum required funding ratio. For PMT, this limit is 104.3%. PMT has now been lower for five consecutive years policy funding level, but as a result of the decision by Minister Koolmees this did not lead to a reduction as of December 31, 2019.

Legally, there must be an adequate buffer to absorb setbacks. These setbacks may have to do with the development of interest rates and rates in the financial markets, but also with actuarial matters (such as life expectancy of participants).

As a supervisor, De Nederlandsche Bank (DNB) has the standard risk model established. This is a standard method of testing whether the fund is a sufficiently large one buffer persists. In the standard risk model, various risks become those of apply to the fund converted to a specific capital requirement. The combination of capital requirements, the required own funds indicate the size of the minimum buffer that the fund must have. In the standard risk model, taking into account diversification effects, making the total required smaller than the sum of the capital requirements for the various risks.

PMT determines the applicable equity requirement under the standard risk model. This provides an adequate estimate of PMT's overall risk profile. The required equity is calculated on the basis of actual and strategic asset mix. The actual asset mix may differ from the strategic asset mix because PMT uses bandwidths around the most important strategic weightings.

The required equity capital at the end of 2019 based on the strategic asset mix is € 16,166 million (2018: € 13,968 million). This means that the buffer is being calculated based on the strategic asset mix. The following table shows the see the results of the DNB standard risk model per risk factor.

REQUIRED OWN FUNDS (X € 1 MILLION)		SOLVENCY (AFTER ITERATION)		
RISK FACTOR	ULTIMO	2019	2018	
		strategic mix	strategic mix	
S1 Interest rate risk (including inflation)		1,928	3,580	
S2 Share and real estate risk		11,841	9,888	
S3 Currency risk		2,813	2,374	
S4 Commodity risk		-	-	
S5 Credit risk		4,680	2,935	
S6 Technical insurance risk		2,588	2,118	
S7 Liquidity risk		-	-	
S8 Concentration risk		-	-	
S9 Operational risk		-	-	
S10 Active Risk Management		105	193	
SUBTOTAL OF ALL RISKS		23,955	21,088	
Diversification effect		- 7,789	-7,120	
REQUIRES OWN FUNDS		16,166	13,968	
General reserve available		- 787	-427	
DIFFERENCE BETWEEN POWER AND REQUIRED EQUITY		- 16,953	-14,395	
REQUIRED OWN FUNDS (% OF PROVISION FOR PENSION OBLIGATIONS)		ULTIMO	2019	2018
FACTUAL ASSET MIX			19.3%	19.1%
STRATEGIC ASSET MIX			18.9%	19.5%

As can be seen from the table above, the available power is substantially lower than the required equity. At the end of 2019, there will again be a reserve shortage.

PMT submitted a recovery plan to DNB in 2019 because of the policy funding ratio as of December 31, 2018 was lower than the required funding ratio (119.4%). In the recovery The plan indicates how PMT will be removed from the. within the specified period (10 years) reserve shortfall may arise, based on the funding ratio as at 1 January 2019. DNB has the 2019 recovery plan approved. According to the 2019 recovery plan submitted, the funding ratio as at 31 December 2019 amounted to 102.7%. The actual funding ratio as of December 31, 2019 was 99.1%, mainly due to a decrease of the market interest rate.

PMT again submitted a recovery plan in 2020, based on the funding ratio as of 31 December 2019, the prescribed methodology of DNB, the new maximum values of the Parameters Committee and assuming a recovery period of ten years. Based on this recovery plan, PMT will come out of reserve shortage within 10 years (policy funding ratio at the end of 2029 is higher than 119%) and PMT does not have to be conditional in 2020 announce retirement cut. PMT has also calculated alternative scenarios.

The probability of an unconditional reduction in 2021 based on the expected however, the funding ratio as at 31 December 2020 is high.

INTEREST RISK

The interest rate risk is the risk that the values of fixed-income investments and the pension obligations change as a result of changes in market interest rates. In the investment plan 2020, it is established that PMT has an intended interest rate hedge of 57% based on of UFR. The interest rate hedge is steered at market value with a target level of 45%.

INTEREST COVER	ULTIMO	2019	2019
		MARKET VALUE	UFR
Intended interest rate hedging		45.0%	57.0%
Bandwidth		42.5% - 47.5%	52.0% - 62.0%
ACTUAL INTEREST COVER		45.5%	59.3%

The basis for interest rate hedging is long-term government bonds. These offer along with corporate bonds a certain amount of hedging. To the total interest rate sensitivity of get the portfolio to the desired level, thus increasing the value of the investments changes when interest rates change by 0.01% by dividing the amount by which the value of the liabilities changes with the same interest rate change 0.01%.

The difference in interest rate sensitivity between the investments and the liabilities can made visible by the impact on the coverage ratio of an interest rate shock of 100 basis points (= one percentage point) to calculate:

SENSITIVITY COVERAGE FOR CHANGES IN MARKET INTEREST

(X € 1 MILLION)

INTEREST SHOCK	1% REDUCTION	ULTIMO 2019	1% INCREASE
Total capital for the coverage ratio	96,034	84,905	76,818
Obligations	104,199	85,692	71,119
COVERAGE RATE (PERCENTAGE)	92.2%	99.1%	108.0%

The level of the interest rate hedge depends on the interest rate sensitivity of the investments and liabilities. This interest rate sensitivity can be measured by duration. Duration is a measure of the weighted average residual maturity of the cash flows in years. The fixed-income securities have an end date 2019 a duration of 3.9 years. By means of interest rate derivatives, such as interest rate swaps, the duration of the fixed-income securities increased by 7.2 years. The duration on the total investment portfolio is 11.1 years. The duration of the obligations is 22.5 years. In addition to the duration, it is also necessary to determine the level of the interest rate hedge

the ratio between the investments and the liabilities, i.e. the funding ratio, of interest.

DURATION CONTRIBUTION BALANCE SHEET POSITIONS (IN YEARS)	ULTIMO	2019	2018
Duration contribution investments excluding interest rate derivatives		3.9	3.5
Duration contribution interest rate derivatives		7.2	5.7
DURATION CONTRIBUTION OF INVESTMENTS INCLUDING INTEREST DERIVATIVES		11.1	9.2
Duration pension obligations		22.5	21.6

SHARE AND REAL ESTATE RISK

The equity and real estate risk (market risk) is the risk that the value of this business values changes due to changes in the relevant market prices. The equity risk is mainly mitigated by the investments spread over sectors and regions. The table below shows the distribution of the PMT's equity portfolio by regions again:

REGIONAL DISTRIBUTION OF SHARES AND PARTICIPATIONS (X € 1 MILLION)	ULTIMO	2019	2018
REGION			
Europe Shares		5,388	4,417
Equities North America		10,192	8,415
Shares of the Far East		2,351	2,354
Shares Emerging Markets		2,994	2,213
TOTAL		20,925	17,399

PMT's real estate investments are partly direct and partly indirect. It concerns for 28.8% investments in the Netherlands. The table below shows the distribution of the real estate portfolio between direct and indirect real estate at home and abroad:

DISTRIBUTION OF REAL ESTATE INSIDE- AND ABROAD (X € 1 MILLION)	ULTIMO	2019	2018
DIRECT / INDIRECT			
Direct investment property		2,101	2,030
Indirect investment property		5,194	4,268

TOTAL	7,295	6,298
INTERIOR / ABROAD		
The Netherlands	2,103	2,032
Europe (excluding the Netherlands)	2,817	2,330
United States	1,716	1,388
Asia	651	535
Other	8	13
TOTAL	7,295	6,298

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The table below shows the distribution of the direct real estate portfolio to sectors.

SECTOR DISTRIBUTION OF REAL ESTATE (X € 1 MILLION)	ULTIMO 2019		2018	
	VALUE	%	VALUE	%
Houses	1,110	53	1,046	52%
Stores	553	26	574	28%
Offices	355	17	312	15%
Others	83	4	98	5%
TOTAL	2,101	100	2,030	100%

The percentage of real values (shares, real estate and other investments) in the PMT's investment portfolio at year-end 2019 was approximately 39% (2018: 39%).

In the standard risk model, a standard shock is used to reduce the necessary buffer for the equity and real estate risk. This is scenario S2, which exists from 4 different scenarios. This standard shock is based on a 30% drop for the shares of developed markets and listed real estate, a 40% decrease for emerging markets equities, 40% for unlisted equities, such as private equity and 15% for non-listed real estate. The effect on the funding ratio at the end of 2019 (99.1%) of such a shock to the actual portfolio shown below. The value of shares is € 20.9 billion, the value of listed real estate is € 3.5 billion, the value of private equity is € 4.9 billion and the value of infrastructure € 0.4 billion (total value subject to scenario s2a tm s2c is € 29.7 billion). The value of unlisted real estate is € 3.8 billion (subject to scenario s2d).

SENSITIVITY COVERAGE FOR STANDARD
SHOCK SHARES AND REAL ESTATE (X € 1 MILLION AND%)

FALL

ULTIMO 2019
AFTER IMPACT SHOCK

Shares	9,829	87.6%
Real estate	656	98.3%

CURRENCY RISK

The currency risk concerns the risk that the value of the investments and the liabilities decreases due to changes in foreign exchange rates. PMT is running currency risk, because PMT's pension obligations are denominated in euros and a substantial one part of the investment portfolio is listed in foreign currency.

The manner in which PMT deals with currency hedging has been established as part of the cluster features. The investments are divided over several asset clusters: real estate, high yield securities and shares. PMT has also defined characteristics that these clusters must meet. A strategic bandwidth applies to each cluster for the desired euro exposure in the cluster. The following apply to the clusters strategic bandwidths.

- **Matching portfolio:** after hedging, the cluster must be between 90% and 100% from euros exposure exist;
- **Real estate cluster:** after hedging, the cluster must be between 90% and 100% from euros exposure exist;
- **High-yielding cluster values:** after hedging, the cluster must be between 75% and 100% euro exposure;
- **Cluster shares:** after hedging, the cluster must be between 50% and 100% from euros exposure exist.

CURRENCY RISK	MATCHING-WALLET	CLUSTER REAL ESTATE	CLUSTER HIGH-INTERESTING	CLUSTER SHARES
USD cover	100%	100%	100%	60%
GBP cover	100%	100%	100%	100%
JPY cover	100%	100%	100%	100%
Euro exposure after hedging	100%	90%	83%	56%

Strategic euro exposure

90% –100% 90% –100%

75% –100%

50% –100%

For the British pound and Japanese yen, the investment principles and the strategic investment policy based on full hedging. For the American Dollar may apply that a lower hedge is risk-reducing. In times of crisis, you can the US dollar as a safe haven. The various risk scenarios are still reason to hedge the USD in the lower part of the keep strategic bandwidths. Where the strategic bandwidths for the Euro exposure of the cluster will therefore allow the USD hedge to be below 100% are held to complete this risk management. In practice, this is only significantly possible for the share cluster.

At the end of 2019, the total market value of the currency derivatives is contracted to hedge the currency position over € 108 million negative (2018: € 429 million negative).

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The hedging of currency positions at PMT is shown in the following table:

CURRENCY COVER (FAIR VALUE X € 1 MILLION)				ULTIMO	2019	2018
EXPOSURE PER CURRENCY				CURRENCY DERIVATIVES		
	in front of currency hedge	currencies - derivatives	after currency hedge	REAL VALUE	REAL VALUE	
Euro	57.7%	26.5%	84.2%	- 106	- 433	
U.S. dollar	28.9%	- 22.3%	6.6%	- 2	4	
British pound	2.0%	- 2.3%	- 0.3%	-	-	
Japanese Yen	2.0%	- 1.9%	0.1%	-	-	
Other currencies	9.4%	0.0%	9.4%	-	-	
TOTAL	100.0%	0.0%	100.0%	- 108	- 429	
CURRENCY EXCHANGE (CLOSING)				ULTIMO	2019	2018
EUR / GBP				0.85735	0.89755	
EUR / JPY				121.9877	125.4207	
EUR / USD				1.12250	1.14315	

The standard currency shock is based on a 20% decrease on the actual portfolio for developed and 35% for emerging currencies. The standard shock on the stranger currency given the hedging percentages is € 2.3 billion. This lowers the funding ratio at the end of 2019, this shock should occur from 99.1% to 96.3%.

SENSITIVITY COVERAGE FOR STANDARD SHOCK CURRENCY (X € 1 MILLION AND%)	FALL	ULTIMO 2019 AFTER IMPACT SHOCK
	Currencies	2,342

RAW MATERIAL RISK

There are no investments in raw materials in 2019.

CREDIT RISK

Credit risk is the risk of financial loss to PMT from a counterparty fails to meet its obligations, for example as a result of bankruptcy or insolvency. These can be payment obligations of interest, but it is also possible to repay the amounts lent themselves to go. For PMT, this mainly concerns investments in bonds and loans. The credit risk is mitigated by spreading the fixed-income securities to region, sector and issuing issuer.

The composition of the fixed-income securities can be summarized as follows:

COMPOSITION COMPOSITION VALUES (X € 1 MILLION)	CREDIT SPREAD	ULTIMO 2019		2018	
MATCHING WALLET					
Deposits	0.0%	515	1%	545	1%
Short-term government bonds	- 0.1%	7,305	14%	11,011	26%
Government bonds Euro	- 0.2%	11,695	23%	10,792	26%

Corporate bonds Euro	0.5%	12,104	24%	7,389	18%
Corporate bonds USD	0.7%	3,274	6%	3,022	7%
Mortgages	1.0%	3,919	8%	3,099	7%
RETURN WALLET					
Business loan fund	3.0%	90	0%	66	0%
Europe High Yield	2.5%	3,034	6%	1,321	3%
US High Yield	3.2%	2,699	5%	1,488	3%
Emerging Markets Debt	3.3%	6,600	13%	3,872	9%
TOTAL		51,235	100%	42,605	100%

The credit spread is a measure of credit risk and indicates the mark-up that the market has asks above the risk-free rate. The credit spread is determined relative to the relevant one swap curves in the relevant currency of the bond. The higher the storage, the more the higher the market assesses the credit risk on a party and the higher the compensation (the spread) that the market wants to receive for taking this credit risk.

The return portfolio contains corporate bonds with a rating less than or equal to A and bonds issued by countries in emerging regions such as Latin America, Asia, Pacific and Africa.

The matching portfolio consists of 30.1% euro government bonds, issued by countries with high creditworthiness (60.6% with AAA rating, 33.2% with rated AA and 6.2% with rating A). Government bonds consist of German (45.9%), Belgian (20.7%), Dutch (13.8%), Austrian (11.4%), Irish (6.4%) and Finnish (1.8%) government bonds. The matching portfolio also includes bonds issued by companies (39.6%) with a rating of at least BBB and mortgages (10.1%).

The credit risk for mortgages is limited as much as possible by the center of gravity of the portfolio construction on mortgages with a National Mortgage Guarantee (NHG) and with a Loan To Value (LTV) of up to 90%. This maximum can be exceeded for energy-saving measures. PMT has for a total of € 3,500 million to the Dutch Mortgage Fund (NHF) committed. The commitment has an indefinite term. At the end of 2019 PMT for a total of € 3,465 million (2018: € 2,930 million) paid into the NHF. Ultimo 2019 is the market value of PMT in the Dutch Mortgage Fund in total € 3,919 million (2018: € 3,099 million). The market value is € 3,878 million (2018: 2,975 million) mortgage loans granted to PMT. The difference concerns mainly cash.

KIND	NHG	LTV			LTV >90%	TOTAL SEGMENT
		<60%	60% –80%	80% –90%		
Variable	4	21	21	4	-	50
5 years	4	11	10	3	-	28
10 years	325	110	144	39	1	619
15 years	103	74	81	21	2	281
20 years	781	354	587	262	1	1,985
25 years	42	35	32	11	-	120
30 years	212	113	95	32	-	452
TOTAL	1,471	718	970	372	4	3,535

The credit risk on bonds is limited by investing in companies or governments with high creditworthiness. The following table shows the breakdown by credit dignity for the portfolio of fixed income securities as presented by international rating agencies are awarded.

CREDIT VALUE PORTFOLIO FIXED VALUES	ULTIMO	2019	2018
RATING CATEGORY			
AAA		24%	35%
AA		16%	18%
a		19%	16%
BBB		23%	20%
<BBB		18%	11%
No rating		0%	0%
TOTAL		100%	100%

The use of 'over the counter' (OTC) derivatives also entails credit risk. These are financial instruments in which an agreement is made with a counterparty without the intervention of a stock exchange agency. The credit risk on OTC derivatives is limited by so-called 'collateral management', which involves liquid assets or bonds are used as collateral to protect against credit risk.

DERIVATIVES VS collateral EXCHANGE AGREEMENTS (CSA) (X € 1 MILLION)	ULTIMO	2019	2018
---	--------	------	------

Derivative positions	6,747	2,545	
Obligations regarding derivatives	- 1,174	-934	
TOTAL DERIVATIVES POSITION		5,573	1,611
Total bonds issued	110	-512	
Total bonds received	- 1	2	
Total cash spent	0	-28	
Total cash received	5,491	1,686	
TOTAL POSITION UNDER COLLECTION		5,600	1,148
BALANCE		- 27	463
SENSITIVITY COVERAGE FOR STANDARD SHOCK CREDIT (X € 1 MILLION AND%)		FALL	ULTIMO 2019 AFTER IMPACT SHOCK
Credit		4,495	93.8%

The standard shock is based on an increase in the credit mark-up for each loan in the actual portfolio. Depending on the credit rating, the surcharge is between 0.6% and 5.3%. The standard shock on credit risk is approximately € 4.5 billion. Should this to prevent a shock, this will lower the funding ratio at year-end 2019 from 99.1% to 93.8%.

INSURANCE TECHNICAL RISKS

The technical insurance risk consists of the risks of negative results on the insurance (actuarial) principles used for the determination of the technical provisions and the amount of the premium.

PMT pays out retirement and partner's pension for life. Therefore, the mean life expectancy of the active, former members and beneficiaries a very important information for the fund. The life expectancy of the by the size to keep the expected benefits in line with recent information on the life expectancy. In addition, PMT regularly conducts research into mortality trends specifically in the Metal and Engineering industry.

At the end of 2018, PMT uses a generation table that is derived from the AG forecast table 2018 (AG2018). AG2018 applies to the entire Dutch population. Research is out It turned out that participants in the Metal and Engineering have a higher life expectancy than the average Dutchman. This has been taken into account in the fund-specific generation table PMT2018. The tables predict that the lifespan still remains will increase.

Due to the long horizon, such a forecast of life expectancy is uncertain. Annually whether the assumptions used with regard to the correction factors are still tested match the observations in PMT.

Because pensions are usually paid from the age of 68, the table below shows the development in the last five years of the expected average lifespan for a 68-year-old:

ACTUARIAL PRINCIPLES PMT EXPECTED LIFE

68 – YEARS 1)	2019	2018	2017	2016	2015
man	86.2	86.1	86.0	85.9	85.7
woman	88.4	88.3	88.5	88.3	88.3

1) As of 2017, the table above has been adjusted to the life expectancy of a 68-year-old. All comparative figures have been adjusted accordingly.

This expected average lifespan for both men and women is in 2019 increased. For men with 0.1 years. The increase in women is 0.1 years.

LIQUIDITY RISK

Liquidity risk is the risk that the fund has insufficient liquidity to fulfill its obligations. Because the incoming money flow in the form of premiums and direct investment income the outgoing cash flow in the form far beyond benefits and expenses, the fund's liquidity risk is very high limited. In the short term, however, there is a risk that in extreme market developments the contractual top-up obligations under derivative positions to a demand for cash. PMT has a number of risk mitigators for this risk measures taken, such as maintaining a strategic liquid buffer resources and making arrangements with counterparties to exchange bonds as collateral, which limits the chance of forced sale of investments. PMT's policy will continue to focus on the amount of illiquid investments adequate control. Hence there are no additional buffers held in the solvency test.

CONCENTRATION RISK

Concentrations of risks may arise as a result of risks relative to it of a debtor or relative to a group of debtors with such comparable characteristics that their ability to meet their obligations is expected to be similarly affected by changes in economic conditions or other circumstances. Risk spreading is central to the fund's policy. With regard to investments, strict risk restrictions have been set in the form of limits which are monitored daily.

Investments greater than 2% of the total balance sheet are reported. These positions concern government bonds of European countries.

GOVERNMENT BONDS (X € 1 MILLION)	ULTIMO 2019		2018	
	VALUE	% FROM BALANCE SHEET TOTAL	VALUE	% FROM BALANCE SHEET TOTAL
German government	5,989	6%	6,539	8%
Belgian government	3,591	4%	4,458	6%
Dutch government	2,117	2%	5,086	6%

OPERATIONAL RISK

An operational risk is a risk associated with ineffective or insufficient effective process design or process execution. Examples of operational risks are: processing, payment / payment / settlement, information, product development, costs, personnel, susceptibility to fraud and pre-acceptance / transaction. Unlike some risks that a pension fund consciously takes in the context of the financial objective (such as market risk), operational risks only have a negative impact on it achieving the objectives. That is why operational risks are limited as much as possible turn into. Unless a further reduction is a disproportionate effort and cost takes away.

The policy rules for outsourcing pension funds describe conditions where a pension fund must comply with when outsourcing its business processes. The policy rule applies to the fund because both the pension administration if the asset management administration is outsourced. The policy rule writes, among other things before the fund adopts its risk management policy of outsourcing. Obviously, the agreements with the contractor must be properly made for this be recorded.

The board annually assesses the quality of the implementation of the capital MN administrator and MN pension provider. This is done by means of, among other things performance reports, SLA reports and independently tested internal reports control reports (ISAE 3402 reports). Since this involves the fund does not provide adequate control of the operational risks additional buffers held in the solvency test.

ACTIVE RISK MANAGEMENT

Active management means deviating positions in portfolios that are affected by portfolio managers are taken up against the benchmark portfolio. The degree of active management is usually determined by means of a tracking error. This tracking error measures the degree of deviation between the returns of one investment portfolio and the return on a benchmark portfolio. Low tracking error implies that the actual return is close to the norm portfolio, while a high tracking error indicates that the return clearly deviates from the standard portfolio. A higher tracking error therefore implies a higher degree of active risk.

At PMT, active management of the emerging markets equity portfolio within the stock portfolios applied with a maximum tracking error of 4% and also becomes listed real estate actively managed with a maximum tracking error of 3%. In the in practice, this is well within these limits. The active management of the actual portfolio causes a slight increase in the required equity by approximately € 105 million.

RISK MARKET VALUATION

The investments are valued at fair value. Not for all investment instruments frequent market quotes are available. This poses a higher risk with regard to the approach to valuation of an investment. In the table on the next page total invested assets of € 87,020 million have been broken down into four levels of appreciation. This concerns the invested capital, including the receivables and obligations by virtue of investments and cash, which is also stated in the notes to item 7 of the balance sheet (under the heading 'relationship between financial statements and investment policy').

For the valuation of the derivatives, market conforms are used testable valuation models that are filled with market-based parameters. The future cash flows of the interest rate derivatives are discounted at the EONIA curve. The expected cash flows from currency derivatives are discounted at the relevant yield curve of the currency concerned. The bond futures are valued at quoted market prices.

The valuation of direct real estate in the Netherlands is based on appraisals conducted in accordance with the guidelines of the Royal Institution of Chartered Surveyors (RICS), Investment Property Database (MSCI), International Valuation Standard (IVS) and the Dutch Register of Real Estate Valuers (NRVT).

At the end of the year, the entire real estate portfolio will be fully appraised (including visits of all objects). The valuation uses both rental capitalization as the Discounted Cash Flow method (DCF). The appreciation of the material investment property is an important one in view of the current market conditions valuation item. There is a risk that material changes may occur in the valuation in the next financial year.

For unlisted fund investments in real estate, private equity and infrastructure the valuation is determined on the basis of the last fund report received, adjusted for cash flows in the period from the balance sheet date of the fund report until the balance sheet date of the financial statements. The reports are not by an accountant checked and / or the period of these reports is not synchronized with the financial year of PMT. To mitigate uncertainties regarding valuation, a selection procedure including due diligence takes place for the appointment of an administrator. After appointment, the administrators are carefully monitored. In addition, annually afterwards made a connection with the audited annual accounts of these funds. The rating may be higher or lower, but in view of the mitigating measures, it is estimate not material for the capital and the result.

Investments in private equity, infrastructure, unlisted indirect real estate and investments in other investment funds, including mortgages, that exist from participations in mortgage funds, are included in the distribution method / intrinsic value. The starting point is that the valuation is not carried out by MN, but is done by the underlying investment funds themselves.

MARKET VALUE DETERMINATION (X € 1 MILLION)

ULTIMO 2019

ULTIMO 2018

INVESTMENT CATEGORIES	Enjoyed market- Prices	Independent haste valuations	Net cash value	Others method	TOTALLY noted	market- Prices	Independent haste valuations	Net cash value	Others method	TOTAL
PROPERTY INVESTMENTS										
Direct investment property	- 2,101	-	-	- 2,101	- 2,030	-	-	- 2,030		
Indirect investment property	3,519	-	- 1,675	5,194	2,733	-	-	- 1,535	4,268	
SHARES										
Listed shares	20,925	-	-	- 20,925	17,399	-	-	-	- 17,399	
FIXED VALUES										
Bonds	46,653	-	58	- 46,711	38,878	-	17	- 38,895		
Deposits	-	-	515	- 515	-	-	545	- 545		
Investment institutions fixed income securities	-	-	-	90	90	-	-	-	66	66
Mortgages	-	-	- 3,919	3,919	-	-	-	- 3,099	3,099	
DERIVATIVES										
Interest rate swaps	-	- 6,604	-	- 6,604	-	- 2,500	-	- 2,500		
Futures	1	-	-	- 1	-	-	-	-	-	
Currency derivatives	-	-	142	- 142	-	-	45	- 45		
OTHER INVESTMENTS										
Private Equity	-	-	- 4,889	4,889	-	-	-	- 3,899	3,899	
Infrastructure	-	-	-	414	414	-	-	-	431	431
TOTAL	71,098	2,101	7,319	10,987	91,505	59,010	2,030	3,107	9,030	73,177

COMPONENTS OF INVESTED FUNDS NOT INCLUDED IN INVESTMENT CATEGORIES

Credit Support Annexes receivables (listed market prices)	0	28
Obligations regarding Credit Support Annexes (quoted market prices)	- 5,492	-1,685
Liabilities arising from derivatives (net present value)	- 1,174	-934
Short-term receivables investments	160	89
Short-term debt investments	- 90	-89
Cash positive	3,758	5,782
Liquid assets negative	- 1,647	-3,663
TOTAL INVESTED FUNDS	87,020	72,705

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BATTERY

(19) PREMIUM CONTRIBUTIONS (FROM EMPLOYERS AND EMPLOYEES)

The total premium contributions in 2019 are € 2,506 million (2018: € 2,382 million). These benefits consist of:

PREMIUM CONTRIBUTIONS (X € 1 MILLION)	2019	2018
Pension contributions	1,981	1,884
Premium VPL	509	483
ANW pension premium	16	15
VALUE DECEMBER 31	2,506	2,382

In 2019, the determination of the actual premium to be paid up to the salary limit is subject to a contribution rate of 22.2% (2018: 22.6%) of the pensionable earnings. Coming in 2019 this in the case of full-time employment down to the salary up to the salary limit of € 74,327 (2018: € 73,711) minus the franchise of € 14,554 (2018: € 14,704). The VPL 5.78% premium (2018: 5.88%) is levied on the same basis. This VPL premium will be fully borne by employers from 2014. About the pensionable annual salary above the salary limit up to the maximum salary of € 107,593 applies from 1 January 2016 a voluntary scheme based on a premium scale and to be determined annually accrual percentage. The choice can be made for a 'low' build-up of 1.59% or 'high' of 1.875% (2018: low 1.59% and high 1.875%). For the voluntary The scheme received € 25.8 million in premium in 2019. Premiums that have been invoiced to employers who dispute the mandatory affiliation to PMT (2019: on balance € 15 million negative and 2018: € 18 million positive on balance), are not included in the post premium contributions.

Cost-effective premium

Only the pension contributions are included in the assessment of the cost recovery of the premium involved and the premiums VPL and ANW from the table above are not taken into account. PMT uses a subdued cost-effective premium in its premium policy. The muted As in 2018, the cost-effective premium in 2019 is based on a (prudent determined) real expected net return of 2.5%. This return is real expected return adjusted for inflation and a prudence discount.

It is examined how the muted cost-effective premium compares to the actual premium paid. Pension premiums in 2019 amount to € 1,981 million (2018: € 1,884 million) This is € 20 million more than the actual premium paid to cover of pension accrual 2019 of € 1,961 million (2018: € 1,852 million). The amount of € 20 million has been added to the designated reserve Premium equalization depot (2018: € 32 million).

The muted cost-effective premium is also tested against the premium based on the current DNB interest rate term structure at year-end 2018 (the actuarially required premium). The actuarially required premium consists of the costs for pension accrual and

risk premiums. The pure cost-effective premium co-exists with the actuarial requirement premium from a surcharge for solvency. The solvency surcharge ensures that the purchasing for new claims is not diluted, but remains at the required level. This solvency surcharge depends on the required capital and this amounts to PMT primo 2019 19.5%.

The difference between the ex-ante and the ex-post muted cost-effective contribution, caused by file development, is expressed in 'receive more'.

The cost-effective premium can be calculated afterwards as follows:

COST-COVERING PREMIUM (X € 1 MILLION)	2019		2018	
	pure DNB – RTS 31-12-2018	muted expected efficiency 2.5%	pure DNB – RTS 12/31/2016	muted expected efficiency 2.5%
Total pension accrual expenses (a)	2,475	1,900	2,223	1,779
Cost mark-up (b)	54	54	59	59
Solvency mark-up	483	-	454	-
Receive more	-	7	-	14
TOTAL	3,012	1,961	2,736	1,852
Actual premium to cover pension accrual (c)	1,961	1,961	1,852	1,852
Margin between actual premium and cost-effective premium (without solvency surcharge)	- 568	-	- 431	-

The actuarial premium required in 2019 is higher than the actual premium paid. The shortfall between the actual premium paid and the actuarial premium required leads Primo 2019 to a premium coverage ratio of less than 100%, namely 77% (2018: 81%). The premium coverage ratio is the quotient of the actual premium paid and, on the other hand, the actuarially required premium (both excluding cost premium).

(20) INVESTMENT RESULT FOR RISK PENSION FUND

The investment result consists of:

INVESTMENT RESULT (X € 1 MILLION)	2019	2018
Investment result for pension fund risk	13,325	106
TOTAL	13,325	106

Investment result for pension fund risk

The investment result (on the fund portfolio) can be specified as follows:

INVESTMENT RESULT RISK PENSION FUND (X € 1 MILLION)

INVESTMENT CATEGORY	2019				2018			
	Straight away result	Indirectly result	Cost	Total result	Straight away result	Indirectly result	Cost	Total result
Direct real estate investments	81	118	-	199	76	141	-	217
Indirect real estate investments	154	712	- 12	854	139	- 52	- 17	70
Shares	544	4,405	- 22	4,927	469	-1,351	- 25	- 907
Fixed income securities	1,032	2,431	- 45	3,418	1,033	-386	- 38	609
Derivatives	316	2,949	- 7	3,258	306	- 807	- -	501
other investments	31	646	- 2	675	-	627	- 4	623
SUBTOTAL	2,158	11,261	- 88	13,331	2,023	-1,828	- 84	111
General attribution investment costs result				- 6				- 5
TOTAL				13,325				106

The result on currency hedges and other derivatives is accounted for under the derivatives category. This applies to all derivatives (even if the position is negative). The positive result on derivatives is largely due to the interest rate cover. Interest rates fell sharply in 2019, which led to a positive effect on the investment result.

Investment costs include the 'direct management costs' for which

invoices have been received. A reservation has also been made for the costs relate to 2019, but for which no invoices have yet been received. The costs that asset managers have directly charged to investment funds are not separately recognized as costs, but are included indirectly result. See chapter 8 of the management report for a more detailed explanation of the execution costs of asset management.

In accordance with the recommendation of the Pension Federation, 50% of the board members administrative office costs allocated to investment costs. For the financial year In 2019 this allocation amounts to € 6 million (2018: € 5 million).

Asset management costs can be broken down as follows:

ASSET MANAGEMENT (X € 1 THOUSAND)

INVESTMENT CATEGORY	MANAGEMENT COST	PERFORMANCE RELATED COST	TRANSACTION-COST	OTHERS COST	TOTAL 2019
Real estate	16,656	-	-	-	16,656
Shares	15,803	-	-	-	15,803
Fixed income securities	28,407	-	-	-	28,407
Derivatives	-	-	-	-	-
other investments	2,996	-	-	4,391	7,387
Fiduciary management	14,057	-	-	2,100	16,157
Custody fee	3,336	-	-	-	3,336
TOTAL	81,255	-	-	6,491	87,746

The transaction costs are indirect costs, ie not directly invoiced to the fund and these costs are not included in the table above.

In the breakdown of asset management costs, fiduciary costs and costs are included custody fee presented separately.

Relationship between financial statements and investment policy

The investments in the financial statements differ from the categories used by PMT in its investment policy. The financial statements present the investments by nature of the financial instruments. The management report and the key figures provide the asset classes and the results thereon according to the way PMT (strategic) investment policy.

The following overview shows the reconciliation between the financial statements and the investment policy:

RELATIONSHIP FINANCIAL STATEMENTS AND INVESTMENT POLICY (X € 1 MILLION)

INVESTMENT RESULT	FINANCIAL STATEMENTS			INVESTMENT POLICY	
	TOTAL 2019	Real estate- investments	Shares Fixed Income	values	Others investments
Direct investment property	199	199	-	-	-
Indirect investment property	854	852	2	-	-
Shares	4,927	35	4,888	-	4
Fixed income securities	3,418	-	-	3,418	-
Derivatives	3,258	- 111	- 440	3,825	- 16
other investments	675	-	628	-	47
TOTAL	13,331	975	5,078	7,243	35
Return 2019	18.4%	14.6%	27.0%	16.1%	12.5%
Return 2018	0.2%	2.4%	- 7.3%	1.8%	15.5%

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In case investment instruments occur in several policy categories, the investment results are allocated pro-rata on the basis of the year-end distribution. Investment costs are allocated to the policy categories insofar as application. Costs not attributable to investment instruments become pro-rata allocated on the basis of the year-end distribution.

(21) OTHER BENEFITS

The other income item consists of:

OTHER INCOME (X € 1 MILLION)	2019	2018
Imposed fine and interest	3	3
Interest	1	1
TOTAL	4	4

The fine imposed concerns the fine amounts that PMT has based on the collection policy imposes on employers who do not pay the premium bill on time.

Interest includes the interest received from employers in connection with the premium levy.

CHARGES

(22) PENSION BENEFITS

The benefits item is composed as follows:

DISTRIBUTIONS (X € 1 MILLION)	2019	2018
Retirement pension	1,040	1,006
Early retirement pension	116	110
Partner's pension	226	216
Orphan's pension	4	4
ANW pension	15	15
SUBTOTAL BENEFITS	1,401	1,351
Redemption sums	14	15
TOTAL	1,415	1,366

(23) IMPLEMENTATION COSTS PENSION SCHEME

The costs of the pension administration of € 48 million (2018: € 47 million) are exclusive the investment costs. The investment costs are charged directly to the investment result (20). The implementation of asset management and the pension scheme has been outsourced as in previous years.

The pension administration costs item can be split as follows (in thousands of euros) required specification):

EXECUTION COSTS PENSION SCHEME (X € 1 THOUSAND)	2019	2018
Implementation of the pension scheme	42,590	42,084
Personnel costs	5,104	4,422
Cost of housing and supplies	789	785
Vacancy fees Directors and committees	931	820
Vacancy fees Accountability body	100	64
Vacancy fees Supervisory Board	81	80
Accountant fees	140	167
Actuarial certification costs	67	83
Costs of supervisors and other bodies	1,779	1,573
Other costs	2,421	2,443
Board and administrative office costs	11,412	10,437
Costs attributed to investment result	- 5,706	- 5,219
	5,706	5,218
TOTAL	48,296	47,302

The total costs for the administration of the pension scheme increased by € 0.5 million to € 42.6 million (2018: € 42.1 million).

The costs of the board and management agency rose by € 1.0 million to € 11.4 million (2018: € 10.4 million). In accordance with the recommendation of the Pension Federation, it is about financial year 2019 € 5,706 thousand allocated to investment costs. (2018: € 5,219 thousand)

At the end of 2019, the fund had a self-employment of 38 employees (2018: 35). All employees perform their duties in the Netherlands at the location of the fund or at decentralized locations. In addition to the board, the fund has 14 officers specific areas such as communication, risk management, pension management, actuarial, asset management, governance and IT, 16 pension consultants (including manager) and 8 employees in other support functions.

The personnel costs include salaries, social security contributions and other personnel-related costs

costs, including pension costs and training. PMT has no variable rewards.

STAFF COSTS (X € 1 THOUSAND)	2019	2018
Wages and salaries of PMT employees	3,659	3,409
Social Security	380	326
Pension contributions	530	503
Other personnel costs	535	184
TOTAL	5,104	4,422

Personnel costs increased in 2019. This is related to the personnel expansion during the year (structurally), as well as other changes in the workforce which were temporarily taken care of by external hiring, especially at the beginning of the year.

In addition to a board, PMT also has an accountability body and a supervisory board. PMT also uses some external experts who sit on administrative committees. The compensation for board and committee members is transferred to the directors themselves, or to the organizations by whom they are nominated. The amount of this compensation is in line with the recommendation issued by the Pension federation has drawn up on this. The amount of the fees will be adjusted annually on 1 January to the collective labor agreement development in the Metal sector and Technology during the previous calendar year. The last raise has beginning 2019 took place. This brought the holiday allowance to € 1.11 million (2018: € 0.96 million).

The accountant costs of € 140,000 (2018: € 167,000) can be broken down by type as follows:

ACCOUNTANT COSTS (X € 1 THOUSAND)	2019	2018
Examination of the financial statements	140	167
TOTAL	140	167

The fees relate to the work performed by Ernst on the fund & Young Accountants LLP. These fees relate to the examination of the financial statements and other audit procedures for the financial year 2019, such as audit DNB annual statements, basic data and z-score, regardless of whether the activities already exist were carried out during the financial year.

The costs of supervisors, Pension Register and Pension Federation can be split as follows by type:

COSTS OF SUPERVISORS AND PENSION REGISTER (X € 1 THOUSAND)	2019	2018
Costs supervisor DNB	916	882
AFM supervisory authority costs	116	115
Cost of other organs	747	576
TOTAL	1,779	1,573

(24) MUTATION FOR THE PROVISION OF PENSION OBLIGATIONS FOR RISK PENSION FUND

In 2019 the provision for pension liabilities increased by € 13,994 million (2018: € 2,974 million increased). The fall in market interest rates in 2019 will lead to an increase of the provision by € 13,164 million (2018: € 3,461 million increase).

At the end of the year, the provision will in principle be increased by the additional premiums were granted in the next reporting year. The surcharges are applied if and insofar as the funds of the fund allow this in the opinion of the board. The board of PMT makes an annual decision on this. Given the financial position of PMT, the pensions of active people on the one hand and non-active and pensioners on the other not increased by price inflation at year-end 2019.

(25) MUTATION OTHER PROVISION

The movement in other provisions consists of the movement in provision VPL. In 2019, the movement of the liability related to VPL € 680 million (2018: € 332 million).

(26) BALANCE OF RIGHTS

The settlement of new value transfers depends on the amount of the policy funding ratio. The policy policy funding ratio dropped from 1 September 2019 of PMT settlement of value transfers no longer allowed. The balance of duties in 2019 amounts to € 51 million negative (2018: € 158 million negative). The balance of duties consists of € 45 million incoming and € 96 outgoing value transfers.

(27) OTHER EXPENSES

The other charges include:

OTHER EXPENSES (X € 1 MILLION)

	2019	2018
Movement of the provision for bad debts	3	3
Others	5	9
TOTAL	8	12

18 ACTUARIAL ANALYSIS

The actuarial results for the reporting year can be broken down as follows:

ACTUARIAL RESULTS (x € 1 MILLION)	2019	2018
Premiums for pension accrual	1,981	1,884
Pension accrual 1)	- 2,529	- 2,282
Received for VPL	509	483
Premium for VPL (other provision)	- 509	- 483
Premium for Premium equalization depot	- 20	- 32
RESULT ON PREMIUM	- 568	- 430
Investment result risk fund	13,325	106
Result on Participations	1	4
Interest addition VPV	172	181
Interest addition Premium equalization depot	- 2	3
Interest addition VPL	- 314	- 3
RESULT ON INVESTMENTS	13,182	291
RESULT ON DEATH (INCL. ANW)	131	236
RESULT ON DISABILITY	- 8	- 24
RESULT ON COSTS	30	35
Actual benefits	- 1,415	- 1,366
Withdrawal for benefits	1,413	1,372
RESULT ON DISTRIBUTIONS	- 2	6
Result on value transfers	3	- 9
Change in market interest rates	- 13,164	- 3,461
Change in estimate	-	908
Other results 2)	36	55
BALANCE OF INCOME AND EXPENSES	- 360	- 2,393

1) The pension accrual concerns the costs of purchasing the pension entitlements in 2019, based on the interest rate term structure (RTS) as of December 31, 2018.

2) In the item "other results", the premium equalization deposit (€ 22 million) has been included, because the premium equalization deposit as a change appropriation reserve must not have any impact on the balance of income and expenses. Without this change, the item "other results" is € 14 million positive.

CONSOLIDATED FINANCIAL STATEMENTS

19 CONSOLIDATED BALANCE SHEET PER DECEMBER 31, 2019

(after profit appropriation)

ASSETS (X € 1 MILLION)		31 - 12 - 2019	31 - 12 - 2018
INVESTMENTS FOR RISK PENSION FUND			
• Investment property	(1)	7,295	6,298
• Shares	(2)	20,925	17,399
• Fixed income securities	(3)	51,235	42,605
• Derivatives	(4)	6,747	2,545
• Other investments	(5)	5,303	4,330
Total investments	(6)	91,505	73,177
Receivables from investments	(7)	160	117
other assets	(8)	3,944	5,991
TOTAL ASSETS		95,609	79,285
LIABILITIES (X € 1 MILLION)			
Group equity	(9)	- 782	- 422
Technical equipment	(10)		
Provision for pension liabilities for risk pension fund		85,692	71,698
Other provisions	(11)	2,211	1,525
Long-term debt	[12]	8	10
Obligations arising from investments	(13)	8,417	6,387
Other debts and accruals and deferred income	(14)	63	87
TOTAL LIABILITIES		95,609	79,285

20 CONSOLIDATED STATEMENT OF INCOME AND EXPENSES 2019

INCOME (X € 1 MILLION)		31 - 12 - 2019	31 - 12 - 2018
Premium contributions (from employers and employees)	(15)	2,506	2,382
Investment result for pension fund risk	(16)	13,280	61
Other income	(17)	102	106
TOTAL BENEFITS		15,888	2,549
CHARGES (X € 1 MILLION)			
Pension benefits	(18)	1,415	1,366
Pension plan administration costs	(19)	96	100
Movement in provision for pension liabilities for risk pension fund	(20)	13,994	2,974
Change in other provisions	(21)	680	332
Balance transfers of rights	(22)	51	158
Other expenses	(23)	9	13
TOTAL CHARGES		16,245	4,943
BALANCE OF INCOME AND EXPENSES		- 357	- 2,394
Share in result of non-consolidated participating companies	(24)	2	2
Taxes	(25)	- 5	-
RESULT		- 360	- 2,392
Share result third parties	(26)	-	- 1
TOTAL RESULT		- 360	- 2,393

DESTINATION OF THE BALANCE OF INCOME AND EXPENDITURE

The balance of income and expenses is distributed via the profit appropriation as follows to the reserves:

PROFIT APPROPRIATION (X € 1 MILLION)

Withdrawal from the General Reserve	- 360	- 1,970
Withdrawal from zoning reserve	-	- 423

21 CONSOLIDATED CASH FLOW OVERVIEW 2019

CASH FLOW (X € 1 MILLION)	31 - 12 - 2019	31 - 12 - 2018
CASH FLOW FROM PENSION ACTIVITIES		
Premiums	2,503	2,379
Pensions paid	- 1,400	- 1,351
Buy off	- 14	- 15
Expenditure due to transferred liabilities	- 51	- 158
Pension administration and administration costs	- 92	- 94
Other revenue / expenditure	87	78
TOTAL CASH FLOW FROM PENSION ACTIVITIES	1,033	839
CASH FLOW FROM INVESTMENT ACTIVITIES		
Intangible assets	- 3	- 3
Tangible fixed assets	- 1	- 1
TOTAL CASH FLOW FROM INVESTMENT ACTIVITIES	- 4	- 4
CASH FLOW FROM INVESTMENT ACTIVITIES		
Sales and redemptions of investments	44,827	32,131
Direct investment result received	2,121	2,044
Purchases of investments	- 47,844	- 35,960
Paid asset management costs	- 140	- 134
TOTAL CASH FLOW FROM INVESTMENT ACTIVITIES	- 1,036	- 1,919
Net cash flow	- 7	- 1,084
Exchange and translation differences on liquid assets	- 7	- 6
MUTATION IN FUNDS	- 14	- 1,090

The change in cash consists of the following balance sheet items:

Liquid assets	3,855	5,887
Obligations to banking institutions	- 1,661	- 3,679
Balance at the end of the financial year	2,194	2,208
Balance at the end of the previous financial year	2,208	3,298
MUTATION IN FUNDS	- 14	- 1,090

22 CONSOLIDATED GENERAL EXPLANATORY STATEMENT

FOUNDATIONS GENERAL

The principles for the valuation and determination of the result of the consolidated and company financial statements are the same and are binding on group companies.

PRINCIPLES FOR CONSOLIDATION

GENERAL

The Stichting Pensioenfondsvoor de Metaal en Techniek is involved in the consolidation and Mn Services NV, whereby Mn Services is the administrator and asset manager of the pension scheme of Stichting Pensioenfondsvoor de Metaal en Techniek. The consolidation has been incorporated as of 1 July 2017. This is the date of change of the voting ratio on MN shares.

The consolidated financial statements include the financial information of entities over which it can exercise predominant control. The integral method of consolidation is applied, involving intercompany transactions and underlying receivables and liabilities are eliminated. By consolidating, the legal form of the capital interest is looked at and direct insight is given into the financial position of the group as a whole.

In the consolidation, the financial data of the associate MN are 100% included. PMT, however, has a 78.3% interest in the equity of the investee. As of July 1, 2017, control was changed by means of an amendment to the Articles of Association of MN Trust Office (StAK). The directors appointed by PMT have, with regard to decisions about the manner in which the voting rights for shares in Mn Services NV is cast, an absolute majority of the votes on the board of MN Trust Office Foundation obtained. For the interest of third parties (21.7%) made a correction, being the interest of third parties in the result.

PRINCIPLES FOR THE BALANCE SHEET

OTHER ASSETS

The other assets item consists of intangible fixed assets, tangible fixed assets, financial fixed assets, accruals and liquid assets.

Intangible assets

The intangible fixed assets are valued at historical cost, existing from purchase price or manufacturing price and other costs, less linear costs depreciation based on the estimated economic life and if application of impairments. Depreciation is deducted from it moment of commissioning.

Expenditure on development projects is capitalized as part of the manufacturing cost if it is probable that the project will have economic benefits and the costs can be reliably determined. Research costs are processed in the statement of income and expenditure.

Tangible fixed assets

The tangible fixed assets are valued at historical cost price, consisting of purchase price or manufacturing price and other costs less linear costs depreciation based on the estimated economic life and if application of impairments. Depreciation is deducted from it moment of commissioning.

Depreciation is calculated linearly as a percentage of the purchase value, based on the expected service life. Depreciation is applied from the moment of commissioning.

Financial fixed assets

For the valuation of the participation NV Schadeverzekering voor de Metaal and Technical Industries are referred to the company financial statements. The rest participations over which no significant influence can be exercised valued at purchase price.

Other receivables and prepayments

Other receivables and prepayments and accrued income include receivables premium contributions to employers with a term of less than 1 year. The premiums to be claimed are valued at fair value on initial recognition and on subsequent valuations valued at amortized cost, less a provision for possible bad debts.

Also included under other receivables and prepayments are two long-term receivables included. It is an annuity claim that was made during the first processing

is valued at fair value and at subsequent valuation is valued at the amortized cost. If there is no premium or discount and transaction costs the amortized cost is equal to the nominal value.

The other receivables are valued at fair value on initial recognition and valued at amortized cost at subsequent valuation. Provision due to bad debts, the book value of the receivable was deducted.

Liquid assets

Cash and cash equivalents relate to positive current account positions with banking institutions which are valued at nominal value. The cash is free disposal unless otherwise stated.

GROUP CAPITAL

Group equity is explained in the company financial statements under item Foundation capital and reserves.

Share of third parties

The share of third parties as part of the group equity is valued at the amount of the net interest in the net assets of the relevant group airlines.

OTHER PROVISIONS

The other provisions item consists of the obligations with regard to VPL and other facilities.

VPL

The VPL provision is for participants with conditional entitlements.

The VPL provision consists (also in terms of valuation) of:

- premium levied and received minus the amount required for granting an account taking into account a storage of the minimum required power;
- the movement based on the investment return of the fund.

Other amenities

The other provisions are formed against concrete or specific risks and obligations that exist on the balance sheet date and the size of which is uncertain yet estimate in a reasonable way. The risks and obligations are legally enforceable or relate to a constructive obligation, the scope of which is reasonably reliable can be estimated and which requires an outflow of cash. The other Provisions are valued at the nominal value of the expenditure to expected to be required to settle the obligation, unless otherwise stated.

LONG-TERM DEBT

Long-term debts include debts and amounts received in advance with a residual term of more than one year. These are sent to the initial recognition measured at fair value. Transaction costs directly

are attributable to the acquisition of debts are included in the valuation first processing included. Debts are charged against the amortized cost, being the amount received taking into account share premium or discount and less transaction costs.

The difference between the determined carrying amount and the final redemption value of long-term debt is estimated based on the effective interest rate during the period maturity of the debts in the statement of income and expenditure recognized as interest expense.

ACCOUNTING POLICIES

SHARE IN RESULT OF NON-CONSOLIDATED COMPANIES INCLUDING IS PARTICIPATED

The result from participating interests concerns the company's share in the result of participating interests valued at net asset value, as well as the dividend of the acquisition price declared in the year under review valued shareholdings.

TOTAL DIRECT MUTATIONS IN EQUITY

The result is adjusted for the interest of third parties.

PRINCIPLES FOR THE CASH FLOW STATEMENT

The cash flow statement has been prepared according to the direct method, whereby a distinction is made between cash flows from pension and investment activities.

The cash consists of the movement of the items Cash and Debt with banking institutions (as part of Investment obligations).

The movements in the cash flow statement are indirectly derived from the statement of income and expenses and the balance sheet changes.

23 NOTES TO THE CONSOLIDATED BALANCE PER 31 DECEMBER 2019

ASSETS

(1) PROPERTY INVESTMENTS

As of 31 December, investment property includes:

PROPERTY INVESTMENTS (X € 1 MILLION)	31 - 12 - 2019 31 - 12 - 2018	
Direct investment property	2,101	2,030
Indirect investment property	5,194	4,268
VALUE DECEMBER 31	7,295	6,298

Investments outside the Netherlands in the investment category of indirect real estate investments

concern participations in real estate funds that are not listed on the market.

DIRECT PROPERTY INVESTMENTS

The development of direct investments in real estate is as follows:

DIRECT PROPERTY INVESTMENTS (X € 1 MILLION)	31 - 12 - 2019 31 - 12 - 2018	
VALUE 1 JANUARY	2,030	1,813
Purchases	89	156
To sell	- 136	- 80
Valuation differences and sales results	118	141
VALUE DECEMBER 31	2,101	2,030

INDIRECT PROPERTY INVESTMENTS

The development of indirect investments in real estate is as follows:

INDIRECT PROPERTY INVESTMENTS (X € 1 MILLION)	31 - 12 - 2019 31 - 12 - 2018	
VALUE 1 JANUARY	4,268	5,024
Purchases	1,828	1,978
To sell	- 1,617	- 2,678
Valuation differences and sales results	712	- 52
Other changes	3	- 4
VALUE DECEMBER 31	5,194	4,268

The value of indirect real estate investments including the end of 2019 is still too dividends received of € 13.2 million (2018: € 10.6 million to be paid). This mutation is presented under the other changes.

(2) SHARES

The shares item consists of:

SHARES (X € 1 MILLION)	31 - 12 - 2019 31 - 12 - 2018	
Listed shares	20,925	17,399
VALUE DECEMBER 31	20,925	17,399

Shares were lent at the end of 2019 with a market value of € 199 million (2018: € 170 million). Adequate collateral is provided for the risk of non-return asked and received. These securities (€ 239 million in government bonds) not included in the balance sheet. The collateral has a minimum rating of Aa3 according to Moody's or AA according to S&P. The value of shares including the end of 2019 is still too dividends received of € 27.5 million (2018: € 26.1 million). PMT closes investments in premium-contributing companies not in principle. Such investments may arise in the performance of an investment mandate and therefore serve meet all PMT investment guidelines (such as diversification). Investments in premium-contributing companies are very limited in size compared to of the total investment portfolio. This concerns in particular some Dutch subsidiaries of international companies in which the fund invests (2019: 0.03%).

LISTED SHARES

The movement in the item listed shares is as follows:

LISTED SHARES (X € 1 MILLION)	31 - 12 - 2019 31 - 12 - 2018	
VALUE 1 JANUARY	17,399	20,684
Purchases	3,329	9,362
To sell	- 4,218	- 11,295
Valuation differences and sales results	4,414	- 1,351
Other changes	1	- 1
VALUE DECEMBER 31	20,925	17,399

(3) FIXED VALUES

Fixed income securities consist of:

FIXED VALUES (X € 1 MILLION)	31 - 12 - 2019 31 - 12 - 2018	
Bonds, debenture loans and others securities	46,711	38,895
Investment institutions fixed-income securities	90	66
Mortgages	3,919	3,099
Deposits	515	545
VALUE DECEMBER 31	51,235	42,605

The value of the fixed-income securities includes accrued interest, of € 458.2 million (2018: € 430.4). The movement (€ 27.8 million) is presented under other movements. At the end of 2019, bonds were lent with a market value of € 1,108 million (2018: € 967 million). Adequate collateral is provided for the risk of non-return

asked and received. These securities (€ 1,176 million in government bonds) are not included in the balance sheet. The collateral has a minimum rating of Aa3 according to Moody's or AA according to S&P.

BONDS, DEBT SECURITIES AND OTHER SECURITIES

Movements in bonds, debenture loans and others securities is as follows:

	31 - 12 - 2019 31 - 12 - 2018	
BONDS, LOANS ON ACKNOWLEDGMENT AND OTHER SECURITIES (X € 1 MILLION)		
VALUE 1 JANUARY	38,895	32,869
Purchases	44,614	23,399
Sell and receive repayments	- 38,969	- 16,937
Valuation differences and sales results	2,143	- 410
Other changes	28	- 26
VALUE DECEMBER 31	46,711	38,895

INVESTMENT INSTITUTIONS FIXED VALUES

The movement in the item investment funds fixed-income securities is as follows:

	31 - 12 - 2019 31 - 12 - 2018	
INVESTMENT INSTITUTIONS FIXED VALUES (X € 1 MILLION)		
VALUE 1 JANUARY	66	54
Purchases	21	11
Valuation differences and sales results	3	1
VALUE DECEMBER 31	90	66

MORTGAGE LOANS

The movement in the item mortgage loans is as follows:

	31 - 12 - 2019 31 - 12 - 2018	
MORTGAGE LOANS (X € 1 MILLION)		
VALUE 1 JANUARY	3,099	2,639
Purchases	535	431
Valuation differences and sales results	285	29
VALUE DECEMBER 31	3,919	3,099

PMT has issued a commitment of € 3,500 million on mortgages. The commitment has an indefinite term. Of this amount, € 3,465 million is due in 2019 (2018: € 2,930 million).

Deposits

The deposits issued at the end of the reporting year all have a term of shorter than one year and have a high turnover rate. For this reason, the course of the deposits not specified.

(4) DERIVATIVES

The positions obtained through derivatives are shown in the balance sheet in a split way. Positive positions arising from derivative contracts are included under item derivatives (as part of the investments). The negative positions are included under the item investment liabilities (13).

As of December 31, this concerns the following positions:

DERIVATIVES (X € 1 MILLION)	31 - 12 - 2019	31 - 12 - 2018
Derivatives (4, Receivables)	6,747	2,545
Obligations regarding derivatives (13)	- 1,174	- 934
BALANCE POSITION IN DERIVATIVES	5,573	1,611

The development of the derivatives is as follows:

MUTATIONS IN DERIVATIVES (X € 1 MILLION)	31 - 12 - 2019	31 - 12 - 2018
VALUE 1 JANUARY	1,611	2,248
To sell	1,008	160
Valuation differences and sales results	2,949	- 807
Other changes	5	10
VALUE DECEMBER 31	5,573	1,611

(5) OTHER INVESTMENTS

Other investments as at 31 December include:

OTHER INVESTMENTS (X € 1 MILLION)	31 - 12 - 2019	31 - 12 - 2018
Private equity and infrastructure	5,303	4,330
VALUE DECEMBER 31	5,303	4,330

PRIVATE EQUITY AND INFRASTRUCTURE

The movement in the item private equity and infrastructure is as follows:

PRIVATE EQUITY AND INFRASTRUCTURE (X € 1 MILLION)	31 - 12 - 2019 31 - 12 - 2018	
VALUE 1 JANUARY	4,330	3,728
Investments	1,294	1,054
To sell	- 966	- 1,079
Valuation differences and sales results	645	627
VALUE DECEMBER 31	5,303	4,330

(6) TOTAL INVESTMENTS

The total investments consist of:

TOTAL INVESTMENTS (X € 1 MILLION)	31 - 12 - 2019 31 - 12 - 2018	
Investments for pension fund risk	91,505	73,177
TOTAL	91,505	73,177

(7) AMOUNTS RECEIVABLE

As at 31 December, the item receivables from investments includes:

AMOUNTS RECEIVABLE OF INVESTMENTS (X € 1 MILLION)	31 - 12 - 2019 31 - 12 - 2018	
Credit Support Annexes Claims	-	28
Short-term receivables	160	89
TOTAL	160	117

(8) OTHER ASSETS

The other assets item consists of:

OTHER ASSETS (X € 1 MILLION)	31 - 12 - 2019 31 - 12 - 2018	
Intangible assets	6	5
Tangible fixed assets	6	6
Financial fixed assets	8	12
Other receivables and prepayments	69	81
Liquid assets	3,855	5,887
TOTAL	3,944	5,991

Under the item Financial fixed assets, the participations of PMT and the Implementing organization included. It concerns the 100% interest of PMT in NV Non-life insurance Metal and Technical Industries (€ 6 million, 2018: also € 6 million) and the interest of Techniek Nederland Verzekeringen (49.44%). The importance amounts to a total of € 1 million (2018: interest of € 3 million in Combinatie Bovemij MN Services BV and € 1 million in Technology Netherlands Insurance). On March 29 In 2019, the 50% stake in Combinatie Bovemij MN Services BV was sold for one sales value of € 5.2 million. There is also another receivable under this item of the implementing organization of € 1 million accounted for as a result of a deferred tax asset.

The other receivables and prepayments have a term of less than 1 year. The first value approximates the fair value given the short-term nature of the accrued assets.

The liquid assets of € 3,855 million relate to current account positions with banks institutions, sight deposits, investments in money market funds and funds from third parties. Current accounts payable to banking institutions are included in the investment obligations. The balance of cash (assets) and debts to banking institutions amount to € 2,194 million (2018: € 2,208 million).

The funds from third parties included under cash and cash equivalents were received at year-end 2019 and paid in early 2020. The interest received or paid has been settled. On the credit side These funds are included in the balance sheet under third parties to be paid.

An amount of € 15.8 million is not freely disposable under liquid assets. Under the Financial Supervision Act, this amount must be held in connection with the capital requirements of the Mn Services companies Vermogensbeheer BV and Mn Services Fondsenbeheer BV Mn Services Vermogensbeheer In addition, BV maintains a non-mandatory market-conform buffer of € 2.1 million. Furthermore, an amount of € 1.2 million is not freely available in connection with bank guarantees issued. The remaining part of the cash is free use of the consolidated entity.

At the end of 2019, PMT had a credit facility of € 100 million with ING Bank NV. Of these will not be used at the end of 2019.

LIABILITIES

(9) GROUP CAPITAL

The movements in group equity are as follows:

GROUP CAPITAL (X € 1 MILLION)	31 - 12 - 2019		31 - 12 - 2018
INITIAL POSITION	- 427		1,966
Initial position of third-party shares	5		4
Change in share of third parties	-		1
Change via profit appropriation	- 360		- 2,393
TOTAL		- 782	- 422

As a result of the consolidation, group equity is € 5 million higher than own funds equity in the company balance sheet. The difference concerns the share of third parties in the group equity.

(10) TECHNICAL DEVICES

The item technical provisions consists entirely of the provision pension obligations for pension fund risk.

For an additional explanation of the provision for pension liabilities, please refer to the notes to the company balance sheet.

(11) OTHER AMENITIES

The item other provisions consists of the provision VPL and provisions Executive organization.

OTHER AMENITIES (X € 1 MILLION)	31 - 12 - 2019		31 - 12 - 2018
Facility VPL	2,201		1,521
Provisions Implementing organization	10		4
TOTAL		2,211	1,525

The VPL provision is intended specifically for future financing of the VPL transitional arrangement.

The development of the VPL provision is as follows:

EVOLUTION OF VPL SUPPLY (X € 1 MILLION)	31 - 12 - 2019 31 - 12 - 2018	
INITIAL POSITION	1,521	1,189
Premium received	509	483
Required for award	- 137	- 141
Storage Minimum Required Power 4.3%	- 6	- 6
Release due to reciprocity	-	- 7
Interest based on fund return	314	3
Mutation	680	332
TOTAL	2,201	1,521

For additional information about the vpl transitional arrangement, reference is made to the explanation of the company balance sheet.

The development of the Implementing Organization's provisions is as follows:

FURNITURE PROVISIONS IMPLEMENTATION ORGANIZATION (X € 1 MILLION)	31 - 12 - 2019 31 - 12 - 2018	
INITIAL POSITION	4	8
Allocation charged to the result	7	-
Release in favor of the result	- 1	- 1
Withdrawals	-	- 3
Mutation	6	- 4
SUBTOTAL	10	4
Reclassification to current liabilities	-	-
TOTAL	10	4

The Implementing Organization provision can be classified as long-term (longer than a year) brands and covers:

- provision for data transport;
- provision for claims arising from disputes with third parties;
- provision for loss-making contract;

- provision of personal training for staff members;
- provision for taxes;
- provision for reorganization.

(12) NON-CURRENT LIABILITIES

Long-term debt consists of subordinated debts and other long-term debt.

NON-CURRENT LIABILITIES (X € 1 MILLION)	31 - 12 - 2019	31 - 12 - 2018
Subordinated debt	2	4
Other long-term debt	6	6
TOTAL	8	10

[13] INVESTMENT LIABILITIES

Liabilities under investments are as at 31 December included:

OBLIGATIONS UNDER INVESTMENTS (X € 1 MILLION)	31 - 12 - 2019	31 - 12 - 2018
Credit Support Annexes	5,492	1,686
Obligations regarding derivatives	1,174	934
Banking institutions	1,661	3,679
Short-term debt	90	88
TOTAL	8,417	6,387

[14] OTHER DEBTS AND ACCOUNTING LIABILITIES

The other debts and accruals and deferred income as at 31 December include:

OTHER DEBTS AND ACCOUNTING LIABILITIES (X € 1 MILLION)	31 - 12 - 2019	31 - 12 - 2018
Payroll tax due	31	31
Sales tax payable	1	8

Trade creditors	3	4
Money to be paid from third parties	9	18
Various debts and accruals and deferred income	19	26
TOTAL	63	87

24 NOT INCLUDED IN THE BALANCE SHEET ASSETS AND LIABILITIES

At the end of 2019, PMT had a number of legal procedures surrounding the investment portfolio running due to missed returns. Based on current insights and status the value to be claimed is uncertain (2018: also uncertain) claims in 2019 are not recognized as receivables on the balance sheet.

At year-end 2019, the off-balance sheet investment obligations amounted to other investments € 3,245 million (2018: € 3,488 million). These obligations are maximum amounts that can be requested on the basis of concluded contracts deposit. The ultimate resulting investments are uncertain as to actual size and time of retrieval. For 2019 this applies to the standard portfolio, taking into account the expected withdrawals in 2019. In addition At the end of 2019, € 613 million in future liabilities is related with investment property (2018: € 408 million) and € 65 million in future PMT has issued a commitment of € 3,500 million on mortgages. This is in 2019 € 3,465 million drawn (2018: € 2,930 million).

RIGHTS AND OBLIGATIONS NOT INCLUDED IN THE BALANCE SHEET FOR THE BENEFIT OF OTHER SOCIETIES

RENTAL AGREEMENT THE HAGUE

MN has concluded a lease for the Zilveren Toren in The Hague with end of term 22 October 2028. A rent of € 6.0 million expires within 1 year. An amount of € 24.0 million will expire within 1 to 5 years. After 5 years, a total expires liability of € 23.0 million. The bank guarantee issued for the rental of the property amounts to € 1.2 million.

DATA CENTER

As of 1 August 2019, MN has an agreement with an ICT service provider for the ICT infrastructure service extended by 3 years. The costs depend on the actual performance. The estimated liability for the coming year is approximately € 3.3 million. 5.1 million will expire within 1 to 5 years.

MN has a new subordinated credit facility as of December 9, 2019 € 21 million issued by Merchant Shipping and certificate holders PMT and PME. The term of this credit facility is 5 years (with the possibility of extension up to 5 years old). This applies to the undrawn credit for this credit facility from 1 January 2020, a commitment fee of the size is due of 50 basis points per year, payable quarterly afterwards. For the benefit of this no security has been provided. The two were provided earlier on 9 December 2019 credit facilities totaling € 45 million were withdrawn. This concerned € 24 million a credit provision that, under certain conditions, was convertible to equity. The ability to convert to equity is in the new capital structure included in the new loan.

OPERATIONAL LEASE OBLIGATIONS

On 1 August 2015, MN entered into a master agreement with the right to lease enter into lease contracts for the fleet. The agreement runs until September 1 2020. The underlying lease agreements have a maximum term of 5 years, then a maximum of 160,000 kilometers. The estimated obligation for the coming year amounts to € 0.7 million in lease costs and € 0.1 million in other costs. The estimated obligation for the period 1 to 5 years is € 0.9 million lease costs and € 0.2 million other cost. The estimated liability for the period longer than 5 years is € nil.

25 RISK SECTION

In the company financial statements are the risks that PMT runs as a pension fund explained. The consolidated financial statements also include the financial position of the administration company forward.

The group's risk profile does not change compared to the simple risk profile as a result of the consolidation. The financial risks of the implementing organization are in ratio of limited size.

26 NOTES TO THE CONSOLIDATED STATE OF INCOME AND EXPENSES 2019

BATTERY

(15) PREMIUM CONTRIBUTIONS (FROM EMPLOYERS AND EMPLOYEES)

The total premium contributions in 2019 are € 2,506 million (2018: € 2,382 million).

These benefits consist of:

PREMIUM CONTRIBUTIONS (X € 1 MILLION)	2019	2018
Pension contributions	1,981	1,884
Premium VPL	509	483
ANW pension premium	16	15
VALUE DECEMBER 31	2,506	2,382

(16) INVESTMENT RESULT FOR RISK PENSION FUND

The investment result consists of:

(X € 1 MILLION)

INVESTMENT RESULT	2019	2018
Investment result for pension fund risk	13,280	61
TOTAL	13,280	61

INVESTMENT RESULT RISK PENSION FUND

The investment result (on the fund portfolio) can be specified as follows:

INVESTMENT RESULT RISK PENSION FUND (X € 1 MILLION)

INVESTMENT CATEGORY	2019			2018			
	Straight away result	Indirectly result	Cost	Straight away result	Indirectly result	Cost	Total result
Direct real estate investments	81	118	-	76	141	-	217
Indirect real estate investments	154	712	- 7	139	- 52	- 10	77
Shares	544	4,406	- 13 4,937	469-1351		- 14 - 896	

Fixed income securities	1,032 2,431	- 27 3,436	1,033-386	- 21	626
Derivatives	316 2,949	- 4 3,261	306 - 807	-	- 501
other investments	31 646	- 1 676	- 627	- 2	625
SUBTOTAL	2,158 11,262	- 52 13,368	2,023-1,828	- 47	148
Allocation of general costs to investment result		- 88			- 87
TOTAL		13,280			61

(17) OTHER BENEFITS

The other income item consists of:

OTHER INCOME (X € 1 MILLION)	2019	2018
Operating income of the implementing organization	98	101
Fine imposed	3	3
Interest	1	1
Others	-	1
TOTAL	102	106

CHARGES**(18) PENSION BENEFITS**

The benefits item is composed as follows:

DISTRIBUTIONS (X € 1 MILLION)	2019	2018
Retirement pension	1,040	1,006
Early retirement pension	116	110
Partner's pension	226	216

Orphan's pension	4	4
ANW pension	15	15
SUBTOTAL BENEFITS	1,401	1,351
Redemption sums	14	15
TOTAL	1,415	1,366

(19) EXECUTION COSTS OF PENSION SCHEME

The costs of the pension administration of € 96 million (2018: € 100 million) are exclusive of the investment costs. The investment costs are charged directly to the investment result (16).

The pension administration costs item can be split as follows (in thousands of euros) required specification):

EXECUTION COSTS PENSION SCHEME (X € 1 THOUSAND)	2019	2018
Implementation of the pension scheme	-	-
Personnel costs	104,134	105,534
Depreciation	4,176	6,431
Holiday pay for directors and committees	931	820
Vacancy fees Accountability body	100	64
Vacancy fees Supervisory Board	81	80
Other costs	74,624	74,169
SUBTOTAL COSTS	184,046	187,098
Costs attributed to investment result	- 87,595	- 86,610
	96,451	100,488
TOTAL	96,451	100,488

At year-end 2019, the pension fund had a self-employment of 38 employees (2018: 35). All employees perform their duties in the Netherlands at the location of the fund or at decentralized locations. In addition to the board, the fund has 14 policymakers or -advisors, 16 pension consultants (including manager) and 8 other employees supporting functions.

The implementing organization has an average of 986 employees (2018: 985 employees) who all carry out their activities in the Netherlands.

The fee for the board and committees of the pension fund. The compensation for the directors of the implementing organization is stated under personnel costs.

Under other costs, € 140,000 is accounted for as audit costs audit procedures on the financial statements by Ernst & Young.

(20) MUTATION FOR THE PROVISION OF PENSION OBLIGATIONS FOR RISK PENSION FUND

In 2019 the provision for pension liabilities increased by € 13,994 million (2018: € 2,974 million increased). The fall in market interest rates in 2019 will lead to an increase of the provision by € 13,164 million (2018: € 3,461 million increase).

At the end of the year, the provision will in principle be increased by the additional premiums were granted in the next reporting year. The surcharges are applied if and insofar as the funds of the fund allow this in the opinion of the board. The board of PMT makes an annual decision on this. Given the financial position of PMT, the pensions of active people on the one hand and non-active and pensioners on the other not increased by price inflation at year-end 2019.

(21) MUTATION OTHER PROVISION

The movement in other provisions consists of the movement in provision VPL. In 2019, the movement of the liability related to VPL € 680 million (2018: € 332 million).

(22) BALANCE OF RIGHTS

The settlement of new value transfers depends on the amount of the policy funding ratio. The policy policy funding ratio dropped from 1 September 2019 of PMT settlement of value transfers no longer allowed. The balance of duties in 2019 amounts to € 51 million negative (2018: € 158 million negative). The balance of duties consists of € 45 million incoming and € 96 outgoing value transfers.

The other charges include:

OTHER EXPENSES (X € 1 MILLION)	2019	2018
Movement of the provision for bad debts	3	3
Others	6	10
TOTAL	9	13

**[24] SHARE IN RESULT OF NON-CONSOLIDATED COMPANIES
IN WHICH PARTICIPATION IS TAKEN**

The result concerns the participations Combinatie Bovemij Mn Services BV (CBM) and Technology Netherlands Insurance. The result is rounded off to € 2 million.

[25] TAXES

This change concerns the tax burden in the consolidated result of Mn Services NV. Rounded off, the tax burden is € 5 million negative.

[26] TOTAL DIRECT TRANSACTIONS IN EQUITY

This movement concerns the minority interest of third party shares in the consolidated result of Mn Services NV. The result is rounded off to € 0 million.

27 EVENTS AFTER BALANCE SHEET DATE

The current Covid-19 outbreak has a major impact on the global economy and on the financial situation of the fund. More specifically, it has an impact on value and returns on the investment portfolio and therefore on the funding ratio. The foundation and MN keep a close eye on developments and financial consequences and are responsible for it close contact with each other. Several employers find themselves in the Covid-19 outbreak acute liquidity problems. The fund meets these employers by renewal of the payment term of the pension contributions. The fund's liquidity position is for the time being sufficient to pay the pension benefits.

Stock prices plummeted from March 2020 onwards due to investors' fears the economic damage that the Covid-19 virus can cause. Had earlier Also the very sharp fall in the oil price has a negative impact on the prices. because of this the funding ratios have fallen further.

The Fund's operational activities, including pension administration and asset management management continue. The fund and MN are well prepared for the tightening measures imposed by RIVM. Where possible, work is done from home.

Following the developments, PMT has a financial statement in accordance with the crisis plans crisis team formulated. This team meets (digitally) at least once a week and has a mandate from the board to take decisions quickly. The crisis team consists of board members, supported by the board office and specialists from MN.

The financial crisis team follows market developments and examines whether PMT should take action undertake to make adjustments. In doing so, PMT continues to adhere to the principles from the strategic investment policy, the established bandwidths, procedures and mandates. After all, very negative factors have also been taken into account in the preparation scenarios. The emphasis will continue to be on the fact that PMT is a long-term investor in combination with a good and fast follow-up of market developments to take action come if necessary.

The non-financial aspects, including the operational progress of the critical business processes of the pension administration are entrusted to the daily management and the Pensions Committee. The executive board consults at least twice a week, supported by the management and employees of the executive office and where necessary MN specialists.

28 OTHER EXPLANATORY NOTES

SEGMENTATION OVERVIEW PER 31 DECEMBER 2019	Retirement- fund	Implementation organization MN	Reclass	Elimination Participation MN	Elimination Intercompany	Consolidated
ASSETS						
Investments for pension fund risk	91,505					91,505
Participation	18	1	- 19			0
Receivables from investments	160					160
Other receivables and accruals assets	97	14	- 101		- 10	0
Cash and Other Assets	3,759	109	120	- 12	- 32	3,944
TOTAL	95,539	124	0	- 12	- 42	95,609
LIABILITIES						
Group equity	- 787	23		- 12	- 6	- 782
Technical equipment	85,692					85,692
Other provisions	2,201	10				2,211
Long-term debt	0	14			- 6	8
Obligations under investments	8,403	14				8,417
Other debts and accruals liabilities	30	63			- 30	63
TOTAL	95,539	124	0	- 12	- 42	95,609
BATTERY						
Premium contributions	2,506					2,506
Investment result	13,325		- 82		37	13,280
Result of participation	1	2		- 1		2
Other income	4	178			- 80	102
TOTAL	15,836	180	- 82	- 1	- 43	15,890
CHARGES						
Pension benefits	1,415					1,415
Implementation costs	48	173	- 82		- 43	96
Change in technical provisions	13,994					13,994
Change in other provisions	680					680
Balance of rights	51					51
Other expenses	8	1				9
TOTAL	16,196	174	- 82	0	- 43	16,245
RESULT FOR TAX)	- 360	6	0	- 1	0	- 355
Taxes	0	- 5	0	0	0	- 5
RESULT (AFTER TAX)	- 360	1	0	- 1	0	- 360

Both Pensioenfond Metaal en Techniek and Mn Services NV perform their duties work in the Netherlands. Given the small size of Mn Services NV, none further segmented disclosure needed.

OVERVIEW OF THE CONSOLIDATION INVOLVED SIGNIFICANT CAPITAL INTERESTS

ENTITIES	LOCATION	IMPORTANT	CORE ACTIVITY
Stichting Pensioenfonds for the Metal and Technology	Rijswijk	100	Industry pension fund
Mn Services NV (consolidated)	The Hague	78.33	Implementing company

The Hague, May 6, 2020

The board

JPM Brocken,
chairman on behalf of the employees
and pensioners

M. Hulsegge
GPMJ Rust
J. van Stigt

KB of Popta,
on behalf of the employers

DF Dijkhuis
RJBM Follon
AA Jaarsma
TW Comfort
BHFB de Vries

On behalf of the pensioners:
PD Amels
JJP Schouten

OTHERS

DATA

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STATUTORY ARRANGEMENT

There is no provision regarding the allocation of the balance of income and expenses included in the fund's articles of association. The proposal for the distribution of the result 2019 is included in the statement of income and expenditure.

It is proposed to withdraw € 22 million from the assigned reserve and the balance to be charged to the general reserve of € 338 million. This proposal is in the balance processed.

ACTUARIAL STATEMENT

ORDER

By Pensioenfonds Metaal en Techniek in The Hague, Mercer (Nederland) BV been instructed to issue an Actuarial Declaration as referred to in the Pension Act for the 2019 financial year.

INDEPENDENCE

As a certifying actuary, I am independent of Pensioenfonds Metaal and Technology, as required in accordance with Article 148 of the Pension Act. I do not perform any other activities for the pension fund, other than activities under of the actuarial function. Because Mercer (Nederland) BV has a by supervisor approved code of conduct, other actuaries are permitted and experts affiliated with Mercer (Nederland) BV do other activities for the pension fund.

DATA

The data on which my research is based has been provided and compiled has come under the responsibility of the board of the pension fund. For the assessment of technical provisions and for the assessment of the I based my financial position on the underlying financial data are due to the annual accounts.

CONSULTATION ACCOUNTANT

On the basis of the Guide used by me and the accountant, there is coordination the work and expectations on the audit of the financial year. For testing technical provisions and for assessment of the financial position as a whole, I set the materiality at 171 million (0.2% of the technical provisions as at 31 December 2019). With the accountant I agreed to report any discrepancies found above 8 million. These agreements have been laid down and the results of my findings are with the accountant discussed.

I also made use of the audit procedures provided by the auditor in the context of the audit of the financial statements audited basic information. The accountant of the pension fund has informed me of its reliability findings (material correctness and completeness) of the basic data and the other principles that are important to my judgment.

ACTIVITIES

In accordance with my legal responsibility, I carry out the assignment as described in Article 147 of the Pensions Act, investigated whether the Articles 126 to 140 of the Pension Act. The provided by the pension fund basic data are such that I use that data as the starting point of the information provided by me accepted graded calculations.

As part of the work for the assignment, I investigated whether:

- the technical provisions, the Minimum Required Equity and the Required Equity Assets are adequately determined;
- the cost-effective premium meets the statutory requirements;
- the investment policy is in accordance with the prudent-person rule.

I have also formed an opinion on the capital position of the pension fund. In doing so, I based myself on the commitments entered into up to and including the balance sheet date and the resources available at that time and is also the financial policy of the pension fund taken into account.

I conducted my research in such a way that it provides a reasonable degree of certainty Obtained that the results are free from material misstatement.

The described activities and their implementation are in accordance with the standards and customs applicable within the Royal Actuarial Society, and forms in my opinion a sound basis for my judgment.

JUDGMENT

The technical provisions are in accordance with the calculation rules described and principles, as a whole, are adequately established. The own capacity of the pension fund on the balance sheet date is lower than the statutory Minimum Requirement Equity.

Subject to the foregoing, I am convinced that the Articles 126 to 140 of the Pensions Act, with the exception of Articles 131, 132 and 133 that are not met due to negative equity.

The policy funding ratio of the pension fund on the balance sheet date is lower than the funding ratio at the Minimum Required Equity. This situation exists before six consecutive years from the first measurement moment at the end of 2014. This has been determined by preconditions by ministerial order of 11 December 2019 exemption can be granted from the number of six measurement moments. In that case only then after seven successive measuring moments below the limit of the

minimum required equity (emergency) measures to be taken in order to be able to do so again dispose of this equity. The pension fund has used the exemption, where the preconditions are met

My opinion on the financial position of Pensioenfonds Metaal en Techniek is based on the commitments entered into up to and including the balance sheet date and those at that time resources present. The asset position is bad in my opinion because it available equity is less than the Minimum Required Equity.

In the context of this opinion, I refer to developments after the balance sheet date as a result of the Corona crisis, as explained by the pension fund in the annual report.

Amstelveen, May 6, 2020

ir. MW Heemskerk AAG
affiliated with Mercer (Nederland) BV

STATEMENT OF AUDIT OF THE INDEPENDENT ACCOUNTANT

To: the board and the supervisory board of Stichting Pensioenfonds Metaal en Techniek

STATEMENT ON THE INCLUDED IN THE ANNUAL REPORT FINANCIAL STATEMENTS 2019

OUR JUDGMENT

We have the 2019 financial statements of Stichting Pensioenfonds Metaal en Techniek te The Hague checked.

In our opinion, the financial statements included in this annual report give a true and fair view the size and composition of the assets of Stichting Pensioenfonds Metaal and Technology on December 31, 2019 and the result for 2019, in accordance with Title 9 Book 2 BW.

The annual accounts consist of:

- the company and consolidated balance sheet as at 31 December 2019;
- the statutory and consolidated statement of income and expenditure for 2019;
- the explanation with an overview of the accounting policies used reporting and other disclosures.

THE BASIS FOR OUR JUDGMENT

We conducted our audit in accordance with Dutch law, including

the Dutch audit standards fall. Our responsibilities on ground of these are described in the section Our Responsibilities for Auditing the yearbill.

We are independent of Stichting Pensioenfonds Metaal en Techniek (hereinafter: PMT) as required by the Audit Firms Supervision Act (Wta), the Ordinance on the independence of accountants for assurance engagements (ViO) and others for the order relevant independence rules in the Netherlands. We have also complied to the Regulation on rules of conduct and professional rules for accountants (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our opinion.

MATERIALITY

MATERIALITY € 338 million

APPLIED BENCHMARK 0.4% of the pension assets as at 31 December 2019, being the total of the provision for pension liabilities for risk pension fund and the general reserve.

EXPLANATION

We have chosen this basis because it is the capital concerns that it forms the basis for the calculation of the (policy) funding ratio. We paid attention to determining the percentage on the financial position of PMT and the extent to which the policy funding ratio is around a critical limit. Since there is a recovery situation in which the policy funding ratio per year-end is lower than the minimum required funding ratio, we have a percentage of 0.4%. The way in which we have determined materiality has not changed from previous financial year.

We also take into account deviations and / or possible deviations that come to our opinion for the users of the financial statements are material for qualitative reasons.

We have agreed with the Supervisory Board and the Executive Board that we are to the Board of oversight and management found during the audit above report the € 8 million and minor deviations that we believe to be qualitative reasons are relevant.

At the request of the board, we have to audit the pension administration costs determined a lower performance materiality, namely € 3 million, and we are agreed that we would advise the board and the supervisory board for this particular report any deviations found above € 300,000.

SCOPE OF THE AUDIT

PMT holds an interest in Mn Services NV, which is involved in the consolidation of PMT. Mn Services NV is the asset manager and administrator of the pension scheme of PMT. The financial information of all the activities of PMT and Mn Services NV is included in the annual accounts of PMT.

The audit focused in particular on the significant activities:

- asset management;
- pension management;
- actuarial profession;
- financial administration;
- management and supervision.

We used another accountant to audit the activities on asset management, pension management, actuarial and financial administration and the financial information resulting therefrom, used for the preparation of the financial statements of PMT. Given our ultimate responsibility for the judgment we determine the nature and scope of the work to be performed, taking into account with the size and risk profile of these activities, and these are laid down in instructions. In addition, we have carried out a quality review with regard to the performed activities and the results thereof.

Combined through the above activities in the significant activities with independently performed work at the total level, we have sufficient and appropriate audit evidence related to the financial information as a whole obtained to give an opinion on the annual accounts.

THE KEY POINTS OF OUR CONTROL

In the key audit matters, we describe matters that concern our professional were the most important during our audit of the financial statements. We have the key points of our audit with the Supervisory Board and the Executive Board communicated, but are not a complete representation of everything that has been discussed. The key audit matters have not changed compared to the previous year.

We determined our audit procedures on these key audit matters in the context of the audit of the financial statements as a whole. Our findings regarding the individual key points should be seen in that context and not as separate ones judge these key points.

DEVELOPMENT OF THE (POLICY) COVERAGE

RISK

The solvency of a pension fund is measured on the basis of the funding ratio. The funding ratio brings the ratio between (net) assets and pension obligations to expression and is therefore an indicator of the financial position of a pension fund. The policy funding ratio is the average funding ratio of the twelve months prior at the time of adoption.

PMT is legally obliged to use the policy funding ratio as the basis for certain policy decisions, for example regarding indexation and discounts. In addition, the policy degree of coverage is important, among other things, to determine whether PMT has sufficient buffers. The funding ratio and the policy funding ratio are explained in note 13 and under the solvency risk in the risk section of the financial statements. This shows that policy coverage degree for five connected years is lower than the minimum required equity and that PMT makes use of the options offered by the Minister of Social Affairs and Employment

possibility of exemption for one year from the reduction of pension entitlements and rights.

The risk taken into account in our audit of the financial statements is that the (policy) funding ratio is not correctly determined and that there is no pension reduction based on the exemption offered is not adequately explained.

OUR CONTROL- APPROACH

We check the constituent parts of the funding ratio by checking the balance sheet. We also have the balance sheet and thus the funding ratio as at 31 December 2019 checked the use of the activities of the certifying actuary. We have the developments in the financial position of PMT assessed on the basis of the actuarial report of the certifying actuary and our audit of the annual figures. Because of the sensitivity of we have paid specific attention to the valuation of the (illiquid) investments and the valuation of technical provisions. The work we do in this framework are described in the key points below.

We do not audit monthly funding ratios other than the funding ratio at the end of the financial year. With regard to other monthly funding ratios, we have the following reviews work that provides less assurance than a twelve-month audit funding ratios:

- We have set up the process of establishing the calculation of the monthly funding ratio examined as well as the correct monthly allocation of so-called key items established. No key items have been identified for 2019.
- In addition, the certifying actuary performed a plausibility test on the development of the funding ratio during the year in relation to the developments in the main factors, such as the yield curve. We have taken note of the outcome of these activities present of the certifying actuary.

We also assessed whether the disclosures regarding the application by PMT of the possibility of a one-year exemption from lowering pension entitlements and rights are adequate.

IMPORTANT OBSERVATIONS

We have not found any material deviations in determining the funding ratio and the policy funding ratio as at 31 December 2019 and we consider the disclosures related to the absence of a pension reduction based on the exemption offered by the minister of Social Affairs and Employment adequate.

VALUATION AND EXPLANATION OF INVESTMENTS (NOT LISTED) ON THE STOCK

RISK

The investments are a significant item on PMT's balance sheet. All investments must be made under the Pension Act must be valued at market value. For a large part of the investments is to verify this market value on transactions that have been concluded on the financial markets (market prices). There are also investments that are valued on the basis of independent appraisals, net present value calculations or other suitable method, including the net asset value per participation for positions in unlisted and listed funds.

The valuation uncertainty inherently increases with (independent) appraisals and net cash value calculations and is related to the availability and applicability of market data. At PMT, this includes positions in direct real estate and derivatives.

The positions in unlisted (listed) funds, in particular private equity, infrastructure and indirect investment properties, as well as mortgages, are inherently relatively high valuation uncertainty because the value is derived from the most recent reports of the fund managers adjusted for cash flows up to the balance sheet date.

PMT has described the accounting principles for the investments in the accounting policies for the balance sheet under investments and a more detailed description included in notes 2 to 7 and under the risk market value determination in the risk section of the financial statements. From this disclosures show that as of December 31, 2019, € 2,101 million was invested in direct real estate, € 6,747 million in derivatives, € 4,889 million in private equity, € 414 million in infrastructure, € 1,675 million in unlisted (listed) indirect real estate and € 3,919 million in mortgages-funds. This concerns 21.6% of the total investments.

The risk taken into account in our audit of the financial statements is that the non-(listed) investments are not correctly valued and that the notes do not meet relevant reporting requirements.

OUR CONTROL- APPROACH

We have assessed the accounting principles used and audit procedures carried out on the valuation of the investments as at 31 December 2019.

- For the positions in direct real estate, we have the internal controls of the appraisal process and using independent real estate specialists for a selection of objects, the independent appraisals and the starting points used tested on the basis of market data (bandwidths).
- For positions in unlisted (listed) funds (indirect real estate, private equity and infrastructure), we established the connection with a partial observation the most recent (unaudited) reports of the fund managers, where applicable adjusted for cash flows up to the balance sheet date, as well as back testing (with audited financial statements) and the effectiveness of the monitoring procedures of the executive organization examined.
- We have the connection for the position of the unlisted (listed) mortgage fund determined with the audited reporting of the fund manager and determined whether the chosen valuation basis and the main assumptions are in line with the foundations of PMT.
- We have adopted internal controls for the positions in derivatives valuation process and using independent valuation experts for a selection of derivatives the valuation and the assumptions used tested.

We also assessed whether the disclosures regarding the investments are adequate.

IMPORTANT OBSERVATIONS

We have not identified any material deviations with regard to the valuation of non-(stock exchange) listed investments as at 31 December 2019 and the related notes in the Financial Statements.

RISK

The technical provisions, including the provision for pension obligations, concern a significant item in PMT's balance sheet. The technical provisions must be provided under the Pension law to be valued at market value. The valuation is sensitive to the (actuarial) assumptions and estimates used. Here lies a number of important conventions, namely that the valuation is based on the interest rate term structure published by DNB as well as the most recent information (tables) about life expectancy, as published by the Royal Actuarial Society (AG). PMT uses the PMT to determine the provision for pension obligations Forecast table, PMT2018. This is a fund-specific derivation of the AG Forecast Table 2018, in which the survival rates from the prognosis table are corrected for age-dependent correction factors as a result of internal (fund-specific) mortality survey. These assumptions together with the amount of the cost surcharge, which also includes estimates on a basis, had special attention in our audit.

PMT has described the accounting principles for the provision for pension liabilities in the principles for the balance sheet under the technical provisions of the financial statements and a further description included in note 15.

The risk taken into account in our audit of the financial statements is that the technical provisions are not adequately valued or explained.

**OUR CONTROL-
APPROACH**

In the audit of the technical provisions, we made use of the services of the certifying actuary of PMT. Among other things, the certifying actuary examines the adequacy of technical provisions and compliance with some specific laws. The certifying actuary made use of the information provided by us. Basic data examined in the context of the audit of the financial statements, including the pension entitlements of participants. Given our ultimate responsibility for the assessment of the results as a whole, we have our planning, activities, with the certifying actuary expectations and outcomes aligned for the audit for the 2019 financial year specifically requested attention for the mortality test based on the PMT prognosis table, the adequacy of the cost surcharge and the application of DNB's published interest rate term structure.

We have assessed the accounting principles used and audit procedures carried out on the valuation of the provision for pension liabilities as at 31 December 2019.

- To this end, we have formed a picture of the reasonableness of the assumptions and estimates of the board with regard to the chosen actuarial principles, as well as the results of the actuarial accounting policies and the applied accounting policies discussed with the certifying actuary.
- We hereby take into account the opinion of the certifying actuary and with using our own actuarial specialist in view of the decision-making of the board, the recentness of available foundations research, the assessment of the substantiation of the assumptions contained therein, the results of available interim evaluations, the results of the actuarial analysis over several years and the presence of a consistent course of action.
- In addition, we performed audit procedures to verify the basic data used testing, including evaluating the proper functioning of internal controls the pension administration organization, performing connection work with the pension administration with regard to the numbers and entitlements and the assessment of the course and results of the actuarial analysis.

We also examined the explanations with regard to the technical provisions.

**IMPORTANT
OBSERVATIONS**

We have not found any material deviations with regard to the valuation per December 31, 2019 or the explanation of the technical provisions.

EMPHASIZING THE EFFECTS OF THE CORONA OUTBREAK FOR THE PENSION FUND

The developments surrounding the Corona (Covid-19) virus have a major impact on the health of people and our society, including operational and financial performance of organizations and assessment of the ability to maintain continuity. The financial statements and our auditor's report thereon are based on the conditions as they are drawn up. The situation changes from day to day. PMT also has to deal with the consequences as described set in The ambitions of PMT (management report) under Outlook and in the notes to the financial statements with regard to events after the balance sheet date. We establish the attention to these statements.

Our opinion has not been modified as a result of this matter.

STATEMENT ON THE INCLUDED IN THE ANNUAL REPORT OTHER INFORMATION

In addition to the financial statements and our auditor's report thereon, the annual report includes others information, which consists of:

- the management report ('The ambitions of PMT')
- the other information;
- other information, consisting of the foreword, profile, key figures, accountability and supervision, organization and glossary.

Based on the activities below, we believe that the other information:

- is compatible with the financial statements and does not contain material misstatements;
- contains all information required by Title 9 Book 2 of the Dutch Civil Code.

We have read the other information and based on our knowledge and our understanding, obtained from the audit of the financial statements or otherwise, considered or the other information contains material misstatements. With our work we met the requirements in Title 9 Book 2 of the Dutch Civil Code and Dutch Standard 720. These procedures do not have the same depth as our audit procedures the yearbill.

The board is responsible for preparing other information, including the management report and other information in accordance with Part 9, Book 2 of the Dutch Civil Code.

DESCRIPTION OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

RESPONSIBILITIES OF THE BOARD AND SUPERVISORY BOARD FOR THE FINANCIAL STATEMENTS

The board is responsible for drawing up and faithfully reproducing the financial statements in accordance with Title 9 Book 2 of the Dutch Civil Code. The board is in this context responsible for such internal control as the board deems necessary to enable the preparation of the financial statements without deviations from material interest due to errors or fraud.

When drawing up the annual accounts, the board must consider whether PMT is capable to continue its activities in continuity. Based on mentioned reporting system, the board must prepare the annual accounts on the basis of the going concern assumption, unless the board intends to use PMT liquidate or terminate the activities or as termination the only realistic alternative. The board must be ready for events and circumstances there could be doubt as to whether PMT can continue its activities, notes in the financial statements.

The board's decision to adopt the annual accounts is subject to the approval of the supervisory board.

OUR RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our responsibility is to plan and perform an audit engagement in this way that we thereby obtain sufficient and appropriate audit evidence for our audit judgment to be issued.

Our audit was performed with a high, but not absolute, degree of certainty which means that during our audit we may not detect all material errors and discover fraud.

Deviations can arise as a result of fraud or errors and are material if it can reasonably be expected that, individually or jointly, from may affect the economic decisions users make based on this take annual accounts. Materiality affects the nature, timing and extent of our audit procedures and evaluation of the effect of identified misstatements on our judgment.

We have performed and have performed this audit professionally and critically where relevant professional judgment applied in accordance with the Dutch auditing standards, ethical requirements and independence requirements.

Our audit included:

- identifying and assessing the risks that the financial statements differ from due to errors or fraud, it contains in response to these risks determining and performing audit procedures and obtaining audit information that is sufficient and appropriate to provide a basis for our opinion. It is with fraud greater risk of non-detection of material misstatement than with error. Fraud can involve collusion, forgery, deliberate Failure to record transactions, deliberately misrepresenting or breaking through internal control;
- obtaining insight into the internal control that is relevant for the audit with to select audit procedures that are appropriate in the circumstances. These activities are not intended to express an opinion on the effectiveness of PMT's internal control;
- evaluating the appropriateness of the accounting policies used for financial purposes reporting and evaluating the reasonableness of estimates by the board and the disclosures in the financial statements;

- determining that the going concern assumption used by the board is acceptable. Also determine it on the basis of the audit evidence obtained whether there are events and circumstances through which reasonable doubt could arise whether PMT can continue its activities in continuity. If we conclude that there is a material uncertainty, we are obligated to pay attention in our auditor's report on the relevant related disclosures in the yearbill. If the disclosures are inadequate, we need our statement to adjust. Our conclusions are based on the audit evidence obtained until the date of our auditor's report. Future events or circumstances, however, may cause PMT to cease continuity can maintain;
- evaluating the presentation, structure and content of the financial statements and the statements contained therein included disclosures;
- evaluating whether the financial statements give a true and fair view of the underlying transactions and events.

Given our ultimate responsibility for the judgment, we are responsible for the direction, supervision and execution of the audit of the annual accounts as a whole. In this context, we have determined the nature and scope of the work to be carried out activities for the various activities of the pension fund. Determinative here are the size and / or the risk profile of the activities. On this basis have we selected the activities requiring an audit or assessment of the complete financial information or specific items were necessary.

We communicate with the supervisory board and the board, among other things, about the Planned Scope and Timing of the Audit and Significant Findings
Our audit has been identified, including any significant deficiencies in internal control.

We confirm to the Supervisory Board and the Board that we have the relevant ethical have complied with independence regulations. We also communicate with the Supervisory Board and the Board of Directors for all relationships and other matters that are reasonable affect our independence and related matters measures to ensure our independence.

We determine the key elements of our audit of the financial statements based on all matters that we discussed with the supervisory board and the board. We describe this key audit matters, unless prohibited by law or regulation or in exceptionally rare circumstances when it is not stated in the interest of social interaction.

Amsterdam, May 6, 2020

Ernst & Young Accountants LLP
Signed A. Snaak RA

GLOSSARY

GLOSSARY

Actuarial premium required

The actuarially required premium indicates the actuarial value of the purchases to be made pension entitlements (as agreed in the administration agreement) on the basis of the current interest rate term structure (RTS).

Asset & Liability Management (ALM)

Aligning the investments, the obligations and the premiums surcharge policy. An ALM study is used to assess long-term financial policy optimize based on different economic scenarios.

ANW Pension

Voluntary death insurance (choice of three fixed pension amounts), part of the Metal and Technology pension scheme.

Asset mix

Investment portfolio composition; for example shares, bonds and real estate.

Policy funding ratio

The moving average of the current funding ratios over the last 12 months (see also 'Cover ratio').

Benchmark

An objective yardstick with which the investment result is compared.

Pension Funds Code

The Pension Funds Code is the framework of requirements, norms and values for good pension fund board. The Code includes requirements for pension funds in the area of transparency, accountability, internal supervision and control.

Participants and former participants

People who actively build up pension with PMT and pensioners (people who have a receive pension benefits from PMT). Former participants are participants who are in the have built up a pension with PMT but are no longer working in the sector, also called ex-participants.

Coverage

The funding ratio indicates how 'healthy' a pension fund is. It is the relationship between the assets (assets) of a fund and the pension obligations: all now and then pensions to be paid in the future. A coverage ratio of 100% means that there is every euro to be paid is exactly one euro in cash. The pension fund can

then exactly meet its current and future obligations. Is the funding ratio lower, for example 90%, there is for every euro to be paid only 90 euro cents. So not enough. This situation is also referred to as a funding shortfall.

There are different types of funding ratios that control the financial position of PMT is assessed:

- Current coverage ratio
- Policy funding ratio
- Required funding ratio
- Minimum required funding ratio
- Premium coverage ratio

The current funding ratio is determined weekly and reported monthly to DNB: every month we look at the relationship between the fund's assets and the pension liabilities. This funding ratio is updated every month on the PMT [website](#) published.

The policy funding ratio is the average of the current funding ratios of the last 12 months. The policy funding ratio is leading for a pension fund. On this basis, it is determined whether the buffers (see the required funding ratio) of the pension fund are sufficient.

The required funding ratio indicates the minimum amount of money the pension fund will invest must have cash in order to fulfill its obligations now and in the future: the obligations plus the buffer. The required funding ratio is for PMT (rounded) 119%. If the policy funding ratio falls below the required funding ratio, the pension fund has insufficient reserves in cash. This is called a reserve shortage. A pension fund must then submit a recovery plan to supervisor De Nederlandsche Bank (DNB). This must indicate how the pension fund recovers to the required funding level within 10 years.

The minimum required funding ratio indicates the required buffer required to achieve a prevent unconditional lowering. As the policy funding ratio below there is a funding shortfall. The fund then has too little capital to be able to pay out pensions in the future. As the policy funding ratio it must remain below the minimum required funding ratio for 5 years pension fund to reduce accrued pension entitlements. After the reduction, the policy funding ratio equal to the minimum funding ratio required. PMT has one minimum required funding ratio of 104.3%.

The premium coverage ratio indicates to what extent the premium actually paid in a year is sufficient to finance the new pension accrual. A premium coverage ratio 100% therefore means that for every euro the costs of purchasing the construction are one euro premium is paid.

De Nederlandsche Bank (DNB)

DNB provides independent (prudential) supervision of pension funds.

ESG (referred to in English as Environmental, Social and Governance criteria)

Criteria in the field of environment, society and corporate governance.

Franchise

The amount that determines from which part of the salary pension accrual takes place.

Financial Assessment Framework (FTK) / New Financial Assessment Framework (nFTK)

The financial assessment framework is part of the Pension Act and sets regulations premium level and the size of the reserves to be held.

Muted cost-effective premium

This is the cost-effective premium that is determined based on a form of damping based on a method to detect large fluctuations in the level of the pension contribution appearance. See also the general definition of 'cost-effective premium'.

Generation pact

Scheme with the aim of making older employees work less for one partial financial compensation that creates space for younger employees to recruit.

Feasibility test

PMT is obliged to perform a so-called feasibility test every year. With this test determines whether - within the limits set by the board - the expected pension results are achieved in different economic scenarios over one sixty-year period. If the limits are exceeded, PMT must take social measures partners consult about possible measures.

Recovery plan

A recovery plan shows how the funding ratio will be during the recovery period developed to meet the requirements at the end of the prescribed period required funding ratio.

High-yielding securities

Higher risk fixed income securities, also known as 'high yield'. Also see "fixed income securities".

Indexation (indexation)

The increase by the pension fund of the already accrued pension rights for the preservation of purchasing power. The pension benefits then become periodic - usually annually - adjusted to the increase in wage or price level (inflation). PMT makes use of the price index. Conditional indexation applies to PMT: dependent PMT reviews the financial position of the pension fund annually or (in part) supplements can be granted.

ISAE 3402

International Standard for Assurance Engagements: Internationally Accepted auditing standard of the American Institute of Certified Public Accountants (aicpa). An ISAE 3402 statement indicates that the internal control process is adequate is designed.

Cost-effective premium (general definition)

The premium required for the purchase of new pension obligations, the surcharge for maintaining the required equity, a cost premium and (possibly) a premium for conditional indexation.

Wage index

The level of wages on January 1 of any year compared to January 1 of the corresponding previous year. This index is based on the general provisions laid down in the collective labor agreement wage developments in the Metal and Technology industry and the Metalektro industry jointly. The average wage development concerns the cumulative collective labor agreement increase in the Metal and Engineering and Metal Electro industries in the period from 1 January to 1 January of the previous calendar year divided by 2. Rounding takes place at two decimal places.

Matching portfolio

PMT divides the investment portfolio into a matching portfolio and a return portfolio. The matching portfolio is used to build capital for the nominal pension. These investments have a relatively low risk and a limited amount expected return. The matching portfolio contains investments that increase in value as interest rates fall. This is necessary to limit the interest rate risk.

Nominal pension

A pension that remains the same after the start of the benefit and is not indexed or is called the nominal pension. Pension that is indexed or increased is a fixed value pension.

Build-up percentage

The accrual percentage is the percentage of the pension basis with which per year of participation and / or service the pension entitlement to be accrued is determined.

Over-yielding

PMT has a long-term objective for the excess return of 1.5% on average per year. This means that the return on the long-term investments annually should on average be 1.5% higher than the change in liabilities, valued at market value.

Partner's pension (survivor's pension)

Lifelong benefit to a surviving partner from the death of the participant.

Pensionable earnings

The upward rounded portion of the pensionable annual salary up to euros the salary limit minus the offset. If the offset is equal to or higher than it pensionable annual salary, the pension basis is set to zero.

Pension accrual

The amount or percentage with which annual pension is built up before it reaches benefit comes.

Premium coverage ratio

The premium coverage ratio indicates to what extent the premium actually paid in a year is sufficient to finance the new pension accrual. A premium coverage ratio 100% therefore means that for every euro the costs of purchasing the construction are one euro premium is paid. The premium coverage ratio is calculated as follows place: the quotient of the actual premium paid (after deduction of costs) and on the other hand, the actuarially required premium based on the current interest rate term structure (RTS).

Price index

The level of prices on July 1 of any year compared to July 1 of the corresponding previous year, according to the CBS statement of the consumer price index for all households (derived).

Private equity

Investment category in which investments are made in shares of non-stock exchange listed companies.

Prudent person principle

Pursuant to the prudent person rule in Article 135 of the Pension Act, pension funds must investing in the interests of persons entitled to benefits and pension. This is also called Called 'good house paternity': pension funds must pay the contributions that have been deposited on one invest carefully.

Actuarial interest

The interest published by DNB on the basis of which the value of the provision pension liability is calculated.

Efficiency

The direct and indirect investment income. This can be interest (for bonds), dividend (for shares) or the increase or decrease of the market value of the assets of a pension fund.

Interest rate term structure (RTS)

Graph showing the relationship between the life of a fixed-income investment on the one hand and the market interest to be received on the other. the Dutch bank (DNB) publishes the RTS (based on the swap curve) every month for the benefit of the

calculation of the amount of the obligations by the Dutch pension funds.

Return portfolio

PMT divides the investment portfolio into a matching portfolio and a return portfolio. With the return portfolio, PMT works on the capital for a fixed value retirement. The granting of any indexation depends (under normal economic circumstances) closely related to the development of this portfolio. The expected return on these investments is higher than the expected return on the matching portfolio. However, there is a higher risk.

Ultimate Forward Rate (UFR)

The Ultimate Forward Rate is a risk-free actuarial interest rate for long-term contracts, in which Due to the long duration, insufficient trade exists. A Dutch name could be the 'long-term interest rate'.

Fixed income securities

Investments of which periodic payments in the form of interest and repayment contractually established. The best known examples are government bonds (government bonds) and companies (corporate bonds).

Obligation

Regulations whereby social partners from an industry ask the Minister of SZW all have employees from that industry obliged to join a pension fund the industry.

Pension obligations provision (VPV)

The amount that must be present with a pension fund to be able to participate together with the contributions still to be received in the future to the existing pension obligations to meet. It concerns the present value of all expected future retirement benefits arising from the claims of both active and sleepers as retirees. In a legal context this is also called the term technical facility used.

Valuable pension

PMT strives for a pension that is as stable as possible. That means PMT is trying to increase pensions annually based on the development of inflation, based on the price index so that the purchasing power of the pension benefits remains the same. This is only possible if PMT's financial position allows this.

Z score

A measure of the degree to which the actual return of a pension fund deviates of the return on the standard portfolio determined by the board. A positive one z-score indicates that the return was higher than that of the norm portfolio. The performance test concerns the cumulative Z score over the past five years.

Pure cost-effective premium

This refers to the premium required to cover the unconditional parts

of the pension agreement in that year and for the longer term.
In short, this premium consists of the actuarially required premium for purchasing of the unconditional part of the pension contract pension obligation, a surcharge for solvency and a surcharge for administration costs. See also 'muted cost-effective premium'.

