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DUTCH GOVERNMENT SETS OUT PENSION REFORM IDEAS

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The Dutch government has outlined its ideas for reforming the pension system and says it plans to work through several elements of the redesign by summer 2019 and publish legislative proposals addressing some reform elements in fall 2019.

REFORM HIGHLIGHTS

Highlights of the government's plans feature the following:

- The new pensions system wouldn't link premiums to a member's age. All pension contracts would be based on a premium arrangement, and the tax system would reflect this change. The fiscal arrangements for the second and third pillars would converge.
- A legal framework would be designed to transition pension plans to the new system. Employers would have to draw up a transition plan in consultation with employee representatives and employees. This step likely will be complex because the economic value of pension accrual will shift from the current age-dependent system.
- The government would examine the possibility of allowing the current defined contribution framework to provide more risk-sharing opportunities — for example, through the provision of a collective pension buffer financed by a solidarity premium.
- Pension providers would have to carry investment risks for all types of pension contracts for former participants based on a life-cycle approach. The reforms would allow vested pension benefits to transfer to new pension contracts. To this end, a valuation framework would value an individual's pension benefits to provide a personal — or starting — capital. The transfer to a new contract would be optional, but if it's not done, different pension providers would have to provide for the existing pension entitlement and new pension accrual.
- Individuals could partially withdraw accrued capital (up to maximum of 10%) on retirement. The government will examine other options — for example, the use of some pension premiums or capital to finance a mortgage.
- Self-employed people wouldn't be required to join a pension fund, but voluntary membership will be considered. The government also will look at other options to encourage self-employed people to accrue pension savings.

- The legal and fiscal rules for pensions paid out to surviving dependents would be overhauled, and coverage gaps reduced, for example, following a person's resignation, divorce or change of employment. The government already has launched a consultation with the social partners.

Pending agreement to the revised pension system, the government is unwilling to change the valuation rules for pension funds and, for now, a reduction of benefits remains possible. The new system would ensure the continuation of mandatory industry pension funds.

RELATED RESOURCES

- [Government Announcement](#) (Dutch) (Dutch government, 1 Feb 2019)

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