How to design a universal good DC plan
Evidence from Sweden, Netherlands, Chile and Australia

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Context

Path dependent

Political convictions

Social acceptance of poverty
Workplace pension is a residual:

State pension – Universal or income tested?

Social welfare – Housing allowance, other benefits?

Labour laws - A set retirement age or not?

Fiscal treatment – EET or TEE?

Pension laws – Lump sum or variable annuities?
Trend spotting

Ageing

Career

Automation

But,
Social institutions are built for the industrialisation!
Universal good DC design
All agree on “good”, but for whom?

Government

Providers  Individual
Funded Pension Policy Journeys

Stage 4:
- Government solutions
- More regulation

Stage 3: (iterative):
- Financial education
- More transparency

Stage 2:
- Mandatory savings
- Markets are efficient

Stage 1:
- Consumer is economically rational
- Fiscal incentives
My observations from pension systems

Design:
Consumer are not willing to act as the principal

Implementation:
‘Retail’ market is not clearing on price and quality

But politicians
• “Mark-to-Ideology”, not “Mark-to-Reality”
• Shy away from accountability
DC design in practice
Syntax Error: Current IDC vs CDC debate

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<th>Contract</th>
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Dutch model - mandatory lifelong incomes

1. Dutch Collective DC
   - Trust based pension solution
   - Variable annuity with DB accounting
   - Challenges with intergenerational fairness

2. Dutch Individual DC
   - Contract based solution
   - Variable annuities (since 2016)
   - Smoothing your income with yourself

Aha…!
Swedish Review: Key design areas in DC

• Take ownership
  – Set the goals
  – Governance

• Choice architecture
  – Focus on the consumer
  – Mifid II

• Appoint a “Sheriff” of the fund platform
  – Competition: Price / Quality
  – Quality assurance
Why I binned life cycle investing

[Link to article](https://www.linkedin.com/pulse/why-i-binned-life-cycle-investing-stefan-lundbergh/)