Scoping study – The Netherlands
Retirement

Pension system

The Dutch old-age pension system is a mixed system, combining public and private provisions, and is often characterized as very generous. According to a recent OECD report, the net replacement rate for a median earner was 103.2 per cent in 2012 (OECD, 2013).

The Dutch pension system is build up by **three pillars**:

First, individuals living in the Netherlands, (as well as those who do not live in the Netherlands but work there), are entitled to a flat-rate state pension (AOW), regardless of whether he or she works (e.g. housewifes/men also receive this pension). This pension is related to minimum wages, and financed through payroll taxes (Rijksoverheid, 2008). Per year people lived or worked in the Netherlands, from the age of 15 onwards, people are entitled to a 2 per cent of the pension allowance. People from abroad are immediately entitled to this right, in contrast to countries like, for example, Germany, where people have to work at least five years before being eligible for a pension, or France and Spain, where people have to work 15 years. Nevertheless, because of Regulation (EC) No 883/2004 of the European Parliament and of the Council of 29 April 2004 on the coordination of social security systems, there is a principle of aggregation of records, which makes it obligatory for states to take into account the number of years a person worked in another EU-member state (also non-EU migrants). **Second**, apart from this state-funding, employees also build up a pension through their employer with collective pension schemes, capital funded, and more than 95 per cent of employers offer such schemes to their employees (Rijksoverheid, 2008). Usually, the employer pays more than fifty per cent of the pension contributions (Rijksoverheid, 2008). It should be noted, however, that there is large variation considering the benefits each pension fund offer, some are more generous than others.

And **third**, people can engage in individual saving schemes by insurance providers.

People receive the AOW-pension when they settle in another European country. For non-European countries, this depends upon eventual treaties on social insurance of the destination country with the Netherlands (LBV, 2015). It is possible, for example, that single individuals receiving an old-age pension do not receive 70 per cent of the minimum wage, but 50 per cent, which is the case for retired persons living together (LBV, 2015). People might hence see a significant decrease in pension benefit when moving to non-European countries.

	% of GDP	Euro per inhabitant (at constant 2005 prices)	Purchasing Power Standard per inhabitant
EU28	13.2	3,027.20	3,402.57
EU15	13.5	3,624.45	3,774.26
Netherlands	13.4	4,303.30	4,301.29
Norway	8.7	5,520.65	4,027.31
Poland	11.1	924.69	2,066.16
Portugal	14.8	2,075.64	2,792.93
Spain	12.0	2,248.20	2,792.43
Turkey	8.1	476.90[1]	1,109.84

Table 1. Old-age pension expenditures across the case countries, 2012
Source: ESSPROS.
Note. Espross data is limited to first and second pillar benefits. Euro per inhabitant data for Turkey is based on 2010. No data available for the UK.

Relative pension benefits

The relative pension benefits are higher than the EU-average in the Netherlands and Norway. Per inhabitant, 4,303.30 euro is spent on expenditures for old-age pensions, which is 13,4 of the gross domestic product of the Netherlands. Comparatively, pensions are much less beneficial in Turkey and Poland.

References
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OECD. (2013). *Pensions at a Glance 2013: OECD and G20 Indicators*: OECD Publishing.
LBV. (2015). Wat zijn de regels voor AOW bij vertrek naar buitenland? . from http://www.lbv.nl/veel-gestelde-vragen/486-wat-zijn-de-regels-voor-aow-bij-vertrek-naar-buitenland