

# The pension of the future

## United Pensions

---

In recent years, Dutch pension funds and insured schemes have increasingly been hit by persistently low interest rates, combined with a steadily ageing participant population. Aon has created a new pension fund United Pensions (UP), a European Pension Fund, to improve the sustainability of Dutch pensions for all stakeholders.

**What is the current market situation for pensions?**  
The Dutch pension watchdogs, AFM and DNB, have recently introduced a new Financial Assessment Framework (nFTK) that aims to secure more prudent regulation of pension liabilities in the future. This new assessment framework has altered the financing policies of pension funds. Increasingly conservative actuarial principles impact on funding ratios and result in indexation becoming delayed for many years.

Moreover, pension funds are facing heavier governance burdens and more extensive reporting requirements, and the watchdogs are starting to take a tougher stance on governance requirements.

Alternative insured schemes for final and career average salary pensions are also greatly affected by low interest rates and an ageing population. When a guaranteed scheme contract is renewed, prices may be 90% higher than the current rates.

**How does this affect Dutch pension funds?**  
The changes associated with the new financial assessment framework and their impact on pension funds' funding ratios reduce the potential for indexation. Greater emphasis on supervision and the mounting regulatory burden, coupled with DNB's incentive policy aimed at reducing the number of pension funds, is leading to extensive consolidation among, or the closure of, smaller pension funds.

In tandem insurers are charging higher rates for insured pension funds with guarantees, or are refusing to renew contracts. This heralds a major change in the pension landscape. Many employers and funds currently feel they have no choice but to either change their pension rules or seek an alternative pension financing vehicle – or a combination of both.

### What do the employer and employee want?

As an employer, you want to meet your pension commitments in an affordable and sustainable way.

As an employee, you want a good pension at your retirement date, ideally with full indexation. Employers are seeking a scheme with:

- lower governance burden and fewer responsibilities;
- a sustainable commitment;
- a good administrative system and communication;
- manageable costs and the potential for indexation.

What are the options on the market? Your current options for a sustainable pension solution in this changing environment are:

1. renewal of a dedicated corporate pension fund;
2. changing the pension scheme into defined contribution;
3. transferring to a sector-wide pension fund;
4. renewal with an insurer;
5. establishing your own European Pension Fund (IORP);
6. using a Dutch General Pension Fund (APF);
7. using Aon's European Pension Fund: United Pensions.

---

### More information

For more information and to arrange a meeting for your company, please contact one of the following people, who will be pleased to assist you.

**Hans Rekker**  
Client Executive  
+31 653 672 199  
hans.rekker@aonhewitt.com

**Heleen Vaandrager**  
Client Executive  
+31 6 1076 5729  
heleen.vaandrager@aonhewitt.com

**Jacintha den Haag**  
Senior Client Consultant  
+31 6 4273 8580  
jacintha.den.haag@aonhewitt.com

## What is United Pensions?

United Pensions is a multiple-employer European Pension Fund, established and managed entirely by Aon. It was created in response to repeated requests from our clients deliver final salary or career average pensions in an affordable and sustainable manner.

### Compliance with legislation and regulations

United Pensions was established in Belgium in 2014. Belgian supervision is more flexible than the Dutch system, it is prudent, secure and reliable and the European Pension Fund is covered by the European Pensions directive. United Pensions has a section for each country in which it provides services, and its Dutch section provides effective and efficient DB and DC schemes (salary/service schemes).

### Aon delivers the governance

When you join United Pensions, you enter your own completely ring-fenced section for obligations and investments so there is no cross-subsidy with other employers. Aon handles the governance and management, relieving you of the burden of running your own pension scheme.

### Excellence in investment strategy and performance

Through United Pensions Aon will guide you to select a pre-determined investment strategy depending on the appropriate level of risk you are prepared to accept. Investment can be active or passive, and we implement your investment strategy through Aon's global investment platform which invests €100bn of pension assets for our clients. This delivers global scale and buying leverage as Aon advises on almost €5 trillion assets. We are able to bring underlying funds onto our platform and negotiate competitive fund manager charges.

Aon monitors over 4,000 fund managers regularly and we select the best fund managers for particular asset classes. We construct optimal blended funds with different risk profiles and change the constitution of these funds as individual fund manager performance and market conditions change.

### Pension administration

Routine matters relating to your pension scheme must be handled smoothly, quickly and flexibly. Aon is the biggest HR outsourcing organisation in the world. In the Netherlands alone, Aon has over thirty years' experience and administers thirty pension funds providing member administration, communication, and related services. You receive a fully end-to-end service through United Pensions.

The Dutch sections of United Pensions are still subject to Dutch income tax rules and Dutch social and labour law as per any Dutch pension fund.

## Advantages of United Pensions?

United Pensions creates greater sustainability for Dutch pensions:

- Greater financing flexibility - Dutch pension funding requirements are prescriptive and very prudent. United Pensions provides access to funding Dutch Pensions under a Belgian financing regime leading to the potential to reduce employer cash cost without reducing benefits.
- Access to a world-class investment strategy which is monitored and managed professionally on your behalf.
- Shared operational costs, less time-consuming for your business, and access to economies of scale.
- Multiple employer pension fund but fully segregated with simple but effective governance delivered by Aon.
- Greater member security, and the financial flexibility to deliver greater indexation to members and make a solid business case.

## Additional considerations

A number of things to consider when financing your Dutch pensions through United Pensions:

- Unlike other collective vehicles, you have influence over your chosen investment strategy, and access to the governance of United Pensions if required.
- Although the Belgian supervisory authority allows United Pensions greater financing flexibility in line with Belgian legislation, they always require that a minimum level of funding exists. This means members leaving employment are able to join another Dutch pension fund without penalty or benefit reduction.
- Dutch pension benefit design remains unchanged and subject to Dutch (tax) laws and the Pensions Act. This ensures United Pensions is both fiscally equivalent to a Dutch pension fund and provides the same safeguards built into Dutch social and labour law.
- Client servicing, participant administration and communication are all delivered from the Netherlands.
- The Board of United Pensions has two independent external members including a prominent figure in the Dutch Pensions industry.