

## Pension agreement: an important step

Although pensions in the Netherlands are well organized, there is enough room for improvement. Firstly, at the moment pensions frequently cannot increase with prices, not even in favourable economic conditions. Another problem is that young and older people do not pay a proportionate contribution for their pension accrual: the average pension contribution.

### **What will be the improvements?**

The new rules ensure that pensions will rise sooner in favourable economic conditions when good investment results are achieved. However, pensions are also expected to go down sooner in unfavourable economic conditions with disappointing investment results. So your pension reacts flexibly to the financial markets. Your pension will also be fairer: young and old accrue the pension for which they (together with their employer) pay contributions.

### **Pension schemes**

The new pension system offers a choice between two types of premium schemes. They differ primarily in their investment policy, risk-sharing and freedom of choice. In both premium schemes you and your employer put in money for your pension. That money is invested collectively. The pension pot consists of the money set aside by everyone, together with investment returns. The result of this may differ each year and for each age group. This also applies to the pension of retirees. However, rules will be established to ensure that the pensions of retired people fluctuate less.

### **Expected return instead of interest rate**

The pension fund no longer has to make a back-calculation by means of the 'interest rate' of how much equity is currently needed for future pensions. Instead, calculations will be based on 'expected return'.

### **How do the new rules affect you?**

They do not affect you for the time being. The new rules first have to be legislated, after which we can apply them. We have freedom of choice in a number of areas and there will be a transition trajectory. As soon as it is clear which scheme social partners prefer and how we will apply the new rules, we will make a tailored calculation for all people involved. All these steps are expected to take several years. And besides that the government just decided recently to postpone the introduction for a year.

We will keep you informed.