



GLOBAL BENEFITS VISION

Knowledge & Wisdom for Global Employee Benefits Professionals

Special Edition

Pan-European Pensions Conference
Luxembourg – 5 February 2018

PAN-EUROPEAN PENSIONS

DREAM
OR
REALITY?

An Interview with
Nicolas Hubé, *Johnson & Johnson*
and Xavier Collot, *Amundi*



NICOLAS HUBÉ

nicolas.hube@protonmail.com

JOHNSON & JOHNSON

Director, Global Benefits



Since April 2008, Nicolas is Director Global Benefits for Johnson & Johnson. With a special focus on the EMEA region, he is in charge of the benefits strategy, benefit policy design and execution of programs according to internal governance processes. He is also a Board Member of the J&J Pension Fund in Belgium, a cross-border vehicle managing the retirement benefits for J&J employees in Belgium, Ireland and The Netherlands.

Before joining J&J, Nicolas worked for eight years in the underwriting department of French provident institution AG2R, then spent five years in two global HR consulting firms, Towers Perrin (now Willis Towers Watson) and Hewitt Associates (now Aon Hewitt), as a senior benefit consultant, and finally was the Group Benefits Director for Carrefour for three years.



PAGE 04 : *Pan-European Pensions, Dream or Reality?*

Profiles of Contributors

XAVIER COLLOT

xavier.collot@amundi.com

AMUNDI

Head of Employee Savings and Retirement Business line



Xavier Collot has over 20 years of experience. He started as Management Controller at Schneider Electric in 1994 and then worked for 2 years as a Financial Consultant at Oracle France's Intelligence Business department. In 2000, Xavier took charge of the Management Control at Crédit Lyonnais Asset Management, and became 3 years later the Head of Management Control at Crédit Agricole Asset Management with a team of 25 people supervising 35 legal companies in France and abroad.

After Heading Corporate Clients in employee saving schemes at Amundi since December 2006, mid 2012 he became in charge of Corporate Development for the Employee Saving Scheme business line.



PAN-EUROPEAN PENSIONS DREAM OR REALITY?

An Interview with
Nicolas Hubé, *Johnson & Johnson*
and Xavier Collot, *Amundi*



XAVIER COLLOT,
AMUNDI



NICOLAS HUBÉ,
JOHNSON & JOHNSON

It's a globalized world, and corporations are increasingly multinational, with multiple locations and ever-more-mobile employees. As pension burdens increasingly weigh on public finances, retirement is not only the responsibility of the state, but also of employers. The time has come for a more global HR policy on pensions.

Due to their diversity and complexity, pension schemes often have been set up locally, without neither a common benefits policy at the group level nor efficient monitoring and cost control by the parent company. This approach, while practical, is not without risks: counterparty risk in case of default by a service provider; reputational risk if the pensions paid out are insufficient; and above all, financial risk if the company must compensate for the inadequacies of local schemes.

The transfer of Defined Benefits to Defined Contributions reduces the financial commitment burden on companies. Unmonitored **DC** plans in countries where regulations provide for guaranteed returns (such as the Netherlands, Belgium, and Germany) can transform **DC** schemes into a new form of **DB**, as guaranteed rates often remain the responsibility of the sponsor company.

The risk is especially real in our context of falling interest rates, which directly impact yields on insurance contracts.

In this movement to **DC**, the responsibility for these schemes is transferred from finance departments to HR. But how does HR obtain a consolidated view to oversee these plans? Multinational corporations increasingly are looking for more harmonized retirement schemes, and for efficient solutions to consolidate, monitor, and make them portable.

Fortunately, schemes that can cross more than one border and fulfill the unique needs of corporations already exist in Europe. Amundi offers corporations pan-European pension solutions that are fully operational across eight countries, with three more coming this year. Multinationals may indeed run their own cross-border retirement plan. But few can afford the time, money, and expertise required to develop a cross-border retirement plan.

What are the preferred approaches? Who are the players? What is their offer? What are the main challenges? What are the market development perspectives?



GBV: Tell us a little about yourselves, especially the highlights of your career with emphasis on global employee benefits, global pensions or on related fields.

XAVIER COLLOT: I am currently Head of Employee Savings and Retirement at Amundi **ESR** (Employee Savings & Retirement).

I have more than 20 years of experience. I started as a Management Controller at Schneider Electric in 1994, and then worked for two years as a Financial Consultant at Oracle France's Intelligence Business department. In 2000, I was at Crédit Lyonnais Asset Management, and three years later at Crédit Agricole Asset Management as Head of Management Control with a team of 25 people supervising 35 legal companies in France and abroad.

After heading Corporate Clients in employee saving schemes at Amundi for six years, in mid-2012 I became head of Corporate Development for the Employee Saving Scheme business line, and since 2016 I've headed the entire business line.

NICOLAS HUBÉ: Since April 2008, I have been Director Global Benefits for Johnson & Johnson (J&J). With a special focus on the EMEA region, I am in charge of the benefits strategy, benefit policy design, and execution of programs in line with internal governance processes. I am also a Board Member of the J&J Pension Fund in Belgium, a cross-border vehicle managing the retirement benefits for

J&J employees in Belgium, Ireland, and the Netherlands. Before joining J&J, I worked for eight years in the underwriting department of French provident institution AG2R, then spent five years in two global HR consulting firms (Towers Perrin and Hewitt Associates) as senior benefit consultant, and finally was the Group Benefits Director for Carrefour for three years.

GBV: Tell us about AMUNDI's history, especially your strength as far as products and business lines.

XC: Amundi is the leading asset manager in Europe, in the top 10 worldwide¹, with more than 50 years of expertise in savings and retirement. Being number one in Employee Savings and Retirement (**ESR**) in France, with more than €56 billion in assets and a 42% market share², **ESR** is a strategic business for Amundi, hosted in a dedicated business line. With a set of dedicated resources in marketing, legal resources, IT, the business line has nearly 300 employees.

We offer companies a unique set-up built on three pillars: a digital administrative platform, design support and implementation, customizable investment solutions. Amundi **ESR** continues to grow with the double credo "innovation and simplicity."

Retirement is the strong point of our development in France as well as in Europe. True to its pioneering spirit, Amundi shakes up preconceptions and benefits from an

DB
Defined Benefit

DC
Defined Contribution

ESR
Employee Savings & Retirement

¹
Source IPE "Top 400 asset managers" published in June 2017 and based on AUM as of December 2016

²
AFG source, 30 June 2017

EB
Employee Benefits

ASSEP
Association
d'Epargne-Pension/
Pension Savings
Association

IORP
Institution for
Occupational
Retirement
Provision

extensive expertise in France to export retirement solutions internationally with a completely new set-up. As a result, with over 100,000 corporate clients across 120 countries, Amundi **ESR** is a pioneer in pan-European retirement solutions.

GBV: *Nicolas, tell us about J&J's history and business model.*

NH: Over the past 10 years, J&J has moved from a decentralized, non-harmonized employee benefits (**EB**) model to a more integrated one. Now all employees in a country are covered by a single **EB** package, no matter which business they work for. We use pooling but no **EB** captive. And we have created a cross-border **IORP** in Belgium.

Thanks to J&J's strong financial situation, we're still a **DB**-friendly organization, although most of our new plans are **DC** ones. We take a country-by-country approach and set up unique plans that are relevant to each country's situation.

GBV: *What are AMUNDI's current capabilities in cross-border pensions, especially business units and in-country and regional structures?*

XC: Even though local social, tax, and labor rules are complex in Europe, we succeeded in structuring an **IORP** pension fund in the Luxembourg **ASSEP** (Association d'Epargne-Pension/Pension Savings Association) framework.

While the **IORP** Directive was voted on in 2003, its operational implementation took several years. Few countries —only those more open to cross-border plans, such as Luxembourg— really supported pan-European pension funds.

Luxembourg offers a unique expertise to cross-sell through multiple borders. Moreover, Luxembourg is among the few European countries that have fully transposed the **IORP** directive with the **ASSEP** legal framework. In comparison with other EU countries, Luxembourg was, therefore, a rather straightforward choice.

To complete the pension fund, we developed our own fully digital, highly secured, and user-friendly administrative platform, in order to be able to adapt very quickly to the specific needs of employers and offer a large range of online services to their employees. Importantly, we adopted an open architecture that can integrate tens of thousands of external funds, as a way to really answer clients' needs and avoid any conflict of interest.

So, the key benefits for our clients: we are the only multi-employer cross-border plan that is up and running in 8 (soon to be 11) European countries; real economies of scale translating into an average 30% cost reduction; and very modular and flexible one-stop shopping that enables tailor-made solutions.

GBV: *As an asset management specialist, does Amundi offer risk components such as coverage of biometric and longevity risks, retiree medical, survivor's pension, and related products?*

XC: The platform's open architecture integrates insurance benefits to cover biometric risks (death and disability insurance) and the payment of life annuities, or the expertise of other asset managers.

We have developed partnerships with insurance companies, but our offer is flexible enough to plug in any other partners. If our clients prefer, we work with theirs.

KEY NUMBERS - J&J FUNDED DB PLANS



PBO vs. MARKET CAP : Less than **9%**



ANNUAL PENSION EXPENSE AS A % OF NET INCOME: Less than **3%**



AVERAGE MEMBER AGE: **42**



ACTIVE TO RETIREE RATIO: **2.4**



\$28.1 BILLION IN LIABILITIES (65% in the U.S.); **\$23.6 BILLION IN ASSETS** (68% in the U.S.)

GBV: Can you tell us about Johnson & Johnson's global benefits resources, especially the structure of the cross-border pensions teams and captives?

NH: Pensions are a joint responsibility between Corporate HR and Corporate Treasury. J&J is currently transitioning to a new model where responsibility for resources is moved away from business units to shared services teams in global and regional hubs. This transition is supported by global technology solutions, a single global **HRIS** system and dedicated global employee benefit communication digital portal.

The J&J cross-border pension vehicle was created in Belgium to leverage our existing presence in this country (already one of the largest J&J **DB** single country pension fund). Today the J&J cross-border **OFP** manages the retirement benefits for employees in Belgium, Ireland, and The Netherlands (about 18,000 members and €1.7 billion assets).

GBV: What can you tell us about Amundi's success in attracting companies to your platform?

XC: Today more than 10 multinational companies have signed up. These companies are large international groups, mid-size companies, and supranationals. They all have their specific needs, to which our modular solutions can be fully tailored.

With more and more companies looking for a pan-European approach, they are interested in our solutions. Some are keen to go and some others are first looking to decrease risks associated with their existing **DB** plans before moving to cross-border **DC** plans.

GBV: What can you tell us about J&J's retirement and savings plans across the globe?

NH: J&J operates more than 60 retirement/savings plans around the world, including 25+ open **DB** ones. The vast majority of our 125,000 employees are covered by a retirement/savings plan.

HRIS
HR Information
System

OFP
Organisme de
financement des
pensions, Pension
Funding Institution
(Belgium)

GBV: *What's your overall long-term vision for Amundi in cross-border pensions and Global Benefits?*

XC: This new, growing pan-European pension fund market is part of Amundi's strategic development on international corporations. As a large asset manager that has been structuring employee savings and retirement plans for corporates since many years, we consider it to be our fiduciary duty to offer them long-term and pension solutions and to help their employees get additional income when they retire. Based on our expertise, we believe Amundi can play a leading role in the development of this promising market from Luxembourg.

GBV: *How does J&J's vision for cross-border pensions and global benefits integrate with its vision for human resources?*

NH: We continue to expand our Belgian pension vehicle by bringing more **DB** plans into it and transforming it from a **DB**-only to a **DB+DC** platform by starting to transfer some of our **DC** plans into it. As we review our plans' designs we always investigate opportunities to use our cross-border pension fund.

As far as global benefits, we continue to run benchmark analysis and investigate how to optimize our risk benefits financing. We also are doing more work on communicating the value of our programs to employees, and investigating ways to allow more employee choices to improve their financial well-being.

Our HR objective is to attract, retain, and engage the best talent, and we are convinced that our **EB** offering plays a critical role in achieving that. Our **EB** work should focus on finding the right balance between competitive

benefit levels on the one hand, and affordability, cost effectiveness and efficiency for the companies on the other. The **EB** delivery should be best-in-class and should seek standardization where it makes sense.

GBV: *What is the difference between a multinational running its own cross-border retirement plan and Amundi's ARS platform?*

XC: Developing a cross-border retirement plan requires time, money, and expertise that only a few large corporations can afford. Plus, they must manage several external providers in many countries, which can be cumbersome and costly.

Corporations are looking for simplicity and efficiency, that's why they are interested in our value proposition.

This one-stop shopping solution also requires an important investment (legal engineering and IT development) to which Amundi and just a few other few large players can commit. It brings economy of scales and allows corporates to manage and consolidate all their local plans very efficiently, to outsource administrative burdens and monitor underlying risks.

GBV: *Why would a company choose the cross-border pension approach? And who would be the decision-makers?*

NH: Both the HR and finance directors are involved in the decision. It is a top-down decision-making process. It may start with internal governance and approval or investment issues, with the intention to clarify the investment offer. Cross-border pension solutions offer the opportunity to harmonize investment strategies, pool investments, and

give new investment managers access to new volumes. Moving cross-border is a complex change that produces significant economies of scales. Human Resources concerns –change of plan design, re-organization of support functions, better control of group pension plans, refining processes—also can drive a decision.

XC: In general, we recommend that the company appoint someone in the HR team to pilot the project. On our side, we designate a project coordinator to lead the steering committee and workshops needed during the implementation phase.

GBV: *What advice would you give to the HR personnel in charge of reorganizing their pension system to include cross-border solutions?*

XC: When confronted with resistance at the local level, global **C&B** leaders often choose a pragmatic approach, advancing step-by-step. We advise our clients to move to a pan-European plan gradually, country by country.

NH: Indeed, this leaves time to become familiar with the new cross-border structure, test new ways of working, and promote the new solution internally.

GBV: *How do you organize the supervision and the governance of the plans you manage?*

XC: Amundi has extensive experience—nearly 400 yearly—in the management/monitoring of supervisory boards of employee investment funds and schemes, with company and employee representatives. Each plan has its own governance, depending on the culture of the group and the history of the scheme. Our objective is to adapt to the governance of the company's plan.

GBV: *What do you see as the main challenges facing the cross-border pensions industry?*

XC: Europe's pension systems are facing huge challenges and must change. Efficient management, effective cost monitoring, and cross-border solutions are urgently needed. The necessary transformation of the European market has been slow but it is moving forward. If full standardization is still unrealistic, the convergence of existing schemes into solutions that combine overall coherence with local specifics is quite possible. We believe that in the search for simplicity and flexibility, it is possible to build an effective and coordinated pension policy.

The results of the **EIOPA** 2016 survey³ showed that between June 2015 and December 2015, the number of active cross-border **IORPs** increased by 3, to 79. The report also says that more and more corporates are looking for cross-border economies of scale, and more service providers are offering cross-border solutions. That may trigger a positive evolution of the cross-border market in the future.

We noticed a similar awareness by the main actors in 2017, so this market should strongly take off in 2018.

Today only few players can really manage pan-European pension plans, and Amundi is the sole player that provides the whole range of services including a cutting edge record-keeping platform. We think very few players can offer pension administration, client servicing combined with digital expertise on a cross-border basis. The development of this expertise will be one of the big challenges for the market. Amundi already has the administrative management expertise to give companies a consolidated view of their different devices, to access online reporting and consolidated data.

C&B
Compensation
& Benefits

EIOPA
European Insurance
and Occupational
Pensions Authority

3
2016 Market
development report on
occupational pensions
and cross-border
IORPs – 10 March 2017

ECB
European
Central Bank

GBV: *In a nutshell, what strategies and issues do you face when it comes to cross-border growth?*

XC: The cross-border pension industry is at the beginning of its development! We see a growing interest, but we also notice that a lot of multinationals still do not understand the real benefits. We want to ease the market progression and give it more visibility, to contribute to a better understanding of the advantages of this innovative mode. We take our educational role seriously.

NH: There is a shortage of true cross-border administration providers, especially on the **DB** side, since the pension industry does not see **DB** as the future of the market. We see increased scrutiny from **EIOPA**, which wishes to align pension funds' funding assessment with the

regime of insurers, that is, Solvency II. There is an increased burden from additional new reporting requirements from the European Central Bank (**ECB**), and a lack of understanding about cross-border issues by some country supervisors and providers, such as insurers and brokers. Finally, "protectionism" from some E.U. Member States and difficulties in transferring pension assets across borders add to the challenges.

GBV: *What do you feel would add value to Johnson & Johnson's **EB** assets in the long term?*

NH: There is a great need for further education of multinational companies on the value that a cross-border arrangement can bring. A lot of actors should play a role in this,

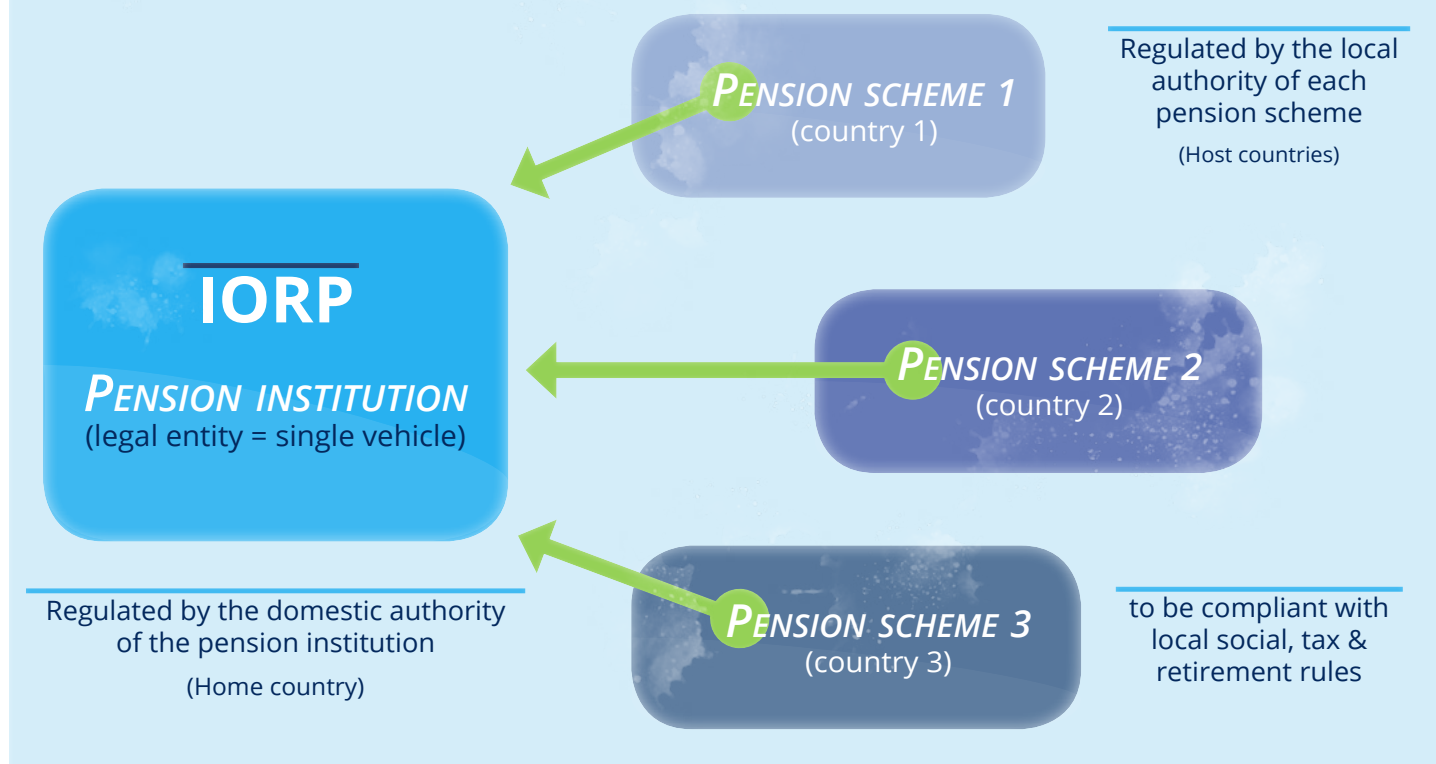
— A LEGAL FRAMEWORK FOR A CROSS-BORDER APPROACH OF PENSION SCHEMES

In 2003, the European authorities favored a cross-border approach to pensions through the IORP Directive, which was supposed to enable cross-border management of Retirement Solutions in one pension vehicle recognized by local regulator.

In December 2017, the updated directive IORP II set common standards that better protect pension plan members and beneficiaries by introducing new requirements: governance, risk evaluation, communication to beneficiaries and responsible investments.



HOW DOES A CROSS-BORDER PENSION FUND WORK?



including the **XBUG** Cross Border User Group, **FSMA**, other professional groups like Pension Europe, **EIOPA**, benefits consultants and other benefits providers like administrators, and asset managers.

GBV: Tell us about **SRI** concerns and performance requirements from the perspective of the sponsors and trustees and your own company.

XC: Our responsible investments represent about €200 billion of assets under management as of September 30, 2017. Through a wide range of **SRI** solutions, Amundi supports companies in their sustainable development strategy.

We are seeing more and more companies willing to improve their **CSR** policy and include **SRI** investment funds in the pension plan investment solutions they offer their employees. In a sense, they allow employees

access to more responsible investments as well. Based on our **SRI** and passive management expertise, we recommend investment solutions composed by responsible investments from our index/**ETF** range of products. Amundi is a major european player in the **ETF** market.

GBV: Can you comment on the challenges and opportunities arising from new technologies, like digitization, data privacy, big data, artificial intelligence, cyber risks, or robotics?

NH: The digital revolution completely changes how we access information and how we perform transactions. Like any other employee benefits, retirement benefits, local or cross-border, must adapt, in both design and delivery. Digitalization opens the door to more flexible approaches that give employees more choices.

XBUG
Cross-border
Users Group

FSMA
Financial Services
and Markets Authority
(Belgium)

SRI
Socially
Responsible
Investing

ETF
Exchange
Traded Funds

CSR
Corporate Social
Responsibility

XC: Companies have two kinds of expectations. First, they need to offload the whole administrative process of employee savings. They expect efficient and user-friendly tools as well. Frequently they ask for help in communicating with their employees about the new plans. They ask for digital tools and services. A web portal that is intuitive and has all the essential features, information, and reporting capabilities about the plans is fundamental.

GBV: *How do you see the pensions industry changing in the next few years?*

XC: This market is just starting and should grow more and more, based on the interest we have seen from European corporates as well as American and Asian groups with subsidiaries in Europe.

In parallel, **DC** plans are growing all over Europe because they don't have this "funding issue."

Amundi will benefit from these trends, as it is dedicated to **DC** plans.

GBV: *Individually, what are your company's goals for the next 12 months and where do you see yourselves in December 2018?*

XC: We will continue to open compartments in the coming months. Our client base includes large international groups, mid-size companies, and supranational corporations, and they all have specific needs. We developed each compartment based on clients' needs and will open new ones on the same basis. In addition to the U.K., Belgium, Spain, Luxembourg, Germany, Italy, the Netherlands, and Portugal, we will activate up to three other European countries.

NH: Our goals are not very different from where we are now, with maybe a couple of additional countries in our cross-border Pension Fund in Belgium.

GBV: *A word to conclude?*

XC: Cross-border pensions are not just a concept. They really work!

NH: HR and **C&B** definitively should include cross-border pensions in their options to address their pension issues! ∞



GLOBAL BENEFITS VISION

Knowledge & Wisdom for Global Employee Benefits Professionals



INDIVIDUAL SUBSCRIPTIONS

**€490 for 1 year
of access**

Digital magazine,
one year, 10 issues

.....

Computer & Tablet
friendly

.....

Includes access to all back
issues and to the database
of articles and news

.....

*Individual
Subscriptions are for
one reader only*

SUBSCRIBE



GROUP SUBSCRIPTIONS

For organizations wishing to give access to GBV magazine to all
their members for a flat yearly fee

.....

If your organization has more than 30 readers of GBV,
a group subscription will save you money
and streamline subscription management

SUBSCRIBE

Confidence
must be earned

Amundi

Amundi Retirement Solutions

A unique cross-border pension platform



*This material is for professional investors only within the meaning of the MiFID European Directive.
For further details please refer to the disclosures at the end of this document.*

**Employee
Savings &
Retirement**