

Developments in European pension regulation – risks and challenges

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Topics in the paper

- Trends
- Regulation
- Early adopters
- GFC & Euro crisis
- Weakness of regulation
- Industry challenges
- Lesions learned



Early adopters



Sweden



The Netherlands



The United Kingdom

A stylized Dutch fund (50/50 split stocks & bonds)

	Market valuation of liabilities	Book valuation of liabilities
Funding ratio at January 1st, 2007	139%	135%
Funding ratio at January 1st, 2013	103%	135%
Change in Funding ratio (percentage point)	-36%	+0%
due to interest rates	111% (-28%)	146% (+11%)
due to equity	130% (-9%)	126% (-9%)
due to longevity	137% (-2%)	133% (-2%)

Stylized example - US public fund

Discount rate	Solvency
8% expected return	60%
4% actuarial rate	31%
Market rate (late March, 2013)	24%