

Dutch Pensions Go Collective

By Kerry Pechter Mon, Jan 5, 2026

Today's financial Goldilocks moment—with strong equity returns and robust fixed income yields—creates favorable conditions for the Netherlands to complete its long-planned switch from traditional private defined benefit plans to 'collective defined contribution.' 'You can almost call it a tontine,' a Dutch pension consultant told RIJ.



As of January 1, 2026, private defined benefit (DB) pensions in the Netherlands have begun converting to collective defined contribution (CDC) plans, as mandated by the Future of Pensions Act, enacted by the Dutch parliament in mid-2023.

An estimated 9.5 million individual pensioners with savings of €1.8 trillion are on the move. By January 1, 2028, all of the Netherlands' employers, unions, insurers, and premium pension institutions must comply with the new rules.

CDC is a hybrid of 401(k) and DB. In the Dutch version of CDC, workers and employers make mandatory tax-deferred contributions (27% of pay; 18% from employers and 9% from employees) to collectively-managed funds.

Relative to DB fund managers, CDC managers have more latitude to invest in high-yield alternatives, like private credit. Some observers predict that CDC could deliver a 7% increase in retirement income payments. The manager of the largest pension fund estimates the transition could boost investment in private equity and credit investments by about five percentage points—or €90bn—over the next five years.

While participants have “personal accounts,” and accumulations at retirement depend largely on contributions and performance of the collective fund over their lifetimes, the accumulations are not liquid and are paid out only as annuities starting at age 67. A rule that might allow 10% lump-sum distributions at retirement is still in limbo.

“Participants can see their returns and their costs online, but with the collective mandate they don't control their own pots,” Annette Mosman, CEO of APG, manager of the civil service pension plan ABP, the largest Dutch pension fund.

“There are 20 life-cycle groups [with age-appropriate asset allocations, target-date funds]. The normal retirement age is 67. When you reach age 55, most schemes will let you see

what your benefit will be at 67, based on your current salary and assumed returns of 4% to 5%. Our target replacement rate is 70% of the average salary," she said.

"You could almost call it a tontine," Jorik van Zanden, a pension consultant at AF Advisors in Rotterdam, told *RIJ*. No government, corporation or insurer provides guarantees that participants will receive a fixed or rising income for as long as they live. Instead, the fund is managed for long-term sustainability. When participants change jobs, their savings follows them.

Goldilocks moment

Dutch unions, employers and government started talking about DB pension reform some 15 years ago, when low interest rates were crippling plans' ability to pay inflation-adjusted benefits. Today's financial Goldilocks moment—with strong equity returns and robust fixed income yields—creates favorable conditions for the change. Workers' accrued benefits in their old plans are credited to their new plans.

Each industry sector in the Netherlands designs its own pension plan and chooses among more than 100 fund managers. Participants in each plan pool their longevity risk; when participants die before retirement, their notional share of the assets remains in the plans.

Participants also share investment risk. Ten percent of contributions go into a "solidarity reserve." With market appreciation, the reserve can grow to as much as 30% of the value of the fund. If losses at the fund level threaten to reduce the fund's ability to meet targeted payout levels (70% of the average wage), the reserve makes up the difference.

"So, if I retire a day before a crash, there's a possibility that the buffer will dampen the impact," van Zanden said. It's called a solidarity reserve, because, by funding a buffer fund, the young to some extent might be paying for the old. In the Netherlands, we prefer certainty to the possibility of higher income."

"The reserve or buffer will be use when markets work against us, and makes sure that no groups see their benefits shortened," Mosman told *RIJ*. It's worth noting that Dutch CDC entails a single fund into which money is contributed and invested and from which benefits are paid, rather than having two: a risky accumulation fund and a safe distribution fund.

The single-fund approach makes the "smoothing" mechanism possible, keeps all the money invested for potential "raises" in payout rates, but eliminates any chance of *guaranteed* lifetime income.

Three-legged stool

There are more than 100 pension funds in the Netherlands, with some €2 trillion under management. The three largest are ABP (for civil servants), PFZW (for the health and welfare sector), and PMT (for engineers and metal workers). They account for about two-thirds of total private pension savings. Dutch plans invest globally and have no obligation to buy Dutch government bonds or to support any particular Dutch industry sector, Mosman said.

Like many countries, the Netherlands has adopted a “three-legged” retirement security model. There’s a basic “first-pillar” pension (the “AOW”) that accrues at the rate of 2% a year for everyone who lives or works in the Netherlands. It is pegged to half the minimum wage. In 2025, the gross monthly payment was €1,580.92 for a retired single person and €1,081.50 for each member of a retired couple, excluding an 8.00% holiday allowance paid annually in May. For those with excess savings, there’s also a “third-pillar,” which resembles U.S.-style 401(k) plans.

For the Dutch, the British and American practice of swapping out a DB plan with a group annuity issued by an insurance company (via a pension risk transfer, or PRT) wasn’t an option, because retirement plans are designed at the industry-sector level, by management and labor, and not sponsored by single employers.

The American practice of closing a DB plan and offering a simple 401(k) wealth-accumulation plan to new employees wasn’t possible in the Netherlands either, where workers had grown accustomed to pensions.

“Each industry sector had a choice between a ‘flexible’ CDC variant and ‘collective/solidarity’ variant. The flexible variant is more like U.S. defined contribution. Most sectors chose solidarity, which surprised many of us. This variant is a good midway point between DC and DB,” Mosman told *RIJ*.

“It allows the social partners in each plan—the unions, employers and the government—to choose the size of their solidarity reserve. Their actuaries have to demonstrate that the size of the buffer works for all of the age-cohorts in the plan. The reserve or buffer will be use when markets work against us, and makes sure that no groups see their benefits shortened.”

Booking.com goes to court

It's hard to imagine American workers giving up the liquidity and self-directed investing aspects of 401(k) plans, and equally hard to imagine U.S. employers accepting mandatory contributions (on top of payroll taxes). Some U.S. 401(k) plan sponsors are embedding optional deferred annuities in their plans.

But most Americans, unaccustomed to thinking about their 401(k)s as retirement income vehicles, have yet to embrace such options. History suggests that it's easier for workers to convert to a CDC plan if they're coming from DB plans—where there was no liquidity—than if they're coming from DC plans—where there was.

“Life-contingent savings and payments only work when they're compulsory,” Per Linnemann, a former chief actuary of Denmark, told *RIJ*. “It would not be attractive in the Anglo-Saxon countries and in Denmark, where you have a choice.

“It may be more appealing to combine income-drawdown with longevity-sharing and survivor benefits at a very old age, when they have the biggest impact,” he said. “By that time, the bulk of the savings will have been paid out as retirement income. This may mitigate participants' loss aversion when facing the risk of losing a large proportion of their savings if they pass away early in retirement.”

Linnemann is describing, in effect, a program of systematic withdrawals from investments starting at retirement, coupled with a deferred income annuity starting at age 80 or later. Retiree with adequate savings can create such plans themselves, but they'd pay retail for the annuity.

Companies in the Netherlands that don't belong to any existing sector can choose the flexible variant of the new system, which is like a 401(k), and doesn't require mandatory contributions to a CDC pension—if they don't belong to any sector that has a pension.

Booking.com, for instance, claimed that it was a tech company, not part of the Dutch travel sector. “The new corporate models don't want mandatory contributions. But that's the strength of the system,” Mosman told *RIJ*.

Last March, the Dutch Supreme Court rejected Booking's claim and must participate in the travel sector CDC. The ruling forced the Amsterdam-based company to sign up for the scheme and make back payments dating from 1999, at an estimated cost of more than €400 million.

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