

The National Report For The Netherlands

1. Professional Organization

The Dutch association of consulting actuaries (KORA) had 22 members at the beginning of 1982. In December 1981 KORA celebrated its 12th anniversary with a festive meeting at which the chairman, Dr. J. H. C. Jansen, impressed the other members with his speech containing a historic review of the "weal and woe" of the association.

In the past period the discussion about the relation between KORA and the Dutch Actuarial Society was continued. The problem as to whether KORA should create its own rules of order and conduct was an important current issue.

2. The Prospective Mandatory Pension Plan

A regular subject in these reports is the effort to get a national pension plan for all employed in the Netherlands. Since 1969 a Pension Committee connected to the Social and Economic Council and consisting of representatives of employers and employees, has been studying this subject. Although the study will not be developed into a bill in the near future, it has had very positive effects on the level of pension provisions in the Netherlands today. Generally accepted is the idea that an adequate pension provision allows the participants to carry on their usual level of spending after retirement. To achieve this, a pension level of 70% of the salary just before retirement and a built-in protection against inflation is necessary after 40 years of service. Many employees participate in a plan of this level, so for them no bill is needed. The employees having lesser pension provisions or even no pension provision at all, are mostly found in the "weaker" industries, which means that the present economic situation is one of the obstructing factors.

In the meantime the Dutch government asked this Committee to study one single pension problem, namely the loss of pension when moving from one job to another. This study resulted in the advice to enter a bill providing that, when an employee, who is entitled to a final pay (pension-) scheme, leaves service, the employer is obliged to pay up the pension right to a level corresponding with the salary at that time and the number of years which he spent in service with this employer. This advice leaves these pension rights unprotected against inflation between the date, at which the employee leaves service, and the pension date, but this will be worked out in the national plan.

3. Advanced Retirement

This subject still receives a lot of interest in the Netherlands. Advanced retirement, also called "flexible retirement", is considered an important aid to keep the unemployment for younger people down. Moreover, the cost of advanced retirement is compensated by a reduction of the expenses of other social insurances. Almost all schemes of advanced retirement are financed by means of a "pay as you go" system. This also keeps the cost of advanced retirement in the beginning relatively low.

In co-operation with some psychologists the Dutch Ministry of Social Affairs made a report on this subject with a prognosis of the cost of advanced retirement for all Dutchmen, related to the National Wage Total.

6. Occupational Pension Fund Coverage

The extent of occupational pension fund coverage is shown by the following table:

Date	Size of population	Size of workforce	Number of pension funds	Members of such funds	Pensioners of such funds
January 1976	13,734,000	5,036,000	1,287	1,733,000	604,000
January 1977	13,815,000	5,090,000	1,238	1,776,000	637,000
January 1978	13,898,000	5,145,000	1,204	1,818,000	661,000
January 1979	13,985,000	5,213,000	1,173	1,867,000	693,000
January 1980	14,091,000	5,315,000	1,145	1,899,000	727,000

The significance of these figures can be shown by the next table which shows what part of the total pension payments is paid out by pension funds.

Year	Cost of advanced retirement as a percentage of the National Wage Total	Cost after deduction of the savings in other social provisions (net social cost)
1980	0.23	0.18
1990	0.84	0.65
2000	2.06	1.58

- The most important starting points of this prognosis are:—
- the retirement date recedes from the age of 62/63 in 1980 to the age of 60 in 2000;
 - participation in advanced retirement increases from 50 percent in 1980 to 100 percent in 2000;
 - a reduction of the costs is caused by the fact that a relatively large proportion of the age group between 60 and 65 already gets an allowance from social security for the disabled.

The main characteristics of the present schemes are:

- retirement at the age of 62 or 63;
- at least ten years of service in the industrial branch of business in which the scheme is valid;
- the benefit is about 80 percent of the final salary;
- other income can be deducted from the benefit or can even stop the payment of it entirely;
- the financing is by means of a "pay as you go" system.

The Dutch Actuarial Society has instituted a Committee to calculate the expenses of flexible retirement. This calculation will also include other financing systems. Through a computer model several variants of both the retirement system and the financing system will be investigated. The results of this study are expected at short notice.

4. Social Benefits

The figures in our latest report can be extended as follows, after some revision:

Year	National income		Social insurance benefits		Social insurance rate	
	10 ⁶ Dfl.	Increase %	10 ⁶ Dfl.	Increase %	% Of National Income	
1976	195,550	16	46,004	15	23.5	
1977	224,370	15	51,948	13	23.2	
1978	240,690	7	58,734	13	24.4	
1979	255,340	6	64,725	10	25.3	
1980	267,660	5	70,819	9	26.5	

5. Inflation

The price and wage increases show the following inflation pattern during the last few years:

Date	Price increase	Wage increase
January 1978	5%	8%
January 1979	4%	5%
January 1980	6%	4%
January 1981	7%	2%
January 1982	7%	?

Year	National wage total 10 ⁶ Dfl.	Statutory pensions (1) 10 ⁶ Dfl.	Other pensions (2) 10 ⁶ Dfl.	Paid out by pension funds (3) 10 ⁶ Dfl.	Premiums for all pensions 10 ⁶ Dfl.
1976	140,800	15,309	6,257	1,304	31,105
1977	158,320	17,156	6,942	1,500	32,929
1978	171,340	18,773	7,511	1,746	36,413
1979	184,440	20,059	8,165	2,050	38,930
1980	195,700	21,674	8,753	2,313	40,501

- (1) Statutory pension is paid to everyone over age 65 and to almost every widow (under age 65) and has the level of the net minimum wage.
- (2) This total also covers the pension payments by the Pension Fund for Civil Servants, the military pensions and the pensions paid out directly by insurance companies.
- (3) These amounts are included in the previous column.

Comparisons with the figures shown in chapter 4 indicate that about 73% of the national income consists of wages. It can also be noticed that about 30% of the social benefits are old age and widow's pensions.