IGP Country Profile

Netherlands

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Customary employee benefits

Death benefits

Lump Sum Death Benefits

Death benefits are mostly integrated in the pension (retirement) plan. Lump-sum death benefits are very unusual because of unfavorable taxation. Payment in annuities is therefore most common. Members of a pension plan have the legal right to exchange survivors' pension (reserves build up after 2002) for a higher old age pension.

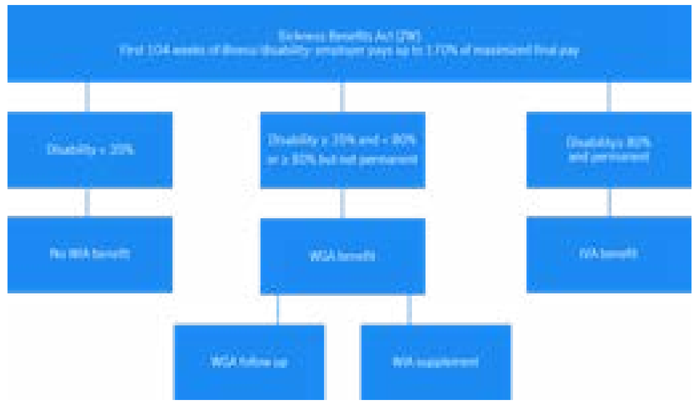
An important exemption is made for plans featuring survivors' benefits on a pure risk basis. Under these plans, no reserves are accrued, and premium is based on actual claims experience. This type is normally only provided in connection with capital insurance. The survivors' pension on a pure risk basis has gained interest, as it excludes any adverse effect due to service-exit or divorce.

Accidental Death and Disability (AD&D)

Although covered under Social Security, some employers include additional coverage by taking out a special group insurance contract for AD&D. In some industries (such as transport) this coverage is mandatory. Common benefit level equals one-times annual salary in the event of death due to an accident and three times annual salary in the event of total and permanent disability due to an accident. In case of death, a benefit up to three months' salary is payable and tax-free.

Sickness & disability benefits

Social security sickness and disability benefits: a schematic overview



Additional disability pension benefits can be arranged for employees earning in excess of the Social Security ceiling (EUR 69,902 in 2024) and for employees with a WGA-gap.

WGA-gap insurance

If the employee is working and earning at least 50% of what (s)he could be earning, e.g. (s)he does make use of his or her Remaining Earning Capacity (REC), the benefit amounts up to 70% of the difference between the last-earned salary and the REC-salary to a maximum of EUR 71,310 (level in 2024).

If the employee is not working at all or earning less than 50% of what (s)he could be earning, the follow-up benefit will amount to no more than a percentage of the minimum wages. The percentage will be related to the inability to earn due to medical limitations. If the income of the employee and partner remains under the social minimum (EUR 26,301 per year, level in 2024) a supplementary benefit (TW) can be awarded.

The reason for a person not working or earning less than 50% of what could be earned, could be a result of the fact that there are no (or not enough) jobs available. Also, one's private situation (taking care of the children, or nursing a sick relative) can play a role in this matter. However, the cause has no effect on the follow-up benefit.

Insurance companies can offer several WGA-gap solutions (group plans, individual policies, voluntary or non-voluntary schemes, stand-alone plans or plans in conjunction with the pension plan, etc.), and several benefit levels (e.g., including or excluding the REC fulfillment).

Extended WGA-gap insurance (comprehensive WGA shortfall insurance)

This insurance entitles partially employable/disabled employees, who do not use or who use less than 50% of their Remaining Earnings Capacity, to an appropriate income protection. The extended WGA-gap insurance tops up the State's follow-up benefit up to a maximum of 70% of maximized final pay.

Further, if the Remaining Labor Capacity is fulfilled, this insurance entitles the partially employable/disabled employee to an extra 5% benefit. The extra 5% becomes payable immediately upon entitlement to the loss-of-income WGA allowance. This extended WGA-gap insurance benefit is payable until the state pensionable age of the employee.

A Social Security WGA-wage ceiling (EUR 69,902 in 2024) applies when calculating the absolute levels of both the Social Security benefit and the extended WGA-gap insurance.

For employees exceeding this ceiling, the WIA-excess insurance is provided.

WIA-excess insurance

For employees with an annual salary exceeding the Social Security WIA-ceiling of EUR 69,902 (level in 2024), the WIA excess insurance can be offered.

This benefit will become payable after two years of sickness provided the insured is still at least 35% disabled. The WIA excess insurance provides a supplemental income equal to 70% of the difference between the annual salary and the WIA ceiling.

Many employers take out an individual or group insurance for wages that exceed EUR 69,902 (level in 2024). Employees can also take out an individual insurance to cover this risk.

WGA-own risk coverage for employers

Employers may opt-out from Social Security and voluntarily insure the loss-of-income WGA allowance and the follow–up WGA allowance with an insurer. This insurance product is called WGA-own risk insurance for employers (not eligible for permanent and total disabled employees falling under the IVA (Inkomensvoorziening Volledig Arbeidsongeschikten)).

It covers all employees with a degree of disability between 35% and 80%, or above if not permanent and the benefit becomes payable after 2 years (104 weeks) from the first day of absence.

The insured benefits include Loss-of-income WGA allowance amounting up to 70% of the difference between the last salary and the REC-salary and its duration depends on a person's historical employment record, with a maximum of 24 months. In addition, the insured benefits include follow-up WGA allowance annuity at 70% of the legal minimum wage times the individual's disability grade.

The benefit will be payable until the state pensionable age of the employee, earlier revalidation, or decease, with a maximum of 10 years.

Medical benefits

Anyone living or working in the Netherlands is obliged to have basic health insurance, even if already insured in another country. The government determines the basic health insurance package which usually covers the costs of standard healthcare such as visits to the general practitioner (GP), hospitalization and medicine.

Every healthcare insurer in the Netherlands is obliged to accept an individual request for basic health insurance regardless of your state of health. The premium for basic health insurance is the same for everyone. Children under the age of 18 are insured via one of their parents without any additional costs.

Extra healthcare costs which are not covered by your basic health insurance can be compensated by (voluntarily) acquiring supplementary insurances such as a dental insurance.

It is not common for employers to cover health care for their employees.

Retirement benefits

Retirement

In the early 2000's, the social norm was that every employee, after 40 years of pensionable service, should be entitled to a full retirement pension which, including State benefits, amounted to 70% of his/her (limited) final pay, and would be indexed once payment had begun.

Nowadays final pay plans rarely exist anymore, as average and average indexed career plans are most common. Also, there is an increasing trend for defined contribution (DC) plans. This mainly has to do with the rules of financial reporting (IFRS) of employee benefits and the growing cost of guaranteed products due to the continuous low market interest.

Net pension

The pensionable income over which pension can be accrued is capped at EUR 137,800 (level in 2025). For incomes higher than EUR 137,800, there is a voluntary net savings facility in the form of a net pension or net annuity. The deposits are not tax-deductible, and the distributions are untaxed. If all conditions are satisfied, an "income tax box 3 exemption" will apply for either form. The employer has to facilitate this savings facility.

Ways to fund a pension promise

Pension plan funding is subject to a statutory framework of rules and requirements as laid down in the Pension Act and the Industry-Wide Pensions Fund Act 2000 (the Act BPF 2000).

Authorized funding institutions (also called: pension providers) are:

Industry-Wide pension funds (mandatory and non-mandatory):

Multi-employer schemes that mainly result(ed) from collective bargaining. Most Industry-wide Pension Funds (BPF) are self-administered, while some are fully or partially reinsured.

Company pension funds (non-mandatory)

These funds operate for one company or for a group of related companies. Under certain conditions, it is permitted that company pension funds bear their own risks. Another possibility is to have an insurance company administer and insure the pension plan for the pension fund by means of full insurance or reinsurance (risk-reinsurance).

Alternatives for a company pension fund are:

- Pension buy-out: the value of the pensions will be transferred to an insurance company, a premium pension institution (PPI) or to another pension fund;
- Pension buy-in: liability risks (interest rate, inflation, longevity risk) can be transferred to an insurance company. A buy-in can increase the coverage ratio of the company pension fund. All pension liabilities and participants remain with the company pension fund);
- APF (General Pension Fund).

Insurance companies

Directly insured plans have to be executed by Dutch insurance companies. Most insurance companies nowadays also offer unbundled services for company pension funds. Insurance companies may also execute administration services for pension funds.

PPI (Premium Pension Institution)

The Premium Pension Institution (PPI) may operate across borders, but it may only act as a provider for defined contribution agreements and only during the accrual phase. It may not pay annuities to pensioners or offer guarantees on returns or otherwise. Consequently, a contract will have to be concluded by the PPI with an insurer for the pay-out phase of a life-long pension and the insurance of risks (such as life and disability) during the accrual phase. As a result, the PPI does not qualify as an insurer and does not have to meet the associated solvency requirements. The PPI is, therefore, a pension administrator (alongside pension funds and pension insurers) with limited costs and cross-border opportunities.

APF (General Pension Fund)

Social partners and insurance companies can bundle their execution of pension schemes in an APF. This will lower the execution costs, enhance execution of pension schemes to become more standard and professionalizing the execution, whilst keeping intact the individual identity and solidarity of the pension schemes.

The APF is meant for pension schemes which are executed by company pension funds, non-mandatory Industry wide pension funds and obligatory occupational pension schemes.

As an employer in the Netherlands, you must first determine whether your company activities are covered by a collective labor agreement including a pension arrangement and/or any mandatory industry-wide arrangement. It is recommended to use an independent financial pension advisor to do this research.

Legislative news

As of July 1, 2023, the Future Pensions Act took effect in the Netherlands. By January 1, 2027 at the latest, pension plans must comply with the new rules. The pension reform presents employers not only with challenges but also opportunities.

Please refer to the following article(s) that appeared in IGP Network News:

What will change with the new pension reform?

Trends

Sustainability

Sustainability is an important factor in the Dutch society and gaining importance in employee benefits. a.s.r. is a sustainable insurer on all fronts and cares for the people and the environment. They use their solutions to contribute to the sustainable employability of the Dutch workforce. The Fair Insurance Guide (www.eerlijkegeldwijzer.nl) confirms the use of ethical and sustainable criteria in their investment policy.

Broader look at benefits

With the arrival of the new pension system in 2023, employers in the Netherlands are taking a broader look at pensions in the Netherlands and the benefits package they offer, e.g. financial wellness, vitality programs, but also employee's personal options within their pension plan.

Typical employee benefits plans and benchmarking

Design and level of retirement and life benefits pension plans vary widely and run from defined contribution (DC) plans to defined benefit (DB) plans, on an earnings-related basis.

The majority of all plans are still DB plans, but it's not a vast majority anymore. For financial reasons, final pay plans and average (indexed) pay plans have lost popularity. Although pension funds still mainly administrate average (indexed) pay plans, newly direct insured pension plans are mostly DC plans.

DC plans are getting more and more popular among Dutch companies because the costs continue to be easily identifiable and manageable.

Most of the following information is about the current situation. A new pension system is currently being developed and a lot of the system of the pension plans is going to change. E.g. a DB plan is not going to be a possibility for a pension plan in the future. Employers should consider these changes in any current salary planning, pension plan redesign or pension contract renewal. We recommend to contact your pension advisor on the possibilities.

Businesses	Small business (annual premium < 200K)	Medium business (annual premium 200K-750,000 K)	Large business (annual premium > 750K)
Average annual premium per employee*	EUR 5.000,-	EUR 7.200,-	EUR 8.400,-
Average % contribution of the salary per employee*	10,4%	15%	17,5%

* This information is based on a.s.r. DC insured portfolio.

Useful links

Demographic information and macro-economic indicators
CIA World Factbook (please select the country to review)
World Bank Group (please select the country to review)

National demographic and economic indicators
CBS (Central Bureau of statistics

National Bank general information:
DNB (De Nederlandse Bank)

National Bank supervision on financial institutions
DNB Supervision

Dutch Authority for the Financial Markets:
AFM (Autoriteit Financiële Markten)

Dutch Internal Revenue Services
De Belastingdienst (businesses)
De Belastingdienst (individuals)

Institute for Employee Benefit Schemes
UWV

Social Insurance Bank
SVB

Dutch Government
Dutch Government

More information on a.s.r.

Your Local Link to IGP in the Netherlands
Go to partner page on www.igpinfo.com

06/30/2025 - WCAG AA