

INTERNSHIP PROJECT PROPOSAL

Title	NN-01: Heterogeneity in participants of IDC investment schemes
Dutch language mandatory	No
Type of internship¹	As regular and as extended master internship
Internship period	Flexible
For students in	MSc Finance, Economics, EME and Qfas
Organization and (sub)section	NN Investment Partners, Integrated Client Solutions

Individual DC schemes are becoming more and more popular, there is even discussion to move the whole Dutch pension system to individual DC. An advantage of IDC schemes is that the investment policy is tailored to the investment horizon of the participant, whereas in DB or CDC schemes there is just one investment policy for all participants. However, aside from age and risk appetite there is a still substantial heterogeneity within the participants group that is not addressed. Examples are differences in income, career path, contribution rate, and private savings. But also recent research by Knoef et al. has shown that depending on income people require different income replacement rates.

The questions for this research would be:

1. How much heterogeneity is there within the group of DC participants?
2. What would the individualized lifecycles based on required pension related to income and/or other factors look like?
3. What improvements are possible by tailoring the lifecycle and what potential loss may result if the assumptions about preferences are incorrect?

¹ TiSEM now also offers the possibility of an extended master. For more information, see the "Infopakket Extended Master." An extended master follows a fixed program: Company traineeship March-October 2017; Company assignment and Master thesis October 2017-January 2018