

## Completing Dutch pension reform

“Latest pension reforms complete the shift from defined benefit to defined contribution pensions”

Ed Westerhout<sup>1 3</sup>, Eduard Ponds<sup>1 2</sup> and Peter Zwaneveld<sup>3</sup> – <sup>1</sup>TiU, <sup>2</sup>APG, <sup>3</sup>CPB

The past 20 years have witnessed a clear shift in Dutch occupational pensions: from strongly collective defined benefit to more individual defined contribution schemes. First, we show how the way is paved for a collective defined contribution contract that features some individual elements. Then, warn that the reform may fail to deliver a pension contract that is easier to understand. Finally, we caution that pension cuts due to the poor performance of financial markets could become a thorny issue.

### Principal Findings

- The structural decline of interest rates under the current contract probably triggered the creation of this latest contract.
- Certain things in the new contract are fundamentally the same as 20 years ago, namely collective aspects in investment decisions and the semi-obligatory character of pension schemes.
- How pension wealth accumulated under the current contract will be transferred to the new pension contract still needs to be resolved.
- COVID-19 does not seem to have directly influenced the reform process.

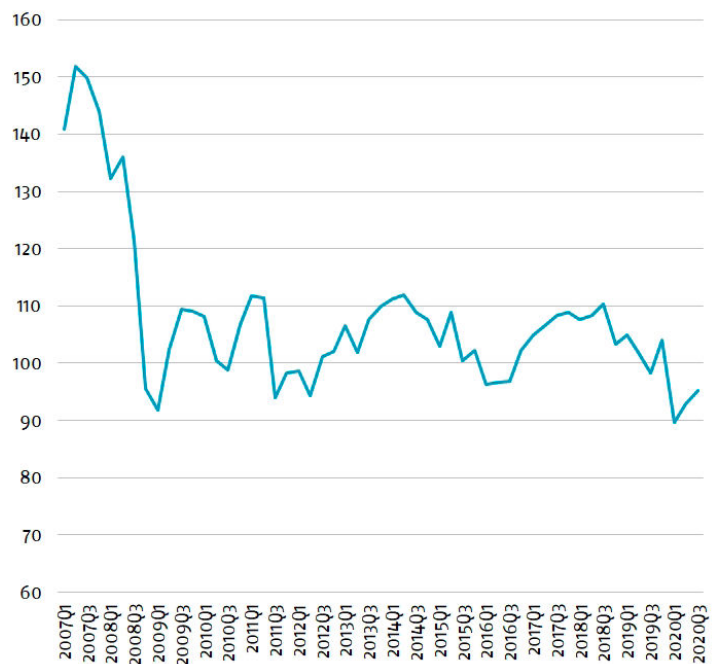


Figure: Average coverage ratio of pension funds

### Key Takeaways for the Industry

- Many people do not understand the current scheme, and the reform may fail to deliver a pension contract that is easier to understand.
- Pension cuts due to the poor performance of financial markets could become a thorny issue should this scenario arise.



Want to know more? Read the paper '[Completing Dutch pension reform](#)'