Pensions at a Glance 2023

Netherlands

Netherlands: Pension system in 2022

The pension system has three main pillars: a flat-rate state pension (AOW) related to minimum wages and financed via payroll taxes, funded occupational pension schemes, and individual saving schemes. Although there is no statutory obligation for employers to offer a pension scheme to their employees, industrial-relations agreements mean that approximately 90% of employees are covered. These schemes are therefore best thought of as quasi-mandatory.

Key Indicators: Netherlands

		Netherlands	OECD
Average worker earnings (AW)	EUR	57 513	39 182
	USD	60 564	41 261
Public pension spending	% of GDP	5.0	7.7
Life expectancy	at birth	82.4	80.7
	at age 65	85.3	84.6
Population over age 65	% of working-age population	34.7	31.3

Qualifying conditions

The basic old-age pension was payable from age 66 years and 7 months in 2022. All residents are eligible for this benefit. The statutory pension age is gradually increasing to 67 in 2024. Thereafter, the standard retirement age will be linked to gains in life expectancy.

Benefit calculation

Basic

The basic pension benefit for a single person equalled EUR 1 334.94 per month in 2022. For couples, the amount per person is EUR 914.15 for a total amount of EUR 1 828.30 per couple. There is an additional holiday allowance of EUR 69.30 per single person and 49.51 per person for couples. The benefit value is linked to changes in the net minimum wage which is uprated biannually.

The basic benefit accrues at 2% of the full value for each year a worker lives or works in the Netherlands. For older people and/or households with less than fifty years of Dutch residency and which have no other means of support or no assets there is also a means tested social-assistance scheme available. It supplements the available benefits from basic and occupational schemes to a maximum value equal to the net basic pension.

Occupational schemes

Approximately 89% of the employees (2022) are covered by a defined benefit scheme. The remaining employees are covered by a defined contribution scheme. With defined contribution schemes gaining in importance.

A new law entering into force in July 2023 obliges pension funds to transition from FDB to FDC schemes before 2028. From 2028, new entitlements can only be built up in DC schemes. The modelling therefore assumes an FDC scheme throughout the career.

The contribution rate is 18.6% on earnings above the franchise amount, which was EUR 15 320 in 2022. There is a ceiling to contributions of EUR 114 866 in 2022.

Variant careers

Early retirement

The basic pension is not payable before age 66 years and 7 months. It is possible to withdraw the occupational pension earlier. However, the benefits are adjusted.

Late retirement

It is not possible to defer the basic old-age pension scheme after age 66 years and 7 months (gradually increasing to 67 in 2024). But it is possible to combine the basic pension benefit receipt and work.

The rules on pension deferral vary between occupational plans. It is possible to combine the occupational pension scheme and work. Indeed, some schemes allow a member to withdraw a pension and continue to work with the same employer.

Childcare

In the basic old-age pension scheme, periods out of paid work are automatically covered. In the occupational schemes, there are no credits for childcare periods during which people are out of paid work, but the accrual of pension rights continues over remaining working years. However, many schemes allow voluntary contributions to cover the periods of absence.

Unemployment

There are no credits in the occupational plans for periods of unemployment. Again, the basic old-age scheme covers such periods automatically. In addition, the social partners administer a fund (FVP) which makes it possible for older workers to extend their pension accrual for a certain period during unemployment. The government has no formal relationship with this fund. The FVP fund is in liquidation now and does not take up any new cases.

Self-employed

The self-employed are not mandatorily covered by the earnings-related scheme.

Personal income tax and social security contributions

Taxation of pensioners

The basic tax credit for pensioners is EUR 1 726 in 2022 for incomes less than EUR 38 464. In addition, a pensioner in a single person household can receive an additional tax credit of EUR 449.

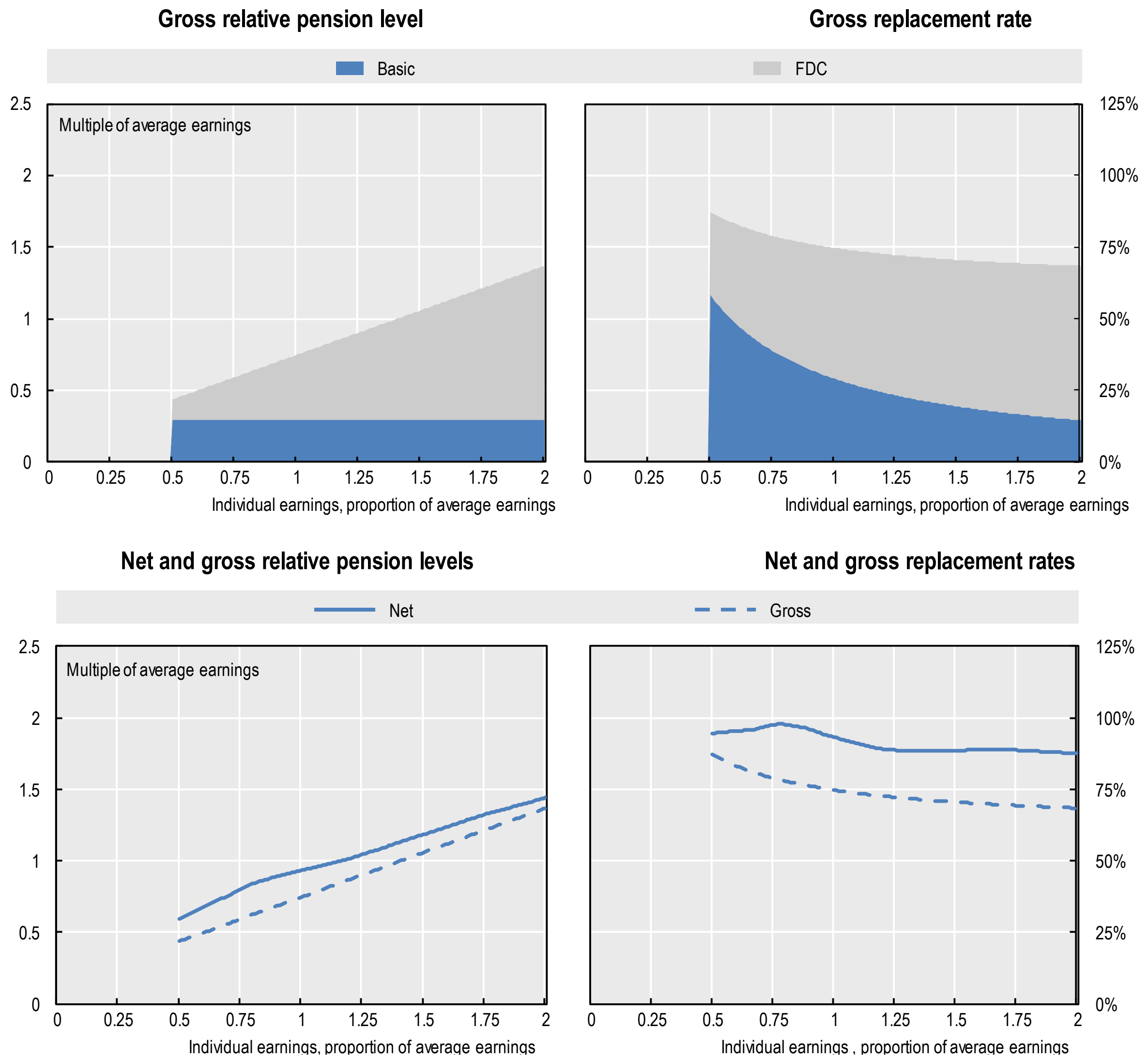
Taxation of pension income

There is no special relief for pension income.

Social security contributions paid by pensioners

Pensioners pay 9.75% of taxable income for the general health insurance and survivors' pensions (Wlz, ANW, up to an income of EUR 35 472 for 2022). Depending on their income, they pay for their own health insurance. The social security contributions are less than the contributions for those below the basic pension age (who also pay for old-age pensions, unemployment etc.).

Pension modelling results: Netherlands in 2070 retirement at age 70



Men Women (where different)	Individual earnings, multiple of average 0.5	 0.75	 1	 1.5	 2	 3
Gross relative pension level	43.6	59.2	74.7	105.8	136.7	136.7
(% average gross earnings)						
Net relative pension level	59.1	80.2	93.2	118.4	143.9	143.9
(% net average earnings)						
Gross replacement rate	87.3	78.9	74.7	70.5	68.4	45.6
(% individual gross earnings)						
Net replacement rate	94.6	97.5	93.2	88.7	87.5	59.9
(% individual net earnings)						
Gross pension wealth	16.3	14.4	13.5	12.5	12.0	8.0
(multiple of individual gross earnings)	17.6	15.5	14.5	13.5	13.0	8.6
Net pension wealth	17.6	17.8	16.8	15.7	15.4	10.5
(multiple of individual net earnings)	19.1	19.2	18.1	16.9	16.6	11.4

Assumptions: Real rate of return 2.5%, real earnings growth 1.25%, inflation 2%, and real discount rate 1.5%. All systems are modelled and indexed according to what is legislated. Transitional rules apply where relevant. DC conversion rate equals 90%. Labour market entry occurs at age 22 in 2022. Tax system latest available: 2022.