ACCRUED-TO-DATE PENSION ENTITLEMENTS IN SOCIAL INSURANCE: FACT SHEET

The Netherlands

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1. Table 29 column A: Defined contribution schemes (funded, non-general government)

1. General description of the scheme and the calculation model	
a. Coverage of the scheme	
• Funded pension schemes are executed by pension funds and insurance companies. Pension funds cover the pensions of 17.915.000 participants at the end of 2015. These are more participants than the Dutch population, because of double counting: changing jobs may result in different pension schemes in different pension funds. The coverage by pension funds in terms of insured employees as a percentage of the work force cannot be calculated because of this double counting. • Pension funds can be grouped in industry -, company – and professional pension funds; insurance companies insure mainly company pension arrangements. All these pension arrangements are mandatory to the employee. • Some inseparable survivors and disability pensions are included in some old age pension arrangements.	
b. Institutional set-up	
Data sources/ suppliers	Data on pension funds are gathered by the supervisor, the Dutch Central Bank.
Which institution is running/managing the calculations?	Statistics Netherlands calculates the supplementary table. The supervisory data, source for National Accounts, are collected by the Dutch Central Bank.
2. Any other comments	
In general, benefit formula are changing rapidly from benefits based on end salary to benefits based on average salary in the previous decade; in the last years many schemes change to a collective defined contribution (CDC) scheme. Indexation of benefits/entitlements has moved from unconditional to conditional for all pension schemes. Indexation is only allowed by the supervisor if the buffer is sufficient (assets at least 105% of total liabilities).	

2. Table 29 column B: Defined benefit schemes and other non-defined contribution schemes (funded, non-general government)

1. General description of the scheme and the calculation model	
a. Coverage of the scheme	
• Funded pension schemes are executed by pension funds and insurance companies. Pension funds cover the pensions of 17.915.000 participants at the end of 2012. These are more participants than the Dutch population, because of double counting: changing jobs may result in different pension schemes in different pension funds. The coverage by pension funds in terms of insured employees as a percentage of the work force cannot be calculated because of this double counting. • Pension funds can be grouped in industry -, company – and professional pension funds; insurance companies insure mainly company pension arrangements. All these pension arrangements are mandatory to the employee. • Some inseparable survivors and disability pensions are included in some old age pension arrangements. • Private unfunded early retirement pension schemes are reported in this column. Early retirement pension arrangements were legally terminated in 2007; the last benefits will be paid out in 2016. • In the private sector only some negligible pension benefits are paid by employers and are accounted for in this column	
b. Institutional set-up	
Data sources/ suppliers	Pension funds and insurance companies use actuarial calculation models. The reported results of these models to the supervisor are used for the supplementary table on pensions. Pension funds and insurance companies each make their own model calculations. The models and their assumptions are tested against the criteria set by the supervisor.

Which institution is running/managing the calculations?	Statistics Netherlands calculates the supplementary table. The supervisory data, source for National Accounts, are collected by the Dutch Central Bank.
c. Major formulas: Benefit formula; Indexation of benefits	
Benefit formula	Early retirement pension entitlements are estimated by discounting the benefits to be paid in the last years of these arrangements reckoning with an average wage growth.
Indexation of benefits	
d. Type and structure of the calculation model	
2. Assumptions and methodologies applied	
a. Discount rate	
The discount rate is prescribed in the form of an interest rate term structure set by the supervisor.	
b. Wage growth	
Wage growth is often based on labour market statistics by Statistics Netherland.	
c. Valuation method: ABO/PBO	
Almost all actuarial models use an ABO approach	
3. Data used to run the model	
a. Mortality tables	
Mortality tables are built by the Actuarial Society and based on the population forecast of Statistics Netherlands.	
b. Entitlement statistics; other relevant statistics	
4. Reforms incorporated in the model	
5. Specific assumptions	
a. How are careers modelled?	
b. How are survivor pensions calculated?	
c. How is the retirement age modelled over time?	
d. Other specific features of the model	
6. Any other comments	
In general, benefit formula are changing rapidly from benefits based on end salary to benefits based on average salary in the previous decade; in the last years many schemes change to a collective defined contribution (CDC) scheme. Indexation of benefits/entitlements has moved from unconditional to conditional for all pension schemes. Indexation is only allowed by the supervisor if the buffer is sufficient (assets at least 105% of total liabilities). Some minor discrepancies exist between the supplementary table and the core SNA accounts. The differences for D.6111 and D.6221 are the result of correcting the sector accounts totals for double counting the reinsured pension arrangements of pension funds. Insurance companies report these reinsured pension arrangements as pension policies, whereas they should be reported as non-life insurance. So the reinsured pension arrangements are counted twice in the core accounts: one time by pension funds and another time by insurance companies, but the supplementary pension table records this only once. As a result, the paid contributions (D.6111), and the received benefits (D.6221) are both lower in the supplementary table than they are in the core SNA accounts. This is also reflected in the comparison of D.8. **Table: Difference between T29 and SNA results**	

		2012	2013	2014	2015
D.6111	SNA	25,643	27,928	27,148	24,357
	Difference with T29	*- 630*	*- 590*	*- 1,534*	*- 665*
D.6221	SNA	38,508	38,686	39,743	39,512
	Difference with T29	*- 799*	*- 1,328*	*- 884*	*- 903*
D.8	SNA	24,260	26,609	24,143	22,312
	Difference with T29	*162*	*737*	*- 651*	*- 383*

3. Table 29 column D: Defined contribution schemes (funded, general government)

1. General description of the scheme and the calculation model	
a. Coverage of the scheme	
There are no defined contribution schemes (funded, general government) in The Netherlands.	
b. Institutional set-up	
Data sources/ suppliers	
Which institution is running/managing the calculations?	
2. Any other comments	

4. Table 29 column E: Defined benefit schemes (funded, for general government employees, classified in financial corporations)

1. General description of the scheme and the calculation model	
a. Coverage of the scheme:	
• There exists one pension fund for civil servants and other employees related to government in The Netherlands (ABP). • Funded pension schemes are executed by pension funds and insurance companies. Pension funds cover the pensions of 17.915.000 participants at the end of 2015. These are more participants than the Dutch population, because there is a serious problem of double counting: changing jobs may result in different pension schemes in different pension funds. The coverage by pension funds in terms of insured employees as a percentage of the work force cannot be calculated because of this double counting. • ABP is grouped under the industry pension funds. These pension arrangements are mandatory to civil servants and the government related employee. • Inseparable survivors and disability pensions are included in the ABP pension arrangements. • In the public sector two negligible pension arrangements (FVP and SAIP) are accounted for in this column. FVP, paying pension premiums for the unemployed, ended in 2015; the other fund, paying pension benefits to former civil servants and military in the (former) overseas part of our Kingdom, still exists.	
b. Institutional set-up	
Data sources/ suppliers	The pension fund uses actuarial calculation models. The reported results of these models to the supervisor are used for the supplementary table on pensions. The models and their assumptions are tested against the criteria set by the supervisor. Data source for FVP an SAIP are their annual reports.
Which institution is running/managing the calculations?	Statistics Netherlands calculates the supplementary table. The supervisory data, source for National Accounts, are collected by the Dutch Central Bank.
c. Major formulas: Benefit formula; Indexation of benefits	
Benefit formula	Because of their irrelevance in the total of T29 the pension entitlements of FVP and SAIP are calculated using a capitalization factor on their benefits.
Indexation of benefits	
d. Type and structure of the calculation model	
2. Assumptions and methodologies applied	
a. Discount rate	
The discount rate is prescribed in the form of an interest rate term structure set by the supervisor.	
b. Wage growth	

Wage growth is often based on labour market statistics by Statistics Netherland.
c. Valuation method: ABO/PBO
Almost all actuarial models use an ABO approach
3. Data used to run the model
a. Mortality tables
Mortality tables are built by the Actuarial Society and based on the population forecast of Statistics Netherlands.
b. Entitlement statistics; other relevant statistics
4. Reforms incorporated in the model
5. Specific assumptions
a. How are careers modelled?
b. How are survivor pensions calculated?
c. How is the retirement age modelled over time?
d. Other specific features of the model
6. Any other comments
Benefit formula are changing rapidly from benefits based on end salary to benefits based on average salary in the previous decade. Indexation of benefits/entitlements has moved from unconditional to conditional for all pension schemes. Indexation is only allowed by the supervisor if the buffer is sufficient (assets at least 105% of total liabilities).

5. Table 29 column F: Defined benefit schemes (funded, for general government employees, classified in general government)

1. General description of the scheme and the calculation model	
a. Coverage of the scheme	
There are no Defined benefit schemes (funded, for general government employees, classified in general government) in The Netherlands	
b. Institutional set-up	
Data sources/ suppliers	
Which institution is running/managing the calculations?	
c. Major formulas: Benefit formula; Indexation of benefits	
Benefit formula	
Indexation of benefits	
d. Type and structure of the calculation model	
2. Assumptions and methodologies applied	
a. Discount rate	
b. Wage growth	

c. Valuation method: ABO/PBO
3. Data used to run the model
a. Mortality tables
b. Entitlement statistics; other relevant statistics
4. Reforms incorporated in the model
5. Specific assumptions
a. How are careers modelled?
b. How are survivor pensions calculated?
c. How is the retirement age modelled over time?
d. Other specific features of the model
6. Any other comments

6. Table 29 column G: Defined benefit schemes (unfunded, for general government employees, classified in general government)

1. General description of the scheme and the calculation model	
a. Coverage of the scheme	
• In the public sector the government directly pays the pension benefits of the military men • Public unfunded early retirement pension schemes are reported in column G. Early retirement pension arrangements are legally terminated in 2007; the last benefits will be paid out in 2016. • The model to estimate accrued to date obligations is the value today of the benefits to be paid in the last years of this kind of pension arrangements.	
b. Institutional set-up	
Data sources/ suppliers	
Which institution is running/managing the calculations?	
c. Major formulas: Benefit formula; Indexation of benefits	
Benefit formula	• Early retirement pension entitlements are estimated by discounting the benefits to be paid in the last years of these arrangements reckoning with an average wage growth. • The direct payments to military men are capitalized by using a capitalization factor (10)
Indexation of benefits	
d. Type and structure of the calculation model	
2. Assumptions and methodologies applied	
a. Discount rate	
Only for the early retirement scheme a discount rate is used, which is set by the supervisor, just as for the DB schemes in column B and E.	

b. Wage growth
Wage growth is often based on labour market statistics by Statistics Netherland.
c. Valuation method: ABO/PBO
ABO
3. Data used to run the model
a. Mortality tables
b. Entitlement statistics; other relevant statistics
4. Reforms incorporated in the model
5. Specific assumptions
a. How are careers modelled?
b. How are survivor pensions calculated?
c. How is the retirement age modelled over time?
d. Other specific features of the model
6. Any other comments

7. Table 29 column H: Social security pension schemes (unfunded)

1. General description of the scheme and the calculation model	
a. Coverage of the scheme	
The unfunded state pension system (In Dutch: AOW) is reported in column H and covers only old age pensions. Disability and survivor pensions are organised in separate social schemes and are not part of the supplementary table. The model used to estimate the entitlements is built and used by Statistics Netherlands. Every person living in the Netherlands aged 15 and over either accrues entitlements or receives a benefit. The starting age rises along with the retirement age.	
b. Institutional set-up	
Data sources/ suppliers	Until 2014 the Income Panel Survey (IPS) is used for the average benefits of retirees. The IPS is a sample survey taken from administrative records. From 2015 onwards this data source is available as an integral data sources (IIVS). National Accounts totals are used as a benchmark of totals for the population.
Which institution is running/managing the calculations?	Statistics Netherlands
c. Major formulas: Benefit formula; Indexation of benefits	
Benefit formula	Benefits are not taken from a formula but from the IPS, entitlements are estimated to accrue with 2% each year.
Indexation of benefits	1%
d. Type and structure of the calculation model	
The model combines the current population by age (100 age groups) and gender (men and women), and the life expectancy for each of these groups. For the ages 65 and older current benefits are available which are used to determine future benefits (a 70 year old person receives the benefit of a 71 year old person in the next year plus indexation). Because the life expectancy is known, and the retirement age in each year is known as well, the number of years one receives a benefit can be calculated. These benefits are discounted using the discount rate	

which has been agreed by the Ageing Working Group and is recommended in the technical compilation guide for pension data in national accounts. The individuals that accrue entitlements are treated similar, but except that benefits are used, the entitlements are estimated as 2% accrual of the average pension benefit in a year. This accrual starts 50 years before the expected retirement age. Hence in 50 years a full, unfunded pension entitlement is accrued.
2. Assumptions and methodologies applied
a. Discount rate
5% nominal and 3% real
b. Wage growth
Wage growth does not apply to this pension scheme.
c. Valuation method: ABO/PBO
PBO, where indexation is used to receive a projected benefit. Wage growth is not relevant.
3. Data used to run the model
a. Mortality tables
a) Life expectancy as published by Statistics Netherlands. b) Population in year T as published by Statistics Netherlands.
b. Entitlement statistics; other relevant statistics
Income Panel Survey used for the average benefits of retirees until 2014, Integral Income and Wealth Statistics for 2015.
4. Reforms incorporated in the model
The retirement age will increase to 66 years in 2018 and 67 years in 2021 (**Fout! Verwijzingsbron niet gevonden.** of the grant report). From 2022 onwards the increase depends on the life expectancy. For the years after 2021, the retirement age remains at 67 years in our model. We do not estimate a possible increase based upon the projected life expectancy because the government needs to take an additional action to formalize this increase.
5. Specific assumptions
a. How are careers modelled?
They are not, careers are of no influence on the AOW.
b. How are survivor pensions calculated?
They are not, these are excluded from the model as they are part of a different scheme.
c. How is the retirement age modelled over time?
See 4.
d. Other specific features of the model
6. Any other comments

8. Table 29 column K: Entitlements of non-resident households

[to be completed only if data are transmitted for column K]

1. General description and the calculation model	
a. Coverage of the scheme	
Funded pension schemes by pension funds and insurance companies. *For each group of pension arrangements the variables are multiplied by a factor that is derived from foreign to total premium payments.*	
b. Institutional set-up	
Data sources/methods	Supervisory data
Which institution is running/managing the calculations?	Statistics Netherlands
2. Any other comments	

9. Links to (national) publications providing further information on the pension schemes

Press release (in Dutch).
http://www.cbs.nl/nl-NL/menu/themas/macro-economie/publicaties/artikelen/archief/2015/aow-aanspraken-overtreffen-die-op-aanvullend-pensioen.htm

Background article (in Dutch).
http://www.cbs.nl/NR/rdonlyres/857C6E4C-312E-4C7E-AEFA-5CB882DB7218/0/2015totalepensioenaansprakenvannederlandinbeeld.pdf

Discussion paper (in English).
http://www.cbs.nl/nl-NL/menu/methoden/onderzoek-methoden/discussionpapers/archief/2015/2015-constructing-the-supplementary-pension-tablepub.htm

ANNEX

[Any additional information, optional]