

A photograph of a middle-aged man with a grey beard and glasses, wearing a dark blue button-down shirt. He is smiling and looking down at a white smartphone he is holding in both hands. The background is a bright, out-of-focus indoor setting with a window and a lamp.

## Whitepaper

# Impact of new Future of Pensions Act (Wet Toekomst Pensioenen) on insurance-based plans

After a 10-year period in which social partners negotiated the introduction of a new pension system, a pension agreement was reached in 2020. That pension agreement has resulted in bills which, once adopted by Dutch Parliament, are expected to take effect on 1 July 2023. The introduction of the new Future of Pensions Act (Wet Toekomst Pensioenen, WTP) has far-reaching consequences for pension schemes with sectoral and company pension funds as well as for insurance-based plans. The consequences for employers and employees with respect to insurance-based plans are explained in further detail in this white paper.

If all goes according to schedule this time, we will have a new Pensions Act in the Netherlands on 1 July 2023.

This white paper provides answers to the following questions:

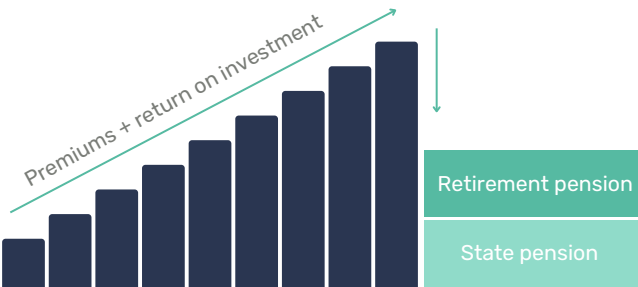
- What will change after the introduction of the new legislation?
- Which choices will you be faced with as an employer?
- What is the timeline for making these choices?

### Insurance-based pension plans

Insurance-based pension plans include all pension schemes which are not administered by a sectoral or company pension fund. These types of pension plans are therefore administered by insurers, premium pension institutions or general pension funds.

The vast majority of insurance-based pension plans are so-called defined contribution plans. Basically, defined contribution plans have a contribution table in which the contribution to be paid in increases as the employee gets older.

#### System defined contribution

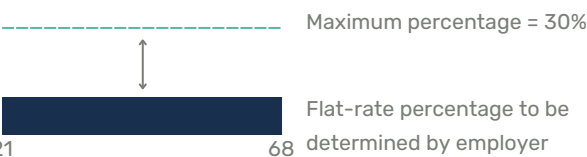


Contributions paid in for an employee who is 28 years old, for example, can yield returns for 40 years until his or her retirement date. Contributions paid in for a 58-year-old will yield returns for another 10 years. Because young people have more time to yield returns than older individuals, the contribution to be paid in may be lower for young people than for older employees. The increasing premium contribution is intended to allow each age group to accrue a similar pension amount. Forty years of employment should lead to a pension of 75% of the average salary earned (including the state pension).

### What will change after the introduction of the WTP?

The new Pensions Act only includes pension schemes based on a flat-rate contribution percentage for all employees.

#### Flat-rate percentage from July 2023



The amount of the flat-rate contribution percentage will also determine the extent to which an employee is happy with the change. If the new flat-rate contribution percentage is higher than the current increasing contribution percentage, the employee will be happy with the change, at least for the short term.

Among older employees, it is highly likely that a flat-rate contribution percentage will be lower than the contribution percentage in the existing age-dependent table. If this is the case, you as an employer can expect a claim for compensation for the lower premium contribution.

### Transitional arrangement

As far as we know at this time, things are not as bad as they seem in the description above. There will be a transitional arrangement, which means plans will not have to be adapted to the new legislation until at least 1 January 2027. In addition, for employees hired before 1 January 2027, the current system of increasing contribution percentages can remain in place.

#### Transitional period July 2023 - 2027



## Options and consequences

The transitional arrangement sounds good and initially seems to facilitate a smooth transition from the old legislation to the new. But looks can be deceiving in this case.

By making use of the transitional arrangement, the scheme will continue indefinitely for employees who are hired before 1 January 2027. That's great. But from 2027, you as an employer will have to deal with two groups of employees with different pension plans (i.e. employment conditions): the current group with increasing contribution percentages, and a new group with a flat-rate percentage.

So why not just offer the same percentage for all employees? That will cost money. Depending on the percentage you choose, you'll be paying more for younger employees and less for older ones. But these older employees will not accept that, and so you'll have to compensate them. In other words, you'll pay more for young employees and the same (lower contribution + compensation) for older employees. And if you do opt for a flat-rate percentage, when will it take effect? Will you introduce it right away in 2023, or would you rather postpone until 2027?

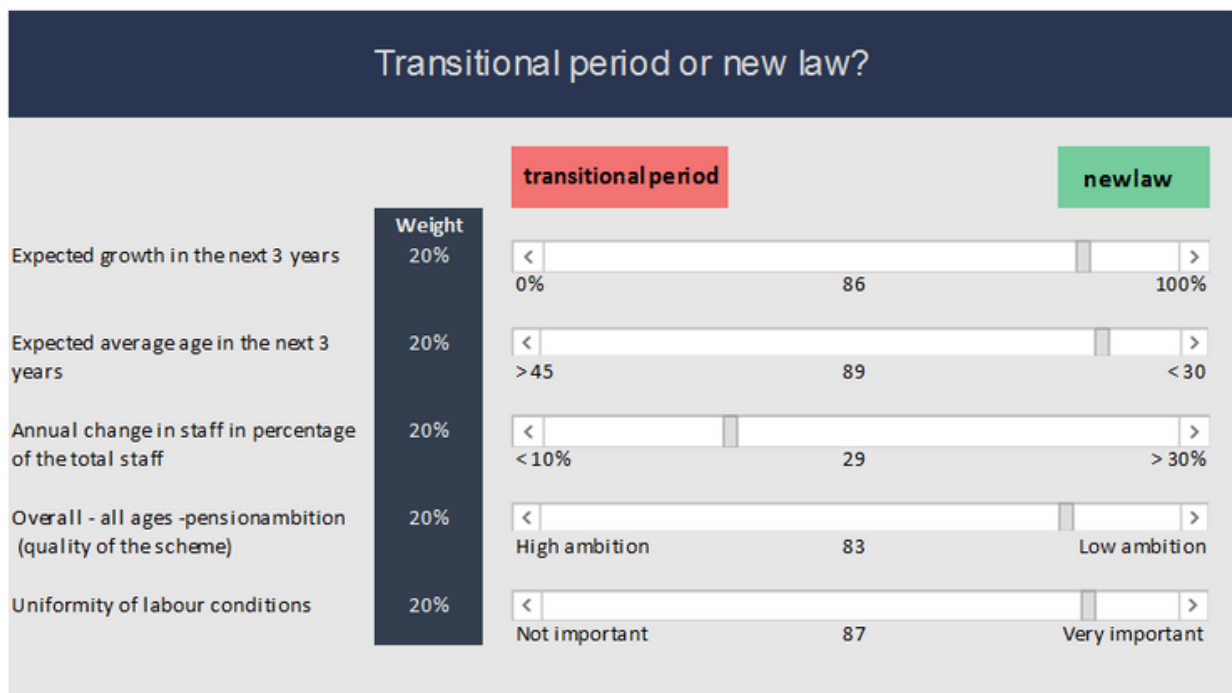
And finally, what will the quality of the plan be like? What will the pension target be? If the pension target of the current plan is an accrued pension of 75% of the average salary (the norm in the Netherlands) and you would like to keep it that way, how will that affect your choice of a fixed contribution percentage?

## Support and advice

The introduction of the new legislation poses a challenge for employers with an insurance-based pension plan. The good news is that you still have plenty of time to learn more and make decisions. More good news is that we can help you understand the options in your specific situation and then give you advice.

"Our clients loved the fact that they attended an usefull informative session, rather than a salespitch"

After an assessment, the model below can help you gain the necessary insight.



\*This is a static representation of the model. Please contact us to see what the different variables will show for your organisation.

## So what's the next step?

A cup of coffee is a good start. During an initial meeting, we'll make sure you see the big picture. We'll ask questions that will make you think. Your answers will help us to map out your options and outline scenarios so that you can take immediate action if necessary, or wait a while if that's best in your situation.

## Why choose Van Luin?

Our motto is: making retirement understandable and fun. That is what we are good at and what we enjoy putting our energy into every day. We want to help you understand how pensions work and what impact different choices have. Then you'll see that pensions are much simpler than people tend to think.

"Geert-Jan and Corinne created a clear picture in 45 minutes, which took politicians 10 years"

## More information or some good advice?

Please contact us via +31(0)30-2326321, [info@vanluin.nl](mailto:info@vanluin.nl) or directly through our advisors.



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