

Investment Company Institute
2015 ICI Global Retirement Savings Conference:
The Role of Public and Private Pension Provision

Current Insights on Retirement Savings Worldwide: Netherlands

Dirk Broeders, Senior Strategy Advisor, Central Bank of Netherlands: I like the global perspective, because across the globe, we all encounter the same issues: longevity, changing demographics, low interest rates, etc. And it was very nice to see that, let's say, Latin America, Scandinavia, or Europe, Hong Kong, Asia, all dealing, of course, ultimately in their own way. But there's also many things which are common across the globe. And so one thing, for instance, is participation, coverage, and there's a general sense I heard today and yesterday that more and more people should automatically enroll in a pension plan, because if people leave that decision to individuals, they probably make that decision too late, save too little, and invest in the wrong way. So we need to assist people through their life cycle, through the financial life cycle.

It's very complicated. It's a very complicated decision even for finance professionals to find the adequate savings rate, to find the optimal asset allocation, to have economies of scale. And, of course, what I think, and I should have said that in my presentation today, is that you are willing to give up, for instance, your bequest motive to be able to share longevity risk. So any form of risk sharing has a trade-off.

One of the key things a pension fund or an insurance company provides is sharing of individual mortality risk. Each individual doesn't know how old he will get, so that's a thing of luck or chance. If we build large collective pools, and we are willing to share our individual longevity

risk, that is so economically efficient. That's something we should encourage across the globe, I would say. And for that, you need to give up your bequest motive because, actually, you're giving your bequest to the other participants in the pension plan when you die.