

Network for Studies on Pensions, Aging and Retirement

A Pension with a Future

The transition and beyond...

Netspar 2023-2027 Action Plan

April 2022

A pension with a future

The transition and beyond...

2023-2027 Action Plan



Figure 1: Summary of 2023-2027 Action Plan

1. Strategy 2023-2037: Remain relevant by investing in senior researchers, new research talent, and customized knowledge sharing

The strategy for 2023-2027 is based on our mission and vision, on the knowledge needs outlined in our knowledge agenda, and on the recommendations of the various evaluation committees.

Mission definitely remains highly relevant during transition phase

Netspar's mission as a knowledge network is to be of support in continually enhancing the opportunities for financing retirement in the Netherlands, which that is in the interests of everyone in the country.

That is why Netspar finds it so important to help ensure that the pension debate in the Netherlands is conducted on the basis of facts and insights from scientific research. The underlying idea is that knowledge will help us understand the points under consideration in the often complex choices to be made by pension professionals as well as individuals. There will be frequent need of just that as the Netherlands transitions to a new pension system over the coming period. And such knowledge will remain just as critical as we head into the future lying beyond the new pension system's inception date.

Ambitions

The crux of our strategy is to remain comprehensively relevant in the pension and insurance sector by investing in a more customized sharing of the knowledge we build. To accomplish this, we have formulated five ambitions under our three core functions:

Knowledge development

1. Implement the 2023-2027 knowledge agenda in such a way as to support and challenge the sector
2. Raise grants as a way to retain senior researchers, who form the indispensable link between science and practice
3. Recruit new talent by introducing a special grant and actively involving such talent in the network

Knowledge sharing

4. Knowledge sharing: scalable where possible, customized where necessary. Plus, a recalibration of the instruments in use with a keen eye to determining what is really needed to achieve an impact, while bearing in mind the balance between quality and quantity.

Network development

5. Move towards a Netspar that is not just "for" but also "by" the sector, which will involve re-intensifying the focus on building up and broadening the network

These ambitions will be explained in more detail in the sections that follow. In addition, Section 1.4 discusses the recommendations made concerning steering on the knowledge agenda by the Netspar board, and Section 1.5 covers the budget.

1.1 Knowledge development

1. *Implement the 2023-2027 knowledge agenda in such a way as to support and challenge the sector*

The transition to a new pension system will entail a great deal of work for the sector, and that will mean more questions for Netspar. The knowledge agenda, drawn up with our partners, addresses not only the issues surrounding the transition, but also those that might arise in the future (from the perspective of the individual, the sector, and society at large). It is a comprehensive agenda that provides a sound framework for developing research proposals, which occurs on an annual basis to make sure the research remains timely. The partners set the research priorities, thereby ensuring their relevance. At the same time, based on the evaluations, the Netspar board Executives has the responsibility to ensure that funding also keeps being allocated to projects with topics of a more controversial nature or those looking somewhat further ahead. It is thus about striking a balance between serving and challenging the sector – and bridging the gap between the short and long term.

When allocating projects, we will also look closely, together with the partners, into what kind of research is needed and ask the researchers to more explicitly indicate what their proposal adds to the existing knowledge in order to ensure that the research is adding value.

2. *Raise grants as a way to retain senior researchers, who form the indispensable link between science and practice*

To remain meaningful to the sector, the engagement of senior researchers from a variety of disciplines is essential. That is because they are ideally positioned to conceive of research proposals that combine thought leadership with practical relevance. They are also adept at involving the sector in the research and expertly translating the results into practical applications. Where necessary, Netspar can take on the role of effectively bringing together senior researchers with sector parties.

Expectations are that in the transition to the new pension system, the demand for knowledge will grow, so that the research performed in the past will prove very useful and be made more widely accessible. To secure a suitable level of senior capacity, it is essential that Netspar increases the amounts of its research grants, given that these have not been raised in over 10 years and have not kept pace with researcher wage increases.

3. *Recruit new talent by introducing a special grant and actively involving such talent in the network*

To secure an adequate network of researchers who are engaged with the sector, it is important that we reinvest in talent. Junior, but also mid-level, researchers are not always given the time they need in the academic world to build sector experience. So, to lower that threshold, we plan to reintroduce a talent grant and explore other ways of actively involving talented researchers in the network.

1.2 Knowledge Sharing

4. *Knowledge sharing: scalable where possible, customized where necessary*

The sector faces a tidal wave of new information and knowledge needs stemming from the transition to the new pension system. Netspar can help to keep executives pension professionals and executives updated on the latest insights quickly, easily, and independently and make it easy for them to ask questions about applying the body of scientific knowledge in a practical setting. From an operations perspective, it is, of course, critical that employees possess the latest knowledge. At the same time, modern employees expect their employers to facilitate career development, coaching, and networking opportunities for them. Thanks to its diverse knowledge infrastructure, Netspar can help its partners to be an employer of choice. Cost pressures in the sector, moreover, increase the need for efficiently organizing knowledge-sharing efforts through a collective knowledge infrastructure.

Some of the knowledge-sharing activities are easily scalable. These include podcasts, short instructional videos, and summary papers (board briefs) that sum up the research insights, alongside papers covering the academic frontier of knowledge, or a question pool and smart website that alerts users to events, papers, and podcasts relevant to their interests.

Doing justice to the wide-ranging nature of the knowledge needs and reaching specific target groups will also require greater customization of the knowledge requests and knowledge-sharing instruments. This might involve such things as knowledge seminars and challenge sessions for executive boards, thematic newsletters (e.g., on pension reforms, investing, communications, occupational health, etc.), and more accessible content (short podcasts on the latest research). It will also require better measurement of the effectiveness of the various means used for sharing knowledge.

To guarantee a good balance between the quality and quantity of the knowledge-sharing efforts and to make sure partners are able to see the forest for

the trees, the Netspar knowledge-sharing activities will be recalibrated. This will involve exploring whether the information provided can be more targeted according to need. As far as events are concerned, Netspar plans to continue offering a mix of online and in-person gatherings, while bearing in mind the main objective of each event (gathering input, sharing research results, interaction, networking, etc.) and clearly communicating that to the target group.

More customized knowledge sharing and communication will require additional resources to boost the capacity of the Expertise Center (time for senior researchers), as well as the communications and events capacity, and to adapt the website.

1.3 Network Development

5. *Continued attention to building and broadening the network*

The research Netspar conducts provides added value for the entire pension sector. Yet, not all parties in the sector contribute to the network contents-wise or financially. With the entry of a number of medium-sized pension funds, including an occupational pension fund and a company pension fund, the network's diversity has grown.

Netspar has embraced the ambition of becoming a network by and for the sector, as outlined by a committee set-up to reassess the Netspar partnership framework. The implementation of a new partnership model by which all funds above a given number of active members or a given amount of assets would participate requires further specification, both from a financial perspective and in terms of governance and relationship management. As the committee has also indicated, any subsequent transition would take time. To guarantee Netspar's continuity starting in April 2023, it is important that commitments are obtained from the partners by summer 2022. Efforts will therefore be focused on retaining all existing partners, along with further acquisitions targeted primarily at continuing to build up the network with more pension funds. With regard to the aforementioned model, the overall aim in the first two years of the new action plan will be to complete the new partnership model's further development and then possibly move on to its implementation.

In addition, expansion of the network to include asset managers, banks, and consultancies remains an appealing possibility, especially in light of pensions being seen as part of a comprehensive financial planning process. It will be important in doing so, however, to remain recognizable to our existing partners and maintain our research focus.



Regard for other disciplines

Covering the topics in the knowledge agenda requires a variety of disciplines. Netspar brings together scientists from many different disciplines and universities on a targeted basis to address knowledge issues by, among other things, coordinating the research and holding regular research meetings.

Closer affiliation with relevant target groups at partners

Among the partner organizations themselves, as well, Netspar aims to broaden its network. It has traditionally had close ties to departments of partner organizations involved in research. Yet much of our knowledge, especially the low-threshold kind (e.g., the research-based conclusions and policy recommendations presented in one pagers, podcasts, short videos, etc.), is relevant for a much larger group of employees and executives within partner organizations. Furthermore, many of our partner organizations have grown considerably as a result of consolidation in the sector and Netspar could enhance its impact at the new divisions of partner organizations.

Focus on in-person encounters

The strength of Netspar rests not only on knowledge, but also on connections. Meeting one another in person is essential, something made abundantly clear in the past two years with the restrictions placed on physical gatherings. Although we found effective online alternatives (short interactive events with small digital roundtables), we will be focusing heavily on returning to in-person networking going forward.

1.4 Management and Governance

Pursuing a balanced knowledge agenda

Some of the recommendations made in the evaluations involved having the Netspar board strive for a balanced knowledge agenda and give academic partners a voice in setting the research priorities. Both of these recommendations merit further consideration in coordination with the partners. While the importance of a balanced research agenda is beyond dispute, research priorities should preferably be set by the partners. Meanwhile, there are various methods for allocating the budget in a balanced manner, but there is as yet no set solution; we will be reaching out to our partners (in sector and academia) for their input on the matter.

More interaction in the governing bodies

The ability to meet in person will provide an opportunity to truly engage in meaningful discussions. At the same time, we will be exploring whether the members of the governing bodies might not be able to assume a more prominent role in preparing the agenda and developing agenda items. Experience to date on this with the Partner Research Council (PRC) has been promising.

Minimize overlap in topics and members on the governing bodies

This recommendation will require further consideration in conjunction with the partners. The existing model is based on maximizing the level of involvement and participation on the part of partners. However, that requires considerable capacity on the part of the partner organizations, which is often in short supply. We will investigate whether there might not be a way to better optimize the governance model.

1.5 Realization Dependent on Budget

The investment budget set for the 2023-2027 Action Plan (Appendix III in the Dutch-language version of the action plan) is based on a total annual budget of EUR 3.8 million. The degree to which the ambitions outlined in the action plan can be realized depends on the financial basis that can be created.

What could go wrong if we do not find a solution?



Figure 2. Netspar cannot be taken for granted



Network for Studies on Pensions, Aging and Retirement

APPENDICES

Appendix I

Netspar 2023-2027 Knowledge Agenda

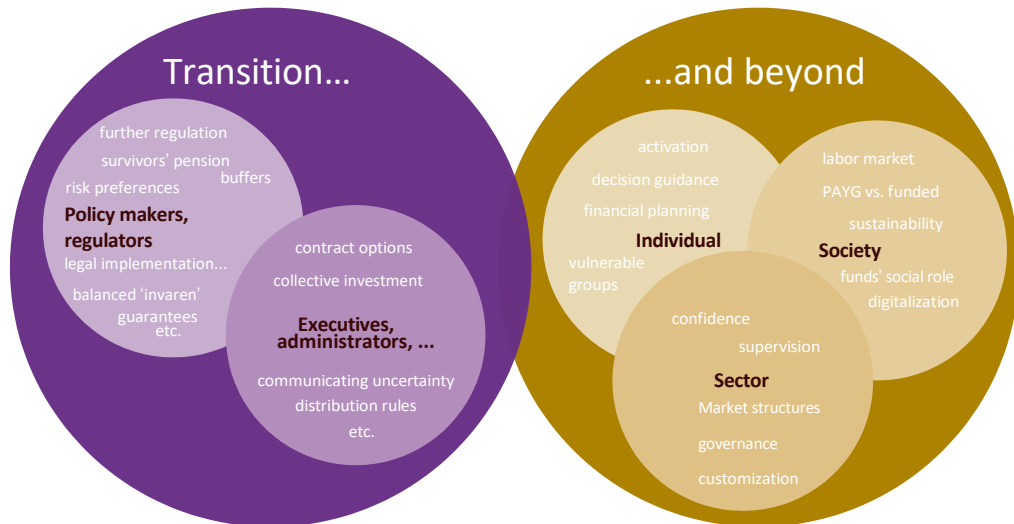


Figure 1. Netspar 2023-2027 knowledge agenda summary

Netspar's mission from 2023 to 2027 continues to be to continually work to enhance the environment in the Netherlands for financing retirement. We do that by developing and disseminating knowledge, maintaining a knowledge network, and serving as an "honest broker" in the pension debate. In this knowledge agenda, we describe the kinds of new knowledge that need to be developed, as well as how we plan to efficiently share both new and existing knowledge with one another.

The knowledge agenda is built around two main themes: the transition to a new pension system and societal developments that will have an impact on the sector during and beyond the transition. Obviously, these two main themes cannot be viewed in isolation: issues related to the transition recur as well in various aspects of the second theme concerning societal developments, and vice versa.

1. Transition to a new pension system

For the past several years, Netspar has been actively involved in developing the new Pension Agreement and the Future of Pensions Act, which are slated to take effect January 1, 2023. From our discussions with the sector, we suspect that this signals not so much the end of a long introductory process, but rather the start of a major transition period. Indeed, the implementation of the Pension Agreement signifies a fundamental change in the Dutch pension system, and its introduction will lead to a considerable demand for knowledge. In this first of the two main themes of the

knowledge agenda, we differentiate between the issues affecting policy makers and those affecting executives, administrators, and social partners.

1a. Issues for policy makers

Even once the final legislation has been codified, policy makers (government ministries, regulators) face the task of laying out the rules for a great many details in further legislation. This includes, for example, such issues as the specifics of complying with the condition that the transition (“invaren”) be balanced, the legal arrangements concerning right of say and right to object, how to deal with existing buffers and guarantees, and the promise that existing entitlements to survivors’ pensions will be honored. In addition, the way in which risk preferences and risk tolerance can or should be included in implementing the new contracts still needs to be worked out in greater detail.

1b. Issues for executives and administrators

Executives and administrators (pension funds, pension administrators, insurers, premium pension institutions) and social partners face the challenge of how to deal with the many ways of implementing the new contract. This will lead to new knowledge demands. Not only is the choice of contract at issue (solidary versus flexible contract), but also its specification. In terms of the solidary contract, for instance, issues might include the collective investment policy, the hedge returns (“bescherminingsrendementen”) and allocation rules for excess returns (“overrendementen”), and the supplementation and allocation rules for the solidarity reserve. It will be important with all of the arrangements to determine how to handle the risk of inflation and uncertainties surrounding life expectancy. And the exact division of responsibilities in terms of governance among all the parties will need to be crystallized. Moreover, communication will become an even more important issue now that pension outcomes are explicitly uncertain and participants need to make decisions for themselves, such as deciding whether or not to take a lump sum upon retirement or to extend their survivors’ pension insurance.

In addition to all the new knowledge questions, there is, of course, a great deal of existing knowledge that could be optimally deployed to address new questions and challenges. This includes research on such topics as communication and decision behavior, preference measurement, earlier or later payout of pension benefits, and investment policy decisions. For example, what are the arguments as a board for opting for the same investment policy for the pension fund reserves set aside for each participant and what are the arguments for, in fact, opting for equal risks for pension benefits? Many studies have also appeared in recent years on such topics as public trust in (pension)institutions and legal preconditions that are of great value for the sector. Making this existing knowledge easily accessible and simple to understand for a wide range of target groups is one of the challenges for Netspar

2. Societal Developments

A great many other societal developments (such as sustainability, digitalization, privacy, a changing labor market, the affordability of long-term care, discussions about inequality, and greater attention to individual wants and needs) also have an impact on the sector. Pensions and retirement can no longer be viewed as separate from other facets of the life course. In addition to focusing on the near-term transition to the new system, Netspar therefore also plans to look ahead: what will a comfortable “old age” (in the broadest sense of the term) look like in the medium to long term? In this second main theme of the knowledge agenda, we distinguish between issues at the individual (micro), sector (meso), and societal (macro) level. The issues at each level obviously do not stand entirely alone, and there may sometimes even be tensions between them. Something that might be beneficial for the individual in terms of, say, decision guidance solutions and activation could in fact cause problems at the sector level (e.g., personal advice) or vice versa. It is therefore important to assume a comprehensive perspective (micro-meso-macro) to achieve a balanced view.

2a. Issues for the individual (micro level)

The new Pension Agreement could perpetuate the broader trend of better accommodating heterogeneity among individuals. Customization and options with regard to time of retirement, investment risk, high/low pension, fixed or variable benefits, and lump sum payouts can ensure that pensions and retirement plans are better aligned with people’s individual wants and needs. Research has shown that giving people options can provide them with a sense of control, but also that people often simply want to be relieved of the worry. What that means in practice is that one often sees such options go unused. Since bad pension decisions can adversely impact people for a long time, it is important to provide guidance for people and set judicious limits on options. This will require acquiring knowledge about such things as decision guidance and activation and comprehensive financial planning, as well as, more particularly, vulnerable groups.

- Decision guidance and activation
 - Economic/psychological factors that influence decisions
 - Level of knowledge and financial literacy
 - Assessing risk attitude/tolerance and integrating it into pension plans
 - Social acceptance of pension reforms, communication, and choice architecture
 - Fiduciary duty, automated and other forms of advice, fintech
 - Customer satisfaction, trust, activation, overall well-being
 - Ethical/legal questions involving digitalization, algorithms, profiling, freedom of choice, nudging
- Comprehensive (financial) planning
 - Home ownership, healthcare costs, labor market position, personal situation
 - Data infrastructure

- Tax issues (savings/payout phase, employees/entrepreneurs, home equity, pension/retirement savings plan)
- Personal preferences (habit formation, ambiguity, inertia, temptation preferences)
- Vulnerable groups
 - Groups not participating in the second pillar (“witte vlekken”), self-employed, women, migrants, financially illiterate, renters (possible solutions through the first and second pillars)
 - Disability insurance
 - Survivors’ pension
 - Adequacy of retirement savings
 - Poverty, participation

2b. Issues for the sector (meso level)

The new pension system asks more of not only individuals, but also of stakeholders in the sector, such as pension funds, administrators, insurers, premium pension institutions, the social partners, and regulators. One challenge they will face is offering satisfactory retirement solutions and/or defaults to heterogeneous groups of participants and insured parties. Other challenges include providing decision guidance, governance, and supervision. In addition, the effects on market structures for the sector as a whole (including possible consolidation and new entrants), the capacity for innovation, and public trust in institutions are all complex issues that will be critical to the future of the system. This will require acquiring knowledge about how organizations can meet these challenges, the repercussions of developments for the sector as a whole, and the role of oversight and regulation.

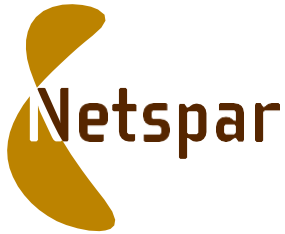
- Customization for heterogeneous groups
 - Payout phase design: expected returns (“projectierendementen”), spreading adjustments, investment policy/distribution of returns
 - Decision guidance, comprehensive planning, vulnerable groups (Theme 1 from an organization perspective)
 - Dealing with the heterogeneity of participants in terms of communications, data management, investment policy
- Governance, execution, and innovation (organizational level)
 - Relations between social partners, pension fund boards, and other bodies
 - Role/fiduciary duty/responsibility of advisers (insurance sector)
 - Capacity for innovation in the transition
 - Impact of broader objectives (incl. responsible investing) on governance
- Market structures and confidence (sector level)
 - Consolidation, competition, new entrants
 - Relations between funds, administrators, insurers, banks, tech companies
 - Trust in the sector and the pension system

- Oversight and regulation
 - Interaction between conduct supervision and risk management supervision
 - Implications of European legislation
 - Reporting standards

2c. Issues for society (macro level)

The pension and insurance sector does not exist on its own; it is part of the larger world. Societal developments such as the drive for sustainability, a changing labor market, and inequality (economic, health, opportunity) obviously have a tremendous impact on the sector. Conversely, the sector can have a wide-ranging influence on society, the economy, the labor market, and sustainability. Moreover, it remains a relevant question as to what the system and the sector will come to look like in the future. Addressing all these issues will require building knowledge about the role of pension funds in the world, the relation between pensions and the labor market, socially responsible investing, digitalization, the “optimal” pension system for the long term, and pay-as-you-go (PAYG) versus funded pension plans.

- Role of pension funds/insurers in the world
 - Financial system (stability)
 - Society (including sustainability)
 - Saving in general
 - Housing and retirement
 - Long-term care and retirement
 - Retirement and income/wealth/life expectancy/health inequality
 - Solidarity (also intergenerational)
 - Impact of the pandemic on saving behavior/labor market/pensions
- Pensions and the labor market
 - Labor market for older workers
 - Maintaining job proficiency
 - Health issues
 - Role of the employer
 - Vulnerable groups
- Socially responsible investing
 - Relation between risk/return, impact, engagement, greenwashing, green bubbles
 - Member/customer preferences (connection with risk and social responsibility preferences)
 - Climate and other ESG risks
 - Developments in European and other forms of legislation, disclosure, data
- Digitalization
 - Fiduciary duty, automated and other forms of advice, fintech
 - Artificial intelligence, big data, blockchain
 - Privacy, ethical issue



- “Optimal” pension system in the long term
 - Individual versus collective
 - Inter- and intragenerational risk sharing among employees, employers, and government
 - Distribution of risk and return in a collective plan
 - Interplay between the pension system and healthcare costs
- Pay-as-you-go versus funded pension plans
 - First pillar versus second/third pillars
 - Notional defined contribution (NDC)
 - Macro-finance and systematic risks and uncertainty
 - Aging population and migration
 - Long-term balance sheet