

Case Study

Thierry Verkest, Executive Director, Belgium and Luxembourg, Aon Hewitt

Dedicated Project Team

- Specific project requiring expertise and planning
- Pan European Pension funds is new concept
 - Limited knowledge and experience
 - Opening closed doors
- Specific skills and competences
 - Financial, tax and legal implications
 - Communication to local entities

Selecting Belgium as Home Country

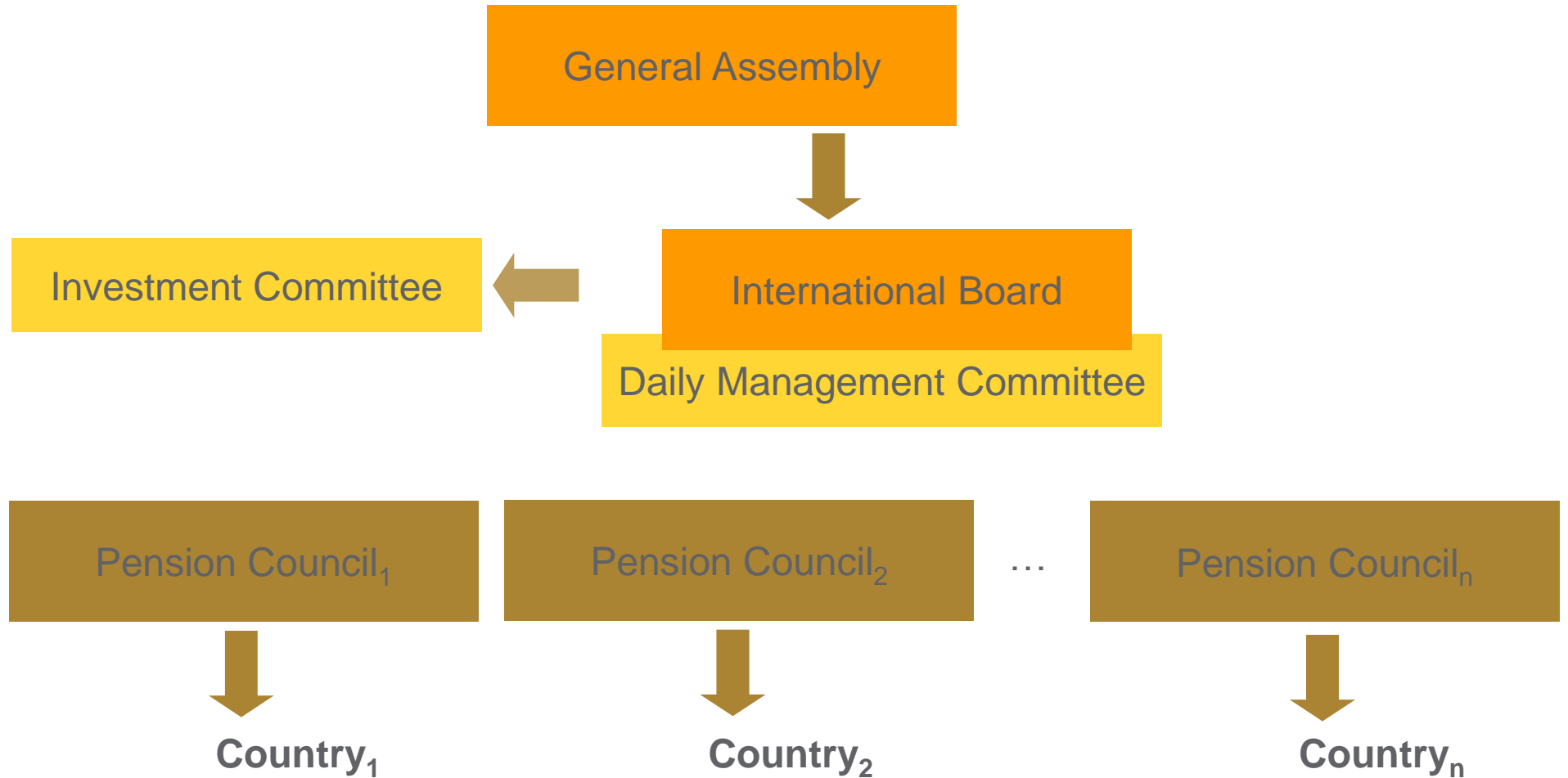
- Regulator accessible, open-minded and supporting
- No quantitative investment and financing regulations
 - Flexible funding definition
 - Investment policy according to prudent person principle
- Freedom of governance framework according to specific situation
- Zero tax base
- Establishment of pension councils (committees) to comply with local social regulations
- More than 20 year of experience with pension funds
- Multi-cultural, multi-lingual community in the centre of Europe

Pension fund already in place in Belgium? Activity can be extended to cross-border

Selection of Host Countries

- Inventory of pension arrangements in Europe
 - Type of pension plan
 - Funding levels
 - Investment policy
 - Administration process and cost
 - Level of local pension expertise
- Feasibility study for selected host countries: step-wise implementation process
 - Impact on benefit design, funding, indexation, administration
 - Which plans to transfer, which members to transfer
 - Informal meeting with local regulator
- Communication to local management / employee representatives
 - Resistance from local stakeholders and lack of understanding/misconception

Governance Framework



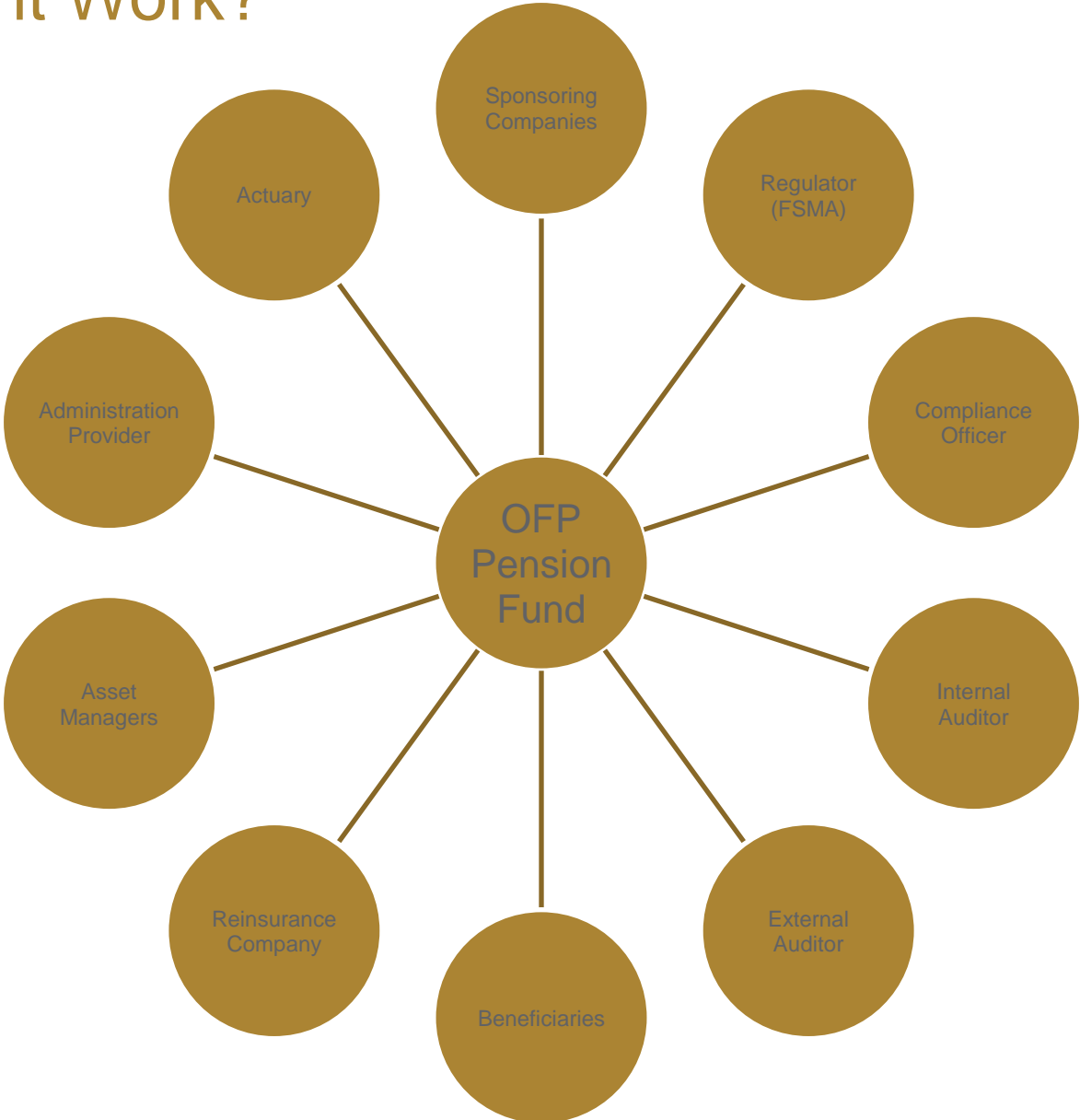
Different Pension Plans in a Single Pension Fund

- Type of pension plan
 - Defined Benefit / Defined Contribution
- Type of benefits
 - Retirement / Death-in-service / Disability
- Type of financing
 - Employee / Employer Contributions
- Benefit strategy
 - Maintain existing local benefits
 - Introduce cross-border pension plan

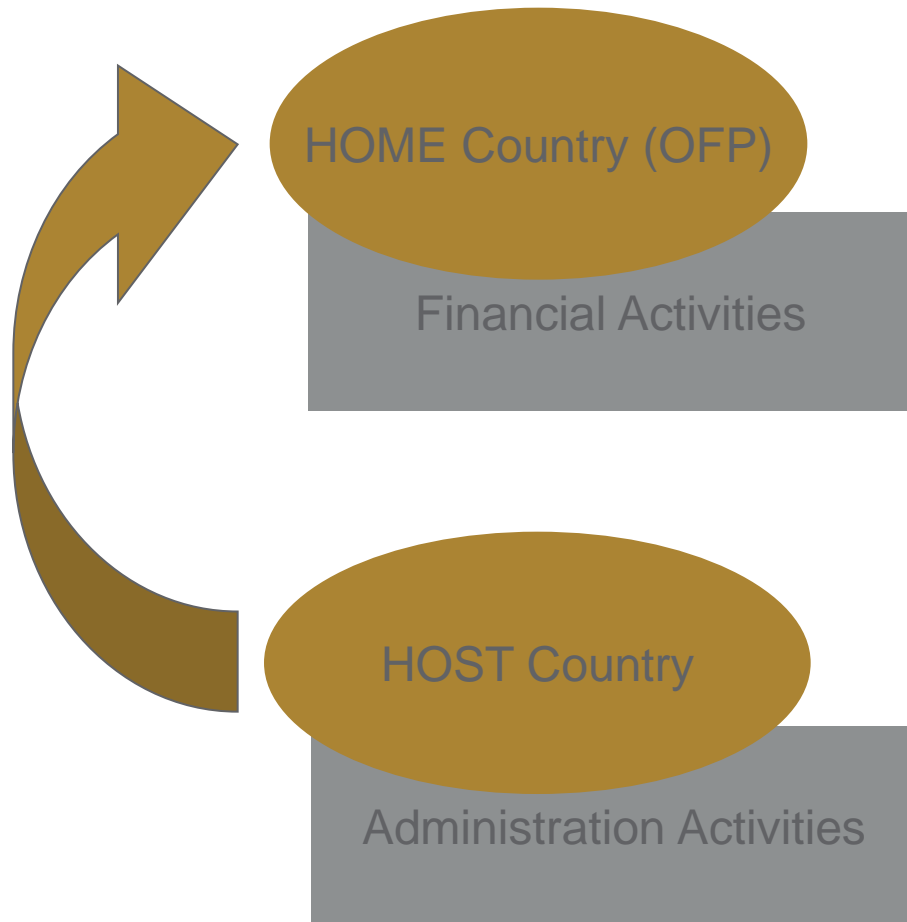
Define your Funding and Investment Principles

- Pooling of assets and liabilities
 - Adequate liabilities to be covered by appropriate assets
- Financing Plan
 - Level of pension liability = required technical provision
 - Contribution policy
 - Asset ring-fencing for each country section
 - Reinsurance policy and captive management
- Statement of Investment Principle
 - Investment strategy
 - Risk measurement and management

How Does it Work?



Making Cross-Border Activities Operational



- Investments / Cash Management
- Actuarial Valuation Coordination
- Bookkeeping / Tax Declarations
- Legal housekeeping
- Annual Report / Reporting Authorities
- Reinsurance

- Census Data Collection
- Recordkeeping
- Benefit Calculation / Communication
- Benefit Payments
- Actuarial Processing
- Reporting Members