

## *Roadmap to an appropriate Pension plan in The Netherlands*

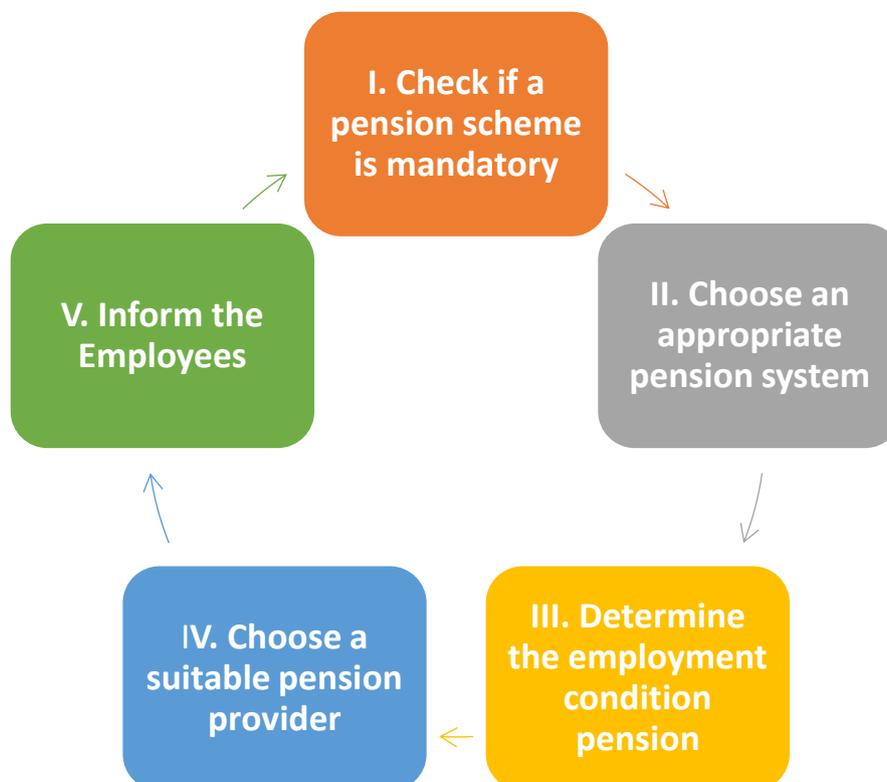
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### ***Start-up in the Netherlands? Set up your pension plan!***

*Approximately 90% of the employers in the Netherlands have set up a pension plan for their employees. Have you started a new business? Or do you start a new branch in the Netherlands of a foreign company? Wesselman Pension Advisors regularly speaks with companies who would like to introduce a pension plan for their employees. What is there to look at? In this leaflet we offer a handy roadmap with interesting possibilities and important points of interest.*

### ***Roadmap***

To set up an appropriate pension plan, we introduce the following roadmap.



Each step of the roadmap will be briefly explained below.

## *I. Is a pension plan mandatory in the Netherlands?*

In the Netherlands employers are only obliged to offer a pension plan if:

- 1. a collective bargaining agreement (CAO) applies.**
- 2. a mandatory industry pension fund (BPF) is in force from the sector.**

It is wise to start with a check if your company is obliged to settle your employees' pension. If you don't do this and you get that obligation afterwards, you may be confronted with huge bills coming from an industry pension fund.

Is there no pension plan required through the CAO or a BPF? Then you are free to decide whether or not to set up a pension plan for your employees. Because the Dutch state, through the General Old Age Pensions Act (AOW), only provides for a minimum pension income after retirement, it is **common** for the employer to offer a supplementary pension to the working condition. In the Netherlands, approximately 85% of employers have set up a pension plan for their employees. Besides an income for the old days, the pension plan can also provide a provision for survivors or a supplement to the income in the case of incapacity.

## *II. What is an appropriate pension system?*

For start-ups, different pension systems are possible. There is a choice between:

- **Defined Benefit (DB plan):** an arrangement whereby the employer associates the pension accrual with the salary and the time of service of the employee. A nominal pension payment is pledged in this plan. For the employer the costs involving this plan are hard to control and to predict. Further, this plan could lead to an obligation to annually draw up an IFRS / IAS19-valuation of the pension plan.
- **Defined contribution (DC-plan):** Here the employer makes a certain percentage of the salary available as a premium for the building of the pension. The pension provider invests this premium during the active period. Thus, the employee builds up a pension capital, with which he purchases an old-age and/or survivors' pension at the retirement date. For the employer the costs of this plan are controllable and predictable. Within this plan there are no IFRS/IAS19-obligations.

Starting companies often deal with uncertainties about future human and financial development. That is why a DC pension plan system, with controllable and predictable pension costs, often offers an appropriate solution. But it's also good to look at what's common in your industry, and what kind of pension plan is competitive.

## *III. What provisions does the pension plan offer?*

Important when designing a pension plan is to, in addition to saving for later, also look at the facilities that you want to offer in case of death and incapacity for work. Collectively arranging these insurances is often beneficial for employees.

#### ***IV. Which pension provider is most appropriate?***

If the principles of the pension plan are clear, you can start looking for a suitable pension provider. Depending on the situation and activities of the employer, in The Netherlands, a pension plan can be placed in an industry pension fund, an enterprise pension fund, a general pension fund, an insurance company or a premium pension institution. In addition to the costs and enforceability of the plan, the selection also includes matters such as good communication, service, administration, and the quality and performance of the investments. It is important to choose a provider that fits the specific needs and objectives of the company and is also market compliant. Do you have growth ambitions? Don't forget to make appointments with your provider about possible discounts or pooling benefits!

#### ***V. Why is good employee information important?***

As an employer, you have a legal duty of care to provide information to the employees about the pension plan. Employees need to know what the employment condition is, and what the options are for the pension plan. Experience shows that employees have limited time and interest to take this information. Therefore, the information must be attractive and understandable, but also easy to find. It is not only a duty of care for employers, it is also an opportunity to bring this new working condition well into the light.

### ***Finally***

Are you looking for a retirement solution for your company? Wesselman | Pension Advisors is happy to inform you about the possibilities. In all phases of the roadmap, as a fully **independent advisor**, we offer our services. Think of the CAO and/or BPF check, guidance in choosing an appropriate pension system, the implementation of the pension commitment and the selection of a suitable pension provider.

We have a transparent tariff structure that gives you, as a client, absolute clarity about the costs of our services. Our goal is to make the complex pension matter in The Netherlands **clear and comprehensible** for you, in the English or German language!

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