

Guus Boender is revered for his contribution to the Dutch pension industry and was winner of epn's sister magazine npn's 'exceptional contribution to the pension fund sector' award last year. As a man in his early 50s, he says he is 'just out of the cradle', but has dreams about converting the social service sector into an investable product. *Anke Claassen* finds out how
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What will be the most important issue for the financial market and, more specifically, the Dutch pension industry?

Risk management, without a doubt. That will be the biggest challenge for the future. How to best manage the relationship between investments and liabilities, and that will come down to making the right decisions. The question is, how?

What are those 'good decisions'?

Asset and liability management. It's about how the system can manage surpluses and deficits caused by investments. How to create the best pension system? Putting money aside for the future is not enough – we need to think of other opportunities and solutions.

When ageing has reached its peak, Dutch pension assets will probably be more than three times gross national product (GNP) in the Netherlands. That is fine when the market is doing well but when it goes wrong the consequences could be dire. What can we do?

It is difficult to predict which strategy should be selected in the event of this happening. When a fluctuation in pension property occurs, let's say 10 percent, this would result in a 30 per cent loss of of GNP. What we do know is that it is impossible to pass this loss on to companies or active contributors.

So who is going to tackle this complex issue?

Specialists have been working on this issue for a long time. Netspar, Keith Ambachtsheer and the CPB (Netherlands Bureau for Economic Policy Analysis) are creating important ideas to address this. One way of doing this could be to look at investments. For example, it has been scientifically proven that it's economically viable for a country to invest in education over the long term. Nevertheless, the Dutch government has not been able to find the E1bn needed to increase the salaries of teachers. If everything goes well, and I am quite optimistic it will, we may be able to use pension assets for these kind of purposes.

It is the role of pension funds to solve these problems?

You won't hear me say that pension funds should provide this E1bn. That would be too simplistic. But the fact is, if everything goes well, our pension piggy bank will be the biggest pool of money we have. No money box can beat it and I think there are enough ingenious

grey cells around who can think about how we can use this immense amount of money for social or logistical infrastructure.

So what we need is some kind of investment product that helps find a solution for the lack of people in the social services or in education?

In practice, it is difficult for pension funds to invest in these kind of things at present. It takes a lot of creativity and perseverance to do so. The Dutch public servants' pension fund ABP is, however, currently working on different kinds of possibilities and solutions for this; but they are the exception rather than the rule. But it would be great.

What will such a product actually look like?

The real genius is to make it scaleable. Wouldn't it be perfect if social services became something you could invest in? Now is the time to think in which ways pension property could contribute to create a world we want to live in. This could be done indirectly, for example, by the government issuing index loans. It could then use this money for infrastructure investments, while pensions funds would have the benefit of investing in index loans, which are not enough in abundance right now. Or pension funds could invest in a more direct way, for example, by investing in social service real estate or by having shares in power supply networks.

Ortec recently became a Netspar member. What are your future plans together?

To find an answer as to what the pension system needs to look like. It's my guess that solidarity between generations won't increase, while risks certainly will. This combination is similar to a time bomb. The question is how to control this emerging time bomb. Netspar has a lot of scientific knowledge, while we bring in the more practical side of the story.

Which particular points of interest do pension funds need to take care of?

We need to elaborate on the consequences market value has for pension funds – both in nominal and real terms. I think corporate asset liability management will remain an important issue. This will be important because that's where collective defined contribution originates. Another thing that I consider especially promising is that the amount of foreign clients is increasing. This appeals to me a lot because we can teach them a lot, while at the same time learning from them. It's a mutual information flow.

What role should pension funds play in order to find a way to solve future problems?

It's difficult how to define this role exactly, but there are still a lot of people who think that the only thing pension funds should do is save money for later. That is, however, way too one-sided for this complex issue and, in my opinion, not efficient at all over the long term.

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