KWPS
Employee Benefits & Risk Management

The Dutch Future of Pensions Act

The practical significance for employers with a pension scheme with a Dutch **insurance company** or Dutch **premium pension institution**.

Version 2024-1


1
Briefly explained

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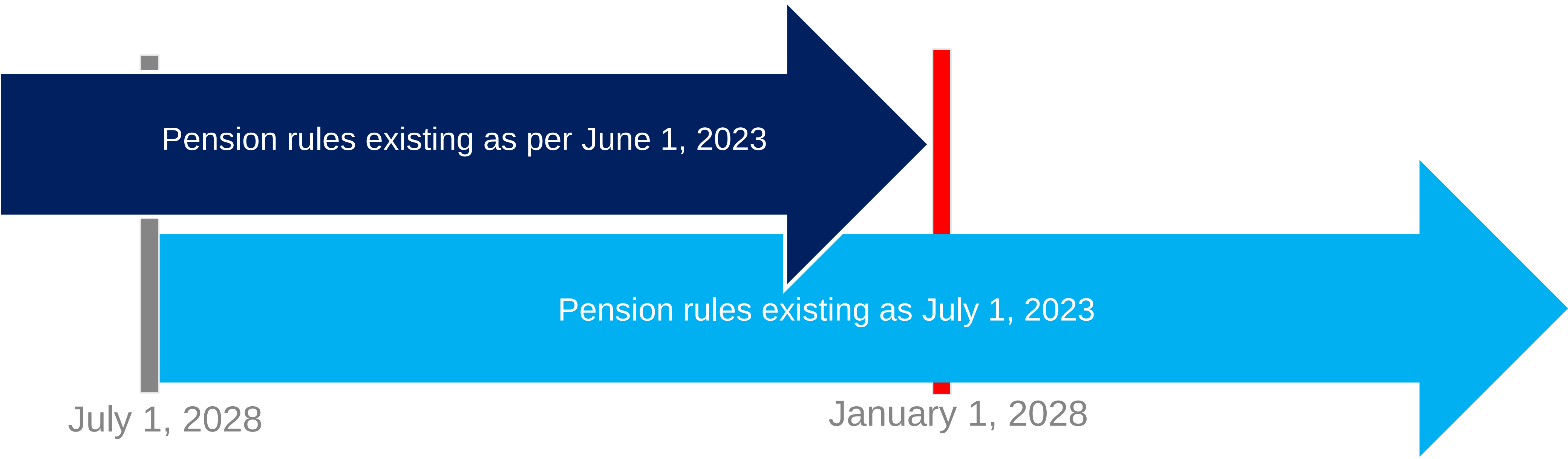
Inleiding

- Under the Dutch Future of Pensions Act (hereafter New Pension Act), all pension schemes in the Netherlands must be adapted to the new pension system in 2027 or earlier. Quotations must be signed by October 1, 2026.
- Failure to adjust in time means that the scheme can and will no longer be implemented. However, employees retain rights, which creates taxable wages.
- If the pension scheme is administrated by a mandatory industry-wide pension fund, an individual employer does not have to take the initiative to change the scheme.
- If the pension scheme is administered by an insurance company or a premium pension instituition the employer must take the initiative to change the scheme and seek the consent of the employees and the Works Council (applicable with more than 50 employees).

New Pension Act: two pension systems until 2028



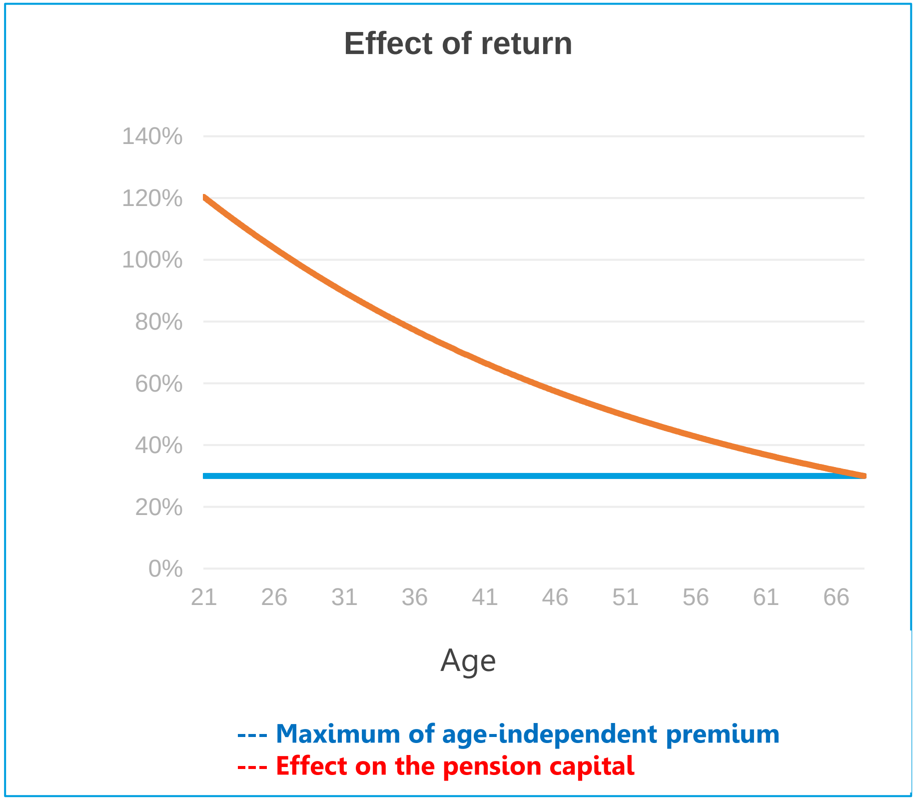
- The pension rules as they stood on June 30, 2023 still apply to the pension scheme of most employers.
- This situation may remain this way until January 1, 2028 at the latest. Whether this is advisable is questionable and varies per situation.

2 Five requirements for the new scheme

Requirements New Pension Act	Is your pension scheme already compliant?
1. The scheme must be an individual Defined Contribution scheme. Defined Benefit schemes are no longer allowed.	Yes / No
2. The premium has to be age-independent.	Yes / No
3. The employer must choose between a flexible DC-scheme or a premium benefit DC-scheme.	Yes / No
4. The partner’s pension in the event of death before pension must be a percentage of the salary.	Yes / No
5. The employer must choose between standard fixed or variable pension payments, in the interest of employees.	Yes / No

1+2. Age-independant premium and individual DC

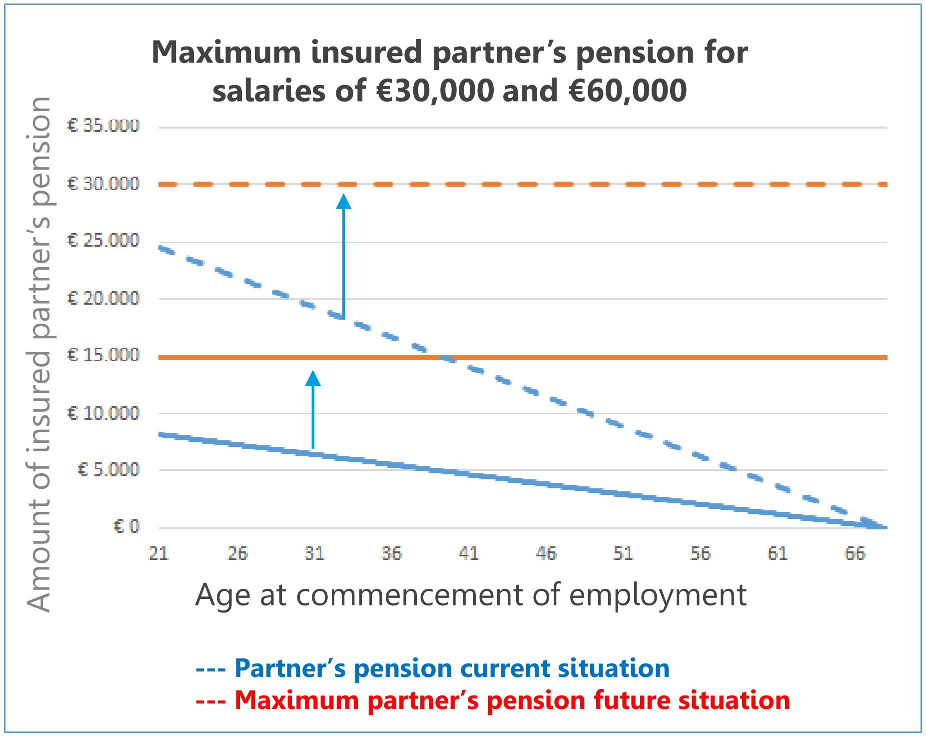
- The premium percentage must be age-independant and may not exceed 30% of the pension basis.
- A maximum percentage of 30% is allowed for tax purposes and can change every five year, based on general expected return.
- Function related distinction in premium and other aspects of the scheme is still possible.
- Effect of return decreases as age increases. The younger the employee starts saving the more pension capital.



3. The employer must choose between two schemes

Flexible DC scheme	Premium Benefit DC scheme
Own pension capital and Life Cycle investments	The same
Employee can choose fixed or variable benefits from retirement date and a Life Cycle tailored to it	The same
Risks in the benefit phase are shared by all participants. Depending on the product offering, it is possible to join that collective 10 years before the retirement date	Risks in the payment phase are shared (collective allocation mechanism). Right to 15 years before the retirement date to purchase fixed benefits
Shopping right with the pension capital on the retirement date to be able to purchase the highest benefit	Shopping right, only if the employees has not chosen to purchase fixed benefits before the retirement date

4. Partner's pension in the event of death before the retirement date changes dramatically



- This partner's pension must be insured on a risk basis. The amount is independent of the length of service.
- The partner's pension in the event of prior death may amount to a maximum of 50% of the salary (orphan's pension a maximum of 20%).
- A uniform broad concept of partner applies, making more people eligible for a partner's.
- No existing pension scheme is compliant.

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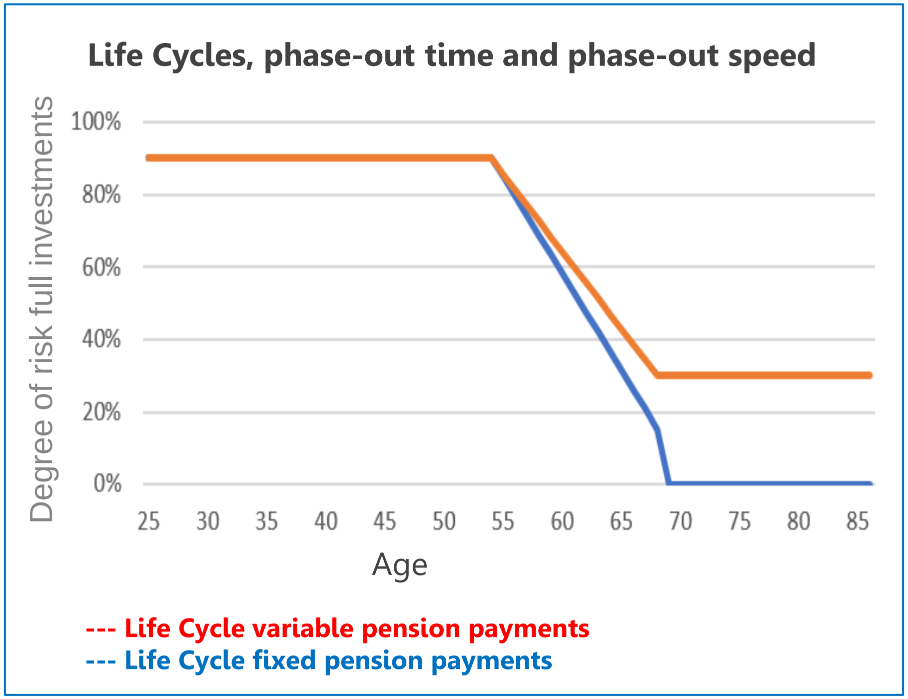
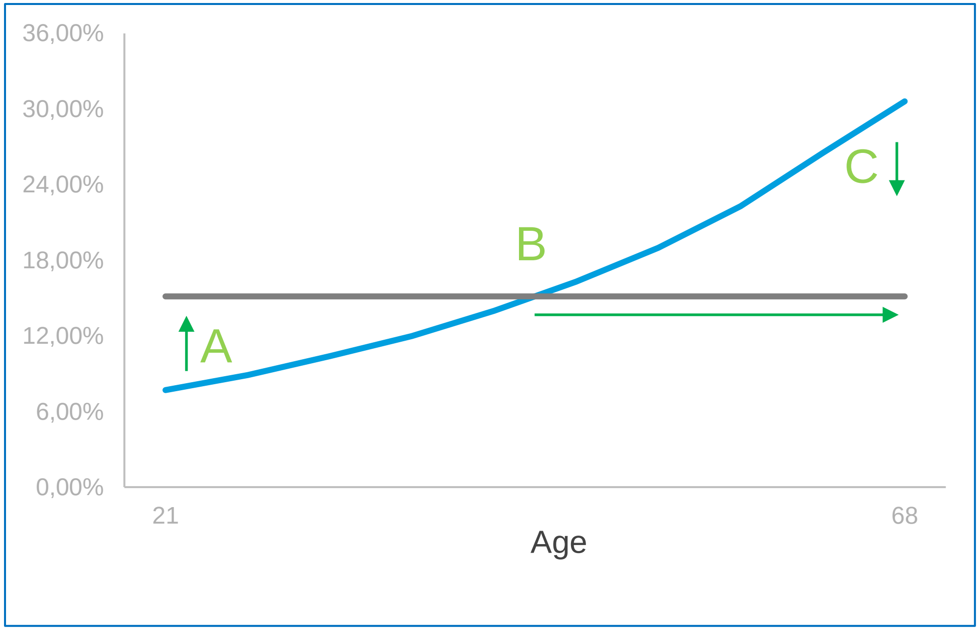
5. The employer must choose between standard fixed or variable pension payments, in the interest of employees



- Currently the default is a fixed benefit and the employee must actively opt for a variable benefit.
- A variable benefit however means that more is invested in the accumulation phase and more risk during payments. There is a real chance of higher benefits.
- Because of the New Pension Act, the employer must choose what will be the default. Employee can choose differently.
- Active coordination upfront with employees is necessary to define the correct default. An employee in principle does not make choices, even if the default is incorrect for him.

3 Age-independant premiums will be respected

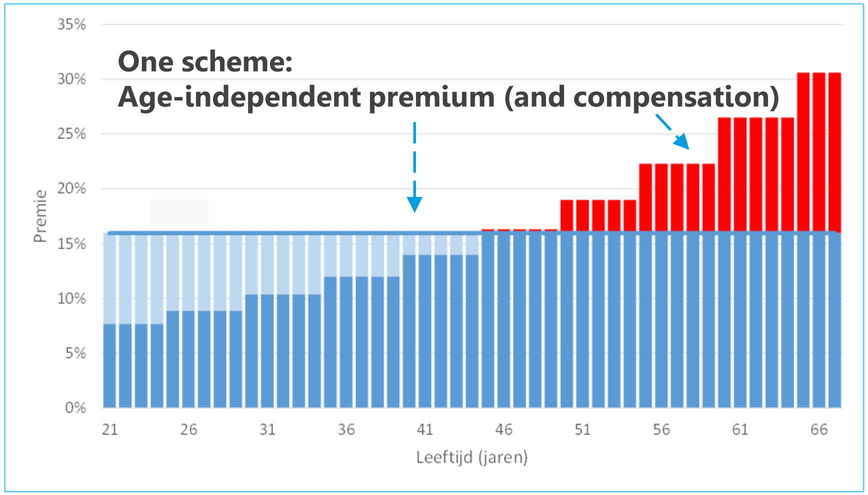
Switching to an age-independant flat premium causes headaches

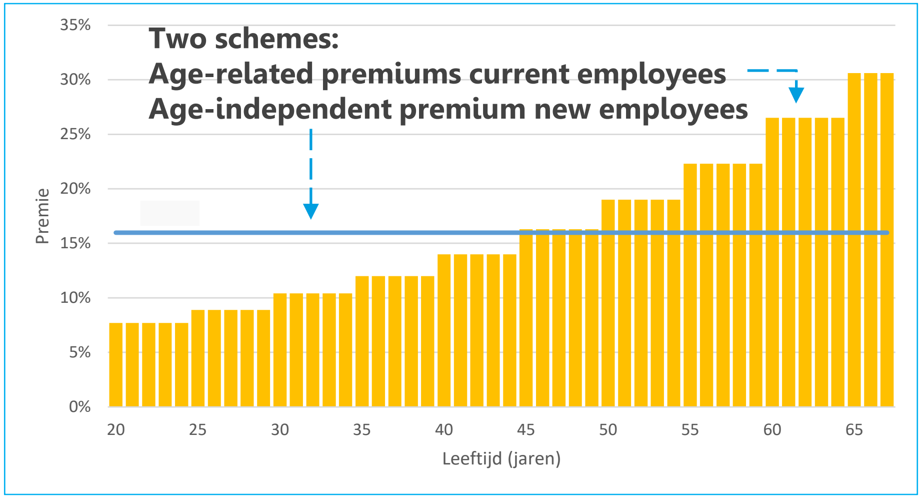


--- Value of the current scheme
--- Value of the new scheme

- The younger employee (A) will welcome the flat premium agreement.
- The average-aged employee (B) has long, increasing pain from the transition.
- The older employee (C) has short, severe pain from the transition.
- Compensation in the form of extra pension or extra wages is inevitable.
- Therefore, the New Pension Act provides for an exception. Only an existing age-independant premium is allowed to be maintained, even after 2028. Not for new employees however.

Employee’s and scheme specific financial analysis





A financial analysis makes clear for the employer:

- What the costs are of the scenarios and scenario variants
- The possible effects on the influx of new employees
- to what extent unequal treatment would arise

4 Guidance by KWPS

We provide insight and unburden you

KWPS can – based on its in-depth knowledge and independance – take on a partial or integral advisory role:

- Determining the financial impact for the employer of different scenarios
- Determining the type of scheme, premium amount, coverage ad possible compensation
- Utilizing transition and transitional law
- Mapping the choices to be made and moments of choice
- Defining pension policy, aligning scheme with HR policy and fullfiling employer’s duty of care
- Education and information provision
- Consent from and consultation with the Works Council
- Requesting and assessing proposals from pension providers

More information and consultation

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