

# National Report for The Netherlands

## 1. Association of Consulting Actuaries

The Dutch association of consulting actuaries (KORA) had 25 members at the beginning of 1986. Members of the association meet regularly (in general four times a year) to discuss points of typical interest for consulting actuaries. During the last years the major item was the new code of conduct. A lot of discussions with the Society of Actuaries (Actuariel Genootschap) took place after which in April 1984 the new code of conduct was established. Another item was a booklet in which the consulting actuaries describe their profession. This booklet has been sent to a large number of persons and institutions who are assumed to have interest in our profession.

## 2. Economic Background

After a period of high inflation before 1980 the inflation decreased and at this moment the inflation is about 2% per year. Besides the salary increases are relatively very modest, partly because a part of the possible salary increase has been used to decrease the number of working hours during a week. On the other hand the return on investments for pensionfunds is still much higher than the inflation. This leads to relatively high real rates of return for the pensionfunds.

Because of this most pensionfunds have had large surpluses during the last years. These surplusses have often been used to reduce contributions. In a number of pensionfunds the companies have taken a contribution holiday for a short period.

Underneath the inflation, the average salary increases, the average yield on investments for pensionfunds and the average yield on a selected group of statebonds are mentioned for a few years.

Members are forbidden to accept commission.

### (b) External consultancy work.

In this chapter the difference between independent consulting actuaries and actuaries acting as a consultant, has been described. All Kora-members are independent consulting actuaries.

Furthermore obligations in external consultancy are mentioned.

### (c) Work in connection with the annual reports of an insurance institution (pensionfund or insurance company).

An actuary's only allowed to work on such if

- the actuary is an independent consulting actuary or

- the actuary must be appointed by the same body that appoints the management, it must be definitively agreed that the actuary can do this work independently in respect to the management and that the actuary does not hold a management function.

Besides minimum requirements for actuarial annual reports are mentioned.

## 4. Social Security

Because the cost of the Dutch social security system has increased a lot during the years 1960 - 1980 up to 32% of the net national income and because of the economic situation in the Netherlands and because of the budget problems of the government, the government has decided to decrease a number of social security schemes.

Besides this the General Old Age Act (AOW) has been changed during 1985 because of the equal treatment directive of the European Common Market.

Year	Inflation	Salary increases	Yield pensionfunds	Yield statebonds
1980	6,6	1,1%	8,3	10,3
1981	6,6	7,6	8,7	12,2
1982	3,5	1,9	9,0	9,5
1983	2,1	0,3	8,9	8,6
1984	2,7	0,5	8,6	7,6
1985	1,7	0,5		7,0

## 3. Code of Conduct

An important step has been taken by the Actuarial Society (Actuariel Genootschap) on April 10, 1984. The new and improved code of conduct was established. It took a long time before independent consulting actuaries and employed actuaries (mainly Insurance Companies) came to an agreement. The three main chapters are:

### (a) Actuarial activities of a general professional nature.

This chapter contains rules about general conduct, confidentiality and minimum requirements for actuarial work.

At January 1, 1986 every married person above age 65 will receive an AOW-benefit of Dfl. 10,104 per annum. (Thus a couple receives Dfl. 20,208). A single person receives Dfl. 14,163. The amount of Dfl. 20,208 is on a net basis equal to the legal minimum wage for an employee.

For a married person above age 65 who has a partner beneath age 65 it is possible to receive an allowance of maximum Dfl. 10,104. The maximum will in general be paid if the junior partner has no income or the senior partner was born before April 1, 1923. Otherwise there is an income test. The income test in the AOW is a very important change in the Dutch social

security system because up to now all general social security benefits did not have income tests.

## 5. The prospective mandatory pensionplan

A regular item in this report is the possibility to get a national pensionplan for all employed in the Netherlands. As the situation is now, almost nobody expects a legislation for a national pensionplan within the near future. A Pension Chamber has been established to investigate all pensionschemes in the Netherlands to see whether a National pensionplan is still required. The national discussion on pensions has been changed from the national pension plan to the loss of pension when moving from one job to another. In October 1985 the Social Economic Council came with a report and advised the Government to set up a bill in which the following items shall be mentioned:

- (a) If in a pensionscheme the pensions in payment are being increased, all pensions in payment (including those of the early leavers) have to be increased on the same basis.
- (b) If a pensionscheme is a finalpay pensionscheme, the employee who leaves service is entitled to a pensionlevel corresponding with the salary level at that moment and the number of years he spent in service with this employer (proportional paid-up pension).
- (c) The Government must support the transferability of pensionrights for employees who change employment.

This advice means that the pensiongap by changing employment has not been solved. The Council did not come to an agreement because some pensionschemes provide the years of life principle and some pensionschemes provide indexed paid-up pensions. As an alternative the Council suggested the transferability of pensionrights. At this moment a number of pensionfunds and insurance companies are beginning to set up a circuit in which transfer of pensionrights on an actuarial basis will automatically take place at changing employment within the circuit.

## 6. Vut-Schemes

Around 1976 the first voluntary early retirement schemes (VUT-schemes) were implemented. At this moment about 80% of all employees is entitled to some kind of a VUT-scheme.

These schemes are mainly set up because there was much unemployment at that moment in the Netherlands and almost everyone thinks that because of VUT-schemes the unemployment would decrease.

Many VUT-schemes provide a benefit of about 80 to 90% of the net income at age 62.

Some schemes even provide a possible termination at age 60 or age 59. During this VUT-period the pensionscheme will be continued as if the person is still an employee.

Most VUT-schemes are financed on a pay as you go basis.

During the last years a number of companies and a number of branches of industry are studying the possibility to improve the method of financing the VUT-scheme or to implement the VUT-scheme in the pensionscheme.

## 7. Insurance Companies

According to new legislation in the Netherlands all insurance companies (life insurance and general insurance) have to provide an annual report containing much more information about the company than before. A new sheet giving information about the required minimum solvency margin and about the present solvency margin must be provided.

Another sheet giving a lot of information about the actuarial gains and losses must be provided.

At January 1, 1986 the law for General Insurance Companies has been replaced by a new law. It is assumed that during 1986 the law for Life Insurance Companies (1922) will also be replaced by a new law.

It is planned to have one law which regulates the supervision on all insurance companies. One of the most important issues in the new law is the role of the Insurance Chamber. The Insurance Chamber will become more and better equipped to perform their supervisory task.