

ACCRUED-TO-DATE PENSION ENTITLEMENTS IN SOCIAL INSURANCE: FACT SHEET

The Netherlands

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1. Table 29 column A: Defined contribution schemes (funded, non-general government)

1. General description of the scheme and the calculation model	
<i>a. Coverage of the scheme</i>	
<ul style="list-style-type: none"> Funded pension schemes are executed by pension funds and insurance companies. There are more participants in pension funds than the Dutch population, because of double counting: changing jobs may result in different pension schemes in different pension funds. The coverage by pension funds in terms of insured employees as a percentage of the work force cannot be calculated because of this double counting. Pension funds can be grouped in industry -, company – and professional pension funds; insurance companies insure mainly company pension arrangements. All these pension arrangements are mandatory to the employee. Some inseparable survivors and disability pensions are included in some old age pension arrangements. 	
<i>b. Institutional set-up</i>	
<i>Data sources/ suppliers</i>	Data on pension funds and insurance companies are gathered by the supervisor, the Dutch Central Bank.
<i>Which institution is running/managing the calculations?</i>	Statistics Netherlands calculates the supplementary table.
2. Any other comments	
<p>In general, benefit formula are changing rapidly from benefits based on end salary to benefits based on average salary in the previous decade; in recent years many schemes also changed to a collective defined contribution (CDC) scheme. Indexation of benefits/entitlements has moved from unconditional to conditional for almost all pension schemes. Indexation is only allowed by the supervisor if the buffer is sufficient (assets at least 105% of total liabilities).</p> <p>Changes in methods and assumptions can only be adapted if employer- and employee organisations agree upon the change. Therefore changes in method are reported in row 7.</p>	

2. Table 29 column B: Defined benefit schemes and other non-defined contribution schemes (funded, non-general government)

1. General description of the scheme and the calculation model	
<i>a. Coverage of the scheme</i>	
<ul style="list-style-type: none"> Funded pension schemes are executed by pension funds and insurance companies. There are more participants than the Dutch population, because of double counting: changing jobs may result in different pension schemes in different pension funds. The coverage by pension funds in terms of insured employees as a percentage of the work force cannot be calculated because of this double counting. Pension funds can be grouped in industry -, company – and professional pension funds; insurance companies insure mainly company pension arrangements. All these pension arrangements are mandatory to the employee. Some inseparable survivors and disability pensions are included in some old age pension arrangements. Private unfunded early retirement pension schemes are reported in this column. Early retirement pension arrangements were legally terminated in 2007; the last benefits was paid out in 2016. 	
<i>b. Institutional set-up</i>	
<i>Data sources/ suppliers</i>	Pension funds and insurance companies use actuarial calculation models. The reported results of these models to the supervisor are used for the supplementary table on pensions. Pension funds and insurance companies each make their own

	model calculations. The models and their assumptions are tested against the criteria set by the supervisor.
<i>Which institution is running/managing the calculations?</i>	Statistics Netherlands calculates the supplementary table. The supervisory data, source for National Accounts, are collected by the Dutch Central Bank.
c. Major formulas: Benefit formula; Indexation of benefits	
<i>Benefit formula</i>	Early retirement pension entitlements are estimated by discounting the benefits to be paid in the last years of these arrangements reckoning with an average wage growth.
<i>Indexation of benefits</i>	Indexation of benefits/entitlements has moved from unconditional to conditional for almost all pension schemes. Indexation is only allowed by the supervisor if the buffer of the pension fund is sufficient (assets at least 105% of total liabilities).
d. Type and structure of the calculation model	
2. Assumptions and methodologies applied	
a. Discount rate	
The discount rate is prescribed in the form of an interest rate term structure set by the supervisor.	
b. Wage growth	
Wage growth is often based on labour market statistics by Statistics Netherland.	
c. Valuation method: ABO/PBO	
Almost all actuarial models use an ABO approach.	
3. Data used to run the model	
a. Mortality tables	
Mortality tables are built by the Actuarial Society and based on the population forecast of Statistics Netherlands.	
b. Entitlement statistics; other relevant statistics	
4. Reforms incorporated in the model	
Changes in methods and assumptions can only be adapted if employer- and employee organisations agree upon the change. Therefore changes in methods are reported in row 7.	
5. Specific assumptions	
a. How are careers modelled?	
b. How are survivor pensions calculated?	
c. How is the retirement age modelled over time?	
d. Other specific features of the model	
6. Any other comments	
In general, benefit formula are changing rapidly from benefits based on end salary to benefits based on average salary in the previous decade	

3. Table 29 column D: Defined contribution schemes (funded, general government)

1. General description of the scheme and the calculation model

<i>a. Coverage of the scheme</i>	
There are no defined contribution schemes (funded, general government) in The Netherlands.	
<i>b. Institutional set-up</i>	
<i>Data sources/ suppliers</i>	
<i>Which institution is running/managing the calculations?</i>	
2. Any other comments	

4. Table 29 column E: Defined benefit schemes (funded, for general government employees, classified in financial corporations)

1. General description of the scheme and the calculation model	
<i>a. Coverage of the scheme:</i>	
<ul style="list-style-type: none"> • There exists one pension fund for civil servants and other employees related to government in The Netherlands (ABP). • Funded pension schemes are executed by pension funds and insurance companies. There are more participants in pension funds than the Dutch population, because of double counting: changing jobs may result in different pension schemes in different pension funds. The coverage by pension funds in terms of insured employees as a percentage of the work force cannot be calculated because of this double counting. • ABP is grouped under the industry pension funds. These pension arrangements are mandatory to civil servants and the government related employee. • Inseparable survivors and disability pensions are included in the ABP pension arrangements. • In the public sector one negligible pension arrangement (SAIP) is accounted for in this column. 	
<i>b. Institutional set-up</i>	
<i>Data sources/ suppliers</i>	The pension fund uses actuarial calculation models. The reported results of these models to the supervisor are used for the supplementary table on pensions. The models and their assumptions are tested against the criteria set by the supervisor. Data source for FVP an SAIP are their annual reports.
<i>Which institution is running/managing the calculations?</i>	Statistics Netherlands calculates the supplementary table. The supervisory data, source for National Accounts, are collected by the Dutch Central Bank.
<i>c. Major formulas: Benefit formula; Indexation of benefits</i>	
<i>Benefit formula</i>	Because of their irrelevance in the total of T29 the pension entitlements of SAIP are calculated using a capitalization factor on their benefits.
<i>Indexation of benefits</i>	Indexation of benefits/entitlements has moved from unconditional to conditional for all pension schemes. Indexation is only allowed by the supervisor if the buffer is sufficient (assets at least 105% of total liabilities).
<i>d. Type and structure of the calculation model</i>	
2. Assumptions and methodologies applied	
<i>a. Discount rate</i>	
The discount rate is prescribed in the form of an interest rate term structure set by the supervisor.	
<i>b. Wage growth</i>	
Wage growth is often based on labour market statistics by Statistics Netherland.	
<i>c. Valuation method: ABO/PBO</i>	
Almost all actuarial models use an ABO approach	
3. Data used to run the model	
<i>a. Mortality tables</i>	

Mortality tables are built by the Actuarial Society and based on the population forecast of Statistics Netherlands.
<i>b. Entitlement statistics; other relevant statistics</i>
4. Reforms incorporated in the model
5. Specific assumptions
<i>a. How are careers modelled?</i>
<i>b. How are survivor pensions calculated?</i>
<i>c. How is the retirement age modelled over time?</i>
<i>d. Other specific features of the model</i>
6. Any other comments

5. Table 29 column F: Defined benefit schemes (funded, for general government employees, classified in general government)

1. General description of the scheme and the calculation model	
<i>a. Coverage of the scheme</i>	
There are no Defined benefit schemes (funded, for general government employees, classified in general government) in The Netherlands	
<i>b. Institutional set-up</i>	
<i>Data sources/ suppliers</i>	
<i>Which institution is running/managing the calculations?</i>	
<i>c. Major formulas: Benefit formula; Indexation of benefits</i>	
<i>Benefit formula</i>	
<i>Indexation of benefits</i>	
<i>d. Type and structure of the calculation model</i>	
2. Assumptions and methodologies applied	
<i>a. Discount rate</i>	
<i>b. Wage growth</i>	
<i>c. Valuation method: ABO/PBO</i>	
3. Data used to run the model	
<i>a. Mortality tables</i>	
<i>b. Entitlement statistics; other relevant statistics</i>	
4. Reforms incorporated in the model	

5. Specific assumptions
<i>a. How are careers modelled?</i>
<i>b. How are survivor pensions calculated?</i>
<i>c. How is the retirement age modelled over time?</i>
<i>d. Other specific features of the model</i>
6. Any other comments

6. Table 29 column G: Defined benefit schemes (unfunded, for general government employees, classified in general government)

1. General description of the scheme and the calculation model	
<i>a. Coverage of the scheme</i>	
<ul style="list-style-type: none"> In the public sector the government directly pays a part of the pension benefits of the former military servants. 	
<i>b. Institutional set-up</i>	
<i>Data sources/ suppliers</i>	
<i>Which institution is running/managing the calculations?</i>	The direct payments are taken from the government.
<i>c. Major formulas: Benefit formula; Indexation of benefits</i>	
<i>Benefit formula</i>	<ul style="list-style-type: none"> The direct payments to military men are capitalized by using information from the Ministry of Defence.
<i>Indexation of benefits</i>	
<i>d. Type and structure of the calculation model</i>	
2. Assumptions and methodologies applied	
<i>a. Discount rate</i>	
<i>b. Wage growth</i>	
Wage growth is often based on labour market statistics by Statistics Netherland.	
<i>c. Valuation method: ABO/PBO</i>	
ABO	
3. Data used to run the model	
<i>a. Mortality tables</i>	
<i>b. Entitlement statistics; other relevant statistics</i>	
4. Reforms incorporated in the model	
5. Specific assumptions	
<i>a. How are careers modelled?</i>	

<i>b. How are survivor pensions calculated?</i>
<i>c. How is the retirement age modelled over time?</i>
<i>d. Other specific features of the model</i>
6. Any other comments
These schemes are recorded in the core SNA in the current accounts, but no entitlements are estimated. Therefore this could lead to discrepancies when SNA totals for F.63 are compared with those in this table.

7. Table 29 column H: Social security pension schemes (unfunded)

1. General description of the scheme and the calculation model	
<i>a. Coverage of the scheme</i>	
<i>The unfunded state pension system (In Dutch: AOW) is reported in column H and covers only old age pensions. Disability and survivor pensions are organised in separate social schemes and are not part of the supplementary table. The model used to estimate the entitlements is built and used by Statistics Netherlands. Every person living in the Netherlands starts accruing entitlements in the 50 years prior to receiving a benefit, and receives a benefit when retired.</i>	
<i>b. Institutional set-up</i>	
<i>Data sources/ suppliers</i>	An integral data source, Integrale Inkomens- en Vermogensstatistiek (IIVS), is used for the average benefits of retirees. National Accounts totals are used as a benchmark of totals for the population.
<i>Which institution is running/managing the calculations?</i>	Statistics Netherlands
<i>c. Major formulas: Benefit formula; Indexation of benefits</i>	
<i>Benefit formula</i>	Benefits are not taken from a formula but from the IIVS, entitlements are estimated to accrue with 2% each year.
<i>Indexation of benefits</i>	2%
<i>d. Type and structure of the calculation model</i>	
<i>The model combines the current population by age (100 age groups) and gender (men and women), and the life expectancy for each of these groups. For the ages in retirement benefits are available which are used to determine future benefits (a 70 year old person receives the benefit of a 71 year old person in the next year plus indexation). Because the life expectancy is known, and the retirement age in each year is known as well, the number of years one receives a benefit can be calculated. These benefits are discounted using the discount rate which has been agreed by the Ageing Working Group and is recommended in the technical compilation guide for pension data in national accounts. The individuals that accrue entitlements are treated similar, but except that benefits are used, the entitlements are estimated as 2% accrual of the average pension benefit in a year. This accrual starts 50 years before the expected retirement age. Hence in 50 years a full, unfunded pension entitlement is accrued.</i>	
2. Assumptions and methodologies applied	
<i>a. Discount rate</i>	
4% nominal and 2% real	
<i>b. Wage growth</i>	
Wage growth does not apply to this pension scheme.	
<i>c. Valuation method: ABO/PBO</i>	
PBO, where indexation is used to receive a projected benefit. Wage growth is not relevant.	
3. Data used to run the model	
<i>a. Mortality tables</i>	
a) Life expectancy as published by Statistics Netherlands.	

b) Population in year T as published by Statistics Netherlands.
<i>b. Entitlement statistics; other relevant statistics</i>
IIVS is used for the average benefits of retirees.
4. Reforms incorporated in the model
The retirement age is increased to 66 years and 7 months in 2022. In 2024 the retirement age is 67 years. We do not estimate a possible increase based upon the projected life expectancy because the government needs to take an additional action to formalize this increase.
5. Specific assumptions
<i>a. How are careers modelled?</i>
They are not, careers are of no influence on the AOW.
<i>b. How are survivor pensions calculated?</i>
They are not, these are excluded from the model as they are part of a different scheme.
<i>c. How is the retirement age modelled over time?</i>
See 4.
<i>d. Other specific features of the model</i>
6. Any other comments

8. Table 29 column K: Entitlements of non-resident households

[to be completed only if data are transmitted for column K]

1. General description and the calculation model	
<i>a. Coverage of the scheme</i>	
Funded pension schemes by pension funds and insurance companies. For each group of pension arrangements the variables are multiplied by a factor that is derived from foreign to total premium payments.	
<i>b. Institutional set-up</i>	
<i>Data sources/methods</i>	Supervisory data
<i>Which institution is running/managing the calculations?</i>	Statistics Netherlands
2. Any other comments	

9. Links to (national) publications providing further information on the pension schemes

Press release (in Dutch).

<http://www.cbs.nl/nl-NL/menu/themas/macro-economie/publicaties/artikelen/archief/2015/aow-aanspraken-overtreffen-die-op-aanvullend-pensioen.htm>

Background article (in Dutch).

[Totale pensioenaanspraken van Nederland in beeld \(cbs.nl\)](http://www.cbs.nl/nl-NL/menu/themas/macro-economie/publicaties/artikelen/archief/2015/aow-aanspraken-overtreffen-die-op-aanvullend-pensioen.htm)

Discussion paper (in English).

<http://www.cbs.nl/nl-NL/menu/methoden/onderzoek-methoden/discussionpapers/archief/2015/2015-constructing-the-supplementary-pension-tablepub.htm>

ANNEX

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