

THE FRENCH PUBLIC SERVICE ADDITIONAL PENSION SCHEME

KEY FIGURES

➔ A LEADING LONG-TERM INSTITUTIONAL INVESTOR

+ 4.5 MILLION
ACTIVE CONTRIBUTORS

- ➔ 44% central government civil servants
- ➔ 31% local and regional civil servants
- ➔ 20% public hospital employees
- ➔ 5% other

NEARLY **45,000**
CONTRIBUTING EMPLOYERS

NEARLY **€1.75 BILLION**
IN CONTRIBUTIONS PER YEAR

2003
ENACTMENT OF THE LAW
FOUNDING THE SCHEME

2005
OPERATIONAL START-UP
OF THE SCHEME

19 MEMBERS
ON ERAFP'S BOARD
OF DIRECTORS

- ➔ 8 representatives of active contributors, proposed by the trade unions
- ➔ 8 employer representatives, selected from the three public service sectors
- ➔ 3 qualified persons

ERAFP AND THE FRENCH PUBLIC SERVICE ADDITIONAL PENSION SCHEME

01

ERAFP AND THE FRENCH PUBLIC SERVICE ADDITIONAL PENSION SCHEME

- 05 What is the additional pension scheme?
- 06 What is ERAFP?
- 07 Organisation chart
- 08 Active governance
- 09 Key dates
- 10 Organisation of the pension scheme

02

CONTRIBUTIONS AND BENEFITS

- 13 The additional pension scheme circuit
- 14 How are contributions determined?
- 16 How are rights acquired?
- 17 How are benefits calculated and paid?
- 18 Examples

03

PENSION SCHEME FINANCIAL MANAGEMENT AND SRI

- 21 A major institutional player
- 22 A prudent and safe allocation
- 23 Gradual asset diversification
- 24 A highly committed investor
- 25 What constitutes the SRI system?

01

ERAFP AND THE FRENCH
PUBLIC SERVICE ADDITIONAL
PENSION SCHEME



WHAT IS THE ADDITIONAL PENSION SCHEME?

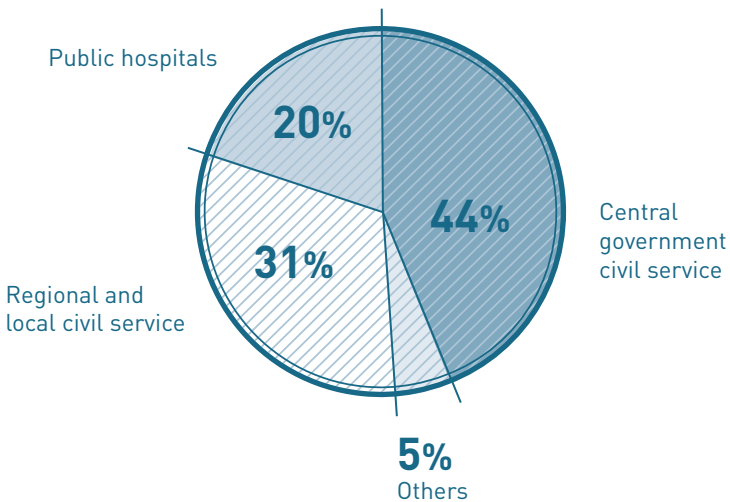
The French public service additional pension scheme is a unique pension fund that is:

- mandatory;
- points-based;
- created to benefit civil servants working for the French central government (civilians and military), local and regional authorities and the public hospital sector, as well as members of the judiciary.

Under the scheme, civil servants can receive an additional retirement benefit along with their basic pension, which takes into account the bonuses and ancillary remuneration they receive during their careers. All components of ancillary remuneration are included in the basis for contributions. However, this basis may not exceed 20% of the gross index-related salary received by the civil servant during a calendar year.

BREAKDOWN OF ACTIVE CONTRIBUTORS BY PUBLIC SERVICE SECTOR

Source — Administrative Manager (at 31 December 2012)



4.5 MILLION

ACTIVE CONTRIBUTORS
IN 2012

44,978

CONTRIBUTING
EMPLOYERS IN 2012

WHAT IS ERAFP?

ERAFP MANAGES THE FRENCH PUBLIC SERVICE ADDITIONAL PENSION SCHEME

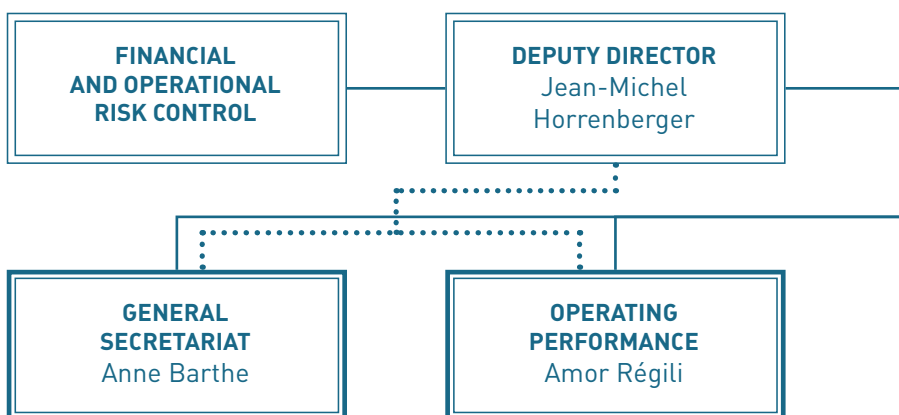
Responsibility for managing the French Public Service Additional Pension Scheme (RAFP) was given to a public administrative institution, ERAFP (the French Public Service Additional Pension Scheme Management Entity), under State supervision.

Each year, ERAFP's Board of Directors sets the Scheme's technical parameters and draws up the overall investment guidelines for the Scheme funds. In particular, ERAFP is responsible for the Scheme's financial investments, either directly or by delegation to external investment companies.

CAISSE DES DÉPÔTS PROVIDES OPERATIONAL SERVICES

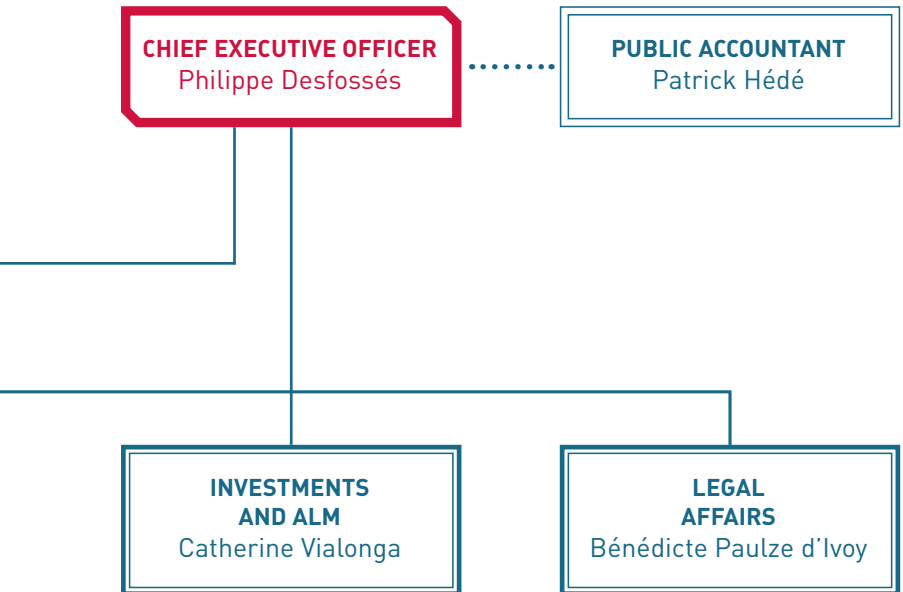
The Scheme's administrative management (collection of contributions, maintenance of beneficiaries' individual retirement accounts, liquidation of rights, payment of benefits*) has been entrusted to Caisse des Dépôts et Consignations under the authority and supervision of the Board of Directors.

** Except for the payment of benefits to retired central government civil servants, which is the responsibility of the Directorate of Public Finance (Direction Générale des Finances Publiques).*



ORGANISATION CHART

CHAIRMAN OF THE BOARD OF ERAFP — Dominique Lamiot
DEPUTY CHAIRMAN — Philippe Soubirous



ACTIVE GOVERNANCE

COMPOSITION OF ERAFP'S BOARD OF DIRECTORS

- ➡ 8 representatives of active contributors, proposed by the trade unions.
- ➡ 8 employer representatives, selected from the three public service sectors: central government, regional and local authorities and public hospitals.
- ➡ 3 qualified persons.

FROM THE OUTSET, THREE PRINCIPLES HAVE GUIDED THE BOARD OF DIRECTORS' WORK

- ➡ Intergenerational equity among the Scheme's beneficiaries (each year, the Board sets a single purchase value and a single service value for points).
- ➡ The aim of preserving the additional pension fund's purchasing power over the long term.
- ➡ A unique and far reaching socially responsible investment policy, making ERAFP one of Europe's leading socially responsible institutional investors.

KEY DATES

2011

Information campaign aimed at active contributors in the three public service sectors

New mandate of the board of directors
Impact of 2010 pension reform

2010

Pension Reform Law 2010-1330 of 9 November 2010

2009

Payment of first annuities

First SRI annual report
First adjustments to benchmark SRI criteria

2012

First institutional 'Additional Pension and Public Service' Conference

2008

Nationwide information campaign for civil servants in France
New dedicated web site, www.rafp.fr

2007

First asset diversification
Adoption of benchmark SRI criteria

2005

Start of Scheme operations (1 January)
Decision to invest all funds according to SRI approach*

2006

First rights granted
Adoption of SRI Charter

2004

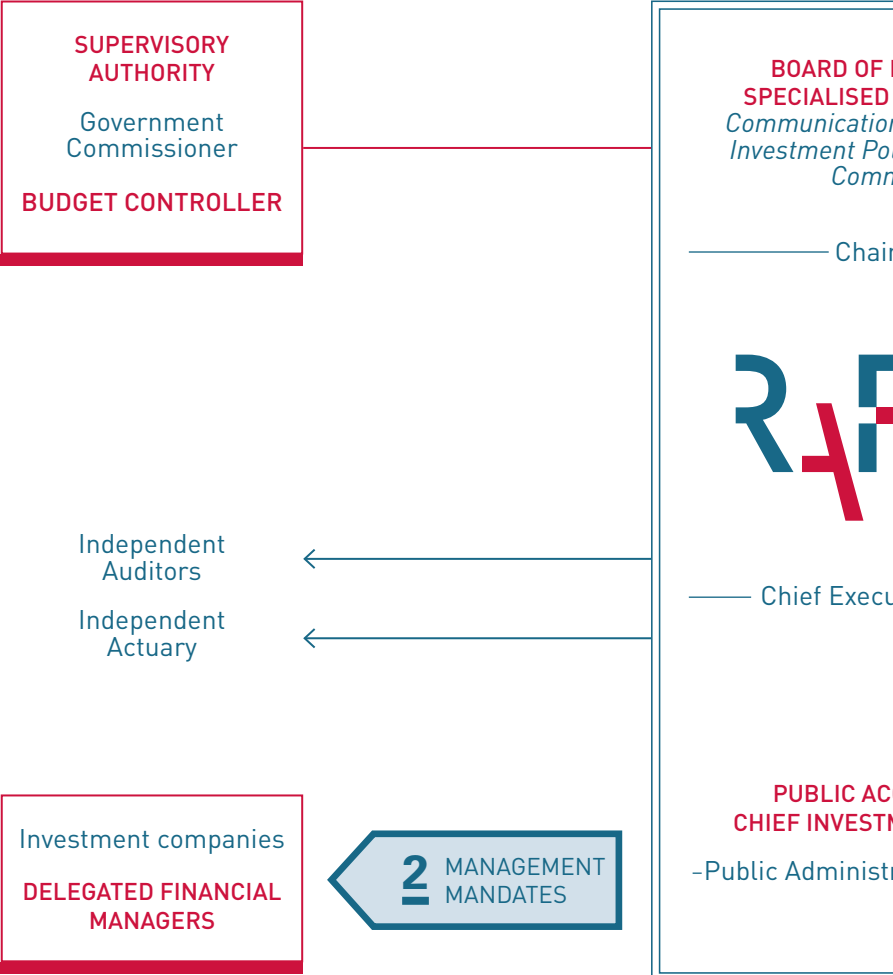
Creation of the French Public Service Additional Pension Scheme Management Entity (ERAFP)(18 June)

2003

Pension reform law 2003-775 of 21 August 2003 instituting the French Public Service Additional Pension Scheme

*SRI: Socially Responsible Investment

ORGANISATION OF THE PENSION SCHEME



DIRECTORS
COMMITTEES
ons Commission
olicy Monitoring
mittee

_____rman _____



Retraite
additionnelle
de la Fonction
publique

_____utive Officer _____

ACCOUNTANT
MENT OFFICER

_____rative Institution -

1 BIPARTITE
AGREEMENT

Directorate of Public
Finances*

**PAYMENT OF BENEFITS
TO CIVIL SERVANTS OF
THE FRENCH CENTRAL
GOVERNMENT**

* *Direction générale des finances
publiques*

3 SERVICE
AGREEMENTS

Caisse des Dépôts

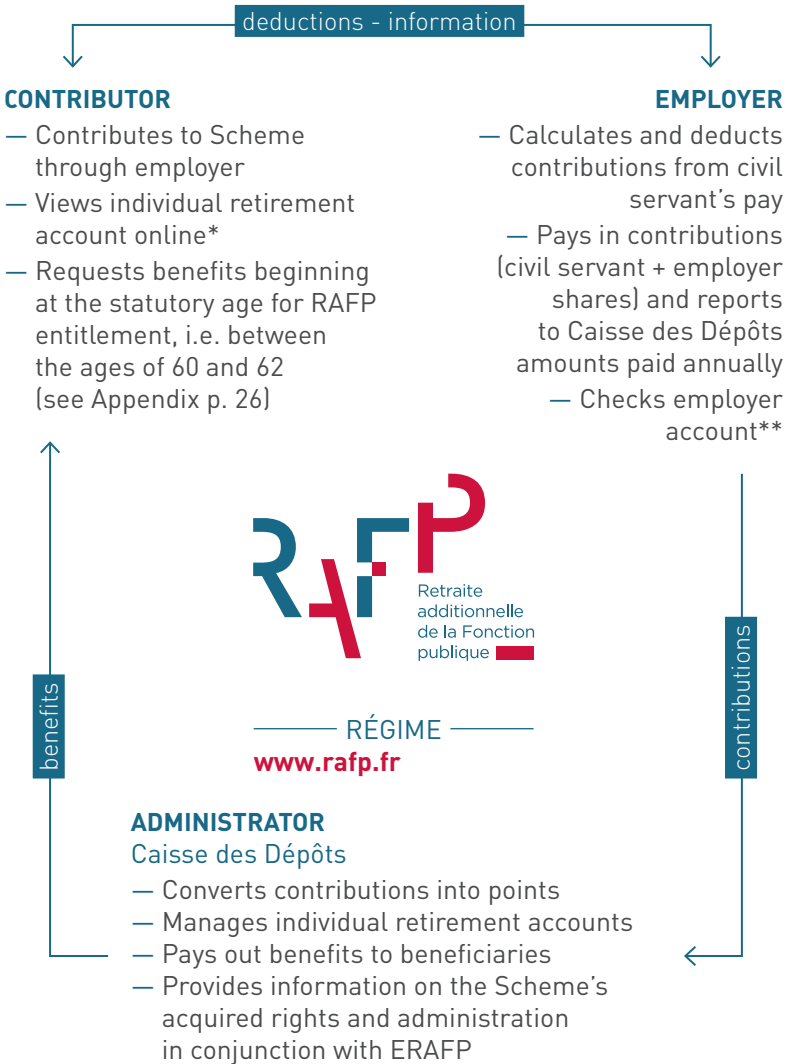
**SCHEME
ADMINISTRATIVE
MANAGER**

02

CONTRIBUTIONS
AND BENEFITS



THE ADDITIONAL PENSION SCHEME CIRCUIT



* www.rafp.fr contributors section — ** www.rafp.fr employers section

ELECTRONIC FLOWS WITH NEARLY

45,000 PUBLIC SERVICE EMPLOYERS

HOW ARE CONTRIBUTIONS DETERMINED?

The contribution basis consists of all types of remuneration not included in the basis for calculation of civil and military pensions or pensions paid by CNRACL.

The amount of bonuses and allowances taken into account to calculate Scheme contributions and benefits is capped at 20% of the contributor's gross index-related salary.

The contribution rate is set at 10% of the basis amount:

- ➡ 5% payable by the employer, and
- ➡ 5% payable by the civil servant beneficiary.

TWO EXCEPTIONS TO THE 20% CAP

➡ The “Individual Purchasing Power Guarantee” (GIPA)

The full amount of the GIPA is eligible for application of the RAFFP 10% contribution rate.

➡ Days recorded in a time savings account (CET)

Days accrued in a time savings account (CET) qualify for special treatment as provided for in accordance with:

- Decree 2009-1065 of 28 August 2009 relating to the central government civil service (FPE),
- Decree 2010-531 of 20 May 2010 relating to local and regional civil service (FPT),
- Decree 2012-1366 of 6 December 2012 relating to public sector hospitals (FPH).

Depending on the civil servant's statutory category, a lump sum allowance is set for each CET day. This allowance (after deduction of CSG¹ and CRDS² under the terms specified by the abovementioned decrees) is converted by the Scheme into RAFFP points using the purchase value of the point in the year of payment.

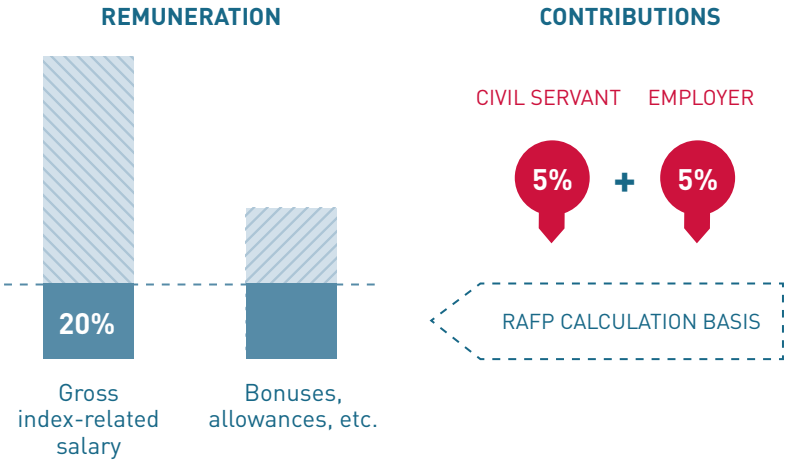
Only the days in excess of 20 in the CET at 31 December are taken into account by the Scheme.

1 - CSG : Contribution Sociale Généralisée - general social security contribution

2 - CRDS : Contribution pour le Remboursement de la Dette Sociale (CRDS) - social security debt repayment contribution

CONTRIBUTIONS BASIS

Source – ERAFP Communications Department



VALUE OF A CET DAY TRANSFERRED TO SCHEME IN 2013

Source – ERAFP Technical and financial management department

	CATEGORY A	CATEGORY B	CATEGORY C
Value of 1 CET day	€125.00	€80.00	€65.00
CSG CRDS	€5.11	€3.27	€2.66
Amount paid into Scheme	€119.89	€76.73	€62.34
RAFF points	111	71	58

HOW ARE RIGHTS ACQUIRED?

THE SCHEME IS BASED ON THE PRINCIPLE OF INTERGENERATIONAL EQUITY

Contributions made for a given year, reported by the employer in the first quarter of the following year, are converted into points and accumulated in an individual retirement account, which can be consulted on the www.rafp.fr web site. The number of points is obtained by dividing the total contributions paid in for a given year by the purchase value of the point for the year in question.

The purchase value of the point, set each year by ERAFP's Board of Directors, enables the Scheme to calculate the number of points accumulated during the year.

The technical return, which represents the service value to purchase value ratio (4.075% in 2013), is prudent and consistent with the life expectancy of RAFP beneficiaries.

YEAR	2005	2006	2007	2008	2009	2010	2011	2012	2013
Purchase value (€)	1	1.017	1.03022	1.03537	1.04572	1.05095	1.05620	1.0742	1.0850
Change	—	+1.7%	+1.3%	+0.5%	+1%	+0.5%	+0.5%	+1.7%	+1%

HOW ARE BENEFITS CALCULATED AND PAID?

The amount of the additional benefit is calculated by multiplying the number of points accumulated throughout the employee's career by the point service value, which is set each year by ERAFP's Board of Directors.

Contributors are entitled to receive benefits from an age of between 60 and 62 depending on their date of birth (see Appendix p. 26).

ANNUITY

The benefit is paid out as a monthly annuity if the number of vested points is equal to or greater than 5,125.

CAPITAL

The benefit is paid out in a lump sum if the number of acquired points is less than 5,125. The amount of the lump sum is determined by applying a lump sum conversion table. Up to 2009, all additional retirement benefits were paid out as a lump sum. The first annuity payments were made in 2009.

REVERSIONARY PENSION

In the event of a beneficiary's death, a reversionary pension may be paid to the surviving spouse, separated or divorced spouse and any orphaned children up to the age of 21.

YEAR	2005	2006	2007	2008	2009	2010	2011	2012	2013
Purchase value (€)	0.04	0.0408	0.04153	0.04219	0.04261	0.04283	0.04304	0.04378	0.04421
Change	—	+2%	+1.8%	+1.6%	+1%	+0.5%	+0.5%	+1.7%	+1%

EXAMPLES ⁽¹⁾

LUMP SUM PAYMENT

JEAN

an administrative assistant, makes annual contributions of €186 to the RAFP. His employer matches his contribution.



He retires at
62, after 10 years
of contributions



He has
3,429 points
in his individual
retirement account

(< 5,125 POINTS)



$$\begin{array}{r} 3,429 \\ \times 0.04421^{(2)} \\ \times 24.62^{(3)} \\ \times 1.08^{(4)} \\ \hline \end{array}$$

€4,030.38 gross



Jean will receive a
lump sum payment
of €4,030.38

This amount will be paid out
in one or two instalments,
depending on his retirement date.

INFORMATION

- ➡ for active contributors: **employer's HR department**
- ➡ for employers: **+33 (0)2 41 05 28 28**
- ➡ for pensioners: **+33 (0)5 56 11 40 40**

www.rafp.fr

ANNUITY PAYMENTS

ISABELLE

an attaché, **makes annual contributions of €312** to the RAFF.
Her employer matches her contribution.



She retires at
**62, after 35 years
of contributions**



She has
20,129 points
in her individual
retirement account

(> 5,125 POINTS)



$$\begin{array}{r} 20,129 \\ \times 0.04421^{(2)} \\ \hline \times 1.08^{(4)} \end{array}$$

€961.10 gross



Isabelle will receive a gross annuity of €961.10 per year

This amount will be re-valued each year based on the service value of the point.



She retires at
**67, after 40 years
of contributions**



She has
23,005 points
in her individual
retirement account

(> 5,125 POINTS)



$$\begin{array}{r} 23,005 \\ \times 0.04421^{(2)} \\ \hline \times 1.35^{(4)} \end{array}$$

€1,373 gross



Isabelle will receive a gross annuity of €1,373 per year

This amount will be re-valued each year based on the service value of the point.

(1) Fictitious examples, non-binding and provided for information purposes only. Notably, they do not take into account career changes, the annual changes in the value of points and potential regulatory changes.

(2) For illustrative purposes, the 2013 service value of the point was used in this example.

(3) Lump sum conversion factor corresponding to life expectancy at age 62.

(4) Premium for retiring above age 60: the higher the retirement age thereafter, the greater the factor.

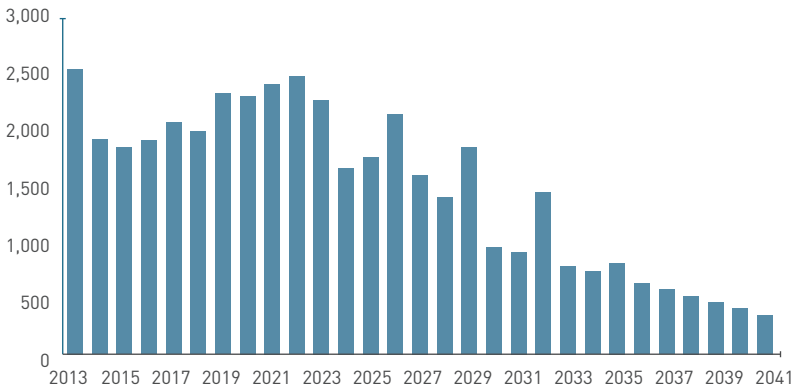
03

PENSION SCHEME FINANCIAL
MANAGEMENT AND SRI

A MAJOR INSTITUTIONAL PLAYER

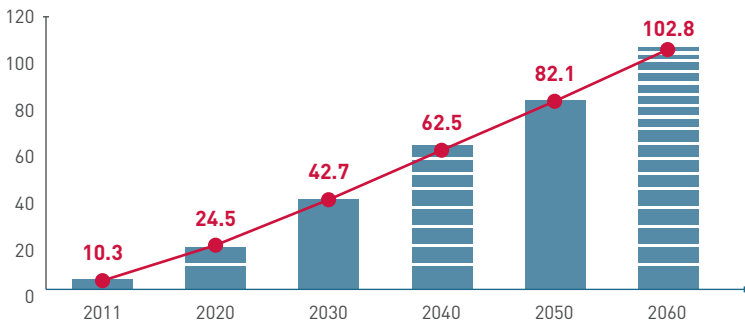
NET CASH FLOWS (CONTRIBUTIONS AND BENEFITS, REDEMPTIONS AND BOND AMORTISATION) — In € million

Source — ERAFP technical and financial management department



SCHEME FUNDS — In € billion

Source — Conseil d'Orientation des Retraites (COR)



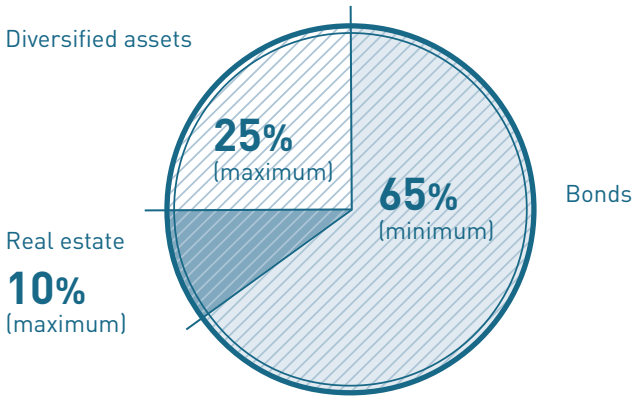
NEARLY **€1.75** BILLION

IN CONTRIBUTIONS PER YEAR COLLECTED AND INVESTED ACCORDING TO THE STRATEGIC ALLOCATION DETERMINED BY THE BOARD OF DIRECTORS

A PRUDENT AND SAFE ALLOCATION

REGULATORY RESTRICTIONS CURRENTLY APPLICABLE TO RAFFP

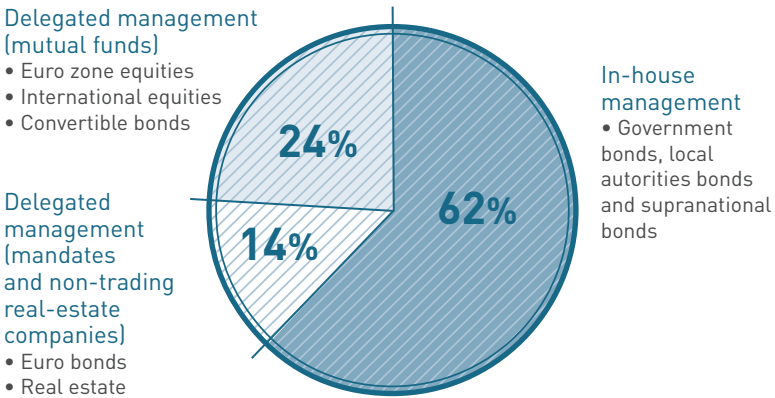
Source — ERAFP technical and financial management department



65% minimum in bonds
 90% minimum in euro-denominated assets
 5% maximum in non listed funds
 10% maximum in real estate

ASSET ALLOCATION AT 31 DECEMBER 2012

Source — ERAFP technical and financial management department



€13.5 BILLION
 CARRYING AMOUNT

OF FINANCIAL ASSETS AT 31 DECEMBER 2012

GRADUAL ASSET DIVERSIFICATION

MOVING TOWARDS INCREASED DIVERSIFICATION OF FINANCIAL ASSETS

STRATEGIC ALLOCATION FOR 2013

Source — ERAFP technical and financial management department

Bonds	74%
o/w fixed-rate bonds	
o/w indexed bonds	
o/w corporate bonds	
o/w convertible bonds	
Real estate	1.5%
OECD equities	23.5%
o/w small caps	1%
o/w euro-denominated large and mid caps	16.2%
o/w international large and mid caps (outside euro zone)	6.3%
Multi-manager	1.0%

2013

Launch of tender procedure for management of French and US equities
Setting up of special purpose vehicles for real-estate investments

2012

Setting up of dedicated convertible bond funds and launch of two tender procedures for selecting a multi-manager fund and real-estate fund managers

2011

Permission to invest in real estate and forest land

2009

Opening of new delegated management mandates (OECD international equities and euro corporate bonds)

A HIGHLY COMMITTED INVESTOR

The Board of Directors has made a number of strong commitments regarding the Scheme's financial management according to a socially responsible approach:

- ➡ investment of all assets in a socially responsible manner (November 2005);
- ➡ adoption of an SRI* Charter (March 2006);
- ➡ defining and monitoring a specific set of non-financial benchmark criteria (March – December 2007);
- ➡ drawing up a shareholder voting policy (March 2012).

ERAFP is involved in initiatives to foster greater co-ordination between SRI investors and research into SRI.

Along these lines, it has signed the UN's Principles for Responsible Investment (PRI).

In January 2013, ERAFP joined the Extractive Industries Transparency Initiative and the Institutional Investors Group on Climate Change.

**SRI: Socially Responsible Investment*

WITH **100%** OF SRI INVESTMENT,
ERAFP IS AMONG THE LEADING FRENCH SRI INVESTOR

WHAT CONSTITUTES THE SRI SYSTEM?

A best-in-class approach (favouring the best investments from an SRI perspective) that offers two advantages: the absence of sector bias and investments across all sectors.

A CHARTER DEFINING 5 KEY VALUE AREAS

- 1** Rule of law and human rights.
- 2** Social progress.
- 3** Democratic labour relations.
- 4** The environment.
- 5** Good governance and transparency.

AND 3 CRITERIA FOR EXCLUSION ON PRINCIPLE

Death penalty — Torture — Child soldiers.

SRI EVALUATION GUIDELINES

- Implementing the SRI Charter for each category of equity and bond issuers (companies, governments, local/regional and supranational authorities)
- Developed with the help of socially responsible rating agencies.
- Enabling the rating and screening of the investment universe.

A **100%**

GLOBAL AND INTEGRATED SRI APPROACH,
UNIQUE IN FRANCE

APPENDIX

TABLE OF STATUTORY AGES FOR RAFFP ENTITLEMENT

Date of birth	Statutory age for RAFFP entitlement currently applicable
Before 1 July 1951	60 years
1 January to 31 December 1951	60 years and 4 months
1 January to 31 December 1952	60 years and 9 months
Du 1 ^{er} janvier au 31 décembre 1953	61 years and 2 months
1 January to 31 December 1953	61 years and 7 months
1 January to 31 December 1954	62 years



