

The Netherlands as a new place of business: pension as a term of employment – deal or no deal?

Because of the persistent uncertainty about Brexit, about 100 corporations have chosen the Netherlands as their new place of business. Around 325 corporations have a specific interest to do so as well. When you decide to set up your business in the Netherlands, a lot of things need to be arranged. This includes tasks you perhaps did not immediately think of, like providing a pension plan to your employees as a term of employment. In this flyer we inform you about the issues that arise 'pension wise' when choosing the Netherlands as a new place of business.



THE DUTCH PENSION SYSTEM IS INTERNATIONALLY RENOWNED

Despite the fact that – just like other pension systems in the world - the Dutch pension system is facing significant challenges, it is one of the best pension systems in the world. International rankings consistently rank the Dutch system in the top 3. The Dutch pension system is known for its robustness and being future-proof. This is mainly due to combining pay-as-you-go state pension (current employees pay for the current retirees) with supplementary funded pensions (current employees save – whether or not via their employer – for their own pension). The high percentage of participants in a supplementary pension plan, the level of the pension accrual and the adequate insurance in case of death and disability all contribute to this. You probably recognise this from the UK, although the level of pension can differ.



PROVIDING A DUTCH PENSION PLAN TO YOUR EMPLOYEES OR NOT?

When the decision to move to the Netherlands is made, HR is an important point of attention. You want to attract and retain talented employees. One of decisions to make is whether or not to provide a pension plan to your employees. We emphasize that in the Netherlands sometimes you don't have a choice. It can be mandatory to offer a pension plan to your employees.

In the Netherlands there is no general employer obligation to provide a pension, but in some situations employers are obliged to make sure their employees participate in a pension plan. To find out if this is applicable to you, you need to pursue the following steps:

- 1. Investigate if your corporation falls within the scope of 1 out of the 45 mandatory industry-wide pension funds. If this is the case, it is obligated that your employees participate in the pension plan of that specific fund.**
- 2. Investigate if a collective labour agreement (CLA) with specific instructions on pensions, applies to your corporation. This can make it mandatory to participate in a pension plan of an industry-wide pension fund, but can for example also prescribe certain (minimum) characteristics of the pension plan.**

If both options do not apply to your corporation, you can decide yourself whether or not to offer a pension plan to your employees. This choice should align with the corporate and HR-strategy of your company.

If you decide not to offer a pension plan – which is not common in the Netherlands – you need to inform your employees in writing or electronically of this decision. It is worthwhile to consider to insure your employees at least for the risk of death and disability in this case.



A ROADMAP IN SETTING UP A DUTCH PENSION PLAN

If you do decide to offer a Dutch pension plan to your employees, a couple of steps need to be taken. In the box below, we describe how the main steps in this process could look like. In the Netherlands you need to reach consent with the Works Council when you establish, alter or revoke a pension plan. It is therefore advised to involve the Works Council early in the process.

Step 1: Inform your employees

If you decide to offer your employees a Dutch pension plan, your employees need to be informed. Furthermore, they need to know on what period you intend to offer a pension plan.

Step 2: Identify

- Assess the requirements/wishes of the corporation to a pension plan, together with HR and Finance
- Assess the requirements/wishes of the (potential) employees regarding a pension plan

Step 3: Design & analyse

- Use the principles and criteria to design a blueprint of the plan
- Map the (qualitative and quantitative) impact of the intended pension plan on the organisation and the (potential) employees
- Agree on a final blueprint with the employee representatives

Step 4: Select

- Compose criteria for the selection of a pension administrator
- Compose a list of potential pension administrators
- Compose a request for proposal according to the final blueprint and send it out to potential administrators
- Analyse and compare the received proposals
- Begin the process of negotiation with the preferred administrator

Step 5: Communicate and implement

- Draw up the legal pension documents
- Organise workshops for your employees and provide further information to your employees



INTERESTED OR IN NEED OF HELP?

Are you making the transition to the Netherlands and considering to provide a Dutch pension plan to your employees? Please feel free to contact us for an orienting, non-binding conversation.



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