

**Regulating Private Pensions in Times of Crisis:
Short-term and Long-term Consequences**

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Recent reforms led to retrenchment in state pensions and to a shift toward funded private pensions across Europe. The state partially retreated from public responsibility to finance adequate state pensions in order to make pay-as-you-go financed pensions sustainable in ageing societies. Due to the shift from non-funded to funded pensions and from defined benefit to defined contribution plans, retirees are faced with more uncertain pensions. Therefore, the need for state or collective regulation of private pensions increased.

The recent financial crisis led to major losses among many pension funds across Europe, indicating the problems in shifting responsibility to private actors. Furthermore, the crisis highlights the problematic nature of funded private pensions that fall short of expected returns. Particularly those pension systems that are weakly regulated and where financial risks of funded pensions are shifted onto individuals demand attention. Indeed, the impact of the financial crisis on pension funds and future retirement income depends on the governance and regulation by state and non-state actors. However, there is a large cross-national variation in pension fund capitalism and its regulation across Europe.

Based on an international project on supplementary pensions in Europe, the paper reviews the governance modes of supplementary pensions, the scope for collective or state regulation, and the different modes of financing mechanisms. By studying ten selected European countries, the paper compares the variety of supplementary pensions and analyzes their vulnerability to the financial crisis. It asks how different governance systems reacted to the crisis. Whereas higher contributions and suspensions of indexation may be temporary measures, more important are the long-term consequences for individuals, e.g. lower rates of return leading to lower pensions. There are multiple implications also for sponsoring firms, pension funds, the social partners and the state, in particular changing investment strategies and strengthening the supervisory mechanisms.

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