

## Solidarity buffer and solidarity preferences

“Social preferences reflect altruism, reciprocity and self-interest”

Eduard Ponds and Evert Webers

With the introduction of the new Dutch pension contract, many industry-wide pension funds opt for the solidarity contribution scheme that gives a prominent role to the joint buffer (solidarity reserve). However, to what extent do participants support this buffer and do social preferences in that support exist? We investigated this in a representative survey of participants in the 38 largest sector pension funds.

### Principal Findings

- Solidarity is greater when (active or retired) status and age are similar.
- Almost half of the participants are strongly altruistic and greatly support the buffer.
- More than a third of participants want to show solidarity with other participants, but only when it is based on reciprocity.
- A relatively small group focuses more on their own interests and values solidarity and the buffer less.
- Support exists among active participants for filling and distribution rules that benefit their own target group.
- Likewise, retirees strongly support filling and distribution rules that favour their own group more.

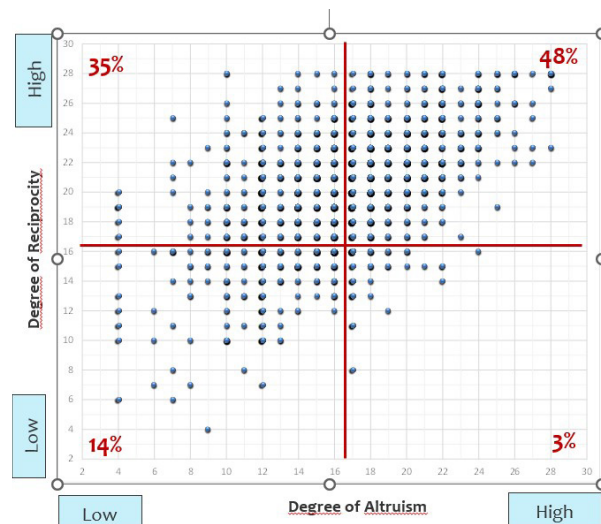


Figure 3: Ordering of respondents into subgroups based on the degree of reciprocity and altruism

### Key Takeaways for the Industry

- Funds should consider the social preferences among their participants when setting up and providing information about buffer rules.
- If many participants focus on their own interests and reciprocity, funds could appeal to this self-interest by underlining that the buffer works both ways. In the currently chosen interpretation this is often not the case.
- More funds could focus on the buffer helping others during setbacks.



Want to know more? Read the paper

'Solidariteitsbuffer en Solidariteitsvoorkeuren' (in Dutch)