

# Pension Ambitions in an Uncertain World

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## Risk management in Pillar 2 pensions

- Pension promise must be properly accounted for
- Pension premiums need to be invested on the basis of the prudent person principle
- Risk mgt approach must also apply to governance
- Supervisory reporting and public disclosure should reflect sound risk mgt

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## Risk management in Pillar 3 pensions

- Risk based solvency regime with market consistent valuation might lead to high volatility
- Delivering a hard long term guarantee has become a challenge
- Volatility can be addressed through a number of measures subject to appropriate transparency

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## Some observations

- One cannot keep driving in the fog
- Lack of appropriate communication about risks will ultimately destroy the system
- Need to find appropriate compromise between consumer protection and sustainability of the system
- Transitional regime may be unavoidable

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