

Netherlands: Pension Scheme reforms

In 2023, legislation came into effect, which is transforming employer pension scheme compliance.

The objective is to move from the use of "defined benefit" schemes (DBs) (which create funding obligations on the employer to fund a fixed pension at retirement) to "defined contribution" (DCs) schemes (where the benefit at retirement depends on contributions, investment returns and longevity).

The new DCs are called Wet toekomst pensioenen (WTP) and new compliance rules apply.

There are transition arrangements, which are already operating.

- DBs and DCs in place before July 1st 2023 can continue operating as they are, up to December 31st 2027.
- If an employer introduces WTP elements to an existing scheme, the whole scheme must meet WTP standards.
- All schemes set up after July 1st 2023 must comply with WTP rules. These schemes can however operate alongside existing DCs, if needed.
- Schemes set up before July 1st 2023 with progressive, age-related premium scales can continue but new employees must be enrolled on a WTP compliant scheme by January 1st 2028.

Employers will need to take specialist pension advice on how best to navigate their transitions to WTP, in light of individual circumstances and history. For instance, some scheme changes will require employee consultation either directly or via works councils.

Whilst there will be compliance and transition costs, the new rules offer an opportunity for employers to work with employees, in their mutual long term interests.

This is a high level general update only. Legal advice should be obtained on specific circumstances.