

AF

Advisors



Dutch pension sector in 2035

Candriam – Dutch Sustainable Investment Conference

— September 5th 2024

Introduction & disclaimer



Jasper Haak

- Founding partner of AF Advisors (2008), Robeco: Product Management & Strategy (2000 – 2008)
- Chemical Engineering, MBA at London Business School, CAIA, FRM, SCR
- Strategic advisor to ABP and PMT



AF Advisors

- Research & consultancy boutique servicing the investment industry
- Experts in investment structuring, change and project management for complex projects
- Clients include top tier financial institutions in Europe



Disclaimer

- Slides include latest insights into developments in the Dutch pension sector
- Pension reform is only one of the trends in the Dutch pension sector
- Nobody can accurately predict the future

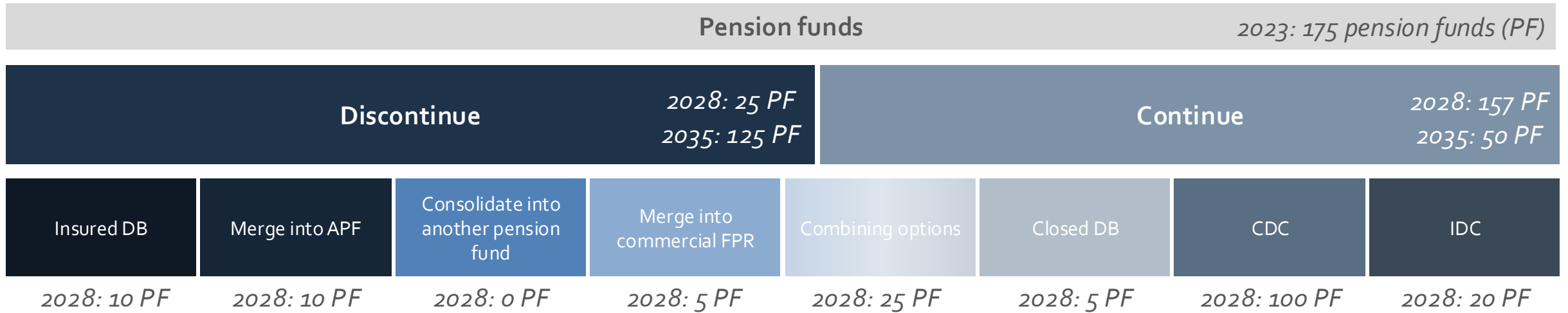
Impact of the Future of Pensions Act

- The Netherlands ranks first on *Mercer/CFA pension index*
- *Future of Pensions Act* approved by *House of Representatives and Senate*
- Opposition seems to lack support, so the reform seems final
- Transition from defined benefit to two variants of defined contribution

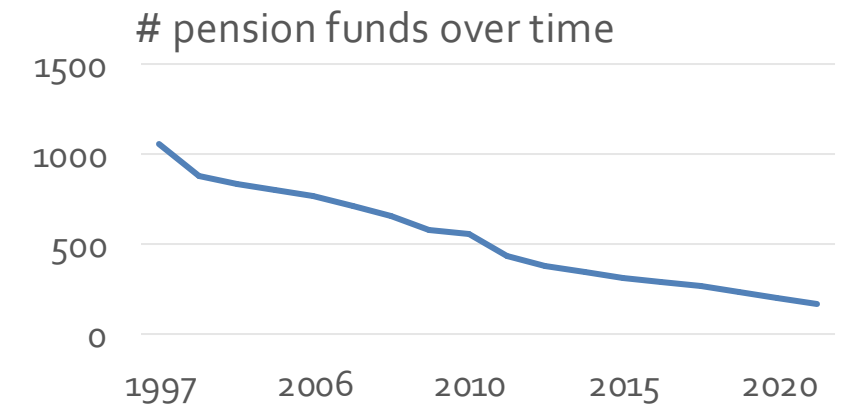


- Largest transition to a new pension system (ever!) (anywhere!)
- Conversion of accrued pension rights and entitlements before 1 January 2027
- Decision-making, design, preparation, and conversion
- Most of the impact will happen after the transition

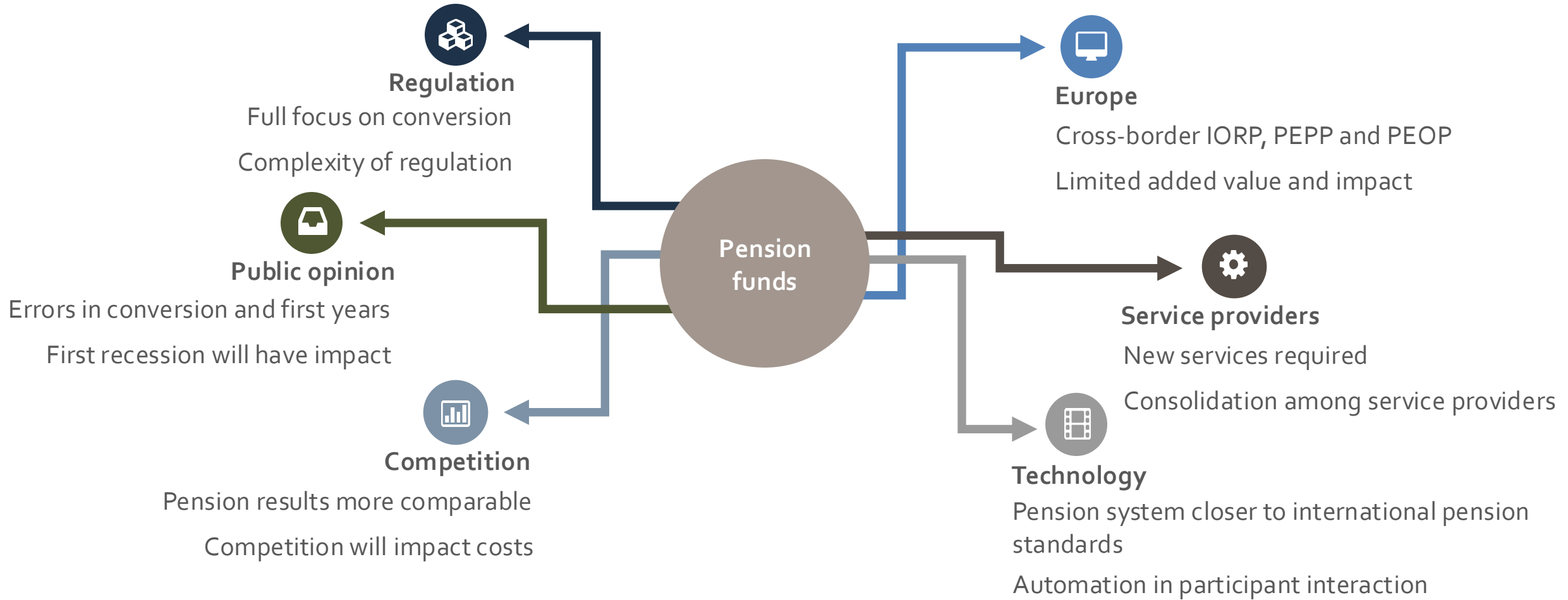
Decision making



- Few pension funds will opt for discontinuing in the short term
 - Consolidation is no option
 - Insured DB not popular
 - Less interest in multi-client pension funds (APF) than expected
- CDC will be more popular than IDC
- Combination of options possible
- The number of pension funds will strongly decrease in the long term



New force field



Impact on pension funds



Complexity

- DC more complex than DB
- Reporting
- Administration
- Valuation



Competition

- Better comparable
- Who is the main competitor?
- Other pension funds
- Insurers
- Banks
- DC Platforms
- Other?



Consolidation

- Who consolidates?
- Magnet funds
- APF
- PPI
- Insurers



Service providers

- The right partners
- Fiduciary management
- Pension administration
- Custodian
- Important aspects
- Sustainability
- Tech partner
- Scale



Reporting

- Big change
- Who is responsible?
- Administrative requirements

Impact on asset managers



Anchoring

- No need for changing existing portfolios?
- Too busy to make many changes



LDI

- No liabilities?
- Less need for long duration hedging
 - Less derivatives
 - Less long duration bonds



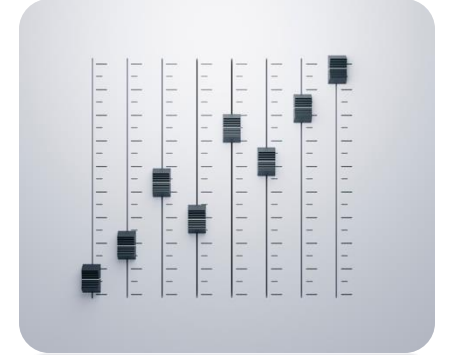
No FTK

- More freedom
- Sharpe optimization per cohort (age group)



Solutions

- Building blocks
- Unitization



Valuation

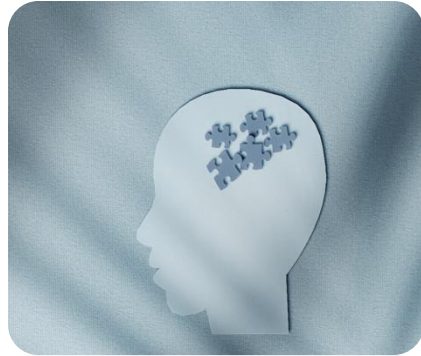
- Frequency
- Mark to model

Impact on fiduciary managers



New services

- Coordination of service providers



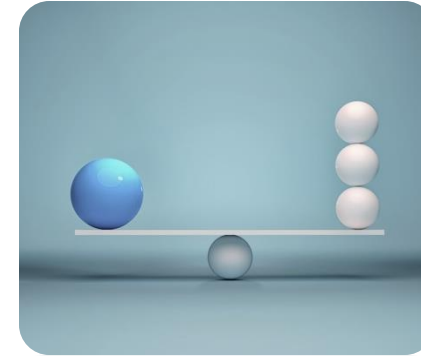
Solutions

- Building blocks
- Unitization



Investment admin

- Need for strategic partner
- Scale on investment administration platform
- Technology partner



Scale

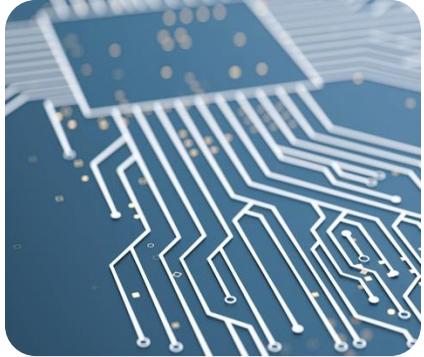
- Sufficient scale to offer competitive fees



Pricing

- Reset of pricing
- Means consolidation end of below market pricing?

Impact on pension administration



Automation

- Need for automation of manual processes
- Use of modern technology



IT platform

- IT platform is crucial for competitive position



Financial planning

- Interaction with participants will develop in the direction of financial planning



Scale

- Scale important to offer competitive fee
- What is minimum scale?
- What is maximum scale?



Specialization

- Types of specialists
 - CDC (SPR)
 - IDC (FPR)
 - FTK

Future of the sector – 2035

Key considerations

- End of mandatory sectoral pensions
- New players in the market
- Mass customization
- Integrated financial products



Future of the sector – 2035

Who wins?

