



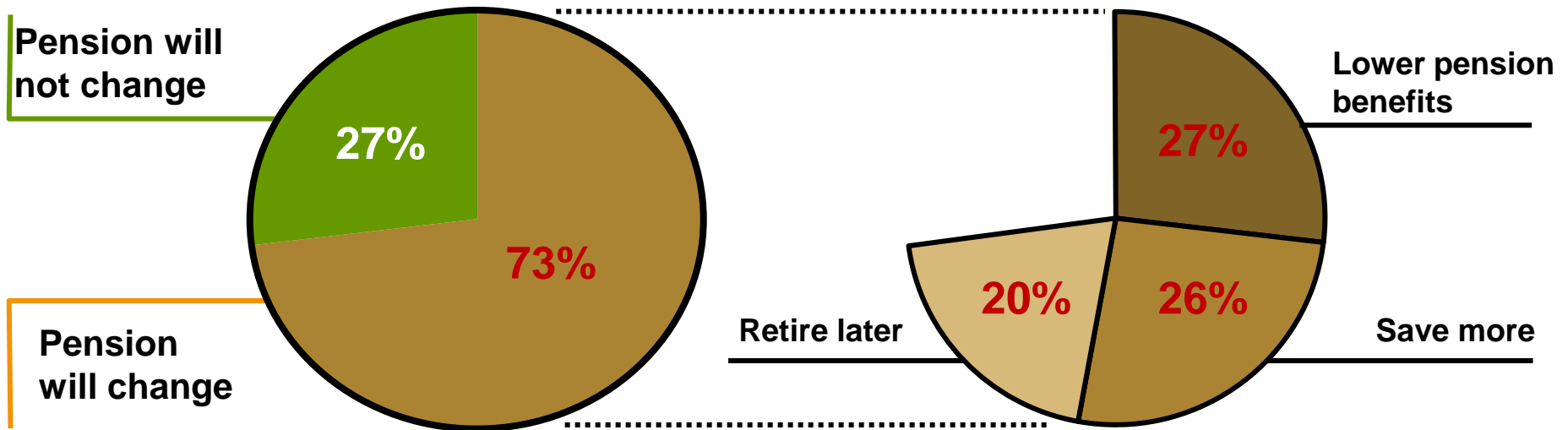
Convergence in European Pension Markets

What are the main drivers to merge pension funds into a single Pan European Pension Fund?

Philip Neyt, Chairman Belgian Pension Fund Association

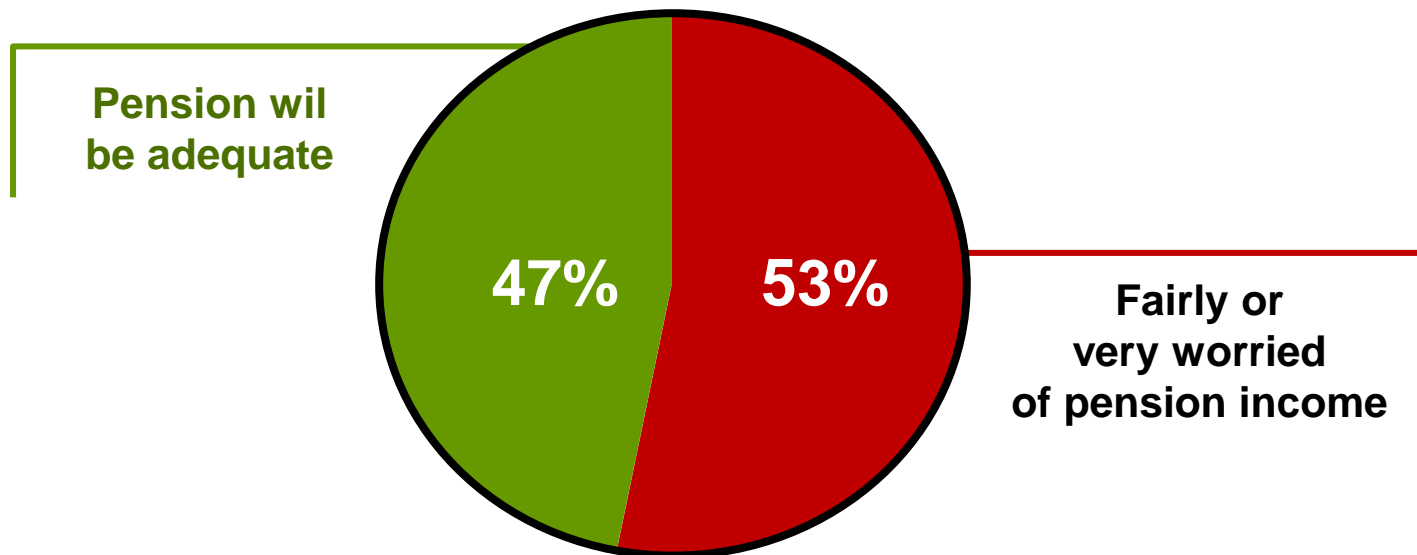
Pressure on EU Pension Systems

EU Citizens' feelings about future pensions (Eurobarometer 2010)



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Pressure on EU Pension Systems

AFFORDABILITY AND SUSTAINABILITY OF STATE PENSION

= life expectancy at effective retirement age



EU
=
18,5 YRS

Remedies

**Work longer,
Later/flexible
Retirement**

ADEQUACY OF STATE PENSIONS

= average state pension compared to average wage



EU
=
42 %

**Need of
occupational
pensions**

OCCUPATIONAL PENSIONS: CLOSING THE GAP?

= Assets/Liabilities ratio



**Annual
Growth Rate
(Liabilities-Assets)
2000-2010:
3%**

**More grip
on pension
(funding) risk**
(f.ex. Pan-European
pension fund)

Pension Risk at the Corporate Agenda

- “Since 2009 pensions belong to **the top 10 concerns of CFO’s**” (CFO.com)

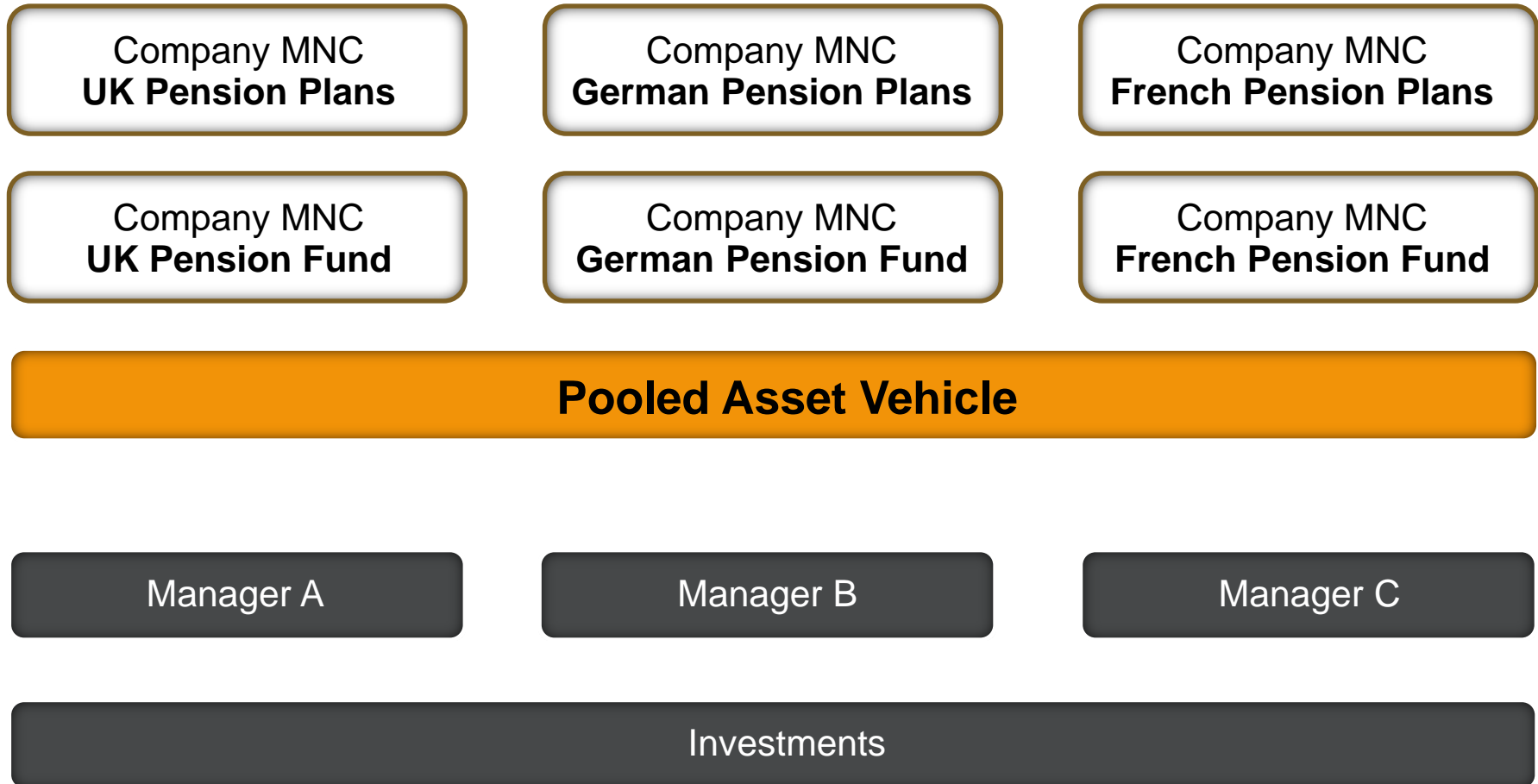
- “Deficit in US States’ employee retirement funds grows to **\$ 1.3 trillion of 11.000 \$ for each American**” (Pew Center, 4/2011)

- “FTSE 350 companies **face a pension deficit of £177 bn or 78% of their earnings**” (Hymans & Robertson, 3/2010)

- “**One third of FTSE100 companies can now not pay off** deficits in any realistic timeframe from discretionary cash flow” (KPMG, 2010)

- “**A pension promise can be easy to make but expensive to keep.** The immediate cash cost is only part of the problem; the longer-term calculation also involves the value of future pension promises. (The Economist, 4/2011)”

Multinational Pension Asset Pooling



Multinational Pension Fund Pooling

Company MNC
UK Pension Plans

Company MNC
German Pension Plans

Company MNC
French Pension Plans

Single Pension Fund Entity

Manager A

Manager B

Manager C

Investments

What Drives a Multinational to Pool their Pension Funds?

Reduced operational Risks (More grip and control)

- Simplified & centralized oversight
- Enhanced risk assessment, consistent risk mitigation
- Integrated global pension risk control
- Unified governance
- Consistent, central reporting/control

Efficiency gains (economies of scale)

- Uniformity facilitates workforce mobility
- Pooling of “know how” (deeper expertise)
- Leaner admin and fewer providers and interfaces
- Eases m&a transactions

Cost savings (single European Entity)

- Funding flexibility / predictable funding
- Tax optimization
- Lower regulatory burden (single supervisor)
- Solidarity between subsidiaries or ring-fencing
- Better cost transparency and lower operating costs