

# Provide a sustainable pension benefit for all employees

Objective: Reach agreement on a sustainable pension benefit by 1 Jan 2018 in order to apply the change in the 2018/2019 timeframe



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**one**

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# Agenda



- ◆ **What is this about**
- ◆ **Why is this important to you**
- ◆ **Why change**
- ◆ **What is the change (DB scheme / DC scheme)**
- ◆ **Differences between DB and DC?**  
**How will this impact me?**
- ◆ **Who is involved in this change process;**  
**How are you represented?**
- ◆ **More detailed communication will follow**
- ◆ **Everyone wants to have a fair and sustainable pension benefit**

# What is this about



There are currently two pension schemes for the Netherlands staff employees

- A Defined Benefit (DB) pension plan executed by the St Pensioenfonds Fluor Nederland for employees in service before 1 Jan 2014
- A Defined Contribution (DC) scheme executed by ABNAMRO Pensioenen for employees in service starting 1 Jan 2014

# Why is this important to you



## Pension is the most valuable employee benefit!

- Pension is deferred income, to be enjoyed after retirement
- Your current income consist of your salary (incl. 13<sup>th</sup> month and vacation allowance) + **the contribution of the employer into your pension plan**
- This employer contribution can vary from a few percent to up to more than 25 percent of your pensionable income

**So please pay attention to your pension !!!**

# Why change



- The change is primarily affecting the participants in the DB scheme
- The current liabilities of the DB scheme are approximately € 450 million
- The DB scheme has a number of guarantees from the employer
  - In a (exceptional) situation of a coverage ratio below 100%, an additional contribution is guaranteed to increase the coverage ratio to 100%
  - Additional yearly contribution (may be 10% sum of salaries) while coverage ratio is lower than 116.9%; the current coverage ratio is 112.5%
- The cost to Fluor is unpredictable and therefore considered a risk to the business model; For Fluor this situation is considered not sustainable
- Additional contributions may have a negative impact on Fluor as well as the employees when looking at a total employee compensation package

# What is the change ?



- ◆ The current proposal is to close the DB scheme
- ◆ The current objective is that, in future, pension accrual will be done in the DC scheme
- ◆ All participants in the closed DB scheme will either be pensioner or “sleeper” (former members) and will be treated in a similar fashion
- ◆ All will receive an indexation over accrued pension rights, similar to indexation of the pensions be paid out
- ◆ The focus is on safeguarding current existing pension rights in the DB will be safeguarded

# What is the change ? DB scheme



- ◆ DB (final pay) scheme:
  - ◆ A promise is made to pay a nominal pension
  - ◆ Each year of service a percentage of current salary is accrued
  - ◆ Existing rights of previous years are increased to the same level of current salary (final pay)
  - ◆ Indexation of pensions is conditional on the financial status of the fund

| SPFN pension scheme 2017             |  |                       |   |                       |
|--------------------------------------|--|-----------------------|---|-----------------------|
| DB scheme per 1-1-2017               | accrual OP                                     | employee contribution | employers contribution                    | Pension giving income |
| Nettopensioen                        |  |                       |   | > 103,317 EUR         |
| Excedent scheme economized final pay | 3 x off-set thru 103,317 EUR<br>1.195% accrual | 9,5%                  | Supplement to total required contribution | 55,290 – 103,317 EUR  |
| Basic scheme final pay               | 1 t/m 3 x off-set<br>1.523% accrual            | 7,5%                  |   | 18,430 – 55,290 EUR   |
| AOW = state pension                  | AOW = state pension                            | AOW contribution      |   | off-set 18,430 EUR    |

# What is the change? DC Scheme



- ◆ DC Scheme:
  - ◆ A promise is made to pay a contribution into a “personal account”
  - ◆ The yearly contribution is based on current salary and age
  - ◆ At retirement, a pension (annuity) is acquired at a insurance company
  - ◆ The actual pension amount is based on financial market conditions

| ABNAMRO Pension scheme 2017 |                        |                       |                        |                       | Defined contribution staggered scale |                |
|-----------------------------|------------------------|-----------------------|------------------------|-----------------------|--------------------------------------|----------------|
| DC scheme per 1-1-2017      | yearly accrual capital | employee contribution | employers contribution | Pension giving income | Age                                  | Pension Scheme |
| Nettopensioen               |                        |                       |                        | > € 103,317           | 15 thru 19 yrs old                   | 7.2%           |
| DC scheme                   | € 1,200 to € 28,000    | 4,3%                  | 2.9% to 27.2%          | € 13,123 to € 103,317 | 20 thru 24 yrs old                   | 8.0%           |
|                             |                        |                       |                        |                       | 25 thru 29 yrs old                   | 9.3%           |
|                             |                        |                       |                        |                       | 30 thru 34 yrs old                   | 10.8%          |
|                             |                        |                       |                        |                       | 35 thru 39 yrs old                   | 12.5%          |
|                             |                        |                       |                        |                       | 40 thru 44 yrs old                   | 14.6%          |
|                             |                        |                       |                        |                       | 45 thru 49 yrs old                   | 17.0%          |
|                             |                        |                       |                        |                       | 50 thru 54 yrs old                   | 19.8%          |
| AOW=state pension           | AOW=state pension      | AOW contribution      |                        | off-set € 13,123      | 55 thru 59 yrs old                   | 23.3%          |
|                             |                        |                       |                        |                       | 60 thru 64 yrs old                   | 27.7%          |
|                             |                        |                       |                        |                       | 65 thru 67 yrs old                   | 31.5%          |



# Differences between DB and DC; How does this impact me ?



It is difficult to compare what the pension result will be for either pension scheme

- ◆ **Collective / individual - Ownership / choice**
- ◆ **Risk to employer / risk to employee**
- ◆ **Independency**
- ◆ **Contribution / Off-set (Dutch “franchise”)**

The impact on an individual employee depends on ...

- ◆ **Age (just starting work, close to retirement, ...)**
- ◆ **Income**
- ◆ **Certainty / risk appetite**
- ◆ **How much do you want to be in control?**
- ◆ **Personal circumstances?**

# Who is involved in this process? How are you represented?



## ◆ Change in/closure of DB scheme

- Primarily Fluor management and Board of the pension fund (contract)
- Secondary Works Council (right of approval)
- Accountability body of the pension fund (approval decision board)
- Oversight by DNB (right balance of impact for all participants)

## ◆ Acceptance of DC scheme for future accrual

- Primarily Fluor management and Work Council (right of approval)
- Secondary Board of the pension fund (advice only)

## ◆ All parties have their own external advisors

## ◆ This change process is work in progress since April 2015 and still ongoing

# How are you represented?



## ◆ Works council (employees)

- Agree to a fair and sustainable pension benefit
- Check that there are not significant negative impacts to existing pension rights based on promises made in the past
- Protect the pension benefit for the employees

## ◆ Board of Trustees (employees and pensioners)

- Maintain and safeguard the existing pension rights
- Look for compensation where required due to negative impact of closing the scheme
- Prepare for future steps, like turning over the pension liabilities to an insurance company for safeguarding
- Optimize indexation potential for all participants



- ◆ This presentation is high level and likely already difficult to follow for persons not versed in the pension world
- ◆ There will be sessions giving more insight in the DC scheme and the change compared to the DB scheme
- ◆ There will be extensive communication what may be the possible impact for (groups of) employees
- ◆ There will be more feedback on the ongoing process, subjects that have been discussed and how the discussions and decisions are progressing
- ◆ Employees need to be aware what is going to change and in case of negative impact how this will be compensated



**Everyone wins by  
having and maintaining  
a fair and sustainable pension benefit**



## ◆ Questions / Remarks ?