

# Shocks to Occupational Pensions and Household Savings

“Worsening financial position of pension plans drives an increase in savings”

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During the COVID-19 pandemic, the mean statutory funding ratio of the entire Dutch pension sector fell by nearly ten percentage points. A survey by De Nederlandsche Bank (Dutch central bank) at that time revealed that this fall caused many households to fear pension curtailments. Could such shocks also affect pension plan participants' saving decisions? We investigated whether this had already happened during previous crises using a dataset concerning Dutch occupational pension plans for the period 2008–2020, during which two major economic crashes occurred (the global financial crisis and the sovereign debt crisis).

## Principal Findings

- Pension plan members increase their active savings in the event of a funding deficit of their pension plan and/or when associated recovery measures are taken, e.g. changes in premiums or indexation.
- The increase in private savings seems to be mostly concentrated among members of pension plans with below–median rates of return.

	Dependent Variable: Active Savings (i.h.s.)					
	(a)	(b)	(c)	(d)	(e)	(f)
Funding Ratio ( <i>level</i> )	-0.036** (0.017)					
Delta funding ratio (i.h.s.)		-0.059** (0.021)				
Underfunding 1: funding ratio below 104.3%			0.347 (0.245)			
Underfunding 2: funding ratio below 100%				0.630*** (0.169)		
Stop of indexation					-0.026 (0.106)	
Pension curtailments						-0.899 (0.661)
Control variables	Yes	Yes	Yes	Yes	Yes	Yes
Individual fixed cohort variables	Yes	Yes	Yes	Yes	Yes	Yes
Macro variables	Yes	Yes	Yes	Yes	Yes	Yes
Pension funds FE	Yes	Yes	Yes	Yes	Yes	Yes
No. of observations	7,798	7,680	7,798	7,798	6,702	5,083
R-squared	0.102	0.100	0.099	0.101	0.112	0.114

Table 1. Estimation results

## Key Takeaways for the Industry

- Shocks to pension plans have modest but significant effects on participants' economic and financial behaviour.
- The new Dutch pension system could cause such shocks.



Want to know more? Read the paper

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