

Law &amp; Policy Group

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# Netherlands: Pension reform consultation published

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The Dutch government has issued proposals aimed at implementing the pension reforms outlined in the Framework Memorandum on the Elaboration of the Pensions Agreement, which was submitted to parliament on 22 Jun 2020. Comments are invited through 12 Feb 2021. The proposals could be subject to further change, but several employers are already considering the implications of switching to defined contribution (DC) plans, and steps to maintain parity between different generations of employees.

## Highlights

- Individuals who join pension plans on or after 1 Jan 2026, would be enrolled on a DC basis, with a fixed contribution rate unrelated to their age. Two types of DC contracts would be offered.
- A deadline of 31 Dec 2021 would apply to the introduction of new insurance-based defined benefit (DB) pension plans, and the change of DB plans currently financed by a pension fund to new age-related DC schemes.
- Members could remain in DB plans financed through an insurance contract, or DC plans that include an age-related scale, after 31 Dec 2025. They could continue to earn future pension benefits on the basis of an age-related DC scheme until they leave their job, but DB promises must change to DC status (this can be age-related) for periods of employment after 31 Dec 2025. New employees hired after 31 Dec 2025 would only be allowed to join a DC flat rate scheme.
- Contributions would be capped, in principle, at 30% of the pensionable salary through 31 Dec 2036. The cap would increase by 3% to 33% during this period.
- DB rights accrued in pension funds (but not insured plans) would need to, in principle, be converted into the new pension contract. Social partners that manage to reach agreement on a conversion plan would be required to submit the agreement to the pension fund; the fund could decline to convert

(subject to consultation with the social partners) if certain stakeholders would be disproportionately disadvantaged.

- Benefits paid to partners or orphaned children before the member's retirement date would be on a risk-only basis and subject to a cap based on specified percentages of the member's pensionable salary — instead of being calculated on the employees' service.
- Social partners would be the parties to the new pensions contract and would have to decide on the applicable transitional arrangements by 1 Jan 2024. Transitional arrangements would have to specify if past benefit accruals transfer to the new structure, and how this would be achieved. If the social partners are unable to reach an agreement, they could request, before 1 Jan 2023, to use external mediation on an advisory basis, and if no agreement is reached by 1 Jan 2024, they could apply for binding mediation.
- Pension providers — including all pension funds — would have to file an implementation and communication plan by 1 Jul 2024 that specifies how each plan would comply with the new rules.
- Funding rules for pensions funds have been relaxed to ease transition to the new pension contracts. However, funds that use the relaxed funding arrangements will be obliged to transition.

## Related resources

### Non-Mercer resource

- [Consultation document](#) (Dutch) (Government of the Netherlands, 16 Dec 2020)

### Mercer Law & Policy resource

- [Netherlands' proposed pension reforms move forward](#) (24 Aug 2020)

### Other Mercer resource

[Market Alert: Netherlands new pension agreement](#) (Mercer)

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