ABP wants APG to say goodbye to other fiduciary clients

ABP wants APG to do fiduciary management and asset management only for the civil service fund itself around 2030. ABP thinks the current construction, in which APG also serves BpfBouw, pension fund Woningcorporaties and its own personnel fund, is too complex.

This was ABP chairman Harmen van Wijnen's response to a long-term vision formulated by the fund late last year. The vision follows a recalibrated strategy from 2023.

“Over the next few months, APG will develop ABP’s wishes into concrete business models,” says APG Board Chair Annette Mosman, in a double interview with Van Wijnen. After that, the personnel consequences of divesting other funds will be considered. APG, almost wholly owned by ABP, manages €552 billion for the civil service fund and €75 billion for the three other pension funds.


Annette Mosman (APG) and Harmen van Wijnen (ABP). Photo: Nina Schollaardt.

Van Wijnen says ABP came up with the vision because the fund has noticed that regulators “very emphatically place the responsibility on pension funds themselves. You can outsource everything you do, but at the end of the day, the pension fund is responsible. That also means that there should be no noise in outsourcing. If we come up with something, it must also happen one-to-one in the implementation.”

In pension administration, ABP wants APG to set up teams that focus exclusively on serving participants and employers of the government fund and communicating with supporters. The ABP vision states that APG will continue to work for several funds in this area, taking into account the duty of care around choice guidance. This is to benefit from economies of scale. APG handles the administration of the four funds mentioned above, plus Schoonmaak (Cleaning), Architectural Firms, PWRI and Medical Specialists.

Unwanted complexity

In fiduciary and asset management, unlike pension management, ABP sees no advantages of scale. The presence of multiple clients for fiduciary management and asset management actually leads to unwanted complexity, according to Van Wijnen. “Our strategic starting point is maximum financial return at the lowest possible cost. This includes as little complexity as possible in the investment chain. Scale works differently in asset management than in pension management. At €552 billion, ABP is already so large that we don’t need additional volume from other funds.”

“Asset management for multiple clients does not necessarily yield additional returns,” Van Wijnen continues. “We have done research, including internationally, into how we can achieve optimal returns with as little complexity as possible. We have become convinced that it is best for our participants if, after the transition, APG focuses entirely on ABP for asset management.”

In this regard, the ABP board has sought guidance from PFZW, among others, which instructed its fiduciary and asset manager PGGM as early as 2021 to divest other clients and focus entirely on the healthcare fund. The GP, Painters, Private Security, Architectural Firms and Smurfit Kappa funds had to leave as a result.

The goal is to have “one very tightly organized asset management chain by 2030,” Van Wijnen says. “Not with all kinds of intermediate steps that are necessary because of multiple clients. You have to set up the whole infrastructure accordingly, which leads to very complex governance.”

Van Wijnen also cites investing in structures such as mutual funds, something that has been increasingly phased out in recent years, as an example of complexity. “We sometimes deposited up to 95% of the assets, but were dependent for governance decisions on other funds that also put in money.” That generated discussions when ABP decided to exit fossil investments three years ago. Implementation-wise, with the mutual funds, that was “a tricky thing,” says the chairman.

“Unfortunate for APG”

Does Mosman, APG's CEO, agree with the principal’s decision? “That’s a question of conscience,” she admits. “I think it’s unfortunate for APG and also for the other three funds, with whom we work very well and have achieved good results. I think it is also unfortunate for the people who work for these clients. Nevertheless, I understand ABP's decision. Having multiple clients adds complexity. The trade-off is how much benefit that €75 billion extra under management brings versus the desire to achieve more impact and return with the €552 billion of equity."

Mosman says the three pension funds' departure for fiduciary management and asset management clearly has an impact on APG staff. Do those not working for ABP already feel the pinch in terms of layoffs? "ABP will remain our client; we will retain most of our business. It's true that some people will drop out, but you're really only talking about many years from now."

Van Wijnen points out that clarity is important. "That, as a fund, we know where we want to go in the coming years. And that we take the time to achieve that carefully. If you don't express anything, it leads to uncertainty. The fact that we are now communicating early benefits everyone."

Separation in pension administration

In pension administration, the impact of ABP's future plans on APG as an organization is less significant. The plan is that after the transition there will be a clearer separation between participant communication and "fund operation" on the one hand, where APG advises boards of trustees and social partners on pension issues. And on the other hand, the generic administration processes within APG.

Van Wijnen: "I don't rule out that ABP has different questions about participant communication than other funds. Perhaps we want a very modern helpdesk that uses AI and chatbots. That should really be ABP. In fund operations and participant communications, the emphasis is less on cost efficiency and more on customer experience. But the premium collection, the payouts, the processing of the administration, that's work under the hood and mass production where you can achieve economies of scale. We want more differentiation between these things.

Mosman: "I'm glad this is the outcome. At APG, which employs a total of 3,700 people, we are fully occupied with the transition and the Future of Pensions Act (Wtp). There will soon be a more standardized pension scheme, which is also more digitized. The personnel consequences of this for employees are greater than the decision to differentiate more between services to ABP and other funds. For us, this is a very good opportunity. We have invested a lot of money in becoming participant-focused. I'm pleased that ABP is on the same wavelength and wants to move forward with us."

Other outcomes

Could any other outcome have been possible? Van Wijnen: "I've learned that you should only mention the things that did turn out and not what else it could have been.

Still, even with pension management, ABP could have demanded that APG focus only on the civil service fund after the transition. Mosman: “We examined all the scenarios as far as that was concerned.” Van Wijnen: “We could also have opted for a kind of paradise dream where we become one organization again. But we deliberately did not do that. After all, in our long-term vision we see great opportunities to jointly benefit from scale in pension management.”

As to whether that also means that APG will be able to continue to grow with new clients after the transition in pension administration, the chairman says that this is not relevant for now, because that still needs to be developed. “ABP and APG do have the ambition to play a role in the consolidating pension sector after the transition,” Van Wijnen says.

ABP and APG will further develop the translation of the long-term vision in discussions with the other shareholder and the other funds involved. ABP is 92% shareholder of APG, the remaining 8% is held by Sociaal Fonds Bouwnijverheid.