

## **Accompanying note on equal treatment**

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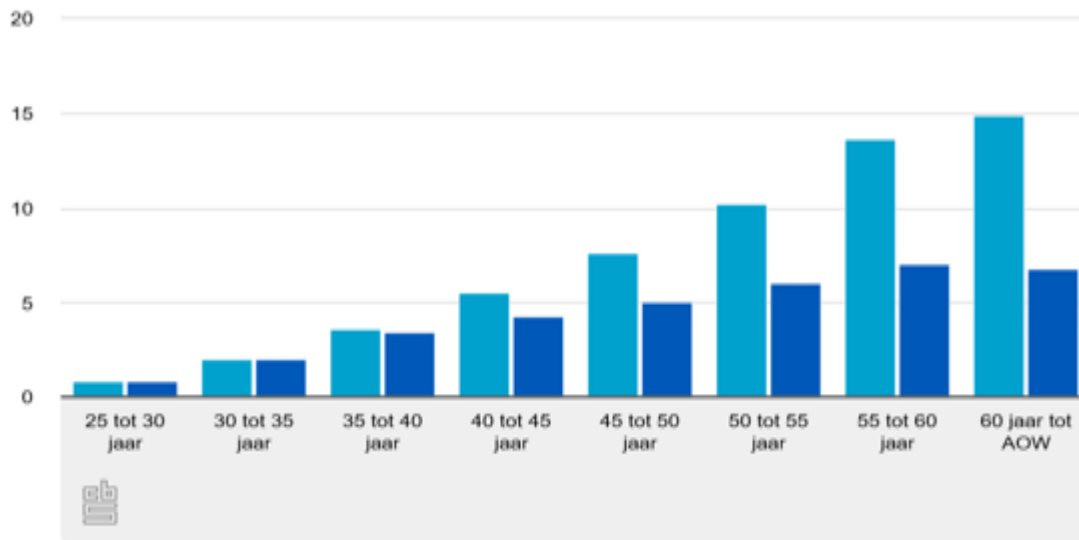
### *Current situation and proposed measures*

- The current Pension Act requires for defined benefit and defined capital agreements that all participants in the same scheme acquire the same accrual rates. Each year, a member of a pension scheme accrues future pension entitlements equivalent to a fixed percentage of the salary.
- The Government proposes to change the pension accrual system to a more neutral system. To that end, the above mentioned system of proportionate accrual will be replaced by a system of age-independent premiums and age-dependent degressive accrual. There will be a more direct and actuarial fair relationship between premium and pension accrual. This makes the pension system more transparent and personal. For self-employed workers it should be more attractive to participate in supplementary pension schemes.
- The transition to the proposed system will lead to substantial transition effects and costs for employers and employees, which can differ by age cohort, by company and by type of pension scheme. At this moment the CPB (Netherlands Bureau for Economic Policy Analysis) is calculating for these effects and costs. The government will provide for legislation to ensure a balanced transition for all parties involved (legal transition framework, transition plan, decision-making process).

### *Gender pension gap*

- At present there is an ongoing discussion about a gender gap in the Dutch pension system. It has been observed that there is a marked difference in the level of pension benefits in the Netherlands between men and women. And it is true that at present the average pension accrual rate for men is about one third higher than that of women. The conclusion drawn from this observation is sometimes that there is a big gender based gap in pension rights, and that somehow the Dutch system discriminates against women.
- There are marked differences in both accrual rate and in benefit level between men and women, but these differences are not the consequence of unequal treatment, nor do they lead to financial shortfalls for female pensioners.
- The current Dutch system is highly collective. There is no premium differentiation in the system (for example related to life expectancy, health or work related risks). The difference in the level of the benefits between men and women is therefore not a result of inequalities in the system of the first and second pillar, but is entirely due to the fact that women worked less in the past, and usually in the form of part-time jobs. In the case of single working women, their pension rights are equal to those of men with the same income.
- Until recently the single wage earner in the family was dominant, which means that women in the past built up less individual pension rights than men. The participation rate of women in the second pillar pension scheme mirrors their participation rate on the labour market. This difference between men and women can be observed both for the pension accrual phase (the period people work) as for the retirement phase, but it is changing over time.

- The figure below gives an overview of the accumulated pension rights of male (light blue) and female (dark blue) workers in the Netherlands in age cohorts in five years.



- As shown in the figure above the male/female ratio in acquiring pension rights is decreasing. The higher age cohorts show a difference in individually acquired pension rights, but in the lower age cohorts the accrued pension rates are more or less equal. The difference in accrual is decreasing because women are working longer hours and part-time work under men is on the rise. Female labour market participation in the Netherlands is already among the highest in the EU and government measures are aimed at incentivizing working more hours. In the end whether to work part-time is an individual choice.

#### *Gender and age equality*

- The supplementary pension is subject to the concept of remuneration and is part of employment conditions, to which the equal treatment legislation (m/f, age) applies. The government intends to consult the Netherlands Institute for Human Rights on the aspects of equal treatment in a legislative proposal concerning the renewal of the pension system.
- Regarding the principle of equal treatment between men and women, in the proposed defined contribution schemes (as in the current situation) either the pension benefit for men and women must be equal or the premium should be determined in a way that the size of the pension benefits for men and women are equal. This is consistent with the current equal treatment legislation.
- The proposed pension system as described above (degressive pension accrual) contains differences in treatment on the ground of age. As the age increases, the pension accrual diminishes. However, this is in accordance with accepted actuarial principles.
- With regard to the objective justification of the difference in treatment on the ground of age, a legitimate aim is found in a better connection to the labour market and in restoring confidence in the pension system. A more neutral way of pension accrual contains appropriate and necessary means to achieve that aim. There are no alternatives with none or less differences in treatment on the grounds of age, or alternatives that mitigate any of the disadvantages. A system with progressive premiums has adverse consequences for the labour market-position of older workers.
- All in all the government is of the opinion that an objective and reasonable justification can be given for the differences in treatment on the ground of age.