

Framework for Successful Pension Schemes

Pension funds in the EU capital markets union, Bruegel March 28th

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EUROSYSTEEM

Regulatory framework in The Netherlands aims to address market failures

Adverse selection

- Mandatory participation in second pillar
- Compulsory annuitization in DC

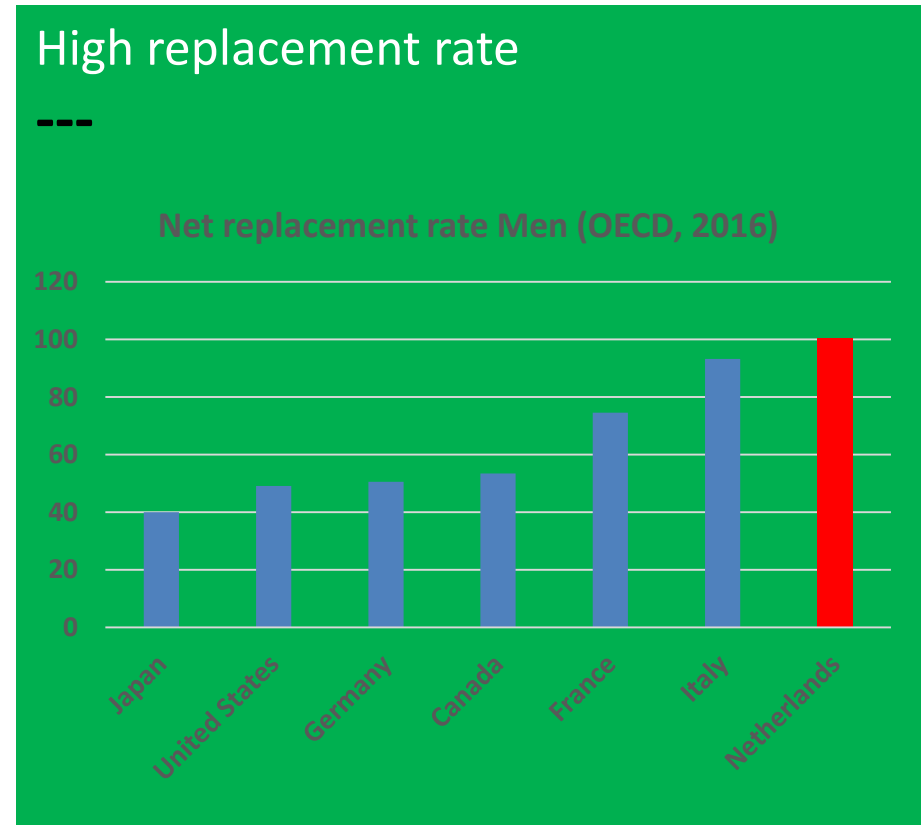
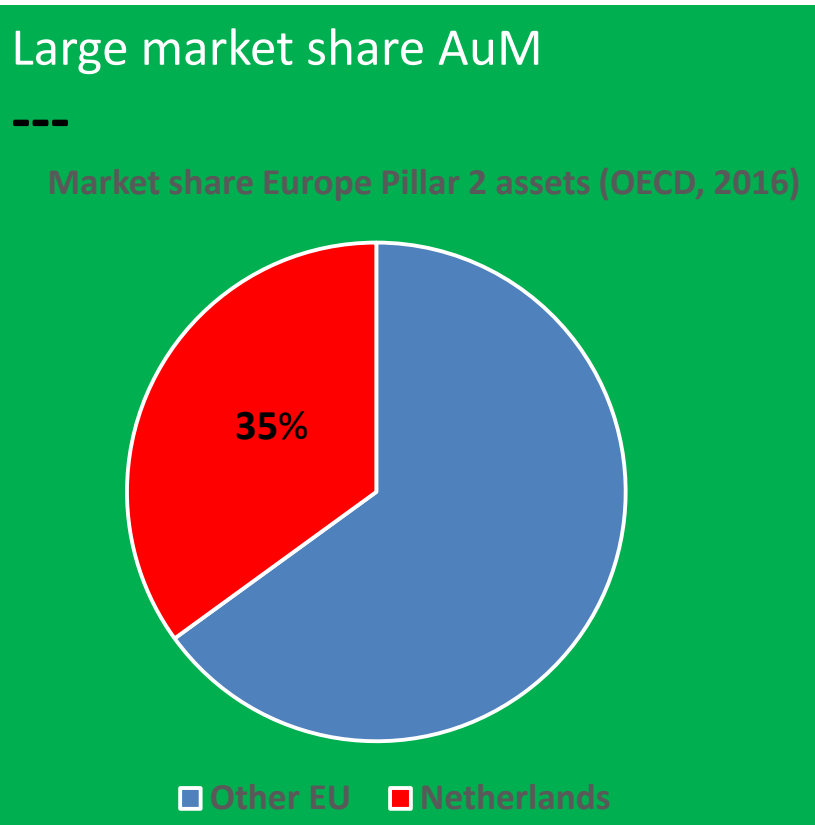
Myopia

- Mandatory participation in second pillar
- Tax incentives

Asymmetric information

- Supervision in second and third pillar

Framework contributes to large second pillar and high replacement ratios



Difficult business case for non-mandatory PEPP in The Netherlands



High mandatory savings 2nd pillar

Ample competition in non mandatory 3rd pillar,
profitability under pressure

Uncertainty about fiscal stimulus of PEPP

EU-wide success of PEPP depends on final proposal and national regulation

Dutch 3rd pillar regulation



- ✓ Compulsory annuity (adverse selection)
- ✓ Tax incentives (myopia)
- ✓ Supervision NCA (asymmetric information)

PEPP regulation



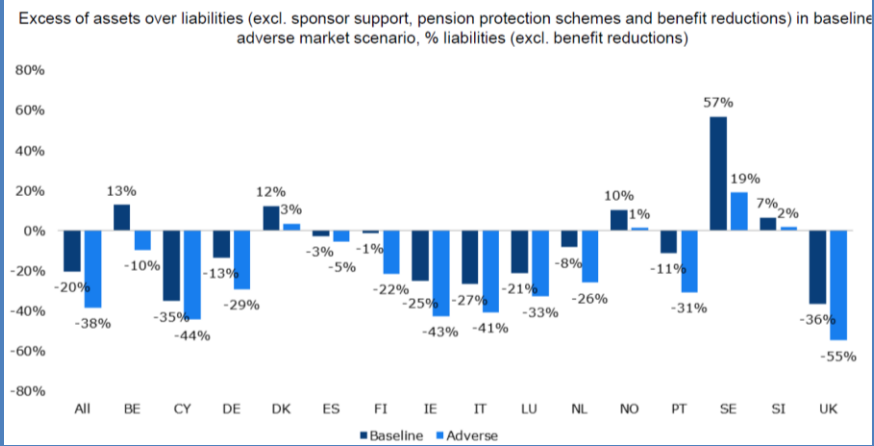
- ? Degree of Annuitization depends on final proposal
- ? Tax regulation differs per member state
- ✓ Supervision by EIOPA and NCA



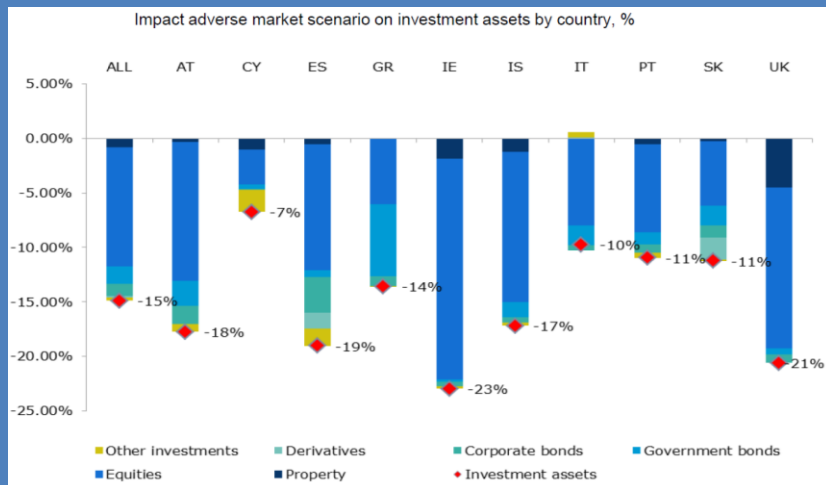
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EIOPA stress test shows that financial conditions have a large impact on both DB/hybrid schemes and DC schemes



- DB: In baseline insufficient assets to cover liabilities - funding ratio decline to 79% in adverse scenario



- DC: Assets can decrease up to 23% in adverse scenario, causing lower replacement rates