



Objectify the Discussion

Debate Fedded by Good Data

Liberal Rules Undermine Solidarity

Theme: Pension and Solidarity

# NETSPAR MAGAZINE

# CONTENTS

## Theme: Pension and Solidarity



Preface	3
Objectify the Discussion	4
Debate Fedded by Good Data	7
Liberal Rules Undermine Solidarity	10
Netspar Receives Positive Evaluation	13
Paper Page	15
Student Profile: Heiline Adriaansen (Deloitte)	20

## CONFIDENCE AND SOLIDARITY

There are surprising parallels between healthcare and pensions. As in healthcare, a greater share of the risk is being transferred to private citizens for their pensions. In the healthcare industry, this was necessitated by the drive to control costs. The assumption of more risk means that individuals also have more latitude in dictating the care they receive. This has made consumers more discerning, and they are placing higher demands on healthcare services. In exchange for more risk, people want more insight into the quality of the care and greater control. All of this is occurring in a system that still places a high value on solidarity. We believe that everyone has a right to good healthcare; care is widely accessible and costs are shared equally among healthy and less healthy recipients.

A similar trend is playing out in the pension world. The government and private companies are pulling back from bearing all the risk, so that inevitably more of that risk shifts to participants. The turbulence of the past few years has made it abundantly clear that the era of guaranteed pensions is over. We must reconfigure our thinking toward a new world, in which pensions are variable and will depend upon financial markets, the economy and demographics (life expectancy, in particular) – a world in which collectivity and risk solidarity are still prized.

The notion of a variable pension, however, is more difficult to communicate than one with a fixed euro amount. How do you make the tradeoff between returns, risks and transaction costs apparent? How can you make risk tangible for the individual? And how do you convince your participants that a variable pension is still better than the illusory certainty of a nominal guarantee? How do you convince individuals that the promise of a pension is still being fulfilled and that returns are not being undermined by unnecessary costs? In sum, how can we make sure people have confidence in their pensions? A variable pension therefore places additional demands on funds and insurers in terms of accountability and transparency. And that raises the question of whether private individuals will then also want to have more say and control, just as in healthcare.

These are critical themes for the future of the pension system. The Dutch government has put a broad discussion of the pension system high on its agenda for the next few years. Let us hope that helps us put the battle over divvying up pension savings behind us, and we can focus on what really matters: how to design a pension system that provides added-value for everyone. It is a wonderful challenge for Netspar to take up in terms of contributing to the necessary research and knowledge-exchange.

Casper van Ewijk, Chairman of the Netspar Board

# "OBJECTIFY THE DISCUSSION"

The Netherlands' largest pension fund is getting into the debate about desirable and undesirable forms of solidarity in the pension system.

ABP Chairman, Henk Brouwer, kicks things off.

Frank van Alphen

Solidarity assumes many forms and everyone has their personal opinion, according to ABP Chairman Henk Brouwer, who also used to sit on the board of the Netherlands central bank (DNB). He is a proponent of divesting solidarity of overly emotional associations and thinks it important to place the concept in a broader perspective. "We shouldn't fixate on second pillar (occupational-based) pension provision, but also look at the notion of solidarity in the AOW (social security) and even healthcare," says Brouwer, who has served as independent chair of the ABP board since early 2012.

"You see solidarity occurring everywhere in society," he continues. "For instance, you have solidarity between men and women in a pension scheme. Women live longer than men, and yet the law prevents us from charging different premiums for men and women. As a result, this form of solidarity is inherent to the system." Another form of solidarity built in to various benefits is that between sick people and healthy people. "That solidarity runs through not only the healthcare system and health insurers," Brouwer points out, "but

also forms of social insurance such as disability insurance benefits." It is his assertion that all these kinds of solidarity should be analyzed and assessed according to their merits, and then they should be considered as a whole.

## Money Flows

Brouwer brings up these solidarity compacts between different groups in society to point out that the pension arena is certainly not the only one where solidarity is an issue. Nevertheless, it is in that arena that so many questions are being raised about the flow of money between, for instance, young and old or low-income and high-income groups. "We must be careful not to compartmentalize the discussion about solidarity too much, because there's a danger of losing sight of the whole picture and having the wrong kinds of discussions," he says.

Brouwer regrets that the notion of solidarity has acquired such negative connotations. "We run the risk of forgetting about all the advantages," he says. "One of the

biggest advantages of inter-generational solidarity is that you benefit, as an individual, from a steady return on the entire investment portfolio. Employees with their own investments are dependent on whatever the return happens to be for their particular portfolio when they retire. That can be problematic if they have to convert those investments to pension benefits at the time of retirement."

## Perverse Solidarity

People often accuse ABP of perpetuating a "perverse solidarity" between lower and higher income classes through its heterogeneous participant base. In a report on the uniform contribution rate put out by the CPB (Netherlands Bureau for Economic Policy Analysis), the fund was cited as an example of a fund with a diverse base. By contrast, many funds – such as those for janitors or doctors, say – have highly homogenous participant bases. The chances in these latter types of funds that the less better paid will end up subsidizing those who are better off is nonexistent.

ABP has 1 million workers with low to high incomes all in the same scheme, with a wide range of people, from landscapers to professors and judges, saving for retirement with the fund. Since people with higher incomes (well educated) tend to live longer, on average, than those with lower incomes (poorly educated), this produces a flow of money from low incomes to high incomes. In theory, then, in ABP, the garbage man is subsidizing the professor. Brouwer believes this is an overly simplistic representation of things. "For one thing," he points out, "a large pension fund has the advantage of allowing people to easily change jobs without having to switch to another fund. For another, there are measures in place to counteract the undesirable money flow from lower to higher incomes."

One of those measures is the relatively low threshold salary ABP employs (11,150 euros): the lower this is, the sooner people with lower incomes can start saving. More important is the additional pension that participants with low incomes can accrue. Pensionable annual



Henk Brouwer



salaries under about 28,700 euros receive a supplementary pension of over 40 euros a year. These participants pay no additional premium for this: the cost is divided among the entire participant base.

ABP calculates that a participant with a low income will have built up an additional pension of 1,245 euros after 30 years of employment. That amounts to over 100 euros, gross, per month. "That extra pension accrual for low-wage earners compensates almost completely for the transference from low to high incomes stemming from lower life expectancy," Brouwer states. Approximately one fifth of participants receive this additional pension accrual, which is incrementally phased out if the income exceeds the upper limit of 28,700 euros.

### Uniform Contribution Rate

The uniform contribution rate and its potential adverse effects for young people and workers who choose to become self-employed midway through their careers is another thorny solidarity issue pension funds are struggling with. "We must, in any event, be transparent about the kind of impact the uniform contribution rate can have," Brouwer explains. "It used to be that participants figured it was all fine. Now, some of them want to know exactly how everything works. We, as a fund, must provide that information. Participants have a right to know."

As part of that effort, ABP is tallying the effects on various groups of the uniform contribution rate and other forms of value transference. "It is obvious that the uniform contribution rate is disadvantageous for participants who decide to become self-employed in their forties," the ABP chairman points out. "But that doesn't mean you have to ditch the whole system. The CPB has calculated that switching from the uniform contribution system to another system would cost 100 billion euros. What we want to examine, for instance, is how large the group is that is harmed by this and determine whether it is truly growing. It is also conceivable that the supposed increase in the number of self-employed

is partly conjecture. We might be able to institute targeted measures to avoid certain unwanted effects of the uniform contribution rate, without having to turn the whole system upside down."

### Vision for 2020

Brouwer wants to get as many participants as possible involved in thinking about the future of the pension system and how much solidarity is desirable. "We are currently holding a consultation round with various stakeholders to discuss our draft version of Vision 2020. Matters such as the uniform contribution rate are difficult to explain to a couple million participants. Yet, I have noticed at gatherings throughout the country that these topics are of widespread concern. They are more pressing than ever," he says.

ABP will be unveiling its Vision 2020 later in the year. In that document, the fund hopes through analyses of its own databases and contact with stakeholders and academics to show that the pension system needs to be adapted to rising life expectancies and the changing labor market. "We want to objectify the discussion," Brouwer concludes. "We must prevent proponents and opponents of the existing system from engaging in stereotypical thinking, because that gets in the way of an open discussion."



Working people generally have realistic expectations regarding their retirement, not visions of grandeur. It is only the highly educated who tend to have relatively high expectations compared to their actual accrual. Those are the findings of a large-scale study into retirement income and expectations that Marike Knoef, assistant professor at Leiden University, worked on with others.

## DEBATE FEEDED BY GOOD DATA

### Frank van Alphen

"The debate about desirable and undesirable forms of solidarity will benefit from good data about pension income and expectations," says Marike Knoef, who is performing the study together with fellow professors Kees Goudswaard, Koen Caminada, and Rob Alessie and researchers Jim Been, Jochem de Bresser, and Adriaan Kalwij. "We perform a lot of research in this area and our understanding of how the various groups view these things is growing."

At the macro-level, it is relatively easy to determine how much retirees receive and how much employees pay in contributions. The social security (AOW in Dutch) and pension benefits retirees receive are common knowledge. What is less clear is the degree to which personal savings and investments contribute to the financial well-being of people over 65. Nor do we know much about the gap that might exist between people's hopes for their retirement and the actual level of income they can expect.

The first part of the Leiden study concentrated on the replacement rate. "We are looking not only at social security and second pillar (occupational) pensions, but also other wealth and income components, such as savings, third pillar (individual) pension products and home equity. All of these factors have an influence on the financial position of older people," Knoef explains. Many international comparisons of replacement rates fail to take into account savings and investments because so little is known about those variables. Knoef and her partners accessed a variety of data, including the panel data on income collected by the CBS (Statistics Netherlands), to gain insight into these facets.

### Annuities

All assets were totaled and converted into pension annuity equivalents. That amount was then compared to pre-retirement household incomes. Gross and net replacement rates were used in these calculations. "The results show the degree to which people can maintain their current standard of living after retirement," Knoef says. For the majority of retirees, income

from the first and second pillars constitutes far and away the majority of their old-age income provisions: averagely, social security and occupational pensions comprise 75% of just over 30,000 euros income per person (2010 euro value). Over a third of that income comes from social security.

Plotted against the figures for current income, the median replacement rate is 83%. "Personal savings and home equity make a huge difference," Knoef adds. "Without those assets, the replacement rate is only 71%." The pension cuts of the past several years are not yet reflected in these figures.

These averages conceal vast differences – the younger the worker, the higher the replacement rate, for instance. This is because the calculations assume that younger generations will continue to work through to retirement. Accordingly, setbacks such as unemployment or disability at an advanced age are not currently included in the figures. Another difference is that households with one or more self-employed workers do not fare as well as those where all of the income is from salaried workers. Since the self-employed accrue considerably less pension through occupational schemes, the replacement rate for this category of workers for first and second pillar provisions is 50%, versus 71% for an average household. Net worth and home equity help close the gap, though; when these assets are taken into account, the median replacement rate is 74%.

### Retirement Income Levels

The net replacement rates look considerably better because retirees pay less tax in the first two tax brackets. This makes the net replacement rate roughly 15% higher than the gross replacement rate. This will possibly change in the future due to fiscalization of social security contributions.

*"The question is: to what degree can the government create policy to decrease the number of households that fall below that 70% standard?"*

The distribution of the averages is interesting in the context of the debate about solidarity in the pension system. "Almost a third of households have a replacement rate under 70%. That percentage is considered the standard for a sufficient pension income. The picture is not as good for the self-employed: almost half of them are below the 70% standard," Knoef says. "The question is: to what degree can the government create policy to decrease the number of households that fall below that 70% standard? As part of that, we need to know whether those households even want to save money for their retirement."

These questions feed directly into a follow-up study being conducted in Leiden and Groningen. "People are asked to estimate how much income they think they will need upon retirement, by being shown actual figures based on their income category. We then link those pension expectations to data from the tax authorities and pension funds," Knoef explains.

Interestingly enough, many workers come up with a fairly realistic estimate of the income they will need after they kiss their boss goodbye. "People usually think they will need about 80% of their current net income. That includes employees who have very little comprehension of their personal financial situation," she says. Well-educated people are more likely to have exaggerated expectations, according to the study. "People often think they will be getting more than they have actually accrued. The pension desires of people with less income are definite and relatively lower."

Not everyone thinks having a good income in their old age is a priority, however. "There is also a group of people (9%) who think it is more important to enjoy their income now and are fine with having a replacement rate of less than 70%. It is going to be difficult to

Marieke Knoef

convince this group to start saving more money for later, and maybe that's not even necessary," Knoef says. At the other end of the scale, you have a group who want to enjoy at least the same level of income after retirement as during their working years. "That applies for 15% of the people," she continues. "These people realize what the consequences of that are for their current consumption patterns, because those amounts are shown on the questionnaire. To maintain the same level of income after retirement, you have to save a lot now."

Home ownership plays a big role in the personal finances of at least half of the households in the Netherlands. "On the one hand, older people have a lot of net worth in their homes. On the other, they don't want to move as long as they don't have to," Knoef says. "I could imagine it might be useful to develop and improve products that make it possible to get cash out of your home without having to necessarily move out."

### Sick and Healthy

Knoef and her co-researchers have many other follow-up studies in the works. "In order to properly compare groups and make assertions about the degree to which income levels suffice, you have to include healthcare

costs," she points out. And this touches on the discussion about solidarity between healthy and sick people, as well as between the well-educated, who generally live longer, and the poorly educated, who die younger, on average.

"We want a comprehensive strategy," Knoef says. "That's why we want to study, for instance, the impact of health on the level of pension income required. It is conceivable that shorter lifespans go hand-in-hand with higher healthcare costs, compared to people who live longer and are healthier. That would pose a counterweight to the transference between the poorly educated and the highly educated, who live longer, and could be a reason for linking longevity risk and high healthcare costs."

According to Knoef, all of this information provides fodder for a good debate about solidarity. "Not everyone needs to receive an equal share of the pie," she says. "We should not begrudge others what they need. In the discussion about solidarity, you need to have the right data to reach the right conclusions."



# LIBERAL RULES UNDERMINE SOLIDARITY

Solidarity is not about calculating down to the penny whether or not you are getting the most out of an entitlement program.

"Solidarity is also a belief," Paul Schnabel proposes. "It is important to keep programs simple. Endless discussions about who is or isn't entitled to a benefit chip away at the base of support for them."

Frank van Alphen

"The AOW (Dutch social security) is a good example of institutionalized solidarity that enjoys a wide level of support," says Schnabel, at age 66 a recent beneficiary of the state pension himself. "You still can't touch it. That entitlement program is a model of simplicity. The rules are hard and fast, so there's no way to cheat. That helps keep support for it intact."

According to the former director of the Netherlands Institute for Social Research (Sociaal en Cultureel Planbureau, SCP), having rules that can be questioned is disastrous for social benefits. "Take the proposal to lower the age for AOW benefits for people with physically demanding professions. Before you know it, you will have some lawyer claiming that even though his client didn't work in such a profession, it was very demanding on him to have to perform his work under the conditions he did. Then it becomes a matter for the administrative courts and inspection bodies to decide."

Schnabel, a sociologist by training, also suggests that such occurrences undermine the general support for solidarity. "This quickly leads to accusations that shrewd

citizens benefit from the system, while regular 'hard-working Dutch people' do not. Populist political parties love to inflame those kinds of sentiments," he points out.

Moreover, adapting programs to the exception makes social benefit plans more complicated and expensive to implement. "You are always going to have some disadvantaged person somewhere who is ineligible for a particular program," Schnabel continues. "That case will make the news and a parliamentary enquiry will be launched. Then a minister or state secretary amends the rule, which becomes more complicated as a result. The question is whether the additional costs balance out against the benefits for those few exceptional cases."

Schnabel still works as a professor at Utrecht University. He believes that the AOW is proof that solidarity will be widely accepted as long as a program is simple, comprehensible and robust. "Solidarity is still an essential part of the welfare state," he asserts.

Yet, he can see in his own surroundings that people still question the notion of solidarity. "My mother lived in a nursing home and paid almost 1,800 euros a month out of pocket," he explains. "She noticed that her neighbor was paying nothing, or almost nothing, and receiving exactly the same level of care. She didn't think that was fair. 'That's solidarity,' I told her, and she was not amused. I can understand that. Normally, you'd think you'd be able to buy better care if you pay more. And that will increasingly be the case in the future."

## Fellows

Not everything that falls under the heading of "solidarity" these days would have been labelled that in the past. "I differentiate between solidarity among fellows and support for people who are absolutely nothing like you. Some examples of the first category are guilds, unions and the new phenomenon of 'Broodfondsen' (giving circles among groups of self-employed to provide unemployment insurance). These are forms of solidarity for protecting your fellows against the cruel twists of fate."

Giving money to the sick and poor and is sometimes also seen as a form of solidarity, but according to Schnabel it falls more into the category of charity. "Solidarity is a two-way interaction, giving to charity is not," he points out. "It used to be one's religious duty. It was good for the soul and seen in the context of the seven works of mercy."

## The Second Pillar

Pension schemes in the second pillar (occupational-based) inherently contain countless forms of solidarity. "There is implied solidarity, for instance, shown by men toward women because they live longer," Schnabel points out, "That is an accepted form of solidarity. And yet people are starting to question the solidarity between generations and higher and lower social classes."

Schnabel thinks the criticism expressed by some youth organizations that the elderly are using up all the pension assets and there will be nothing left for young people



Paul Schnabel

later on is highly over-exaggerated – though he does acknowledge that forty-plus years ago, the same thought occurred to him. “My generation was the first to pay social security contributions from the very beginning and save on our own for retirement,” he recalls. “I remember asking myself as a student at the time if there would be any money left when we got ready to retire.”

The answer has turned out to be a resounding Yes. Schnabel built up his pension for 42 years and has barely forfeited any net financial ground since leaving SCP. “That’s nice, of course,” he admits, “but it also raises the question of whether this level of pension provision is maintainable given rising life expectancies.”

Although old-age income provisions are slow to change, Schnabel feels that many programs have indeed kept up with the times. “There has been tremendous change in both the AOW and pension schemes in the past decade,” he says. “The AOW was individualized and the eligibility age was raised. Pension funds have switched over to an average salary basis (versus last-earned salary) and the DB system has given way to a system with more DC elements.”

### Lack of Knowledge

Schnabel thinks much of the criticism levelled at the pension system can be attributed to a lack of knowledge on the part of participants. “People don’t know how much they and their employer contribute during their working life – nor do they have the slightest idea of how much capital it takes to provide a decent pension,” he says.

Pension awareness could be raised, in Schnabel’s opinion, by having employees sign a pension contract in addition to their employment contract when they start a new job. “The employer should take the time to also explain the consequences of that transition for the

employee’s pension,” he asserts. “When I ask friends what impact a change in jobs has had on their pension, they usually have no idea.”

He does expect awareness of pension matters to grow. “The panic about cuts, which fortunately turned out to be not that bad in most cases, has set people thinking,” Schnabel says. “A good pension can no longer be taken for granted. Working people realize that they must also do something on their own. I’ve been saying for years that you have to pay off your house. That cuts down on expenses and gives you peace of mind. In 2008, people laughed at me for saying that. We Dutch were still under the spell of the interest deduction. Now, we have to pay these things off! That’s as it should be.”

### Freedom of Choice

Schnabel thinks the current pension system will slowly but surely evolve into one that is simpler and less generous. “I can imagine,” he muses, “that we will eventually move toward a pension system that guarantees a base pension in the second pillar that is approximately equal to social security. Anything over the level, you have to arrange yourself. That will foster freedom of choice. Employees can set aside their pension contributions for a pension, or they could use that money to pay off their mortgages.”

Beyond that, Schnabel argues that programs should be less rigid. “I am not talking about offering healthcare in kind, as some pension funds are considering. The elderly’s need for healthcare is overestimated. Most old people remain healthy through 75 years of age and do not need any additional care up to then. Above that age, there are great variations in terms of healthcare needs. I believe more in providing flexibility in the benefits – for example, higher payouts for the first ten years of retirement and then a somewhat lower pension.”

*“The panic about cuts, which fortunately turned out to be not that bad in most cases, has set people thinking. A good pension can no longer be taken for granted.”*



Netspar is in charge of implementing the Pension Innovation program funded by the Dutch government. Last summer, the Netherlands Organization for Scientific Research (NOW) was commissioned by four Dutch ministries (SZW, Finance, EZ and OCW) to review that program. The committee issued a positive assessment and the subsidy givers have endorsed that assessment.

## NETSPAR RECEIVES POSITIVE EVALUATION

Netspar was rated “very good” in the three areas of academic significance, social relevance, and knowledge-transfer between the academic and professional worlds (as in 2010). Special mention was also made of Netspar’s methods for disseminating knowledge. The network concentrates specifically on conveying knowledge to pension professionals.

The committee supports efforts being made to intensify international collaboration in research activities and was of the opinion that Netspar is on the right path. International collaboration leads to broader knowledge exchange, providing valuable input for the Dutch pension debate.

Beyond that, the committee recommended selecting between continuing to focus singularly on the economy or truly expanding the focus to include other disciplines (such as law, sociology, psychology, and communications). Finally, it emphasized the need for Netspar to maintain its independence and impartiality.

In addition to the NWO review, an evaluation being performed on behalf of the partners during the first few months of 2014 is nearly complete. The outcome of that evaluation, too, will provide valuable input for the new Netspar program, from 2015– 2019, for which we hope to receive commitments from both the pension industry and the government before summer.

Peter Gaillard, Managing Director



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DP 01/2014-001  
Project: Balance sheet management

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DP 07/2013-079  
Project: Robust models for supervision  
*Basis risk and inflation replication*  
**Roode, Alexander de**  
DP 09/2013-078  
*The inflation risk premium: The impact of the financial crisis*  
**Roode, Alexander de**  
DP 09/2013-077  
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DP 06/2013-076  
Project: Interactive pension communication and decision making  
*Incorporating mental representations in discrete choice models of travel behaviour: Modelling approach and empirical application*  
**Arentze, Theo, Benedict Dellaert en Caspar Chorus**  
DP 11/2013-075  
Project: Interactive pension communication and decision making  
*Online measurement of mental representation of complex spatial decision problems: Comparison of CNET and hard ladderling*  
**Horeni, Oliver, Theo Arentze, Benedict Dellaert en Harry Timmermans**  
DP 09/2013-074  
Project: Interactive pension communication and decision making  
*Consumer informedness and firm information strategy*  
**Li, Ting, Robert Kauffman, Eric van Heck, Peter Vervest en Benedict Dellaert**  
DP 11/2013-073  
Project: Interactive pension communication and decision making  
*Intra-group risk sharing under financial fairness*  
**Pazdera, Jaroslav, Hans Schumacher en Bas Werker**  
DP 05/2013-072

*Trends in mortality decrease and economic growth*  
**Niu, Geng en Bertrand Melenberg**  
DP 11/2013-071  
Project: Risk management in funded pension systems  
*Reform of the mortgage interest tax relief system, policy uncertainty and precautionary savings in the Netherlands*  
**Mastrogiacomio, Mauro**  
DP 12/2013-070  
Project: Second and a half pillar for the self-employed?  
*The design of pension schemes*  
**Draper, Nick, André Nibbelink en Johannes Uhde**  
(DP 12/2013-069)  
Project: Multi-pillar pension schemes and macroeconomic performance  
*Procyclicality of pension fund regulation and behaviour*  
**Romp, Ward**  
DP 11/2013-068  
*How does investor confidence lead to trading? Theory and evidence on the links between investor return experiences, confidence, and investment beliefs*  
**Hoffmann, Arvid en Thomas Post**  
DP 09/2013-067  
Project: Balance sheet management  
*Aging, financial literacy, and fraud*  
**Gamble, Keith, Patricia Boyle, Lei Yu en David Bennett**  
DP 11/2013-066  
*Aging and the politics of the welfare state*  
**Hollanders, David en Ferry Koster**  
DP 11/2013-065  
*How will older workers who lose their jobs during the great recession fare in the long-run?*  
**Rutledge, Matthew, Natalia Orlova en Anthony Webb**  
DP 03/2013-064  
*Can long-term care insurance partnership programs increase coverage and reduce medicaid costs?*  
**Sun, Wei en Anthony Webb**  
DP 03/2013-063  
*Rethinking optimal wealth accumulations and decumulation strategies in the wake of the financial crisis*  
**Kopcke, Richard, Anthony Webb, Josh Hurwitz en Zhenyu Li**  
DP 01/2013-062  
*Option-implied correlations and the price of correlation risk*  
**Driessen, Joost, Pascal Maenhout en Grigory Vilkov**  
DP 07/2013-061

*Health and inequality*  
**O'Donnell, Owen, Eddy van Doorslaer en Tom van Ourti**  
DP 10/2013-060  
Project: Health and income, work and care across the life cycle II  
*Trading death: The implications of annuity replication for the annuity puzzle, arbitrage, speculation and portfolios*  
**Sutcliffe, Charles**  
DP 10/2013-059  
*Decision complexity as a barrier to annuitization*  
**Brown, Jeffrey, Arie Kapteyn, Erzo Luttmer en Olivia Mitchell**  
DP 06/2013-058  
*Evaluating the UK and Dutch defined-benefit pension policies using the holistic balance sheet framework*  
**Chen, Zhiqiang, Antoon Pelsser en Eduard Ponds**  
DP 09/2013-057  
*Health status, disability and retirement incentives in Belgium*  
**Jousten, Alain, Mathieu Lefebvre en Sergio Perelman**  
DP 11/2013-056  
*Is there an optimal pension fund size? A scale-economy analysis of administrative and investment costs*  
**Bikker, Jaap**  
DP 04/2013-055  
*The crowding-out effect of mandatory labour market pension schemes on private savings: Evidence from renters in Denmark*  
**Arnberg, Søren en Mikkel Barslund**  
DP 11/2013-054  
*Value-at-risk-based risk management in a jump-diffusion model*  
**Zhang, Cheng, Yang Zhou en Zhiping Zhou**  
DP 06/2013-053  
*Financial risk aversion and personal life history*  
**Buccioli, Alessandro en Luca Zarri**  
DP 02/2013-052  
*Teaching children to save: What is the best strategy for lifetime savings?*  
**Buccioli, Alessandro and Marcella Veronesi**  
DP 10/2013-051  
*Financial risk attitude, business cycles and perceived risk exposure*  
**Buccioli, Alessandro en Raffaele Miniaci**  
DP 02/2013-050  
*Risk taking and risk sharing: Does responsibility matter?*  
**Cettolin, Elena en Franziska Tausch**  
DP 08/2013-049  
Project: Economics and psychology of life cycle decision making  
*Household portfolio risk*  
**Buccioli, Alessandro and Raffaele Miniaci**  
DP 05/2013-048



*Risk reallocation in defined-contribution funded pension systems*

**Beetsma, Roel en Alessandro Bucciol**

DP 03/2013-047

*Health, pension benefits and longevity: How they affect household savings?*

**El-Mekkaoui de Freitas, Najat en Joaquim Oliveira Martins**

DP 10/2013-046

*Justice under uncertainty*

**Cettolin, Elena en Arno Riedl**

DP 07/2013-045

Project: Economics and psychology of life cycle decision making

*Measuring time and risk preferences: Reliability, stability, domain specificity*

**Wölbelt, Eva en Arno Riedl**

DP 07/2013-044

Project: Economics and psychology of life cycle decision making

*Social preferences and portfolio choice*

**Riedl, Arno en Paul Smeets**

DP 08/2013-043

Project: Economics and psychology of life cycle decision making

*An experimental investigation of risk sharing and adverse selection*

**Tausch, Franziska, Jan Potters en Arno Riedl**

DP 08/2013-042

Project: The economics and psychology of life cycle decision making

*How individuals react to defined benefit pension risk*

**Salamanca, Nicolás, Andries de Grip en Olaf Sleijpen**

DP 08/2013-041

Project: Human capital and aging

*Negative reciprocity and retrenched pension rights*

**Montizaan, Raymond, Frank Cörvers, Andries de Grip en**

**Thomas Dohmen**

DP 05/2013-040

Project: Human capital and aging

*The public market equivalent and private equity performance*

**Sorensen, Morten en Ravi Jagannathan**

DP 09/2013-039

Project: Portfolio strategies

*Stated preference analysis of full and partial retirement in the United States*

**Kantarci, Tunga en Arthur van Soest**

DP 10/2013-038

*The effects of partial retirement on health*

**Kantarci, Tunga**

DP 10/2013-037

*Factors limiting the opportunities for partial retirement*

**Kantarci, Tunga**

DP 10/2013-036

*The VIX, the variance premium and stock market volatility*

**Bekaert, Geert en Marie Hoerova**

DP 10/2013-035

Project: Human capital and aging

*Flights to safety*

**Baele, Lieven, Geert Bekaert, Koen Inghelbrecht en Min Wei**

DP 05/2013-034

Project: Human capital and aging

*Bad environments, good environments: A non-gaussian*

*asymmetric volatility model*

**Bekaert, Geert en Eric Engstrom**

DP 07/2013-033

Project: Human capital and aging

*The joint cross section of stocks and options*

**An, Byeong-Je, Andrew Ang, Turan Bali en Nusret Cakici**

DP 10/2013-032

Project: Human capital and aging

*Estimating the conditional CAPM with overlapping data inference*

**Hedegaard, Esben en Robert Hodrick**

DP 02/2013-031

Project: Human capital and aging

*Participation constraints in pension systems*

**Beetsma, Roel en Ward Romp**

DP 09/2013-030

*Returning to work after retirement: Who, what and why?*

**Henkens, Kéne en Hanna van Solinge**

DP 09/2013-029

*The wear and tear on health: What is the role of occupation?*

**Ravesteijn, Bastian, Hans van Kippersluis en**

**Eddy van Doorslaer**

DP 09/2013-028

*On the welfare cost of consumption fluctuations in the presence*

*of memorable goods*

**Hai, Rong, Dirk Krueger en Andrew Postlewaite**

DP 08/2013-027

*Optimal design and regulation of funded pension schemes*

**Bovenberg, Lans en Roel Mehlkopf**

DP 08/2013-026

*Optimal life-cycle portfolios for heterogeneous workers*

**Bagliano, Fabio, Carolina Fugazza en Giovanna Nicodano**

DP 06/2013-025

*The causal effect of retirement on mortality: Evidence from targeted incentives to retire early*

**Bloemen, Hans, Stefan Hochguertel en Jochem Zweerink**

DP 08/2013-024

Project: Pensions, savings and retirement decisions II

*Portfolio and consumption choice with habit formation under inflation*

**Jong, Frank de en Yang Zhou**

DP 08/2013-023

*Asset market participation and portfolio choice over the life-cycle*

**Fagereng, Andreas, Charles Gottlieb en Luigi Guiso**

DP 07/2013-022

*Can temptation explain housing choices in later life?*

**Angelini, Viola, Alessandro Bucciol, Matthew Wakefield en**

**Guglielmo Weber**

DP 05/2013-021

*Flexible pension take-up in social security*

**Adema, Yvonne, Jan Bonenkamp en Lex Meijdam**

DP 07/2013-020

*The role of line managers in retirement management and their perceptions of their role of the timing of employee retirement*

**Davies, Eleanor, Katie Dhingra en John Stephenson**

DP 05/2013-019

*Selling losers and keeping winners: How (savings) goal*

*dynamics predict a reversal of the disposition effect*

**Aspara, Jaakko en Arvid Hoffmann**

DP 05/2013-018

*Cohort mortality risk or adverse selection in the UK annuity market?*

**Cannon, Edmund en Ian Tonks**

DP 04/2013-017

*Price efficiency in the Dutch annuity market*

**Cannon, Edmund, Ralph Stevens en Ian Tonks**

DP 04/2013-016

*Seek and ye shall find: How search requirements affect job*

*finding rates of older workers*

**Hullegie, Patrick en Jan van Ours**

DP 05/2013-015

Project: Health and income, work and care across the life cycle II

*Using preferred outcome distributions to estimate value and*

*probability weighting functions in decisions under risk*

**Donkers, Bas, Carlos Lourenço, Benedict Dellaert en**

**Daniel Goldstein**

DP 05/2013-014

Project: Interactive pension communication and decision making

*Individuals' survival expectations and actual mortality*

**Kutlu-Koc, Vesile en Adriaan Kalwij**

DP 05/2013-013

Project: Pensions, savings and retirement decisions II

*Retirement incentives in Belgium: Estimations and simulations using SHARE data*

**Jousten, Alain en Mathieu Lefebvre**

DP 04/2013-012

*The demand for emerging market bonds*

**Umar, Zaghum**

DP 04/2013-011

*Stocks for the long run? Evidence from emerging markets*

**Umar, Zaghum en Laura Spierdijk**

DP 04/2013-010

*The economic importance of financial literacy: Theory and evidence*

**Lusardi, Annamaria en Olivia Mitchell**

DP 04/2013-009

**Panel Papers (PP)** outline the implications of new developments in the academic literature for policy questions faced by Netspar's partners. The PPs are meant for professionals in the pension and insurance sectors and are discussed twice a year during one-day panel meetings. Representatives from academic and private sector partners, as well as international academics, act as discussants. The papers are published in a special PP booklet series.

2013

*Long and healthy careers? The relationship between occupation and health and its implications for the statutory retirement age*

**Ravesteijn, Bastian, Hans van Kippersluis en Eddy van Doorslaer**

Panel Paper 36 – October 2013

Project: Health and income, work and care across the life cycle II

*The influence of health care spending on life expectancy*

**Baal, Pieter van, Parida Obulqasim, Werner Brouwer,**

**Wilma Nusselder en Johan Mackenbach**

Panel Paper 35 – June 2013

Project: Rising life expectancy

*Non-financial determinants of retirement*

**Erp, Frank van, Niels Vermeer en Daniel van Vuuren**

Panel Paper 34 – March 2013

Project: Multi – subproject 2

*Moral hazard in the insurance industry*

**Wolferen, Job van, Yoel Inbar en Marcel Zeelenberg**

Panel Paper 33 – March 2013

Project: Economics and psychology of life cycle decision making

2012

*Framing and communication: The role of frames in theory and in practice*

**Keren, Gideon**

Panel Paper 32 – October 2012

Project: Economics and psychology of life cycle decision making – subproject 4

*How financially literate are women? Some new perspectives on the gender gap*

**Bucher-Koenen, Tabea, Annamaria Lusardi, Rob Alessie en Maarten van Rooij**

Panel Paper 31 – August 2012

Project: Financial literacy

*Risk, returns and optimal holdings of private equity: A survey of existing approaches*

**Ang, Andrew en Morten Sorensen**

Panel Paper 30 – August 2012

Project: Portfolio strategies – subproject 3

*Cognitive functioning over the life cycle*

**Bonsang, Eric, Thomas Dohmen, Arnaud Dupuy en**

**Andries de Grip**

Panel Paper 29 – June 2012

Project: Human capital and aging

*Measuring and debiasing consumer pension risk attitudes*

**Dellaert, Benedict, Carlos Lourenço en Bas Donkers**

Panel Paper 28 – May 2012

Project: Supporting consumer pension decision-making online

*Pension contract design and free choice: Theory and practice*

**Nijboer, Henk en Bart Boon**

Panel Paper 27 – March 2012

*Labor market policy and participation over the life cycle*

**Gautier, Pieter en Bas van der Klaauw**

Panel Paper 26 – February 2012

Project: Health and income, work and care across the life cycle II

**NEA (Netspar Economic Advice) Papers**

describe and motivate the position of the author on a policy-relevant topic. In contrast to the PPs, these papers contain strong statements. Although Netspar as such is impartial, individual researchers of Netspar may very well have (and express) a personal opinion. Netspar simply offers a forum for in-depth discussion. The authors present the NEA Papers at meetings and discuss them with the audience.

*Mijn pensioen staat als een huis*

**Graaf, Marc de en Jan Rouwendal**

NEA Paper 51 – December 2013

*Langdurige tijdelijke arbeidsrelaties als stimulans voor een hogere participatie van ouderen op de arbeidsmarkt*

**Cörvers, Frank**

NEA Paper 50 – September 2013

Project: Human capital and aging

*Pensioenorganisaties en communicatiewetgeving.*

*Exploratief onderzoek naar keuzes en verplichtingen*

**Nell, Louise en Leo Lentz**

NEA Paper 49 – July 2013

**Design Papers (DESIGN)** discuss the design of a component of a pension system or product. It analyzes the goals of the component and the possibilities of improving its function. A Netspar Design Paper is well accessible by specialists in the industry, responsible for designing these components. The Netspar Design Paper is to be printed, and both digitally and as a printed booklet available.

2014

*EIOPA: bevoegdheden en rechtsbescherming*

**Witte, Ivor**

Design Paper 28 – February 2014

*Een institutionele beleggersblik op de Nederlandse woningmarkt*

**Brounen, Dirk en Ronald Mahieu**

Design Paper 29 – February 2014

*De doorsneesystematiek in aanvullende pensioenregelingen:*

*Effecten, alternatieven en transitiepaden*

**Bonenkamp, Jan, Rianne Cox en Marcel Lever**

Design Paper 27 – February 2014

Project: Multi-pillar pension schemes and macroeconomic performance

*Illiquiditeit voor pensioenfondsen en verzekeraars.*

*Rendement versus risico*

**Driessen, Joost**

Design Paper 26 – February 2014

2013

*Measuring retirement savings adequacy.*

*Developing a multi-pillar approach in the Netherlands*

**Knoef, Marike, Jim Been, Rob Alessie, Koen Caminada, Kees Goudswaard en Adriaan Kalwij**

Design Paper 25 – November 2013

*Naar een nieuw deelnemergericht UPO*

**Kuiper, Charlotte, Arthur van Soest en Cees Dert**

Design Paper 24 – August 2013

*Op naar actieve pensioenconsumenten. Inhoudelijke kenmerken en randvoorwaarden van effectieve pensioencommunicatie*

**Kortleve, Niels, Guido Verbaal en Charlotte Kuiper**

Design Paper 23 – June 2013

Project: Economics and psychology of life cycle decision making

*A reporting standard for defined contribution pension plans*

**Vaan, Kees de, Daniele Fano, Heriaht Mensen en**

**Giovanna Nicodano**

Design Paper 22 – June 2013

*Escalerende garantietoezeggingen. Een alternatief voor het StAr RAM-contract*

**Bilsen, Servaas van, Roger Laeven en Theo Nijman**

Design Paper 21 – June 2013

Project: Reconciling short term risks

*Building a distribution builder: Design considerations for financial investment and pension decisions*

**Donkers, Bas, Carlos Lourenço, Daniel Goldstein en**

**Benedict Dellaert**

Design Paper 20 – May 2013

Project: Supporting consumer pension decision-making online

*Collective pension schemes and individual choice*

**Binsbergen, Jules van, Dirk Broeders, Myrthe de Jong en**

**Ralph Koijen**

Design Paper 19 – May 2013





## HEILINE ADRIAANSEN ABOUT THE EFA MASTER'S

Heiline Adriaansen (Business Analyst at Deloitte Pension Advisory) obtained her Master of Economics and Finance of Aging (EFA) at Tilburg University in 2013. The EFA master's degree was the precursor to the Netspar tracks that students of Economics, Finance, Econometrics, and Mathematical Economics and Quantitative Finance and Actuarial Science can follow. Netspar Magazine asked her about her experiences.

"After receiving my Bachelor of Economics, I wanted to continue on in the economics field, but with mathematics included and without losing sight of the social aspects," Adriaansen explains. "All of the other mas-

ter's programs I found were too focused on the public sector or only concerned with profit maximization. EFA had a nice combination of both: you got to explore economics and mathematics, all the while knowing

### *"The cherry on top for me was the social relevance."*

that you were working to improve a social benefit that is important to everyone. What I liked most was that I could take so many different courses, and the cherry on top for me was the social relevance. The company visits Netspar arranged give you a peek inside different companies. That helps you discover where you feel at home and what positions might be fun to pursue – or not, which is just as useful!"

#### Pensions and Mortgages

Adriaansen did her internship at PGGM. "My thesis topic was 'Housing Wealth as a Supplement to Pension Savings,'" she says enthusiastically, "in which I studied the financial implications for households of using their pension benefits to cover their mortgage. I also exam-

ined whether households in the Netherlands need to use their pensions for their mortgages and what the thinking behind this might be. My research revealed that people who are interested in the pension-mortgage link are primarily motivated by the associated housing expenses. But the majority indicate that they would prefer not to dip into their pension pot, because they are afraid they will not have enough income later. I wrote an article about it that I am very proud of, together with my intern supervisor Niels Kortleve and thesis supervisor Lans Bovenberg, which will appear soon. That is also one of the direct advantages of the EFA master's, and now the Netspar tracks: you get to meet leading economists and are given the opportunity to be part of an organization that is contributing to the general good."

#### Straight into a Job

"It is easy to find an internship through the Netspar network, and that looks good on your resume. All of my fellow students found a job within a month of graduating – and that's pretty unusual these days," Adriaansen says.

## WE'RE MOVING

Netspar is moving at April 9th, 2014 to a different building at the Tilburg University campus. You can find us in the Koopmans building, 6th floor. Our postal address remains Postbus 90153, 5000 LE in Tilburg. Telephone numbers remain the same.

#### Colophon

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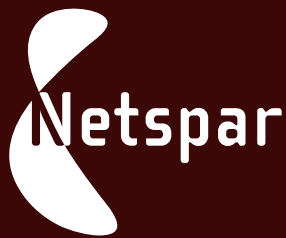
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Network for Studies on Pensions, Aging and Retirement

Netspar, Network for Studies on Pensions, Aging and Retirement, started operations in 2005. It is a network connecting two main groups: pension practice and pension science. The first group consists of ministries, supervising agencies and other civil service institutions, pension funds, pension providers, insurance companies, banks, asset liability management companies. The second group consists of Dutch and non-Dutch pension researchers, and Dutch universities.

### Mission

Netspar contributes to the ongoing improvement of financing opportunities for the 'old age' of Dutch and European citizens through network development, formulating and executing scientific research and knowledge transfer programs.

### Vision

With this aim in mind, Netspar wants to secure sustainable pension and insurance systems that share risk equitably and efficiently. The network strives to set an example of how public and private parties in the service industry can cooperate with researchers in the social sciences in an efficient and mutually beneficial way to stimulate social innovation. Next to that, Netspar strives to stimulate the research and development capacity of the pension industry.

### Core values of Netspar

The core values of Netspar are independence, accessibility for new entrants, and openness to dialogue and interaction between stakeholders. Netspar recognizes the importance of diverse types of knowledge, a wide range of disciplines, and methodological approaches.

It does not support particular policy positions, but is instead dedicated to promoting a wider understanding of the economic and social implications of pensions and retirement. It strives to effectively disseminate unbiased research output among public policymakers, professionals and trustees in financial institutions, and the academic community.

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