



Instantaneous vs gradual conversion from DB to DC

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Nieuw pensioencontract biedt perspectief, maar overstap in een keer is kansloos

 Theo Kocken

Theo Kocken is hoogleraar risicomangement

Voor het eerst in een decennium ligt een geheel nieuw pensioencontract in het verschiet dat perspectief biedt. Een grote stap voorwaarts. Maar die stap kunnen we niet nemen als we vasthouden aan verplicht 'invaren': het direct omzetten naar de nieuwe regeling van de bestaande pensioenopbouw van iedereen. De kans op slagen van dat collectief invaren is nihil. Om niet vast te lopen, is het beter direct voor een 'ingroeimodel' met tijdelijk twee contracten te kiezen.



'Kies voor ingroeien in plaats van invaren'

Agnes Joseph 25 oktober 2022

De overgang naar het nieuwe stelsel is complex en roept nog steeds veel vragen op. Volgens Agnes Joseph kan die transitie eenvoudiger en geleidelijker. Ze pleit voor ingroeien in plaats van invaren.

De Tweede Kamer buigt zich binnenkort over de Wet toekomst pensioenen. Geen makkelijke klus. Hoe verdeel je €1400 mrd collectief vermogen evenwichtig over miljoenen persoonlijke pensioenvermogens? Biedt het nieuwe stelsel wel echt koopkrachtige uitkeringen voor gepensioneerden? Brengt de transitie niet te veel maatschappelijke en operationele risico's met zich mee? Hoe zit het met draagvlak? Er is echter een eenvoudig alternatief denkbaar dat veel van dit soort bezwaren kan ondervangen. De zogenaamde ingroeivariant.



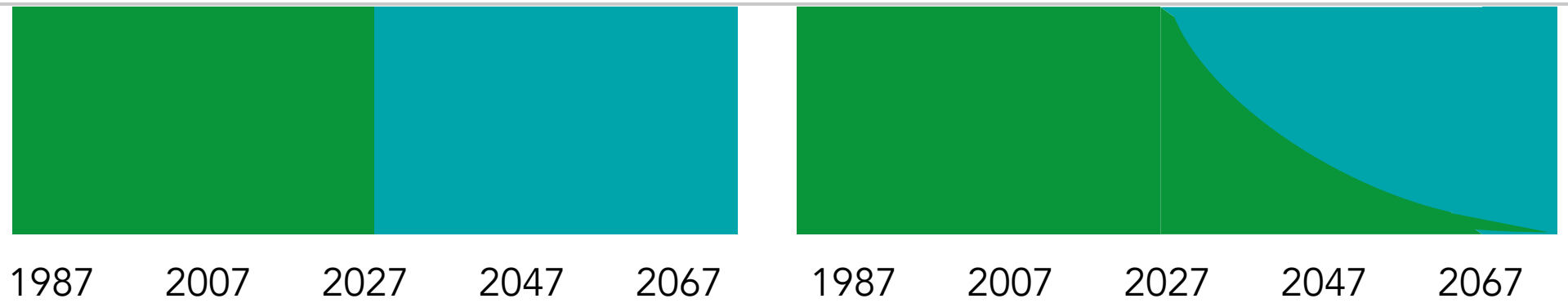
Foto Daan Kloeg/ANP



Instantaneous conversion



Gradual conversion



8 policy considerations

1. *Does it prevent that the (legal) nature of existing pension rights needs to be changed?*
2. *Does it solve the problem of the implicit debt in the current system? (“double transition”)*
3. *Can we take advantage of benefits of new contracts (e.g. age-dependent risk attribution)?*
4. *Does it perform good in calculations (e.g. ALM analysis)?*
5. *Does it lead to conflicts of interest between young and old?*
6. *Does it preserve opportunities for risk sharing between generations?*
7. *Does it lead to higher operational costs?*
8. *Does it restrict the investment policy in a negative way?*



Instantaneous conversion



Gradual conversion



1. *Does it prevent that the (legal) nature of existing pension rights needs to be changed?*

- Conversion of existing DB-rights without individual consent
- Potential negative impact on support
- Legal procedures

- No conversion of existing DB-rights, or only with individual consent



Instantaneous conversion



Gradual conversion



2. *Does it solve the problem of the implicit debt in the current system? ("double transition")*

- Instant relief of buffer requirements of DB
- Used for compensation
- Young liberated from implicit debt, but also do not receive implicit assets (buffers)

- Gradual relief of buffer requirements: gradual "buffervrijval" in closed DB fund
- Benefits need to be "passed through" to new DC fund, where compensation is required



Instantaneous conversion



Gradual conversion

3. *Can we take advantage of benefits of new contracts (e.g. age-dependent risk attribution)?*

- Yes, instantly



- Only very gradually: the “old” rules of existing DB schemes will remain dominant for two more decades



Instantaneous conversion



Gradual conversion



4. *Does it perform good in calculations (e.g. ALM analysis)?*

- Instant relief of buffer requirements of DB
- Instantly higher pensions possible: good for current old
- No need to structurally preserve buffers for future generations

- Gradual relief of buffer requirements: gradual "buffervrijval" in closed DB fund: good for current workers
- No need to structurally preserve buffers for future generations



Instantaneous conversion



Gradual conversion



5. *Does it lead to conflicts of interest between young and old?*

- Instant conflict of interest: one-off zero-sum game between young and old

- Avoids instant conflict
- But: compensation problem remains on the table
- Moreover: existing DB rules stay dominant for two more decades and contain conflicts of interest ("rekenrentediscussie", etc)



Instantaneous conversion



Gradual conversion



6. *Does it preserve opportunities for risk sharing between generations?*

- Yes, young and old remain in one single collective
- Solidarity reserve for risk sharing between generations

- “Wall” between young and old, especially around the year 2045 when the closed DB plan contains only older cohorts, while the open DC plans contains primarily workers.



Instantaneous conversion



Gradual conversion

7. *Does it lead to higher operational costs?*

- Single administration system needed after transition
- Relief of legacy

- Two administration systems needed for the coming decades
- On the other hand: some admin providers will keep an FTK system running anyway for serving closed funds and/or collective payout phase DC



Instantaneous conversion



Gradual conversion



8. *Does it restrict the investment policy in a negative way?*

- All pensions remain in one single collective
- Asset mix between matching and return portfolio will probably not change a lot on average

- Gradual derisking required in closed DB fund
- But: new DC plan will have offensive portfolio in initial decades
- Aggregated (DB+DC) not different from instantaneous conversion

Poll

Instantaneous conversion

What has your personal preference?

Gradual conversion



Motivate your answer

Waiting for responses ...

