Pension Committee

Current Risk Management Practice in The Netherlands

Málaga, 7 April 2017

Main components of Risk Management

- Quantitative assessment
- Qualitative assessment
- Governance requirements
- Communication requirements

Quantitative assessment

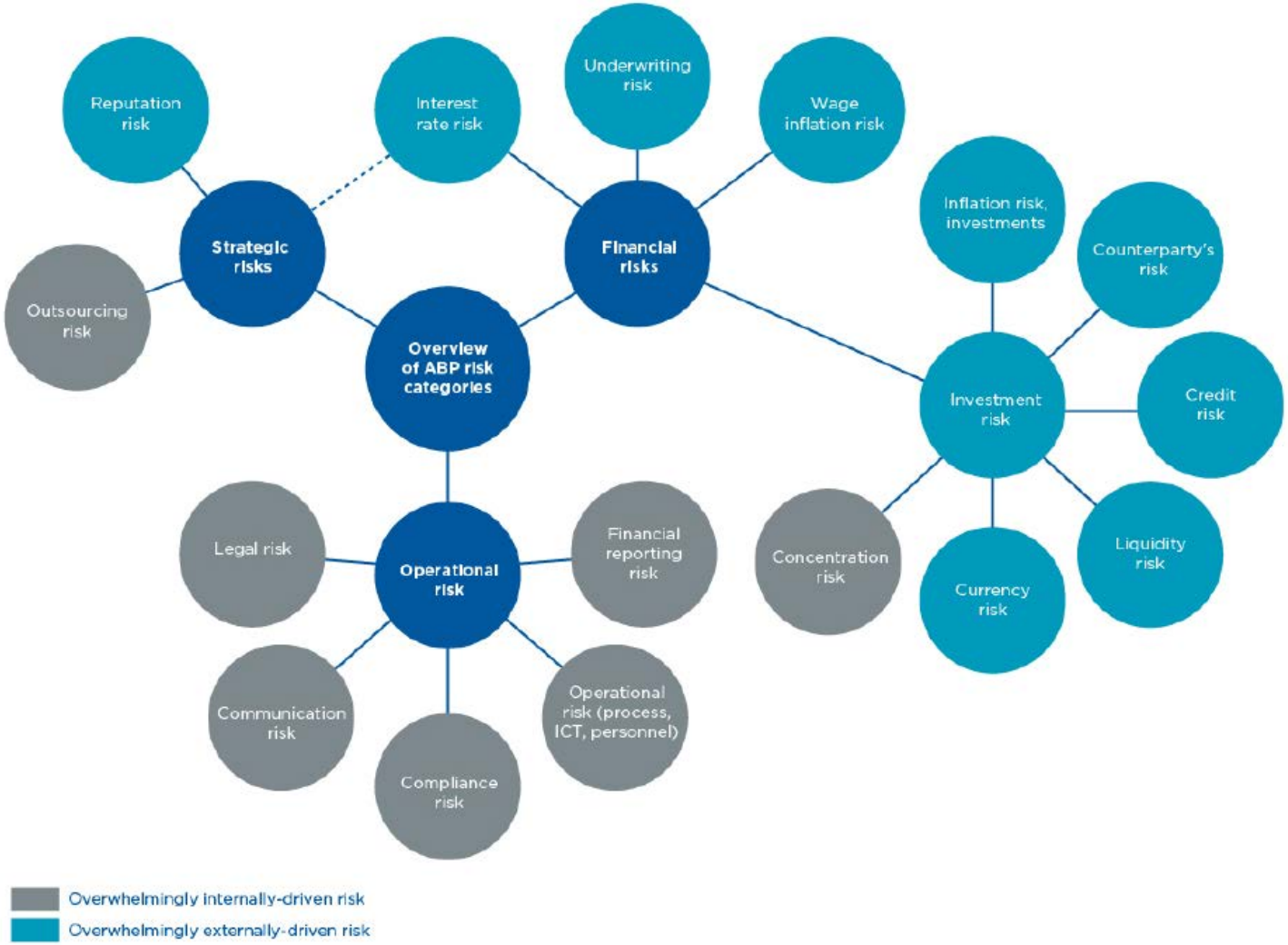
Funded Status Risk

1. Interest rate risk
2. Equity risk
3. Currency risk
4. Commodity risk
5. Credit risk
6. Demographic risk
7. Liquidity risk
8. Concentration risk
9. Operational risk
10. Active management risk

Market risk

Qualitative assessment

ABP Annual Report 2015 | REPORT OF THE BOARD OF TRUSTEES



The largest Dutch IORP, ABP, 'just' as an example

More and more IORPs have a 'risk register'

Measurement:

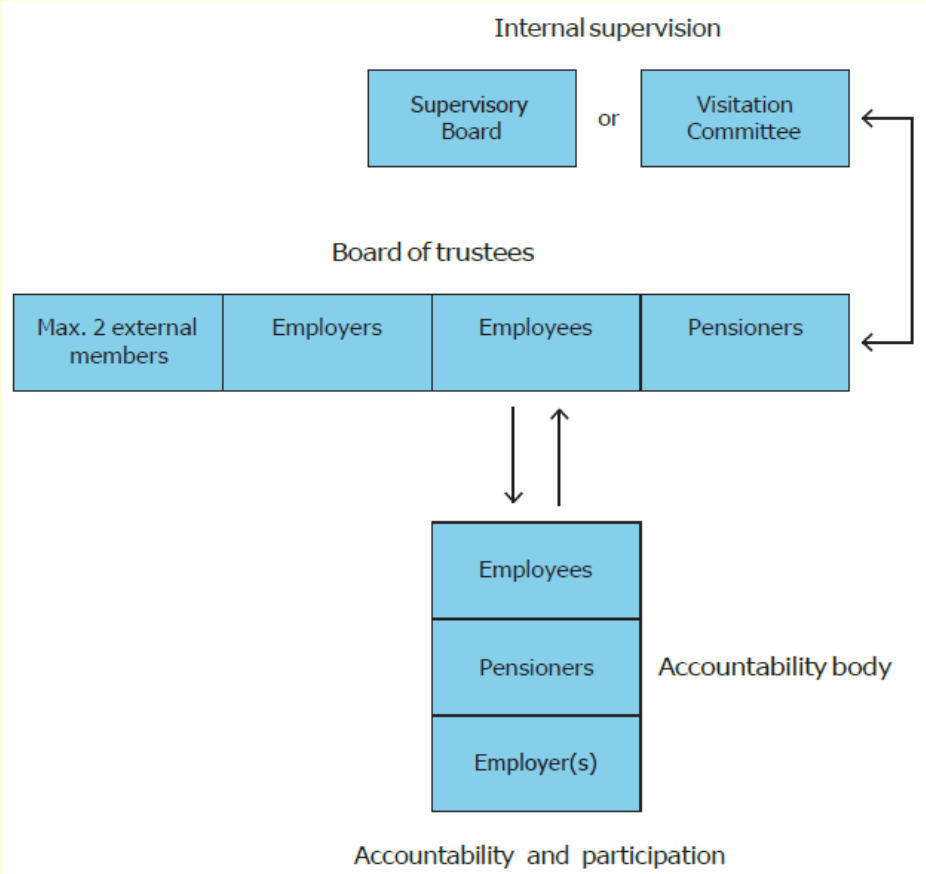
Gross risk

Controls -/-

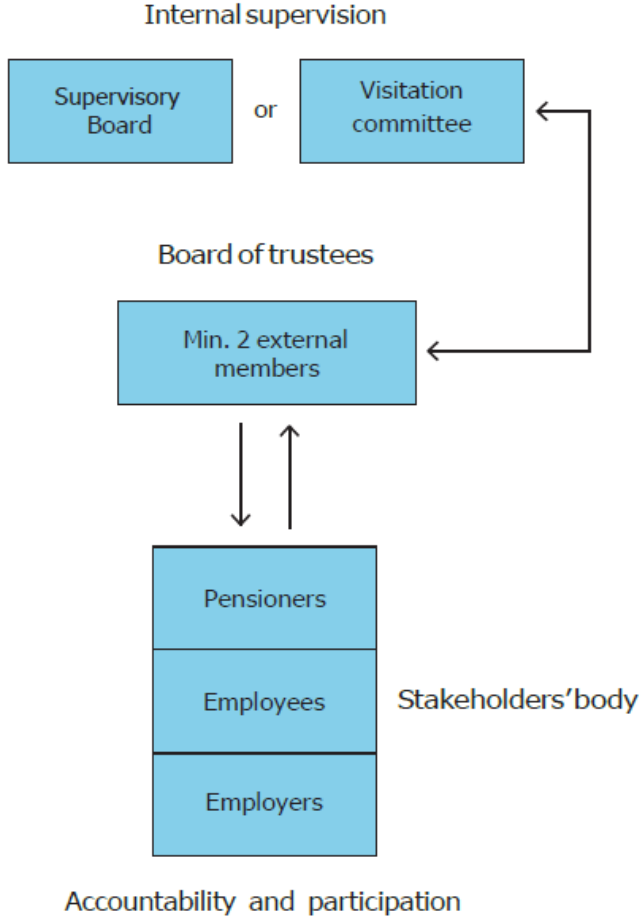
Net risk

Governance requirements

1. Joint or paritarian (2015: 91.7%)



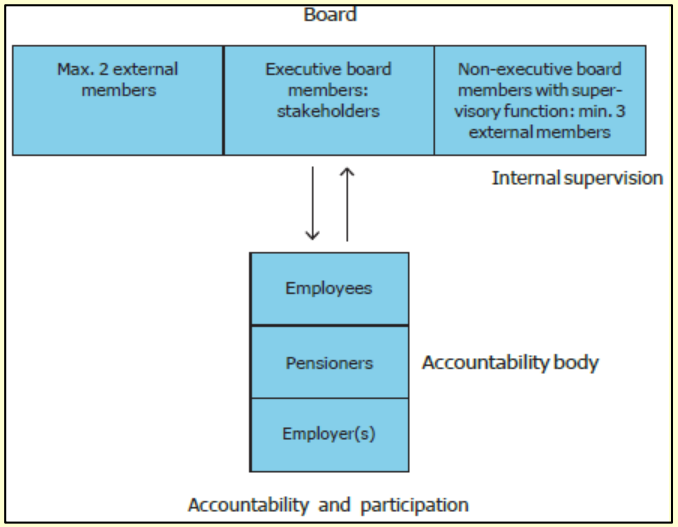
2. Independent (2015: 1.0%)



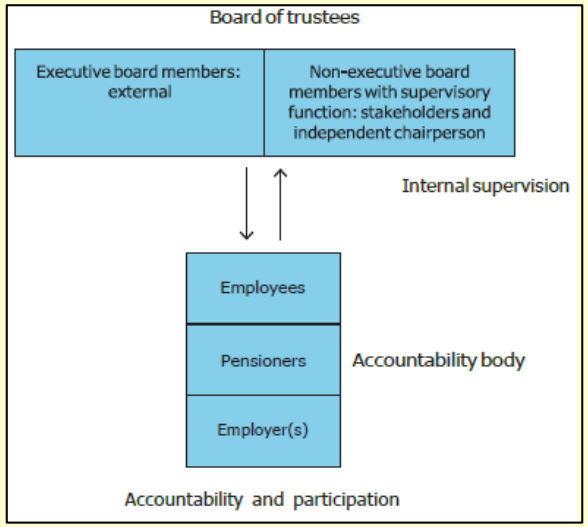
Source: Dutch Pension Federation, 'Code of the Dutch Pension Funds', September 2013

Governance requirements

3a. Joint or paritarian mixed (2015: 2.4%)

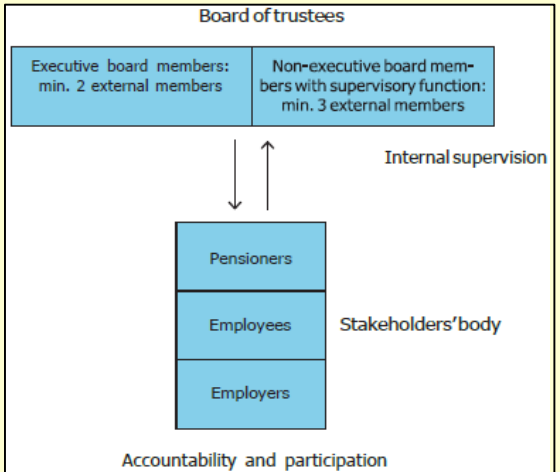


3b. Inverse mixed (2015: 4.2%)



Source: Dutch Pension Federation, 'Code of the Dutch Pension Funds', September 2013

3c. Independent mixed (2015: 0.0%)



Communication requirements

Social partners have to provide their risk acceptance

1. *“starting from a funded status of 125%, we want the pension result to be on average at least 95%”*
2. *“starting from the current funded status, we want the pension result to be on average at least 80%”*
3. *“starting from the current funded status, we want the average pension result in a bad weather scenario maximum 10% lower”*

This is to be tested in a prescribed feasibility test (60 year horion)

Pension result calculated for every year of birth → includes test on intergenerational effects