# Pension fund governance and best practices

## Speakers

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<th>Name</th>
<th>Position</th>
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<tr>
<td><strong>An van Damme</strong></td>
<td>Partner, Ius Laboris (BE)</td>
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<td><strong>Jerry Moriarty</strong></td>
<td>Chair, PensionsEurope DC Standing Committee and Chief Executive, Irish Association of Pension Funds (IE)</td>
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<tr>
<td><strong>Paul Duijsens</strong></td>
<td>Strategic Advisor, Executive Office ABP (NL)</td>
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## Chair

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<tr>
<td><strong>Sonia Maffei</strong></td>
<td>Director of Social Security, Real Estate, Anti-Money Laundering and Data Protection, Assogestioni (IT)</td>
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Pension fund governance and best practices

An Van Damme
Claeys & Engels
Ius Laboris
1. Basis of good governance: fit & proper

Fit = “permanently dispose of the appropriate professional integrity and the adequate expertise”

Proper = “of good repute and integrity”
1. Fit & Proper

- At all levels
- Taking into account the assistance of advisors
1. Fit & Proper

In collective bodies:
• To be assessed collectively
• Individual sufficient basic knowledge and experience
• Independent director?
1. Fit & Proper

How to be measured?

- A preliminary form?
- An interview?
- An examination?

- Proof of (continuous) training?
- Proportionality principle?
- What about joint management?
2. Key control functions

In Belgium:

- Regulator (FSMA)
- External auditor
- Compliance officer
- Internal auditor

Risk Management
2. Key control functions

IORP II

Regulator

External auditor

Internal control function

Internal auditor

A Risk Management Function
Good governance:

Knowledge, experience, integrity & professionalism at all levels
Governance practice in the Netherlands

Paul Duijsens
Strategic Advisor
Executive Office ABP (NL)
Pension Fund Governance in

• New law, effective as from July 1\textsuperscript{st} 2014

• Goals:
  1. Improve expertise pension fund board
  2. Strengthen position of all risk takers (such as pensioners)
  3. Enlarge governance efficiency, avoid unnecessary bureaucracy

• Different models allowed:
  a. Parity board $\leftarrow$ ABP
  b. Independent board
  c. One-tier board (3 sub models)
ABP governance structure (and # people)

- Board of Trustees (13)
  - Executive Office (30)
  - 2,800,000 members
  - 3,750 employers

- Pension Chamber
  - Social Partners (20)
    - (Trade Unions and Employers)

- Accountability Council (48)
  - participation and accountability

- Supervisory Board (5)
  - internal supervision

- Pension Management (1,450)
- Asset Management (700)

(3,700 in total)
Board of Trustees

- Responsible for sound policy and execution of the pension plan

- **Chair**
  - independent, non voting

- **Board members (5)**
  - Nominated by employers

- **50% employers**
  - (each member has 1 vote)

- **Board members (7)**
  - Nominated by trade unions (4)
  - Nominated by pensioners accountability council (3)

  - 50% employees
    - (member has 5/7 vote)

- 5 board members with specific expertise profile (on risk, assets and regulation)
- All board members are tested by ABP supervisory board and Dutch National Bank
  - With focus on knowledge, skills, reliability and time capacity
  - Time involved: chair: 3 days a week, others ca. 2 days a week (on average)
Accountability council

• Main role: participation and accountability
  • Advise ABP board on important policy measures effecting (active) members, pensioners and employers
  • Annual judgment board
  • Involvement nominations ABP board and supervisory board

• 48 members
  • Time involved:
    2 hours per week

16 nominated by employers

19 by active members
  1 elected
  2 elected

13 by pensioners
  3 elected
  4 elected

4 fractions trade unions and independent
Supervisory Board

- Main role: internal supervision

- Supervision on policy board and general state of affairs, focus on risk management and balancing of interest

- Check nomination and resignation board member, involved with candidate profile

- Approve annual report

- Approve numeration policy

- Approve board fundamental decisions regarding existence
  - (such as merger or liquidation)

- 5 independent members, highly experienced professionals
  - Time involved: ca. ½ - 1 day a week
Governance related to Pension triangle

**Pension contract**

- **ambition**
- **costs**
- **certainty**

- ABP board
- supervisory board
- accountability council
- employers + government
- social partners
- AFM Authority Financial Markets
- Legislation regarding Communication Funding
- DNB Dutch National Bank

**goal:**
balance between ambition, costs and certainty

**main controls:**
- investment policy
- contribution policy
- indexation policy
- recovery plans

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PENSIONS AND THE NEW START FOR EUROPE

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