PRODUCT EXPLANATION

ALLIANZ ADVANTAGE PENSIOEN

As a pension insurer, Allianz focuses exclusively on the implementation of defined contribution plans (defined contribution agreement). This produces a transparent pension product that can be adapted to the wishes of employees. Openness about costs is paramount in this respect. The Allianz Advantage Pension is the pension product of Allianz Nederland Levensverzekering, subsidiary of Allianz Benelux N.V.

The Allianz Advantage Pension can be flexibly organized and its structure and costs are transparent. The possibilities of the Allianz Advantage Pension are explained in this brochure. The old-age pension in the Advantage Pension is a defined contribution agreement based on endowments. The pensions before the retirement date are insured on a risk basis by means of a benefit agreement. The defined contribution agreement can be set up as an inclusive plan or as an exclusive plan.

The product modules

As a standard package, Advantage Pension provides:

- Old-age pension
- Partner pension after retirement date
- Waiver of contribution payments in the case of incapacity for work

In addition, one or more product modules can be included in the pension plan:

- Partner pension before retirement date
- Orphan's pension
- ANW shortfall
- WIA excess
- WGA shortfall
- Additional savings

The product modules will be explained in more detail in this brochure.

Old-age pension

The old-age pension (OP) with an (optional) accompanying partner pension after retirement date (PPnpd) is accrued by means of a defined contribution. The defined contribution can be based on a level or graduated contribution. Each graduated scale can be chosen, except scales 3 and 4 of the Ministry of Finance's graduated scale decisions and scales that do not accrue any proportional pension.

Capital is accrued by means of participation. On the retirement date, an OP with an optional PPnpd is purchased on the basis of the market interest rate. In the proposal, the market interest date on the retirement date is 4% and is used as an example. If the market interest rate on the retirement date is higher, then the OP will be higher; in the case of a lower market interest rate, the OP will be lower.

The applicable gender-neutral rate comprises the ratio 55% men and 45% women. The calculation for the indicative OP also takes account of:

- € 60.00 continuous costs
- € 230.00 one-time costs
- 1.7% advice costs.

Members may purchase the OP elsewhere subject to the condition that the pension manager applies gender-neutral rates.

The overhead costs during the term of the insurance are:

- administrative expenses: 9% (due to a decrease in the investment percentage to 91%). The administrative expenses can be reduced by applying the volume discount;
- commission: 0% to 8% (reduces the investment percentage)
- purchase costs: 1% for both standard and guarantee;
- an applicable volume discount reduces the administrative expenses and thus increases the investment percentage.

If the value of the policy is (partly) not paid in the case of death, negative risk premiums are credited to the value of the OP during the term of the policy. This occurs in the case of an exclusive plan and in the case of an inclusive plan as soon as the value of the OP is higher than the present value of any partner and orphan's pension that is also insured. This also occurs in the case of the insurance of 90% substitution. The 10% lower payment than the value of the accrued pension is compensated by crediting negative risk premiums.

The credited gender-neutral negative risk premiums are based on the Mortality Table Coll 2003 with a 2-year reduction in age for men and a 2-year reduction for women.

Partner pension

The partner pension before the retirement date (PPvpd) can be ensured in various ways. It is paid in perpetuity and is always insured as annuity insurance, and is therefore a benefit agreement. The type of partner pension chosen by the employer depends upon the guarantees that the employer wishes to incorporate.

The employer may choose a PPvpd with a contribution calculation that reflects the actual age difference or a fixed age difference (x-y = 3) between the member and his or her partner. At larger companies the date of birth of the partner is usually unknown. A fixed age difference therefore simplifies the administration for the employer since the date of birth of the member's partner does not have to be recorded. This option is available for collectives with at least 30 members.

Inclusive plan

If the employer wants certainty about the level of the total defined contribution with no additional pension costs arising for the employer, the best option is the inclusive plan. The disadvantage is that there is greater uncertainty for the employee. This is because the risk premium for the PPvpd is deducted every month from the accrued value of the OP so that the old-age pension will be lower than with an exclusive plan.

To provide this form of PPvpd it is necessary to state in the pension plan regulations that the choice of this PPvpd is voluntary for members. If the member does not make a choice, the PPvpd is automatically insured. The member may cancel the PPvpd within three months of its commencement. Furthermore, the risk rates for this insurance must be gender neutral. The gender-neutral ratio on which the risk rate is based is men/women: 80/20.

The monthly risk premium is then calculated as follows:

1. The partner pension is first capitalized (discounted). The calculation is based on the monthly variable market interest rates and a male/female ratio of 20/80 and a longevity rate based on the Mortality Table Coll 2003 with a 2-year age reduction for both men and women. One-time and regular costs are taken into account. As a formula: Amount (PPvpd + € 60.00) * CW factor depending upon market interest rate + € 230.00.
2. The present value of the accrued OP is then deducted from the calculated risk capital. The amount remaining is the risk capital that must be insured.
3. Finally, a risk premium is calculated on the basis of the gender neutral ratio men/women 80/20 based on Mortality Table Coll 2003 with a 1-year increase in age for men and women. The calculated premium is deducted from the value of the pension.

Exclusive plan

With the exclusive plan, the premium for the PPvpd is administered separately. The disadvantage for the employer is that this premium increases the older the member becomes and as more members cohabit or get married. The advantage for the employee is that the risk premium is administered outside the contribution for the OP and therefore the amount of the OP is not affected.

With an exclusive plan, the PPvpd is compulsory under applicable regulations. The employer pays this contribution. A contribution from the member is possible. This compulsory contribution must be expressed as a percentage of the pensionable salary. Therefore, it is not permitted for the employee to pay a particular percentage, e.g. 50% of the contribution. This would mean discrimination. Men would have to pay a higher contribution than women and this is not allowed.

Within an exclusive plan, there are three different types of PPvpd available, each with a different method of capitalization.

a. on the basis of market interest rate;
b. on the basis of a guaranteed actuarial interest rate of 3% with the excess interest being used to grant a discount on the risk premium. In fact, the market interest rate with a base guarantee of 3% then applies;
c. on the basis of a fixed interest rate of 3% with the excess interest being used to insure an indexation of the PPvpd after commencement.

The capitalization method for these options differ from one another.

The calculation steps for the annual risk premium within an exclusive plan work as follows:

1. The PPvpd is first capitalized in the same way as with the inclusive plan. Steps a. and b. take place on the basis of the market interest rate with a minimum actuarial interest rate of 3% being guaranteed for b. With c., an actuarial interest rate of 3% is used. The determination of present value is based on gender-dependent rates of the Mortality Table Coll 2003 with a 2-year reduction in age for men and women. As with the inclusive plan, including recurrent and one-time costs are included. Step 2 of the inclusive plan is missing because the value of the accrued OP plays no role here.
2. The risk premium is then calculated on the basis of gender-dependent rate Coll 2003 with an increase in age of 1-year for men and women Since this relates to separate coverage, the same cost indexation is calculated as that described for the accrual of the OP. This is: 9% administrative expenses, the volume discount and 1% purchase costs.

This takes place as follows: the risk premium is divided by a factor of 0.91 (without commission) and the result is then divided by a factor of 0.99. This produces the gross risk premium. On top of this is the indexation for waiver of contribution payments of 3.9%. For the option under b. of this section, a solvency charge of 12% is calculated due to the guarantee on the actuarial interest rate of 3%. A solvency charge of 10% applies to the option under c. of this section.

Orphan's pension

The orphan's pension (Wzp) is an insurance that pays benefits until the child reaches the age of 18 years. The benefit is continued until the age of 27 in the case of children who are disabled or studying. The benefit is doubled for orphans who have lost both parents. The contribution is paid until the child reaches the age of 18 years. However, the coverage is maintained until the age of 27 years. The benefit may be revived in the case of the death of the (foster) parent(s) providing care if the children are studying or are disabled.

The Wzp can be insured as an exclusive plan, while the PPvpd is inclusive coverage. Otherwise, the method of calculation is the same as with the PPvpd. If the Wzp is insured as an inclusive plan, this works in the same way on the basis of gender-neutral rates and deduction of the value of the accrued OP. If the Wzp is insured as an exclusive plan, the Wzp follows the method of calculation of the PPvpd as an exclusive plan.

It is possible to choose an indefinite Wzp on account of its administrative simplicity and to avoid the prompt reporting of the birth of children being forgotten. In that case, all members - married, cohabiting, unmarried - are insured for a Wzp regardless of age. For all members, a risk premium is calculated, which is paid by the employer. This net risk premium amounts to € 2.20 for men and € 1.70 for women per month per € 1,000 (notional) Wzp. On top of this are the charges for administration (9%), commission (from 0 to 8%), purchase costs (1%), the reduction for the volume discount and finally the indexation for waiver of contribution payments in the case of incapacity for work.

ANW shortfall

The ANW shortfall is designed to insure a supplement to the government's ANW benefit because a surviving parent with children over 18 years of age or without children does not receive an ANW benefit. This insurance pays an annual amount equivalent to the ANW (7/7) or optionally 8/7 thereof. The benefit commences immediately after the death of the member.

This insurance is always insured as exclusive coverage and can be made compulsory by the employer. The employer may require the member to make an own contribution as long as it is expressed as a percentage of the pensionable salary in order to prevent discrimination. The ANW shortfall can also be offered to the members as voluntary coverage.

In this case, the members pay the contribution. The annual risk premium is determined in the same way as the PPvpd and exclusive plan. The choice of a calculation method for the PPvpd also determines the choice of the calculation method for the ANW shortfall.

Indexation

It is possible to index existing pensions. This indexation is possible in the case of the:

- Partner pension before the retirement date in the case of the inclusive plan.
- Partner pension before the retirement date in the case of the exclusive plan on the basis of market interest rate or market interest rate with guaranteed actuarial interest rate.
- Orphan's pension.
- ANW shortfall.

Fixed indexation of 1, 2, 3 or 4% can also be insured. If a fixed indexation is chosen for the PPvpd, this also applies to the Wzp and the ANW shortfall. A simple explanation is as follows: in the calculation of the contribution, the indexation reduces the market interest rate that is used. Suppose the market interest rate at any one time is 4.5% and the fixed indexation is 2%, then the market interest rate to be used for discounting the risk pension is 2.5%. If a guaranteed actuarial interest rate (exclusive plan under b.) is chosen, the 2% indexation reduces the guaranteed return to 1%.

A fixed indexation can also be insured in the case of the indefinite Wzp. The contribution is then subject to an additional contribution amounting to 10x the indexation. With 2% indexation, the additional contribution on the risk premium is 20%. With 3% indexation, the corresponding additional contribution is 30%

In the case of an exclusive plan with a fixed interest rate, the indexation system is based on the excess interest above the 3% actuarial interest rate. The market interest rate is examined at the time of death. The difference between the market interest rate and the actuarial interest rate of 3% is used in its entirety for a life-long indexation. In the case of a market interest rate of 4.5% at the time of death, the life-long indexation is thus 1.5%.

Waiver of contribution payments in the case of incapacity for work

For the waiver of contribution payments in the case of incapacity for work (pvi), a contribution of € 3.25 per month per € 1,000.00 contribution is deducted from the value of the accrued pension. This amounts to 3.9% of the contribution. This contribution is the same whether or not it is constant or subject to a graduated increase. The premium for all risk cover is also subject to the same 3.9% indexation.

In the case of the employee's incapacity for work, Allianz takes over payment of the contribution. The deduction of the costs continues after incapacity for work in order to prevent the accrual of an excessive OP.

WGA shortfall

This insurance provides a supplement in the case of loss of income as a result of partial incapacity for work if the member is only entitled to the WGA subsequent benefit due to less than 50% utilization of the residual earning capacity. The insured pensionable annual salary is indexed annually. However, the indexation of the salary is never more than 3%.

This insurance can be included in the pension plan as both compulsory and voluntary coverage. The employer may also impose a compulsory employee contribution. This amount can be expressed as a percentage of the contribution because men and women are charged the same by Allianz. The employee contribution can obviously also be expressed as a percentage of the pensionable salary. The administration is based on the Universal Life system, which means that the contribution is level. This contribution is invested with monthly deductions being made based on an age-dependent rate.

WIA excess

The Advantage Pension includes the option of insuring a WIA excess up to 70% or 80% of the pensionable salary. If a supplement up to 70% of the salary is chosen, only the salary above the maximum WIA income ceiling is eligible for an incapacity for work pension. If the 80% variant is chosen, all salaries up to the WIA income ceiling are supplemented up to 80% of the pensionable salary and the salaries above the WIA income ceiling are supplemented up to 80% of salary. As in the case of the WGA shortfall, a level contribution is charged to the employer. The actual contribution to be deducted is based on an age-dependent rate. The WIA excess pension can be offered by the employer as both compulsory and voluntary. It is possible to insure a benefit with a 3% increase.

Investments

Allianz employs the Einddatumgericht Beleggen (EGB) (End-date targeted investment) concept for the investments. EGB ensures that the risks decrease as the retirement date approaches. If the employer does not wish to give the employees any choice in the investments, it can opt to include a compulsory choice in the pension plan regulations. The two available options are the compulsory EGB Standaard (Standard) or an investment with a 3% guarantee in the Allianz Europa Obligatie Fonds.

The standard pension plan allows the employer to leave the choice of an investment profile to the employee, the so-called 'opting out' option. This means that if the member does not make a choice, EGB Standaard applies. There is no need to fill in an investment profile. Members can only choose one of the different forms of EGB after they have filled in an investment profile: EGB offensief (offensive), neutraal (neutral) or defensief (defensive). In addition, there is a further choice of zeer defensief (very defensive), investment

in the Allianz Europa Obligatie Fonds with a guaranteed net return of 3% of the value of the accrued OP.

The funds used for the EGB investment plans are the following 'Allianz' funds: Europe Fund, Pacific Fund and Amerika Fonds for the equity investments and the Obligatie Fonds for the bond investments. The total expense ratio (TER) of the EGB plans depends upon the mix of the above-mentioned funds that are invested in and the individual member's time remaining until the retirement date. The TER of the different EGB investment plans per annum are:

- defensive between 0.75% and 0.90%;
- neutral between 0.75% and 1.02%;
- standard between 0.75% and 1.09%;
- offensive between 0.75% and 1.15%.

Guaranteed return

In the pension plan regulations, the employer may offer the guarantee to employees as the only option. In addition, the employee can also choose the guarantee if 'opting out' is offered in the regulations. In the latter case, however, the employee is required to fill in an investment profile. After all, a guarantee may result in a too low pension because a particular return may be essential for an adequate pension.

The investments for the 3% guarantee are made in the Allianz Europa Obligatie Fonds. The value of the Allianz Europa Obligatie Fonds determines the amount of the ultimate OP. The guarantee of 3% on the net contribution (after deduction of costs, including the costs of the guarantee) not only applies to the agreed retirement date, but also in the interim in the case of termination of employment, death and actual retirement date. There are no extra costs for the guarantee. The solvency costs are 0.05% of the value of the accrued pension per month. The latter costs are deducted from the accrued value every month.

In order to make use of the guarantee, the accrued value must be invested in the Allianz Europa Obligatie Fonds at least five years before the retirement date. An exception applies to members who have commenced employment less than five years before the retirement date.

Volume discount

Depending upon the amount of the defined contribution of the collective and the number of collective contract members, a volume discount is given. The defined contribution on December 31 of any year, excluding the additional deposits, determines the volume discount for the contribution for the following year. The volume discount applies to the defined contribution and the separate risk premium for the exclusive coverage. The volume discount increases the investment percentage, thus increasing the pension accrual. It also reduces the costs in the risk premiums for the exclusive plan so that the employer pays
a lower risk premium.

Total volume	Average regular contribution minimum			
minimum	**600**	**1,500**	**3,000**	**6,000**
-	0.0%	1.0%	2.0%	3.0%
25,000	0.5%	1.5%	3.0%	4.5%
50,000	1.0%	2.5%	4.0%	5.5%
100,000	1.5%	3.0%	4.5%	6.0%
200,000	2.0%	3.5%	5.0%	6.5%
400,000	2.5%	4.0%	6.0%	7.5%

For collective contracts with an average contribution of less than € 600.00 per year or higher than € 9,000.00 per year and for collectives with a total contribution of more than € 500,000.00, the volume discount can be calculated upon request.

Employee contribution

The employer may impose a compulsory own contribution for employees. This is even possible for each pension plan module. For example, a different own contribution can be set for the PPvpd than for the accrual of the OP. The own contribution for the OP contribution can be expressed as a percentage of the pensionable salary applying for each member. This is a good option if the employer wants to increase the solidarity between the members. The younger members pay a relatively larger part of the pension contribution than older members. It is also possible for the own contribution to be expressed as a percentage of the (graduated) contribution. The younger member then pays a lower own contribution than the older member.

The Commissie Gelijke Behandeling (CGB) (Equal Opportunities Commission) is of the opinion that the former method of calculating the own contribution is preferable. However, the own contribution to the partner pension must, in any case, be expressed as a percentage of the pensionable salary. Furthermore, if there is any fiscal leeway, members may make voluntary additional savings in order to secure a higher pension accrual. Additional savings can be made by means of a fixed contribution, as a percentage of the pensionable salary or up to the maximum tax contribution.

Employer's choices and employee's choices

The employer can make many choices when setting up the pension plan. To underpin these choices, the financial advisor will have to produce an inventory and analysis of the wishes and needs of both the employer and employees. The employer can keep the contribution costs under control by opting for an inclusive plan. On the other hand, the choice of an exclusive plan will increase certainty for the employees. The employer determines what kind of PP is the most appropriate in an exclusive plan. That choice will have to be explained by the financial advisor.

The employer also determines the extent to which employees are offered choices. Will 'opting out' be offered? The member will then have to choose the investments on the basis of an investment profile if he wants to deviate from EGB standard. The employer can also offer the possibility of voluntary risk coverage. And the employer determines whether extra years of employment or substitution (refund of 90% of the value of the pension at the time of death) are subject to value transfers. If extra years of employment in an exclusive plan is chosen, the employer will have to bear the higher costs. In the case of an inclusive plan, a higher risk premium will be deducted so that a lower OP is accrued. By opting for substitution, in the case of death the insured partner pension is increased by the partner pension that can be financed from the refunded value.

Finally, every pension plan includes the option of voluntary additional savings for the employee. From the beginning of 2010, the MyAdvantage portal offers employees a pension planner to calculate their pension accrual deficit and to calculate the improvement with additional savings. The financial advisor will always be called in if employees wish to make use of this option.

Allianz Nederland Levensverzekering is een onderdeel van Allianz Benelux N.V.
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