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## 'Collective' versus 'individual' pension accrual debated in Holland

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By Editorial Staff    *Thu, May 31, 2018*

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*In the Netherlands, the government and the labor unions are struggling to create a new model for retirement savings that satisfies employers and workers.*

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Individual pensions accrual will not form the backbone of a new pensions system in the Netherlands, the Dutch newspaper De Telegraaf reported this week, according to IPE.com. Instead, the players had opted for a "collective pension arrangement," the newspaper said.

The news report cited as its source a "draft agreement" between the employer organization VNO-NCW and trade union FNV. The FNV has emphasized that there was no definite deal yet, however.

A [collective accrual method](#) permits risk-sharing across generations of workers, while an individual accrual method does not. Under individual accrual, as in defined contribution plans in the U.S., some retirees will fare better than others. The unions objected to individual pensions accrual, favoring collective accrual instead.

The collective concept offers fewer guarantees but more scope for indexation to inflation, resembling a pensions contract under real terms rather than nominal ones. The Social and Economic Council (SER), the Dutch government's main advisory body made up of employers and workers, has reportedly discussed the option of a real-terms contract.

Deliberations within the SER didn't show "much added value ultimately" from the individual accrual method, De Telegraaf said.

The trade unions also opposed the government's plan to increase the retirement age. According to the draft pensions agreement, the government will postpone the increase to the state pension (AOW) age - due to rise to 67 in 2021 - to 2025. The AOW age will rise by six months, not 12 months, for each additional year's improvement in life expectancy.

Postponing the state pension age increase would cost the government billions, while the preferred individual pensions accrual - which formed part of the coalition agreement - would be off the table.

Recently, the government rejected a request from the social partners in the building industry for a state pension entitlement after working 45 years. The coalition government's

aim to abolish the system of average pensions accrual could still be honored according to the draft, albeit under certain conditions.

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