

PRESS RELEASE**European capital markets need private pensions**

*CPB presents new Policy Brief on
the redistribution of economic risk through pension systems*

Brussels/The Hague, 7 September 2011 - Today CPB Netherlands Bureau for Economic Policy Analysis in co-operation with Bruegel, the Brussels-based international economics think tank, presented CPB Policy Brief *Private Pensions for Europe*. The paper written by Lans Bovenberg and Casper van Ewijk argues that a larger role for private funded pensions benefits the European capital market, stimulates the internal market for pension services and enhances international and intergenerational risk sharing. A deeper European capital market allows for better diversification of country-specific risks and facilitates economic growth.

Furthermore the authors suggest that the European Union member states and the EU institutions should facilitate this development, through open coordination supported by proper regulation of pension markets at the EU level. Bovenberg and Van Ewijk note that European pension systems are in deep crisis due to a toxic mix of ageing populations, the financial crisis and poorly functioning labour markets. This badly affected all pensions, in particular public Pay As You Go systems (PAYG) and corporate defined-benefit pensions. Funded private pensions can help to keep up old-age incomes, as they are less dependent on the public finances. They can also foster a better allocation of risks between citizens and member states. EU regulation of pension funds should not focus on requirements to guarantee safe pensions, but rather stimulate funds to share risks efficiently among participants and mandate funds to communicate risks transparently to individuals.

The authors argue that mandatory participation in private pension plans helps to overcome problems associated with voluntarily schemes, such as lack of commitment on the part of the contributor or the selection of the least risky members by pension funds suppliers. Private capital based pensions are good complements to public PAYG systems and attractive alternatives to other forms of pension.

The paper can be downloaded on Bruegel website at www.bruegel.org or at CPB website at ww.cpb.nl



CPB Netherlands Bureau for Economic
Policy Analysis

CPB media contact:

Edwin van de Haar
Executive Secretary & Spokesman
mail to: e.r.van.de.haar@cpb.nl
T. +31 6 21 560 776

Bruegel media contact:

Naiara Martinez
Communications Manager
mailto:naiara.martinez@bruegel.org
T. +32 2 227 4290

About the authors:

Lans Bovenberg is a professor of economics at Tilburg University and founder of Netspar, the Network for Studies on Pensions, Aging, and Retirement.

Casper van Ewijk is a professor of Macro Economics at the University of Amsterdam, Deputy-Director of CPB Netherlands Bureau for Economic Policy Analysis and a Netspar research fellow.

About CPB: CPB Netherlands Bureau for Economic Policy Analysis (www.cpb.nl) is the Dutch fiscal policy council. Founded in 1947, it conducts scientific research aimed at contributing to the economic decision-making process of politicians and policymakers. For more information see our website www.cpb.nl

About Bruegel: Bruegel is a European think tank working in the field of international economics. Established in 2005, Bruegel is independent and non-doctrinal. It seeks to contribute to European and global economic policy-making through open, fact-based and policy-relevant research, analysis and debate. Bruegel's governance and funding model is unique. Its membership includes EU governments, leading international corporations, the EIB and the EBRD. Its activities are carried out at arm's length from members' interests.

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