



Netspar

Annual Report 2007



Netspar

Annual Report 2007

Network for Studies on Pensions, Aging and Retirement

Partners of Netspar

Pension funds and
asset liability companies



Insurance companies and banks



Universities



Other organizations



Public sector



Ministerie van Onderwijs,
Cultuur en Wetenschap





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Preface 5



The annual report for 2007 surveys the many activities that Netspar— now three years old— has developed in the year under review. The abundance of these activities is due not only to the increasing importance that is being attached internationally to building up pensions and providing social security, but also to the enthusiasm and energy that characterizes the young Netspar organization.

As agreed, an intensive evaluation was held in 2007 of the first Netspar years. Both the Scientific Council, comprised of leading international scientists, and the evaluation commission, comprised of representatives of Netspar partners and the Dutch National Science Foundation (NWO), reached very positive conclusions. Most remarkable was the compliment for the speed at which Netspar has got underway. That could happen only through a unique combination of high-quality knowledge and strong organizational talent aimed at practical results.

Netspar is very pleased that all partners have pledged to continue their commitment, and is particularly grateful for the strong support from the Dutch government. Altogether, this support through April 2011 makes it possible for Netspar to not only continue existing programs but also devote more attention to international issues and international networking. This is in line with the increasing desire of the Dutch pension and insurance sector to put the challenges it faces in an international perspective. Within the general issue of developing diversity in Europe, the Dutch system, because of its strong accent on fully funded capital, is vulnerable to what can happen in

a macroeconomic area within the European perspective. As more countries in the expanded European Union place greater emphasis on developing fully funded pension systems, the desire to reduce the vulnerability of funded systems to macroeconomic shocks will be shared by other countries. For this reason, it is gratifying that Netspar has been chosen by the European Science Foundation to map the European research priorities relating to 'pensions, aging and retirement in Europe'. This will provide a good opportunity for Netspar to assume an important place in the European networks in this field.

The commitment shown by the partners of Netspar also implies an important responsibility for Netspar to address the improvements that were suggested in the evaluation. Netspar is implementing various initiatives for strengthening contacts with partners, such as clearly indicating what the objectives and the target groups are for conferences and workshops, forming Netspar teams for each partner and improving the alignment of research with policy issues that are important to the sector.

Extending the network also certainly includes connections with Holland Financial Centre. This collaboration offers a unique opportunity for the Netherlands to strengthen its position in the financial area. This is an opportunity we mustn't miss.

Dick de Beus
Netspar Fellow and Chairman of Netspar Evaluation
Commission 2007

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6 State of affairs

Successful evaluation and prolonged partner commitment

Netspar was successfully evaluated in 2007. Following this result, we could proudly announce that the Dutch government and the partners from the pension and insurance sector jointly raised €14 million to finance Netspar's plans for the period until April 2011. These plans aim at developing Netspar as a knowledge network by spreading out its international wings in order to promote strong pension systems in Europe. Furthermore, we want to strengthen our partner contacts. The first steps to meet these goals have already been made this year.

A special evaluation committee, consisting of representatives of Netspar partners and the Dutch National Science Foundation (NWO), assessed Netspar's first three years, based on the input provided by the partners and the Scientific Council. Another relevant source of information was Netspar's own self-evaluation report. In May 2007 the evaluation committee presented its findings. The overall judgement was very positive. The following main scores are based on NWO criteria:

Scientific significance: Very good

Societal significance: Good

National significance: Very good

Extent of knowledge transfer: Good

The two main recommendations of the committee were to focus on internationalisation and to intensify the partner contacts. Following this positive result, all private partners pledged to continue their commitment to Netspar: 5 million Euros in total. The Dutch government then funded the development of the research network with a total of 9 million Euros.

Expanding social innovation on an international level

The new financial injection enables Netspar to focus on internationalisation of its research activities and on expanding and exporting Dutch pension knowledge.

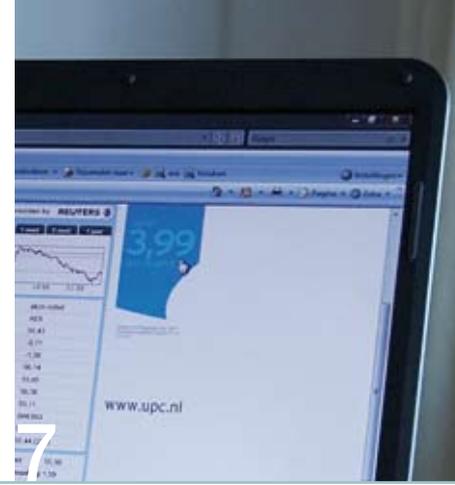
In 2007, Netspar followed up on its commitment to promote strong pension systems in Europe by further intensifying international contacts. Stronger capital-funded occupational pension systems in other European countries strengthen the political support for European regulations that better suit the Dutch pension system and lead to important business and investment opportunities for Dutch insurers and pension administration companies. Netspar aims to export and import knowledge on aging and pensions by cooperating with international researchers, by acquiring EU research funding, and by organizing international conferences.

The European Science Foundation selected Ageing, Health and Pensions in Europe in 2007 as one of two new topics in the Forward Looks research program. Netspar will be actively involved – together with other European research institutes – in defining the European research agenda on pensions, ageing and health for the next five- to ten years. This agenda will enable funding agencies to plan their resources to meet future needs. The research topics that will be studied in the Forward Looks program fall under three broad themes:

- Labour market issues
- Income security of an aging population
- Well-being of the elderly

Several initiatives were launched in 2007 in order to expand Netspar's network on an international level. A visitors' program invites top researchers to apply for a visit ranging from one week up to three months. This program allows international researchers to join forces with the Netspar research group and present their work at one of the pension days or workshops. Furthermore, Netspar invites proposals for research papers that contain new and original work. These papers are submitted to the Netspar discussion paper series and are presented at Netspar workshops. Finally, more activities have been and will continue to be organized in cooperation with foreign partners.

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Intensifying the knowledge transfer

Another key priority in 2007, in line with the recommendation of the evaluation committee, was to intensify dealings with the non-academic partners. Initiatives were launched to reach more partner employees, and to intensify the existing contacts. For example, Netspar partners discussed NEA (Netspar Economic Advisors) papers and Panel papers on a variety of topics during debates and panel meetings. They also provided valuable feedback on the most relevant research questions in the sounding boards, which are linked with the six Netspar themes. Each of these boards is comprised of both partner employees and Netspar researchers. Netspar teams were also formed to promote and discuss Netspar issues in the internal partner organizations. Furthermore, small-scale thematic meetings with specialists were organized, including a pension day on professional asset management, a discussion on the new Dutch Pension Act, brainstorm sessions on the Dutch pension market and the role of new pension institutions, and a conference on life-cycle policies. Master's students investigated relevant topics during their internship at Netspar partner organizations. Young professionals participated in the Master's program, and both staff members and board members attended the first three modules of international post-academic courses of the Netspar-UMBS Academy.

In addition to intensifying the partner contacts, Netspar aims at expanding its network with new partners. As of May 2007, ORTEC Finance, an independent specialist in measuring and managing financial risks and returns, joined Netspar. The bundling of forces between Netspar and ORTEC will strengthen the synergy between science and practice in the field of risk management.

Netspar intends to enhance links with the Dutch financial sector also by cooperating with Holland Financial Centre (HFC), a joint initiative of several Dutch financial

institutions aimed at making the Netherlands a more attractive location for the financial industry. The intended cooperation between Netspar and HFC will focus on building, exporting and importing pension expertise.

The sum of all of the above-mentioned initiatives contributes to Netspar becoming the intellectual conscience of the pension and insurance sector and a preferred supplier at the beginning of the sector's innovation chain.

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*Aging is not
the end of the world*

Research

April 2007 – April 2008

9

Recognition of quality

From the micro- to the macro level, Netspar's research explores the behavior of individual households in labor and capital markets, the role of pension funds and insurance companies in facilitating risk sharing within and between generations, and the linkages among labor-, capital- and commodity markets. The latter research topic includes the relationship between retirement decisions, the flexibility of the labor market and incentives to accumulate human capital.

The quality of Netspar's research was not only underscored in the evaluation by the Scientific Council in the spring of 2007, but also received further confirmation during the year as a result of several major research grants that were awarded to Netspar researchers. Anja de Waegenaere received a prestigious VICI grant (€1.25 million) for a five-year project on the implication of trends and uncertainty in longevity risk for pension provision. Likewise, Frederic Vermeulen received a VIDI grant (€0.6 million) for his research on the consumption and savings behavior of the elderly. Last, but not least, Bas Jacobs received a VIDI grant for his research on how labor-market institutions and welfare states influence investments in education.

International recognition of the quality of Netspar's research is also reflected in the decision of the European Science Foundation to ask Netspar to explore the research agenda on aging and pensions for the future. Input from many international academics will be collected during a series of conferences. This will result in a document that will set the scene for European research in the field for the next few years.

A novelty in 2007 was the decision to award grants to international researchers who work on topics included in Netspar's research programs. Output from the first research projects that were initiated in this way was presented in the Pension Workshop in January 2008. The collaboration with international researchers will

be extended in the years to come, along the lines of the self-evaluation report written in 2007. In 2008, funding for large-scale projects (up to €250,000) will also be available for researchers affiliated with foreign universities.

Papers and publications

Netspar has again produced a significant number of Discussion Papers and Academic Publications. The 83 discussion papers that were published cover a wide range of topics, including The choice between an annuity and a lump-sum, Health and work of the elderly, and Financial literacy and stock market participation. The 84 academic publications appeared in high-quality academic journals such as *Econometrics*, *American Economic Review*, *Journal of Public Economics*, *Journal of Health Economics*, *Journal of the American Statistical Association*, and *Insurance Mathematics and Economics*. These publications also covered a wide variety of topics, ranging from retirement behavior and labor supply, pension contracts, savings and investment behavior, risk management, investments, to longevity risk.

Furthermore, the first five Netspar panel papers were also published. Panel papers aim to survey the relevant literature on a specific question and to link the findings in the literature to policy questions. Summaries of the panel papers are presented elsewhere in this annual report. NEA (Netspar Economic Advisors) papers take a clear policy position. Four out of the six NEA papers that appeared in 2007 deal with the API, a new hybrid pension-provision vehicle in line with the European IORP regulation that is set to be introduced in Dutch law. The other two NEA papers deal with the impact of the uniform pension contribution rules ('doorsneepremie') on intergenerational solidarity, and take a position in favor of adjustments in the FTK solvency regime that explicitly take purchasing power into account. Both panel papers and NEA papers are discussed with partner representatives during panel meetings and debates, respectively. The papers are subsequently published,

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together with a summary of the discussion, and are offered to the partners. An overview of the papers is provided in the supplements of this report.

Valuable collaboration with partners on data

Last but not least, a number of exciting new research projects have been initiated. Several of them directly analyze data on individual behavior that have become available through collaboration with Netspar partners. The availability of empirical micro data is crucial to analyze the behavior of individuals and households. Thanks to PGGM, for example, Netspar was able to set up a database that contains information about the pension- and early retirement rights of pension-fund participants. The anonymous data that PGGM provided are used for the research theme called Pensions, savings and retirement decisions. The theme analyzes the behavior and well being of Dutch elderly workers and retirees in relation to their pensions and social security provisions. As a third party involved in this cooperation, CBS (Statistics Netherlands) links the data to files containing supplementary information. In this way, the researchers can obtain information about demographic attributes, labor market position, income and savings of individuals and households. The preliminary results of the analyses made with the new data are expected at the end of 2008.

Prize winners in research 2007

ANJA DE WAEGENAERE (Tilburg University/Netspar) was awarded an NWO Vici grant of €1,250,000. Anja investigates the effects of increasing longevity on pension and health insurance systems.

On October 18, ROGER LAEVEN (Tilburg University/Netspar) received the Christiaan Huygensprijs 2007 of €10,000 for his PhD Thesis Essays on risk measures and stochastic dependence, with applications to insurance and finance, which he wrote at the University of Amsterdam.

FREDERIC VERMEULEN (Tilburg University/Netspar) and Bas Jacobs (UvA/Netspar) are two of the young, excellent scientists who were granted a Vidi Grant by the NWO. They received a maximum of €600,000 each, to spend on their research over the next five years. Vermeulen will analyze how family members make joint decisions on consumption and labor. Jacobs' research focuses on how labor-market institutions and welfare states influence investments in education.

MATTHIJS KALMIJN, (Tilburg University/Netspar) has been appointed as member of the 'Koninklijke Nederlandse Akademie van Wetenschappen' (KNAW). The two hundred members of KNAW are renowned scientists in all areas of scientific research.



The Hudig-Langeveldt Prize 2007 was presented to Netspar director LANS BOVENBERG (see photo) for his significant work in the field of aging and life cycle. The board of the Hudig-Langeveldt Foundation periodically presents the prize to scientists whose work has proven to be of great significance in the field of financial services.

During the awards ceremony for the Hudig-Langeveldt Prize, the Foundation also presented the AON Study Prize 2007 to TIM WILLEMS, student in Netspar's Master's program, Economics and Finance of Aging, for his thesis The Scandinavian Model: Not as desirable as it seems.

As an acknowledgement for his scientific merits, LANS BOVENBERG received an honorary doctorate from Ghent University in Belgium.



12 Themes

The Netspar themes, which all run for a period of three years, are aimed at generating coherence in the research program, stimulating entrepreneurship and engendering commitment of researchers.

The first results

In 2007, Netspar added three new themes to the existing themes, so that six themes are currently running in which six Dutch universities and the CPB are involved. The Netspar themes, which all run for a period of three years, are aimed at generating coherence in the research program, stimulating entrepreneurship and engendering commitment of researchers. In addition to pursuing their research, theme participants also contribute to the education program by providing lectures to the master's program and by supervising the writing of theses on Netspar-related subjects. Furthermore, the theme researchers have regular contact with the partners through so-called 'sounding boards', and organize events to exchange knowledge with the sector. By selecting new themes on a regular basis, Netspar continuously adjusts its portfolio to new developments in the academic world and the changing interests of its non-academic partners.

This section provides an overview of the first results of the three themes that started in 2006 and the first activities of the ones that started in 2007.

Themes that started in 2006

Theme 1: Income, health and work across the life cycle

Coordinator: Maarten Lindeboom (VU Amsterdam) and Eddy van Doorslaer (EUR)

While a large and rapidly growing body of literature has addressed many questions regarding the linkages between income and health, many gaps in our knowledge remain. The research within this theme examines how the joint distributions of health and income evolve across the life cycle, particularly as individuals move from working age into retirement. Aging, unfortunately, goes hand-in-hand with an increase in the number of years spent in declining health, often accompanied by greatly increased healthcare needs

and associated expenditures. This theme addresses major dilemmas with respect to the sustainability of current retirement and disability programs, and the affordability of equitable healthcare systems.

The following issues identify the four sub-themes of the research program:

I. Health effects on labor force participation

This project focuses on the behavior of aging individuals and couples who make decisions concerning their actual retirement and the effects of their behavior on labor force participation.

Research finding: Regarding the relative roles of health (changes) versus financial incentives in the transition to retirement from the labor force, financial incentives appear to be far more important than health changes.

With regard to the health effects of retirement, it is often suggested that retirement is bad for one's health. This suggests that increasing the retirement ages may have a beneficial effect on later life health and health care costs.

Research finding: We found no short-run effects of retirement on post-retirement health. Extension of the working life thus does not seem to have any effect on later-life health.

II. Inequalities in income, health and healthcare utilization

This project focuses on inequalities in health related to income, to the use of healthcare and to health itself. While we know that such inequalities exist, much less is known about the processes and policies generating the observed outcomes.

The impact of supplementary private insurance coverage on inequity in practice is an important issue in this theme. This topic can be divided into two questions:

- a Does the probability of having private insurance increase with income and with better reported health?



b Are higher socioeconomic groups more likely to take up supplemental insurance?

Research finding: Private insurance positively affects the probability of consulting a medical specialist in all countries. Although the second question is also answered affirmatively, a case study for Belgium found that— in contrast to the situation in other countries— higher socioeconomic status does not affect the number of hospital spells, GP visits, specialist visits and drug consumption.

Data from around the world consistently show that those with more economic resources have better health. Are improvements of income then directly related to health?

Research finding: No evidence has yet been found for causal links between income innovations and health. This suggests that most of the causal links come from the background and early-life factors of unhealthy individuals, in addition to their lower earnings capacities.

III. Explaining the health distribution at advanced ages

The literature suggests that long-run effects of early childhood conditions are important for morbidity and mortality later in life. In particular, the effect of education on health behavior is causal and likely to be of core importance for later-life health. Does the impact of adverse events differ with respect to socioeconomic status?

Research finding: Lower socioeconomic classes suffer disproportionately from economic shocks, which leads to an increase in socioeconomic inequality in mortality.

IV. Issues in the measurement of health and inequality

With regard to the reporting of health by elderly, certain educational differences have been identified. Higher educated people tend to report better health. But if people with differing levels of education— at the same true health level— subjectively report health differently, then estimates of socioeconomic inequalities in health may be biased.

Research finding: We found evidence of systematic differences in reporting behavior by level of education. Correcting for these tendencies in a number of European countries made the measured disparities in health larger.

Theme 2: Private retirement provision

Coordinator: Peter Schotman (UM)

In addition to their mandatory pension rights, households also build up voluntary rights— savings and investments in financial assets, housing and human capital. This places more responsibility on individuals to make informed decisions about retirement savings and investments. This theme investigates the characterization of the optimal contract for individuals or households and how people actually choose financial products.

Research has concentrated on the three main topics within the theme:

I. Optimal contracts

Illiquid housing wealth takes a special position in this research, as future house price risk is important for households. Demographic changes can have a large effect on housing demand and house prices in different regions. This adds a large element of peculiar risk to homeowners that is very difficult to hedge in financial markets. Housing capital must also be taken into consideration when looking at optimal contracts for individuals. Also their heterogeneity in human and financial capital must be taken into account.

Research focus: What constitutes the optimal portfolios of individuals or households during the wealth accumulation phase of the working life, the demand and valuation of guarantee products close to retirement and the choice of annuities in the post-retirement phase?

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II. Performance of the industry

The above-mentioned suggestions for optimal pension contracts were compared to what is available in the industry.

Research focus: Our research has contributed to the debate on the trade-off between low-cost collective contracts and provisions, and the tailor-made solutions for a heterogeneous population. Part of this research also considers the additional value of intergenerational insurance in (DB elements of) the pension contract.

III. Individual behavior

Many individuals feel they are financially well prepared for retirement. However, the behavioral finance literature shows that even those individuals who are financially more interested and literate make bad investment decisions. This research relates to actual individual behavior.

Research finding: A preliminary analysis of participation in the recently introduced Dutch Levensloop scheme indicates that individuals are responding slowly but consistently to the opportunities in this plan.

Theme 3: Valuation and risk management for insurance companies and pension funds

Coordinator: Antoon Pelsser (UvA)

This theme investigates the area where management of financial risks meets the "classical" actuarial risks. The primary application of this theme is risk management and asset and liability management by pension funds as well as insurance companies. The focus is on internal risk management and external supervision and regulation.

The main research findings up to date are spread over the various research lines that are set out in this theme:

I. Methods to determine the market-consistent price of pension and insurance contracts

The valuation of non-traded risk is a core issue in the upcoming Solvency-II legislation (on the solvency requirements for insurers), as well as in internal risk-management models of pension providers. Longevity risk is one of the prime examples of such a non-traded risk factor.

Research findings: We used an indifference price approach to develop a consistent pricing framework, and relate it to the pricing rule-of-thumb that practitioners use: Best estimate plus a market value margin. The best estimate corresponds to the expected discounted value of the claims. The market value margin can be interpreted as a safety load, which usually depends on the expected risk-aversion coefficient. Under general assumptions, we developed an approximate pricing framework for life insurance liabilities using utility indifference. The resulting pricing rule is clearly linked to the best estimate plus a market value margin rule-of-thumb.

II. Results on optimal regulation and the interaction between insurers and the regulator

This project analyses how to choose regulatory intervention levels in order to control the shortfall probability of an insurance company. Whenever the impact of regulatory authorities' rules on the fair value of company's liabilities and assets is non-negligible, then a "fixed volatility rule" for the regulatory intervention levels of the insurance company follows a dynamic investment strategy. The project also analyses the interaction between the regulatory rule and the insurance company's risk management.

Research focus: What happens when the insurance company is informed of the regulation rules, and trades according to a discrete risk management hedging strategy, instead of staying passive until the contract's maturity?

III. Results on option-pricing anomalies

Guarantee contracts play a central role in pension provision. The valuation of such guarantees is closely linked to that of put options.

Research findings: This project contributes to the literature on explaining why such put options are substantially more expensive than the most standard models suggest. Jump- and volatility risk are the important drivers of these deviations. The project studies international integration of markets for this risk. For each market separately, we provide evidence that volatility and jump risk are priced risk factors. We found little evidence of global unconditional pricing of risk. In investigating the presence of time-variation in the cross-market relationships, we found evidence that option markets have become increasingly interrelated. The benefits of diversifying jump- and volatility risk internationally are substantial, but declining over our sample, in line with the hypothesis of increased but imperfect integration of world markets for jump- and volatility risk.

IV. The impact of adding housing futures to an investor's optimal portfolio-choice problem

Homeownership is an important component of financial wealth for a large proportion of the elderly. This research project assesses the economic benefits of flexible trading opportunities for real estate through the benefits of access to housing futures for home-owning investors. The project compares the utility gains of housing futures with the economic benefits of two other important housing-related portfolio decisions: (i) incorporating the housing exposure in financial portfolio choice and (ii) mortgage choice.

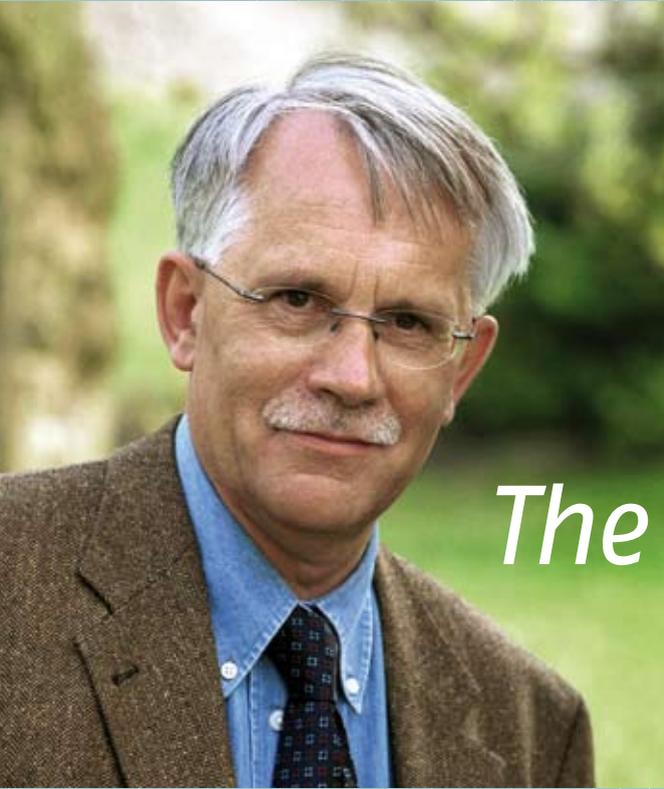
Research finding: The portfolio implications and welfare improvements of the housing futures are small. This is mainly due to the large remaining idiosyncratic house price risk, which cannot be hedged using futures written on a city-level house price index.

The theme also produced another important project that was not directly foreseen in the theme application:

V. The risk and return of private equity funds

The analysis of risk and return of private equity funds is usually based on self-reported net asset values, which will typically imply a bias towards outperformance of the asset class. This project develops a methodology to estimate abnormal returns and risk exposure that is based on actual cash-flow data of private equity funds.

Research findings: We found a high market beta for venture capital funds and a low beta for buyout firms. The risk-adjusted returns of the average private equity fund are reported to be surprisingly low. The paper also sheds on previous findings that larger and more experienced funds have higher returns, by showing that this is mainly caused by higher risk exposures of those funds, and not by abnormal performance.



*The Law of
the Restraining Lead*

Themes that started in 2007

Theme 4: Pensions, savings and retirement decisions

Coordinators: Rob Alessie (UU) and Arthur van Soest (UvT)

Occupational pensions, third-pillar products, and social security benefits are aimed at guaranteeing sufficient income and financial security for the elderly. Policymakers, pension funds and insurance companies want to know whether the financial security they provide serves the population in an optimal way. This theme focuses on the microeconomic aspects of this broad question.

Four subthemes have been distinguished. The main research findings of each are summarized below.

I. Trends in income and wealth holdings

Economic well-being and poverty among the elderly:

An analysis based on a collective consumption model

With the aging of the population, the economic well-being and poverty among the elderly becomes important. Research in this area focuses on couples as well as widows and widowers.

Research findings: The well-being of women is advantageous for the welfare of elderly couples. However, the drop in economic well-being following the husband's death is substantial for women. For men, the picture is reversed.

Mortality risk and households' financial situation

For several reasons it is important to investigate the issue of differential mortality: Is there a negative relationship between mortality risk and a household's financial situation? Most importantly, mortality has implications for the degree of income redistribution of the public pension system and for the aggregate saving rate.

Research findings: The mortality risk of individuals with very low income (to be precise, the group in the lowest 10% of the income distribution) seems to be

twice that of individuals with very high income (the top 10% of the income distribution).

II. Pensions, pension expectations, and savings

Policy uncertainty in social security: Do subjective expectations relate to savings?

Since an aging population creates policy uncertainty in old-age social security, forward-looking individuals are likely to adapt savings. The relationship between subjective expectations regarding a policy change and private savings is examined.

Research findings: People who are pessimistic about future policy and think that old-age social security benefits will fall tend to have larger financial wealth. Those who think that the age at which they are entitled to receive these benefits will change to an older age tend to have lower financial wealth. The latter relationship is partly mitigated when the expectations regarding the general retirement age are taken into account. This indicates that the Dutch public confuses the age at which one becomes eligible for benefits with the mandatory retirement age.

III. Financial incentives and retirement behavior

Phased- and partial retirement: Preferences and limitations

There is a trend in Europe towards working longer. The Dutch government is studying the possibilities of partial retirement and phased retirement to achieve that goal. Partial retirement is defined as a change to a less demanding job (usually with fewer hours and a lower wage); phased retirement is defined as a reduction in work hours in the same job. The literature on partial and gradual retirement in the US, Europe and more specifically, the Netherlands is considered.

Research findings: Gradual retirement is rather low in Western countries, due to institutional restrictions, real or perceived disadvantages on the employers' side, macroeconomic circumstances and the exit routes that are available, such as early retirement. Gradual retirement is nonetheless generally seen as

an opportunity to keep older workers longer at work. This can be realized by increasing financial incentives, applying less stringent rules on combining work with partial pension receipt and employing tax measures that make gradual retirement more attractive for workers and less expensive for employers.

*Early retirement behavior in the Netherlands:
Evidence from a policy reform*

In the early 1990s, the Dutch labor unions and employer organizations agreed to transform the generous and actuarially unfair early retirement schemes into less generous and fairer schemes that reward individuals for postponing retirement.

Research findings: After estimating the causal impact of the policy reform on early retirement behavior, we determined that policy reform has indeed induced workers to postpone retirement. In particular, reducing both implicit taxes (the substitution effect) and early retirement wealth (the wealth effect) positively affected the retirement age.

IV. Financial incentives (pension and social security wealth) and consumption, saving and portfolio behavior

Financial literacy and stock market participation

Financial knowledge and skills are becoming more and more important for households in a world with a growing supply of complex financial products and governments relying on the individual responsibility of households.

Research findings: Our study concerning financial literacy found that the understanding of households with regard to such basic economic concepts as inflation, interest rate and interest rate compounding is far from perfect, but outperforms their limited knowledge with regard to stocks, bonds and financial markets.

Theme 5: The macroeconomics of pension reform

Coordinator: Casper van Ewijk (CPB)

This research theme focuses on macroeconomic aspects of the three-pillar pension system: state pensions (1st pillar), mandatory supplementary pensions (2nd pillar) and private savings (3rd pillar).

Within this theme there are six projects.

I. Economic and demographic risks to pensions in an ageing society

This theme seeks to compare various types of pension schemes with regard to a number of aspects. One important aspect is the vulnerability of a pension scheme to various types of aggregate risks, both from a demographic and an economic nature. This is especially important for policymakers who attach great value to the robustness of the pension scheme with respect to major aggregate shocks.

Research focus: We analyze the vulnerability of pension schemes, taking into account demographic effects, economic effects and budgetary effects.

II. Pension system and risk sharing between generations

What are the characteristics of an optimal pension scheme? Optimality can be defined in numerous ways, but in the context of pension schemes it has something to do with intergenerational equality: equality between young, working generations and retired generations, between current- and future generations and between various working cohorts of different age.

Research focus: What type of pension contribution and what kind of indexation policies and pension fund investment policies can be considered optimal, subject to the constraint of continuity of the pension scheme? What is the optimal relation between the first- and second pillars in multi-pillared pension schemes?

III. Risk sharing in pension schemes in the presence of economic and demographic risks: applied stochastic modelling

This project compares different types of pension schemes numerically. The project focuses on the behavioural consequences of changing the structure of the pension scheme: consumption–saving, portfolio–allocation and labour supply effects.

Research focus: How do collective DC schemes compare with pure DB schemes and hybrid schemes that combine elements of pure DB and DC schemes? How do the welfare gains of intergenerational risk sharing compare with the welfare losses that are due to labour market distortions?

IV. International spillovers from monetary, pension and retirement policies

This project focuses on various types of important macroeconomic interactions between countries. Pension reforms should thus ideally be judged from an international angle, which will provide insight into the effects that reforms in our own country may have on the economies of other countries, and vice versa. How do pension reforms in countries with pay–as–you–go (PAYG) schemes affect countries with funded systems? The international spillover effects of aging will also be explored.

Research findings: In the long run, a country using a funded pension system experiences negative spillovers from the fact that the other country uses a PAYG system. The short–run spillovers, however, are opposite to the spillovers in the long run.

V. Pension reforms, income distribution and the labor market

What kinds of effects might pension policy reforms have on economic growth? Focusing on the switch to a more funded pension scheme, the researchers analyze the consequences in an economy that consists of a capital–intensive commodity sector with endogenous growth and a labor–intensive services sector.

Research findings: The increased savings cause long–run growth to be higher in a closed economy, provided capital and labor are not strong substitutes. The reverse holds for a small open economy. More funding can therefore turn out to be a curse instead of a blessing for future generations, unless countries implement their reforms simultaneously or impose a tax on labor–intensive services.

VI. Economic effects of the supervisory framework for pension funds

This project analyzes some imperfections in current pension contracts and, related to that, supervisory policies. In what ways can pension funds absorb investment shocks and what might this imply for risk spreading over generations?

Research focus: In addition to the on–going analysis described above, the researchers have also developed a proposal for a system that spreads risks over generations, which does not differ a great deal from current practice but avoids some of the problems of current contracts.

Theme 6: Living longer in good health: Prospects, strategies, and consequences

Coordinator: Johan Mackenbach (EUR)

There is an urgent need for developing strategies that can help to alleviate the societal consequences of the aging of populations. Many of the studies carried out to address this challenge, unfortunately, perceive the ill health that tends to accompany aging as some kind of ‘independent variable’ that leads to higher rates of morbidity, work disability, and demand for health– and social care services. We aim to find solutions that postpone morbidity and/or its consequences (functional decline, disability, dependence on health– and social care services) until a later moment in the human lifespan.



*The core ingredients
of an attractive
pension system*



Six projects have been initiated:

I. Disability, mortality and life expectancy among the elderly: Determinants and entry-points for intervention

Research focus: This project seeks to determine which diseases and risk factors have a substantial impact on disability, mortality and life expectancy among the elderly in the Netherlands. We have identified several data sources that have potential for studying the age profile of disability and mortality among the elderly in the Netherlands (compared to other European countries).

II. Disability, mortality and life expectancy among the elderly: The Rotterdam study

Research focus: Data from the ERGO study will be used to longitudinally study relations between exposure to risk factors and the occurrence of disease, disability and mortality. We are currently setting detailed priorities for studying disability and mortality in an elderly population using data of the ERGO study.

III. Compression or expansion of disability: Past trends and scenarios for the future

Research focus: This project, which will develop scenarios for the future development of disability and life expectancy, will explore under which conditions a compression of disability is most likely to occur. A start has been made with the development of a Multi State Life Table.

IV. Health of aging populations: Impact on healthcare expenditure and informal care costs

Research focus: This project will translate changes in morbidity, disability and mortality into changes in healthcare expenditure. We carried out literature studies and sought expert opinion in order to investigate the determinants of healthcare consumption and costs and the role of the final year(s) of life. The next step will be to compare different estimation models for healthcare expenditures and identify the data sources required for further study.

V. Health of aging populations: Impact on costs of pension systems

Research focus: The project aims to explore the relationships between survival patterns, the health status of the elderly, and their decisions to enter early retirement. Information gleaned from the study of these relationships will help us to quantify the costs and benefits of pension systems. We developed models for longevity risk in order to quantify the effect that occurs when uncertain future changes in mortality probabilities impose risk on pension funds and (life) insurers (referred to as macro-longevity risk).

VI. Incentives for investing in a long and healthy life

Research focus: This project studies the incentives for investing in future health for three important societal actors (the government, health insurers and the individual). These incentives are used in reimbursement decisions and in the evaluation of health interventions aimed at improving future health.

Sounding boards

A new initiative was launched in 2007 aimed at intensifying the "cross-fertilization" between Netspar's researchers and partners. Sounding boards, consisting of both partner employees and Netspar researchers, are linked with the Netspar themes. The boards provide feedback to the theme groups. The initiative works both ways: partners become actively involved in the Netspar research and researchers can better focus their research according to the areas of interest of the partners. Many partners have responded enthusiastically to this idea and have delegated representatives to the six sounding boards.



22 Education

For Netspar's partners, internships provide an attractive opportunity to get to know young talent. In many cases, this acquaintance was so successful that it resulted in the student starting his professional career at the particular institution.

Training young talent and professionals

The two educational programs launched by Netspar have completed their first full year. The Master of Science program Economics and Finance of Aging at Tilburg University trains young talent to become the new human capital of the sector. The Netspar-UMBS Academy, a cooperative effort of Netspar and the University of Maastricht Business School (UMBS) provides post-academic training for professionals and board members in the pension and insurance sector. Netspar also contributes to the training of young talent by offering courses in other programs. This year, for example, Netspar subsidized courses on Health Economics and the Macroeconomics of Aging in the research masters of Dutch universities, organized by the Netherlands Network of Economics (NAKE). Due to the overwhelmingly positive response to these endeavors, Netspar plans to extend these programs in 2008.

A challenging graduate program

The Master of Science (MSc) program Economics and Finance of Aging started in September 2006 with 30 students, many of whom managed to complete the program already before October 1, 2007, and received their diploma at one of the two graduation days. These students went on to seek jobs, continue their careers or pursue subsequent education. A considerable number of students found their first job with one of Netspar's partners via an internship. In order to keep contact with these young talents in the sector, Netspar supports the initiative taken by some of the alumni to form an association, which will organize several activities and will act as ambassador of Netspar. In spite of a substantially lower inflow in 2007— 11 new students enrolled for the full program—the actual number of students in the classroom is much larger, as many students from other programs opt for courses within the Netspar Master's program as electives. Netspar's aim for 2008 is to intensify the marketing of its Master's program among Bachelor's students, both in the Netherlands and abroad.

Students value the program

How have the students reacted? To gain insight into the experiences of students and to trace possibilities for improvement, Netspar held evaluations several times during the first year. Most of the students were very satisfied with the program, which they regard as interesting and challenging. Students especially value the close link between the program and the sector, and they would prefer to have even more contact with Netspar's partners. More guest lectures have therefore been included in the program this year. Moreover, in cooperation with student association Efact, Netspar participated in the Economics Day at Tilburg University, where some of Netspar's partners introduced themselves to the students. A further change in the program is that students visit two Netspar partner institutions during the spring semester.

Partner participation

In the first year of the MSc, a number of young professionals from Netspar's partner organizations participated in the program. To stimulate participation, Netspar adjusted the lecture schedule in the fall of 2007, to make it easier for professionals attending the lectures to combine this with a job. Moreover, the introductory course by Lans Bovenberg was videotaped and made available via the Internet.

Internships

Internships are a unique and important part of the Netspar master program. With the help of the partners, Netspar is able to offer a substantial number of internships in various institutions in the sector. A student will write his or her MSc thesis based on an internship with a Netspar partner institution. A Netspar researcher and a professional from the relevant partner institution jointly supervise these projects, resulting in interesting theses linking theory to practice. Evaluations show that, in general, both students and partner institutions highly value this set-up, which stimulates students to write their thesis on a subject that is relevant for the sector and, in the meantime, provides them the opportunity to become

acquainted with working at the particular institution. For Netspar's partner institutions, internships provide an attractive opportunity to get to know young talent. In many cases, this acquaintance was so successful that it resulted in the student starting his professional career at the particular institution.

Msc Economics and Finance of Aging Program

Semester 1

- Introduction to Economics and Finance of Pensions and Aging
- Microeconomics of Life Cycle Behavior
- Investment Analysis of Aging and Pensions I
- Empirical Research in Pension and Retirement Economics
- Macroeconomics of Pensions and Aging

Semester 2

Two courses selected from the following:

- Psychology of Economic Behavior
- Health Economics and Aging
- Investment Analysis of Aging and Pensions II
- Topics in Economics and Finance of Aging (Selection of two modules)
- Master's Thesis

Thesis Awards

To encourage a wider interest among student in pensions and aging-related subjects, Netspar presents three annual thesis awards—€3000 each for the best BSc, MSc and MPhil thesis on subjects related to Netspar's research topics. The Netspar Editorial Board selects the prizewinners among the candidates from all participating universities. The awards were presented during the workshop on January 31 in Utrecht. Mark Schouten (Tilburg University) wrote the best MSc thesis: Hedging Inflation Risk. The best MPhil thesis was written by Jochen Mierau (University of Gronin-

gen): Intra-household Allocation, Ageing and Education in Overlapping Generations Models. An encouraging prize for the BSc thesis was handed to Kay Mennes (Tilburg University) for his thesis: Valuation of Pension Entitlements in Heterogeneous Populations

Mark Schouten did his internship at AEGON, where he is now working in the Asset & Liability Management (ALM) department. 'Before starting the internship, I had no real idea of the kind of work that I would enjoy most. The internship was a great experience, though, and when AEGON offered me a job, the choice was easy! The AEGON employees made me feel like a part of the team and engaged in discussions with me about the work I was doing. This made the internship a nice experience. Of course, working in a "real" job is different because you're involved in more areas than "just" your thesis research. The work I am doing now is challenging, and comparable to the research I carried out during my internship and the Master's program as a whole.'

Patricia van Dam-Voets completed the Master's Program while working at PGGM

'When I started Netspar's Master's program, I was working in the Actuarial department at PGGM. I had studied econometrics, and the Master's program provided an excellent extension of my study. The courses pursued lines of research about the aging of the population that were similar to those we had been studying in our department. That led to a lot of useful overlap between my studies and my work. Each semester I did one or two courses, which was fairly easy to combine with my work. By now I've had all the coursework and have started on my thesis, which I hope to finish this summer. My thesis deals with the mortality tables that pension funds make. Imagine that we end up living a lot longer than they estimate... Well, my thesis explores what the consequences are for the pension funds and

how they can cover this risk. If I still worked in the Actuarial department, I could have used this knowledge in my daily work. Because I've changed jobs at PGGM, though, I'm actually using more the knowledge that I gained in the Investment Analysis of Aging and Pensions course.'

Post-academic training for professionals

The *Netspar-UMBS Academy*, a joint initiative of Netspar and the University of Maastricht *Business School*, offers high-level postgraduate courses for professionals, managers and policymakers of pension funds, banks and insurance companies, the public sector and supervisory boards. On average, around 25 people participate in the modules, a perfect size for interactive education, which is one of the requisites of the Netspar-UMBS Academy.

Interactive character

Due to the level of the courses and their international and interactive character, the Netspar-UMBS Academy is probably unique in the world. Each course addresses a specific theme in the field of pensions and insurance. Both the NIVRA and the Actuariel Instituut grant *Continuing Professional Education* credits to participants in the modules of the Academy.

The program for the academy is designed in conjunction with a sounding board, consisting of representatives of the partners and the affiliated universities.

Understanding pension and insurance issues

The official launch of the Academy in March 2007 was immediately followed by the first module *Fair valuation and pension management*, including presentations by Keith Ambachtsheer (Rotman ICPM), Alexander Dyck (Rotman School of Management), Theo Nijman (Netspar) and Niels Kortleve (PGGM). The participants evaluated this module very positively. While this first module was primarily focused on occupational pensions, the second module in November 2007 addressed third-pillar pen-

sions, and was entitled *Private retirement provision*. The team of lecturers included, among others, Jeffrey Brown (University of Champaign at Urbana), Jean-Francois Boulter (Crédit Agricole Asset Management), Joost Pennings and Piet Eichholtz (both University of Maastricht). This module got even higher marks from participants than the first one did. The third module (January 2008) was aimed at members of boards of trustees of public and corporate pension funds. This module, entitled *Fair valuation from board perspective*, was taught by Keith Ambachtsheer (Rotman ICPM), Gordon Clack (Oxford University) and Niels Kortleve (PGGM).

The subjects of upcoming modules in 2008 are *Responsible investing* (May 2008) and *International pension systems* (November 2008).

Modules Netspar-UMBS Academy

- Fair valuation and pension management (March 2007)
- Private retirement provision (November 2007)
- Fair valuation from board perspective (January 2008)
- Responsible investing (May 2008)
- Aging and pensions in Europe (November 2008)

Jeroen Bogers (ABN AMRO) about the module *Fair valuation and pension management*: 'The set-up of the course is exactly what is needed for professionals in the pension and insurance sector: To the point, relevant, touching academic issues without losing sight of practice. The Netspar-UMBS Academy is already from the start the most relevant source of knowledge for professionals in this sector.'

Due to the level of the courses and their international and interactive character, the Netspar-UMBS Academy is probably unique in the world. Each course addresses a specific theme in the field of pensions and insurance.

*The emerging
customer*





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Knowledge exchange

Most of our partner institutions have installed Netspar teams within their organizations— teams of professionals, usually headed by the representative of the partner council, that are actively involved in Netspar. These teams meet on a regular basis with representatives from Netspar and academic researchers.

Intensifying the partner relations

In order to build a strong network of academic researchers, financial institutions and government agencies in the Netherlands, Netspar initiated a number of new instruments in 2007 to further develop the relationship with the partners. Several new events were also launched to foster exchange of knowledge and encourage discussion on relevant topics.

Sounding boards

Since many academic researchers are linked to one or another of Netspar's research themes, and since these themes result in the core research output of Netspar, steps were taken in 2007 to link professionals from Netspar's partner organizations to the themes as well. Sounding boards were thus installed in 2007 for each research theme. During summer, the partner institutions were invited to nominate representatives from their own organizations to take part in these boards. This led to the set-up of sounding boards for all themes, with about ten to fifteen members each. The sounding board members met with their respective research coordinators for the first time in November/ December 2007. During these first meetings, the coordinators presented their theme and discussed their research plans and initial results with the partner representatives. These first meetings will be evaluated early 2008, and each theme will have at least two additional meetings with its sounding board in 2008.

Theme Pension Days

In addition to the regular scientific pension days, Netspar introduced theme-related pension days. Theme-related pension days are linked to the Netspar research themes. Theme researchers discuss the progress of their group and exchange knowledge with

partner representatives who actively take part in the theme activities. In 2007, five themes organized such a pension day. Members of the sounding boards will be invited to attend future pension days of their theme.

Panels and Debates

Netspar commissions research papers on a variety of topics. Partners are invited to comment on and discuss these papers with scientists at special meetings. During the Debate meeting in April 2007 the first NEA papers were presented. NEA papers contain strong statements of individual researchers or authors from the pension and insurance sector. Both the papers and the discussion are in Dutch.

Panel papers, on the other hand, outline the implications of new developments in the academic literature for policy questions faced by our partners. Several panel papers were discussed during Panel meetings in April and October 2007. Both NEA and Panel papers are published on the website and in a compact book series and distributed amongst our partners.

Taskforces

Another initiative that links Netspar more closely to the partner institutions relates to the role Netspar wants to play in the Dutch pension debate. An important instrument in stimulating the pension debate is the NEA paper. A number of NEA papers will be guided by a taskforce consisting of representatives from partner institutions. The taskforce discusses the issues of the NEA paper with the author(s) during a number of meetings. As a try-out, the first taskforce was installed near the end of 2007, and focuses on the pros and cons of customized pension schemes in The Netherlands. The authors of the NEA paper are Theo Nijman (Netspar) and Alwin Oerlemans (Cordares). The resulting NEA paper will not represent the 'average' opinion of the task force,



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- 1 Piet Hein Donner (Minister of Social Affairs and Employment); one of the keynote speakers at the Pension Workshop, January 29–31, 2008
- 2 Tête-à-tête with Aart Jan de Geus, left, (OECD), Bert de Vries (former Dutch politician and Netspar fellow) and Theo Nyman (Netspar and UvT) at the Pension Workshop, January 29–31, 2008
- 3 Bas Jacobs (EUR) and Mei Li Vos (Member of Parliament) at the Netspar Debate, April 26, 2007
- 4 Niels Kortleve (PGGM), Dirk Broeders (DNB) and Casper van Ewijk (CPB) discussing at the Netspar Panel, April 26, 2007
- 5 Lans Bovenberg (Netspar and UvT) and Guus Wouters (Achmea/ Interpolis) at the Netspar Debate, April 26, 2007
- 5 Schenly Jonis (Cordares) at the Task Force meeting, January 27, 2008
- 7 Lively discussion on life-cycle policies, November 30, 2007
- 8 Jochen Mierau (r), Mark Schouten and Kay Mennes (both l) are the winners of the three theses awards that were presented to students of affiliated universities who wrote their thesis on a pensions and aging related issue. The awards were presented during the workshop on January 31, 2008 in Utrecht.

but will reflect the opinion of the authors. The goal of the taskforce is to help the authors in creating a complete set of arguments and to sharpen the debate. When such a NEA paper is presented at one of the Netspar events, members of the taskforce will be asked to serve as discussant.

Netspar teams

Most of our partner institutions have installed Netspar teams within their organizations— teams of professionals, usually headed by the representative of the partner council, that are actively involved in Netspar. These teams meet on a regular basis with representatives from Netspar and academic researchers. This increases their communication with, and knowledge about, Netspar, which facilitates information exchange concerning internships, upcoming events and new research. The teams also provide an opportunity for Netspar to develop a more targeted and tailor-made exchange of knowledge.

Informal meetings

A number of closed informal meetings have proven to be very useful. Out of the limelight, partners and other participants feel free to discuss issues more openly. This makes it much easier to understand the real arguments. For example, Netspar organized several meetings that addressed the API (Algemene Pensioeninstelling), the Dutch answer to the European IORP directive.

Most of our partner institutions have installed Netspar teams within their organizations— teams of professionals, usually headed by the representative of the partner council, that are actively involved in Netspar. These teams meet on a regular basis with representatives from Netspar and academic researchers.



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1 Piece of cake! In 2007 Netspar was successfully evaluated by it's partners and NWO

2 Alexander Rinnooy Kan (SER), Lans Bovenberg (Netspar and UvT) and Onno Steenbeek, (EUR and ABP) evaluating the new Pension Act, June 12, 2007

3 Panel discussion in The Hague: Analysing life-cycle policies, November 30, 2007 From L to R: Joop Hartog (UvA), Koen Caminada (Leiden Un.), Alexander Rinnooy Kan (SER), and Lans Bovenberg (Netspar and UvT)

4 Theo Nijman (Netspar and UvT), left, and Carel Hooghiemstra (ABN AMRO) at the Task Force Meeting, January 27, 2008

5 Lans Bovenberg (Netspar and UvT) received an honorary doctorate from Gent University, Belgium. Marc 21, 2008

6 he authors of the bundle Frontiers in Pension Finance, L to R, Aerd't Houben (IOPS), Drik Broeders (DNB) and Sylvester Eijffinger (Tilburg University)



*Collaboration and
concentrations in
the Dutch pension sector*

*Pension awareness:
the sooner
the better...*



Introducing the Van der Weele Family

The Netspar 2007 annual report features photos and vignettes of a family from the Dutch province of Zeeland. This family serves as a model for the diversity that characterizes our current society, while each of the four generations has a member who can serve as an example of an individual who is striving for a long, happy and healthy life.

Elderly people— who can live in their own surroundings, enjoying good health to a high age. The view of the sea works wonders.

The pre-retirement crowd – with a wealth of life experience, who recalibrate themselves time and again in order to remain true to themselves.

Younger generations— who, full of energetic ambition, make their dreams come true; they start their own cafe, work on a sustainable society and social cohesion, combining career and care for the elderly.

The newborn generation – as yet doesn't make any distinction between the security of sleep and the stormy discovery of the world. Babies simply grow and enjoy.

Seven arbitrary family members from four generations were portrayed. Each with a picture that symbolizes the stage of life in which they find themselves, and the choices they have made— choices that might or might not have been financially sound. One family member has feathered his nest; the other thinks he is much too young to bother about that.

Warmth and appreciation, care and solidarity characterize the family relationships, even though sometimes the physical distance between them is great.

May we present to you: the Van der Weele Family.

Gerdien Wolthaus Paauw – *photographer*



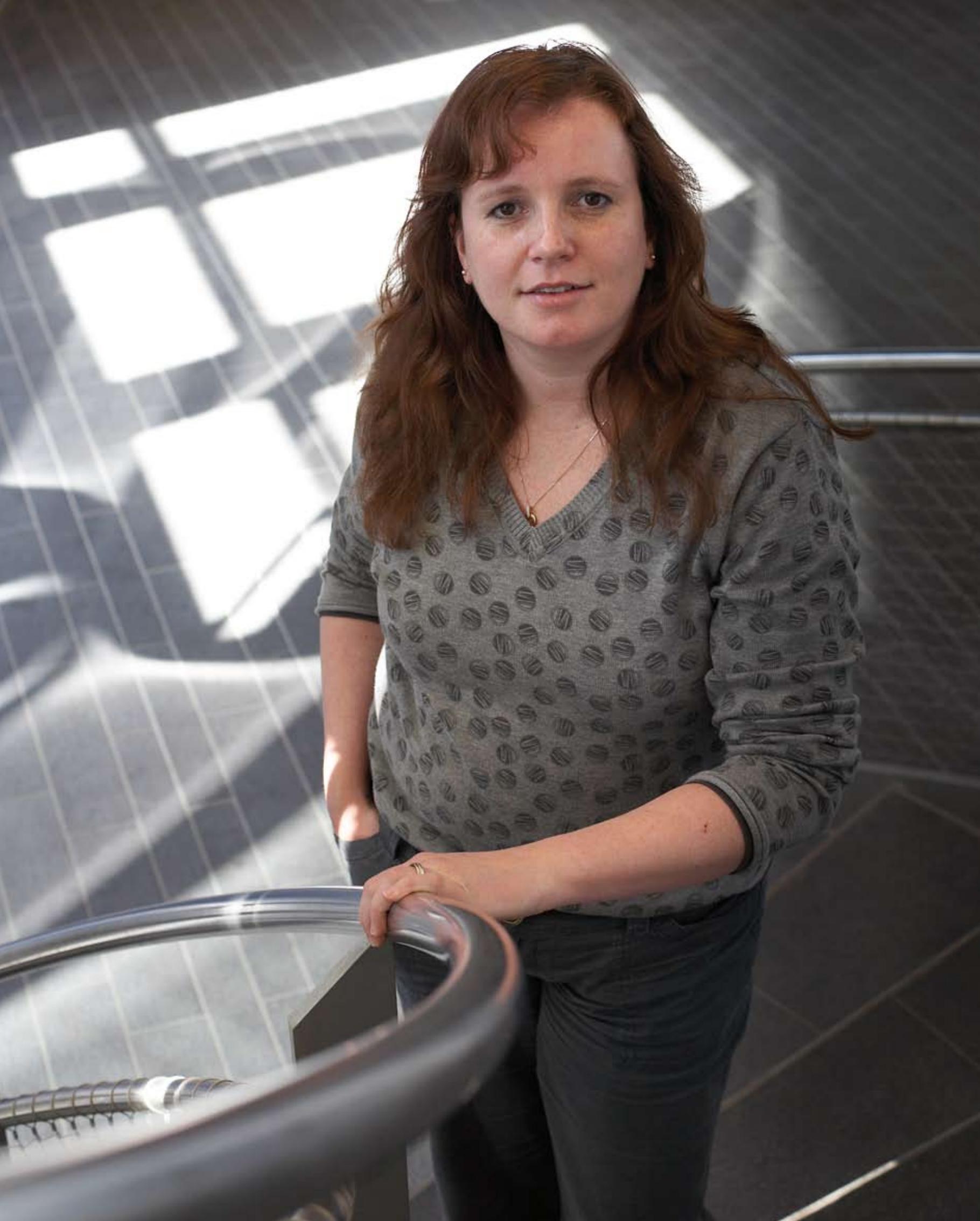














Jupiter League

Jupiter League

Jupiter League





is fan een vie?

TIME
#THENEWLOOK







48 The people behind the pictures



Steven van der Weele

Born 1922 in Wolphaartsdijk

Place of residence Vlissingen

Married to Lien (60th anniversary on 23 October 2007)

Occupation retired District Manager Agricultural Union – Vulcaan (part of DSM Hollandse Staatsmijnen)

Life's motto 'Liberty – Equality and Fraternity'

Pension provision employer and supplementary through private investments (is still a stock adept)

Eva Zweedijk

Born 1971 in Hoek

Daughter of Dinie van der Weele and Rinus Zweedijk

Place of residence Voorhout

Living with her partner and her son

Occupation secretary at CROS (Commission Regional Consultation Schiphol Airport)

Life's motto 'Finding the balance between being a mother and a job'

Pension provision employers and supplemental annuity insurance

Mitzy van der Weele

Born 1987 in Terheijden

Daughter of Daan van der Weele and Judith Schiks

Present place of residence Tilburg

Living with parents

Occupation student Social Educational Assistance. Internship at Spel aan huis (Game at home) – weekly supporting a Turkish family in preschool education

Life's motto 'Make your dreams come true'

Pension provision 'I consider myself too young to give it much thought'

Lien van der Weele – Hirdes

Born 1928 in Kloetinge

Place of residence Vlissingen

Married to Steven

Occupation retired housewife and mother

Life motto 'Health and contentment'

Pension provision with employer husband

Vitas Parinussa

Born 1980 in Goes

Son of Addie van der Weele and Jan Parinussa

Place of residence Goes

Single

Occupation independent hotel and catering industry entrepreneur, owner Cafe Lambiek

Life's motto 'A day without laughter is a day wasted'

Pension provision 'I don't know yet'

Merijn Moelker

Born 2006 in Leiden

Son of Eva Zweedijk and Dignus-Jan Moelker

Place of residence Voorhout

Living with his parents

Life's motto 'To enjoy a 101%!!'

Pension provision finances arranged by last will and savings account parents

Annemieke van der Weele

Born 1956 in Kloetinge

Place of residence Leiderdorp

Daughter of Steven and Lien van der Weele

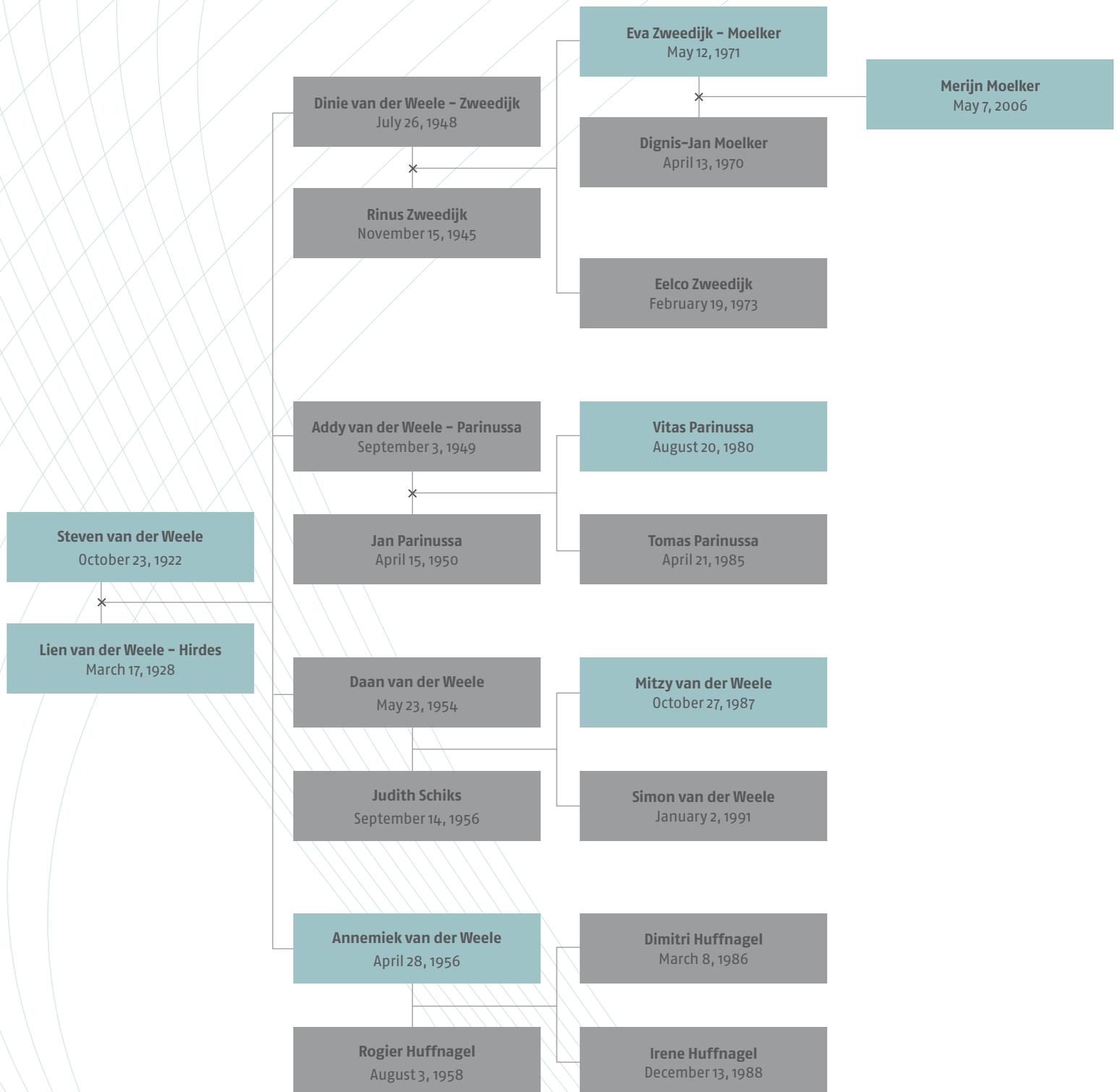
Mother of two grown-up children

Occupation receptionist/telephonist at the Child Care Association, Alphen a/d Rijn.

Life's motto 'Live straight from the heart and accept life as it comes'

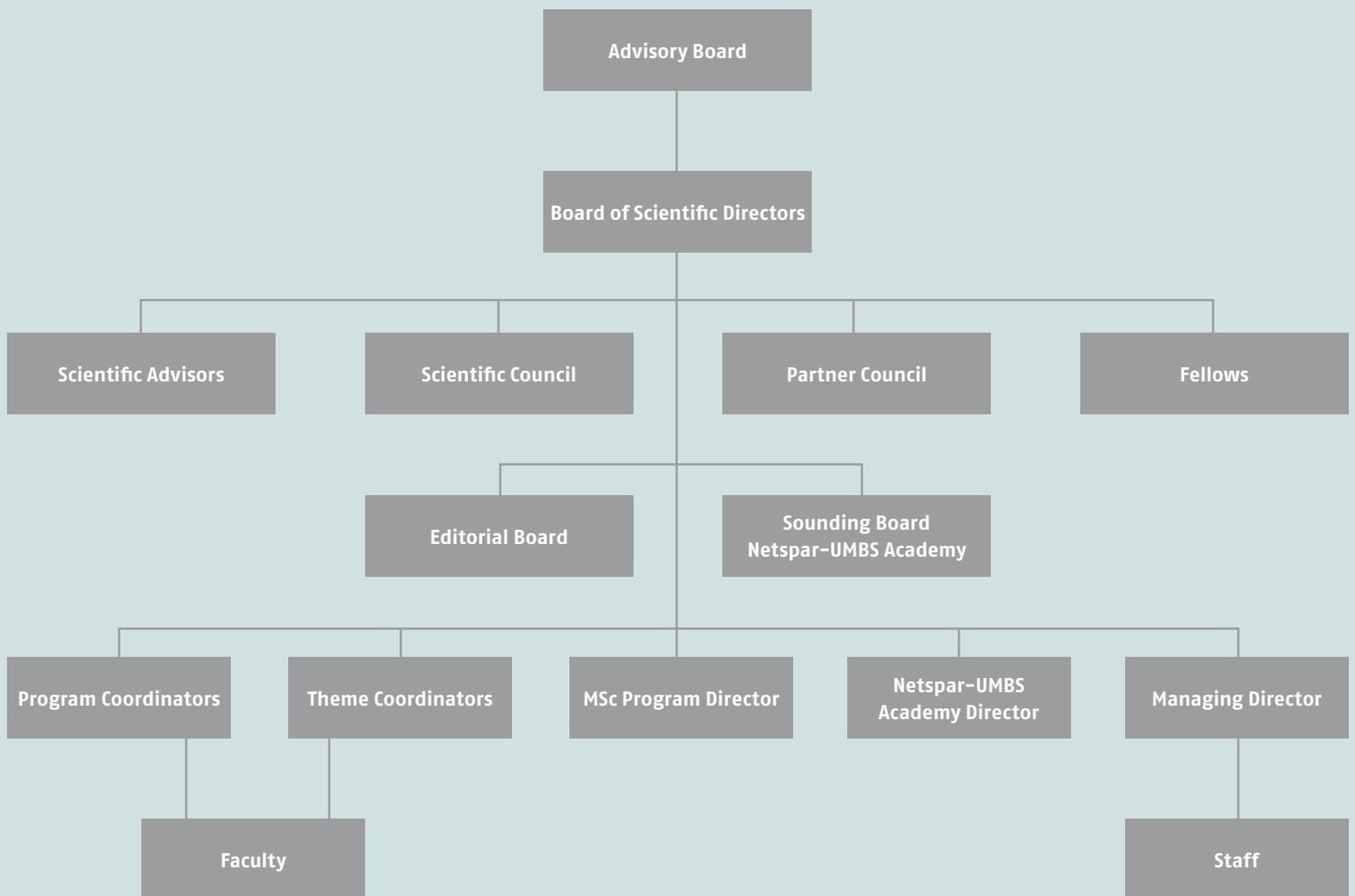
Pension provision employer and ex-husband

Family tree 49



Supplements

52 Netspar Organization



Advisory Board

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 Dick den Hertog, UvT
 Erik van Houwelingen, AEGON
 Theo Langejan, SZW
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 Dick Sluimers, APG
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 Jean Frijns (formerly of ABP and currently
 VU Amsterdam)
 Jan Nijssen (formerly of ING)
 Jan Overmeer (formerly of AEGON)
 Bert de Vries (former minister of Social Affairs)

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 Carel Hooghiemstra ABN AMRO
 Niels Kortleve, PGGM
 Erik van Houwelingen, AEGON
 Joost Nijtmans, Interpolis
 Robert Olieman, SVB
 Stan Steeghs, MN Services
 Hens Steehouwer ORTEC
 Tom Steenkamp, APG
 Willem van der Vorm, Fortis ASR
 Guus Wouters, Achmea
 Adri van der Wurff, Cordares

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 Marno Verbeek, EUR

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 Gordon Clark, Oxford University
 Sven Hougaard Jensen, Copenhagen Business School
 Klaas Knot, DNB
 Theo Langejan, SZW
 Maarten Lindeboom, VU Amsterdam
 Jan Overmeer, Netspar fellow (Chairman)
 Antoon Pelsser, UvA
 Peter Schotman, UM

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Ben Heijdra, RuG
 Frank de Jong, UvA- and UvT

Theme coordinators

Maarten Lindeboom, VU Amsterdam and
 Eddy van Doorslaer, EUR
 Peter Schotman, UM
 Antoon Pelsser, UvA-
 Rob Alessie, UU and Arthur van Soest, UvT
 Johan Mackenbach, EUR
 Casper van Ewijk, UvA/CPB

MSc Program Director

Bertrand Melenberg, UvT

Netspar-UMBS Academy Director

Rob Bauer, UM

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 Ilse Souhail-van der Pol
 Margreet Punt-van der Beek
 Gerardo Soto Y Koelemeijer
 Danielle van der Velde

Researchers

Theme projects

Income health and work across the life cycle

Gerard van den Berg, VU Amsterdam
Han Bleichrodt, EUR
Jonneke Bolhaar, VU Amsterdam
Eddy van Doorslaer (theme coordinator), EUR
Esen Erdogan – Ciftci, EUR
Hans–Martin von Gaudecker, VU Amsterdam
Hans van Kippersluis, EUR
Bas van der Klaauw, VU Amsterdam
Maarten Lindeboom (theme coordinator), VU Amsterdam
Angel Lopez, Pompeu Fabra
Nils–Petter Lundborg, VU Amsterdam
Tessa Marreiros Bago d’Uva, EUR
Owen O’Donnell, EUR
Tom van Ourti, EUR
Federica Teppa, EUR

Private retirement provision

Rob Bauer, UM
Bart Diris, UM
Piet Eichholz, UM
Rick Frehen, UM
Arvid Hoffmann, UM
Frank de Jong, UvT
Frank Lutgens, UM
Roel Mehlkopf, UvT
Kathrin Nies, UM
Peter Schotman (theme coordinator), UM
Paul Sengmuller, UvT
Bas Werker, UvT

Valuation and risk management for insurance companies and pension funds

Peter Boswijk, UvA
Pieter Bouwknecht, Nationale Nederlanden
Jing Cao, UvA
An Chen, UvA
Joost Driessen, UvA
Marc Goovaerts, UvA
Alexander van Haastrecht, UvA
Michiel Janssen, UvA
Agnes Joseph, UVA
Rob Kaas, UvA
Antoon Pelsser (theme coordinator), UvA
Richard Plat, UvA
Coen Teulings, CPB and UvA

The macroeconomics of pension reform

Yvonne Adema, UvT
Roel Beetsma, UvA
Jan Bonenkamp, CPB
Peter Broer, CPB
Nick Draper, CPB
Frank van Erp, CPB
Casper van Ewijk, (theme coordinator), CPB
Igor Fedotenkov, UvT
Thijs Knaap, CPB and USE
Lex Meijdam, UvT
Ward Romp, UvA
Coen Teulings, CPB and UvA
Harrie Verbon, UvT
Siert Jan Vos, UvA
Ed Westerhout, CPB

Pensions, savings and retirement decisions

Rob Alessie (theme coordinator), USE
Gerard van den Berg, VU Amsterdam
Hans Bloemen, VU Amsterdam
Rob Euwals, CPB
Stefan Hochguertel, VU Amsterdam
Tobias Klein, UvT
Marika Knoef, UvT
Marloes Lammers, VU Amsterdam
Maarten Lindeboom, VU Amsterdam
Giacomo Pasini, USE
Arthur van Soest (theme coordinator), UvT
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Hanna Vonkova, UvT

Living longer in good health

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Eddy van Doorslaer, EUR
Job van Exel, EUR
Albert Hofman, EUR
Maarten Janssen, EUR
Bart Klijs, EUR
Marc Koopmanschap, EUR
Anton Kunst, EUR
Johan Mackenbach (theme coordinator), EUR
Istvan Matyas Majer, EUR
Claudine de Meijer, EUR
Bertrand Melenberg, UvT)
Guus van Montfort, Interpolis/Achmea
Wilma Nusselder, EUR
Suzanne Polinder, EUR
David Rappange, EUR
Ralph Stevens, UvT
Henning Tiemeier, EUR
Marc Turlings, Interpolis/Achmea
Anja de Waegenaere, UvT
Stefan Walter, EUR

Individual projects

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Johannes Binswanger, UvT
Peter Broer, CPB and UvT
Katie Carman, UvT
Norma Coe, UvT
Renxiang Dai, UvT
Rick Frehen, Maastricht University
Willem Heeringa, DNB
Ben Heijdra, RUG
Paul de Hek, CPB
Kène Henkens, NIDI
David Hollanders, TI
Joachim Inkmann, UvT
Egbert Jongen, CPB
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Roger Laeven, UvT
Ronald Mahieu, EUR
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Bertrand Melenberg, UvT
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Ruud de Mooij, CPB
Enrico Perotti, UvA
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Jan Potters, UvT
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Zhen Shi, UvT
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Oliver Weidenmuller, EUR
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income and expenses

56 2004-2011

Budget Total (including contributions in kind)
all amounts in €

	2004 actual	2005 actual	2006 actual	2007* actual	Total 2004-2007	2008 forecast	2009 budget	2010 budget	2011 budget	Total 2008-2011	Total 2004-2011
Income											
Tilburg University	168	852	774	1.134	2.927	1.375	1.201	1.176	280	4.032	6.959
Other universities	0	316	527	882	1.725	1.770	1.426	899	110	4.205	5.930
NWO Spinoza	53	125	250	250	678	250	250	250	72	822	1.500
GAK Institute Foundation	0	250	250	250	750	250	250	250	0	750	1.500
Government funding	0	1.970	1.940	1.000	4.910	3.250	3.000	3.000	750	10.000	14.910
Private partners	300	1.250	1.300	1.450	4.300	1.600	1.600	1.600	50	4.850	9.150
Public institutions	0	329	340	340	1.008	280	319	280	50	928	1.936
Other	45	94	441	672	1.252	358	425	295	216	1.293	2.545
Total income	566	5.185	5.821	5.978	17.550	9.132	8.471	7.749	1.528	26.880	44.430
Expenses											
Themes	0	0	857	2.468	3.325	5.367	4.457	3.372	286	13.482	16.807
Scientific directors & coordinators	135	381	481	624	1.621	789	798	812	391	2.790	4.411
Senior faculty	102	1.266	1.281	881	3.530	889	646	494	123	2.153	5.683
Junior faculty	0	147	302	394	842	333	310	386	326	1.356	2.198
PhD & MPhil students	0	23	177	315	515	433	496	377	397	1.704	2.219
Education	0	21	66	235	322	470	445	435	327	1.677	1.999
International visitors & grants	0	0	5	25	30	200	200	200	50	650	680
Data	0	30	26	132	188	100	100	100	0	300	488
NEA & Panel papers	0	0	42	140	182	177	177	177	31	561	742
Conferences & workshops	0	74	191	155	420	160	445	445	155	1.205	1.625
Operation costs & miscellaneous	117	547	691	901	2.256	1.063	998	926	412	3.399	5.655
Unforeseen	0	0	0	0	0	540	495	495	393	1.923	1.923
Reservation personnel fund	0	250	-250	0	0	0	0	0	0	0	0
Total expenses	354	2.739	3.869	6.270	13.231	10.521	9.567	8.219	2.891	31.199	44.430

* Year-end audit of financial statements 2007 is to be conducted.

58 Output

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Discussion, NEA and Panel papers

Netspar commissions research papers on a variety of subjects. **Discussion papers** are produced by all Netspar researchers and Ph.D. students that are involved in one or more Netspar research programs or themes. It is usually output of a research proposal funded by Netspar. A DP aims at publication in high standard scientific journals. **NEA papers** contain strong statements of individual researchers or authors from the pension and insurance sector. These papers are written in Dutch and discussed with the sector during

debate meetings. **Panel papers** outline the implications of new developments in the academic literature for policy questions faced by our partners. They are discussed during Panel meetings in April and October. Both NEA and Panel papers are published in a compact book series and distributed amongst our partners. The NEA and Panel papers are displayed in the overview below.

Discussion papers

Retirement behavior and labor supply

Bloemen, H.G.

The impact of wealth on job exit rates of elderly workers. DP 2007-047

Bloemen, H.G.

Private wealth and job exit at older age: a random effects model. DP 2007-031

Cherchye, L., De Rock, B., Vermeulen, F.

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Health and work of the elderly. DP 2007-003

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Health and aging

Adda, J., Banks, J., Gaudecker, H.M. van

The impact of income shocks on health: Evidence from cohort data. DP 2007-027

Banks, J., Kapteyn, A., Smith, J.P., Soest, A. van

Work disability is a pain in the ****, especially in England, the Netherlands, and the United States. DP 2007-005

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Differential health reporting by education level and its impact on the measurement of health inequalities among older Europeans. DP 2007-025

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Soest, A. van, Michaud, P-C.,

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Savings and investment behavior

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Compensatory inter vivos gifts. DP 2007-014

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Financial literacy and stock market participation. DP 2007-010

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The choice between an annuity and a lump-sum: results from Swiss pension funds. DP 2007-009

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Pension contracts

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Rouwendal, J.

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Risk management

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Approximation solutions for indifference pricing under general utility functions. DP 2007-018

Chen, A., Wong, T.

Liquidation of insolvent insurers under incomplete information and auditing costs. DP 2007-039

Chen, A.

Loss analysis of a life insurance company applying discrete time risk-minimizing hedging strategies. DP 2007-041

Inkmann, J., Blake, D.

Pension liability valuation and asset allocation in the presence of funding risk. DP 2007-008

Jong, F. de

Valuation of pension fund liabilities in incomplete markets. DP 2005-024

Laeven, R., Pelsser, A.

Optimal dividends and ALM under unhedgeable risk. DP 2007-024

Lutgens, F., Schotman, P.C.

Predictability-robust dynamic portfolio choice. DP 2007-054

Pelsser, A., Plat, R.

Analytical approximations for prices of swap rate dependent embedded options in insurance products. DP 2008-008

Rooij, M. van, Siegmann, A., Vlaar, P.

Market valuation, pension fund policy and contribution volatility. DP 2007-017

Vlaar, P.

Term structure modeling for pension funds: What to do in practice? DP 2007-001

Macroeconomic effects on pensions

Heijdra, B.

Keeping up with the ageing Joneses. DP 2008-007

Longevity Risk

Cui, J.

Longevity risk pricing. DP 2008-001

Berg, G.J. van den, Lindeboom, M., Lopez, M.

Long-run effects on longevity of a nutritional shock in early life: the Dutch potato famine of 1846-1847. DP 2007-015

Inkmann, J., Lopes, P., Michaelides, A.

How deep is the annuity market participation puzzle? DP 2007-011

Investments

Baele, L., Inghelbrecht, K.

Time-varying integration and international diversification strategies. DP 2007-042

Baquero, G., Verbeek, M.

A portrait of hedge fund investors: Flows, performance and smart money. DP 2005-016

Bauer, R.M.M.J., Eichholtz, P.M.A., Kok, N.

Corporate governance and performance: The REIT-effect. DP 2007-043

Cremers, M., Driessen, J., Maenhout, P., Weinbaum, D.

The role of directors in the mutual fund industry. DP 2007-044

Driessen, J., Lin, T-C., Philippou, L.

Estimating the performance and risk exposure of private equity funds: A new methodology. DP 2007-023

Frehen, R.G.P., Bauer, R.M.M.J., Lum, H.

The performance of US pension funds. DP 2007-045

Life course issues

Bovenberg, A.L.

Grey new world: Europe on the road to gerontocracy? DP 2007-048

Bovenberg, A.L.

The life-course perspective and social policies: An overview of the issues. DP 2007-055

Organization**Bovenberg, A.L.**

Frontiers in pension finance and reform: Institutional innovation in the Netherlands. DP 2007-056

Bauer, R.M.M.J., Braun, R., Clark, G.L.

The emerging market for European corporate governance: The relationship between governance and capital expenditures, 1997-2005. DP 2007-051

Consumption**Schors, A. van der, Alessie, R.J.M., Mastrogiacomo, M.**

Home and mortgage ownership of the Dutch elderly, explaining cohort, time and age effects. DP 2007-046

Vermeulen, F., Cherchye, L., Rock, B. de

Economic well-being and poverty among the elderly: An analysis based on a collective consumption model. DP 2008-004

NEA Papers**Bovenberg, L.**

Maatman, R., Een '10' voor governance. NEA 1

Koedijk, K., Slager, A., Dalen, H. van

Blinde vlekken van de denkers en doeners in de pensioensector. NEA 2

Ewijk, C. van, Teulings, C.

Efficiëntie en continuïteit in pensioenen: het FTK nader bezien. NEA 3

Vos, M.L., Pikaart, M.

Jongeren met pensioen. Intergenerationele solidariteit anno 21e eeuw. NEA 4

Boone, J., Damme, E. van

Marktwerking in de pensioensector? NEA 5

Boot, A.W.A.,

Modernisering van het uitvoeringsmodel voor pensioenregelingen en marktwerking. NEA 6

Munsters, R., Molenaar, R., Ponds, E.

Differentiatie naar jong en oud in collectieve pensioenen: een verkenning. NEA 7

Nijman, Th.E., Oerlemans, A.

Maatwerk in Nederlandse pensioencontracten. NEA 8

Spoor, L.

Je huis of je leven? Eigen betalingen voor woon- en welzijnsvoorzieningen voor ouderen en optimalisatie van de pensioenportfolio. NEA 9

Snippe, J., Prast, H.

De ratio en het optimale ontwerp van individuele pensioenregelingen. NEA 10

Panel papers**Bovenberg, L., Koijen, R., Nijman, Th.E., Teulings, C.**

Saving and investing over the life cycle and the role of collective pension funds. PP 1

Kooreman, P., Prast, H.

What does behavioral economics mean for policy? Challenges to savings and health policies in the Netherlands. PP 2

Rouwendaal, J.

Housing wealth and household portfolios in an ageing society. PP 3

Kantarci, T., Soest, A. van

Phased and partial retirement: Preferences and limitations. PP 4

Berg, G. van den, Lindeboom, M.

Birth is the messenger of death – but policy may help to postpone the bad news. PP 5

Theses

Students that are enrolled in the master Economics and Finance of Aging, as well as several students in educational programs offered by universities that participate in Netspar, have written their thesis on topics related to the Netspar research program. These theses may either be based on academic literature or be written during an internship with one of Netspar's partners. We present an overview of the theses written during the academic year 2006-2007.

Theses MSc Economics and Finance of Aging**Veronique Achmad (internship at PGGM)**

The trade-off between price and uncertainty in the second-pillar domain

Xander van den Biggelaar (internship at Watson Wyatt)

Which alternative asset classes contribute to real matching for Dutch pension funds?

Bence Bodo (internship at Ministry of Social Affairs and Employment)

Fiscal impact of immigration from the new EU member states

Jiayu Cheng (internship at SVB)

How do Dutch pension funds choose the franchise in a DB plan?

Tenar de Cock (internship at Ministry of Social

Affairs and Employment)

The effects of IFRS on the Dutch pension system: Are collective DC pension schemes a desirable reaction?

Maurits Dalm (internship at Cordares)

Longevity risk measurement and management for pension funds

Nergiz Ercan

Introducing NDC as a solution to the informal economy in Turkey

Ronald Gomez-Suarez

Cream-skimming and risk adjustment in the Colombian health insurance system: The public insurer case

Jasper de Jong (internship at Ministry of Finance)

Increasing labor force participation of the elderly: Who cares?

Fei Luan

Do intended bequest motives play a role in asset allocation? An examination of stock investment

Johan Maessen (internship at Cap Gemini)

Aging and technology in the Dutch healthcare market

Eugene Marschall

The experience of the pension system in Uruguay and lessons for European PAYG systems

Xiaoyan Qi

Second-pillar pension system in China

Rubi Rogel Guzman (internship at Watson Wyatt)

Conditional indexation of pension benefits

Ghulame Rubbaniy

Modeling the term structure of mortality rates

Mark Schouten (internship at Aegon)

Hedging inflation risk

Theo Smid (internship at Ministry of Finance)

Aging and financial markets innovations

Siert Jan Vos (internship at SVB)

The new Dutch pension law; an analysis of the effect of fair valuation of liabilities on pension premiums

Jody Wagelmans (internship at CBS)

Incomplete pension rights: the effects of migration on the AOW

Tim Willems (internship at CDA)

The Scandinavian model

Lin Zheng (internship at Cordares)

Interest rate sensitivity of real estate investments and its implication for pension funds

Xiaojun Zheng (internship at Ministry of Social Affairs and Employment)

The effects of IFRS on the Dutch pension scheme – Are collective DC pension schemes a desirable reaction?

Selection of relevant theses from other educational programs**BSc****Javier A.L. da Costa Gomez (EUR)**

Liability-driven strategic asset allocation for European pension funds: A surplus

Tristan Lacle (UvT)

The timing of annuitization

Kay Mennens (UvT)

Valuation of pension entitlements in heterogeneous populations

MSc**Martin Bakker (UvA)**

Risicoverschuiving tussen generaties in pensioenregelingen

Chantal de Groot (UvT)

Pension schemes from a young person's perspective

Gerda Polman (UvT)

The effect of different indexation policies on the wellbeing of pension fund participants

Martin Lenselink (VU)

Job-, individual-, and situational characteristics predicting the motivation to learn: A cross-sectional study

Maria J. Rivas (UvA)

A telescope malfunction: Economic myopia in decision making

MPhil**Roel Mehlkopf (UvT)**

Dynamic portfolio choice with an endogenous retirement date

Jochen Mierau (RUG)

Intra-household allocation, ageing, and education in overlapping generations models

Ralph Stevens (UvT)

The impact of longevity risk on the cost and benefits of old age

66 Events

Pension Workshops

During bi-annual (January and June) workshops, foreign academic specialists share the results of their research, and prominent Dutch policy makers present their perspectives on policy issues. They gather for both formal discussions and informal networking.

Pension Workshop June 7 – 8, 2007

The SOM Research School of the University of Groningen (RuG) and Netspar jointly organized this workshop, which had a scientific character. Keynote speakers were well-known public economics experts Eytan Sheshinski (Hebrew University, Jerusalem) and John Karl Scholz (University of Wisconsin, Madison). Sheshinski's lecture on the economics of annuities was based on a forthcoming monograph on this topic to be published by Princeton University Press. Scholz addressed issues such as saving for retirement and the effect of children on household wealth. During the second day of the workshop, national and international participants presented their research findings.

June 7

Eytan Sheshinski (Hebrew University of Jerusalem)
Annuities, longevity and aggregate savings

Karl Scholz (University of Wisconsin–Madison)
Are Americans saving 'optimally' for retirement?

Eytan Sheshinski, Hebrew University of Jerusalem
Innovations in annuities

Karl Scholz, University of Wisconsin–Madison
Children and household wealth

June 8

Ward Romp, RuG (joint paper with Ben Heijdra, RuG and Netspar)
Retirement, pensions and ageing

Peter Broer, CPB and Netspar
Social security risk in general equilibrium

Dirk-Jan Omtzigt, Exeter College
Ageing and the interaction between education, retirement and the working life

Rob Alessie, USE and Netspar
Planning, financial literacy and household wealth: Evidence from the US and the Netherlands

Karen van der Wiel, UvT and Netspar
Policy uncertainty in social security: Do subjective expectations relate to savings?

Giovanni Mastrobuoni, Collegio Carlo Alberto (joint paper with Matthew Weinberg, University of Georgia)
Heterogeneity in intra-monthly consumption patterns, self-control and savings at retirement

Jijia Cui, UvT
Longevity risk pricing

Carolina Fugazza, CeRP (joint paper with Maela Giofré, CeRP)
Hedging labor income risk: A normative approach in an international framework

Yvonne Adema, UvT (joint paper with Lex Meijdam, UvT and Netspar and Harrie Verbon, UvT and Netspar)
Pensions, risks and portfolio choice

Jukka Lassila, ETLA (joint paper with Tarmo Valkonen, ETLA)
Putting a Swedish brake on pension benefits

Eytan Sheshinski, Hebrew University of Jerusalem
The desirability of limiting choice

Daniel Hallberg, IFS
Economic fluctuations and retirement of older employees

Stefan Hochguertel, VU Amsterdam and Netspar
Pension behaviour of Danish self-employed

Melissa Porras Prado, EUR (joint paper with Dirk Brounen, EUR and Marno Verbeek, EUR and Netspar)
Real estate allocation in an ALM framework

Matthijs Streutker, RuG (joint paper with Willem Klein Haneveld and Maarten van der Vlerk, RuG)
ALM modelling for Dutch pension funds: Indexation and new regulatory rules

Viola Angelini, University of Padua
Consumption and habit formation when time horizon is finite

Jan Bonenkamp, CPB
Insurance and transfers in Dutch occupational pensions

Karl Scholz, University of Wisconsin–Madison (joint paper with Meta Brown and Ananth Seshadri, University of Wisconsin–Madison)
A new test of educational borrowing constraints

Michael Ransom, Brigham Young University (joint paper with David Card, University of California, Berkeley)
Pension plan characteristics and employee savings: Does labeling matter?

Arthur van Soest, RAND, UvT and Netspar (joint paper with Pierre–Carl Michaud, RAND)
How did the elimination of the earnings test above the normal retirement age affect retirement expectations?

Stephen Treanor, Spears School of Business, Oklahoma State University (joint paper with Joel Harper, Spears School of Business)
Implicit contract modification or wealth expropriation: Evidence from pension terminations and cash balance conversions

Frank de Jong, UvT and Netspar
Valuation of Pension Liabilities

Aging Insured January 29 – 31, 2008

Elderly people are facing more old-age risks in the future. Social and financial innovation is necessary to protect people more effectively against these risks and at the same time to stimulate the maintenance of human capital. Leading economists and prominent speakers from the insurance sector and politics discussed this topic on the final day of this pension workshop, jointly organized by Netspar and the Dutch Association of Insurers. The first two days of the workshop focused on related issues in a scientific setting. Several international economists presented the latest research findings to an audience that consisted of researchers, professionals from the insurance and pension sectors and students.

January 29

Arie Kapteyn, RAND and Netspar
International differences in labor market status and transitions during the pre-retirement Years

Orazio Attanasio, UCL
Explaining changes in female labor supply in a life-cycle model

Arie Kapteyn, RAND and Netspar
Dynamics of work disability and pain

Orazio Attanasio, UCL
Risk sharing in private information models with asset accumulation: Explaining the excess smoothness of consumption

January 30

Astrid Hopfensitz, University of Toulouse, and Tanja Wranik, University of Geneva
Psychological and environmental determinants of myopic loss aversion

Bruno Biais, University of Toulouse
Hindsight bias and investment performance

Miguel Angel Carpio, University of Pompeu Fabra
Does pension saving crowd out voluntary saving? Evidence from social security privatization in Peru

Erik Glans, Uppsala University
Partial retirement and the responsiveness of labor supply to changes in the replacement rate

Giacomo Pasini, Venice University
Social interaction effects in an inter-generational model of informal care giving

Vimal Thakoor, University of Birmingham
Optimal redistribution with heterogeneous agents: is there a role for pensions?

Ward Romp, UvA and Netspar
Optimal pensions in a two-country aging problem

Paul Smith, Federal Reserve Board of Governors
The trajectory of wealth in retirement

Michael Haliassos, University of Frankfurt
Equity culture and the distribution of wealth

Konstantinos Tatsiramos, IZA
Effect of job displacement on the transitions to employment and early retirement

Pedro Martins, University of London
Increasing the legal retirement age: the impact on wages, hours, worker flows and firm performance

Helvi Kinnunen, Bank of Finland
Population ageing in a small open economy

Johannes Holler, University of Vienna
Pension systems and their influence on fertility and growth

Dimitris Christellis, University of Salerno
Expected bequests and current wealth of older households

Viola Angelini, University of Padua
The strategic bequest motive: evidence from SHARE

Joost Driessen, UvA and Netspar
Does skin in the game matter? Director incentives and governance in the mutual fund

Patrick Herbst, Goethe University Frankfurt
Measuring mutual fund herding – a structural approach

Hans Fehr, University of Wurzburg
Private retirement savings: the structure of tax incentives and annuitization

Christian Keuschnigg, University of St. Gallen
Pension reform, retirement and life-cycle unemployment

Arie Kapteyn, RAND and Netspar
Self reported disability and reference groups

Orazio Attanasio, UCL
Solving life cycle models: alternative explanations for the consumption booms in the UK

January 31

Morning Program
Jacob Bikker and **Janko Gorter**, DNB
Performance of the Dutch non-life insurance industry: competition, efficiency and focus

Robert Olieman, SVB
Development in 50 years of AOW

Maarten van Rooij, DNB and Netspar
Choice or no choice: What explains the attractiveness of default options?

68 Events

Peter Schotman and **Kathrin Nies**, UM and Netspar
Individual choice behavior in the Dutch life-course savings arrangement

Niels Kortleve, PGGM and Netspar
Towards a sustainable pension deal: What PGGM learned from Netspar

Guus Boender, ORTEC
(Un)-conditional indexation or (un)-conditional real pensions?

Fred Treur, CVS
Employee opinions on life-cycle opinions

Peter Kooreman, **Henriette Prast** and **Nathanael Vellekoop**, UvT and Netspar
Defaults, labeling and the Dutch life course scheme

Afternoon program
Ludo Wijngaarden, Verbond
De verzekeraar als partner en participatie

Coen Teulings, CPB and Netspar
How to share our risks efficiently? Principles for optimal social insurance and pension provision

Piet Hein Donner, Minister of Social Affairs and Employment
Vergrijzing: wat is echt, wat is gemaakt?

Aart Jan de Geus, OECD
Injectie van menselijk kapitaal

Ton Heerts, Member of Parliament for the Dutch Labour Party
Visie op de toekomst van de sociale zekerheid

Pension Days

Two Pension Days were held in 2007: March 8 and October 15. Netspar's researchers presented and discussed the latest papers related to their research projects. Although non-academic partners are also invited to Netspar's Pension Days, these regular meetings have a scientific character. Special pension days and theme-related pension days are aimed at discussing the policy implications of Netspar research projects.

Regular Pension Days

March 8

Hans Schumacher (UvT and Netspar)
Pension fund investing: a kinked utility perspective

Ronald Mahieu (EUR and Netspar)
Pension fund investment management: an analysis of the funding ratio

Harry Huizinga (UvT and Netspar)
Capital structure and international debt shifting

Sylvester Eijffinger (UvT and Netspar)
EU pension fund regulation: why, where and how to continue

Jan Potters (UvT and Netspar)
Myopia, loss aversion and time preference

Peter Kooreman (UvT and Netspar)
Defaults, labelling and the Dutch life course scheme

Zhen Shi (UvT and Netspar)
How large are the costs of short-term regulation on pension funds' portfolio

Ward Romp (RuG and Netspar)
Macro, mortality and morbidity

Jan Rouwendal (VU Amsterdam and Netspar)
Housing and mortgage choices of elderly households

Bertrand Melenberg and **Anja de Waegenare** (UvT and Netspar)
Longevity risk in portfolios of old age and spouse pensions

Lieven Baele (UvT)
The determinants of stock and bond return comovements

Jan Boone (UvT and Netspar)
Annual vs lifecycle taxation

Clemens Kool (UU and Netspar)
Foreign wealth and valuation effects: the case of the Netherlands

Jannes de Vries (UvT and Netspar)
Life-course changes in economic well-being: evidence from register and tax data in the Netherlands

Gema Zamarro (UvT and Netspar)
Family labor participation and childcare decisions: the role of grannies

Paul de Hek (CPB and Netspar)
Policy analysis of retirement decisions

Hans Bloemen (VU Amsterdam and Netspar)
Private wealth and job exit at older age: a random effects model

October 15

Arthur van Soest (RAND, UvT and Netspar)
Validating the use of vignettes for subjective threshold scales

Hans van Kippersluis (EUR and Netspar)
Age period and cohort effects in health and income

Renxiang Dai (UvT and Netspar)

Pension fund investment under dual objective and conditional indexation

An Chen (UvA and Netspar)

How ambiguity affects regulators' decisions

Nils-Petter Lundborg (VU Amsterdam and Netspar)

The effects of bereavement on morbidity and mortality

Frank Lutgens (UM and Netspar)

Predictability –robust dynamic portfolio choice

Courtney van Houtven (UvT and Netspar)

Informal care and hospice use

Johannes Binswanger (UvT and Netspar)

A bounded–rationality life–cycle model with feasibility goals

Frank de Jong (UvT and Netspar)

Hedging house price risk: portfolio choice with housing futures

Antoon Pelsser (UvA and Netspar)

Utility–based pricing of insurance contracts: beyond exponential utility

Marike Knoef (UvT and Netspar)

The trend in female labour force participation

Peter Broer (CPB, UvT and Netspar)

Social security risk in general equilibrium

Joachim Inkmann (UvT and Netspar)

Pension liability valuation and asset allocation in the presence of funding risk

Maarten van Rooij (DNB and Netspar)

Choice or no choice: what explains the attractiveness of default options?

Matthijs Cosemans (UM)

The performance and persistence of individual investors: rational agents or tulip maniacs

Specialized Pension Days Integrated Risk Modeling April 11, 2007

This pension day was jointly organized with Tilburg University.

Richard Verrall (City University London)

Mortality assumptions used in the calculations of company pensions liabilities in the EU: a review with recommendations for disclosure

Annamaria Olivieri (University of Parma) and Ermanno

Pitacco (University of Trieste)

Assessing the cost of capital for longevity risk

Michel Denuit (Université Catholique de Louvain):

Life insurance mathematics with random life tables

Andrew Cairns (Maxwell Institute for Mathematical Sciences, Edinburgh and Heriot–Watt University, Edinburgh)

Models for stochastic mortality with parameter uncertainty

Steven Haberman (City University London):

Extensions to the Lee–Carter model for mortality trends and projection

The new Dutch Pension Act June 12, 2007

Renowned speakers evaluated the Dutch Pension Act that became effective in January 2007. Erasmus University (ECFR) and Netspar jointly organized this pension day to talk about the recent experiences with this act and the questions as yet unanswered.

The keynote speakers were Alexander Rinnooy Kan (Chairman SER), Dick Sluimers (Chairman Board ABP),

Arnoud Boot (Professor of Economics at UvA and author of the report “Modernisering van het uitvoeringsmodel voor pensioenregelingen”, Jan Koeman (Head Pension Policy, Ministry of Social Affairs), Jos Heuvelman (Director Supervision Policy, DNB), and Fieke van der Lecq (Nederlandse Mededingingsautoriteit/NMa).

Alexander Rinnooy Kan, Chairman SER

Dick Sluimers, Chairman ABP

Pension Act: Past and future views of ABP

Jan Koeman, Ministry of Social Affairs and Employment

Pension Act: Past and future views of Ministry SZW

Jos Heuvelman, DNB

Introduction Financial assessment framework (FTK): Past and future views of DNB

Jan van Miltenburg, AFM

Introduction Financial assessment framework (FTK): Past and future views of AFM

Fieke van der Lecq, NMa

Pension sector in movement: Past and future views of NMa

Arnoud Boot, UvA

Perspective on the future of the pension sector

Laurens Swinkels, EUR / Robeco

FTK and investment policy

Jelle Beenen, PGGM

Alternative investmens.: diversification and risk

Ronald Huisman, RSM Erasmus University and Risk Tec

Strategic and tactical valuation policy

Wim Borgdorff, Alpinvest

Private Equity

Stochastic general equilibrium models and pension policies June 16, 2007

The pension day assessed the scope and relevance of stochastic computable general equilibrium (CGE) models to the economic consequences of aging. Furthermore, it served as a platform to exchange ideas about the solution of theoretical and practical problems in handling these models. Papers were presented on the broad theme of macroeconomic risk and pension policies in an aging society.

Alexander Ludwig (University of Mannheim)

On the consequences of demographic change for rates of returns to capital and the distribution of wealth and welfare

Michael Reiter (University of Pompeu Fabra)

Sharing demographic risk. Who is afraid of the baby bust?

Wouter den Haan (UvA)

Solving heterogeneous-agent models with parameterized cross-sectional distributions

Julián Díaz-Saavedra (University of Granada)

Delaying retirement in Spain

Dirk Krueger (University of Pennsylvania)

Taxing capital? Not a bad idea after all!

Christian Habermann (University of Würzburg)

Social security with rational and hyperbolic consumers

Peter Broer (CPB and Netspar)

Social security risk in general equilibrium

Theme Pension Days

These pension days are linked to the Netspar themes.

The theme researchers discuss the progress of their research and exchange knowledge with partner representatives, who actively take part in the theme activities— for example, via sounding boards. In 2007, the following theme pension days were organized:

October 30 – 31

Theme coordinator: **Peter Schotman** (UM and Netspar)

Private Retirement Provision

Location: Maastricht

Rob Bauer (UM and Netspar)

Keith Ambachtsheer (Rotman ICPM)

Wilson Sy (Australian Prudential Authority)

Joel Harper (Oklahoma State University)

New research findings on pension fund governance

Jean Frijns (Netspar)

A Dutch mega fund model

Jeroen Tielman (Cordares and Netspar)

A Dutch multi-client model

Virginia Holmes (University of Melbourne)

A UK industry model

Claude Lamoureux (Cifar, Canada)

A Canadian high performance model

Scott Evans (Harvard School of Public Health)

A US mega fund/annuity model

Tony Lally (Sunsuper, Australia)

An Australian multi-client super model

Paul Dyer (New Zealand Superannuation), **Theresa**

Whitmarsh (Washington State Investment Board,

USA), **Rene Maatman** (Radboud Universiteit, Nijmegen, Netherlands), **Paul Haggis** (OMERS, Canada)

Building pension delivery organizations for tomorrow

Peter Schotman (UM and Netspar)

Life-cycle financial decisions: The choices people make

Matthijs Cosemans (UM)

The Dutch as individual investors: Rational agents or tulip maniacs?

Paul Sengmuller (UvT and Netspar)

Trading as entertainment: a sample of German internet brokers

Kees Koedijk (UvT) and **Alfred Slager** (PGGM and Rotterdam School of Management)

Investment beliefs that matter

Piet Eichholtz (UM and Netspar)

Demographic change and the demand for housing

Mariassunta Giannetti (Stockholm School of Economics)

Pension reform, ownership structure, and corporate governance: evidence from Sweden

Giovanna Nicodano (CeRP, University of Torino)

Investment policy and human capital

November 15

Theme coordinator: **Johan Mackenbach**

(EUR and Netspar)

Living longer in good health

Location: Rotterdam

Johan Mackenbach (EUR and Netspar)

Theme 1: Future life expectancy and compression of morbidity

James Fries (Stanford University School of Medicine)
Compression of morbidity: How can it be achieved?

Jean-Marie Robine (University of Montpellier)
Compression of morbidity: has it been achieved?

Stefan Felder (Otto-von-Guericke University, Magdeburg)
Population aging and the costs of health care

Other contributions by:
Bart Klijs, Istvan Majer, Claudine de Meijer, Ralph Stevens, David Rappange

November 22

Theme coordinator: **Casper van Ewijk** (CPB and Netspar)
The macroeconomics of pension reforms
Location: The Hague

Henning Bohn (University of California, Santa Barbara)
Pension funds and intergenerational risk sharing

Ed Westerhout (CPB and Netspar)
Demographic uncertainty and public finances in the Netherlands

Peter Broer (CPB, UvT and Netspar)
Social security, macroeconomic risk and general equilibrium

Roel Beetsma and **Ward Romp** (UvA and Netspar)
Pensions and risk sharing between generations and countries in general equilibrium

Yvonne Adema and **Lex Meijdam** (UvT and Netspar)
Ageing, debt and inflation in a monetary union

Panel:
Henning Bohn (University of California, Santa Barbara),
Sweder van Wijnbergen (UvA and Netspar), **Bernard ter Haar** (Ministry of Finance), **Lans Bovenberg** (UvT and Netspar)

November 29

Theme coordinator: **Arthur van Soest** (RAND, UvT and Netspar) and **Rob Alessie** (UU and Netspar)
Pensions, Savings and Retirement Decisions
Location: Tilburg

Guglielmo Weber (University of Padova)
The retirement consumption puzzle: evidence from a regression discontinuity approach

Adriaan Kalwij (UU and Netspar)
Mortality risk and Household Financial situation

Frederic Vermeulen (UvT and Netspar)
Economic well-being and poverty among the elderly: An analysis based on a collective consumption model

Michele Belloni (CeRP, University of Turin)
Retirement choice in Italy

Maarten Lindeboom (VU Amsterdam and Netspar)
Health shocks, disability and work

Arthur van Soest (UvT and Netspar)
Pension expectations and satisfaction with pensions in the Netherlands

Stefan Hochguertel (VU Amsterdam and Netspar)
Early retirement incentives, self-employment and voluntary unemployment Insurance: Evidence from administrative data

December 12

Theme coordinator: **Antoon Pelsser** (UvA and Netspar)
Valuation and risk management for insurance companies and pension funds
Location: Amsterdam

Tom Wilson (ING Group)
Internal models at ING

Jiajia Cui (UvT and Netspar)
Pricing of longevity risk

Tom Grondin (AEGON)
Internal models at AEGON

Maarten Gelderman (DNB)
A regulator's perspective on internal models

An Chen (UvA)
On the regulator-insurer-interaction in a structural model

Damir Filipovic (Vienna Institute of Finance)
Some aspects of aggregation and diversification

Panel meetings

Panel Papers outline the implications of new developments in the academic literature for policy questions faced by Netspar's partners. These papers are discussed twice a year (in the spring and the fall) during panel meetings. Discussants include representatives from the academic and non-academic partners of Netspar, as well as renowned international academics. The papers are published in a special papers series.

April 26, 2007

Lans Bovenberg, **Theo Nijman** (UvT and Netspar) **Coen Teulings** (CPB and Netspar) and **Ralph Koijen** (UvT)
Saving and investment over the life cycle: The role of individual and collective pensions

Peter Kooreman (UvT and Netspar) & **Henriëtte Prast** (UvT and Netspar)
What does behavioral economics mean for policy? Challenges to savings and health policies in the Netherlands

October 18, 2007

Arthur van Soest (RAND, UvT and Netspar)
Phased and partial retirement: Preferences and limitations

Jan Rouwendal (VU and Netspar)
Housing wealth and household portfolios in an aging society

Gerard van den Berg and **Maarten Lindeboom** (VU and Netspar)
Later life health and mortality: The role of conditions early in life

Debate on NEA Papers April 26, 2007

Netspar commissions research papers on a variety of topics. Partners are invited to comment on and discuss NEA (Netspar Economic Advisors) papers with scientists during debates. In contrast to the Panel Papers, these NEA papers contain strong statements of individual researchers or authors from the pension and insurance sector. During these debates, which are moderated by a discussion leader, NEA papers are presented by the authors and discussed with the audience. Both the papers and the discussion are in Dutch. The papers are published in the NEA papers series.

The first of these debates took place on April 26, 2007, with the following papers presented.

Mei Li Vos and **Martin Pikaart** (AVV)
Jongeren met pensioen. En nu echt intergenerationale solidariteit

Casper van Ewijk and **Coen Teulings** (CPB)
Doorsneepremie en indexatiebeleid van pensioenfondsen onder randvoorwaarde van continuïteit

Arnoud Boot (UvA and Netspar)
Marktwerking en pensioenen

Kees Koedijk (EUR and Netspar)
Blinde vlekken van de denkers en doeners in de pensioensector

Netspar's second debate will take place in May 2008

Anniversary Meeting March 27, 2008

On the occasion of Netspar's third anniversary, a special meeting was organized. Key players in the Dutch pension and insurance sector convened to discuss innovations in pension contracts. Both the papers and the discussion were in Dutch.

Roderick Munsters (ABP), **Roderick Molenaar** (ABP), and **Eduard Ponds** (ABP, UvT and Netspar)
Differentiatie naar jong en oud in collectieve pensioenen: een verkenning

Theo Nijman (UvT and Netspar) and **Alwin Oerlemans** (Cordares)
Maatwerk in Nederlandse pensioencontracten

Lou Spoor (Eureko-Achmea)
Je huis of je leven? Eigen betalingen voor woon- en welzijnsvoorzieningen voor ouderen en optimalisatie van de pensioenportfolio

Jan Snippe (Philips Corporate Pensions) and **Henriëtte Prast** (UvT and Netspar)
De ratio en het optimale ontwerp van individuele pensioenregelingen

You can find these papers on our website:

www.netspar.nl/nea

Conferences

Netspar/CEPR Conference Transforming European Pension Systems Zurich, October 5–6, 2007

As a follow-up to its first conference held in 2006, the Centre for Economic Policy Research (CEPR) and Netspar jointly organized a second conference on transforming European pension systems. For this second conference papers were presented that use SHARE or other survey data, or focus on pension risk and longevity risk in European pension systems.

October 5

Justina A.V. Fischer (University St. Gallen)

The institutional determinants of early retirement in Europe

Sarah Smith (University of Bristol and IFS)

What do defined contribution pensions mean for retirement? Evidence from the UK

Eduard H.M. Ponds (ABP and Netspar) and **Bart van Riel** (SER and LU)

Sharing risk: The Netherlands' new approach to pensions

Hans-Jürgen Wolter (Chief Risk Officer of Swiss Life)

Risk management of insurers

Vera Kupper (Deputy CEO, Pension Fund of the City of Zürich)

The Swiss pension system

October 6

Maarten van Rooij (DNB and Netspar) and **Federica Teppa** (EUR and Netspar)

Choice or no choice: what explains the attractiveness of default options?

Paula Lopes (LSE and FMG) and **Joachim Inkmann** (UvT, Center and Netspar) and **Alexander Michaelides** (LSE, CEPR and FMG)

How deep is the annuity market participation puzzle?

Peter Schotman (UM, Netspar and CEPR)

On the determinants of subjective financial well-being at retirement

Michael Haliassos (Goethe University Frankfurt, CFS, MEA), and **Dimitris Christelis** (CSEF, University of Salerno) and **Dimitris Georgarakos** (Goethe University Frankfurt and CFS)

Economic integration and mature portfolios

Jason S. Scott, **John G. Watson** and **Wei-Yin Hu** (all Financial Engines, Inc.)

Efficient annuitization: Optimal strategies for hedging mortality risk

Netspar / CPB Conference Analysing Life-Cycle Policies November 30, 2007

Netspar and CPB brought together a group of leading economists and policymakers to discuss the design of welfare-state institutions from a life-cycle perspective. This perspective has gained popularity in recent policy debates on reforming the Dutch welfare state.

Hamish Low (Cambridge University)

Optimal unemployment insurance

Jan van Ours (UvT)

Implicit contracts, wage profiles and employment protection

Paul de Hek (CPB and Netspar)

Early retirement

Frederic Vermeulen (UvT and Netspar)

Poverty among widow(er)s

Bas Jacobs (EUR and Netspar)

Life long learning in a comprehensive setting

Janneke Plantenga (UU)

Life course policy in the Netherlands

Panel discussion chaired by **Peter Kooiman** (CPB)

Panel members:

Alexander Rinnooy-Kan (Chairman Social and Economic Council (SER))

Joop Hartog (UvA)

Lans Bovenberg (UvT and Netspar)

Koen Caminada (LU)

74 List of abbreviations

ABP	Algemeen Burgerlijk Pensioenfonds (Dutch civil service pension fund)	MEA	Mannheim Institute on the Economics of Aging	SHARE	Survey of Health, Aging and Retirement in Europe
CBS	Centraal Bureau voor de Statistiek (Statistics Netherlands)	MIT	Massachusetts Institute of Technology	SVB	Sociale Verzekeringsbank (Social Insurance Bank)
CenterER	Center for Economic Research (at Tilburg University)	MPhil	Master of Philosophy	SZW	Ministerie van Sociale Zaken en Werkgelegenheid (Ministry of Social Affairs and Employment)
CEPR	Centre for Economic Policy Research	MSc	Master of Science	TT	Tenure Tracker
CeRP	Center for Research on Pensions and Welfare Policies	MTI	Maatschappelijk Topinstituut (Societal Top Institute)	UCL	University College London
CPB	Centraal Plan Bureau (CPB Netherlands Bureau for Economic Policy Analysis)	NEA	Netspar Economic Advisors	UM	Universiteit Maastricht (Maastricht University)
CFS	Centre for Financial Studies	NIDI	Nederlands Interdisciplinair Demografisch Instituut (Netherlands Interdisciplinary Demographic Institute)	UMBS	Universiteit Maastricht Business School (University of Maastricht Business School)
CVS	Centrum voor Verzekeringsstatistiek (Centre for Insurance Statistics)	NIVRE	Koninklijk Nederlands Instituut voor Register Accountants (Organization of Dutch Register Accountants)	USE	Utrecht School of Economics
DB	Defined Benefit	NVAO	Nederlands-Vlaamse Accreditatieorganisatie (Dutch Accreditation Authority)	UU	Universiteit Utrecht (Utrecht University)
DC	Defined Contribution	NWO	Nederlandse Organisatie voor Wetenschappelijk Onderzoek (Netherlands Organisation for Scientific Research)	UvA	Universiteit van Amsterdam (UvA-University of Amsterdam)
DNB	De Nederlandsche Bank (the Central Dutch Bank)	OCenW	Ministerie van Onderwijs, Cultuur en Wetenschap (Ministry of Education, Culture and Science)	UVB	Unie van Beroepspensioenfonds (Association of Occupational Pension Funds)
DP	Discussion Paper	OPF	Stichting voor ondernemingspensioenfonds (Foundation of Company Pension Funds)	UvT	Universiteit van Tilburg (Tilburg University)
ETLA	Elinkeinoelämän Tutkimuslaitos (Research Institute of the Finnish Economy)	PAYG	Pay-As-You-Go (referring to pension system)	VB	Verbond van Verzekeraars (Association of Industry-wide Pension Funds)
EUI	European University Institute	PhD	Doctor of Philosophy	VSNU	Vereniging van Universiteiten (Union of Universities)
EUR	Erasmus Universiteit Rotterdam (Erasmus University Rotterdam)	PvdA	Partij van de Arbeid (Dutch Labor Party)	VU A	Vrije Universiteit Amsterdam (Free University Amsterdam)
FEB	Faculty of Economics and Business Administration	PGGM	Pensioenfonds voor de Gezondheid, Geestelijke en Maatschappelijke belangen (Dutch pension fund)	VvV	Verbond van Verzekeraars (Dutch Association of Insurers)
ICPM	International Centre for Pension Management (at the Rotman School of Management, University of Toronto)	OECD	Organisation for Economic Co-operation and Development		
IFS	International Foundation for Science	RuG	Rijksuniversiteit Groningen (University of Groningen)		
IZA	Institute for the Study of Labor	SER	Sociaal Economische Raad (Social Economic Council)		
FMG	Financial Markets Group (at London School of Economics)				
FTK	Financieel Toestingskader (Dutch solvency rules)				
LSE	London School of Economics				
LU	Universiteit Leiden (Leiden University)				
MaGW	Maatschappij- en Gedragswetenschappen, NWO (Social Sciences, Dutch Research Council)				

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