CASE STUDY

# The world's most ambitious cross-border plan

**In November, the first contributions will start flowing into a new European cross-border plan called Resaver.** David Rowley **reports**

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Resaver, the multi-employer, cross-border pension scheme for European professionals engaged in the conception or creation of new knowledge, products, processes, methods and systems, is arguably the most ambitious and complex plan in the world.

Each of the 280 employers that wish to be part of it has to negotiate the legal and tax rules of the 34 European countries they are based in. This goes some way to explaining why on the day it receives its first contributions this November it will only have three employers who are taking part; the Central European University, based in Budapest, Hungary, the Elettra Sincrotrone Trieste (a research institution specialising in synchrotron and free-electron laser light) and the Central European Research Infrastructure Consortium, which are both Italian based.

These three employers have 800 employees joining the Belgian registered plan, which is being managed by Aon Hewitt's office in Brussels.

In theory, once the legal obstacles, process and approval have been overcome, the other 277 employers could join the scheme and it will become one of leading DC plans in the world, but this is a few years off. It has taken years of planning too.

In 2009, Aon Hewitt's international pensions' team in Brussels carried out a feasibility study for Resaver. A consortium was created from employers keen to see such a cross-border plan and in 2014 they put forward individuals to form a board of directors, in effect the trustees for the scheme. In 2015 Aon Hewitt were appointed to a four-year contract to make the scheme a reality funded by €4 million from the European Commission – they are in effect the caretaker managers.

By 2019, it is hoped the plan will have enough revenue to fund itself. The exact fee structure/level has still not been finally decided, although it is expected to be a flat annual fee per member, an flat annual fee per employer, plus a basis points charge on assets. All employers will pay a joining fee of €5,000.

The European Commission wants to encourage greater movement and exchange of scientists within what it terms the European Research Area, which includes 31 EU countries and those in the European Economic Area (Norway, Iceland and Liechtenstien). One of the barriers to people moving between organisations has been the concern at the loss of pension contributions. Gabriella Kemeny, one of the directors and founders of the employer consortium, who is director of human resources at the Central European University (CEU), tells of how there are 40 different nationalities working at CEU.

Dr Paul Jankowitsch, a teacher of MBA courses and the vice rector of finance at Technische Universitat in Vienna, was the inaugural chair of the consortium.

He is full of excitement for the impending kick off for plan, which he likens to an Ivy League-quality institution run to the highest professional standards. Part of this quality will be achieved through the streamlined administration of Previnet in Italy, which is designed to keep administration slick but also cheap. BlackRock is Resaver's sole inaugural fund manager, being chosen for the variety of asset classes it could offer and for offering quality at an affordable price. At present members can access a lifecycle fund or a freestyle choices from the asset classes offered by BlackRock. Once scale is reached the range of fund managers will be increased beyond BlackRock.

"I am really happy to say that we have now done all the preparation work," says Jankowitsch. "There was the legal establishment of the IORP in July and we are now at the final leg of fixing up bank accounts."

It has not been easy getting there and he frequently mentions the phrase "legal complexity".

"It will take a bit of time, because of legal complexities. The legal situation in Europe is very diverse and we have to accommodate that," he says.

Thierry Verkest, partner in international retirement and investment at Aon Hewitt, who is overseeing the day-to-day running of the plan from Brussels, has a similar tale of complexity.

He refers to Resaver as the most challenging cross-border scheme he has worked on. The new IORP directive launched in June has helped flexibility a little, he says, but it is still not easy.

However, like Jankowitsch he believes it is all worth it.

"We are putting in place a governance structure in order to be able to offer state-of-the-art services for DC and clearly the intention is to include hundreds if not 1,000s of institutions. It is our great ambition to make it a big fund."

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It is not just a matter of pride that means Resaver will be designed to meet the highest standards, but a matter of survival. To get scale, it needs to position itself not only as a plan for mobile employee across Europe, but as one that could displace the current default pension plan of each employer in the consortium.

Verkest is sensitive to the idea that pan-European funds such as Resaver are on the wane as they are too difficult to create and run.

"The existing pan-European funds in place are working. You can see in the press a lot of articles saying 'obstacles', 'difficulties', 'challenging', but when you make it happen, it works. I have not see one cross-border pension scheme disappear. We will show the outside world it can work." He adds: "It might be the future of pension funds in Europe."

And he predicts a greater use of such multi-employer funds as companies decide they do not have the time or the resources.

"You see many pension funds, where those running the trust are being retired and not being replaced. So it becomes hard to run these funds in a professional way," he says.

As well as legal obstacles, the plan has had to overcome tax barriers.

Verkest tells how Belgium was chosen as the natural host for the plan owing to the way the country brought in legislation in 2007 that followed the original IORP Directive to the letter. This makes almost any pension scheme in Europe compliant in Belgium.

Verkest says: "It means any company from any country can put in place a pension scheme according to their own desires of structure, in terms of investment, as long as they stay a prudent person." Chief among such flexibilities is the provision that foreign pension funds do not have to pay capital gains on assets registered in Belgium.

Jankowitsch confirms that Holland and Luxembourg were also considered but that "according to our experts it would be more advantageous in Belgium".

Belgium also benefits from being perceived as neutral. "Can you imagine that a large UK trust would move to Germany or a French plan move to the UK?" Verkest says, being candid on an issue others only privately talk about.

For the future, Jankowitsch talks of ongoing negotiations with private companies in Italy and the Netherlands and organisations in Ireland about joining the scheme and how this could add a couple of thousand employees to membership within the next year.

If Resaver works and can overcome its complexities, it could inspire a range of other cross-border, multi-employer schemes. ■