



AEIP

**European Association of Paritarian
Institutions of Social Protection**

Las Vegas, October 6 2009



AEIP: European Association of Paritarian Institutions of social protection

What does « paritarian » fund mean?

*“Paritarian” means jointly managed by
the representatives of labor and
management*

(usually the social partners:
trade unions and employers’ organizations)



Labor and Management plans deeply-rooted in (west) Europe

- Apart from some exceptions (like UK, Spain, Portugal), in Western Europe, the majority of the supplementary pension plans **are set up by collective bargaining agreements**
- In several countries, these agreements are **extended also to the non signatory parties,** by making the plans mandatory for everyone belonging to the industry-sector concerned
- The plans are therefore **jointly trusted by labor and management representatives**
(« paritarian running»)



1. The AEIP at a glance

- *Based in Brussels (center of EU decision making)*
- *Acting as:*
 - *a lobbying (advocacy) organization;*
 - *an European network of national federations or funds;*
 - *a drafter of studies and surveys on social protection;*
 - *a member of several EU working groups;*
 - *a spreader of information by its Conferences throughout Europe*

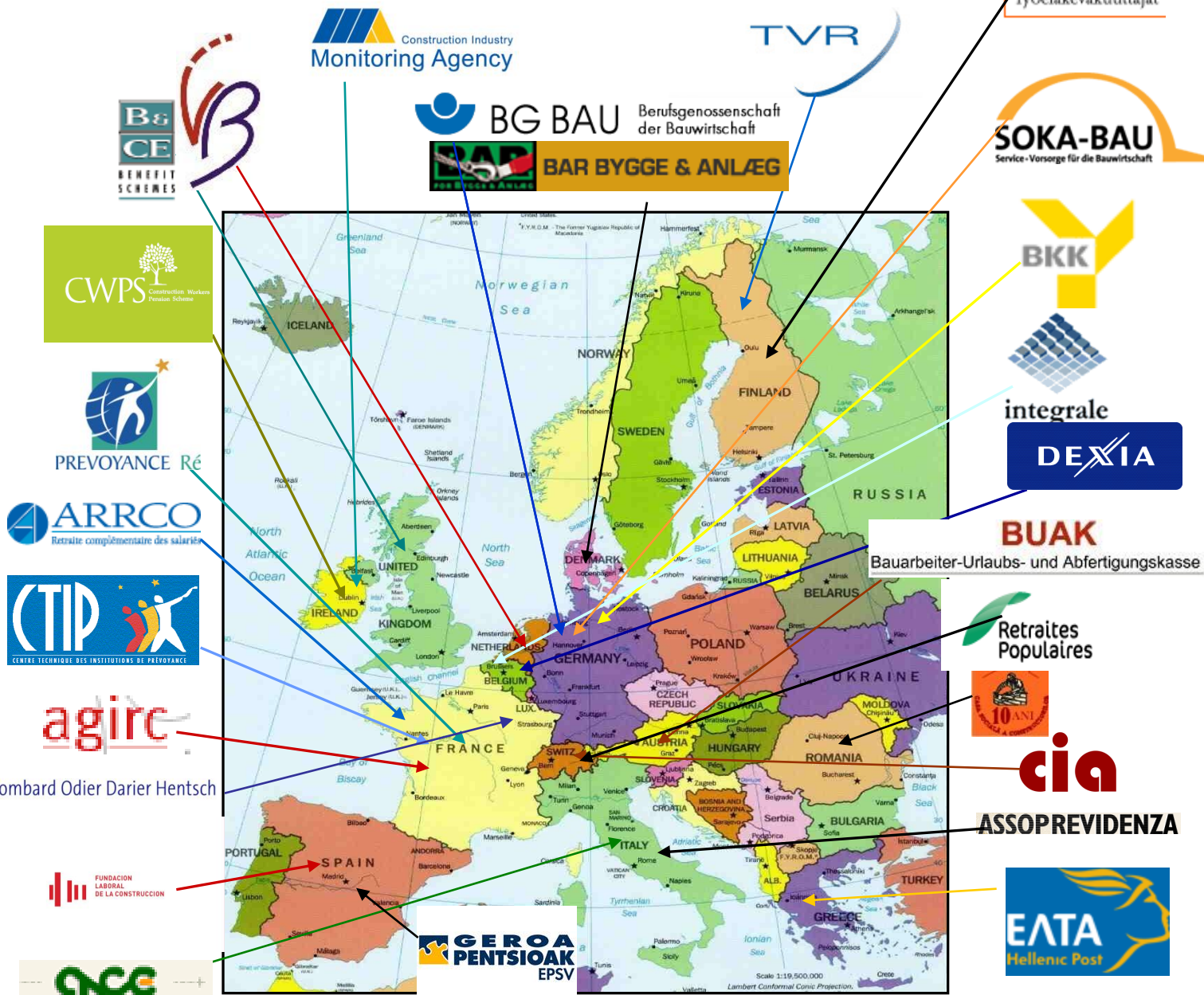
2. AEIP in 1996 (beginning)



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2. AEIP today (2009)





2. AEIP today:

- 38 members
 - from 18 European Countries
 - ...And we're currently seeking new memberships in the Eastern European Countries
- (but little tradition of paritarian funds there)*



2. Great importance of the construction sector's social plans for the AEIP

- Joint labor management plans (“paritarian”) work also in Countries without such a paritarian tradition (Ex: UK, Ireland, Romania and Spain)
- 13 (out of 38) Members of the AEIP deal with the construction sector!
- 3 AEIP's working groups specifically dedicated to the construction sector



3. AEIP's field of action in Social Protection:

- **Pensions** (state basic and supplementary plans)
- **Health and provident benefits**
- Paid holidays plans (construction sector)
- Health and Safety at work (construction sector)
- Long term care

4. LOBBYING in the EU:

- **The 80% of the national legislations of European member states are influenced by the EU law**
- **Once a EU law is approved, it is binding for all the 27 EU member states and affects 500 million citizens....**
- **...This is why there are 15.000 lobbyists in Brussels who try everyday to influence the EU law making process**

5. Our today's concerns about the EU policies on pension plans

- 1) Equalization of pension funds to commercial products (insurance companies) as for their solvency rules
- 2) Treatment of pension plans as pure financial tools
- 3) Risks of “social dumping”: temptations to weaken the (*the mandatory*) participation to social plans in favor of a major competitiveness

In short: **threats of depriving the pension plans of their social tasks**



5. Survey on privately managed funded plans in Europe (study EU 2008):

- The strong trend from **DB to DC schemes** is **worrying**, as it moves the risks onto the individuals
- Employment and career breaks (**non contributory periods**) mean risks for the future pensioner
- Importance of **charges and costs + minimum return guarantees** need to be recognized as **direct and indirect costs**
- **Financial education** and information are very important



5. The Dutch collective mandatory plan(s) as a good example :

- 1) **Eradicates all the costs of advertising**
- 2) **Being bigger, administration fees are very reduced**
- 3) **Allows long term investments granting major returns and being less vulnerable on the crisis times**
- 4) **non-contributory periods are covered by the plan itself and survivors' pensions are provided**
- 5) **In a period of crisis, all the participants (and even the pensioners) can share the sacrifices, by relieving major burdens for everyone**

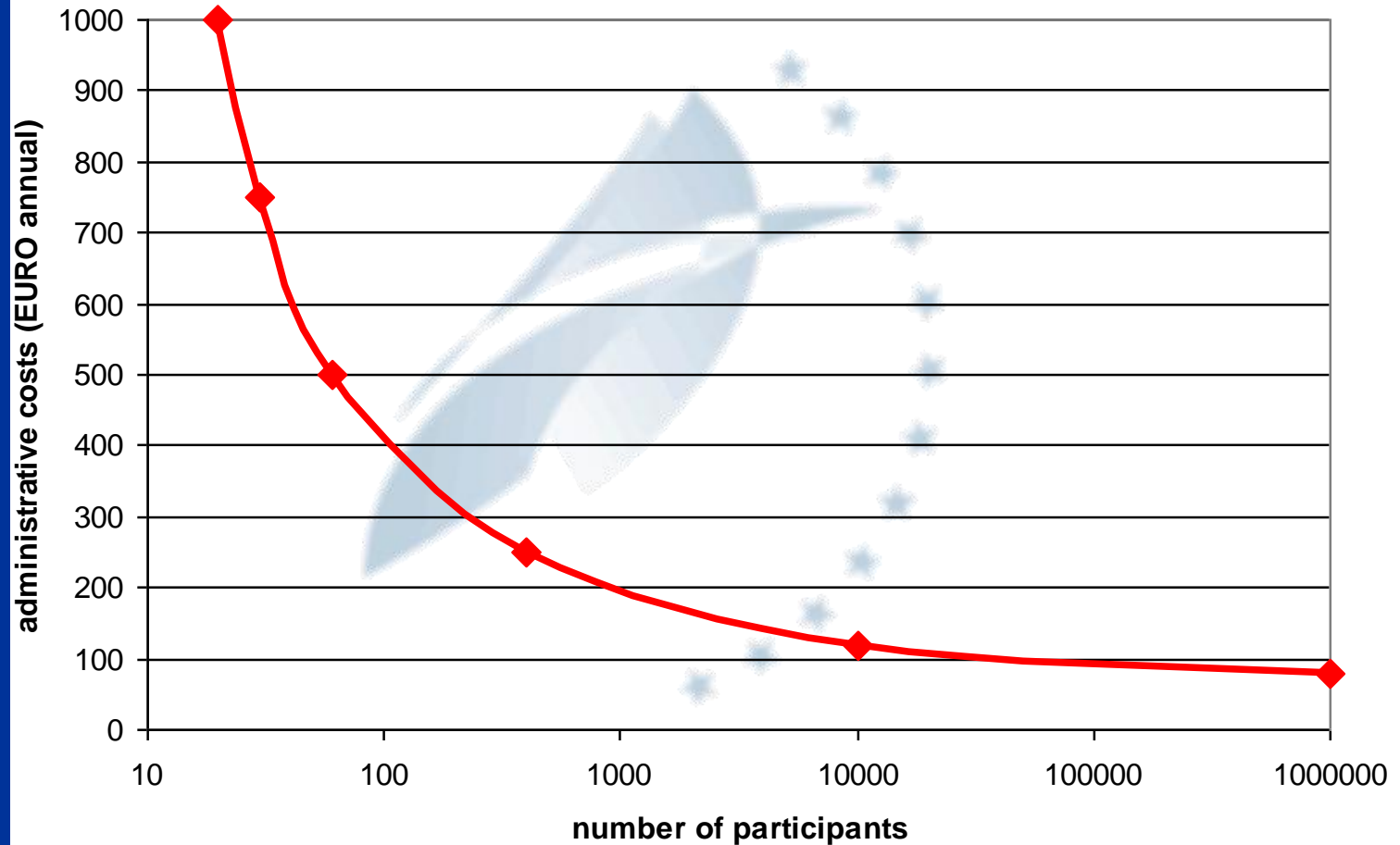
Es. Cost of pension funds vs Life Insurers

(Research of the Dutch Central Bank)

| | Life insurers | | Pension funds | |
|----------------------|-------------------|-------------|-------------------|-------------|
| | % of contribution | % of assets | % of contribution | % of assets |
| Administrative costs | 12,9 | 1,27 | 4,4 | 0,15 |
| Profit | 11,0 | 1,08 | - | - |
| Total | 23,9 | 2,35 | 4,4 | 0,15 |

Es. administrative cost per participant in a bigger fund

(Research of the Dutch Central Bank)





6. Recent discussions on whether to apply the EU solvency rules for insurance companies to pension funds too: AEIP said **NO!**

INDEED, WE CLAIM THE DIFFERENCES BETWEEN:

- 1) *The commercial insurance undertakings and the pension funds*
- 2) *Occupational collective retirement schemes*
(especially if mandatory and managed by social partners) *and individual type products*

Pension funds have a long term investments approach; **solvency rules for insurance companies would destroy them!**



7. AEIP, NCCMP and MEBCO

- Solvency requirements, investments policies/products, global accounting rules are common issues for all of us
- Financial crisis as well...
- We share the same values: collectivity of plans, security, affordability and high quality of the social products we represent



7. AEIP, NCCMP and MEBCO our cooperation:

- Protocol of June, 4 2009 providing for:
 - 1) *Exchange of experiences and best practices* enabling effective lobbying in issues of common interest
 - 2) *Joint annual conference* (North America/Europe)
 - 3) *Invitations to public events* organized by our organizations



Joint Conference AEIP/NCCMP/MEBCO

Brussels (Belgium), June 9 and 10

- *A 2 days conference*
- We will talk about the **financial crisis** and face the issues of **sustainability** and **adequacy** of pension plans
- **EU, Governments and pension plans representatives**
- Find new common views in order to **strengthen our lobbying activities in both the sides of the Atlantic**



NOW!

Is The Time to Act...



....TOGETHER!

NCCMP-AEIP-MEBCO



Thank you for your attention !

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