

Minimum Income in Old Age

THE NETHERLANDS

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The Dutch system

▶ First Pillar

Statutory Income: AOW - pensions

- ▶ supplements for partners under pension age (being phased out)
- ▶ supplement to those with a gap in insurance record

▶ Second Pillar - occupational, non-statutory pensions

▶ Third Pillar - private insurance/arrangements

Characteristics AOW

- ▶ adopted in 1956 as a residence scheme, covering all residents; following the example of the Beveridge report
- ▶ Pension is paid from contributions (by those with an income; residents without an income are exempted from paying contributions)
- ▶ Pension is flat-rate, depending on the type of household. Pensions are not means-tested

Insured persons for AOW

- Residents
- Persons subject to wage tax in the Netherlands
- Persons who are insured based on an international treaty or decision (persons can also be exempted based on these international documents, e.g. van den Berg judgment, Cases C-95/18 and C 96/18)

Resident = residing in the Netherlands for the rules determining legislation applicable Reg 883/2004

Acquisition of AOW rights

Persons who are insured in a calendar year acquire 2% of the full AOW benefit

Relevant is the 50 years before the pension age

Effect: migrants residing after the starting age of the insurance: have a gap in insurance

People who work temporarily abroad also have a gap

Level of AOW

- ▶ Net AOW = net statutory minimum wage
(each married person 901 gross, 851 net;
single 1316 gross, 1244 net)
- ▶ Effect of export outside the EU/EEA: only
the rate for married persons paid

Supplements for partners

- If a partner is under pension age and has low or no income: partner (being phased out: government slogan: 'a clever girl is prepared for the future')
- Supplement is the rate for a married person, but means-tested
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- Not exportable outside EU/EEA

Persons with gap in Insurance Record

Example

Lisa

Born in 1957

Came to the Netherlands at age 40 (1997)

In 2024 pension age: 27 years of insurance

AOW is 54% of the applicable rate

Supplement: AIO supplement (supplement for elderly,
based on Public Assistance Act)

AIO

Supplements to applicable AOW rate

means-tested (income, pension, income partner, income from capital); not subject to R 883/2004

Requirement: living in the Netherlands (not exportable)

For incoming migrants who were economically inactive in the Netherlands: characteristics of assistance, i.e. during the first 5 years Dano approach if a person has never or for a long time not satisfied the unreasonable burden test), or Grzelczyk in other situations.

In 2018: potentially there were 64,600 claimants, actually, 45,400 claimed AIO (2,192,500 persons were not entitled (i.e. have full AOW pension). -> high non-take up

Conclusions

AOW provides for a minimum income for persons who were subject their whole life in the Netherlands - exportable

For others pro rata

The supplement to reach a minimum income is paid to about 0.03 percent of the pensioners

Supplement is means-tested – subject to social assistance conditions

Payable subject to the condition of residence (not exportable)

For newcomers: the restrictions to access social assistance apply