



Pension and insurable benefits

in the Netherlands

Index

	page
1. Management Summary	3
2. Introduction	4
3. Supplementary pension schemes	5
4. Other insurable benefits	9
<ul style="list-style-type: none">• ANW shortfall insurance• WIA top-up insurance• Collective life insurance	
5. Transfer of pension and international aspects	12
6. Sick pay and absenteeism insurance	13
7. Pension related topics	14
8. Roadmap for setting up a pension scheme	16
9. More information and contact	18

This brochure has been prepared with the utmost care and is for information purposes only. This brochure does not provide a complete picture of pensions and insurable benefits in the Netherlands and may become outdated. Everything taken on the basis of this brochure is at own risk. We recommend always to consult your lawyer, pension advisor or KWPS.

1. Management Summary

- Residents of the Netherlands are entitled to a state pension, AOW. The benefit is 2% of the maximum benefit for each year that someone lives in the Netherlands, regardless of nationality.
- It is very common for employees to accrue a pension in the company pension plan of the employer; approximately 85% of all employees in the Netherlands accrue pension benefits in a collective pension scheme.
- It is important to determine on a regular basis whether the company - because of its activities - is obliged to join an industry-wide pension fund.
- If no mandatory industry-wide pension fund applies, the employer is free to offer a pension scheme to employees.
- Any pension scheme must be administered and implemented by an external pension provider.
- As of 2028 the only permitted pension system in The Netherlands, irrespective of the pension provider, is a defined contribution plan.
- For new pension schemes as from July 1st, 2023, a defined contribution plan is mandatory and must be based on a flat-rate (age-independent) premium.
- Defined contribution plans almost always provide for an old age pension, a partner's pension, an orphan's pension and a waiver of premium in the event of occupational disability.
- Most pension schemes have a mandatory employees' contribution of approximately 1/3 of the pensionable base. This contribution is withheld by the employer from the employee's gross salary.
- It is possible to include additional insurances against death and disability in the pension scheme, such as an ANW shortfall insurance and supplements to the WIA benefits from the government. Participation may be mandatory or voluntary.
- Pensions benefits accrued in the Netherlands can be paid out to another country after the retirement date. Local legislation and tax treaties are then decisive for the taxation of pension benefits.
- Although legally possible, it is complicated to transfer pension benefits accrued in the Netherlands to a pension scheme abroad.

2. Introduction

In general

Dutch pension providers manage around € 1,700 billion for Dutch employees and retirees. This capital is an important reason why a small country of 18 million inhabitants is able to invest globally, and why pension schemes are well developed and have many protection mechanisms. This does not mean that pension schemes always need to be complex and expensive. This brochure explains the Dutch pension system and its main aspects.

The Dutch pension system

In the Netherlands the following distinction can be made for old age pension:

1. The state pension
2. Supplementary pension scheme as agreed by employer and employee
3. Individual schemes: tax-facilitated savings and private insurance policies

This brochure focuses on supplementary pension schemes. The supplementary pension system has radically changed since 2023, see section 3.6 of this white paper. The state pension (AOW) and individual plans are only briefly discussed in this introduction.

State pension ('AOW')

As in many European countries, the Dutch government provides for a state pension. Everyone who lives in the Netherlands is automatically insured, regardless of their nationality. For each year that inhabitants are insured they accrue 2% of the full state pension (AOW), with 50 years making a 100% benefit.

The age at which an employee receives his monthly lifelong State pension benefits has risen from 65 years in 2015 to 67 2026. The State pension age will increase by 8 months, for each year that the general life expectancy in the Netherlands increases with one year. In 2028, this will result in an increase in the state pension age for the first time to 67 years and 3 months.

Year	State pension age	Birth date employee
2026	67 years	after 31 December 1958 and before 1 January 1961
2028	67 years + 3 months	after 31 December 1960

The State pension is financed by contributions from residents younger than the state pension age and from general tax revenues. The amount of the State pension benefit is linked to the minimum wage and the personal situation.

Individual schemes

Employees cannot set up their own pension scheme in the Netherlands. If an employer makes a contribution to an individual scheme, this forms taxable wage for the employee. Employees and the self-employed persons can save in a tax-friendly manner (deductible for tax purposes) or invest in individual annuity products or tax-facilitated bank savings products. Individual calculations must prove whether premiums are tax deductible. If so, the employee can then deduct amounts himself for income tax purposes. Individual products are not pension plans, although these products are often called that. Premiums for individual products can be paid to:

- Insurance companies (annuity);
- Banks (tax-friendly saving).

3. Supplementary pension schemes

3.1 Supplementary pension scheme are very common in the Netherlands

While there is no general legal obligation for employers to offer a pension to employees, almost 85% of employees in the Netherlands participate in a supplementary pension scheme provided by their employer. The main reason for this high rate is that often a mandatory pension scheme applies for the industry in which the employer operates. Such schemes are provided by industry-wide pension funds, managed by representatives of employers and employees. When an employer decides to offer a pension scheme in the Netherlands, it is therefore important to determine first whether the company has to join a mandatory industry-wide pension fund. If there is no mandatory industry-wide pension fund, employees in principle are obliged to participate in the collective pension scheme that the employer offers.

3.2 Target retirement age is 68 years at the moment

Although a fixed retirement age is not prescribed in supplementary pension schemes, it is almost always set at age 68. The participant almost always has the option of receiving pension benefits before reaching the target retirement age. It is also possible, if the employer agrees, to continue working after the target retirement age. The employee can postpone pension benefits for up to five years after the state pension date.

3.3 Pension providers

There are different kind of pension providers in the Netherlands:

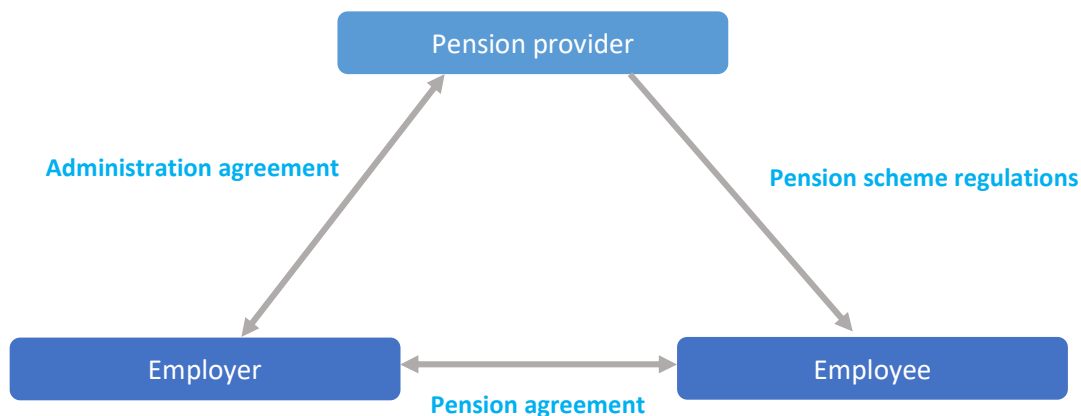
- Mandatory and non-mandatory industry-wide pension funds
- Occupational pension funds
- Company pension funds
- Pension & life insurance companies and premium pension institutions (PPI)
- General pension funds (APF).

3.4 Basis for supplementary pension is the pension agreement

When an employer and employee make pension agreements, the Pension Act ("*Pensioenwet*") prescribes that all kinds of obligations must be met. The Pension Act regulates the division of responsibilities between the parties involved. There is a triangular relationship between employee, employer and pension provider. The basic principle of this relationship is that pensions are part of the terms and conditions of employment. The following relationships exist within this triangle:

- The relationship between the employer and the employee, who together have a **pension agreement**.
- The relationship between the employer and an external pension provider to whom the administration of the pension agreement is outsourced on the basis of an **administration agreement (contract)**.
- The relationship between the pension provider and the employee, as a result of the outsourcing of the administration of the pension agreement. The pension administrator provides the employee with **the pension scheme regulations** and a yearly **uniform pension overview**.

Pension Triangle



Pension agreement

The pension agreement contains the pension arrangements between employer and employee. The agreements are part of the employment conditions. The pension agreement includes, among other things, which type of pension system (see 3.5) and which pension benefits (see 3.6) apply. If a pension agreement applies, in principle all employees with the same position will have to be embedded in the pension scheme if they are 18 years or older.

Administration agreement

Once an employer concludes a pension agreement, they are obliged to arrange the administration of the agreement with a pension provider. The pension provider will set up the administration agreement, which should be thoroughly checked by the employer and the pension advisor.

Pension scheme regulations

The pension scheme regulations are drafted by the pension administrator according to the pension and administration agreement. The pension regulations should be checked by the employer and the pension advisor. The regulations must be in accordance with the pension agreement.

Pension 1-2-3

Pension providers are obliged to provide new participants with an easily understandable explanation of the pension scheme within three months after enlisting. Employers must see that this happens and that the content of the documents is in line with the pension agreement.

3.5 Pension systems

Until 2028 there are two main systems for accumulating pension benefits: defined benefit schemes and defined contribution schemes. Every supplementary pension scheme must take into consideration the State pension, as supplementary pension can only be accrued over the salary minus a mandatory State pension offset (the AOW-deductible). The minimum AOW-deductible amount that should be taken into account in 2026 when determining the annual accrual of the supplementary pension is € 19,172 (salary minus AOW-deductible is the pensionable base).

Example

The gross annual salary of an employee is € 50,000. The minimum deductible for state pension is € 19,172. This employee therefore has a pensionable base of € 30,828.

Maximum salary

The maximum pensionable salary is € 137,800 (2026). It is not allowed to accrue tax facilitated pension benefits for the excess salary. For salaries above € 137,800 the government created a savings facility which implies net deposits from the employee while the capital is exempt from capital gain tax.

3.6 Pension benefits

A pension scheme in the Netherlands almost always has multiple kinds of pension benefits. The most common kind of pension benefits are described below.

- **Old age pension and saved partner's pension**

An old age pension secures lifelong income for an employee from the retirement date. It requires a projected retirement age, which in principle is 68. Saving for the retirement pension capital should be based on a flat-rate premium under a defined contribution scheme. The maximum premium is currently set at 30% of the pensionable base. When the maximum percentage is not applied, employees have the possibility to make extra voluntary contributions for their own account, up to the 30%. These contributions are withheld from the gross salary and therefore tax efficient.

- [Spouse's pension in the event of death before the pension date](#)

A spouse's pension secures a life-long income for an employee's partner after the death of the employee and starts immediately upon death. The insured partner pension may amount to a maximum of 50% of the salary. It is up to the employer and employee to determine the level. Between 25% - 35% is in line with the market.

- [Orphan's pension](#)

An orphan's pension secures an income for children or foster children after the death of the employee and starts immediately upon death. It is paid provisionally until such time as the children or foster children reach the age of 25 years. Orphan's pensions amount to a maximum of 20% of the salary.

- [Waiver of premium in case of occupational disability](#)

The coverage means that participation in and coverage in the pension scheme will (partially) continue in the event of (partial) disability, without premiums having to be paid.

- [Occupational disability pension](#)

For this insurance we refer to Chapter 4.

[3.7 Employee contribution to a pension scheme](#)

In the Netherlands it is common for employees to contribute to the pension scheme. The average contribution is between 4% and 7% of the pensionable base (salary minus AOW-deductible amount). Mandatory industry-wide pension funds however generally apply higher employee contributions.

[3.8 Pension provisions in the employment contract](#)

It is important to include a proper passage regarding the pension in the employment contract. It is also strongly recommended to include employer's amendment rights and financing reservations, as well as to include a provision for the date on which the employment ends. A correct pension termination clause ensures that the employment ends at the State pension age and does not continue unexpectedly. The provisions concern tailor-made solutions and are dependent on the situation and the applying pension provider. It is essential to involve a pension lawyer and/or employment law expert.

[3.9 Foreign employer](#)

To set up a pension scheme in The Netherlands it is necessary to have a registration with the Dutch Chamber of Commerce. Otherwise, it will not be possible to enter into a pension contract with an insurer or PPI.

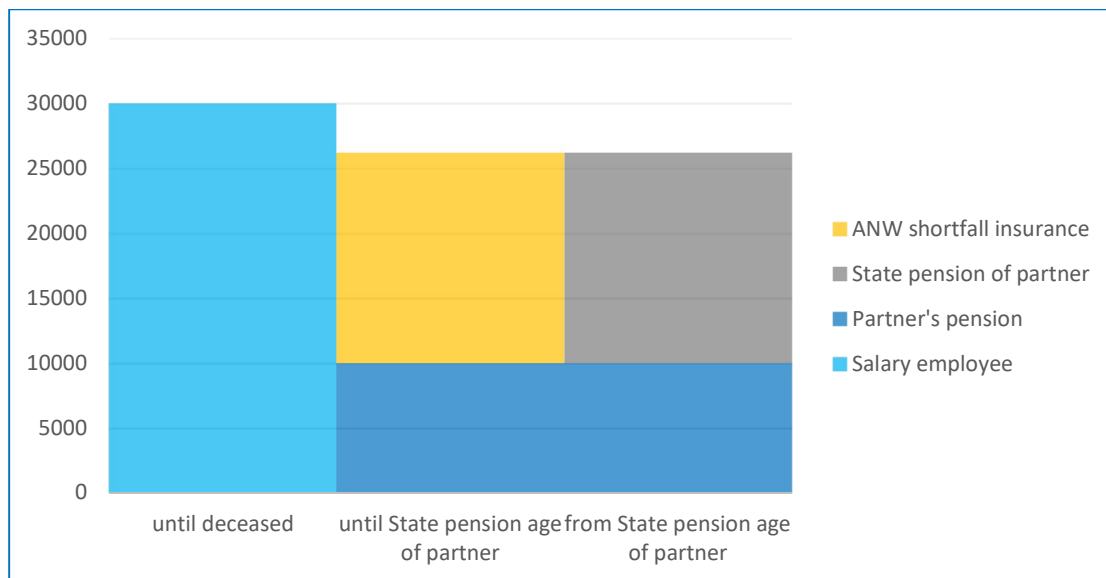
4. Other insurable benefits

4.1 Introduction

Other insurable benefits can be realized in or in addition to the pension scheme. The employer and employees decide whether participation is mandatory and who pays the premium for the insurance. Because it concerns risk insurances, the costs of the additional employees' insurances generally are much lower than the premium of the pension plan. Employees' premiums for additional insurances are withheld from the gross salary and are therefore tax-facilitated. We hereby describe various additional employees' insurance policies.

4.2 ANW shortfall insurance

An ANW shortfall insurance is a policy that pays a fixed annual amount to the participant's partner, if the participant passes away before reaching the State pension date. The maximum regular amount that may be insured is € 21,299 (2026). This benefit is paid in addition to the standard spouse's pension that is normally insured in the pension scheme. Payments continue until the partner reaches State pension age. Below we outline how an ANW shortfall insurance works.



Partner's income situation in case of ANW shortfall insurance

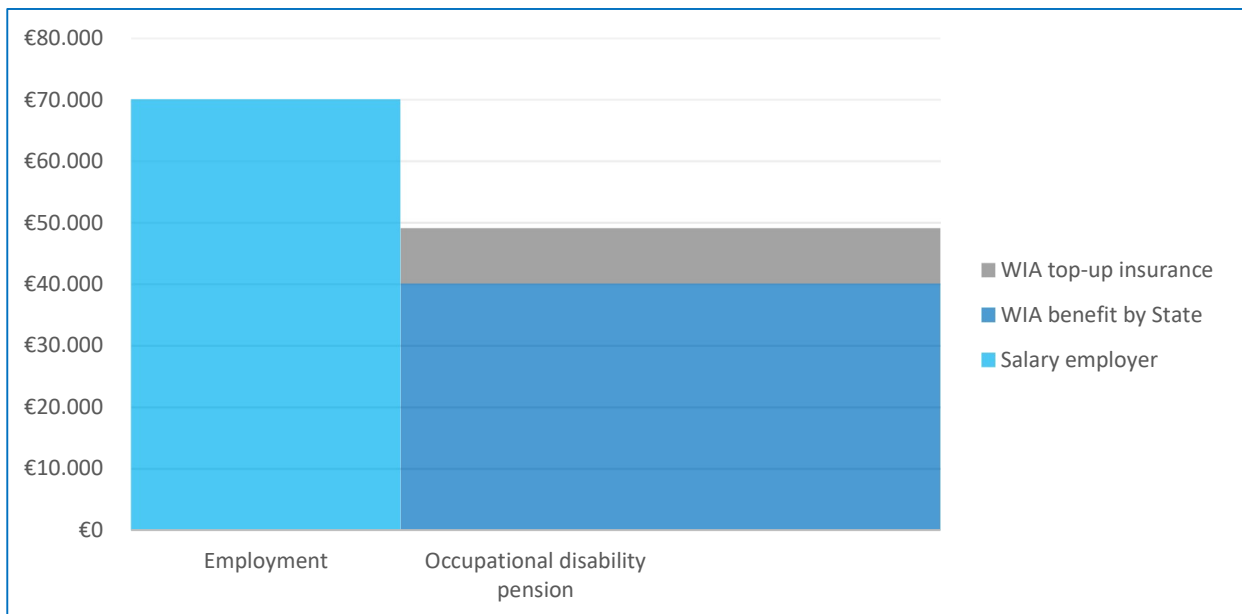
4.3 WIA top-up insurance (Occupational disability pension)

This insurance only applies to employees with an annual salary of more than € 79,409 (2026) and supplements the income in the event of disability up to, for example, 70% of the last earned salary. Employees with a salary of more than € 79,409 are confronted with a substantial financial decline in the event of disability. A WIA top-up insurance can be a solution for this. The benefit from this insurance is in addition to the statutory WIA benefit that an employee receives from the UWV. The maximum WIA benefit amounts to a maximum of 70% of € 79,409, which is approximately € 50,000

gross per year. Therefore, an employee without a WIA top-up insurance does not receive any payment for the salary above the income limit.

Example

- An employee is 50 years and has a salary of € 90,000 gross per year.
- The employee is declared fully incapacitated for work.
- The WIA benefit that he receives from the UWV is approximately € 50,000 gross per year.
- Without the WIA top-up insurance his income decline is approximately € 40,000 gross per year.
- With the WIA top-up insurance of 70% he receives a benefit from the insurance company of approximately € 13,000, on top of the WIA benefit from UWV
- As a result, he receives a total of € 63,000 and his income loss is then "only" approximately € 27,000 gross per year.



Income situation of employee in the event of an occupational disability benefit

4.4 Collective life insurance

A collective life insurance policy provides the surviving relatives or heirs of employees with a one-off high payment in the event that the employee passes away during employment. This insurance can be a supplement to or replacement of the partner's pension. The employer determines the level of coverage in consultation with the employee and the insurer. In general, the capital is insured on a net basis and the employer grosses up the premium for wage and income tax purposes. In principle, the beneficiary (partner, children or other heirs) owes 10% or 20% inheritance tax on the insured capital.

This insurance is not standard in the Netherlands because there is almost always an insured partner's pension as part of the pension plan, which in general provides for a sufficient lifelong benefit.

5. Transfer of pension and international aspects

Right to transfer

In the Netherlands every employee has the right to transfer his/her accrued pension to the pension provider of the new employer under certain conditions. Whether a transfer is beneficial will depend on many factors. The characteristics of both schemes should be compared. Employers are not obliged to cooperate with an individual pension transfer when there are costs involved for the employer which exceed € 15,000 and are more than 10% of the transfer value. This additional charge is never an issue if the employer has a defined contribution scheme in place.

Transfer to the Netherlands

In principle the Dutch pension provider will cooperate with an incoming value transfer and will act as the receiving provider. Depending on tax and other legislation the transferring provider will cooperate, impose conditions or refuse the transfer. Once the pension capital is transferred to the pension provider of the Dutch employer, strict Dutch rules will apply. For instance the pension cannot be received as a lump sum and an outgoing value transfer abroad is not always possible. In the Netherlands pension will not be paid out to heirs. A pension transfer to the Netherlands therefore will not always be favourable.

Transfer from the Netherlands

If an employee considers an outgoing value transfer from the Netherlands he or she should contact the Dutch pension provider. This transferring provider will assess whether a transfer is possible and under which conditions. Approval of the Dutch Tax Authorities is required for a tax-free transfer. A transfer to a country outside the European Union could prove to be difficult. An international transfer of pension, if possible, could easily take several months or more.

Taxation of pension benefits

Participants in pension schemes always retain the rights to accrued pensions, regardless of where they live. The pension will be taxed by either the country where the pension was accrued (country of origin) or the country the employee retires (home country). This depends on local legislation and tax treaties concerning avoidance of double taxation.

6. Obligations sick leave

Obligations continued salary payment in case of sick leave

In the Netherlands employers are required to pay 70% of an employee's wages during the first 104 weeks of illness or disability and continue most other benefits, such as pension. Under the terms of most Collective Labour Agreements, employees receive 100% pay over the first 52 weeks and 70% during the second 52 weeks. After the 104 weeks the employment contract can be terminated and the employee receives a disability benefit from the State (*UWV*). After those 104 weeks, the pension provider will grant a premium waiver for continued pension accrual, based on the disability percentage set by the *UWV*.

Obligations Working Conditions Legislation

Employers are required by the Working Conditions Act to have a so-called basic health and safety service contract. A number of agreements between employer, employees and health and safety service providers must be included in this basic contract. The basic contract describes the tasks for which the employer is supported by a health and safety service provider, a number of important provisions regarding the occupational company doctor and the obligation of a complaints procedure. The basic contract also includes how the consultation between the company doctor, the prevention officer and the Works Council is arranged. Health and safety service providers offer contracts/subscriptions that meet the requirements of the basic contract.

7. Pension related topics

Accounting standards

For most internationally operating companies it is mandatory to determine future obligations with respect to employee benefits. This also concerns pension schemes. The classification of a pension scheme determines if there are any obligations. If the pension scheme can be qualified as a defined benefit scheme (i.e. final pay or average pay in the Netherlands) this could have negative consequences for the balance sheet for accounting purposes (such as IFRS, IAS, US GAAP, FAS).

If a pension scheme can be qualified as a defined contribution scheme for accounting purposes then in principle no obligations arise for the balance sheet. The pension schemes of mandatory industry-wide pension funds usually are defined benefit schemes (until 2028 at the latest). Mostly these schemes however can be qualified as a defined contribution scheme for accounting purposes. We emphasize that if the obligation is determined for accounting purposes, it does not mean that the company actually has to pay additional pension premiums.

Equal treatment

The Pension Act and Dutch Civil Code state that employees and participants in a pension scheme are entitled to equal treatment. For example, men and women pay an equal percentage of their salary in contributions and accrue equal pension rights. Equal treatment also applies to people who work part time or full time, and for employees with a temporary or permanent contract. The Pension Act also prohibits discrimination related to age. Employers with a pension scheme must include employees from the age of 18 in their pension scheme.

Pension and tax benefits

Pension rights are not taxed at the time they are awarded if the particular scheme qualifies for wage tax purposes. A pension scheme qualifies if:

- the limits set by the Dutch Wage Tax Act are not exceeded;
- all formal provisions are complied with;
- the pension insurer is permitted to operate as such under the law.

Employees' contributions to a tax qualified pension scheme are deductible for wage tax and income tax purposes. The employer's contribution is not treated as part of the salary. The pension is not taxed until the payment of benefits, which in the Netherlands are taxed on a progressive scale. A further consideration is that by accumulating a pension, taxation under personal property tax Box 3 (wealth tax) is avoided.

Waiver for participation

In principle all employees are obliged to participate in the collective company pension scheme. Waivers for participation are generally not accepted by pension providers, at most in very special circumstances. We therefore strongly recommend that no commitments are made in relation to waivers for participation.

Corporate tax

Employers in principle can deduct all personnel costs for corporation tax purposes and therefore all costs in connection with the pension scheme and insurable benefits.

8. Roadmap for setting up a pension scheme

In this brochure we explained the main characteristics of the Dutch pension system. Below we present you with an impression of the steps that must be taken if an employer wants to set up a defined contribution pension scheme for its employees. In the Netherlands employers are obliged to be guided and advised by a qualified pension consultant such as KWPS. Below we give a brief impression of the contours of the process.

Step 1 - Research into a mandatory industry-wide pension fund / applicability of Collective Labor Agreement regarding pensions

Why? An employer will have to make sure that no mandatory pension scheme or CLA regarding pensions is applicable. If that is the case, a pension scheme can be implemented in accordance with the applicable rules.

Step 2 - Consider setting up a company pension scheme or just providing an allowance to the employee

Why? If a company pension scheme is set up, this will consume time and money since pension is a complicated product, a lot of choices must be made and tuned to the situation of the company. A company pension scheme will be appreciated by most employees, is very common in the Netherlands and is a sign of good employership. It cannot be ruled out that a general pension obligation will arise in the Netherlands in the near future.

If no pension plan is set up but an allowance is given to the employee, then this payment qualifies as wage and must be taxed by the employer. The employee can decide for himself to set up a private annuity or savings plan. Furthermore, the employee must take care of the risk coverage in case of death or occupational disability himself. The employer has no active role in this. That is why in practice little comes from the good intentions of the employee. However the employer does have a duty of care in this situation to point out the consequences to the employee, in case he doesn't provide for sufficient coverage in case of decease and the possible lack of an old age income.

Step 3 - Interview and setting up the outlines of the DC pension scheme (blue print)

In an interview KWPS will discuss the details of the new pension scheme (coverages and premiums) and will provide the employer with more information. Based on the interview we will draft a blue print of the future DC pension scheme that fits the branch/entity in the Netherlands.

Step 4 – Submit request(s) for a proposal from insurance companies

Based on the blue print KWPS will ask for a proposal from providers. KWPS knows the market of providers well and knows, for example, whether they are able to offer legal documents and portals in English, whether the costs are competitive or how the investment mix should be assessed. Quotations are requested and compared and we will report on this.

If a client wishes KWPS to request only one quotation, our consultancy costs are lower. When requesting a single quotation, the client must declare to be aware that better offers may apply. We hereby emphasize that there are no business ties or dependencies between KWPS and commercial pension providers within or outside the Netherlands.

Step 5 – Implementation of the scheme

In this phase we will present the employer with a pension paragraph for the employment contract, we will make final agreements with the pension provider and will assess the various documents the pension provider will produce for employer and employees. The company will have to sign the implementation agreement (contract) with the pension provider after the review of KWPS. Once the pension scheme is set up, the employer can administer current and future employees to the pension scheme itself in the employer's portal.

Step 6 - Communication of the scheme

This step is optional. In a personal conversation with the employee we can explain the elements of the scheme. If more employees are involved, a collective presentation can be arranged by KWPS and/or we can provide information letters for the employees. The pension provider can also take care of some aspects in the communication of the pension scheme. However, they are not independent.

Step 7 - Pass on mutations and apply controls

The pension contract will have to be managed to, for example, administer changes in coverage (salary, (de)registration, termination, change in marital status, etc.). The portals of the pension providers make it possible to do these mutations yourself. Employers can also check for themselves whether the correct premium is calculated, deducted or paid. If required, KWPS can take care of the administration and the check on the administration from the pension provider.

Step 8 – Maintenance

Maintenance is required after the implementation of the pension scheme. It is important to realize this in advance. For example, it is important that step 1 is repeated periodically because the activities of the organization may change. The scope of a mandatory industry-wide pension fund may also change. Both aspects can lead to a mandatory pension fund being applicable at any moment. A second issue is the changing laws and regulations. From time to time, new legal rules regarding pensions are implemented. The consequences of this will have to be mapped out so as not to be faced with (expensive) surprises. A third example is the fact that the contract with the provider sometimes has a certain duration and that products from providers change from time to time. It is important to identify the consequences for employer and employee. These examples make it clear that external consultancy costs are sometimes required for (major) maintenance of the scheme.

9. More information and contact

For more information or for a no-obligation consultation, please feel free to contact us.



Natasja Winter
winter@kwps.nl

Dirk de Wit
dewit@kwps.nl

KWPS | Employee Benefits & Risk Management

- tax, legal & actuarial
- mergers, acquisitions & harmonization
- pensions, insurances & brokerage
- administration, monitoring & control