

Task demarcation: tenability in future pension system

“Demarcation rules show cracks and need to adapt to future pension requirements”

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For more than a hundred years, task demarcation rules have prevented unfair competition between Dutch pension funds and insurers by limiting what pension funds could do. However, this system is now showing cracks. This is due to the arrival of pension providers without domain demarcation and the demands of the Future Pensions Act, where there is a blurring of domain rules and a greater emphasis on more individual and additional financial products. We examine the tenability of task demarcation rules in the light of EU legislation, the objective of market organisation and the impact of current developments on the market position of pension providers.

Principal Findings

- Although the domain delineation shows cracks, it remains effective for company pension funds and necessary for mandatory participation.
- However, task demarcation rules seem to have gone too far in limiting market entry by pension funds.
- Domain definition is no longer a relevant element of task definition since the introduction of the general pension fund.
- EU legislation does not prohibit the Dutch rules on task demarcation, but this legislation – as well as the ensuing practice – may render them partly notional.
- Product delineation remains desirable as long as pension funds do not fall under the Insurance Business Supervision Act, while insurers do.

Key Takeaways for the Industry

- Future task demarcation rules need to allow for a more competitive market where tailor-made financial products can meet individuals' pension requirements.
- Furthermore, these rules should reflect that pension funds are now subject to far-reaching supervisory rules under EU law.



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