

# The pension systems of Denmark, Iceland and the Netherlands



A short comparison  
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THE ICELANDIC  
**PENSION FUNDS**  
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# A very quick comparison!



- All three countries have three pillar systems
- Pillar 3 – Private pension savings with tax-benefits – is **similar**
- Pillar 2 – Collective pension funds with tax benefits – is **mostly similar**
- Pillar 1 – Social Security pensions – is **quite different**, mainly due to differences in income-testing and the interplay with Pillar 2
- The following slides will therefore focus on Pillars 1 and 2



# More detailed comparison follows

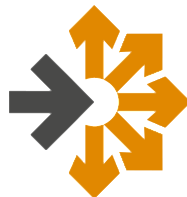


- Broad strokes in descriptions, based on fully-retired persons (no longer working)
- Every system has some exceptions and special rules for adjustments, which are left out of this comparison
- No comparison made of pension amounts as they differ due to the interplay between Pillar 1 and the other pillars

# First, Pillar 1



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## Pillar 1 comparison: Main principle

DENMARK 

**Everybody** gets pension from pillar 1, but income- and means-testing is applied

ICELAND 

**Most** get pension from pillar 1, but **some get nothing** due to stringent income testing

The NETHERLANDS 

**Everybody** gets pension from pillar 1, no income- or means-testing



## Pillar 1 comparison: Qualifying period

DENMARK 

**40 years** resident from  
15 to pension age

Minimum 3 years

ICELAND 

**40 years** resident from  
16 to 67

Minimum 3 years

The NETHERLANDS 

**50 years** insured until  
pension age

Minimum 1 year



# Pillar 1 comparison: Financing

DENMARK 

## Taxes

plus contributions to ATP

ICELAND 

## Taxes

The NETHERLANDS 

**Contributions** from  
everyone with taxable  
income (cap on amount)  
plus taxes



# Pillar 1 comparison: Pension age

DENMARK 

2022: **67 years**

Increasing in steps to 69 years in 2035 (estimated)

(linked to developments in life-expectancy at age 60. It is adjusted every 5 years).

ICELAND 

2022: **67 years**

No increase rule

The NETHERLANDS 

2022: **66 years and 7 months**

2024: 67 years

2025: linked to the remaining life expectancy and will rise by 8 months for every year of increasing life expectancy.





# Pillar 1 comparison: Retirement flexibility

DENMARK 

Early: 3 years

Deferred: 10 years

(64 ← **67** → 77)

ICELAND 

Early: 2 years

Deferred: 13 years

(65 ← **67** → 80)

The NETHERLANDS 

**No flexibility** –  
everybody gets pension  
at retirement age



# Pillar 1 comparison: Pension components

DENMARK 

**Basic** (*Folkepension*)

only tested for work income

**Additional** (*Pensionstillæg*)

tested for all income

**Elderly check** (*Ældrechecken*)

Tested for income and liquid assets

**ATP** (*Arbejdsmarkedets Tillægspension*) (mainly flat)

Based on mandatory contributions from work income (mainly flat)

ICELAND 

**Old-age pension**  
(*Ellilífeyrir*)

tested for all income with different exemptions by income type

The NETHERLANDS 

**Old-age pension** (flat)

(*AOW – Algemene Ouderdomswet*)

No income- or means-testing

# Now to pillar 2



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# Pillar 2 comparison: Pension fund types

DENMARK 

DC only from 1989

(old DB-schemes run until expiry)

ICELAND 

DC only from 1997

(old DB-schemes run until expiry)

The NETHERLANDS 

Moving to DC only from  
2027

(Mainly DB until now)



## Pillar 2 comparison: Membership

DENMARK 

Quasi-mandatory

based on union wage agreements

Self-employed exempt

ICELAND 

**Mandatory**

for all receiving income from work (**including self-employed**)

The NETHERLANDS 

Quasi-mandatory

based on union wage agreements

Self-employed exempt



## Pillar 2 comparison: Taxation

### DENMARK

Contributions are tax-exempt (percentage maximum, no cap on amount)

**Pension fund returns are taxed**

Pensions are taxed at general rates

### ICELAND

Contributions are tax-exempt (percentage maximum, no cap on amount)

Pension funds are tax exempt

Pensions are taxed at general rates

### The NETHERLANDS

Contributions are tax-exempt (percentage maximum, **cap on amount**)

Pension funds are tax exempt

Pensions are taxed at general rates



## Pillar 2 comparison: Other insurance

DENMARK 

Disability and survivor benefits

ICELAND 

Disability and survivor benefits

The NETHERLANDS 

Survivor benefits

(disability is covered by a separate fund)



## Pillar 2 comparison: Payout rules

DENMARK 

Mainly life-long annuity

Some schemes allow front-loading  
or lump-sums

ICELAND 

Life-long annuity

The NETHERLANDS 

Life-long annuity



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