

Netherlands



Demographics and macroeconomics

Nominal GDP (EUR bn)	559.5
GDP per capita (USD)	46 761.9
Population (000s)	16 346.0
Labour force (000s)	8 741.4
Employment rate	96.8
Population over 65 (%)	14.4
Dependency ratio ¹	27.4

Note: Data from 2007 or latest available year.

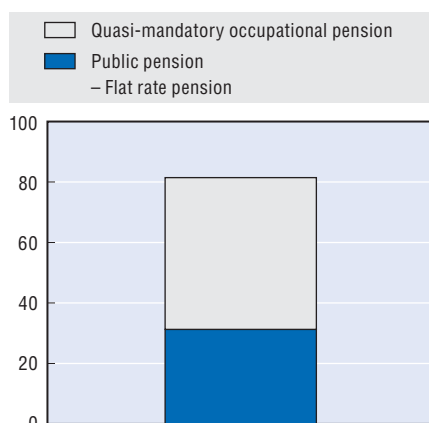
1. Ratio of over 65-year-olds to the labour force.

Source: OECD, various sources.

Country pension design

Potential average pension benefit

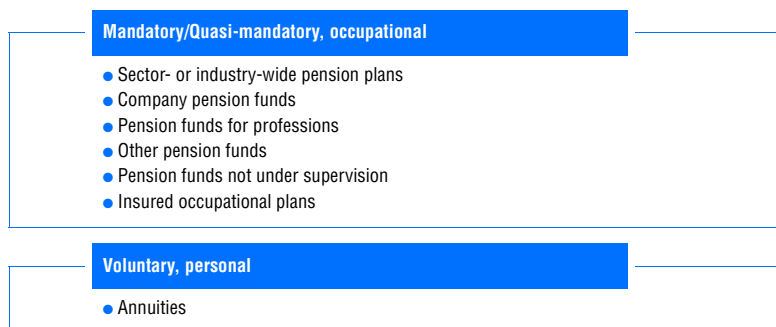
As a percentage of final earnings



Note: Additional pension income may come from other sources such as personal pension, general savings or investments, etc.

Source: OECD estimates.

Structure of private pension system



Source: OECD Global Pension Statistics.

Pension funds data overview

	2003	2004	2005	2006	2007
Total investments (EUR bn)	482.6	531.1	619.6	671.9	739.8
Total investments as a % of GDP	101.2	108.1	121.7	125.7	132.2
Total contributions as a % of GDP	4.4	4.6	5.0	4.4	4.2
Total benefits as a % of GDP	3.2	3.4	3.5	3.6	3.6
Total number of funds	876	843	800	768	713

Source: OECD Global Pension Statistics.

StatLink <http://dx.doi.org/10.1787/517604384401>

Private pension system's key characteristics

Occupational quasi-mandatory

Overview

Occupational pension plans are financed primarily via company and industry-wide pension funds.

Coverage

Participation in a sectoral pension plan becomes mandatory if the sector's employers request the Ministry of Social Affairs and Employment to declare membership obligatory, and if the employer organisations making the request represent at least 60% of employees in the sector. With over 90% of the working population covered, the system can be described as quasi-mandatory.

Employers may opt out of a sectoral plan if they offer a provision that promises equal or better benefits.

Typical plan design

Occupational pension plans can be defined benefit or defined contribution. The vast majority of employees (over 90%) are covered by defined benefit plans, although collective defined contribution plans and hybrid schemes are gaining popularity.

Defined benefit plans can be final salary plans or lifetime-average earnings, while a small number of plans combine the two or provide fixed amounts. Most plans were switched to career-average defined benefit schemes after 2000. Benefits generally vest after one year of membership.

Most final salary plans give 1.75% of earnings for each year of service, yielding a replacement rate of 70% for a 40-year career. In most average-earnings plans, the accrual rate varies between 1.75% and 2% per year of service. The indexation of pension benefits is typically conditional, being at the discretion of the funds themselves and depending, in practice, on funding levels. Pension funds are obliged to inform their members of their indexation expectations. Half of all pensions in payment are adjusted for wage growth in the relevant sector or industry, 27% are price-indexed, and just under one-quarter use other means of benefit adjustment.

Occupational plans are fully funded. Contribution levels for employers and employees are determined by collective bargaining, though the employers' share generally represents three-quarters of total contributions.

There is no ceiling on pensionable earnings.

The official retirement age for men and women is 65, which is the average age at which people actually do retire. Benefits can be paid out as a lump sum or as annuities, which enjoy tax relief.

Fees

Members do not pay fees to pension funds, whose estimated administrative costs are about 0.18% of total assets per year.

Taxation

Employer contributions to an occupational plan are tax-deductible and employee contributions are not considered taxable income. Assets and investment returns are tax-exempt, while benefits paid out as annuities are subject to ordinary taxation.

Plans must comply with the fiscal limitations on them. Taxation levels depend on benefit levels: final pay plans may have an accrual rate of no more than 2% per year, leading to a 70% replacement rate after 35 years. Career-average plans may apply a maximum accrual rate of 2.25% per year. If, on a member's retirement, his or her benefits exceed 100% of final pay (including public pension benefits), the surplus is taxed at a progressive rate.

Personal voluntary

Overview

Personal voluntary plans are also offered in the Netherlands in order to meet the growing demand for greater flexibility in terms of participation requirements, contributions, etc.

Coverage

Anyone may enter into a contract for any type of personal pension savings plan.

Contributions

Providers specify contribution levels in their contracts. Members may pay their contributions as a lump sum when they sign a contract, or at regular or flexible intervals thereafter.

Benefits

Benefits can be paid out as a fixed or unit-linked annuity and, in some circumstances, in a fixed number of withdrawals. If an insured person dies before taking his or her benefits, they generally revert to one or more beneficiaries.

Taxation

Contributions to annuity policies are tax-deductible up to a ceiling of EUR 1 036. Contributions made to bridge a gap in the accrual of occupational plan assets may also benefit from tax relief. Investment income is tax-exempt, while benefits are subject to income tax at a rate of 30%.

Market information

Occupational quasi-mandatory

There are four types of pension providers:

- company pension funds (730).
- industry-wide pension funds (71).
- insurance providers, who administer 30 000 group insurance contracts for separate companies.
- pension funds for professional groups such as dentists and doctors (11).

Some 80% of all occupational pension plan members are covered by mandatory sector-wide plans, while pension insurance providers supply around 850 000 employees with occupational pension coverage. Total pension investments in 2007 stood at over EUR 725 billion, making the Dutch pension market one of the largest in the world. The civil servants' fund, known by the acronym ABP, and the medical sector fund PGGM are the largest industry-wide funds in the Netherlands. Ninety-one per cent of occupational plans were defined benefit in nature.

Pension rights are transferable when members change employers.

Personal voluntary

Personal pension savings policies are provided by insurance companies. Annuity insurance contracts must offer a minimum return of 3-4%.

Reference information

Key legislation

2006: the Pensions Act sets forth the rules governing occupational pensions, while the Income Tax Act and the Earnings Tax Act specifies the tax rules governing pensions.

1956: *Algemene Ouderdoms Wet (AOW)*, or Pensions Act, lays down the rules governing the public retirement pension system.

Key regulatory and supervisory authorities

Ministry of Social Affairs and Employment: regulates and supervises the public pension system, www.employment.gov.nl/.

De Nederlandsche Bank (DNB): responsible for prudential supervision, it is an integrated supervisory institution which carries out principle-based, risk-oriented supervision, www.dnb.nl.

The Autoriteit Financiële Markten (AFM): polices the financial market's compliance with the law, www.afm.nl.

Key official statistical references and sources on private pensions

Statistics Netherlands, <http://statline.cbs.nl/>.

OECD, *Global Pension Statistics Project*, www.oecd.org/daf/pensions/gps.

Overview of private pension system by type of plan and financing vehicle

		Included in <i>OECD GPS database</i>	Type of plan				Financing vehicle			
			Voluntary	Mandatory/ Quasi- mandatory	Occupational	Personal	Pension fund	Book reserve	Pension insurance contract	Banks or investment companies
Sector- or industry-wide pension plans	A pension fund covering a branch or industry implements a pension plan agreed by labour and employer organisations in a specific sector or industry, including the public sector. Participation is compulsory. The Pensions Act governs all occupational pension schemes.	✓		✓	✓		✓			
Company pension funds	A company pension fund is a separate legal entity and is not liable for an employer's debts. The fund/employer supplies supplementary pensions to the employees of a specific company. A company is not obliged to join a sectoral or industry-wide pension fund. The Pensions Act governs all company pension funds.	✓		✓	✓		✓			
Pension funds for professions	Under the terms of act requiring professionals to join a pension scheme (<i>Wet betreffende verplichte deelneming in een beroepspensioenregeling [Wet BPR]</i>) the government may compel groups of professionals to enrol in a plan.	✓		✓	✓		✓			
Other pension funds	Based on special arrangements.	✓		✓	✓		✓			
Pension funds not under supervision	Based on special arrangements.	✓		✓	✓		✓			
Insured occupational plans	Occupational pension plans administered by life insurance companies. Included in insurance statistics.			✓	✓				✓	
Annuities	Deferred annuity insurance, defined benefit.		✓			✓			✓	
Annuities	Deferred annuity insurance, defined contribution.		✓			✓			✓	
Annuities	Annuity insurance.		✓			✓			✓	

Source: OECD Global Pension Statistics.

Notes

1. Statistics Canada (2004), *Pension Plans in Canada*, Pensions and Wealth Research Series, 1 January.
2. Statistics Canada.
3. The Reserve Fund is established with 5% of the pension company profits.
4. The TFR is a sort of severance pay scheme that the employer has to pay to an employee in the case of his dismissal or retirement. Every month the employer sets aside 6.91% of the gross salary of the employee; every year the accumulated stock of the TFR, which is accounted as a book reserve in the balance sheet of the employer, is appreciated according to a CPI-linked formula.
5. Minimum pension is equivalent to a 1997's monthly minimum wage updated in accordance with inflation.
6. The average monthly wage in Poland is PLN 2 869.69 (USD 1 025) before tax and social security contributions. The net wage is around 70% of the gross.
7. Contribution rates and information on rates of contracting out were obtained from the Department for Work and Pensions' report entitled *Employers' Pension Provision Survey 2005*.

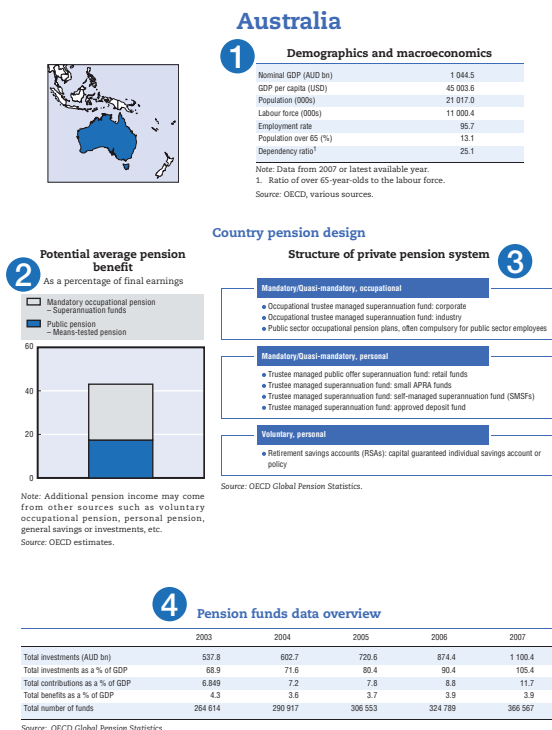
How to Read the Country Profiles

This section provides country profiles, describing private pension arrangements in individual OECD countries. Each pension country profile is divided into six main sections:

- Demographics and macroeconomics
- Country pension design
- Pension funds data overview
- Private pension system's key characteristics
- Reference information
- Overview of private pension system by type of plan and financing vehicle

The figure below shows how the first three sections are organised on the first page of each country profile.

5. AUSTRALIA



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Demographics and macroeconomics

1 The first section presents a selection of key demographics and macroeconomics indicators that provide a sense of the size of the country and its economy. GDP figures are from the *OECD Reference*

Series database. Population figures are from the *OECD Population and Labour Force database*.

Country pension design

This section is split into two parts:

2 Potential average pension benefit

This figure displays a broad estimate of the total pension income which an average-earning individual may receive from various sources (state, mandatory, and voluntary occupational pensions) after a full working lifetime. It is expressed as a percentage of the earnings the pensioner had just before retirement. These figures draw and expand on a microeconomic approach used in the publication *Pensions at a Glance*, looking at future individual pension entitlements under 2004 parameters and rules.

The pension incomes projected here, however, should be considered only as broad indications of what may happen, as they are conditional on a number of assumptions. It is assumed that individuals are covered by public pension plans throughout their careers. For the countries where occupational pension plans are common, average-earning individuals are assumed to be covered throughout their careers by occupational pension plans that are typical of market practice in that country. In countries where private pension accounts are compulsory, they are assumed to have participated in the compulsory system throughout their careers. Those with shorter, or periodically interrupted, careers should expect lower benefits than those which are set out in this figure.

A public pension can be an earnings-related pension (a pension computed by reference to a rate of emoluments, whether actual emoluments or not and whether final or average emoluments), a flat rate pension (a pension payable at a rate fixed otherwise than by reference to a rate of emoluments or to the rate of another pension), a minimum pension (the minimum level of pension benefits the plan pays out in all circumstances), a basic state pension (a non-earnings related pension paid by the State to

individuals with a minimum number of service years), or a means-tested pension (pension granted to a person after examination of his/her financial state).

Data cover public pensions and other mandatory or quasi-mandatory private pension plans. Voluntary plans are also included if they cover at least 30% of the working population. Additional pension income may come from other sources, such as individual savings, but these are not included in the data.

For five countries, several projections are presented as private pension systems are in a particular state of change.

3 Structure of private pension systems

The second part displays a bulleted list summarising the structure of private pension systems according to the pension plans currently in place in the country.

Pension funds data overview

4 The third section presents selected pension fund indicators from 2003 to 2007 from the *OECD Global Pension Statistics* project (www.oecd.org/daf/pensions/gps). For further data and analysis, readers can refer to Chapter 2 of this publication.

Private pension system's key characteristics

The information provided in this section covers eight private pension system key characteristics:

- Overview
- Coverage
- Typical plan design
- Contributions
- Benefits
- Fees
- Taxation
- Market information

Depending on data availability, these characteristics are developed for each existing category of pension plan (mandatory vs. voluntary pension plan, occupational vs. personal pension plan). Information provided in this section refers to December 2007 or to the latest available year.

Reference information

This section includes references to key legislation reforms, provides the name of regulatory and supervisory authorities and displays official statistical references and sources on private pensions.

Overview of private pension systems by type of plan and financing vehicle

This last section gives a detailed description of the various private pension plans found in each country as well as the statistical data coverage of the *OECD Global Pension Statistics*.

The following figure gives an example of such an overview. The first two columns provide the name and the description of each pension plan. Pension plans included in the *OECD GPS database* are marked with a tick in the next column, excluding OECD estimates. Under the column headings “Type of plan” and “Financing vehicle” are given the correspondence of each pension plan with the OECD Classification by funding vehicle and by type (see OECD (2005), *Private Pensions: OECD Classification and Glossary*, OECD, Paris).

Overview of private pension system by type of plan and financing vehicle

	Included in OECD GPS database	Type of plan				Financing vehicle			
		Voluntary	Mandatory/Quasi-mandatory	Occupational	Personal	Pension fund	Book reserve	Pension insurance contract	Banks or investment companies
Occupational trustee managed superannuation fund: corporate	✓		✓	✓		✓			
Occupational trustee managed superannuation fund: industry	✓		✓	✓		✓			
Trustee managed public offer superannuation fund: retail funds	✓		✓		✓	✓			
Trustee managed superannuation fund: small APRA funds	✓		✓		✓	✓			
Retirement savings accounts (RSAs): capital guaranteed individual savings account or policy		✓			✓			✓	✓

Source: OECD Global Pension Statistics.

Acronyms, Symbols and Conventional Signs

AFP	Contractual Early Retirement Plan
AGIRC	<i>Association Générale des Institutions de Retraite des Cadres</i>
ALM	Asset Liability Management
APRA	Australian Prudential Regulation Authority
ARRCO	<i>Association des Régimes de Retraites Complémentaires</i>
ASSEP	<i>Association d'Épargne Pension</i>
AVC	Additional Voluntary Contributions
CBFA	<i>Commission Bancaire, Financière et des Assurances</i>
CEE	Central and Eastern Europe
CONSAR	National Commission for the Retirement Savings System
CPP	Canadian Pension Plan
CSSF	<i>Commission de Surveillance du Secteur Financier</i>
DB	Defined Benefit
DBO	Defined Benefit Obligation
DC	Defined Contribution
TyEL	Earnings-related provisions for private-sector workers
EEA	European Economic Area
EET	Exempt-Exempt-tax
EPI	Employee Pension Insurance
EPF	Employees' Pension Fund
FMA	Financial Market Authority
GDP	Gross Domestic Product
GPS	Global Pension Statistics
HMRC	HM Revenue and Customs
IBA	Income Base Amount
IKE	Individual Retirement Account
IRA	Individual Retirement Account
ITP	Collectively bargained pension plan for white-collar employees
KNF	Polish Financial Supervisory Authority
LDI	Liability-Driven Investment
LO	Confederation of Trade Unions
MO	Mandatory Occupational
MP	Mandatory Personal
NHO	Confederation of Norwegian Business and Industry
OFE	Open Pension Fund
PAMC	Pension Asset Management Company
PAYG	Pay-as-you-go

PEE	<i>Plan Épargne Entreprise</i>
PERCO	<i>Plan d'Épargne pour la Retraite Collectif</i>
PERP	<i>Plan d'Épargne Retraite Populaire</i>
PIP	Personal pension plan set up through life insurance contract
PPE	Employee Pension Fund
PPM	Premium Pension Authority
PPRF	Public Pension Reserve Fund
PRSA	Personal Retirement Savings Account
QMO	Quasi-Mandatory Occupational
RAC	Retirement Annuity Contract
S2P	State Second Pension
SAF	Swedish Employers' Confederation
SEPCAV	<i>Société d'Épargne Pension à Capital Variable</i>
SPS	Severance Pay System
SIMPLE	Savings Incentive Match Plan for Employees
SNA	System of National Account
SPMC	Supplementary Pension Management Company
SSRF	Social Security Reserve Fund
SWF	Sovereign Wealth Fund
TFR	<i>Trattamento di Fine Rapporto</i>
TQPP	Tax Qualified Pension Plan
UK	United Kingdom
US	United States of America
VO	Voluntary Occupational
VP	Voluntary Personal

Symbols

000s	Thousands	JPY	Yen
m	Million	KRW	South Korean won
bn	Billion	MXN	Mexican peso
AUD	Australian dollar	NZD	New Zealand dollar
EUR	Euro	NOK	Norwegian krone
USD	United States dollar	PLN	Zloty
CAD	Canadian dollar	SKK	Slovak koruna
CZK	Czech koruna	SEK	Swedish krona
DKK	Danish krone	CHF	Swiss franc
HUF	Forint	TRY	New Turkish Lira
ISK	Icelandic krona	GBP	British pound

Conventional signs

n.a.: not applicable

n.d. / ..: not available

Country ISO code

Australia	AUS	Korea	KOR
Austria	AUT	Luxembourg	LUX
Belgium	BEL	Mexico	MEX
Canada	CAN	Netherlands	NLD
Czech Republic	CZE	New Zealand	NZL
Denmark	DNK	Norway	NOR
Finland	FIN	Poland	POL
France	FRA	Portugal	PRT
Germany	DEU	Slovak Republic	SVK
Greece	GRC	Spain	ESP
Hungary	HUN	Sweden	SWE
Iceland	ISL	Switzerland	CHE
Ireland	IRL	Turkey	TUR
Italy	ITA	United Kingdom	GBR
Japan	JPN	United States	USA

Glossary

Most of the definitions below draw on the publication *Private Pensions: OECD Classification and Glossary*. It can be downloaded at the following address: www.oecd.org/dataoecd/0/49/38356329.pdf.

Term	Definition
Active member	A pension plan member who is making contributions (and/or on behalf of whom contributions are being made) and is accumulating assets or has accrued assets in the past and is not yet retired.
Annuity	A form of financial contract mostly sold by life insurance companies that guarantees a fixed or variable payment of income benefit (monthly, quarterly, half-yearly, or yearly) for the life of a person (the annuitant) or for a specified period of time. It is different from a life insurance contract which provides income to the beneficiary after the death of the insured. An annuity may be bought through instalments or as a single lump sum. Benefits may start immediately or at a pre-defined time in the future or at a specific age.
Asset allocation	The spread of fund investments among different investment forms.
Asset manager	The individual(s) or entity(ies) endowed with the responsibility to physically invest the pension fund assets. Asset managers may also set out the investment strategy for a pension fund.
Basic state pension	A non-earning related pension paid by the State to individuals with a minimum number of service years.
Beneficiary	An individual who is entitled to a benefit (including the plan member and dependants).
Benefit	Payment made to a pension fund member (or dependants) after retirement.
Book reserved pension plans	Sums entered in the balance sheet of the plan sponsor as reserves or provisions for occupational pension plan benefits. Some assets may be held in separate accounts for the purpose of financing benefits, but are not legally or contractually pension plan assets. Most OECD countries do not allow this method of financing. Those that do usually require these plans to be insured against bankruptcy of the plan sponsor through insolvency guaranty arrangement.
Closed pension funds	Funds that support only pension plans that are limited to certain employees (<i>e.g.</i> those of an employer or group of employers).
Contribution	A payment made to a pension plan by a plan sponsor or a plan member.
Contribution rate	The amount (typically expressed as a percentage of the contribution base) that is needed to be paid into the pension fund.
Deferred member	A pension plan member that no longer contributes to or accrues benefits from the plan but has not yet begun to receive retirement benefits from that plan.
Deferred pension	A pension arrangement in which a portion of an employee's income is paid out at a date after which that income is actually earned.
Deferred retirement	A situation when an individual decides to retire later and draw the pension benefits later than their normal retirement age.
Defined benefit (DB) occupational pension plans	Occupational plans other than defined contribution plans. DB plans generally can be classified into one of three main types, "traditional", "mixed" and "hybrid" plans.
"Traditional" DB plan	A DB plan where benefits are linked through a formula to the members' wages or salaries, length of employment, or other factors.

Term	Definition
"Hybrid" DB plan	A DB plan where benefits depend on a rate of return credited to contributions, where this rate of return is either specified in the plan rules, independently of the actual return on any supporting assets (<i>e.g.</i> fixed, indexed to a market benchmark, tied to salary or profit growth, etc.), or is calculated with reference to the actual return of any supporting assets and a minimum return guarantee specified in the plan rules.
"Mixed" DB plan	A DB plan that have two separate DB and DC components but which are treated as part of the same plan.
Defined contribution (DC) occupational pension plans	Occupational pension plans under which the plan sponsor pays fixed contributions and has no legal or constructive obligation to pay further contributions to an ongoing plan in the event of unfavourable plan experience.
Dependant	An individual who is financially dependent on a (passive or active) member of a pension scheme.
Dependency ratio	Typically defined as the ratio of non-active age to those of active age in a given population.
Final average earnings	The fund member's earnings that are used to calculate the pension benefit in a defined benefit plan; it is typically the earnings of the last few years prior to retirement.
Fund member	An individual who is either an active (working or contributing, and hence actively accumulating assets) or passive (retired, and hence receiving benefits), or deferred (holding deferred benefits) participant in a pension plan.
Funded pension plans	Occupational or personal pension plans that accumulate dedicated assets to cover the plan's liabilities.
Funding	The act of accumulating assets in order to finance the pension plan.
Funding level	The relative value of a scheme's assets and liabilities, usually expressed as a percentage figure.
Funding rules	Regulation that requires the maintenance of a certain level of assets in a pension fund in relation to pension plan liabilities.
Gross rate of return	The rate of return of an asset or portfolio over a specified time period, prior to discounting any fees of commissions.
Group pension funds	Multi-employer pension funds that pool the assets of pension plans established for related employers.
Industry pension funds	Funds that pool the assets of pension plans established for unrelated employers who are involved in the same trade or business.
Mandatory contribution	The level of contribution the member (or an entity on behalf of the member) is required to pay according to scheme rules.
Mandatory occupational plans	Participation in these plans is mandatory for employers. Employers are obliged by law to participate in a pension plan. Employers must set up (and make contributions to) occupational pension plans which employees will normally be required to join. Where employers are obliged to offer an occupational pension plan, but the employees' membership is on a voluntary basis, these plans are also considered mandatory.
Mandatory personal plans	These are personal plans that individuals must join or which are eligible to receive mandatory pension contributions. Individuals may be required to make pension contributions to a pension plan of their choice normally within a certain range of choices or to a specific pension plan.
Minimum pension	The minimum level of pension benefits the plan pays out in all circumstances.
Multi-employer pension funds	Funds that pool the assets of pension plans established by various plan sponsors. There are three types of multi-employer pension funds: <i>a)</i> for related employers <i>i.e.</i> companies that are financially connected or owned by a single holding group (group pension funds); <i>b)</i> for unrelated employers who are involved in the same trade or business (industry pension funds); <i>c)</i> for unrelated employers that may be in different trades or businesses (collective pension funds).
Net rate of return	The rate of return of an asset or portfolio over a specified time period, after discounting any fees of commissions.
Normal pension age	Age from which the individual is eligible for pension benefits.
Occupational pension plans	Access to such plans is linked to an employment or professional relationship between the plan member and the entity that establishes the plan (the plan sponsor). Occupational plans may be established by employers or groups thereof (<i>e.g.</i> industry associations) and labour or professional associations, jointly or separately. The plan may be administered directly by the plan sponsor or by an independent entity (a pension fund or a financial institution acting as pension provider). In the latter case, the plan sponsor may still have oversight responsibilities over the operation of the plan.
Open pension funds	Funds that support at least one plan with no restriction on membership.

Term	Definition
Overfunding	The situation when the value of a plan's assets are more than its liabilities, thereby having an actuarial surplus.
Pension assets	All forms of investment with a value associated to a pension plan.
Pension funds	The pool of assets forming an independent legal entity that are bought with the contributions to a pension plan for the exclusive purpose of financing pension plan benefits. The plan/fund members have a legal or beneficial right or some other contractual claim against the assets of the pension fund. Pension funds take the form of either a special purpose entity with legal personality (such as a trust, foundation, or corporate entity) or a legally separated fund without legal personality managed by a dedicated provider (pension fund management company) or other financial institution on behalf of the plan/fund members.
Pension insurance contracts	Insurance contracts that specify pension plans contributions to an insurance undertaking in exchange for which the pension plan benefits will be paid when the members reach a specified retirement age or on earlier exit of members from the plan. Most countries limit the integration of pension plans only into pension funds, as the financial vehicle of the pension plan. Other countries also consider the pension insurance contract as the financial vehicle for pension plans.
Pension plan	A legally binding contract having an explicit retirement objective (or in order to satisfy tax related conditions or contract provisions the benefits cannot be paid at all or without a significant penalty unless the beneficiary is older than a legally defined retirement age). This contract may be part of a broader employment contract, it may be set forth in the plan rules or documents, or it may be required by law. In addition to having an explicit retirement objective, pension plans may offer additional benefits, such as disability, sickness, and survivors' benefits.
Pension plan sponsor	An institution (<i>e.g.</i> company, industry/ employment association) that designs, negotiates, and normally helps to administer an occupational pension plan for its employees or members.
Personal pension plans	Access to these plans does not have to be linked to an employment relationship. The plans are established and administered directly by a pension fund or a financial institution acting as pension provider without any intervention of employers. Individuals independently purchase and select material aspects of the arrangements. The employer may nonetheless make contributions to personal pension plans. Some personal plans may have restricted membership.
Private pension funds	A pension fund that is regulated under private sector law.
Private pension plans	A pension plan administered by an institution other than general government. Private pension plans may be administered directly by a private sector employer acting as the plan sponsor, a private pension fund or a private sector provider. Private pension plans may complement or substitute for public pension plans. In some countries, these may include plans for public sector workers.
Projected Benefit Obligation (PBO)	The actuarial present value of vested and non-vested benefits attributed to the plan through the pension benefit formula for service rendered to that date based on employees' future salary levels.
Protected pension plan	A plan (personal pension plan or occupational defined contribution pension plan) other than an unprotected pension plan. The guarantees or promises may be offered by the pension plan/fund itself or the plan provider (<i>e.g.</i> deferred annuity, guaranteed rate of return).
Public pension funds	Pension funds that are regulated under public sector law.
Public pension plans	Social security and similar statutory programmes administered by the general government (that is central, state, and local governments, as well as other public sector bodies such as social security institutions). Public pension plans have been traditionally PAYG financed, but some OECD countries have partial funding of public pension liabilities or have replaced these plans by private pension plans.
Rate of return	The income earned by holding an asset over a specified period.
Replacement rate	The ratio of an individual's (or a given population's) (average) pension in a given time period and the (average) income in a given time period.
Separate accounts	A pension fund that is legally segregated from both the plan sponsor and a financial institution that acts as the manager of the fund on behalf of the plan member.
Single employer pension funds	Funds that pool the assets of pension plans established by a single sponsor.
Trust	A legal scheme, whereby named people (termed trustees) hold property on behalf of other people (termed beneficiaries).
Trustee	A person or a company appointed to carry out the tasks of the trust.
Underfunding	The situation when the value of a plan's assets are less than its liabilities, thereby having an actuarial deficiency.

Term	Definition
Unfunded pension plans	Plans that are financed directly from contributions from the plan sponsor or provider and/ or the plan participant. Unfunded pension plans are said to be paid on a current disbursement method (also known as the pay as you go, PAYG, method). Unfunded plans may still have associated reserves to cover immediate expenses or smooth contributions within given time periods. Most OECD countries do not allow unfunded private pension plans.
Unprotected pension plan	A plan (personal pension plan or occupational defined contribution pension plan) where the pension plan/fund itself or the pension provider does not offer any investment return or benefit guarantees or promises covering the whole plan fund.
Voluntary contribution	An extra contribution paid in addition to the mandatory contribution a member can pay to the pension fund in order to increase the future pension benefits.
Voluntary occupational pension plans	The establishment of these plans is voluntary for employers (including those in which there is automatic enrolment as part of an employment contract or where the law requires employees to join plans set up on a voluntary basis by their employers). In some countries, employers can, on a voluntary basis, establish occupational plans that provide benefits that replace at least partly those of the social security system. These plans are classified as voluntary, even though employers must continue sponsoring these plans in order to be exempted (at least partly) from social security contributions.
Voluntary personal pension plans	Participation in these plans is voluntary for individuals. By law individuals are not obliged to participate in a pension plan. They are not required to make pension contributions to a pension plan. Voluntary personal plans include those plans that individuals must join if they choose to replace part of their social security benefits with those from personal pension plans.

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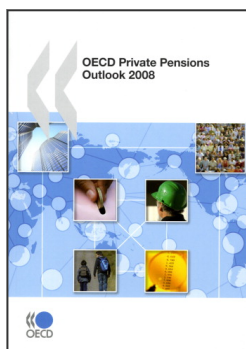
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