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EIOPA DC Pensions Roundtable

Shift from DB to DC: upcoming reform in the Netherlands

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Agenda

- Reform of the Dutch pension system
- Advantages and challenges of the reform
- Challenges to DNB

Pension system reform: good elements of present system will remain

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- compulsory building up of employment-related pension
- collective investment policy
- risks of old age, death and occupational disability will be shared collectively

Pension system reform: main changes

The new pension system will be contribution-based, and pension funds will no longer make promises about the benefits they intend to pay out in the future.

1. Future accrual: Transition to DC

   - Personal pension accounts (currently: a collective asset pot for all members and beneficiaries)
   - Risk profile based on age group (currently: a single risk profile for all members and beneficiaries)
   - Age-independent premium (as a %) and degressive accrual over time (currently: both premium and DB-accrual are age-independent)

Pension system reform: main changes (continued)

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2. Past accrual: Default is conversion (also called internal value transfer or “sailing in”) of accrued pension rights/entitlements into the new system.

   - Default means: unless effects of conversion are deemed “unbalanced”
   - Conversion decision taken by social partners and pension funds – no individual consent
   - Legal safeguards regarding governance and transparency of decisions

Pension system reform: timeline

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2023 – (max) 2027	As of 2027

Legislative proposal in Second and First Chamber → Transition period → New pension system

Advantages and challenges of the reform

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Advantages:

- Create a better perspective that pensions keep their purchasing power
- Make pensions more transparent and personal
- Have a pension system that is compatible with developments in society and on the labour market

The reform thus addresses the main vulnerabilities of the present system:

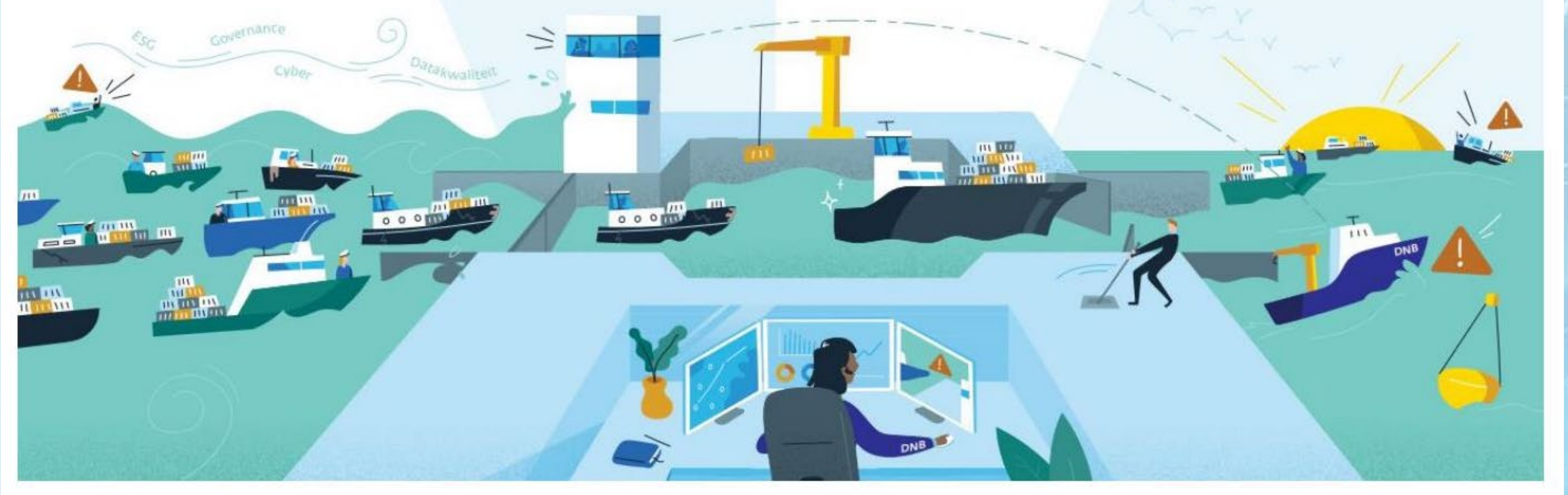
- Pension funds could not deliver what they had promised
- There were recurring intergenerational disputes as to who owns what
- The system was out of tune with labour market realities

Challenges:

- Complicated, costly and time-critical transition process

Challenges to DNB - Supervision in 4 phases

1. Preparations
2. DNB decision: prohibit conversion?
3. Monitoring implementation
4. Supervision on new contracts



Challenges to DNB – main IORPs' risks to be supervised during transition

Financial risks	Governance	Non-financial risks
• Calculating generational effects ("net profit") • Methods to divide collective wealth into personal wealth accounts	• Decisions at all levels are made based on the right information • Countervailing power	• Operational aspects • Data quality
Objective, uniform, insightful	Transparant and balanced decision making	Controlled business operations

Supervisor DNB

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Challenges to DNB – what have we done to prepare?

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Adapting our internal organization

- Additional supervisory capacity
- Organizational change Division Supervisory Pensions

Monitoring preparations by IORPs

- Regular sector contact
- Surveys

Also: establishment of platform with sector to monitor implementation issues

Preparing supervision

- External guidance (Q&A's, factsheets, good practices)
- Internal education
- Assessment frameworks

Conclusions

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- The new pension system keeps the good elements of the present system.
- The reform will deliver some important advantages: a better perspective that pensions keep their purchasing power, transparent plus personal pensions and compatibility with labour market developments
- The main challenge is the costly, complicated and time critical transition process.
- Transition comes with important challenges for DNB. There is a lot of extra work, including new tasks and supervision of new transition-specific risks, under tight deadlines. And all this while important current supervisory activities must go on …..

Questions or comments?