Trust and Distrust in Pension Institutions in Times of Decline and Reform

"Funding ratio is a significant driver of trust in pension funds"

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Participants' trust in pension intstitutions (pension funds and government) is crucial because pension providers try to fulfil their pension promises in a fundamentally uncertain world. Therefore, buffers are necessary to cover shocks, like the Great Recession, in order to make good on those promises. But, do shocks to financial buffers, like the funding ratio and the public debt ratio, really affect the trust of citizens in pension funds and the government?

Principal Findings

- The financial stability of pension funds positively impacts trust but does not decrease distrust significantly.
- However, the government's financial stability influences neither trust nor distrust in it as a pension provider.
- Funding ratios of 115 or higher will lead to a situation where most participants will probably trust pension funds.
- The self-employed are more prone to distrust pension funds than employees.
- Women are more likely than men to take a neutral position with respect to trusting pension institutions.

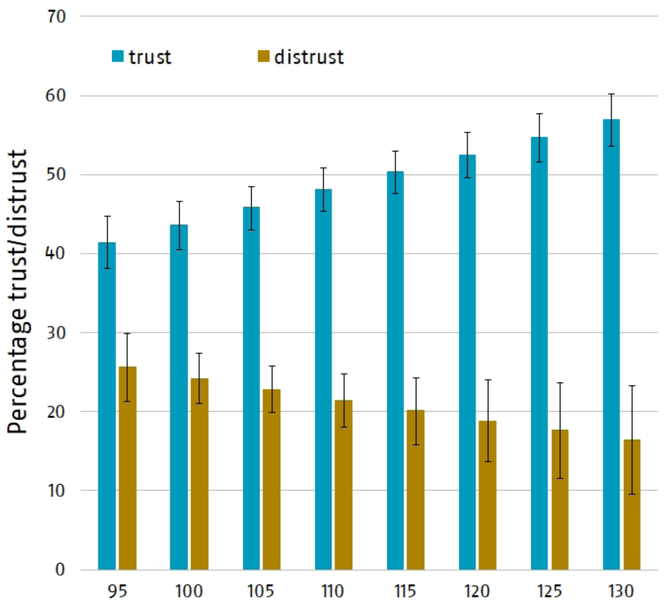

Figure: Levels of trust and distrust in pension funds for various funding ratios, an analysis of Survey Data 2004-2021

Key Takeaways for the Industry

- The funding ratio matters in generating trust in pension funds.
- A higher funding ratio is associated with a higher level of trust, but mistrust does not diminish to the same extent.

Want to know more? Read the paper **'Trust and Distrust in Pension Providers in Times of Decline and Reform: Analysis of Survey Data 2004-2021'**