

Pension paper

This is a publication by parties to the collective labour agreement in the precast concrete industry.
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"We cannot avoid drawing up a new pension scheme, but we are doing everything we can to turn it into a balanced scheme"

Celil Çoban

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The new pension scheme

The parties to the collective labour agreement* in the precast concrete industry have conducted intensive consultations on a new pension scheme in the precast concrete industry. The new pension scheme will be different, but in many respects it will remain similar to the old scheme. You can read more about it in this pension paper.

*The Dutch abbreviation for collective labour agreement is CAO. The parties to the collective labour agreement will subsequently be referred to as 'the parties'.

Why a new pension contract?

On 1 July 2023, the Future Pensions Act (Dutch abbreviation: Wtp) came into force. By 1 January 2028, all pension schemes must be adapted to this new legislation. Under the Wtp, only defined contribution plans are allowed.

The parties in the precast concrete industry have the ambition to timely comply with the Wtp and to introduce the new pension scheme in 2026. This is explicitly an intention because this schedule is tight. A small delay could lead to postponement.

What is going to change?

The new pension system ties in with changes in society. Employees change jobs more often, more women have entered employment and young people also like to be assured of a good pension. "In the new contract, the accrual of pension is divided more evenly between young and old. This makes the new pension scheme more future-proof. In this way, our pension can last another 50 years", says Tossif Alvi, trade union official at CNV Vakmensen.

In the precast concrete industry, the defined benefit plan is replaced with a contribution plan based on solidarity. In the average defined benefit plan, parties to the collective labour agreement agreed on what you will receive in pension benefits. In a defined contribution plan, the parties agree on how much contribution they will put in for you. This contribution is invested by Bpf Beton. The fund takes into account the (investment) risk that members in each age cohort want to and are able to run (the risk attitude). In the new contract, the returns achieved will determine the level of your pension.

In the old scheme, low interest rates meant that Bpf Beton had to hold vast amounts of assets (buffers) in order to be able to meet its obligations. In the new pension scheme, the accrual of pension is less dependent on the interest rate. In economically prosperous times, the (individual) pension capital can accumulate more quickly. The use of a collective solidarity reserve limits the risk of reduction. In this case, participants share the risk of adverse times.

The new pension contract will be more transparent for all participants. Each participant will have insight into the accrued pension assets. This way, you can see exactly what has been saved for you. The total assets of all participants combined are still invested collectively. Your age is taken into account here: if you are young, you can run more (investment) risk than if you are close to retirement. The return that is achieved determines your pension accrual rate.

What is the ambition of the parties?

A good pension for the participants: this what the parties continue to strive for. Hence, they have mentioned a pension of 70% of the average earned gross income as an ambition for the new scheme. On the basis of many scenarios, they have had calculations made as to whether this is feasible. It is expected to be feasible, even in economically more adverse times.

"The parties determine the content of the scheme." emphasises Celil Çoban, trade union official at FNV. "We cannot avoid drawing up new pension scheme, but we are doing everything we can to turn it into a balanced scheme. A scheme similar to the one we had, where we preserve collectivity and solidarity. We want to be able to live up to the expectations for a good pension."

Starting points

The parties have provided the starting points to Bpf Beton for the development of the new pension scheme in the precast concrete industry:

An outline agreement on the pension scheme

The parties have reached an outline agreement on the new pension contract.

1 Objectives

The parties have formulated the following long-term objectives for the new pension contract:

- Sustainability
- Enforceability
- Explainability
- Balance
- Governance (proper governance)
- Feasibility
- Compliance (complying with laws and regulations)

2 Solidarity contract

The parties opt for the solidarity contract. In this contract, young, middle-aged and older participants can share risks (collective risk sharing across generations).

3 Ambition

In the design of the new pension contract, the parties aim for the new solidarity contract to match the pension result that could be achieved under the defined benefit plan – 70% of the average earned income – as closely as possible, within a range of 3% above or below this 70% (67%–73%). After retirement, the accumulated capital determines how much pension can be purchased.

4 Operators

The parties consider Bpf Beton to be the most suitable executive party to jointly undertake this transition so as to be able to implement the new pension scheme in a manageable manner.

5 Target date

The parties hope to be able to switch to the new pension scheme on 1 January 2026. If this date does not turn out to be feasible, then a

transition should occur by 1 January 2027 at the latest.

6 Conversion

The parties choose to convert all accrued pension entitlements for inclusion in the new pension scheme.

7 Contribution

The parties consider contribution stability to be important. The starting point for the new scheme is a contribution level of 30.3% of the pensionable pay (as of the reference date of 30 June 2023 derived from 19.2% of the wage sum). The current distribution of contributions (2/3 for the account of the employer; 1/3 for the account of the employee) is maintained here.

8 Pension accrual

The parties agree to switch from an average pay plan to a defined contribution plan. The amount of pension a member can accrue is no longer fixed. In the new scheme, a contribution is agreed. The contribution that is paid depends on the salary. The return that is achieved on the collective pension assets and distributed among the individual pension assets determines the pension accrual.

9 Compensation for the discontinuation of the average system

The parties consider it important that members who might be disadvantaged by the discontinuation of the average system will be compensated as far as possible. The parties have requested the pension fund to finance the compensation from the fund's pension assets. In this context, the parties opt for a one-time compensation of the members upon conversion.

10 Survivor's pension

The parties attach importance to adequate cover for the survivor's pension in the event of death. Accrued rights under the current average pay plan will be retained. Under the new pension scheme, the survivor's pension will look as follows:

Cover in the event of death before retirement

The parties set the cover for the partner pension, which will henceforth be insured on a risk basis, at 28.5% of the pensionable salary of the member (who pays contributions). The orphan's pension will amount to 20% of the partner's pension, in accordance with the current scheme.

The parties facilitate the continued insurance of the survivor's pension in the circumstances stipulated by law, in accordance with the maximum statutory tail insurance coverage.

Cover in the event of death after retirement

The amount of the survivor's pension upon death after retirement is 70% of the old-age pension.

11 Solidarity reserve

The parties opt for the solidarity contract. A solidarity contract provides a (mandatory) solidarity reserve, in which risks are shared collectively. The parties assign two objectives to this solidarity reserve:

- preservation of nominal benefits after retirement, with the lowest possible chance of cuts in pensions in payment;
- sharing of the risk that the life expectancy of (a proportion of) the members increases (the macro longevity risk).

12 Contribution-free pension accrual in case of incapacity for work

The parties consider it important that members who are unfit for work can maintain their standard of living and that the partner remains assured of an income in the event of death. This is why the parties wish to recreate the current scheme for incapacity for work as closely as possible. In case of incapacity for work, contribution payments will continue.

13 Risk attitude and investment policy

The solidarity contract is characterised by a single collective investment policy. In this policy, the investment risk that members run may differ between young (more risk) and old (more protection).

The investment policy will be in line with the risk attitude in each age cohort. This risk attitude is determined on the basis of a periodic survey among the members.

Bpf Beton may consider member characteristics when determining this risk attitude. The fund may also use scientific insights. Bpf Beton defines this risk attitude in more detail on the basis of statutory (risk) criteria.

14 Equal treatment of pensioners

The parties choose to treat pensioners as one collective group. This ensures that the pension benefits of all pensioners are increased or decreased by the same percentage in any given year.

15 Implementation

- The parties entrust the implementation of the new scheme to BPF Beton.
- The parties instruct Bpf Beton to draw up and execute an implementation plan (commission).

What does 'conversion of accrued pension rights' mean?

The parties have had to make an important decision: will the pension assets that members have accrued under the old rules remain as a separate pot of money, or will this capital be included in the new scheme? This 'inclusion' is known as 'conversion' (Dutch term: 'invaren'). This brings advantages, as the new rules offer the chance to increase the pension more quickly.

Bpf Beton also prefers conversion. Having to work with two systems is too complicated. This would increase the implementation costs for members.

Why do the parties opt for the solidarity contract?

Building together, sharing risks together; this helps to prevent a scenario where some generations experience luck, while others experience bad luck. This is why the parties prefer the solidarity contract as a new pension scheme for the concrete products sector. They have shared this intention with the Board of BPF Beton. This scheme matches the current pension scheme as far as possible. This means that the new pension scheme is not the same, but still very similar to the one you know. In short, social partners choose solidarity where possible and individuality where necessary!

How high will the contribution be?

The contribution must never exceed the maximum contribution set by the legislator. Part of the contribution paid by employers and employees is used for the implementation costs of the scheme. Risk premiums are also deducted for risks that the participants share, such as the risk of (early) death or the risk of disability for work. What remains after deducting these costs is the savings contribution, which is added to your pension assets. This makes Bpf Beton transparent.

What is the benefit of risk sharing?

Risk sharing contributes to a more secure pension. Pension funds can invest the total pension assets of all participants (collectively), at lower costs. They can also invest this capital in several categories, for example in shares, (government) bonds or in property. This diversification increases the likelihood of a better return. If you save or invest personally, you will not quickly or easily achieve a similar result.

How is the survivor's pension arranged?

Entitlement to pension benefits for surviving relatives in the event of death before retirement will henceforth be ensured. This is a major change as a result of the new law. Under the old rules, employees accrued survivor's pension.

What will be different under the new rules is that employees should pay close attention to the situations in which they are or are not insured for a survivor's pension. If you leave employment and do not immediately start working with a new employer, you will remain insured for a survivor's pension for 3 months – or during the period in which you receive unemployment benefits (Dutch abbreviation: WW). This insurance will subsequently expire.

In the event of a divorce or the termination of a registered partnership or cohabitation agreement before the retirement date, the new scheme will no longer provide for special partner's pension benefits for the ex-partner.

In addition, there are far fewer differences in the new pension system. The legislator has stipulated this. In the event of death after retirement, your surviving partner will receive 70% of the accrued old-age pension. In the event of death before retirement, your surviving partner will receive 28.5% of your pensionable salary. The orphan's pension amounts to 20% of this salary and continues until the age of 25.

In the event of a divorce or the termination of a registered partnership or cohabitation agreement before the retirement date, the new scheme will no longer provide for special (accrued) partner's pension benefits for the ex-partner, who as a consequence cannot put forward any claim.

Please note: the survivor's pension accrued under the old scheme will remain unchanged!

The survivor's pension that was accrued under the old scheme remains and can be claimed. The partner who was eligible for the survivor's pension before the switch to the new pension scheme will retain this entitlement.

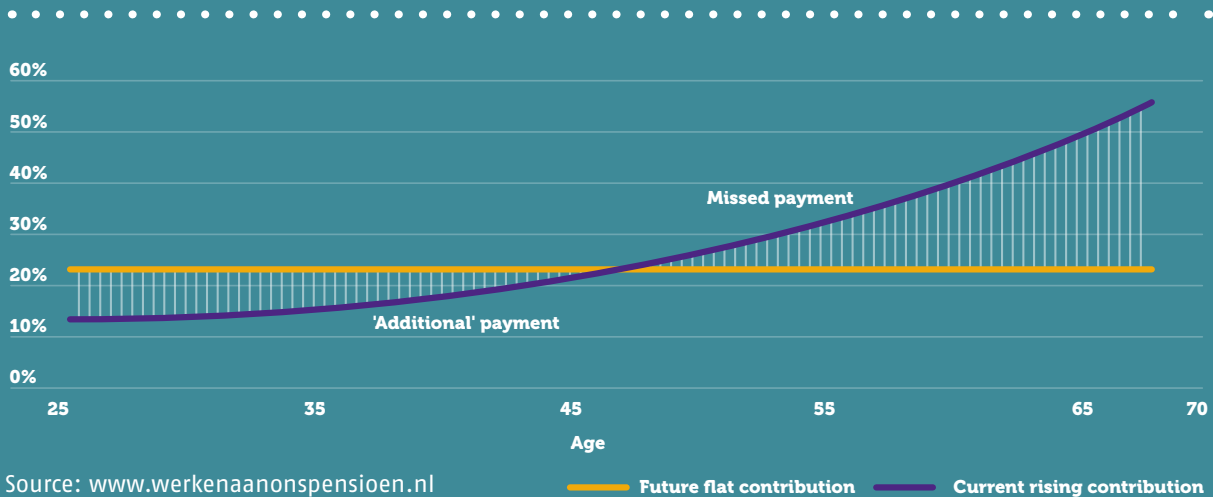


How will Bpf Beton compensate?

In the current defined benefit plan, the amount of contribution required for older people is higher than for young people. In the new system, the contribution to be paid is the same for younger and older people. This means that, in the new pension scheme, older people will likely accrue less pension than in the defined benefit plan. This could create a pension gap.

The national pension agreement stipulates that this group should be eligible for compensation.

The parties consider it important to ensure that participants who may be disadvantaged by the switch to the new system are compensated to the greatest possible extent. The parties have requested the pension fund to finance this compensation from the fund's pension assets. If the funding position at the time of conversion is high enough, then this is certainly feasible. In this case, this group will receive a one-time compensation.



Source: www.werkenaanonspensioen.nl

Will the situation of pensioners improve?

Yes. In recent years, pension benefits could not be increased due to the low interest rates. Under the new rules, the achieved return on pension capital will determine indexation. Also, the likelihood of receiving higher pension benefits more quickly will increase. In unfavourable times during which investment returns fall short of expectations, the solidarity reserve will be used to prevent reductions in pensions in payment as far as possible. The new pension scheme does not distinguish between a 70-year old or a 90-year-old: if indexation can be granted, every pensioner will receive the same amount in percentage terms.

Transition plan

The parties have drawn up a transition plan for the transition to the new pension scheme. In this transition plan, they indicate which agreements they have made. The transition plan also includes an explanation to the agreements made, which is supported by figures. Indeed, the parties have had many calculations made in order to arrive at the right choices. "The calculations show that our ambition of 70% of the average earned income is feasible." says Alfons van Woensel, on behalf of employers. "Most participants will see an improvement in their situation and the risk of pension expectations not being met is low. For us, it is important that the new pension scheme is balanced for all groups of participants, both for employees and pensioners. In addition, the contribution must remain affordable."

What next?

A pension is an important term of employment. This is why the parties organise special regional meetings in the country. During these meetings, the proposals for the new pension contract in the concrete products sector will be explained.

There will subsequently be formal member consultations, on both the employers' and trade union side. If the members agree with the proposals of the parties, the transition plan will be offered to Bpf Beton. The final transition plan will be published on the BPF Beton website. The fund will subsequently make every effort to properly implement the agreements made by the parties.

Would you like to respond to this publication or do you have a question about it? Please send an email to pensioencontract@betonhuis.nl.

Colophon: This is a publication by the parties in the precast concrete industry.

Realisation: Enof creatieve communicatie.

The parties have compiled this publication with the utmost care. No rights can be derived from the content of this pension paper. The new pension regulations of Bpf Beton are always leading.