COUNTRY SPOTLIGHT NETHERLANDS

Reform in bloom?

Big changes are coming – slowly – to the Netherlands' celebrated pensions system, as demographics and economics have made reform necessary. David Adams **reports on the challenges still to be overcome**

The pensions system in the Netherlands has long been regarded as one of the best in the world. A pay-as-you-go funded first pillar provides a foundational retirement income, while about three-quarters of people accruing second pillar pensions are members of industry or sector-wide funds, with the remainder accruing pension rights through a company fund, or a pension provided by an insurer. A less developed third pillar is used most often by workers who are not members of these schemes, including the self-employed.

The old system has delivered stability and certainty for generations, but the same demographic and economic forces driving pension reform elsewhere are also at work in the Netherlands. Increased longevity and an ageing society are extending the amount of money needed to fund ever longer periods of retirement. This is causing financial difficulties for second pillar funds, which are also no longer such a good fit for individuals who are now much less likely to work in the same sector throughout their careers. Gradually, many second pillar funds are becoming financially unsustainable, with low interest rates and economic instability exacerbating the situation.

Most second pillar schemes have been based on a DB arrangement, and members paid contributions at the same rates, regardless of age, gender, health or income. Over time, this has increased pension costs for all members, but those costs now feel particularly disproportionate for younger workers.

"The Netherlands has had a very robust pensions system, but the system has a number of vulnerabilities, because of the effects of economic change and changes in the way people work," says Deloitte director, investment management and pensions, Angelique Joosen. "Some pension funds could not always live up to their promises to participants about the amount of pension benefits they intend to pay to the fund's members."

New models

Reforms have been under discussion for more than a decade; and are now underway. A new system, enabled by the July 2023 Future Pensions Act, or Wet Toekomst pensioenen (Wtp), retains some collective risk-sharing, but introduces a DC-based regime, with pension rights based on individual contributions. There will be two types of DC arrangement – solidarity or flexibility schemes. A large majority of schemes are likely to use the solidarity model, retaining collective investments and risk-sharing.

Members will have no direct say over how their pension savings are invested, or in scheme governance, with trade unions or other social partners representing those members' interests. The flexible schemes offer individual investment choices.

Both types of schemes expose individuals to greater investment risks than in the past, but investment policies can now be tailored according to age, meaning younger people can invest in riskier assets that may offer higher returns, while those closer to retirement use less risky assets.

"In the new system, we keep the strong elements of our current system, such as the joint mandatory pension enrolment, risk sharing and lifelong pension," says Dutch Federation of Pension Funds (Pensioenfederatie) chairman, Ger Jaarsma. "At the same time, we will… better align the system with the changing labour market. In the renewed system, pensions can increase more quickly when the economy grows… [*but*] there still is a buffer available if returns are lower than expected."

Not everyone is in favour of all these changes. In February 2025, two political parties, New Social Contract (NSC) and Farmer-Citizen Movement (BBB) began submitting a series of different versions of a proposed amendment to the Wtp, demanding a mandatory referendum for each fund or scheme, with transition to the new system only permitted if at least 50 per cent of members voted in favour, based on a turnout of at least 30 per cent.

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Jaarsma responded immediately on behalf of the Pensioenfederatie, saying that such an amendment would "effectively demolish" the Wtp, and would be "unworkable and unaffordable".

A group of prominent pension funds, led by the care and welfare sector pension fund, Pensioenfonds Zorg en Welzijn (PFZW), claimed the proposed amendment could add €18 billion to schemes' costs, by effectively creating two parallel pension systems. Ultimately, they claimed, members would bear these costs.

Meanwhile, some funds have already started making higher payments to some pensioners based on benefits calculated using the new system. Beroepensioenfonds Loodsen (BPL), the pension scheme for registered pilots, has been able to increase pension benefits by about 8 per cent.

However, the fund has also faced legal challenges, including an accusation from a group of legal experts that because the fund transferred members' money without their consent, then used it for purposes besides funding members' pensions, BPL's board has, in effect, embezzled these funds.

When informed of this complaint in February, BPL stated that as it had not yet been informed of the details it could not comment – but also that it "looks forward… with confidence" to the findings of the Public Prosecution Service.

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Final challenges

Beyond these political and legal challenges, every pension fund must also navigate difficult operational and regulatory processes. Employers and employees' representatives will need to agree on a new design for each fund and submit those designs to the fund provider, which must then submit an implementation plan to the regulator – the Central Bank of the Netherlands (DNB).

This supervisory process could take up to a year, with the regulator sometimes seeking further detail or clarification from funds or providers. It will need to be completed on or before 1 January 2028 at the latest (delayed by a year from the previous official date of 1 January 2027) and DNB requires notification of an implementation date at least one year in advance.

"Boards need to take into account that the supervisors need to see a solid audit trail, and you should have risk management in place," Joosen warns. She says that while some large funds Deloitte works with are ready, others will need to dedicate more time and attention to this process.

Nonetheless, Jaarsma is optimistic. "The first funds transferred to the new system at the beginning of this year, and that went really well," he says. "Other pension funds have learned from these frontrunners."

But there is still more work for the industry to do, says WTW Netherlands retirement leadership team member, Wichert Hoekert. For a start, he suggests, there will need to be a new way of assessing standards of risk management. "We've been used to funding ratios as a clear and proper benchmark, and that will, more or less, cease to work in the new regime," he points out.

Joosen thinks further extension of pension provision for freelance workers should become a more important priority during the next few years. She would also like to see more integration between the second and third pillars, and better visibility of potential pension rights and benefits, to give individuals "insight into what they have accrued already and what they additionally will need to do if they are going to have a good pension in the future".

Another change almost certain to be introduced is a new rule allowing retirees to withdraw a lump sum of up to 10 per cent of a total accrued pension on the day of retirement. Introduction of this rule, not yet approved by the Dutch Senate, has been postponed repeatedly, most recently in March 2025, and is now scheduled for July 2026.

Meanwhile, at the time of writing, the industry is still waiting for politicians to confirm full implementation of the Wtp without alterations imposed by the NSC/BBB amendment.

"Uncertainty doesn't help, but eventually it will pass," says Hoekert. "A little while ago, there were 65 transition funds aiming for a transition date of 1 January 2026. That has now gone down to below 40 and I expect that quite a few of those probably won't make that. But January 2028 is still a while away."

For Pensioenfederatie, Jaarsma stresses the need for "consistent and stable policy from the government and supervisors" during the next three years.

"Only then can pension funds, administrators and other parties involved fully focus on a good transition to the renewed system for millions of workers and pensioners," he says.