# How can unlucky generations among pensioners be prevented?

"The intergenerational approach seems to be a successful and effective solution"

Luke Servat (UM), Antoon Pelsser (UM) , Rob van den Goorbergh (APG) and
Mark Irwin (Ortec Finance)

### What is the focus of the paper?

This paper examines how 'unlucky generations' among pensioners can be prevented by adjusting the investment policy during the pension accumulation phase. This is done without using asset transfers or a solidarity reserve. The analysis takes solidarity into account by acknowledging that individuals also value their accumulated pension in comparison to previous cohorts.

### What are the key findings?

The study shows that the optimal investment policy within the 'intergenerational life-cycle' framework deviates significantly from the classical strategy. Less risky investments are made at the beginning and at the end of the accumulation phase, while more risky investments are made in the period in between. This policy closely resembles the commonly used '100 minus age' rule for the percentage of shares in investments, suggesting that the intergenerational approach aligns well with how pension funds already consider cohorts in practice. Simulations of market developments and an impulse response analysis (response to shocks) further confirm that differences between generations are actually reduced.

### What are the implications?

- To prevent unlucky generations among pensioners, without overall pension loss, the intergenerational approach appears to be an effective and efficient solution.
- This approach can be used alongside other measures, such as a solidarity reserve.
  The researchers suggest to conduct further research on how a solidarity reserve could be designed, given the intergenerational life-cycle framework.

Want to know more? Read the paper (Dutch):
Optimaal Beleggen met Intergenerationele Benchmarking

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