



resaver

RESAVER PENSION FUND BUSINESS PROPOSAL

Prepared for: Tallinn University of Technology
Prepared by: RESAVER Consortium

To:

Tiit Land, Vladimir Viies
Tallinn University of Technology (TalTech)
Ehitajate tee 5, 12616 Tallinn, Estonia

Dear Rector Tiit Land,

Dear Mr. Viies,

The RESAVER Consortium was brought to life to promote the establishment of the RESAVER Pension Fund (IORP) for the benefit of individual employees of research organisations within the EEA. The main objective of RESAVER is to enhance researcher mobility across European countries by granting access to a flexible and safe cross-border pension plan with competitive fees and high service levels.

A great deal of care, attention, and effort went into preparing our proposal. We can assure you that the RESAVER Pension Fund would love to work with TalTech and hope that the information in our business proposal will be appealing to your organisation and the advantages for you as an employer and for your employees will be apparent. We believe that RESAVER can offer excellent quality pension services to your mobile and non-mobile employees with the help of our market leading third party providers.

We understand that the legislative context is changing in Estonia and we are grateful that TalTech is exploring different possibilities that will contribute to your employees' retirement goals. We are happy to prepare a business case for TalTech to quantify the budget needed for setting up RESAVER for the university.

Please let us know if you would like to discuss this proposal more in-depth.

Sincerely,

Indi Seehra

Acting chair of RESAVER Consortium and Director of Human Resources at LSE

13 January, 2020

WELCOME TO RESAVER

WHAT IS RESAVER?

- **RESAVER** stands for Retirement Savings Vehicle for European Research Institutions.
- **RESAVER** is a European wide, multi-country, multi-employer defined contribution pension fund domiciled in Belgium that is open to public and private institutions that employ researchers.
- **RESAVER** offers a secure retirement option to employees of research organisations with strong governance procedures, full compliance with European and local legislations and close monitoring by the European Commission.
- **RESAVER** provides death-in-service and disability benefits at competitive reinsurance rates, in addition to retirement benefits.
- **RESAVER** was created to overcome the difficulties around researchers' mobility. It enables employees to remain affiliated to the same pension fund, when moving between countries or even employers (that are also members of RESAVER), while reducing administrative burden. Vesting in RESAVER is immediate, benefiting both mobile and non-mobile employees.
- **RESAVER** is a trusted and secure pension solution with a transparent structure, governed by European institutions and legislation. The setup costs and some running costs of the fund are sponsored by the European Commission.
- **RESAVER** is cost efficient due to economies of scale (multiple participants and countries) – which means lower cost and higher benefit outcome for participants.
- **RESAVER** will provide you access to sophisticated, best-in-class investment options to ensure the best possible investment return outcome. The funds are currently managed by BlackRock, the world's largest asset management firm.
- **RESAVER** benefits are administered by Previnet, an Italian administration company that is providing member administration for other multi-country, multi-currency pension plans and which has won the title 'Pension Scheme Administrator of the Year' in 2019 (European Pensions Awards).
- **RESAVER** offers a simple yet comprehensive online tool designed for employers and employees to manage their pension. The online portal is called 'MyRESAVER' and is accessible anytime and anywhere.

To find out more about RESAVER Pension Fund, please watch our [video](#).

To find out more about MyRESAVER Platform, please watch our [video](#).

1. FEE PROPOSAL

The prices and terms are:

- Inclusive of all expenses and disbursements
- Exclusive of VAT (not applicable)
- Quoted in Euro

We provide a breakdown of fees which includes all charges incurred by the RESAVER Pension Fund, its member institutions and participants, including any third party fees.

Validity of financial offer: our financial offer will be considered valid for a duration of 6 months, subject to any material changes to the pension plan's structure or required services.

The fees of the RESAVER Organisation for Financing Pensions (OFP) are fully transparent with no hidden costs. Overview of the fees is shown below.

RESAVER OFP fees

- **Employer membership fee**

There is an annual fee to be paid by TalTech which is linked to the number of participants in the plan. The membership fee is equal to €50 per active participant, with a minimum of €500 per year and a maximum of €5,000 per year. TalTech can decide whether the membership fee should be deducted from the employer contributions or it will be paid on top.

- **Annual fee per active participant**

There is an annual fee of €33 to be paid per active participant. The RESAVER OFP is flexible in terms of who is paying this fee. TalTech can decide whether the amount will be paid by the employer, the participants or is shared between TalTech and the participant. In addition, TalTech can define whether the fee should be deducted from the contributions or will be paid on top. This fee ceases to exist when the participant leaves TalTech and becomes a deferred member.

- **Charge on assets**

The RESAVER OFP will deduct a fee limited to 0.1% of the asset value from the individual accounts of employees each year. This amount is meant to cover the administration expenses.

- **Asset management charges**

Expenses related to the asset management are expressed in basis points (bps) and are defined in the service agreement between the RESAVER OFP and the appointed asset manager, currently BlackRock. The tables below show the current Total Expense Ratio (TER) of the current different funds.

The TER is an important selection criteria and higher fees are only accepted if the fund characteristics allow this. As an example, the accrual phase of all Lifestyle has a TER of 16 bps. Please note that the most expensive funds are not part of the lifestyles but can be only selected by the individual plan member as an alternative investment option. In practice, less

than 2% of the plan members opt for a non-lifestyle decision.

Lifestyle (default option)

ISIN code	Name of the fund	TER
TRADITIONAL		
LU0839962346	iShares World Equity Index Fund	15 bps
LU0826446790	iShares Europe Equity Index Fund	15 bps
LU0914706592	iShares Emerging Markets Equity Index Fund Class	29 bps
LU0826454976	iShares Euro Government Bond Index Fund Class	15 bps
LU0826455353	iShares Euro Aggregate Bond Index Fund	15 bps
LU0839962346	BGF Euro Reserve Fund Class	21 bps

Free style

ISIN code	Name of the fund	TER
TRADITIONAL		
LU1456581872	BGF Euro Bond Fund	47 bps
LU0496819334	BSF Euro Diversified Growth Fund	83 bps
LU0984173384	BGF Global Allocation	82 bps
LU1908247304	BSF ESG Euro Corporate Bond Fund	47 bps

- **Implementation fee**

There is no implementation cost for newly joining employers. When a new organisation joins RESAVER, advisors from an external technical expertise provider (Aon) will guide them through the implementation process including advice on the plan design, drafting plan documents, preparation of accession documents, notification to and correspondence with the Belgian regulator, coordination of service providers, drafting communication materials for plan participants.

- **Cost of transfer in/out**

Transfer in and transfer out has no charges within the RESAVER OFP.

RESAVER Consortium fee

Organisations wishing to join the RESAVER OFP first need to join the RESAVER Consortium. There is no Consortium membership fee. Details about the role of the Consortium can be found under point 2.3.1.

2. GOVERNANCE

2.1 ORGANISATION

Registered name: RESAVER Pension Fund OFP (Retirement Saving Vehicle for European Research Institutions)

Address: Rue de Pascale 22, 1040 Brussels, Belgium

FSMA registration code: 50.620

Corporate registration number: 0659.784.397

Contact person: Indi Seehra Acting, Acting Chair of the Board of Directors, RESAVER Consortium

Email address: contact@resaver.eu

2.2 FINANCING

2.2.1 Non-profit organisation

The RESAVER OFP is a not-for-profit organisation. It is a multi-country, multi-employer pension fund based in Belgium, compliant with the IORP Directive. The pension fund is a separate legal entity from the sponsoring companies and assets of the OFP are not refunded to the company. There is no solidarity between the organisations sponsoring the RESAVER OFP and assets of each organisation are segregated.

The RESAVER OFP manages only Defined Contribution pension plans which means that the fund is fully funded. Any risk benefits or guarantees will be reinsured which means that the reinsurer is the end risk carrier instead of the pension fund.

2.2.2 Financing

Operational costs are currently covered by:

- Annual fees paid by the member organisations (TalTech) and plan participants (TalTech employees)
 - Fund charges on assets
 - Operating grant provided by the European Commission until the fund becomes self-sufficient (see next point)

2.2.3 Operating grant

The European Commission supports the RESAVER OFP financially through an operating grant while the fund reaches a self-sufficient level of its operation. The grant covers direct costs of service providers, direct personnel costs and other direct costs such as trustee liability insurance and FSMA fees.

2.3 GOVERNANCE

There are three main parties involved in the management of the fund. They work together in close cooperation to make sure that RESAVER brings outstanding benefits to its member organisations and their employees. These parties are the **RESAVER OFP and Consortium** as the main stakeholders and decision makers, the **European Commission** in a supporting and supervising role and **Aon**, an external technical expertise provider that is in charge of pension fund management and new implementations.

2.3.1. RESAVER Consortium

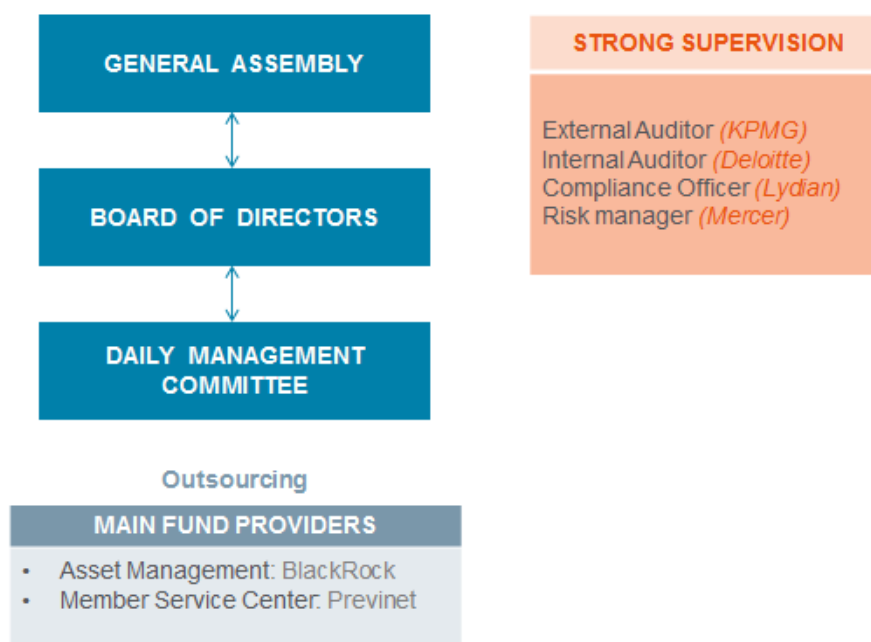
The RESAVER OFP has been established and designed by the RESAVER Consortium – an international, not-for-profit organisation established under Belgian Law on 1 October 2014. Research organisations wishing to enrol their employees in the pension fund will first need to join the RESAVER Consortium. To do so, TalTech will need to submit an application form to the Consortium.

The main purpose of the RESAVER Consortium is to overview the operation of the pension fund as a controlling body. RESAVER OFP is run following the requirements of the EU Directive on the activities of pension funds, called the IORP Directive. The Consortium ensures that these requirements are met.

The RESAVER Consortium is also responsible for promotional activities. Member institutions act as ambassadors of the pension fund and represent RESAVER on European conferences, HR events and on meetings with prospective clients on a voluntary basis.

2.3.2. RESAVER OFP

RESAVER OFP is a Belgium-based, not-for-profit, multi-country, multi-employer pension fund with an operational structure that is designed to fully comply with the high standards of the Belgian prudential legislation and the IORP II Directive, as well the **Social and Labour Law of Estonia**. Organisations who are members of the RESAVER Consortium are eligible to join the RESAVER OFP – by filling in the application form of the IORP – which will give them flexibility to design the benefit structure for their own employees.



The RESAVER OFP has the following governance bodies in place:

- General Assembly

The General Assembly is the main supervisory body of the RESAVER OFP. All employers who are affiliated to the pension fund are represented in the General Assembly by one or two natural persons (who may be employee representatives) i.e. TalTech can delegate members to the General Assembly. The main role of the GA consists of supervising activities and strategic decision making.

- Board of Directors

The Board of Directors is responsible for the operational activities of the RESAVER OFP. They determine the general policy of the RESAVER OFP and supervise every other operational body set-up. The current Board is composed of five Directors, including two independent Board members.

- Daily Management Committee (DMC)

The DMC is taking care of the daily operations of the RESAVER OFP with support from the external advisor. The DMC has been set up and is authorised to carry out all actions and take all decisions with regards to the daily management of the RESAVER OFP and reports to the Board of Directors.

2.3.3. European Commission

The European Commission has been the sponsor of the RESAVER project since the implementation and is currently covering part of the operational expenses of the fund through an operating grant. They have a monitoring and supervising role which they fulfill by participating on Board meetings, Steering Committee meetings and in workgroup discussions. The European Commission also supports the fund through promotional activities.

2.3.4. Aon

Following an open public procurement procedure launched by the European Commission, Aon has won for second time a framework contract for the purpose of providing the involved parties with technical expertise. The current contract will expire in September 2023. Until then Aon will support the fund in all operational tasks and will assist with the successful completion of the extension plan.

The RESAVER Consortium is confident that this triangle structure (OFP/Consortium, European Commission, Aon) is working effectively and supports a strong governance.

2.4. FUND PROVIDERS

In order to ensure an appropriate operational capacity, the Board of Directors decided to outsource several services to external providers with vast experience in the activities related to the pension fund. Key providers are Previnet, the administrator and BlackRock, the asset manager of the fund.

Other fund providers are:

- Reinsurers – Scor, ElipsLife
- Accountant – BDO
- Bank – BNP Paribas
- Data Protection Officer – Lydian

The providers are appointed through public procurement and are closely monitored by Aon, the DMC and ultimately the Board of Directors. Given the independent position of the OFP, providers can be replaced at the end of the contract, allowing the fund to continue offering competitive fee structure and features.

2.5 FUND REGULATOR AND SUPERVISION

The RESAVER OFP is located in Belgium and therefore regulated by the Belgian regulator FSMA (Financial Services and Markets Authority). Following the IORP II directive, the FSMA is in close contact with the **Finantsinspeksioon** (Estonian Financial Supervision and Resolution Authority), the Estonian regulator of pension funds for monitoring the local Social and Labour Law.

Other controlling bodies – appointed through public procurement – are:

- External Auditor – KPMG
- Internal Auditor – Deloitte
- Compliance Officer – Lydian
- Actuary – Mercer
- Risk Manager – Mercer

3. PROFILE AND BENEFIT STRUCTURE

3.1 PROFILE

RESAVER OFP is a separate legal entity with the objective to manage 2nd pillar occupational pension plans which operate on a defined contributions basis. The fund is targeting research performing organisations such as research institutes, universities and RTOs. This specification of participation enables the pension fund to find solutions for the specific and general challenges of private and public organisations with a similar research profile.

While the RESAVER OFP offers a pension solution to overcome issues caused by mobility, participation is advantageous for non-mobile staff as well because of the following characteristics of the fund:

- It is a secure vehicle for saving money for retirement on a cost-effective basis.
- Strong governance and compliance processes are in place to further strengthen the safety aspect.
- It provides a flexible pension solution.
- It enables employees to remain affiliated to the same pension fund, when moving between employers.
- It ensures easy interaction between the employees, the employer and the pension fund through MyRESAVER, a single online portal.
- On top of retirement benefits, additional coverage is available through life insurance.

Administration, asset management and other functions of the pension fund are outsourced to carefully selected, professional third party providers. The RESAVER OFP is appointing its providers through public procurement where significant experience in relation to pension fund activities, high quality, innovation and a competitive pricing are the most important criteria.

3.2 BENEFIT STRUCTURE

The benefit structure within the RESAVER Pension Fund can be designed by TalTech in a flexible way, within the framework of the Social and Labour Law of Estonia. RESAVER allows TalTech to define their own contribution levels and investment options. Vesting is immediate by default, however, TalTech can decide about a vesting period in a flexible way.

Typical benefits provided by the current members of the RESAVER OFP are:

- Retirement savings: x% employer contributions, y% employee contributions with consideration of market practice, available budget and local regulations. Payment form can be lump sum or annuity depending on local regulations and/or participants' choice.
- Death benefits: account value is payable to the beneficiaries as a lump sum, converted into an annuity or can be transferred to another pension institution
- Disability pension and/or premium waiver
- Life insurance: 1-3 times annual salary

4. ADMINISTRATION SERVICES

4.1 SYSTEMS AND PROCESSES

Pension administration services and the Member Service Center (MSC) of the RESAVER OFP are provided by Previnet, a high-profile pension administration firm based in Italy. They have broad experience with member administration for multi-country, multi-currency defined contribution pension plans. The MSC follows well defined and thoroughly documented processes from the moment of affiliation to the date when benefits become due. Their Target Operating Model (TOM) describes the tasks, roles, responsibilities and the timing of these for the different areas of pension administration.

The main steps of the registration process and ongoing procedures are detailed below.

3.1.1 Employer registration procedure

The onboarding procedure for the administration platform is activated upon notification from the RESAVER OFP. The MSC provides a start-up pack overview to the newly enrolled employer which includes an employer manual, an overview of the uploading tool to be used for information transfer, an overview of the MyRESAVER web portal, dataflow templates and indications for implementation. TalTech receives user ID and password to access the restricted employer area on the member portal.

3.1.2 Affiliation/enrolment process of employees

TalTech uploads an application form on the employer portal to affiliate new staff. The MSC creates the participant account, sends to the participants a welcome notification and a welcome letter with credential details to access the member portal.

Dedicated active monitoring is carried out to verify if new participants are downloading the relevant documents from the member portal. If the MSC notices no access within the 10th business day (BD) of the month following the affiliation, it will inform the payroll department for checks to be performed on the payroll side.

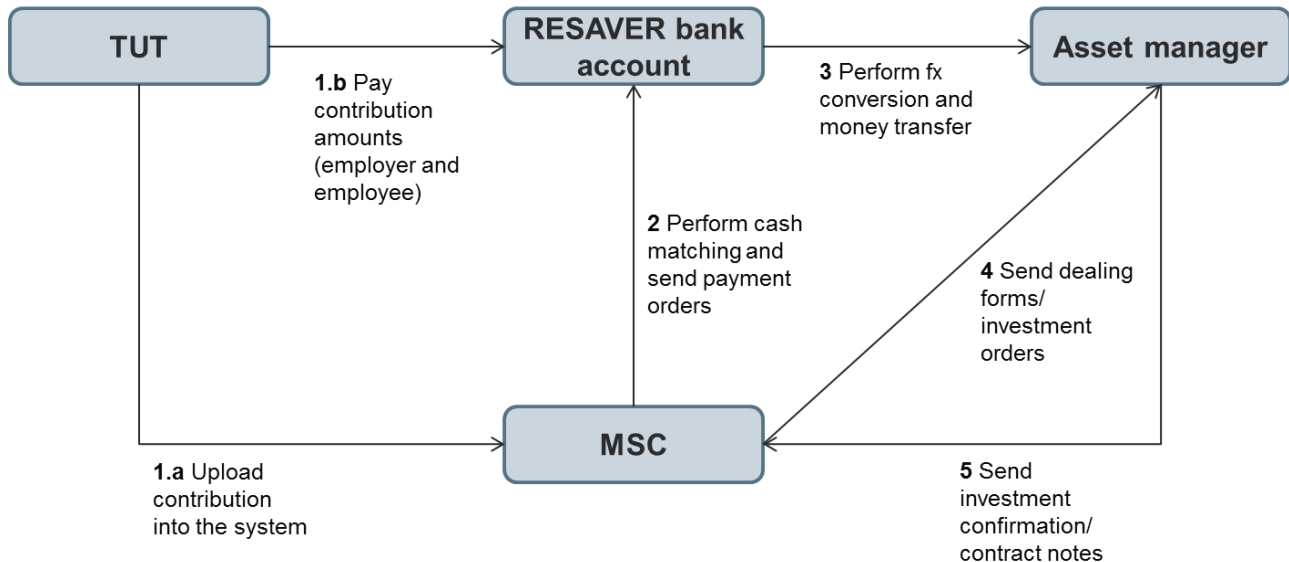
3.1.3 Updating the participant account

Participant accounts are updated during the following four phases:

- Contribution phase: each individual account is updated with contributions, detailed by source of contribution (employer, employee) and date.
- Investment phase: investment is performed in accordance with the member's investment choice.
- Change of investment choice: upon request of the participant, the investment choice is updated and the rebalance of contributions is performed.
- Benefit phase (disinvestment): units are disinvested and benefit payment is initiated based on the benefit payment options chosen by the participant or prescribed by local legislation.

3.1.4 Contribution and investment procedure

The contribution and investment procedure is shown on the picture below.



The uploading tool, available for TalTech within the MyRESAVER web portal, is the dedicated channel for sending contribution files to the MSC. This online tool provides safety and security for file submission.

3.1.5 Checks and resolution of anomalies

Separate checks are carried out on all processes in the course of administrating the pension plan. Dedicated checks can be specifically set up for TalTech upon request.

3.1.6 Document storage

The RESAVER OFP is aiming to operate on a paperless basis. This is not only cost-effective but also makes the participants' life easier as they don't need to store hard copies of plan documents, notification emails etc. Everything is securely stored under their dedicated account on the portal and is always. Paper copies are managed only in case of special events (namely death) to provide appropriate evidence for the indicated events.

3.1.7 Reports and statistics for the RESAVER OFP

The MSC prepares a monthly administration report for the RESAVER OFP which includes participant statistics (number of participants per membership status, employer, age group; contributions paid by the employer and employee; expenses deducted; contributions invested, total holdings per fund and per investment strategy; web access overview) and SLA assessment of the daily administration activities performed.

4.2 MYRESAVER PORTAL

The MyRESAVER web portal is the interactive website dedicated to employers, payroll, participants, RESAVER OFP and all key functions such as Auditors, Risk Manager and Compliance Officer (if needed). The portal was designed to be a user-friendly platform which is easy to navigate and which gives outstanding overall user experience for the employees and employers. A Participant Manual was designed to give members all the necessary details to ensure a smooth and hassle-free understanding of their position within the pension fund.

MyRESAVER is a central hub for storing documents, templates, benefit statements etc. and a platform for initiating member actions e.g. request changes in the investment choices, modify beneficiaries, request transfers or benefit payments. All these actions can be activated via a secure portal and with the help of administration professionals who will be attentive to all details and legislative requirements.

You can watch an introduction to MyRESAVER in this [video](#).

4.3 MEMBER COMMUNICATION

The MSC prepares pension benefit statement for the active and deferred participants on a yearly basis. Various layouts of the benefit statement are available according to best practice, country regulation and institution requirements. The statement is available on the MyRESAVER portal in two languages, English and local language and includes plan details e.g. contributions paid, investment option chosen, holdings and balance.

A participant booklet is prepared which summarises the main features of the benefit design to participants with terminology that is easy to understand.

Participants are provided with additional materials and leaflets which can vary on a country by country basis and are prepared in two languages.

5.INVESTMENTS

5.1 AVAILABLE INVESTMENT OPTIONS

RESAVER OFP offers a choice of investment options to suit different investment needs of individual participants. There are two approaches, each one giving different levels of control over the investment choices:

DO IT FOR ME "LIFESTYLE"

LIFESTYLE (OR LIFE CYCLE) INVESTMENT OFFER

Asset allocation adjusts automatically to become more conservative or less risky as retirement date approaches.

I CAN DO IT "FREE STYLE"

FREE STYLE INVESTMENT OFFER

Participants make their own choice for selecting the assets that best match their risk profile and time horizon.

5.1.1 Lifestyle

Contributions of an individual participant who do not wish to make an active decision about investments will be invested in the default Lifestyle investment option. Most participants currently opt for the default option.

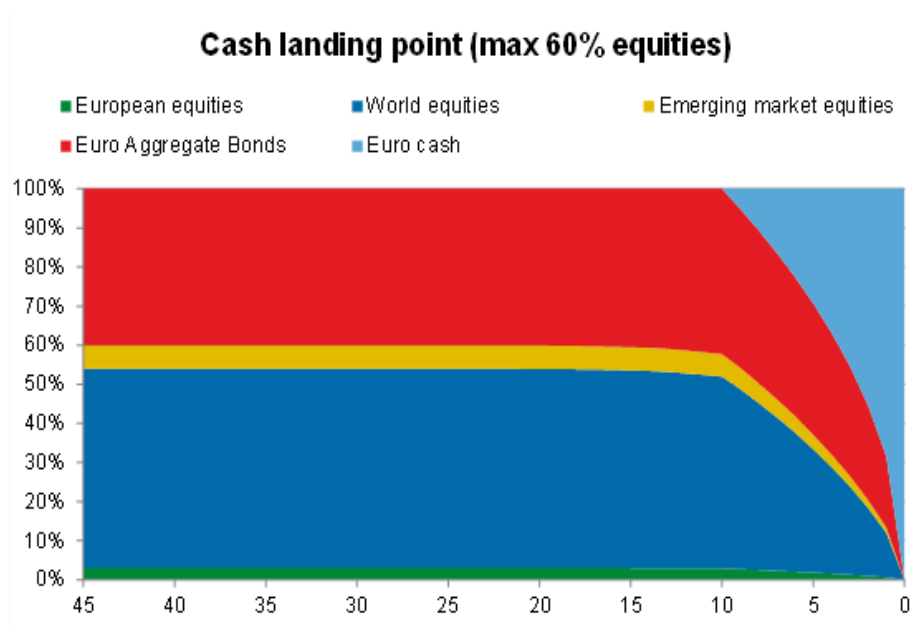
The RESAVER life cycles are designed to balance the need for capital growth while controlling investment risk at each stage of the retirement journey. There are different lifecycles available within RESAVER, and in all cases, the asset allocation automatically adjusts to become less risky as the retirement date approaches.

The RESAVER life cycle is split into 3 phases:

Start until 10 years to retirement	From 10 years to retirement	Retirement or at leaving the organisation
ACCUMULATION PHASE	LOW RISK PHASE	DECUMULATION PHASE
Until 10 years before the retirement date, the asset allocation is set to accumulate the savings.	<p>During the low risk phase the asset mix will be managed according to the final payment option.</p> <p>Final payment option can be selected as provided in the Pension Plan.</p>	<p>The decumulation phase is the payment period. The final asset mix of the lifestyle will depend on the payment option as follows:</p> <p>Cash: Ready to withdraw cash.</p> <p>Guaranteed annuity: Ready to buy a pension annuity</p> <p>Drawdown: Money stays invested but ready to be withdrawn if cash is needed</p>

Example:

The conservative RESAVER investment option, retirement option "cash", is a defensive life cycle which is invested up to a maximum of 60% in equities during the accumulation period, but through a rigorous process of 'derisking' (reducing risk when approaching retirement age), the investment at retirement is allocated to cash, in order to pay a lump sum at retirement. By doing so, the risk profile of the participant is very conservative in the last years before retirement and the participant avoids any substantial losses due to poor equity performance during the last years before his retirement.



5.1.2 Free style

In Estonia, participants are able to make individual member choices regarding investment policy.

Participants who consider themselves knowledgeable about investment decisions can choose to invest their contributions in the free style funds. They can choose one of the balanced funds or decide on their own asset allocation.

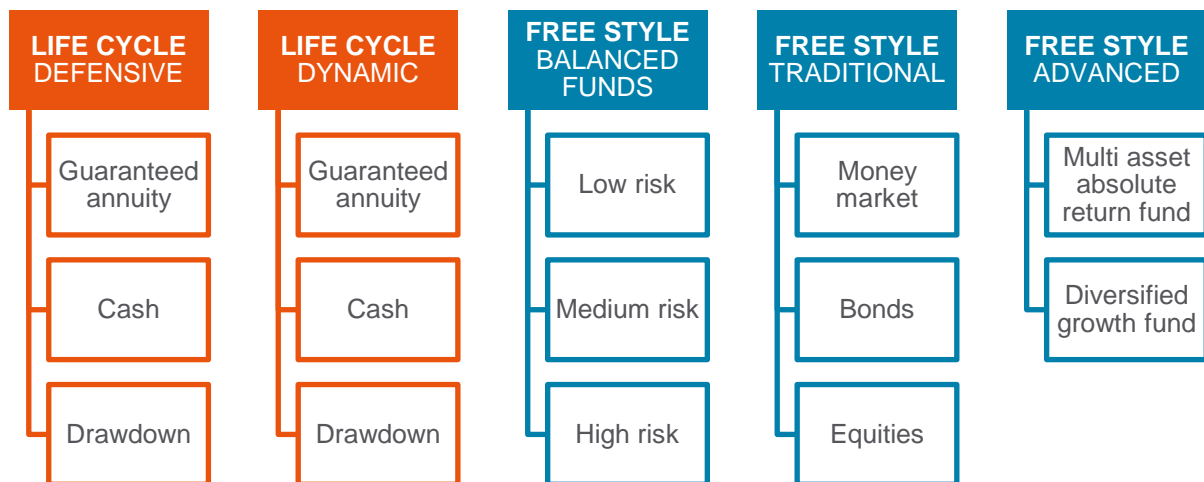
When they do, there are several factors they need to consider such as:

- How much risk they are prepared to take
- The length of time they have until retirement
- The different styles of fund management

Understanding the different types of investment risk and, importantly, identifying the attitude towards them is essential to making individual investment decisions. A risk questionnaire is made available to participants to fill in online to identify their risk appetite. If plan participants are unsure of any aspects, they are encouraged to take appropriate financial advice.

5.1.3 Overview of investment options

The general investment options for RESAVER members are the following.



Default investment option: TalTech can choose their own default investment option and can restrict the investment options available for their employees.

5.2 ESG CONSIDERATIONS

ESG has been on the agenda of the RESAVER Board since the first contributions were invested in 2017. From March 2020 the RESAVER Pension Fund implements a new investment option within Free Style investments which meets environmental, social and governance criteria. The Board of the RESAVER Pension Fund is a true believer of the ESG concept and will further broaden the available ESG investment options of the pension fund in the future to allow participants of RESAVER to invest their pension savings into companies that employ ESG criteria.

5.3 HISTORICAL INVESTMENT PERFORMANCE

Historical returns of the different investment options depend on the returns of the underlying funds. Below, we have reported the historical performances gross of fees (i.e. before deduction of asset management charges) for the three funds (iShares World Equity Index Fund, iShares Euro Aggregate Bond Index Fund and iShares Euro Government Bond Index Fund Class) where members are mainly investing and representing more than 90% of the total assets of the RESAVER Pension Fund. Performance of each fund can be provided on request.

6. DIFFERENTIATION FROM COMPETITORS AND EXPERIENCE

The RESAVER OFP believes that they offer a distinctive retirement solution which is unique in the European pension market. Below is a list of features that could differentiate RESAVER from other local and global pension providers:

- Not-for-profit organisation with a focus on organisations engaged in research activity and the possibility to enrol all staff members.
- Supporting research and innovation across Europe by enabling research mobility.
- Strong support from the European Commission (financial, governance and promotion).
- Public procurement process followed when the fund providers are selected, avoiding public sector organisations to go through the public procurement process.
- Asset manager is the world's largest of its kind that offers best-in-class investment options.
- Security through full compliance with European level IORP II regulations and professional service providers.
- User-friendly online platform striving for paperless operation.
- External consultant firm (Aon) managing the pension fund with local presence in Estonia (and in many more countries) and providing guidance to TalTech throughout the onboarding process.
- Competitive fee structure which is fully transparent.
- No implementation fee, no transfer in/out fee.
- Multi-country approach, truly Pan-European cross-border solution that takes off a heavy administration load from employees moving across countries or employers throughout their careers.
- Access to competitive market of reinsurance for death and disability benefits.
- Member institutions can take an active role in the decision making of the fund through the Steering Committee calls of the RESAVER Consortium and through legal bodies (GA). Employee representatives can be appointed next to employer representatives.
- Focus on excellent execution through rigorous processes of the providers, strong monitoring of the Daily Management Committee and Board, second and third line of control by the Auditors, Compliance Officer and Risk Manager.

7. BUSINESS CASE

The RESAVER Consortium and Aon, its external technical advisor will help TalTech with a preparation of a business case at no cost. If you have an occupational pension solution already in place, the business case will compare the existing solution to RESAVER. If no such plan exists, the estimated cost of future contributions and expenses will be calculated for you to help quantify the budget needed to establish RESAVER.

Please contact us if you are interested in a business case for TalTech by sending an email I.Seehra@lse.ac.uk or contact@resaver.eu.

