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## International

### Cross-Border Pension Plans Open Up

Two recent developments have opened up the possibility of using a single pension plan to cover employees in multiple countries:

- Towers Perrin is working with a major multinational employer to set up a ground-breaking, cross-border plan sited in the EU and covering employees both in multiple countries within the EU and even some outside of it.

The main challenges in this process relate to creating a single structure that accommodates the legal and social requirements for each participating country and then gaining approval from each country's regulator. Now that these challenges are being overcome, it seems very likely that consideration of multi-country plans will gain momentum in the market.

- A favorable advisory opinion issued by the U.S. Department of Labor effectively clears the way for U.S. pension plans to participate in pooled offshore vehicles that hold the assets of U.S. and non-U.S. pension plans without violating the requirements of the Employee Retirement Income Security Act (ERISA), provided certain requirements are met.

Tax-transparent pooling structures are already available that allow for the correct withholding tax treatment for individual non-U.S. investors holding U.S. equities within a pooled fund. The new DOL opinion opens up the possibility of including assets from all of an organization's main pension plans from around the world in a single pool, using these structures.

### IMPLICATIONS FOR EMPLOYERS

Multinationals have been looking for a way to create a single vehicle to cover all of their employees' pension arrangements in different countries around the world, but to date have had limited success in implementing the concept. These two developments are key steps toward achieving that goal.

Our experience is that the main value of such arrangements is not so much in the area of cost savings in management and administration fees. Instead, the key advantages derive from having a single point of governance, allowing:

- stronger governance at a lower cost in management time
- improved access to best-in-class investment managers
- access to a wider range of asset classes
- enhanced risk management opportunities.

Employers that have been penciling-in such global pension arrangements as a future possibility, but to date have considered them unfeasible in practice, can now start considering them more seriously and move forward toward implementation.

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### ABOUT TOWERS PERRIN

Towers Perrin is a professional services firm that helps organizations improve performance through effective people, risk and financial management. The firm provides innovative solutions in the areas of human capital strategy, program design and management, and in the areas of risk and capital management, reinsurance intermediary services and actuarial consulting.

Towers Perrin has offices and alliance partners in the world's major markets. More information about Towers Perrin is available at [www.towersperrin.com](http://www.towersperrin.com).