# Join the Club!
# What Associational Democracy Can Teach Us about Pension Fund Governance

Paper prepared for the 10th European Conference of the International Labour and Employment Relations Association (ILERA), 20-22 June 2013, Amsterdam

Natascha van der Zwan, Amsterdam Institute for Advanced Labour Studies, University of Amsterdam

**PROVISIONAL DRAFT – PLEASE DO NOT CITE WITHOUT PERMISSION**

Abstract:
Both scholarly and public debates on the governance of occupational pension funds seem to gravitate between two extremes. On the one hand, we find arguments in favor of some degree of compulsion for workers to participate in an occupational pension plan. On the other hand, we find proponents of a system, in which plan participants are free to act on their individual preferences with regards to their pension scheme. In this paper, I want to bring attention to a third variety of pension fund governance. In this associational form of pension fund governance, the active and inactive members of the pension fund form a self-governing collectivity that is responsible for the pension scheme. In this paper, I will build on existing political science literature on associational democracy to argue that the associational form of pension fund governance may provide several important benefits. Among these are increased involvement of plan participants with regards to their pensions and an increase in accountability and transparency of the pension fund. To test the argument, this paper will review a recent policy experiment with collective voice in the Dutch occupational pension system, the introduction of so-called pension associations for the liberal professions (*beroepspensioenverenigingen*).

Contact information: Dr. Natascha van der Zwan, Amsterdam Institute for Advanced labour Studies (AIAS), University of Amsterdam, Plantage Muidergracht 12, 1018 TV Amsterdam, n.a.j.vanderzwan@uva.nl.

## 1. Introduction

The financial crisis has placed considerable strain on occupational pension systems across Europe. In the Netherlands, many pension funds have increasingly found themselves not being able to meet the legally required coverage ratio of 105%. The resulted cutbacks in defined benefit pension entitlements have spurred a heated debate over who should carry the burden of these cutbacks. As employers are retreating from their previous commitments to share some of the investment risks with employees, older generations are pitted against younger workers in a heated political debate over who gets what, where and when. The consequences of all this public upheaval are not purely financial. Recent reports indicate that more than half of the Dutch public no longer has confidence in the ability of pension funds to deliver adequate income in retirement. The public confidence in pension funds is even lower than confidence in banks or insurance companies (Preesman 2013).

Against this backdrop of low public confidence in the Dutch pension system, several political actors have proposed far-reaching reforms. These proposals have ranged from introducing flexible retirement ages to letting participants select their own pension provider. Many of the new policy proposals revolve around the introduction of individual freedom of choice in the occupational pension system: giving workers and employers more of an individual say on how and where they save for their retirement (cf. Boelaars 2012; Van Leeuwen-Schut et al. 2012). This is a radical departure from the existing occupational pension system, in which Dutch workers are obligated by the government to participate in industry-wide pension funds, while the details of the pension plan are defined by the social partners through the collective bargaining process. The introduction of more freedom of choice thus has the potential of a major overhaul of the Dutch pension system.

To be sure, the proposed introduction of individual freedom of choice with regards to pensions is highly controversial. The compulsory nature of the pension system is argued to have resulted in high participation levels (over 90% of Dutch workers) and high levels of social solidarity. By making participation mandatory for employees and employers alike, risks are shared collectively and competition over labor costs is reduced. Proponents of the status quo furthermore believe that the proposed alternative, individual freedom of choice, will remove the economies of scale achieved by the pension mandate and result in costlier pensions. They also fear that people will not accumulate enough retirement savings, as few people have the knowledge and skillset to make appropriate choices on where and how to invest their pensions. The debate on freedom of choice extends beyond Dutch pension policy.

Freedom of choice in pensions and in other social policy areas (e.g. healthcare) is being discussed in other European countries as well (Raderup, Bendz, and Norén 2013; Anderson 2012).

The public debate about occupational pension reform has largely revolved around a binary opposite between state mandate or market freedom. In this paper, however, I argue that these are not the only possible governance modes for pensions. Here, I want to bring attention to a third variety, namely an *associational* form of pension fund governance, in which participants form a self-governing collectivity responsible for the pension scheme. Building on existing political science literature on associational democracy (cf. Hirst 1995, Warren 2001, Cohen and Rogers 1995), I argue that associational governance provides several important benefits. By being directly involved in the definition of the pension scheme, participants can increase their knowledge about their pensions, develop their financial skillset, and gain a general sense of efficacy. Associational governance may also improve accountability and transparency, as participants become responsible for monitoring the pension fund board. The collective nature of associational governance, finally, avoids the negative effects of individual choice and incentivizes participants to make decisions in light of the common good.

To test my argument, I will review a recent policy experiment with collective choice in the Dutch occupational pension system, namely the introduction of so-called pension associations for the liberal professionals (*beroepspensioenverenigingen*). Unlike most sectors, where the governance of occupational pension funds is left to representatives of the social partners, participants in these professions have a collective say over the contents of their pension plan and the way in which their pension fund is governed. Having only been operational since 2007, the pension associations offer an interesting case to study how participants reach collective decisions over their pension plan and fund. What emerges from this analysis is that associational governance has significantly increased participants' influence over their pensions. Still, the analysis also shows that the pension associations have not yet been able to fully live up to their participatory potential as a result of two problems: the institutional legacies of strong and independent pension boards and the absence of a participatory culture among plan participants. For associational governance to become a worthy alternative to state compulsion or individual choice, these problems must first be remedied.[1]

The outline of this paper is as follows. First, a general overview of the Dutch pension system will be provided with specific emphasis on the possibilities for exit and voice. In Section 3, it will be argued that current scholarship on pension fund governance does not sufficiently take into account the issue of legitimacy of pension board decision-making. Section 4, then, proposes an alternative model of pension fund governance, one that revolves around the possibility for collective voice through processes of participatory governance. Here, I will draw on literature on associational democracy and participatory governance. The insights from this literature review will be tested in Sections 5 to 7, using a case study of the so-called professional pension associations in the Netherlands. Sections 5 and 6 introduce the pension association and explain how they operate. Section 7 evaluates the pension associations' daily practices in light of the insights garnered by the literature on associational democracy. The paper will conclude with a number of recommendations on how participatory practices within the pension associations can further be improved.

## 2. Exit and Voice in the Dutch Pension System

The Dutch pension system consists of three pillars. The first pillar encompasses the AOW, a state pension for everyone who has lived and worked in the Netherlands between 15 and 64 years of age. The AOW is a social insurance and financed on a PAYGO basis by premiums from wages. The second pillar consists of the occupational pension schemes that are organized on a collective basis. Employers in the Netherlands are not obligated to offer a pension to their employees. Nonetheless, the great majority of Dutch workers participates in an occupational pension scheme. According to the Central Bureau of Statistics, only 8% of employees between 25 and 64 years did not participate in an occupational pension scheme in 2010 (De Mooij et al. 2012: 18-23). Occupational pensions are fully funded and sponsored by the employer. The third pillar includes voluntary, individual pension savings vehicles. This paper deals exclusively with the occupational pensions in the second pillar.

[1] For this study, I have conducted a document analysis of newspaper articles, policy reports and publications made available on the websites of the professional pension associations and the professional pension funds (e.g. annual reports, newsletters, informational leaflets, etc.). Some pension associations also gave me access to their private files. In addition, a very small number (5) of in-depth interviews were held with representatives from various pension associations. The goal of these interviews was to contextualize the evidence gathered through the document analysis..

There are three types of pension funds in the Netherlands: industry-wide, company and professional pension funds. In 2011, there were 74 industry-wide pension funds (*bedrijfstakpensioenfondsen*), serving around 4.8 million workers or 87% of all pension fund members (De Nederlandsche Bank 2013). Of these industry-wide funds, 64 have compulsory membership for employees *and* employers alike.[2] Employers are obligated to participate in the industry-wide plan, unless they have a comparable or better pension plan, while employees are required to participate in the plan offered by their employer. Mandatory participation ensures high levels of participation, low administration costs due to economies of scale and the elimination of competition between firms on the basis of labor costs. The details of the pension scheme are collectively bargained by the social partners (employer associations and labor unions) at the industry-level. The social partners also represent the participating employers and employees on the governing board of the pension fund, where each side holds an equal number of seats.[3]

Whereas the social partners engaged in collective bargaining represent the discrete interests of these members, the governing board of the pension fund is legally required to represent the interests of all participants (active, deferred, pensioners) in a balanced manner. This legal requirement is checked by an accountability body (*verantwoordingsorgaan*). The accountability body consists of representatives of active participants, pensioners, and the employer. Active participants and pensioners are also represented on the so-called members' council (*deelnemersraad*), an advisory council to the board.[4] Members of the council are selected by employee organizations or pensioners' organizations. In some funds, the members' council and the accountability body have been merged.[5] External oversight is provided by the Dutch Central Bank, who among other things sets proper-and-fit standards for pension fund officials, and the Dutch Financial Authority, which monitor the market behavior of financial institutions.

[2] In addition to the industry-wide pension funds, there were also 359 company pension funds (*ondernemingspensioenfondsen*), that had around 670.000 members in late 2011 (De Nederlandsche Bank 2013). Participation in these funds is not mandatory for employers, but participation for employees is mandatory. The professional pension funds, which also have mandatory participation, will be discussed in Section 5.

[3] This is the case, for instance, in Pensioenfonds Zorg en Welzijn, the large pension fund for the health care industry.

[4] Company pension funds are not required to have a members' council, unless desired by the pension fund board or requested by at least 5% of the participants. The seats in the members' council are divided among the active participants and pensioners in proportion to their numbers.

[5] The board of company pension funds is likewise composed of representatives of the employer, the employees, and pensioners. The number of seats for pensioners and employees needs to be equal in size as the seats for the employer. Contrary to the industry-wide pension funds, employee representatives are elected directly by the participants or nominated by the works council or the participants' council.

The particular nature of the Dutch pension system – state compulsion with regards to participation, social partner involvement in negotiation and administration – is by no means unique. Table 1 shows (see Annex) that mandatory participation is common in many European countries. Although many countries have some degree of voluntarism with regards to employer and/or employee contributions, membership is much more restricted. Of the countries listed in Table 1, only Austria, Germany and Spain had voluntary membership. Likewise, representation of employers and employees on governing bodies is the rule across these European countries. When it comes to investment policies and pension providers, however, choice options are severely limited: only in Spain and the UK do participants get a say in one of these issues. Occupational pension systems across Europe thus combine similar degrees of choice and compulsion.

| Country | Type of Occupational Pension Fund | Employer Contributions | Member Contributions | Representation of employer/ employee? | Membership | Investment Options | Choice for Pension Provider |
|---|---|---|---|---|---|---|---|
| Austria | Pensionskasse | Voluntary | Voluntary | Both | Voluntary | No | Missing data |
| Belgium | Instelling voor bedrijfspensioenvoorziening | Voluntary | Voluntary | Both | Mandatory | Possible in some cases | No |
| | Industry-wide pension fund | Voluntary | Voluntary | Both | Mandatory | Possible in some cases | No |
| Finland | Company pension funds | Mandatory | Not possible | Both | Automatic enrollment | No | No |
| | Industry-wide pension funds | Mandatory | Mandatory and voluntary possible | Both | Automatic enrollment | No | No |
| | DC Pension Funds | Mandatory | Mandatory and voluntary possible | Both | Automatic enrollment | Possible in some cases | No |
| Germany | Pensionskasse | Voluntary | Voluntary | Depends on legal form | Voluntary | Possible in some cases | No |
| | Pensionsfonds | Voluntary | Voluntary | Depends on legal form | Voluntary | Possible in some cases | No |
| Netherlands | Industry-wide pension funds | Mandatory and voluntary possible | Mandatory and voluntary possible | Both | Mandatory | Possible in some cases | No |
| Spain | Fondo de Pensiones de Empleo | Mandatory and voluntary possible | Mandatory and voluntary possible | Both | Automatic enrollment | No | No |
| | Fondo de Pensiones Personal | Not possible | Voluntary | No | Voluntary | No | Yes |
| Sweden | Occupational pension fund | Mandatory | Not possible | Both | Automatic enrollment | No | No |
| | Pension foundation | | | Both | | | |
| United Kingdom | Occupational scheme | Mandatory and voluntary possible | Voluntary | Both | Automatic enrollment | Possible for DC and hybrid schemes | No |

*Pension plans administered by an insurance company are excluded from this last. Source: EIOPA Pension Database, https://eiopa.europa.eu/publications/database-of-pension-plans-and-products-in-the-eea/index.html. Last date accessed: May 31, 2013.

## 3. Governance, Legitimacy and Trust

The introduction of some level of compulsion in the occupational pension system is often justified with reference to the downsides of freedom of choice (Bodie and Prast 2011). If left to their own discretion, participants will likely not accumulate enough savings for retirement (Lusardi and Mitchell 2011). Moreover, participants are generally found to be incapable of making appropriate financial choices due to a lack of financial literacy and risk aversion (cf. Bateman et al. 2011; Gallery et al. 2011). Finally, participants demonstrate self-control problems, leading them to withdraw funds from their pension savings prematurely or to spend lump-sum payment during retirement (Hastings and Mitchell 2011). The result of these problems is that employees do not save enough for retirement. Although most studies in this area pertain to the United States, where defined contribution pensions are most common, evidence indicates that similar problems are at work in the European countries as well (cf. Van Rooij, Kool and Prast 2007).

In many occupational pension systems, difficult decisions about pension are therefore left to fiduciaries who act on the participant's behalf. These can the trustees of the pension plan, as in the United States and the United Kingdom, or the members of a pension fund board, as is the case in the Netherlands (De Deken 2009). Scholars of pension fund governance have investigated under what conditions these fiduciary relations function best. Pension fund governance can best be defined as "the manner in which authority or power is exercised to fulfill duties and obligations to a constituency of stakeholders" (Impavido 2002: 9). Central to this scholarship is the question how institutional design can secure generous pension benefits for the plan's beneficiaries at low operational costs (Stewart and Yermo 2008). Good pension fund governance is argued to have a number of secondary positive effects, including increasing trust among stakeholders, reducing the need for regulation and supervision, and good corporate governance (ibid.). It can furthermore contribute to the overall stability of the financial system by promoting long-term ownership of financial assets by promoting long-term ownership over the short-term (Ambachtsheer et al. 2006).

Pension funds do not always successfully deliver these outcomes. Of particular concern to pension governance scholars are so-called agency problems, which occur when the interests of the fiduciaries (agents) are not aligned with those of the beneficiaries (principals). In the area of pension investment, multiple chains of agency problems can be identified: not only do participants function as principals to the pension fund governing board, but the board itself becomes a principal when it delegates the investment of pension savings to professional investment managers (De Deken 2009) Moreover, agency problems can occur at different moments in the administration of the pension plan. Ebbinghaus and Wiβ (2012) distinguish four such moments: at the initiation of the plan, during the plan's sponsorship, during moments of oversight, and during the benefit pay-out phase. Other problems associated with poor pension fund governance include a lack of periodic self-evaluation by the board, information asymmetries between board and participants, and weak internal oversight (Ambachtsheer 2006).

The conceptualization of pension fund governance as a problem of financial performance reveals a very particular understanding of the nature of the pension fund. Scholars of pension fund governance generally consider pension funds to be financial institutions, whose sole purpose is to provide pension benefits to their participants. To them, legitimation of the board's decisions occurs ex post in light of the financial performance of the fund. This is known as output legitimacy (Van Kersbergen and Van Waarden 2004: 156). Considering this financial understanding of the pension fund, it is not surprising that many scholars want to limit the involvement of political stakeholder groups in internal decision-making. Hess and Impavido (2003), for instance, have suggested that stakeholder representatives on public pension fund boards may further their own political interests before considering the long-term consequences for beneficiaries. Clark and Urwin (2010) have expressed the fear that stakeholder representatives may not have sufficient expertise required for pension investment geared towards the long-term. Both particularistic interests and lack of expertise are said to distract the board from realizing long-term investment return for the participants.

Other scholars have maintained that the representation of stakeholders by the social partners *prevents*, not causes, agency problems. Ebbinghaus and Wiß, for instance, write that "via collective bargaining and involvement in the operation and management processes of pension funds, burdens can be shared between employers (higher contributions) and employees/pensioners (lower or frozen indexations, higher contributions and lower benefits)" (2011: 24). They add that social partner involvement is an important counterweight to workers' increased reliance on financial markets, in particular after pension funds' disastrous losses during the 2008 financial crisis. They state that "a stronger inclusion of unions and workers' representatives in supplementary pensions may balance the interests and risks between employers (low administration costs), financial institutions (profit) and beneficiaries (high benefits)" (2011: 27). To them, inclusive pension fund governance can remedy some of the loss of trust among participants and help refocus pension boards towards the long-term.

A discussion of social partner involvement in pension administration, however, should also address the question which groups these interest organizations represent. In the Netherlands, for instance, 76% of employees participate in industry-wide pension funds, where participants are represented by labor unions on the boards (Centraal Bureau voor de Statistiek 2013).[6] However, only 21% of workers between 15 and 64 years of age are in fact union members in 2010 (around 1.3 million workers). Labor unions do not only suffer from low membership rates, but also from underrepresentation of certain groups of workers. Women, young employees, non-Western migrants and flex workers are less likely to be a union member. Union membership is highest in manufacturing and public services (Centraal Bureau voor de Statistiek 2012). Where underrepresented groups have their own discrete interest with regards to pension policy (which is the case for women and young workers, for instance), there is a risk that these interests are not adequately weighed. This is not to say that social partner representation is necessarily undesirable; however, changing circumstances of the past couple of years warrant a closer look at innovative ways that may improve public support for the occupational pension system.[7]

One should therefore ask to what extent the privileging of the financial over the political is warranted in our post-crisis era, when financial institutions are suffering from deep legitimacy problems. Recent surveys reveal that trust in pension funds is waning. A study of the Dutch Central Bureau of Statistics (2012), for instance, showed that more than half of Dutch employees (55%) did not trust their pension provider (pension fund or insurance company). This lack of trust was particularly prevalent among low educated workers and those between 35 and 45 years of age. These results stand in stark contrast with the finding of Van Dalen et al. (2010), whose 2007 survey still reported high levels of trust among Dutch employees. The sharp decline in trust after the 2008 financial crisis indicates that the political

[6] To calculate this percentage, the number of industry-wide pension fund members for 2011 was divided by the number Dutch employees, aged 15-64, who worked 12 hours or more in 2011.

[7] To be sure, both pension funds and labor unions are currently developing news ways to involve participants in the various decision-making processes pertaining to their pensions. The Dutch pension fund for the health care industry (PFZW), for instance, recently organized an online consultation of its members to gauge their opinions on proposed reforms. Under the slogan What do you think? (*Wat vindt u?)*, the fund presented four different statements, to which the respondents could express their agreement or disagreement. Each statement was accompanied by a short video, in which the director of the fund explained the implications of each position for their pensions. Although the campaign was considered highly successful by the fund itself and other pension professionals, it did not necessarily improve the input of members in actual policy-making, For one thing, the wording of the four statements was too vague to be translated into actual policy. More importantly, the pension fund had already set out new policy before the results of the survey were known. The online consultation thus served predominantly to legitimate the pension fund's decision-making post facto rather than truly providing a new participatory avenue for its members.

legitimacy of Dutch pension funds is rapidly declining. Recent evidence moreover suggests that this situation is not unique to the Netherlands, but also describes developments in other European countries [PM].

A different approach looks at the political nature of the pension fund. The pension fund then not only delivers retirement benefits to its participants, but it also embeds different political constituencies (Clark 2008). Following this perspective, pension funds should not only be evaluated on their output of financial performance, but also on their input: the ways in which participants can influence internal decision-making. Input legitimacy thus refers to the accountability of the pension board towards the participant (Van Kersbergen and Van Waarden 2004: 156). Particularly in times of low trust, input legitimacy can become an importing element in protecting the continuity of an occupational pension system. In this paper, associational governance is proposed as an alternative way in which this type of input legitimacy can be achieved. Following Warren (2011), associational governance will be defined as a mode of governance based on norms and communication, as opposed to state coercion or market mechanisms. In the following sections, it is argued that associational governance has the potential to reunite the financial and the political purposes of the pension fund.

## 4. Governance by Association

The importance of associations has long been recognized in studies of political science, going back to Tocqueville's *Democracy in America*.[8] Membership in voluntary associations is said to help citizens develop a host of civic skills, such as trust and tolerance, which in turn can provide an impetus to democracy (cf. Putnam 1993). In recent years associational democracy has been proposed as a viable alternative to representative democracy (Hirst 1994; Cohen and Rogers 2009). This latter form of democracy, whereby political representatives participate in decision-making on citizens' behalf, is found to be more suitable for larger polities in which many people lack a political skillset. However, representative democracy is also said to have a number of downsides. In particular, it may suffer from legitimacy problems, when decision-making is too far removed from citizens' lives (Hirst 1994: 3). By making associations the center of democratic decision-making, such problems can arguably be avoided.[9]

---

[8] Although strongly rooted in the pluralist tradition of the United States, associational democracy also fits well with the more European subsidiarity principle, which is expressed for instance in the prevalence of corporatism in the continental political economies.

[9] Consider for instance the following: "… the claim here is that secondary associations are particularly apt at providing the relevant representation required for deliberative democracy as they enable a diversity of citizens

Associational democracy is a form of participatory governance, whereby citizens are directly included in decision-making processes through their membership in associations. This form of governance is said to have a number of benefits. Mark Warren (2001) makes a distinction between developments, institutional, and public sphere effects. *Developmental effects* refer to the impact that associational life may have on participants. Participants may improve their political and civic skills, become more knowledgeable about the issues at hand, and improve their feelings of efficacy (2001: 70-77). *Institutional effects* pertain to the impact of associational life on political structures. Associations provide political representation to participants, channel resistance to the status quo, and provide an alternative means of governance (2001: 82-93). *Public sphere effects*, finally, refer to the role of associations as platforms for the development of new agendas and as testing ground for new ideas (2001: 77-82). Associations are then the gateways through which participants take part in the broader public debate.

It should be noted, however, that the beneficial impact of associational life does not follow from participation per se, but depends on a number of factors. Much scholarly debate has focused on the question to what extent the voluntary nature of an association matters for its positive outcomes, thereby often referring to Albert Hirschman's famous distinction between exit and voice. Tocqueville's classical view held that only voluntary associations can render positive, democratic effects. More recently, however, scholars are of the opinion that voluntarism may actually have negative effects and that a restriction of exit may sometimes be justified. Hirschman himself (1970), for instance, noted that easy exit can actually deplete an organization from its most resourceful members. Scholars therefore agree that the possibility of exit should ideally be complemented with the opportunity for voice (cf. Elstub 2008).[10] For associational democracy to thrive, it is therefore important that associations are internally democratic.

The internal democracy of an association refers to both its degree of inclusion as well as the nature of its decision-making processes. The inclusion of ordinary citizens in processes of participatory governance stands at the center of associational democracy. Many scholars rely

---

with similar beliefs, preferences and needs to combine their voice and therefore increase the chance that they will be heard by other citizens, associations and relevant state agencies, in a detailed manner" (Elstub 2007: 17).

[10] However, the extent to which associational members should have voice, is up for debate. Paul Hirst (cited in Elstub 2008: 179), for instance, argues that it is sufficient if members only participate periodically, for instance during elections for a governing body. Stephen Elstub (2008) disagrees. He argues that internal democracy is necessary to hold associational elites accountable and render decision-making legitimate. Mark Warren (2011) adds that the possibility of exit may actually enable voice, as associations allow for democratic decision-making in order to prevent members from leaving.

on the all-affected principle, or the idea that those affected by a decision should also be included in the decision-making process (cf. Young 2000, Fraser 2005). To build on their specialized knowledge and capacity for problem-solving, the membership of an association should encompass as many of the affected group as possible (Baccaro 2005). The more inclusive an association is, the more likely it will render positive outcomes. At the same time, participation requires "communicative skills, creativity and guts" (Turnhout, Van Bommel & Aarts 2010: no page). Even in highly inclusive voluntary associations, participation may be therefore be skewed towards those with a high availability of time, money and political skills. As such, associations may reproduce the same type of socio-economic inequalities we find in society at large (Elstub 2007: 18-19). Possible solutions to this problem include the creation of associations for different socio-economic groups or forgoing financial contributions as a condition for membership (ibid.).

That being said, the inclusion of the entire stakeholder body in the decision-making process may not always be desirable. Says Archon Fung, "there may indeed be contexts in which public empowerment is highly desirable, but there are certainly others in which a consultative role is more appropriate for members of the public than full 'citizen control" (2006: 67). This might be the case in situations, where participation requires a high level of expertise or skills (an argument often used to restrict freedom of choice for pension participants). According to Fung, there are many different forms of participation, ranging from that of the listening spectator to that of the contributing expert. Under the right circumstances, Fung argues, each of these forms of participation may render positive effects (ibid.).[11] This sentiment is echoed by Stephen Elstub (2008: 177), who adds that in cases where decision-making is left to an associational elite direct lines of accountability should exist between stakeholders and their representatives.

A second problem with inclusion is that it may feed particularism among its members. Particularism is encouraged, when citizens are invited to participate based on preconceived notions of their group membership. "Inviting citizens as stakeholders limits them in the identities they can put forward and the views and preferences they can articulate" (Turnhout, Van Bommel & Aarts 2010). The authors note that the unintended consequences may be deadlock in the decision-making process, frustration, and disappointment among the

[11] Fung (2006) recognizes places several modes of communication, that participants may employ in participatory processes. These are (on a continuum from least intense to most intense): listening as a spectator, expressing one's preferences, developing one's preferences, aggregating participants' preferences and bargaining over them, deliberating with other participants, and deploying technique and expertise in the decision-making process.

participants (ibid.). Instead, scholars of associational democracy emphasize the importance of deliberation. In this case, participants do not make decisions based on a fixed set of preferences, but rather form their preferences through deliberation with others (Elstub 2008: 177). The goal of deliberation should therefore not be bargaining over different interests, but rather to seek consensus with reference to a common good (Cohen and Rogers 2009: 65). Even in this context, however, inequalities may arise (for instance, Tocqueville's famous tyranny of the majority). These need to be prevented by the establishment of clear performance criteria and periodic review, not just in terms of the association's internal decision-making procedures but also of the composition of the group itself (ibid.).

If we accept that pension funds are as much political as they are financial institutions, then a participatory form of governance might be a suitable alternative to state or market. By involving pension participants directly in their scheme's definition and administration, participatory governance may reestablish some of the trust lost in the aftermath of the financial crisis. Moreover, by creating direct lines of accountability between pension fund board and its members, transparency about the operation of the pension may be increased. Such an (institutional) effect of participatory governance by offer democratic legitimation to the pension fund board. Moreover, participatory governance can also have a positive impact on members themselves. In particular, pension fund members may expand their knowledge about pensions (information), learn to weigh different interests (civic skills), and generally gain a sense that their voice has mattered for decision-making (efficacy). Such (developmental*)* effects may counteract some of the negative consequences often associated with freedom of choice in the current pension debate.

In the next two sections, the benefits of associational governance are further explored using a case study of the Dutch professional pension associations (*beroepspensioenvereniging*, hereafter: pension association). Pension associations are secondary associations for groups of professionals, who participate in the same (compulsory) pension scheme. Although the pension associations are independent organizational entities, they hold considerable influence over the pension fund administering these schemes. Not only do the pension associations serve as deliberative forums through which fund members can make changes to their pension scheme, but they also provide the social infrastructure for members to hold the pension fund board accountable for its actions. As such, the pension association radically departs from the representational model of pension fund governance, that is common to the overwhelming majority of Dutch occupational pension funds.

## 5. Introducing the Pension Association

The professional pension fund (*beroepspensioenfonds*) is the third type of pension fund in the Netherlands. The professional pension funds, of which currently eleven exist, administer mandatory pension schemes for the liberal professions. The existence of these mandatory pension schemes is remarkable, because liberal professionals are normally self-employed and do not save for retirement within the second pillar. Since 1969, however, it has been possible for professionals to set up a collective pension scheme and apply for a mandatory extension. Table 1 shows which professional pension funds currently administer a mandatory occupational pension plan. Although all professional groups can apply for a mandatory extension, in practice the liberal professions have made most use of this possibility. Nonetheless, the professional pension funds differ considerably in terms of number of participants and size of accumulated capital. There are a number of large funds for relatively wealthy professional groups (e.g. general physicians, medical specialists), as well as a number of smaller funds in terms of participants and capital (e.g. independent artists, midwives, physical therapists). The pension fund for dentists and dentistry specialists is no longer active; the fund does not receive premiums and participants are no longer accumulating pension benefits. Since January 1, 2013, the pension fund for independent artists also became inactive.

**Table 2: Pension Associations in the Netherlands**

| **Professional Group** | **Abbreviation** |
|---|---|
| Pilots | NLC |
| General Physicians | BPH |
| Medical Specialists | BPMS |
| Public Pharmacists | BPOA |
| Dentists and Dentistry Specialists | BPVT |
| Veterinarians | DPD |
| Physical Therapists | DPF |
| Midwives | DPV |
| Rowers in the Rotterdam Port Area | - |
| Independent Artists | AENA |
| | |
| *Professional pension fund without pension association*: | |
| Notary Publics | - |

The professional pension funds have a similar governance structure as the industry-wide and company pension funds, with a participatory council and an accountability organ. However, where employer and employee representatives decide on the contents of the pension plan and board composition for the industry-wide pensions plans, these tasks are carried out for the professional pension funds by a pension association. The professional pension association is an association of active, deferred and retired participants in a mandatory professional pension scheme. There are currently ten professional pension associations in the Netherlands (see Table 2), one for each professional pension fund with the exception of the notary publics. Initially introduced by the legislator in 2007, the professional pension associations are a relatively new phenomenon in the Dutch pension landscape. The legislator's motivation to mandate a professional pension association was to create a functional equivalent for the social partners in the industry-wide pension funds. After all, since traditional employer-employee relations are often absent in the liberal professional, collective bargaining does not take place. The legislator left a lot of discretionary room for pension associations to organize their own internal affairs, which has resulted in considerable experimental with different institutional practices.

The pension association has three important tasks. First, the professional pension association is responsible for *applying for the mandatory extension* of the pension scheme with the Ministry of Social Affairs. To be considered for such an extension, the pension association needs to represent at least 60% of the professionals, both among self-employed and among the wage-earners in the sector. This occurs on the basis of the membership numbers of the pension association. Once received, the pension association is responsible for maintaining support for the mandatory extension among the professionals, which is tested every five years. A second task of the pension association is to *determine the contents of the pension plan* for the professional group. Members of the pension association can collective decide on such substantive issues, such as the type of pension scheme (defined benefit or defined contribution) and possible choice options within the scheme. Decisions about investment policy, premium levels, or indexation are left to the pension fund board. Third, the pension association monitors the pension fund board. As a result, the pension association has a number of important monitoring tasks when it comes to the pension fund board, including the selection and discharge of board members. The pension fund is thus formally at the service of the pension association.

**Table 3: Division of Tasks in Three Types of Dutch Pension Funds**

| Role/type of pension fund | Industry-wide | Company | Professional |
|---|---|---|---|
| **Initiators** | Social partners | Employer | Pension association |
| **Beneficiaries** | Members | Members | Members |
| **Sponsors** | Employer | Employer | Members |
| **Overseers (internal)** | Accountability body selected by employers, employees and pensioners | Accountability body selected by employer, employees and pensioners | Accountability body selected by pension association |

Based on Ebbinghaus and Wiβ (2012)

The ten pension associations occupy a unique position in the Dutch pension landscape. First, they offer a mandatory pension plan in the absence of collective bargaining. After all, there are no traditional employer-employee relations in the liberal professions. Participation is mandatory for both wage-earners and the self-employed. As a result, they leave many of the tasks normally reserved to the social partners to a collective of pension participants instead. The three tasks of the pension association identified above (apply for mandatory extension, determine contents of the pension scheme, monitor the pension fund board) are carried out by the association's board and its general meeting of members.[12] Some associations also have a third body, the associational council (*verenigingsraad*), which is elected directly by the general meeting and serves as an advisory council to the association's board.[13] Together, these three bodies form the pension association. In what follows, the main tasks of the pension association will be further elaborated upon.

## 6. The Pension Association Further Explained

### *6.1 Initiation*

The first task of the pension association is to organize support for the mandatory extension of the pension scheme. The pension associations are responsible for applying for a mandatory extension with the Ministry of Social Affairs and need to show that at least 60% of those active in their field support this mandate. To measure this support, the Minister of Social

[12] Among the general physicians and medical specialists, the general meeting has been replaced by an Assembly of Delegates (*Vergadering van Afgevaardigden*). This assembly consists of representatives of the members, elected from regional cluster of active professionals and pensioners. The VvA has the same tasks as the general meeting.

[13] This is the case for the midwives and the physical therapists.

Affairs looks at the membership data of the pension associations in relation to the overall members of the pension fund. Table 4 shows that some associations have almost complete support for the pension plan (see independent artists and general physicians), while other associations have more difficulty fulfilling their membership requirements. Besides organizing 60% of all professionals in their field, associations also need to make sure that this 60% is also met among both the self-employed and wage-earners. Moreover, the number of wage-earners should not be higher than the number of self-employed professionals. Table 3 shows that not all PPAs meet these requirements: both the veterinarians and the midwives lack support among wage-earners, while the physical therapists count more wage-earners than independent professionals among their members. These three pension associations thus the risk that their pension scheme will either lose its mandatory extension or its coverage for wage-earners.

**Table 4: Support for the Pension Associations (2011)**

| Pension Association | Self-employed | | Wage-earners | | Deferred members | Pensio-ners | Membership Total | |
|---|---|---|---|---|---|---|---|---|
| | Total | % | Total | % | | | Total | As % Member-ship Fund |
| General Physicians | 7.140 | 95,1 | 824 | 77,91 | 4.952 | | 14.953* | 88,39 |
| Medical Specialists | 6.162 | 80,0 | 0 | 0,0 | 5.769 | | 11.931 | 79,6 |
| Veterinarians | 1423 | 74,50 | 796 | 58,32 | 289 | 614 | 3122 | 60,52 |
| Physical Therapists | 7.135 | 77,17 | 7.182 | 72,23 | 2.090 | 1.408 | 17.815 | 64,43 |
| Midwives | 1.421 | 76,60 | 100 | 57,80 | 307 | 206 | 2.034 | 62,18 |
| Independent Artists** | 6.615 | 99,89 | 0 | 0.0 | 0 | 22 | 6.593 | 99,23 |

*Including observers and members who are both self-employed and wage-earner; **2009 data. Sources: Annual report professional pension associations.

To avoid these problems, the ten pension associations have developed a number of methods to ensure high membership rates. First, membership is automatic for most association (exceptions are the general physicians and the medical specialists). As soon as a professional becomes a participant in the pension scheme, he/she will also become a member of the association and thus counts as a supporter of the mandatory extension. New participants do have the possibility to give up their membership, in case they disagree with the mandatory extension (the opting-out method). Exiting the association, however, also means losing one’s say over the pension plan. A second method to achieve high membership numbers is to refrain from a membership fee. Almost all pension associations opted for this method, with the exception of the veterinarians. By eliminating fees, they hope to remove possible financial objections to membership. A number of pension associations did impose a fee in the past, but received a lot of questions from membership who did not understand why they had to pay a membership fee in addition to the pension premium. It also proved to be incredibly expensive for the rather small organizations to set up procedures to receive fees from delinquent members. Currently, most associations are sponsored by an annual subsidy of the pension fund, which ranges from several tens of thousands of euros to several hundreds of thousands of euros.

### *6.2 Benefits*

A second important task of the pension association is to provide a platform, through which participants can collectively decide the contents of their pension scheme. This is a substantial difference from the situation in industry-wide and company pension funds, which are commonly bargained by the social partners. Among the ten pension associations, there are two ways to make changes to the pension plan. In some pension associations, changes to the plan are decided by a general meeting of members. Some pension associations require a majority of votes, while others require supermajorities of at least 66%. The drawback of this approach is that general meetings often do not have a quorum and are often poorly attended. The number of members present is often no more than several dozens, including board members and possibly members of an associational council. Many present are also pensioners, for whom changes to the pension plan are no longer relevant (and sometimes don't have a vote). Decisions are therefore being taken by only a very small percentage of the members.

To improve internal democracy, some pension associations organize a written referendum among all (active) members when important changes to the pension plan are proposed. Changes to the plan are then made with two-thirds of the vote. The advantage of this approach is that all members are included in the decision-making process. Still, pragmatism reigns. Only those, who are opposed to the proposed changes, need to send in their ballots. The number of votes in favor of a change is then decided by deducting the no-votes from the total number of members. Obviously, this is a very imperfect determination of the support for a proposed change. After all, the pension association cannot determine, if members did not return their ballot because they support the proposed changes or for different reasons (e.g. lack of interest, lost the ballot, etc.). The association can also not check if participants are aware of the proposed change of the pension plan.

In the case of the general physicians and the medical specialists, changes to the pension plan are decided by an Assembly of Delegates (*Vereniging van Afgevaardigden*). Although this method of decision-making appears to be less democratic than a general meeting, it also has a number of advantages. The Assembly of Delegates for the medical specialists, for instance, consists of 85 delegates of departments across the country. Each hospital staff is one department. Because representation is tied to the workplace, each delegate is in direct contact with the members he/she represents. This gives the delegate the opportunity to consult a number of members personally, when important changes to the pension plan are on the agenda. Such a consultation took place, for instance, when the medical specialists decided to increase the accrual rate of their pension by one-third. In the end, 90% of delegates voted in favor of the proposed change. It is not unthinkable that the indirect method of consultation allows for more member voice in the decision-making process than when decision-making is left to a poorly attended general meeting.

### *6.3 Sponsorship*

The pension associations offer a collective pension scheme in the absence of collective bargaining. Wage-earners in the liberal professions make individual agreements with their employers about possible contributions to their pension premium, while the self-employed pay their pension premiums from their turnover. Premiums are generally decided by a standard percentage of the annual income, although some funds apply different premium percentages for different age groups (for instance, the notary publics and the veterinarians). Premium contributions therefore vary from 10% to sometimes 33% of annual income. Most funds also have a maximum income, over which pension savings are accumulated. These maximum incomes differ greatly. The maximum annual income for a self-employed medical specialist, for instance, has been determined at €221.930 (2013), while that of a physical therapist is €35.800 (2013).

Because there is no collective bargaining in the liberal professions, members themselves are responsible for communicating their annual income to the association. Because pension associations do not have access to their members' income statements, members themselves are responsible for communicating the right income. If the reported income differs from the actual income, a difficult situation may emerge. After all, a reported income that is lower than the actual income will result in a lower premium. The participant will then accrue less pension benefits. By the same token, a participant will pay too much premium, when the actual income is lower than the reported income. The participant will then have to apply for a restitution of the amount that was paid in excess. This system thus brings more financial uncertainty than a premium as percentage of wage.

*6.4 Oversight*

The final task of the pension association is to select, dismiss and suspend the pension fund board. To carry out these different tasks, the pension association thus must closely monitor the functioning of the board. It is important to note, however, that the pension association is independent from the pension fund. Because of its own legal status, the association is not allowed to influence internal decision-making processes within the pension fund. Pension associations have circumvented this legal obstacle in several ways. First, they have merged different bodies in the pension associations with those in the pension fund. Some associations, for instance, have merged their own internal advisory council with the participants' council of the pension fund. The way members of the pension association also have consultation rights within the fund.[14] Second, pension associations exert an indirect influence over the pension fund board by selecting its new members. An important part of this selection process is the construction of a candidate profile and carrying out interviews. This way, the pension associations can control who represents their interests on the pension fund board. Finally, the pension association selects the members of the accountability body of the pension fund. On occasion, members of the association's board or its associational council will take place in the accountability body as well.[15] This makes the pension association indirectly responsible for internal oversight of the pension fund board.

The Dutch pension associations employ innovative institutional designs to execute their tasks. They have improved support for the compulsory pension plan by making membership automatic. They have also avoided the legal separation between pension fund and pension association by merging different bodies within their organizations. They have streamlined decision-making by excluding some members from the process (either by hosting a general meeting or by organizing a voting round). Even though this institutional design contributes to the continuity and efficacy of the association, it poses a problem from a democratic point of view. By using the opting-out method for membership and restricting the number of votes in changes to the pension plan, the pension associations mobilize opposition rather than support. If participants are indeed supportive of their pension scheme can therefore not be determined.

[14] This is the case for the midwives and the physical therapists, for instance.

[15] In the case of the medical specialists and the general physicians, the association's delegate council forms the accountability body.

This begs the question: have the pension associations in fact successfully created a new mode of pension fund governance?

## 7. Pension Associations as a New Mode of Governance

The Dutch pension associations have undoubtedly increased the voice options for participants of the pension fund. Through the pension association, participants can collectively determine the contents of their pension plan. Previously, this responsibility was left to industry groups, for whom pension was not a big priority. Industry groups also appointed representatives to the participants' council. Interviewees stated that the pension association has been much more active than the participants' council was. They explain this with reference to the difference in legal duties: whereas the participants' council only had an advisory role, the pension association as the principal has much more influence over the pension fund board (Interview BPVA 2012; Interview BPVD 2013). In addition, interviewees found that the pension association provides much easier access to participants than the pension fund due to its flat hierarchy. Also the fact that the pension association is composed of colleagues makes it easier for participants to approach when they have a question or concern about their pension (Interview BPVC 2012).

To be sure, pension associations are not the voluntary associations that scholars of associational democracy often write about. Membership is automatic and predicated on the mandatory participation in a professional pension scheme. Some voluntarism is built in by means of the opting-out method. In this context of quasi-voluntarism, internal democracy becomes all the more important (Warren 2001). To facilitate high levels of inclusion, most pension associations decided not to ask for financial contributions from their members. As a result, financial obstacles to participation have been removed. Pension associations have the added benefit that they organize a very homogenous group, namely professionals from the same sector, which theoretically should reduce socio-economic inequality and difference in skills levels among members.

Despite high levels of inclusion, however, very few participants make use of the possibility to have a say in their pension plan. Interviewees state that members only rarely communicate their preferences with regards to the pensions (Interview BPVA 2012; Interview BPVD 2013). Most proposals for changes in the plan therefore originate in the pension fund board or the board of the pension association. Often these proposals encompass modest adjustments to keep up with changes in European and national law, rather than substantial changes to the plan. So far, very few participants have taken the initiative to propose changes to their pension plan. Collective voice is furthermore restricted by the low attendance of the general meetings. Oftentimes, only a few dozen members attend these events, many of whom are pensioners.[16]

One of the main reasons for this lack of participation within the pension association is the absence of knowledge or lack of interest in pensions among members. Pension is not a popular topic and young members in particular do not give it a lot thought.[17] To make members more knowledgeable, the associations employ several activities. All pension associations have a website, often in conjunction with the pension fund, and they are present at annual meetings of the professional organizations. Many associations also publish newsletter and organize surveys among their members. A good example is the recent only survey organized by the veterinarians about suggested changes to the pension plan. Finally, pension associations organize informational meetings for members. The pension association for midwives, for instance, travels across the country to inform colleagues about their pension plan (DPV 2011).

A second problem confronting the pension associations is that decision-making in the present affects those who enter the organization in the future. This inter-temporal dimension is problematic, because the interests of future participants cannot be adequately protected by those in the present (Baccaro 2006). This became all the more apparent at one of the organizations studied here, when a conflict arose between the pension association and its new members. In 2011, the association adopted a more ambitious pension scheme than it had in the past, which required significantly higher contributions from its members.[18] After a successful voting round (800 no-votes, around 5% of members), the new pension scheme became operational on January 1, 2011. New members would automatically participate in the scheme, while current members had the choice to opt-in.

Not all members agreed with this state of affairs. The pension association received a petition from 550 recently graduated physical therapists. Reason for the petition was the increase in the pension premium, which many young physical therapists could not afford.

[16] Sometimes, the associations themselves are to blame for low attendance. Some associations organize their general meetings during working hours, which poses an unnecessary burden for members to attend. One could also wonder if the physical attendance at a general meeting is still appropriate in today's day and age, particularly for professionals who often work in the evenings or are on call (e.g. midwives or general physicians).

[17] Perhaps surprisingly, this lack of interest also extends to the fund's investment policy. Despite the considerable attention to socially responsible investment (SRI) of pension funds in the Dutch media, interviewees indicate that they hardly receive any questions on this topic from their members.

[18] The pension contributions for wage-earners increased from 41-47% of the annual income to 59-68%. The premiums for the self-employed went up from 27% to 39% of the annual income (DPF 2011).

Due to changes in health insurance coverage, physical therapists lost a lot of patients and income as a result. At the 2011 general meeting, two representatives of the petition group therefore asked for an adjustment to the new pension scheme for young participants. The general meeting voted for a board investigation into the matter. The pension fund board, however, concluded it would be too costly to make further adjustments to the scheme. Its members' council agreed. No changes to the pension scheme were made (www.fysiopensioen.nl, date accessed April 18, 2013).[19] Although the young physical therapists received ample space to air their grievances, the conflict did not lead to a satisfying method of conflict resolution for inter-temporal problems like these.

The pension associations have been more successful in the institutional realm. As stated before, the pension association is principal to the pension fund's governing board and plays an important role in the selection of the board members.[20] Since 2006, however, the pension association looks over the shoulder of the pension fund board. Many pension associations welcome this development. Interviewees are generally quite content with the influence they have over the pension fund through the accountability organ and the recruitment of new board members. They state that there is "a lot more openness" in the relationship with the board en that the periodic evaluations keep the board "a lot more on its toes".

The reports of the accountability bodies give good insights into which issues are being addressed in these annual reviews (see Table 5, N = 28). Several topics are mentioned regularly in these reports. Communication to the members, in particular, is high on the agenda. Accountability bodies find that pension fund boards have to communicate more often, use simpler language, and provide more transparency about possible cutbacks or indexation. The board's investment policy is also discussed often. Particularly when the pension fund is not performing well, the board is encouraged to adjust its investment policy. Accountability bodies are also often critical about the board's relationship with the fund managers, the administrator and other external experts. Especially the board's independence vis-à-vis these parties is discussed. Finally, pension fund boards are encouraged to improve

[19] The pension association did enter a dialogue with the fund and the professional organizations KNGF to see if the situation of young professionals could be improved. According to the pension fund and pension association, the situation was caused by the absence of collective bargaining in the profession. The pension association stated on her website that individual employers and employees did not make enough agreements about wages and benefits, including pension. By making collective agreements, problems such as these could be avoided.

[20] Either the pension fund board or the pension association draws up a candidate profile for new board members. The pension association then conducts interviews and proposes nominees to the board. Although the pension association itself cannot by law appoint new board members, the pension fund board can only reject nominees under exceptional circumstances. All new board members must still comply with the proper-and-fit standards set by the Dutch Central Bank.

their expertise, reduce the administration costs, and recruit new board members to ensure continuity of the fund.

**Table 5: Topics Addressed by Accountability Bodies (2007-2011)**

| Topic | Number |
|---|---|
| Communication to participants | 17 |
| Investment policy | 13 |
| Relationship with fund managers, administrator and external experts | 9 |
| Expertise of pension board members | 8 |
| Administration costs | 7 |
| Recruitment of new board members | 4 |

Source: Annual reports of the pension associations.

The new relationship between the pension association and the pension fund board can also lead to tension. The dentists recently encountered a protracted conflict about the division of labor between the association and the fund. After its pension scheme lost its mandatory extension, the pension fund board unilaterally altered the governance structure of the fund. The members' lack of interest in participating in the pension association was given as a motivating factor (SPT 2010). The fund decided to install a new participants' council that would appoint the fund's board members and it granted itself the responsibility to select the members of the accountability organ. The pension association's approval rights were changed into consultation rights. When the pension association was informed of these changes, they were livid. With support of its members, it dismissed the pension fund board. It thereby used its legal right to monitor the functioning of the pension fund board to protect the participatory interests of its members.[21]

Using Warren's (2011) typology of associational effects, some preliminary conclusions can be reached. The ten pension associations seem to have made most strides in the related areas of transparency and accountability: their presence has forced pension fund boards to be more open about their affairs and to be subjected to an annual review. The pension associations have thus generated positive institutional effects. The pension associations perform less well in the area of member participation. The underlying cause for this lack of participation seems to be behavioral rather than institutional: members are not really interested in pension and/or know very little about it. It is therefore to be expected that only limited developmental effects have been achieved. The ten pension associations are involved

[21] The conflict gained a legal dimension, when the regulatory got wind of the turmoil. The Appeals Court of Amsterdam then appointed an external director, who was in charge of designing a new governance structure for the fund. The new governance structure became operational in January 2012.

in lobbying activities through their membership in the Pension Federation (*Pensionfederatie*), the interest organization for the pension fund industry. Outside the Pension Federation, however, the pension associations are not actively involved in the public debate and they rarely coordinate amongst themselves. Warren's third category of associational effects - public sphere effects – is therefore largely absent.

## 8. Conclusion

The Dutch pension association is a unique policy experiment in the Dutch occupational pension system. The association facilitates a considerable expansion of participants' choice over their pension, yet preserves the advantages of collectivity. Participants in professional pension plans have more say in their pension schemes than members of industry-wide or company pension funds. The pension association is furthermore a departure from the predominant model of pension fund governance, whereby social partners represent participants in collective bargaining and on the pension fund board. As I have argued in this paper, this form of associational governance has the potential of realizing important development and institutional effects. As such, it may stem the tides of declining levels of trust among pension participants, while improving the overall governance of the pension fund.

Nonetheless, the seven-year history of the Dutch pension association has been a turbulent one. Some developments can be attributed to the fact that the pension associations are still relatively unknown. In fact, this is the first systematic research project evaluating their practices. It is to be expected, for instance, that conflicts between the pension fund board and the pension association will decrease over time, as both parties have become more used to the new division of labor. Other problems are less easy to solve. It is not likely, for instance, that the popularity of the pension association among its members will improve in the short term and the associations will have to continue reaching out to members. To ensure solidarity, continuity and good pension fund governance, the association needs to be more inclusive and democratic. Both these qualities can be further realized by making annual meetings more accessible (not scheduled during working hours); by introducing a quorum for important decisions taken by the annual meeting; and by actively mobilizing support for the pension scheme rather than opposition.

The question remains to what extent this model of associational governance would work in the case of the more common industry-wide or company pension funds. First, the special character of the professional pension schemes should be taken into account. On the one hand, participants in professional pension scheme are highly educated and vocal, therefore more likely to actively participate. The observation that only a small number of members uses their voice options in the association raises the suspicion that this model would be less popular among other populations. On the other hand, many of the participants in the professional pension schemes are self-employed. Particularly among the self-employed, we find a lot of aversion against compulsory participation and a preference for freedom of choice. It could therefore very well be that the professional pension funds have much more skeptical beneficiaries than the industry-wide or company pension funds.

There are also some institutional objections against associational governance of other pension funds in the Netherlands. The professional pension funds are quite small in terms of size of their capital and number of participants. The small scale of the pension associations makes it easier to communicate with members and organize voting rounds. This would be much more complicated and costlier for the larger pension funds. The traditional employment relation also complicates things. The employer, as the plan sponsor for the industry-wide and company pension funds, will not want to transfer all control over the pension plan to the participants. A pension association is therefore most likely to be adopted when the employer withdraws from the pension provision or when the pension association finds a place within the current model of social partnership.

**Bibliography**

Ambachtsheer, Keith, Ronald Capelle and Hubert Lum 2006, "Pension Fund Governance Today: Strengths, Weaknesses, and Opportunities for Improvement," online working paper, http://www-2.rotman.utoronto.ca/icpm/2.pdf. Last date accessed: May 31, 2013.

Anderson, Karen 2012, "The Politics of Choice: Occupational Pension Reform in Sweden, the Netherlands, and Denmark," paper presented at the ESPAnet conference, Edinburgh, September 6-8.

Baccaro, Lucio 2006, "Civil society meets the state: towards associational democracy?", *Socio-Economic Review*, Vol. 4, No.2: 185-208.

Bateman, Hazel, Towhidul Islam, Jordan Louviere, Stephen Satchell, and Susan Thorp 2011, "Retirement Investor Risk Tolerance in Tranquil and Crisis Periods: Experimental Survey Evidence," *Journal of Behavioral Finance*, Vol. 12, No. 4: 201-218.

Bodie, Zvi and Henriëtte Prast 2011, *Rational Pensions for Irrational People: Behavioral Science Lessons for the Netherlands*, Netspar Working Paper, Tilburg, the Netherlands.

Boelaars, Ilja 2012, "Stop Solidariteit Pensioenen," *Het Financieele Dagblad*, 29 juni.

Centraal Bureau voor de Statistiek 2012, "Organisatiegraad werknemers 15-64 jaar," *Enquête Beroepsbevolking*, statline.cbs.nl. Last date accessed: December 7, 2012.

Centraal Bureau voor de Statistiek 2013, "Pensioenfondsen: deelnemers en premies," *CBS Statline*, statline.cbs.nl. Last date accessed: April, 9 2013.

Clark, Gordon L. 2008, "Governing Finance: Global Imperatives and the Challenge of Reconciling Community Representation with Expertise," *Economic Geography* Vol.84, No. 3: 281-302.

Cohen, Joshua and Joel Rogers 2009, "Associations and Democracy," pp. 61-97 in Joshua Cohen (ed.), *Philosophy, Politics, Democracy. Selected Essays*, Cambridge: Harvard University Press.

De Deken, Johan Jeroen 2009, "Pension Fund Governance and Stakeholding. Coordination Failures in the Control of Supplementary Pensions in Europe," paper presented at the Annual Conference of the Society for the Advancement of Socio-Economics, Paris, July 16-18.

De Mooij, M., A. Dill, M. Geerdinck, and E. Vieveen 2012, *Witte Vlek op Pensioengebied 2010*, Den Haag: Centraal Bureau voor de Statistiek.

De Nederlandsche Bank 2011, Rapport beleggingsopbrengst pensioenfondsen 2000-2010 (in het kader van de motie Van den Besselaar c.s.), Amsterdam.

De Nederlandsche Bank 2013, [PM]

Deelnemersvereniging Pensioenfonds Verloskundigen (DPV) 2011, *Jaarverslag 2011*, www.pensioenfondsverloskundigen.nl. Last date accessed: February 6, 2013.

Deelnemersvereniging Pensioenfonds Fysiotherapeuten (DPV) 2011, *Jaarverslag 2010*, www.fysiopensioen.nl. Last date accessed: February 6, 2013.

Ebbinghaus, Bernhard and Tobias Wiß 2011, "Taming pension fund capitalism in Europe: collective and state regulation in times of crisis," *Transfer: European Review of Labour and Research* Vol. 17, No. 1: 15-28.

Elstub, Stephen 2007, "Overcoming Complexity: Institutionalising Deliberative Democracy through Secondary Associations," *The Good Society*, Vol. 16, No. 1: 14-22.

Elstub, Stephen 2008, *Towards a Deliberative and Associational Democracy*, Edinburgh: Edinburgh University Press.

Fraser, Nancy 2005, "Reframing Justice in a Globalizing World," *New Left Review* Vol. 36: 1-19.

Fung, Archon 2006, "Varieties of Participation in Complex Governance," *Public Administration Review*, Vol. 66: 66-75.

Gallery, Natalie, Gerry Gallery, Kerry Brown, Craig Furneaux, Chrisann Palm 2011, "Financial Literacy and Pension Investment Decisions," *Financial Accountability & Management* Vol. 27, No. 3: 286-307.

Hastings, Justine S. and Olivia S. Mitchell 2011, "How Financial Literacy and Impatience Shape Retirement Wealth and Investment Behaviors", *NBER Working Paper* No. 16740, Cambridge (MA).

Hess, David, and Gregorio Impavido 2003, "Governance of Public Pension Funds: Lessons from Corporate Governace and International Evidence," *World Bank Policy Research Working Paper* No. 3110, Washington DC.

Hirschman, Albert 1970, *Exit, Voice and Loyalty*, Cambridge (MA): Harvard University Press.

Hirst, Paul 1994, *Associative Democracy. New Forms of Economic and Social Governance*, Cambridge: Polity Press.

Impavido 2002

LCP Netherlands 2012, *Inzicht in de uitvoeringskosten en vermogensbeheerkosten van de Nederlandse pensioenfondsen*, Utrecht.

Lusardi, Annamaria and Olivia S. Mitchell 2011, "Financial Literacy and Retirement Planning in the United States", *Journal of Pension Economics and Finance* Vol. 10, No 4: 509-525.

Preesman, Leen 2013, "58 procent Nederlanders wantrouwt pensioenfondsen," *IPNederland*, May 30, http://www.ipe.com/nederland/58-procent-nederlanders-wantrouwt-pensioenfondsen_52818.php#.UakCUEBmiSo. Last date accessed: May 31, 2013.

Putnam, Robert 2003, *Making Democracy Work*, Princeton: Princeton University Press.

Raderup, Agneta, Anna Bendz and Lars Norén 2013, "Swedish citizens' opinions on decision support in primary healthcare," *Electronic Government*, Vol. 10, No. 2: 151-170.

Stewart, Fiona and Juan Yermo 2008, "Pension Fund Governance: Challenges and Potential Solutions," *OECD Working Papers on Insurance and Private Pensions* No. 18, Paris.

Stichting Pensioenfonds Tandartsen en Tandartsspecialisten (SPT) 2010, *Jaarverslag 2009*, Heerlen: SPT.

Turnhout, Esther, Severine van Bommel and Noelle Aarts 2010, "How Participation Creates Ctizens: Participatory Governance as Performative Practice," *Ecology and Society*, Vol. 15, No. 4: 26.

Warren, Mark E. 2001, *Democracy and Association*, Princeton and Oxford: Princeton University Press.

Van Leeuwen-Schut, D., R. Brood, H. Kadiks, D. Kuijpers, P. Rauwerda, P. van Schie, and J. Sorensen 2012, *Eigen Keuze, Samen Sterk: Duidelijkheid Geeft Zekerheid voor Arbeidsmarkt en Pensioenen*, Den Haag: De Teldersstichting.

Van Rooij, Maarten C.J., J.M. Kool, and Henriette M. Prast 2007, "Risk-return preferences in the pension domain: Are people able to  choose?", *Journal of Public Economics* Vol. 91, 701-722.

Young, Iris Marion 2000, *Inclusion and Democracy*, Oxford: Oxford University Press.