

**THE FRENCH
PUBLIC SERVICE
ADDITIONAL
PENSION
SCHEME
2016**

KEY FIGURES

A **LEADING
INSTITUTIONAL
INVESTOR**

MORE THAN 4.5 MILLION

ACTIVE CONTRIBUTORS IN 2015

- 44% central government civil servants
- 32% local and regional civil servants
- 20% public hospital employees
- 4% Other

45,075

CONTRIBUTING EMPLOYERS IN 2015

NEARLY €1.8 BILLION

IN CONTRIBUTIONS IN 2015

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, appointed by the trade unions
- **8** employer representatives, selected from the three public service sectors
- **3** qualified persons

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1 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 in the French central government (civilians and military), local and regional authorities and the public hospital sector, as well as members of the judiciary.

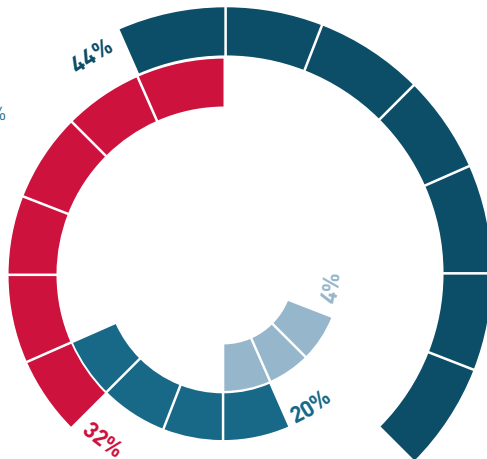
Under the scheme, civil servants can receive an additional retirement benefit along with their basic pension, which takes into account the bonuses and ancillary remuneration they receive during their careers.

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 2015)

- 44% Central government civil service
- 32% Regional and local civil service 32%
- 20% Public hospitals 20%
- 4% Others 4%



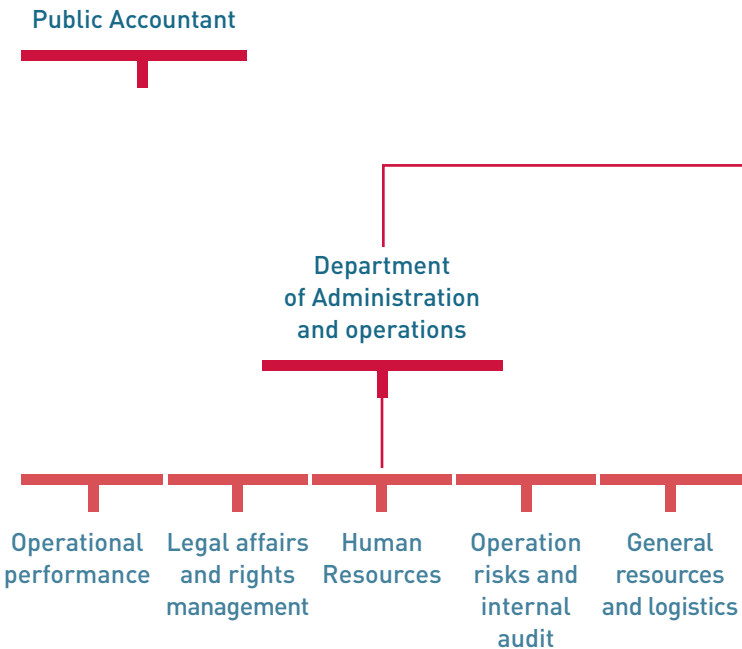
WHAT IS ERAFP?

■ 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 Scheme funds. In particular, ERAFP is responsible for the Scheme's financial investments, either directly or by delegation to external investment companies.

As a State-owned public institution, ERAFP applies the principle of segregation of the functions of authorising entity and public accountant. The State appoints a Public Accountant with sole responsibility, personal and financial, for paying ERAFP's expenses, collecting its revenues, handling funds and keeping its accounts.

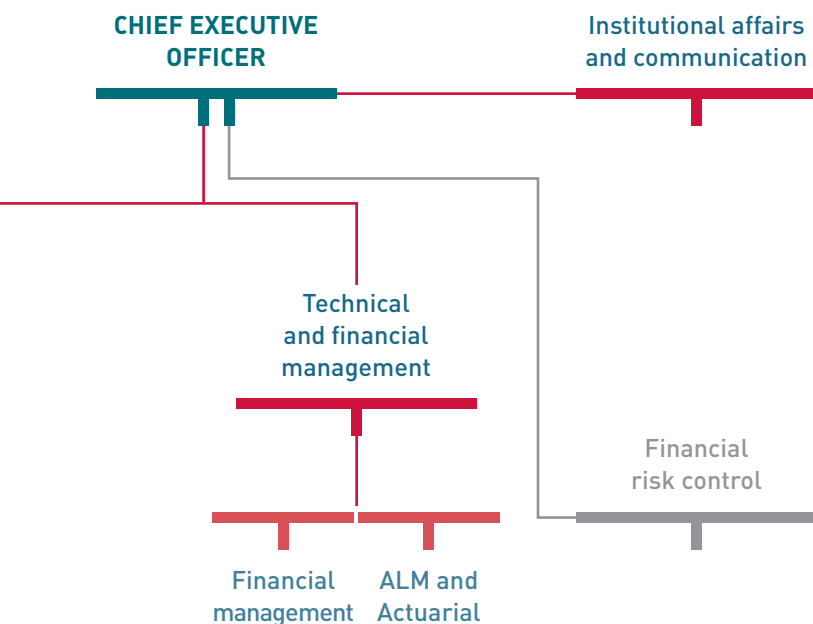


■ CAISSE DES DÉPÔTS PROVIDES OPERATIONAL SERVICES

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.

ORGANISATION CHART

CHAIRMAN OF THE BOARD — Dominique Lamiot



* 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).

ACTIVE GOVERNANCE

- COMPOSITION OF ERAFP'S BOARD OF DIRECTORS
 - 8 representatives of active contributors, appointed 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.

The Board of Directors is assisted by four specialised committees:

- the Asset/Liability Management Committee;
- the Audit Committee;
- the Collection Committee;
- the Investment Policy Monitoring Committee.

In addition, in 2011 the Board of Directors set up an office with the competencies to monitor ERAFP's business between Board meetings and, in 2012, it set up a communication commission.

TIMELINE

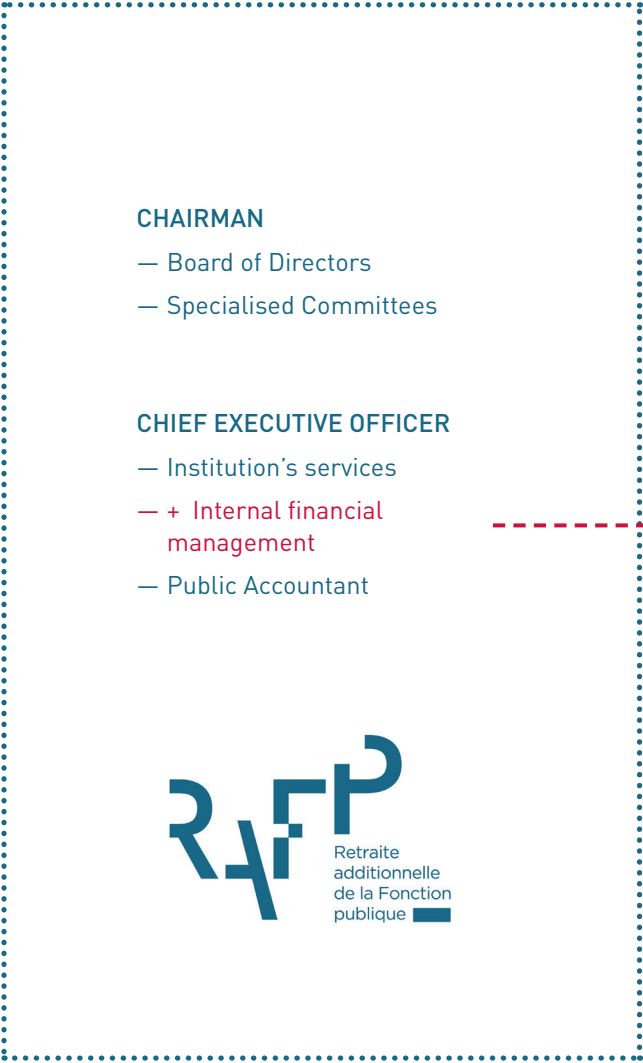
- 2016**
 - ERAFP became a member of the French SIF, Forum pour l'Investissement Responsable)
 - Second attendance of the Mayors' trade fair and the Paris Health Care Week
- 2015**
 - Launch of new RAFFP website
 - ERAFP for the first time attended the Health and Long-term Care trade fair
- 2014**
 - ERAFP for the first time attended the local government trade fair
- 2013**
 - Launch of RAFFP's new visual identity
 - Second institutional 'Additional Pension and Public Service' Conference in Lyon
 - ERAFP adheres to IIGCC** and EITI***
- 2012**
 - First institutional 'Additional Pension and Public Service' Conference in Paris
 - ERAFP adopts guidelines for shareholder engagement
- 2011**
 - Email campaign targeting employers and active contributors
 - Meetings with public employers on additional pension issues (Strasbourg and Toulouse)
- 2010**
 - Meetings with public employers on additional pension issues (Nantes, Marseille and Orleans)
- 2009**
 - Payment of first annuities
 - First SRI* annual report
 - First adjustments to benchmark SRI* criteria
- 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
- 2006**
 - First rights granted
 - Adoption of SRI* Charter
- 2005**
 - Start of Scheme operations (1 January)
 - Decision to invest all funds according to SRI* approach*
- 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

** IIGCC : International Investors Group on Climate Change

*** EITI: Extractive Industries Transparency Initiative

ORGANISATION OF THE SCHEME



SUPERVISORY AUTHORITY

- Government Commissioner
- Budget Controller

CHAIRMAN

- Board of Directors
- Specialised Committees

CHIEF EXECUTIVE OFFICER

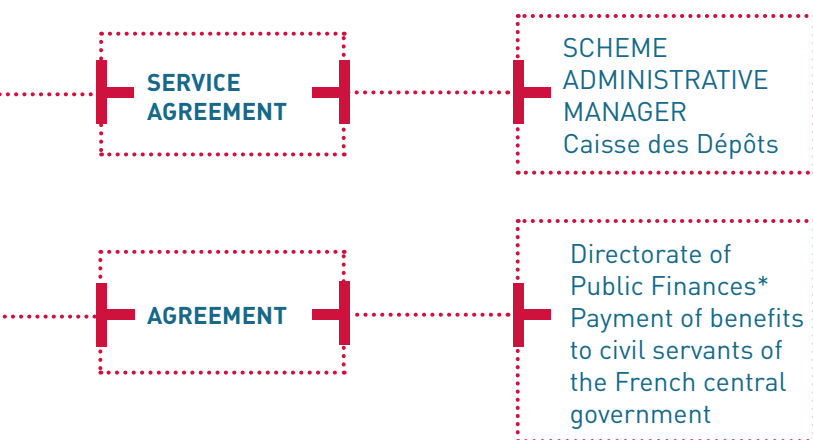
- Institution's services
- + Internal financial management
- Public Accountant



- - - - - + Independent Auditors

- - - - - + Independent Actuary

- - - - - + External financial managers



- - - - - Selected *via* requests for proposals

- - - - - + Selected *via* requests for proposals and validated by the Board of directors

..... Agreement

* Direction générale des finances publiques

CONTRIBUTIONS AND BENEFITS

ELECTRONIC FLOWS
WITH MORE THAN

45,000
PUBLIC SERVICE
EMPLOYERS

THE ADDITIONAL PENSION SCHEME CIRCUIT

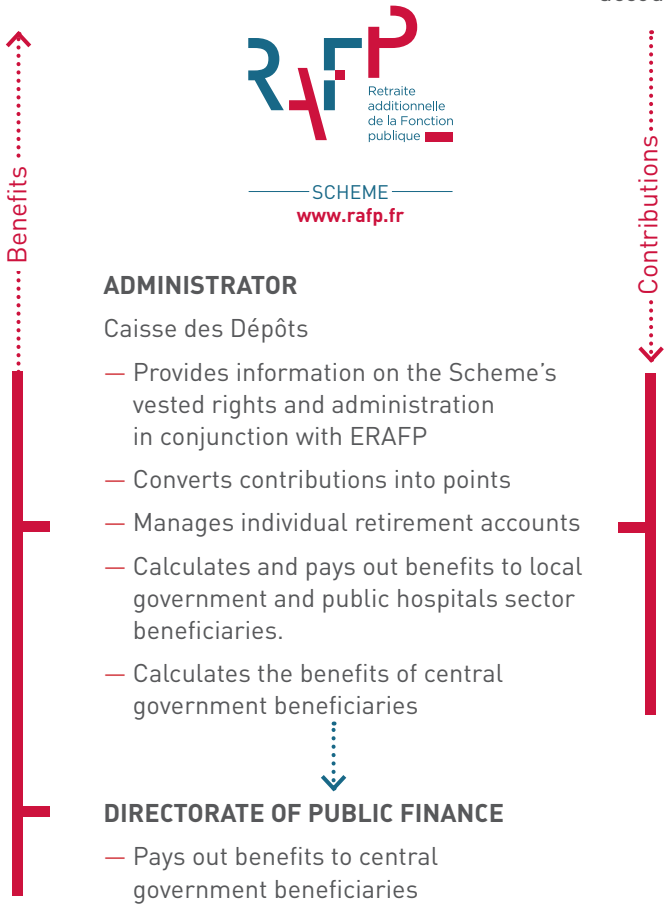
DEDUCTIONS – INFORMATION

CONTRIBUTOR

- Contributes to Scheme through employer
- Views individual retirement account online¹
- Requests benefits beginning at the statutory age for RAFP entitlement
(see Appendix p. 26)

EMPLOYER

- Calculates and deducts contributions from civil servant's pay
- Pays in contributions (civil servant + employer shares) and reports to Caisse des Dépôts amounts paid annually
- Checks employer account²



ADMINISTRATOR

Caisse des Dépôts

- Provides information on the Scheme's vested rights and administration in conjunction with ERAFP
- Converts contributions into points
- Manages individual retirement accounts
- Calculates and pays out benefits to local government and public hospitals sector beneficiaries.
- Calculates the benefits of central government beneficiaries

DIRECTORATE OF PUBLIC FINANCE

- Pays out benefits to central government beneficiaries

1. www.rafp.fr contributors section

2. www.rafp.fr employers section

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 amounts 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 subject to application of the RAFFP 10% contribution rate, with no duration limit (Decree no. 2014-452 of 2 May 2014 amending Decree no. 2008-964 of 16 September 2008).

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) and 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 CSG and CRDS 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.

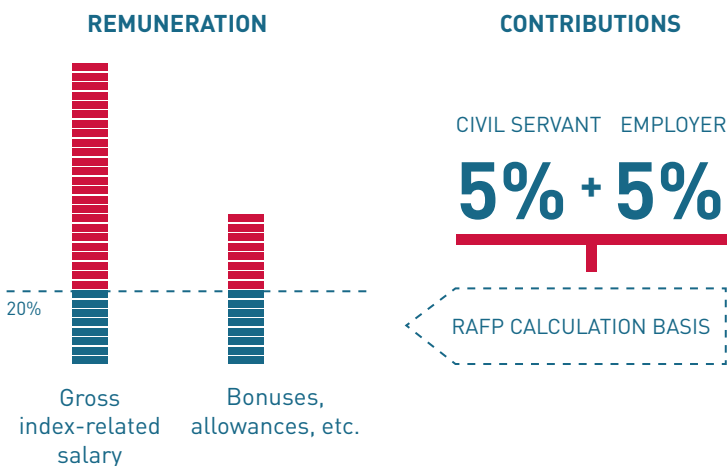
1. CNRACL : Caisse Nationale de Retraites des Agents des Collectivités Locales (Local government pension fund)

2. Contribution Sociale Généralisée (CSG) - general social security contribution

3. 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 THE SCHEME IN 2016

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
RAFP points	101	65	53

HOW ARE RIGHTS VESTED?

■ 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 viewed on the www.rafp.fr website. 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 (3.739% in 2016), is prudent and consistent with the life expectancy of RAFP beneficiaries.

Year	2005	2006	2007	2008	2009	2010
Purchase value (€)	1	1.017	1.03022	1.03537	1.04572	1.05095
Change	—	+1.7%	+1.3%	+0.5%	+1%	+0.5%
Year	2011	2012	2013	2014	2015	2016
Purchase value (€)	1.05620	1.0742	1.0850	1.09585	1.1452	1.1967
Change	+0.5%	+1.7%	+1%	+1%	+4.5%	+4.5%

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).

Year	2005	2006	2007	2008	2009	2010
Purchase value (€)	0.04	0.0408	0.04153	0.04219	0.04261	0.04283
Change	—	+2%	+1.8%	+1.6%	+1%	+0.5%

Year	2011	2012	2013	2014	2015	2016
Purchase value (€)	0.04304	0.04378	0.04421	0.04465	0.04465	0.04474
Change	+0.5%	+1.7%	+1%	+1%	—	+0.2%

■ CAPITAL

The benefit is paid out in a lump sum if the number of vested points is below 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.

■ ANNUITY

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

EXAMPLES¹

■ LUMP SUM PAYMENT

PHILIPPE

ADMINISTRATIVE ASSISTANT

Retires in 2016 **aged 62**,
after having contributed
since inception of the Scheme,
i.e. since 2005.

He has

4,900 points

in his individual
retirement account

(< 5,125 POINTS).

	4,570
x	0.04474
x	24.62
x	1.00
.....	
	€5,397.34 gross

Philippe will receive a gross lump
sum payment of **€5,397.34**.

This amount will be paid out in
one or two instalments, depending
on the 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

JEANNE-MARIE

ASSISTANT

Retires in 2016 **aged 62**, after having contributed since inception of the Scheme, i.e. since 2005.

She has 8,000 points in her individual retirement account (> 5,125 POINTS)

	8,000
x	0.04474
x	1.00
.....	
	€357.92 gross

Jeanne-Marie will receive a gross annuity of €357.92 per year, i.e. €29.83 gross per month.

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

ROSE

ASSISTANT

Retires in 2016 **aged 67**, after having contributed since inception of the Scheme, i.e. since 2005.

She has 8,000 points in her individual retirement account (> 5,125 POINTS)

	8,000
x	0.04474
x	1.22
.....	
	€436.66 gross

Rose will receive a gross annuity of €436.66 per year, i.e. €36.39 gross per month.

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.
2. 2016 service value of the point.
3. Lump sum conversion factor corresponding to life expectancy at retirement 62.
4. Premium for retiring above age 62: the higher the retirement age thereafter, the greater the factor.

PENSION SCHEME FINANCIAL MANAGEMENT AND SRI

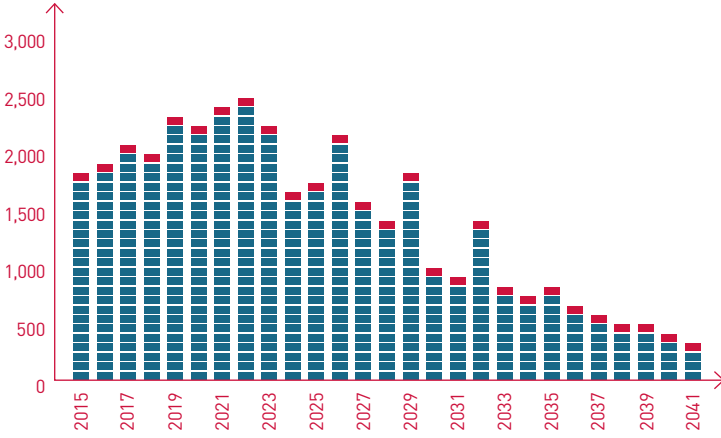
**NEARLY
€1.8 BILLION**

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

A MAJOR INSTITUTIONAL PLAYER

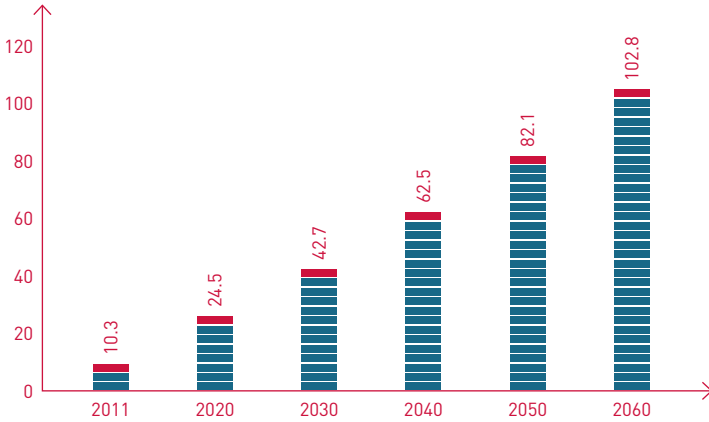
NET CASH FLOWS
(CONTRIBUTIONS AND BENEFITS,
REDEMPTIONS AND BOND AMORTISATION) — In € million

Source: ERAFP technical and financial management department



SCHEME FUNDS (€ BILLION)

Source: Conseil d'Orientation des Retraites (COR)



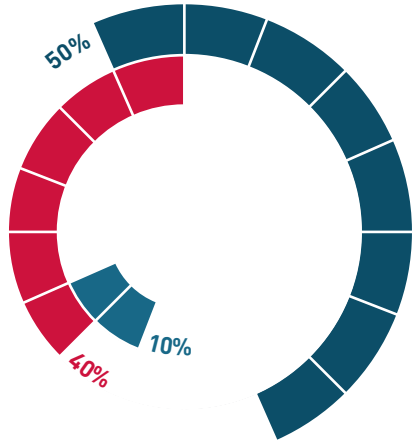
A PRUDENT AND SAFE ALLOCATION

REGULATORY RESTRICTIONS APPLICABLE TO RAFP

Source: ERAFP technical and financial management department

- Bonds: **50%** (minimum)
- Diversified assets: **40%** (maximum)
- Real estate: **10%** (maximum)

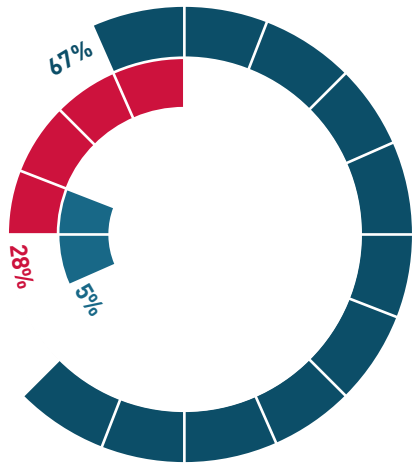
50% minimum in bonds
 5% maximum in private equity funds
 3% max. in unlisted funds
 3% max. in funds of loans to finance the economy
 30% max. of assets not denominated in euro



ASSET ALLOCATION AT 31 DECEMBER 2015

Source: ERAFP technical and financial management department

- Bonds **67%**
- Diversified assets **28%**
- Real estate **5%**



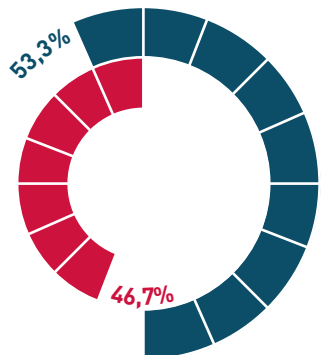
BREAKDOWN BETWEEN IN-HOUSE AND DELEGATED MANAGEMENT AT 31 DECEMBER 2015

Source: ERAFP technical and financial management department

- In-house management **53.3%**
- Delegated management **46.7%**

Mutual funds, mandates and non-trading real-estate companies:

- Euro zone equities
- International equities
- EUR and USD corporate
- Convertible bonds
- Funds of funds
- Real estate
- Private equity and infrastructure



GRADUAL ASSET DIVERSIFICATION

MOVING TOWARDS INCREASED DIVERSIFICATION OF FINANCIAL ASSETS

STRATEGIC ALLOCATION FOR 2016

Source: ERAFP technical and financial management department

Bonds	From 61% to 66%
Variable income assets	From 29% to 30%
Real estate	From 5% to 8%

■ TIMELINE

↑ 2016

Launch of tender procedure for selecting managers for private equity and infrastructure investments

↑ 2015

Changes in ERAFP's investment rules

↑ 2014

- Setting up a fund dedicated to USD-denominated corporate bonds
- Renewal of euro bonds and international equity management mandates

↑ 2013

Putting in place of special purpose vehicles for investments in French small caps, US equities and real-estate.

↑ 2012

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

↑ 2011

Right to invest in real estate and forest land

↑ 2009

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

€19.7 BILLION

NET CARRYING AMOUNT AT 31 DECEMBER 2015

A HIGHLY COMMITTED INVESTOR

The Board of Directors has made a number of strong commitments regarding the Scheme's financial management:

- 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;
- drawing up a shareholder voting policy that is updated and added to each year (March 2012)

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

Along these lines, it has been a signatory of the UN's Principles for Responsible Investment (PRI) since 2006.

In 2013, ERAFP joined the Extractive Industries Transparency Initiative (EITI) and the Institutional Investors Group on Climate Change (IIGCC).

In 2014, ERAFP stepped up its involvement in PRI with several collaboration initiatives on the following subjects:

- prevention of corruption;
- hydraulic fracturing;
- labour relations;
- working conditions in the agricultural supply chain.

In 2015, ERAFP joined the Portfolio Decarbonization Coalition.

In 2016, ERAFP joined the French SIF, Forum pour l'Investissement Responsable (FIR)

*SRI: Socially Responsible Investment

AN APPROACH THAT HAS WON MANY AWARDS

- Instit Invest 2015 award for the best initiative in favour of the climate
- 2015 IPE award for best pension fund in terms of ESG
- Mirova-Amadeis award for best responsible investor in 2014
- IPE awards for best pension fund in France in 2012 and 2013
- IPE award for best European pension fund in terms of ESG in 2012
- TBLI awards for best investor in terms of ESG in 2010 and 2011

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 of sovereign issuers.

Death penalty – Torture – Child soldiers

■ OWN 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 SHAREHOLDER ENGAGEMENT POLICY

- Reflected in ERAFP's active participation in targeted collaborative engagement initiatives.
- Resulting in annually-updated innovative and ambitious voting policies at general meetings of shareholders.

A GLOBAL AND INTEGRATED

100% SRI APPROACH

APPENDIX

TABLE OF STATUTORY AGES FOR RAFP ENTITLEMENT

Date of birth	Statutory age for RAFP entitlement currently applicable
Before 1 July 1951	60 years
1 July to 31 December 1951	60 years and 4 months
1 January to 31 December 1952	60 years and 9 months
1 January to 31 December 1953	61 years and 2 months
1 January to 31 December 1954	61 years and 7 months
After 1 January 1955	62 years

Etablissement de Retraite Additionnelle de la Fonction Publique
12, rue Portalis - CS 40 007 - 75381 Paris Cedex 08 — www.rafp.fr

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