



THE NATO DEFINED CONTRIBUTION PENSION SCHEME (DCPS)

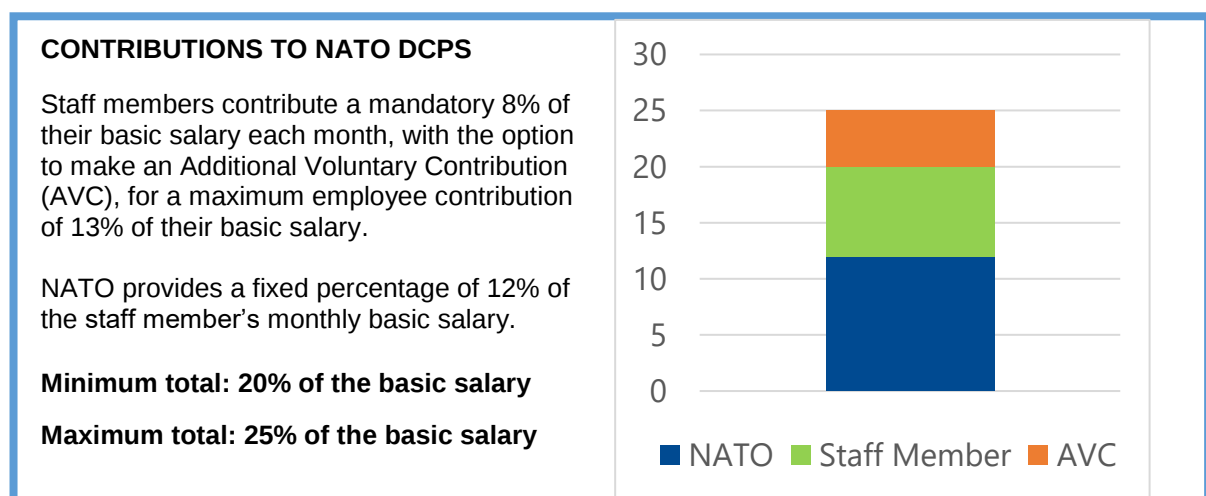
NATO has established its own retirement investment plan, as it is not subject to national social security legislation. NATO's DCPS is a defined contribution plan where each employee has an individual account into which both NATO and the employee make monthly contributions. The benefit level at retirement is dependent on the total contributions, investment returns gained on the individual account, and annuity pricing at retirement for staff who choose the full or partial annuity option. The staff assumes all of the risks linked to the retirement benefit.

DCPS membership commences as of the first day of work. NATO currently has set up a range of investment funds in equities, bonds and cash, denominated either in EUR or USD. It is the complete responsibility of staff members to develop their own portfolios based on their preferred level of risk, and investment strategy. Upon joining NATO your pension contributions will be defaulted to be invested in a cash fund. Staff members may adjust their investment strategy with transactions called "switches", up to six times per calendar year.

Investment gains or losses are based on the performance of the portfolio's holdings. In general terms, "Defined Contribution" schemes offer more control and flexibility but require active management and entail complete individual responsibility. *Consulting with a personal financial advisor may be beneficial for newcomers, to help assess individual circumstances and receive behavioral advice.*

Monthly contributions

Contributions under the DCPS are split 40% employee and 60% employer, set at the following ratio of staff basic salary: 8% for the employee, 12% for NATO. However, staff have the option to contribute up to an extra 5% above their 8% mandatory rate, to build up additional funds in the DCPS, as shown in the graph below.



Transfer of previous pension rights to the NATO DCPS

Upon making an informed decision, new staff joining the DCPS may wish to transfer previously accrued pension rights to the DCPS, if the previous employer allows such transfers. The timeline to request an inward transfer is six months following confirmation of the probationary period.

A DCPS Housing Withdrawal Option

Staff may withdraw up to 95 percent of their DCPS assets to either fund a future primary residence, or to reduce an amount owing on an existing mortgage. Active members may opt for the housing withdrawal two times over the course of their career at NATO.

Options for DCPS affiliates when they leave NATO

When departing NATO, DCPS affiliates have the following options regarding their holdings:

1. Maintain the DCPS account until further notice, with no additional contributions¹.
2. Closure of the DCPS account with payment of the cash value of the retirement investment fund at that time (to be initiated 3 months before separation from NATO)².
3. Closure of the DCPS account and transfer of funds to a bona fide pension scheme.
4. Closure of the DCPS account in anticipation of benefits in the form of a monthly annuity³. DCPS rules provide for a tax adjustment system for staff members who elect the monthly annuity option at retirement, and who are liable to pay income tax on their annuity income in a NATO member country.

¹ Passive membership is subject to administration costs that are borne by the account owner.

² Early closure prior separation from NATO is possible

³ This option is only available for staff members who have contributed for 6 years or more.