



5 YEARS

ANNUAL REPORT
Summary 2012



2012

KEY FIGURES

OGEO FUND is an Organization for Financing Pensions (OFP) founded in 2007.

Its main purpose is to be a reliable source of financing for statutory pensions (first pillar) the management of which has been entrusted to Ogeo Fund by its sponsoring companies. OGEO FUND extends its offer to public and semipublic institutions: towns and municipalities, provinces, joint local authorities and public centres for social welfare, etc.

5th largest pension fund in Belgium

profit*€ 212 million

assets under management € 934 million

5 years existence

overfunding** € 493 million

4.020

current beneficiaries or future beneficiaries of annuities among its

Yield 9,17%

8 sponsoring companies

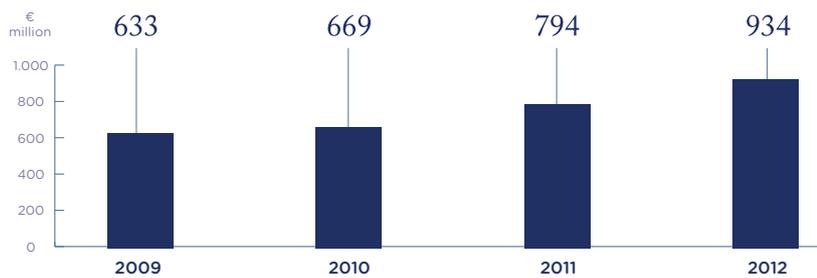
(*) Of which € 78.6 million in investment income.

(**) Overfunding: the assets underlying OGEO FUND at the end of 2012 amounted to € 863 million while its liabilities amounted to € 370 million.

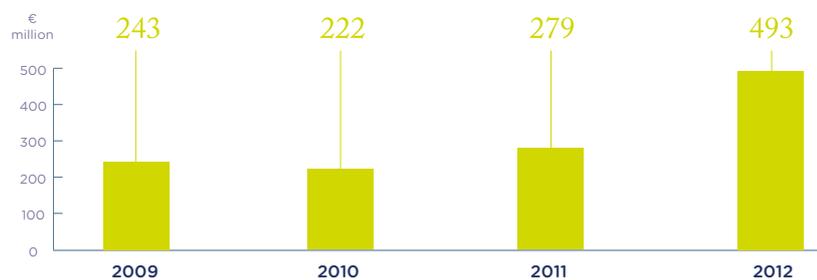
PERFORMANCE

OGEO FUND has achieved good financial performance in comparison with the average of Belgian pension funds due to its prudent and diversified asset allocation, as well as its high quality real estate portfolio.

A growing volume of assets under management



Significant and growing overfunding*



(*) *This overfunding is due in particular to the transfer of part of OGEO FUND's liabilities to the National Social Security Office of Provincial and Local Administrations (Office National de Sécurité Sociale des Administrations Provinciales et Locales - ONSSAPL).*

SCOPE OF OGEO FUND'S ACTIVITIES

The issue of pensions should be viewed from an overall perspective. With its flexible organisation, OGEO FUND offers its customers a range of customisable solutions.

OGEO FUND scope of activities

First pillar

(statutory pensions)

- Public representatives and statutory staff
- Possibility of pre-financing contributions to ONSSAPL

Second pillar

(supplementary or "extra-legal" pensions)

- Contract staff

First pillar: statutory pensions

OGEO FUND mainly caters for Belgian municipalities and joint local authorities by providing solutions for their retirement pension obligations:

- **Pensions for local and provincial authority staff,**
- **Pensions for statutory staff** (or those who have had a mixed career, i.e. statutory and contract positions).

OGEO FUND can also pre-finance the contributions payable by its sponsoring companies to social security agencies (ONSSAPL or ONSS for parastatal organizations).

Second pillar: supplementary or "extra-legal" pensions

In April 2008 a new entity was set up - OGEO 2 PENSION - in order to offer a "second pillar" solution to its sponsoring companies. This organisation also has the legal form of an Organisation for Financing Pensions (OFP) so as to take advantage of the same prudent, flexible and appropriate framework as OGEO FUND.

OGEO 2 PENSION enables sponsoring companies to put in place a system of supplementary pensions for their contract staff if they wish. A large number of contract staff working for public authorities are often penalized; their pension are, on average, 20% lower when compared to their statutory colleagues.

AN EFFECTIVE AND INNOVATIVE MODEL

The innovative approach developed over the last 5 years by OGEO FUND provides a harmonious combination of solidarity and funding. Its “non-profit” philosophy means that its business model is fully centered on its sponsoring companies. Indeed, all profits are redistributed after deduction of expenses. The sponsoring companies are directly involved with the preparation and implementation of all important decisions, particularly in terms of investment policy.

Diversified and participative investment policy

OGEO FUND reviewed its investment policy in 2012. In order to minimise risk, OGEO FUND chose for diversification by using several different asset classes. For each of these asset classes, minimum and maximum limits have been put in place in order to be able to migrate quickly from one class to another depending on market conditions.

Similarly, asset managers are required to implement the largest diversification possible within each asset class and to opt for those who offer the best yield/risk ratio.

The OGEO FUND investment process relies on the following skills:

- **The sponsoring companies** who take an active role in the decision-making process, as full members of the general assembly. All income after deduction of expenses, will be shared between them since there is no capital to remunerate.
- **Recognised experts** of the financial world, who attend the OGEO FUND Financial Committee and assist in defining the best strategy, taking the performance of the financial markets into account.
- **Asset managers** who are given wide-ranging discretionary authority. The fund managers are under a permanent competition and can be replaced if returns are not sufficient.

Diversified investment strategy



Theoretical performance adequate to guarantee pension payments



STRENGTHENED GOVERNANCE

Given the nature of its activities and the volume of the assets under management, OGEO FUND strives to maintain very high standards of governance, especially by regularly updating its **governance charter** which details all the applicable processes, so as to ensure adequate risk management.

The charter is designed to be a living and dynamic document, covering new procedures and internal control measures as and when they are put in place. Its effectiveness lies in the flexibility to be adapted to developments in the fund.

OGEO FUND is also subject to different layers of very strict control:

- **The appointed actuary** (ESOFAC) who oversees the technical aspects of financing and monitors the calculation methods.
- **The approved auditors** (PricewaterhouseCoopers) who audit the annual accounts and the calculation of technical reserves.
- **The compliance officer** (Emmanuel Lejeune) who focuses on monitoring OGEO FUND's compliance with regard to the rules relating to the integrity of its business.
- **Internal audit** (IIServices) who makes recommendations and analyses all OGEO FUND's activities.

OGEO FUND is one of the only pension funds in Belgium to have strengthened its actuarial function, in the interests of (very) prudent

management. Finance plans and technical reserve calculations are drawn up initially by the actuaries of IIServices (Integrale Insurance Services) and supervised by our appointed actuary, who each year presents his actuarial report to the Board of Directors.

This double check particularly enables OGEO FUND to offer its sponsoring companies finance plans where all the technical assumptions (mortality tables, indexing, calculation of technical reserves, etc.) have been rigorously verified.

In terms of external control, we should point out that, by law, OGEO FUND, just as any other OFP, is subject to supervision by the Financial Services and Markets Authority (FSMA).

OGEO FUND has also set up a Financial Committee designed to be a forum for constructive debate on the market situation. **No statute or regulation makes it compulsory to set up such a body but doing so undoubtedly contributes to the professionalism of OGEO FUND.**

The main role of the Financial Committee is to assess in a neutral and independent manner the key financial indicators, portfolio quality and investment strategy.



A large, light blue-tinted background image of a clock face, showing the numbers 3 and 4, and a needle pointing towards the 3. The image is partially obscured by the text on the right.

THE STRENGTHS OF OGEO FUND

At the root of OGEO FUND's growth lies its original and innovative "non-profit" philosophy, which has attracted several companies to join the model. Its financial and fiscal characteristics are also very attractive.

Innovative approach

By harmoniously combining solidarity and financing, OGEO FUND stands out from all the existing solutions on the Belgian market.

Yields redistributed

OGEO FUND has no shareholders : its sponsoring companies benefit from the entire performance of its investments after deduction of expenses.

Significant economies of scale

Being in the Top 5 of Belgian pension funds, OGEO FUND has access to the best professionals and can therefore offer its sponsoring companies services of a very high standard, whatever their size.

No entry or exit fees

The sponsoring companies are not charged entry or exit fees.

A high yielding real estate portfolio

OGEO FUND's real estate investments are essentially rental (long term commercial leases) and located throughout Belgium.

Recognised financial experts

OGEO FUND has chosen to put in place a Financial Committee involving independent outstanding experts.

BUILDINGS LOCATED THROUGHOUT BELGIUM

OGEO FUND's real estate strategy is drawn up in partnership with the insurance company Integrale Caisse Commune d'Assurance. The principle is to search for buildings occupied by quality tenants who are committed for periods of at least 9 years with indexed rents.

As at the end of December 2012, the total amount of real estate investments made in partnership with Integrale was € 62 million. The expected yield is around 6%.



Waterside - Brussels



Drapiers - Brussels



Copernicus - Antwerp



Arval - Zaventem



South City Office
Fonsny - Brussels



Gutenberg - Brussels



Porte de l'Europe - Nivelles



Arsenal Building - Jambes



INTERVIEW WITH THE EXECUTIVE COMMITTEE

“We maintain our position”

A review of 2012 with the members of the OGEO FUND Executive Committee.

OGEO FUND is making good progress in the context of a still turbulent and unpredictable financial environment. In 2012 the yield was 9.17% and profits amounted to € 212 million. The model put in place 5 years ago has proven to be transparent and effective. While emphasizing a strategy of prudent and diversified investments, good yields have been obtained.

What are your comments on the OGEO FUND 2012 results?

In 2012 we blew out five candles, so we now have a little hindsight. We are pleased to report a 9.17% yield for 2012, but also that the average yield obtained over the last five years was higher than the average yield of the other Belgian pension funds over the same period. It should be noted that this average yield exceeds what an insurance company can guarantee currently, namely $\pm 2.25\%$.

This excellent yield contributed greatly to our profit of € 212 million. Of course, some pension funds post higher yields, but very often these are funds who performed with less success in 2011 and that now have a more “aggressive” approach than ours, i.e. with a larger equity component. They are therefore more influenced by the economic environment than OGEO FUND. Our policy of diversification and our high quality real estate portfolio enable us to absorb shocks and reduce volatility.

Another very important factor is that we maintain an excellent rate of over-funding. In fact, our covering assets are 2.3 times higher than the cost of future pensions. This is a key aspect because ultimately our business consists in having sufficient liquidity to ensure the



Marc BEYENS

Stéphane MOREAU

Emmanuel LEJEUNE

payment of present and future retirement annuities. We remind you that this overfunding has in part been made possible by the fact that some of our sponsoring companies have transferred to ONSSAPL the major part of their pension liabilities.

To what extent did the macro-economic environment in 2012 impact your management?

The global macro-economic environment remained difficult. Europe has some answers to the problem but no general solution. The main glimmer

of hope comes from the USA, which showed encouraging signals at the end of 2012. These signals seem to be confirmed in 2013.

The major lesson we learned in 2012 was that certain types of investment, which today are considered to be so-called “safe, quality investments” may tomorrow be the cause of significant financial troubles. Who can predict what government bonds will do in the months to come, even from “strongholds” such as Germany? Is a “govies” crisis totally impossible?

INTERVIEW WITH THE EXECUTIVE COMMITTEE

How does this climate of financial and market uncertainty influence OGEO FUND?

We must more than ever continue our policy of diversification and prudent management, while daring to take an interest in projects that are a little less “conventional”, which might give good returns in the long term. Dare to get off the beaten track. 2013 will be very challenging from that point of view.

Our Financial Committee confirms that the old “safe bets” could crash tomorrow. This is why we need to continue diversifying and turning our attention in other directions. Equities, for example, if chosen well, can provide attractive returns while still focusing on quality and diversification.

Have there been any changes in your organisation?

We have selected a **new asset manager**: KBC Asset Management. This manager comes in addition to the three managers we work with already: Degroof, Crédit Agricole and Dexia Asset Management. **Their performance is reviewed every three months and they are regularly put in competition.**

We also have reorganised our Financial Committee so as to be as much as possible synchronized with market developments. Our asset managers and several independent experts are now more closely involved in the committee’s work. The purpose of this committee is to be able to submit to the Board of Directors the best possible strategy in terms of asset allocation.

Alongside these efforts, an Asset Liability Management (ALM) Committee is

being set up. In terms of good governance, this ALM Committee will enable us to strengthen our long term vision on the balance between our investments and our liabilities.

It is noteworthy that the setting up of this committee, just as for the Financial Committee, is not imposed by law but is the result of pure proactive management on the part of OGEO FUND’s governing bodies.

In 2012 we strived to maintain very high standards of governance, especially by regularly updating our governance charter which details all the processes in place for our pension fund, so as to ensure adequate risk management.

Our staff continues to specialise in our various areas of competence - real estate, financial investments etc. - so as to continue to provide quality service. The management fees that OGEO FUND requires of its sponsoring companies remain very small in relation to the “full service” proposed: asset management, preparation of financial projections, pre-financing of contributions, payment of retirement pensions, etc.



Have you expanded your customer base?

Now that AIDE joined OGEO FUND in 2012, we currently have **8 sponsoring companies** representing more than € 900 million in assets under management. Certainly, OGEO FUND has had to navigate through turbulence during these first five years, but it has managed to climb into the Top 5 of Belgian pension funds. **The model is now transparent, stable and efficient.** Our organisation is solid and we are obtaining the expected yields. The assumptions taken into account in the actuarial calculations underlying our members' mortality tables are a close fit and have been corroborated by 5 years of experience.

The challenge facing us at the moment is to **continue to develop OGEO FUND and to do so even beyond the greater Liege area.** We are in contact with several joint local authorities in the South and the North of the country who are interested in our model. It should be remembered that the legal framework governing pension funds changed significantly with the new legislation entering in force in 2007.

This legislation was initially designed to make Belgium attractive at an international level. We are in **preliminary discussions with some interlocutors outside Europe.**

What are your main projects for 2013?

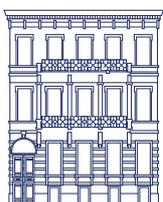
In addition to the **territorial development** mentioned above, we intend to strengthen our position as a centre of expertise in first and second pillar pensions.

In particular we have initiated research with the University of Liege in the financing of pensions for statutory staff and contract staff in local authorities in Wallonia and Brussels. This study is being monitored by a Steering Committee including ONSSAPL, the office of the Walloon Local Authorities Minister Paul Furlan and Operational General Directorate of the Local Authorities.

The purpose of this centre of expertise is to be able to regularly provide information to our sponsoring companies on all developments relating to pensions, and to continue to offer them the most modern and innovative solutions for their retirement benefits. **Because innovation is also part of our mission.**

Contacts are currently going on with other pension funds (including the Caisse de Dépôt et Placement in Quebec) for risk sharing and potential pool consortium for major investments.

In 2013 our policy of prudent and diversified management combined with an approach aimed at innovation, expansion and growth, will be continued.



OGEO FUND OFF
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