

The Administration Of The Dutch State Pension AOW
By The 'Sociale Verzekeringsbank' SVB

FOCUS ON CUSTOMER ORIENTATION

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1 Intro: About The Netherlands

The Netherlands (often called Holland) is a small country in Northwestern Europe, constituting the major portion of the Kingdom of the Netherlands. It is a parliamentary democratic constitutional monarchy. Since 2007 the government is a coalition of social democrats and 2 christian democratic parties.

The Netherlands borders the North Sea to the north and west, Belgium to the south, and Germany to the east. The capital is Amsterdam and the seat of government is The Hague.

The Netherlands is a geographically low-lying country, with about 27% of its area and 60% of its population located below sea level. It is a densely populated country, counting 16,5 million inhabitants. It is known for its windmills, tulips, clogs, delftware, Gouda cheese, visual artists, bicycles, and in addition, traditional values and civil virtues such as its social tolerance. The Netherlands has a very capitalist market-based economy, ranking 12th of 157 countries according to the Index of Economic Freedom.

2 The Dutch Old Age Pensions System

The Dutch old age pensions system is based on three pillars. The state pension AOW is the first pillar, underpinning the system. The second pillar consists of supplementary or non-statutory pensions arising from

a public or private law employment relationship, self-employment or own enterprise. The third pillar consists of supplementary individual retirement provisions, separate from employment relationships, which people can take out independently on the insurance market.

The AOW is a basic pension scheme, a state pension. The AOW is a system of accrued rights; entitlement is built up between a person's 15th and 65th birthdays through compulsory insurance based on residence or work in the Netherlands, possibly supplemented by periods of voluntary insurance. The AOW works with Pay-As-You-GO (PAYG) funding. The rate of the AOW pension is linked to the Dutch minimum wage, and there are different rates for different domestic circumstances. AOW old age pension is not means or income tested, although there is an income test for the supplementary allowance.

The supplementary pensions (the second pillar) are the responsibility of employers and employees. Supplementary pensions are accrued as fringe benefits of employment. A supplementary pension can be arranged as part of a collective agreement, in a collective scheme with the agreement of the works council, or in an individual employment contract. Once contracted, a pension can be managed by an industry or a company pension fund. There are more than 700 pension funds. The employer can also take out collective pension insurance with an insurance company or allow employees to take out individual pension agreements with an insurer.

As a rule, employers are not obliged by law to offer their employees a supplementary pension. However, such an obligation may exist under a collective agreement, a pension scheme concluded between an employers' association and unions that applies to a whole sector, or under the Sectoral Pension Fund Obligatory Participation Act 2000 (*Wet verplichte deelneming in een bedrijfstakpensioenfonds 2000*). Pursuant to this Act, the Minister of Social Affairs and Employment (SZW) can make participation in a sectoral pension fund compulsory – also for the non-unionized – at the request of a sufficiently representative group of employers' and employees' associations. This is the case, for example, in the construction and metalworking sectors.

The vast majority of workers are in a pension scheme. In 2006, 91 per cent of employees were accruing a pension. When supplementary pensions are accrued, account is taken of the entitlement to AOW pension (the AOW deductible). When people receive AOW pension in combination with a supplementary pension, the amount of the supplementary pension may not decrease if the AOW is increased to keep it in line with the minimum wage.

The government's role with regard to supplementary pensions lies in safeguarding pension agreements concluded between employers and employees. For supplementary pensions in the market sector, these guarantees are incorporated in the Pensions and Savings Funds Act (PSW). They include the obligation to set up a legal entity for company pensions that is separate from business assets, as well as standards for the amount of equity capital in the pension fund (financial security). They also include rules for the equal treatment of men and women, fulltime and part-time workers, early leavers and pensioners, and the right to value transfer when changing jobs (individual security). Finally, the PSW contains regulations on the form of participation in decision-making, the organization of the pension fund, and supervision (implementation security). The regulations for an employer's pension commitments with an insurer are laid down in a ministerial order.

There are also collective supplementary pension arrangements for independent professionals such as doctors and lawyers. Through the Occupational Pension Scheme (Obligatory Participation) Act (*Wet verplichte beroepspensioenregeling*) the Social Affairs and Employment minister can impose compulsory participation in an occupational pension scheme on an entire occupational group at the request of one or more organizations constituting a representative majority of the professionals concerned.

The third pillar comprises private pension provisions in the form of annuity insurance. There has recently also been talk of a fourth pillar, consisting of capital saved and invested individually as a retirement provision.

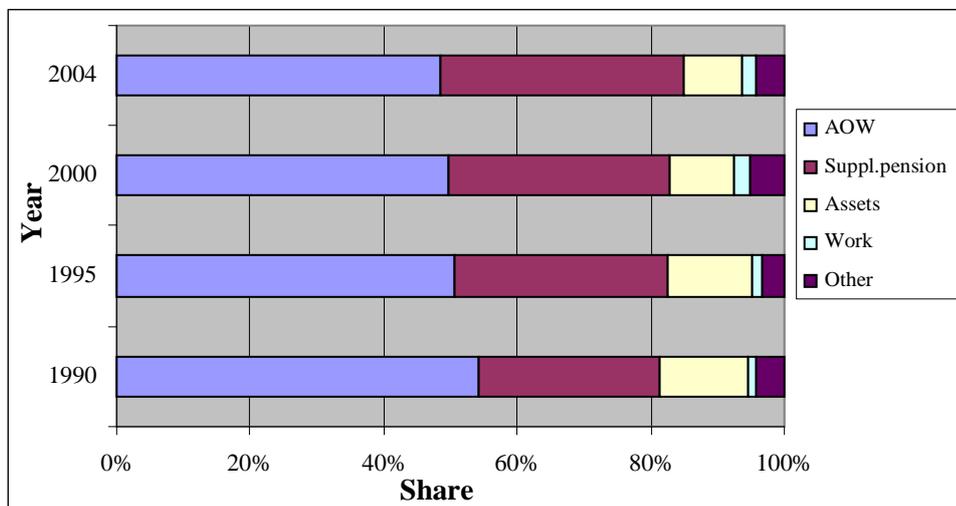
The Nederlandsche Bank (dutch national bank) supervises the pension funds and the insurance companies. Tax legislation provides for favourable tax treatment of the second and third pillars, for example, in the form of deductibility of contributions paid for supplementary pensions and annuity insurance schemes, or in the form of a tax allowance for the self-employed.

The figure below shows the importance of the state pension AOW for over 65s. Even if we take into account that a growing share of average gross household income for AOW pensioners consists of supplementary pension. In 1990, the proportion of supplementary pension was just 27 per cent, whereas by 2006 it had increased to 36 per cent of gross income. At the same time the proportion of AOW pension in income had declined from 54 to 49 per cent. The biggest decline can be seen in the income component of income from assets. On the one hand, this is because people often choose not to redeem their entire mortgage and so they still have some debt. On the other hand, the interest rate in recent years has been much lower than in the 1990s (De Boer 2006, p. 85). The proportion of income from work has increased from more than one per cent to more than two per cent of total gross income.

The average household incomes of non-western AOW pensioners consist to a much greater extent of income support and other social provisions than those of the other groups. In 2004, the income of non-western AOW pensioners consisted of an average of 12 per cent in income support; for western AOW pensioners this was two per cent and for Dutch-born AOW pensioners less than one per cent. On average, income from assets of non-western AOW pensioners is nil. Non-western AOW pensioners have a higher proportion of income from work and profits from enterprise than do the other groups.

The rise in the proportion of supplementary pension can largely be attributed to the fact that an increasingly large number of AOW households receive supplementary pension. Figure 10 shows that the average group of households with supplementary pension increased from 76 per cent in 1990 to 85 per cent in 2003 for all AOW pensioners. This component is the lowest for single women: in 1990 it was 70 per cent, while by 2004 it had risen to 79 per cent. The highest percentage with a supplementary pension is found among couples living together: in recent years, this has been more than ninety per cent.

Composition of average gross income of AOW households



Source: Statistics Netherlands

3 The Sociale Verzekeringsbank And The Dutch State Pension AOW

Sooner or later, everyone who has ever lived in the Netherlands will come into contact with the SVB. Sometimes the occasion is a happy one, sometimes sad but inevitable. For the SVB, there are no borders: security affects its customers worldwide.

3.1 *The Sociale Verzekeringsbank And Dutch Social Security*

The Sociale Verzekeringsbank (SVB) is the oldest implementing body for social security in the Netherlands. The SVB is responsible for the benefits paid to children, parents, survivors and pensioners. The organisation and its 3,000 plus staff members have an important social responsibility. This comes to expression in its specific and high-quality services, in providing timely information about changes, in being optimally available and friendly for clients and approaching them as individuals. The SVB stands for a flawless work process, deep-rooted ties with society, respectability and inspiration in knowledge and implementation.

Dutch social security legislation in the public sector can be divided into several categories:

- Insurance schemes
- National insurance schemes:
- National Old Age Pensions Act (AOW)
- National Survivor benefits Act (Anw)
- National Child Benefits Act (AKW)

Characteristics:

- These schemes apply to all legal residents of the Netherlands.
- The insurance takes effect when a person takes up residence in the Netherlands, and does not depend on personal situation or on contributions paid: the rule is that all residents of the Netherlands, with or without income, with or without paid work, self-employed or in paid employment, male or female, are eligible for AOW old age pension, Anw survivor benefit and AKW child benefit.
- These acts are financed from contributions paid on a person's income and from tax revenues, but residents without an income of their own are still insured.
- The benefits do not depend on the income of an insured person: they are based on the statutorily defined minimum wage.
- There is no relationship between the amount paid in contributions and the amount of the benefit.
- Payment of contributions is individualised, but the actual amount depends on the recipient's domestic situation (single or married/living together).

3.2 *Processing Claims For AOW Old Age Pensions*

The SVB implements the AOW since 1957. In doing so, the aim is to ensure that the client is paid the correct amount, in the right way and at the right moment, and is provided with correct information in this regard. Preferably this should be done as cheaply as possible and should cause the SVB's clients as little inconvenience as possible. In 2009 a total of 160,000 claims for AOW-pensions were processed by the SVB.

Since the introduction of the municipal personal records database in the mid-90s it is possible for the SVB to take responsibility for initiating claims for AOW pensions. Every year, the municipal personal records database provides data on residents of the Netherlands and their spouses who will turn 64 in that year. On the basis of these data, claim forms are drawn up and dispatched to clients who will turn 65 six months later. The data already available to the SVB are preprinted on this form. This includes personal details, data on the client's insurance history, and details of his or her spouse.

Since 2005 clients can choose between submitting a claim on paper and submitting a claim through the internet. In both cases, the clients must check the data provided by the SVB and fill in any missing details. The data which must be added are mainly payment details such as a bank account number. Data relating to a partner with whom the client shares a household and which are not known to the SVB must also be added. If the client has a partner who is under 65, data relating to his or her income must also be provided. The client has to sign the form. In the case of claims submitted through the internet, identification takes place by means of DigiD. DigiD is a shared system set up by and for public bodies. It allows public authorities to verify the identity of clients who make use of electronic services.

The processing of many claims submitted through the internet is entirely automated. The remaining manual component consists of collecting the decision from the printer and inserting it into an envelope. The

processing of a large number of hardcopy claims can also be done automatically. However, the manual component is greater and consists mainly of registering data.

The process of awarding a pension starts, of course, by identifying the claimant. Is the claimant indeed the person whom he or she claims to be? The claimant is only entitled to a pension in accordance with the National Old Age Pensions Act if he or she is 65 and has been insured. In general, it is easy to determine whether someone is 65. To determine whether someone has been insured and for what periods is more difficult.

As stated before the AOW pension is an accrued pension. For each year that a person is insured between the ages of 15 and 65, he or she builds up entitlement to 2% of the AOW pension, up to a maximum of 100%. The main rule is that people are covered by the national insurance schemes if they reside in the Netherlands. There are a large number of exceptions to this main rule, but the most important are:

- someone who lives in the Netherlands, but works outside the country, is not insured;
- someone who does not live in the Netherlands, but works in the Netherlands, is insured.

In many cases, the data taken from municipal personal records database suffice to determine whether someone is entitled to an AOW pension. The SVB has set up its own registration system to determine entitlements in exceptional situations. This registration system records data relating to clients who are, or are not, insured as exceptions to the main rule. Since only data relating to these exceptional cases are stored in this registration system, this is referred to as a 'limited registration' system. This registration system is always consulted before a pension is awarded.

Once the pension entitlement and the level of this entitlement (the percentage of the full pension) have been determined, the type of pension is determined, namely a pension for a married person (with or without a supplementary allowance), a pension for a single person or a pension for a single parent. This depends on the client's marital status (married or single) and domestic circumstances (whether a single person runs a shared household or whether a single person has a child who is part of his or her household). The client's marital status can be determined by consulting the population register. The domestic situation is determined on the basis of a statement made by the person in question and is verified on the basis of address details obtained from the municipal personal records database (GBA) and by means of random house calls.

After the relationship between the gross and net pension has been determined (deductions of social insurance contributions, the pensioner's contribution under the Exceptional Medical Expenses Act), the client is informed of his or her entitlement in a formal decision, and the periodic payment of the pension commences.

3.3 Specific Aspects In Processing AOW claims

Changes in personal circumstances

Clients are obliged by law to notify the SVB of any changes in their circumstances which may result in a change in their entitlement to an AOW pension. In addition, the SVB receives data from numerous organisations which may result in changes to the entitlement to a pension. By far the most important of these is the population register (GBA), which automatically notifies the SVB of changes of address, changes in marital status, deaths, and so on.

Finally, the SVB has its own means of signalling changes. Some changes can be deduced from the available details; for instance, when a client reaches a certain age. For this, the SVB does not need to rely on external notification. The change is dealt with using the same process as in processing a claim, although for a change, usually only some of the steps are carried out.

Termination of the entitlement

The entitlement to an AOW pension ceases on the client's death. Notification of the death is received from the population register (if the deceased lived in the Netherlands) or from surviving dependants or the SVB's counterpart in a foreign country (if the deceased lived in another country). The entitlement to an AOW pension is terminated and the surviving dependants are notified.

Full national insurance administration

The SVB is working towards the realisation of a complete national insurance database. The aim is to serve clients better. It will allow a pension based to be awarded more quickly, because the client's insurance history will already be known and, if necessary, clients can be informed of a possible gap in their past insurance. This would enable them to repair the financial consequences of the gap. A complete national insurance database is entirely consistent with the desire recently expressed by the Lower House of Dutch Parliament to create a National Pensions Register. After all, the AOW pension is the first pillar of the Dutch pension system.

International procedures

For clients in other countries, the procedure for applying for a pension has not changed significantly in the last decades. However, the SVB no longer waits to receive a claim for an AOW pension in all cases, but grants pensions *ex officio*, i.e. without having received a claim. This is done in the case of clients already known to the SVB as the partner of an AOW pensioner or a beneficiary under the National Survivor Benefits Act (Anw) or the Remigration Act (Remigratiewet). In such cases, the SVB already has all the necessary data at its disposal. An advantage of this is that a pension can be granted in a timely manner and the client is not bothered by unnecessary formalities.

International case handling has acquired an increasingly prominent place in the implementation of the AOW. This is true, first, because international case handling accounts for an increasing share of cases (at the end of 2009, more than 250,000 pensioners were living in other countries, an increase of over 80% in 10 years). The number of Dutch citizens who take up residence in other countries and are clients of the SVB continues to rise. In addition, an increasing number of Dutch citizens have worked for a period in another country. An increasing number of clients have also moved from other countries to take up residence in the Netherlands.

Second, international case handling is relatively complex and requires more time than national case handling. The pensions are often not paid at the full rate because the client was not insured throughout the entire 50-year period. In addition to the conditions set in the AOW act, rules contained in social security agreements and EC regulations may also be decisive in determining entitlement to an AOW pension. Political developments, such as the introduction of the Export Restrictions on Benefits Act, have consequences for implementation. Often information is required from foreign employers or organisations. This is difficult and requires time, as is clearly evident from the time required to process a claim for AOW pension. A normal claim requires an average of 30 minutes; an international claim takes an average of 140 minutes.

4 The SVB And Customer Oriented Service Delivery

The processing of AOW claims outlined in the above section results in a situation in which the SVB works legitimately in almost 100% of cases, and the costs per client are not rising, since the year 2000. With efficiency and legitimacy of payments as they should be and 'in control', space was created for the development of a third focus: service to clients.

The development of client services follows various courses, outlined below with a few key concepts:

- *Technological developments*; the unstoppable rise of internet and other ICT developments present new possibilities for providing services.
- *A client-oriented approach to process design*; the administrative processes were traditionally designed at the SVB on the basis of two dominant criteria: the wording of the legislation, and maximum efficiency of internal tasks. This has shifted towards a process that is designed more from the perspective of the client. In other words, a process is designed from the cause (on the part of the client) to the result (for the client). (The legal framework does, of course, remain binding.)
- *Citizens' expectations*; the expectations of citizens are changing with respect to the service provided, particularly with regard to accessibility, speed and convenience. The SVB has published its service standards in a so-called citizens charter or service guarantee. The service standards are based on client

expectations rather than on statutory time limits.

- *Reducing the administrative burden:* citizens suffer from the miles of red tape imposed by government authorities and implementing organizations. The administrative burden needs to be reduced. Working in chains opens up many opportunities, also for data exchange, and a more intelligent, intensive use of ICT.
- *Standardisation where possible, tailoring to the client where necessary;* the SVB can automate many processes to a great extent, which means that actions by clients, and even communication with clients, may not be necessary. Information about clients is partly obtained through data exchange with other organizations. Internet services put clients in a position to deal with all kinds of things independently. Nevertheless, it is recognized that some clients will require personal contact with a member of the SVB's staff in order to find a quick solution to a certain problem. Such personal contact remains possible.
- *Setup of the organization;* with the introduction of call centres, a distinction was made in the late 1990s between front and back office. It has since become apparent that such a distinction can lead to delays regarding some of the activities and client contacts and is not conducive towards the quality of processing. For that reason, front and back office have been brought together again in the form of so-called service teams. The staff of the service teams deal with all incoming requests and questions from clients, with the exception of some specialized tasks. The aim is also to deal with a client's request immediately and with a single contact.
- *Thinking in terms of chains;* a citizen will never be a client at only one government institution. By being aware of overlapping entitlements and extending the client process to chains of organizations, better service can be offered to citizens.

By making the client central and improving the services provided, the SVB's policy is in line with social and political developments. The social development is that citizens are no longer putting up with public services that lag behind what is customary in the profit sector. The political development is that the client, the Minister of Social Affairs and Employment (SZW), sees improving services as one of the main objectives. For the SVB, client satisfaction is one of the key external performance indicators.

4.1 The 2005 Client Communication Master Plan

In 2005, the SVB developed a client communication master plan in order to be prepared for the future. The objective of this master plan was to get a clear picture of how the expectations of clients can shape the way administrative processes are organized. The master plan gives two draft directives for this, which will be applied in the design of processes and communication products. The first of these directives concerns the description of the ideal client process; in each citizen's life, certain times or periods can be identified at which or during which the citizen needs information about the AOW or has to arrange something with the SVB. The process description indicates how the SVB can anticipate these events, with what type of communication and at what level.

The second draft directive indicates how the needs of clients in relation to the SVB can be placed in two dimensions. One dimension is the extent to which citizens are concerned about how the SVB will see to their AOW pension. Extremes are 'not worried at all' as opposed to 'a great need for certainty'. The other dimension is about the degree to which clients need help with arranging their AOW pension. The extremes here are 'need a lot of individual help' versus 'perfectly capable of dealing with my own affairs'. On the basis of these two dimensions, the SVB distinguishes between three types of clients:

- *carefree* (not quick to worry; degree of support not decisive, here);
- *organizer out of necessity* (is in a situation that gives reason for concern and need for support);
- *natural manager* (is concerned, but is able and willing to arrange his or her own affairs).

The SVB's communication processes and products are henceforth based on the ideal process and on the client typologies. Whereas the ideal client process is stable and predictable, the client types are, in contrast, dynamic and changeable. The characterization of clients is not meant as a one-off labeling or a static segmentation, but depends rather on the situation the client is currently in. This is logical, because it is always possible that something will happen that will cause the client's level of concern to increase or decrease. The carefree AOW recipient who has been receiving a pension around the 23rd of the month like

clockwork since time immemorial and gives it no further thought, becomes an organizer out of necessity if he or she decides to emigrate, or if his or her partner dies. His or her needs and expectations in relation to the SVB will then change.

4.2 'Ten out of Ten for Service' Programme and the Introduction of Service Teams

In recent years and the next few years, the SVB implements the renewal programme SVB 'Ten out of ten for Service' (*Tien voor service*). The objectives of this programme are: greater efficiency (by increasing the degree of automation and extending self-service opportunities for clients), improving services and making them more client-oriented, and introducing modern technologies. Service will be improved by, on the one hand, concentrating more on client self-service, and on the other, by working with service teams at offices for clients who need to contact the SVB in certain situations. The service teams for AOW pensions and survivor benefits (Anw) were introduced in early 2007.

The idea behind the choice of more automation and self-service ('high tech' service delivery) in combination with service teams ('high touch') is that the SVB constantly has to steer a double course regarding its approach to clients. On the one hand, there is the realization that it is not possible, and incidentally not necessary, to approach each citizen individually. It would simply be too expensive to approach all clients personally, and for that reason, socially unacceptable. On the other hand, it is clear that individualization is a process that shows no signs of stopping, and each client has his or her set of wants and expectations. The middle course the SVB has decided on is standardization where possible, and tailoring where necessary. Clients get many opportunities to arrange their affairs independently, at a time and in a place most convenient for them. ICT solutions help make this possible. If, for any reason, standardization is not an option, the client can contact a service team member.

The combination of an automated supply of personal details from the municipal population register (GBA), automated production of correspondence and the functionality of the AOW system gives us what is probably the SVB's most highly automated client process. On a daily basis, the SVB receives information from the Municipal Population Register (GBA) about AOW beneficiaries who have died. On the basis of this information, the AOW pension is terminated directly and the pension paid to a partner, if applicable, is revised. All the necessary correspondence is produced straight away. This whole process is dealt with so quickly that the letter to the survivor concerning closure of the AOW pension file can be sent after only one day. However, as this may be perceived as insensitive, such letters are not sent until a few days later. This example goes to show that good service does not always mean the fastest service possible.

4.3 Channels of Communication and Multi Channel Management

New media and technologies and another concept for approaching clients led to the issue of 'multi-channelling'. Whereas, in earlier times, everything was settled in writing, if necessary with the odd phone call to clarify matters, more ways have become available. For instance, the internet offers functions such as transactions through web services (self-service that is not restricted with regard to time or place), e-mail, individual domains, portals, search machines, and, of course, a website. In addition, the possibilities of telephony are also increasing.

These developments give rise to new questions regarding service provision. For example, which communication channels should an organization make available to its clients, and which services should be available via each channel. The multiplicity of channels makes it imperative that the channels are operated in a well thought out and cohesive manner. For the time being, the SVB takes the position that all communication channels are open to clients and that each channel affords high quality service. But the most important principle is that citizens can choose which channel they want to use. The SVB assumes that there will always be a group of clients that will be unable or unwilling to use the latest technologies.

Client-oriented service means that clients know what kind of service they can count on. These service standards, including, for example, time limits for responding to clients and dealing with claims, etc., can be published in a service quality charter. Within the framework of administrative renewal, the cabinet is encouraging the use of quality charters for government organizations that have contacts with citizens.

For the future, the SVB has embarked on a two-pronged course of renewal. With the application of new technologies and self-service, the degree of automation and with it, efficiency, will continue to increase, while service teams will guarantee high quality individual service for clients. In both lines of development, the needs and expectations of the client are central.

5 Fraud Prevention and Compliance

To a degree, AOW pension is susceptible to fraud and fraud is indeed committed with AOW pensions. The SVB recognises these risks of fraud and wherever possible, prevents fraud and identifies, redresses and penalises fraud once it has been discovered. Verification means optimising legitimacy by combating unlawful types of behaviour on the part of AOW pensioners. Unlawful behaviour includes not only fraud (deliberately doing something illegal), but also doing something illegal without being aware of it.

In the early 1990s the awareness emerged that fraud was part of social security, and the SVB publicised its verification policy in annual policy plans and reports. A contributing factor to this susceptibility to fraud of AOW pension was the introduction of the income-tested supplementary allowance and the concept of a shared household. Striking developments in the SVB's verification policy were:

- the approach to clients changed from an assumption of good faith on the part of the client to objective checks and verification of details and of proven risk situations;
- more verification of data by means of exchanges with other organisations;
- more focus on international verification, supported by the possibilities offered for this purpose in the Export Restrictions on Benefits Act (BEU Act);
- the shift from a reactive to a proactive type of investigation.

The verification risks in AOW pensions are the shared household, the income-tested supplementary allowance and details received from foreign countries. These risks are limited by preventive and repressive measures. Preventive measures are the implementation test for new legislation, clear and transparent information to clients and alertness to fraud on the part of the SVB. Repressive measures are risk analyses and the investigations based on them.

Since 1994 the SVB has employed special investigating officers (fraud officers) who carry out criminal investigations in order to report offences to the public prosecutor. Some of the developments in respect of investigation since 1994 have been:

- since 2002 the fraud officers have reported to a central management;
- investigations have become less reactive and more proactive;
- dealings with clients have been standardised by means of a code of conduct and a client monitor system;
- since 2002 serious fraud has been investigated by the Social Intelligence and Investigation Service (SIOD);
- since 2000 the relevant penal provisions have been concentrated in the Criminal Code.

In positioning verification in the implementation processes, the following aspects must be borne in mind:

- how verification is related to service and to efficiency;
- sufficient operational prioritisation of verification activities;
- moving towards management and accountability based on performance indicators.

Both in respect of policy and operations, the SVB works on verification together with the Ministry of Social Affairs, the Public Prosecutions Service, the Dutch tax authorities, the municipal personal records database, the Information Management Group, the UWV and foreign organisations. In the years to come, verification will largely be shaped by the Verification Programme of the Ministry of Social Affairs 2007-2010 and the SVB programme 'Ten out of ten for service'.

6 The SVB and its Partners in Service Delivery

Ever more the service delivery of the SVB is closely entwined with the processes of other organisations, both public and private. Information and personal data are obtained from these organisations. This enables us to make processes as convenient as possible for clients. For instance, a client no longer needs to inform the SVB of a change of address if the municipality has been notified. Thanks to the exchange of data with the municipal personal records database, notification is received and processed automatically. In addition, data are also verified with third parties, such as the municipal personal records database, the tax authorities and the Institute for Employee Benefit Schemes (UWV). As a result, data exchange has also become an important measure for verifying entitlements. For instance, income declared by a client is checked with the tax authorities. Data exchanges with third parties can take place on an *ad hoc* basis, although many are built into the system.

In the implementation of the AOW, the SVB makes intensive use of data from municipalities, for instance, population registers, and the Tax Authorities (income details for a partner under 65).

Since 2010 the SVB implements for all Dutch municipalities the scheme for income support for citizens over 65 whose income is below the social minimum. Since the AOW is an accrual system, people who come to the Netherlands to live and work at a later age cannot accrue full pension rights. The figures show that the group of elderly people on income support consists almost entirely of non-Western immigrants. Often they have no substitute pension claims outside the Netherlands and their supplementary pension is marginal. To get an income at the level of the social minimum, pensioners must claim income support as well. This used to be carried out by the municipalities. But because the SVB is able to implement the scheme more effectively on a central basis, the SVB has taken over from the municipalities on a legal basis.

A major change in the pension system is the introduction of a national pension register in 2011. This register gives every citizen insight in his or hers entitlements on AOW and supplementary pensions by a company or occupational pension. This knowledge gives people the opportunity to take appropriate measures if their accumulated pension is not expected to be sufficient. Partners in realising the register are the SVB and more than 700 hundred pension funds. This national register can be the first step in realising a new social “contract” between government and citizens. A contract

Besides working together with other parties in order to implement social security schemes, the SVB has alliances with numerous government bodies and related organisations. These alliances have different objectives, but above all working together is aimed at making service for citizens easier. For example by introducing common means for authentication on the internet. Dutch citizens can use a single password for signing on the websites of all major government bodies and most municipalities. But there are various other e-government projects that can only be realised by working closely together in chains.

6.1 Working together across borders

The SVB makes available its expertise in the implementation of social security schemes to other countries and international organisations. This support (also referred to as twinning) is offered in various fields, covering both legal topics and practical subjects such as international payments. In this way the SVB contributes to the development of social security systems as well as the organisations responsible for the implementation of social security. The SVB International Affairs Department identifies new developments and is responsible for policy formulation, the administrative aspects of the relationships with organisations in other countries and the use of means of communication as well as data exchange with international partners. Once we have good contacts with a counterpart organisation, we do not need to bother clients with forms quite so often. It is also important to exchange information about procedures. It is in the interests of the SVB to have good contacts with its foreign counterparts. They can bring the SVB in touch with other local parties and act as intermediaries, thus helping the SVB to verify details. The SVB is also interested in how its counterparts are organised and how they provide their services, how many clients they have in other countries, whether they work with agreements and attachés and how they carry out their contacts with clients. The SVB is a great advocate of twinning so as to help other organisations set up a network for transfer of knowledge. The International Affairs Department sets up projects in this context and works out the concrete

details. SVB employees also help new or potential EU Member States to set up or alter their social security systems. This presently includes Lithuania, Romania, Slovakia, the Czech Republic, Bulgaria and candidate member Croatia. Twinning has also been set up with Turkey, and the SVB has a collaborative project with the implementing body in South Africa.

7 Priority challenges for the Dutch pension system

7.1 Demographic developments

The number of AOW beneficiaries has increased sharply in the more than fifty years that the AOW has existed. The diversity of AOW beneficiaries has increased considerably as well. When the AOW scheme took effect, in 1957 almost all AOW beneficiaries lived in the Netherlands and received a full AOW pension. In 2009, there are almost 3 times as many AOW beneficiaries, of which more than 10 per cent are living outside the Netherlands. These people nearly all receive an AOW pension at a reduced rate. However, this also applies to more than 7 per cent of AOW beneficiaries living in the Netherlands.

The composition of the population has changed fundamentally, particularly in recent decades. Birth rates have fallen sharply, whereas the number of over-65s has increased drastically. This is due in particular to a fall in fertility rates and a considerable increase in life expectancy. An increasingly large share of the population is reaching the pensionable age. These developments are expected to continue in the next few decades.

For more than a century, around forty per cent of all inhabitants of the Netherlands have been part of the working population, even if there have been major shifts in the participation of certain groups of the population, particularly women. In the coming decades, too, this support ratio is expected to remain at around forty per cent, despite the continuing ageing of the population. For the time being, no conclusions can be drawn from this as to the gravity of the problem of population ageing, because it is only one of the elements in the increasing cost of the AOW. Further, this estimate is much less certain than population forecasts, because the support ratio is also dependent on prognoses of developments on the labour market. These are much less predictable than demographic developments.

The number of AOW beneficiaries outside the Netherlands is increasing considerably and stands now at 300.000. Some of these are earlier emigrants to traditional emigration countries such as Canada, the United States of America and Australia. In addition, a sharp rise in large-scale remigration is discernible towards countries such as Turkey and Morocco. The increasing diversity in the composition of the group of AOW beneficiaries means that prognoses about numbers of AOW beneficiaries will have to be more differentiated in the future. Life expectancy for the various groups of AOW beneficiaries varies substantially. For instance, AOW beneficiaries of Moroccan and Turkish origin tend to live much shorter lives than AOW beneficiaries of Western origin.

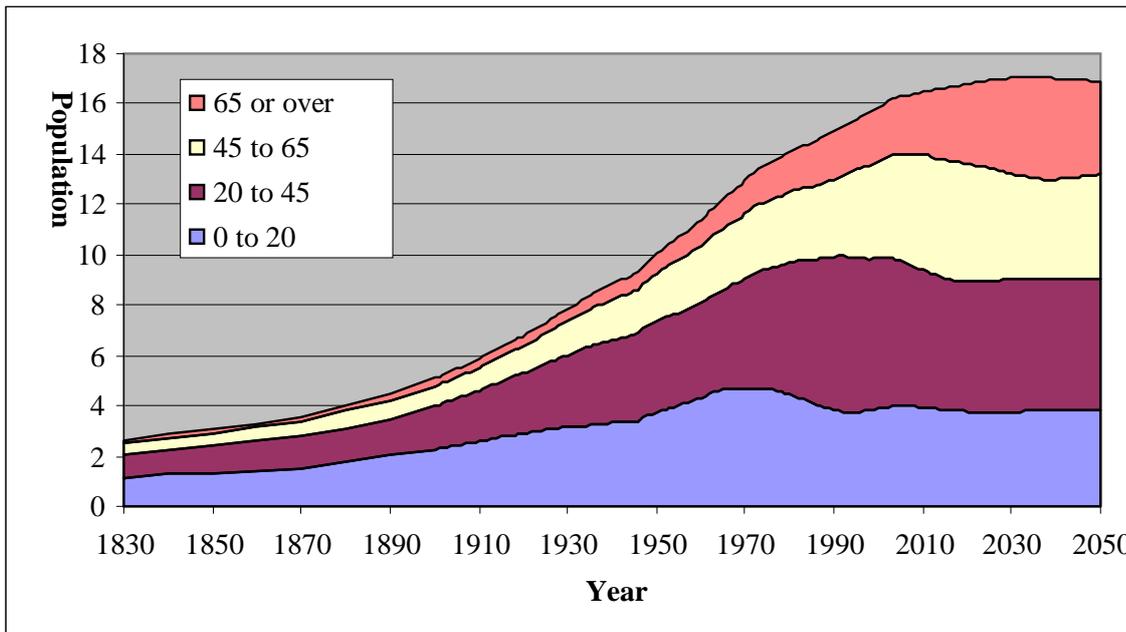
Nearly a third of AOW beneficiaries who live outside the Netherlands were born in the Netherlands, with Belgium and Spain in second and third place. In total, there are 156 countries which are known to be countries of birth of AOW beneficiaries living outside the Netherlands. The country of birth of a little over 10 per cent of them is unknown.

The diversity, however, does not only occur outside the Netherlands. Of those with a reduced AOW pension living in the Netherlands, more than half were born outside the Netherlands, and many of them are of non-Western origin. Whereas two thirds of all AOW beneficiaries living in the Netherlands had a supplementary pension, this figure is much lower for non-Western AOW beneficiaries. As a result, in the latter group, 35 per cent receives income support in addition to AOW pension, as opposed to 0.8 per cent for all AOW beneficiaries.

All the factors mentioned above contribute to the rise in the number of AOW beneficiaries. Together, the developments outlined entail considerable population ageing and with it an increasing burden of expenditure for the AOW, regardless of developments in the AOW pension rate.

The figure below shows population age composition in absolute numbers over the period 1830-2050. Since 1830 the total population grew from 2.6 million to 16.3 million in 2006. Population size is expected to peak in 2035, at a little over 17 million inhabitants. In 2050, the population is expected to fall back to 16.9 million. The number of over-65s increased particularly rapidly after the end of the Second World War. In 1839, there were 139,000 people over the age of 65. This number increased gradually to 307,000 in 1900 and 674,000 in 1945. In 1958, a year after the AOW scheme took effect, the number reached the 1 million mark, and in 1993, there were 2 million over-65s. In 2008, 2.4 million over-65s live in the Netherlands. This is expected to reach 3 million in 2016, and 4 million in 2035. Statistics Netherlands expects the number of over-65s to peak in 2038, when there will be a little over four million people over 65 in the Netherlands. After that, their number will drop steadily to 3.7 million in 2050.

Population according to age category 1830-2050

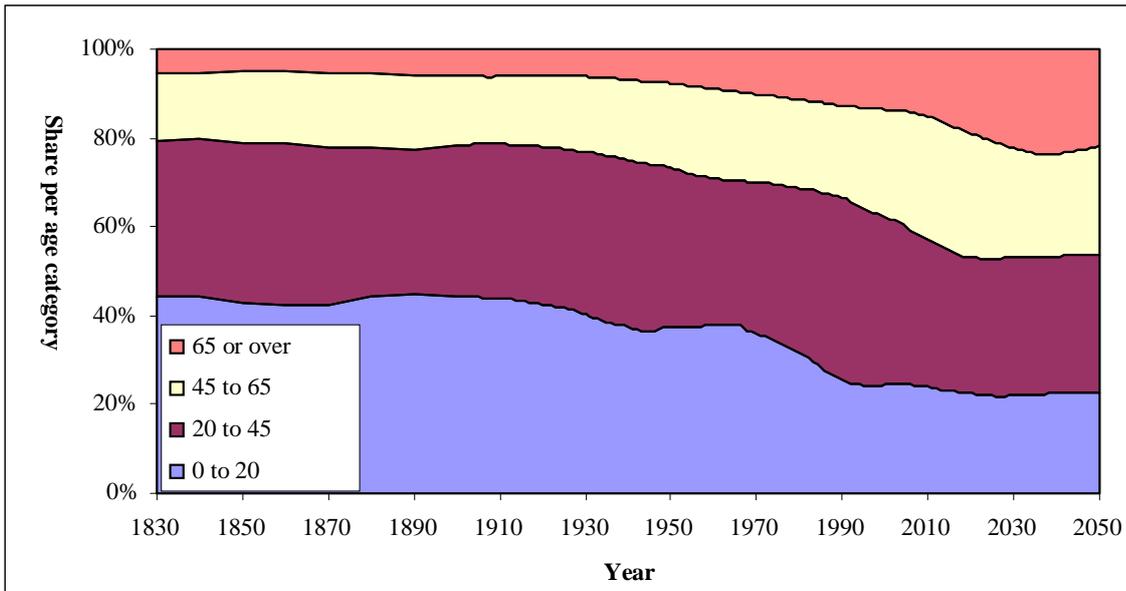


Source: Statistics Netherlands

The next figure shows the population shares for each of the various age categories. Strikingly, these are fairly stable from 1830 to 1930. After that, the number of children declines, and growth is seen particularly among the two oldest groups. After the Second World War, there is slight growth in the number of children until 1964, to the detriment of the share of the group aged 20 to 44. The ratios between the different shares of the population then change drastically. The number of children drops sharply due to the increased possibilities of birth control, secularization and the emancipation of women (Van Praag 2006, p. 271). Another explanation for the drop in the number of children is the so-called social security hypothesis: if there is a collective old age pension, large numbers of children are no longer needed to take care of people in their old age. (Cigno, Casolaro and Rosati 2001). The lower fertility rate also has delayed effects on other age categories. The number of children has stabilised over the last few years, at approximately a quarter of the population. The numbers of the other population groups are also expected to stabilise in the future.

In 1830, the over-65s made up 5.3 per cent of the population. In 1850, this reached a low of 4.7. After that, the numbers rise to 6.0 per cent in 1880, subsequently remaining at around that percentage until starting to increase in 1930, a trend that is still continuing. When the AOW took effect in 1957, the share had increased to 8.6 per cent. At the time of writing, in 2007, after 50 years of the AOW, the share has reached 14.4 per cent. When population ageing peaks in 2038, over-65s are expected to make up almost 24 per cent of the population. After that, the numbers will gradually fall.

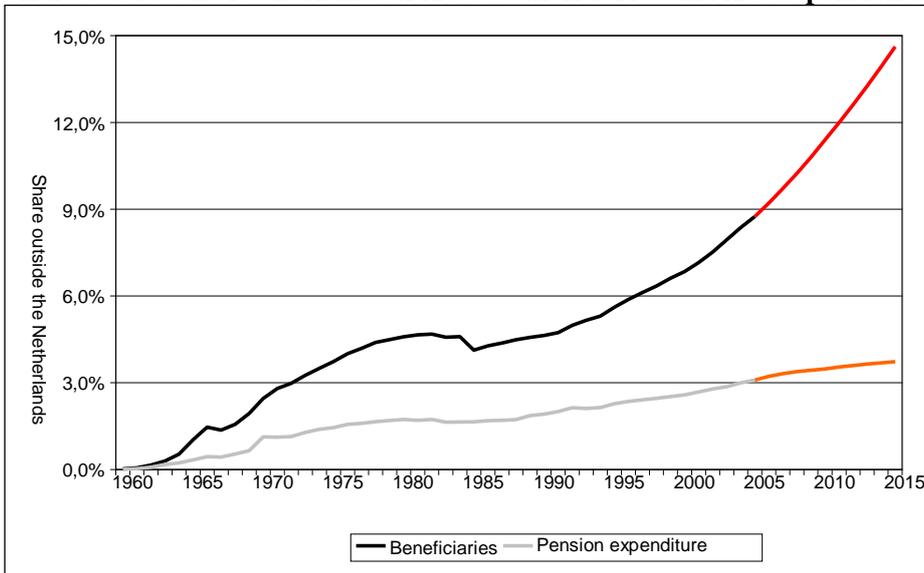
Share of population per age category, 1830-2050



Source: Statistics Netherlands

The next figure shows that the proportion of AOW beneficiaries living outside the Netherlands has been increasing rapidly since the early 1990s; not least because a growing number of people who came to the Netherlands from Turkey and Morocco as immigrant workers have been turning 65. According to a prognosis by the SVB based on the period 1995-2005, this number will reach nearly 15 per cent by 2015. The share of pension expenditure for AOW beneficiaries living outside the Netherlands has also increased steadily since 1960, although much less rapidly than the share of AOW beneficiaries. This is because 99 per cent of AOW beneficiaries living outside the Netherlands receive a pension at a reduced rate. It is expected that, by 2015, 3.7 per cent of benefit expenditure for the AOW will be for pensions paid outside the Netherlands, as opposed to 3.1 per cent in 2005.

Share outside the Netherlands of AOW beneficiaries and AOW pension expenditure



Source: SVB

The population developments described above are mainly due to a fundamental increase in life expectancy. In the last figure of this section, life expectancy is represented in two different ways. First, life expectancy at birth, and then at age 65. The development is also shown separately for men and women. The figures for life

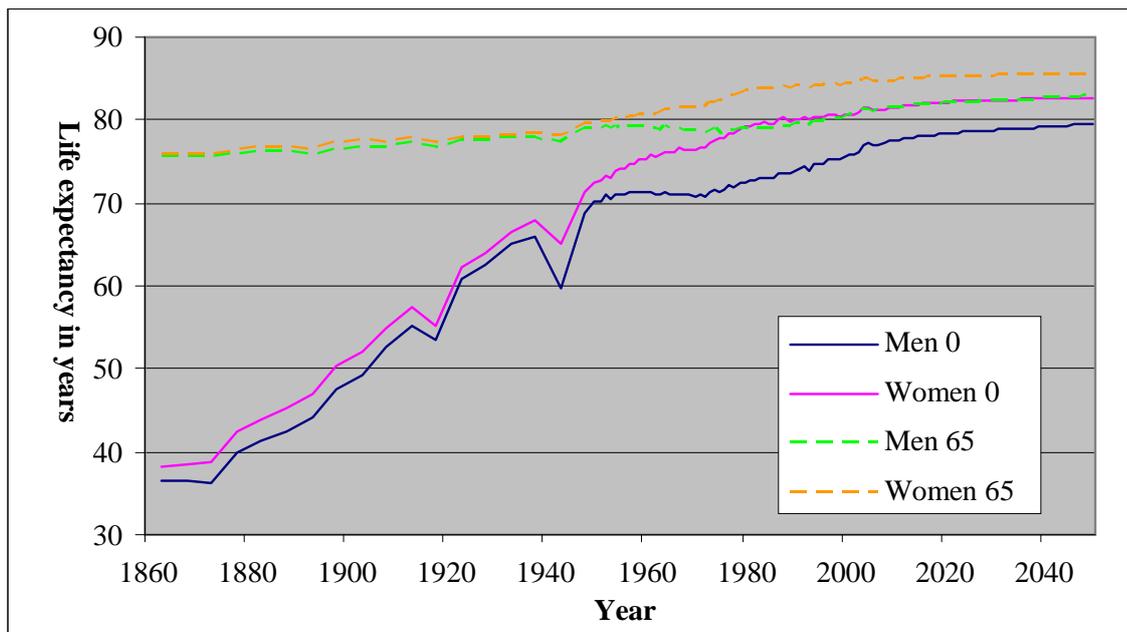
expectancy are available from Statistics Netherlands as from 1861 and have been included in the population prognosis up to 2050.

After 1860, life expectancy at birth doubled over the course of a century. Where life expectancy in 1860 was 36.4 for men and 38.2 for women, by 1957, the year the AOW took effect, it had increased to 71.4 and 74.6, respectively. This was followed by a steady rise to a life expectancy of 77.1 for men and 81.3 for women by 2007, after 50 years of the AOW scheme. Statistics Netherlands expects that life expectancy will continue to increase to 79.6 for men and 82.6 for women by 2050.

Looking at the life expectancy of 65-year-olds, the picture is much more gradual. In 1860, 65-year-old men could expect to reach the age of 75.5, and women, an average of 76.0. In 1957, at the beginning of the AOW scheme, this had increased to 79.2 years for men and 80.3 for women. Life expectancy after that only increased very slowly. Currently, in 2007, 65-year-old men are expected to reach the age of 81.2, and 56-year-old women, 84.6. Statistics Netherlands expects this to have further increased by 2050 to 82.9 and 85.4, respectively.

In 1957, the expectation at birth was that 21 per cent of the population would not reach the age of 65. In 2007, this figure has almost halved to 12 per cent. At the same time, life expectancy of 65-year-olds in the same period only increases by three years. Therefore, regardless of the falling birth rate, the phenomenon of ageing appears to be caused more by the increasing number of people reaching the age of 65 than an increase in the life expectancy of 65-year-olds. Al and Selten also come to this conclusion (Al and Selten 2004, p. 6).

Male and female life expectancy at birth and at age 65



Source: Statistics Netherlands

7.2 Affordability of the State Pension AOW

The rapidly growing number of over 65s also means rapidly growing costs. This demographic fact combined with the changing ratios between age groups, poses serious threats to the affordability of the Dutch state pension. For the ageing peak between 2030 and 2040, the forecasts vary from 5.4 per cent of GDP in a favourable scenario to 10.0 per cent of GDP in the worst case. However, the forecasts depend heavily on assumptions about the differences between the indexation of the AOW pension, the increase in gross wages, price inflation and economic growth.

Since its introduction in 1957, the AOW has been financed mainly by contributions. Increasing the AOW pension to the level of the guaranteed minimum income and the subsequent linking of pensions to the

minimum wage lead to an increase in the contribution rate. Since 1997, the AOW contribution has been subject to a maximum limit. Since 2002, the maximum contribution limit and the rising costs of ageing have led to the financing of an increasing portion of the AOW scheme from public funds. It has been estimated that eventually half of the AOW pension would eventually be financed from public funds.

Raising the statutory AOW qualifying age to 67 years is another way of helping to keep the AOW affordable. There are two advantages to this: fewer people will be entitled to an AOW pension and more people will contribute to financing the AOW scheme. The government has recently proposed to raise the qualifying age in two steps. This has led to much debate and quite violent opposition from the major unions.

In addition to public funding and raising the AOW qualifying age, increasing labour participation among the under-65s also makes the AOW scheme more affordable, as more people would contribute to the scheme financially. Labour participation is relatively low among women and older people (age 55 to 65); measures to increase participation should therefore be directed at these groups in particular. However, the economic crisis is a major setback in increasing participation.

The discussion on affordability has shifted from the collection of contributions for the to its lifetime income. In recent years several reports have appeared on the affordability of the AOW scheme. The political parties take up their own positions on the issue. Various academics and opinion leaders have also become involved in the debate, and the 2006 elections led to the formation of a new cabinet. All these changes combined with the recent economic setbacks, have created momentum to make choices on long-term provisions in an ageing society with a view to affordability. But the die has not yet been cast.

8 Priority Challenges for the SVB

The SVB's strong position in the centre of the Dutch pension system is not likely to change in the next years, or even decades. Knowing this, the organisation is aware of its major responsibility in processing claims and delivering excellent services against minimal costs. Probably the main challenge in the foreseeable future is providing the Dutch state pension to steeply rising numbers of clients.

The priority challenges originate from social changes – population ageing, globalisation and the emancipation of citizens – but also by a desire for continuous improvement. The main aim for the SVB in the coming years is to provide citizens with excellent service. In our view good service only meets the client's expectations. 'Excellent' means that the client's expectations are exceeded. The way in which the SVB wishes to achieve this is through a combination of fully automated processes, self-service and service teams. In the coming years, communication with clients will increasingly take place electronically, and internet and telephone will be the most important channels. The importance of paper-based communication will continue to decrease. The use of the internet, e-mail and electronic communication encourages clients to make increasingly high demands of the SVB with regard to processing speed. Since clients have self-service options and the SVB receives more data from clients and from third parties electronically, it is possible to process more claims, changes and requests for information without the involvement of an employee. This provides scope for attention to citizens who require tailor-made solutions. Clients who are not able or not willing to serve themselves, or whose case is too complex to be settled by means of an automated procedure, will be referred to one of the service teams. These service teams will give them the attention that they require.

8.1 The Future According to the Integral Management Model (iBVM).

The SVB's shared vision of service and new ways of working are set out in an integral management model (iBVM). This vision is needed if we are to keep achieving our goals in a rapidly changing environment. The organisation will adopt the iBVM model step by step, so that the underlying ideas are absorbed gradually into the SVB's 'DNA'.

The environment in which the SVB operates is changing rapidly and in a variety of ways. Our clients are becoming increasingly assertive and expect to receive personal service exactly when they want it. The number of our government clients is on the rise and we are working more and more frequently with our

partners in the implementation chain. ICT allows for new ways of providing services and connecting with people and other institutions. The iBVM helps to adapt to these new trends and developments. And if we can achieve that, we can carry on providing excellent and efficient service into the future.

iBVM: 6 principles:

What will all these new trends and developments mean for the way we work and serve our clients? At the heart of iBVM we find a set of six principles:



- **Integral service:** we do not stop at simply implementing a scheme but go further to help clients deal with important events in their lives, such as the birth of a child, or moving to a new address, as well as any consequences that may arise from the event. We work through these ‘life events’ for all the schemes that we implement, cooperating with our partners in the chain to improve our services by transcending the boundary of our own organization.

- **Personal service:** we take the personal circumstances and wishes of our clients into account and avoid involving them unnecessarily. Clients can choose themselves how they communicate with the SVB.
- **Clients can approach any part of the SVB:** clients can contact us without worrying about who to approach. Whether they visit our website or come to one of our offices in person, we are ready to help them further. We call this principle ‘no wrong door’.
- **Variety of government clients:** we have different clients requiring us to carry out different tasks. We have to be able to adapt to their various needs and wishes within what is possible.



- **Life events are central to the way the SVB works:** as well as responding to life events, we also base the way we work on them, as do our chain partners. This makes it easier for us to cooperate with other government agencies to provide services to citizens who are looking to supplement their income, for instance, or to emigrate.
- **The organisation is designed to be flexible:** we will continue to monitor major external developments so we can respond quickly to changes, for example, new legislation or new assignments from the government.

Our services

What practical effect will these six principles have on our services? To begin with, we will be able to help clients with all aspects of a life event, whether they relate to the schemes we implement or those of other government agencies. If we know that a life event may also have consequences for other agencies, such as tax or student loans, we can give clients the information they need or at least point them in the direction of one of our implementing partners. If the life event affects several people, we can advise on the implications for each of them. In this way, the life event is treated as a complete case to be processed by a single member of an integral service team (IST). This ‘case manager’ becomes responsible for dealing with all the consequences of the life event, and will be the client’s point of contact with the SVB from start to finish. Only in exceptional circumstances, if the case manager is ill or on holiday, for example, will the case be transferred to another colleague.

High tech, high touch

It will soon be possible to process much of a pension or benefit claim, or notice of a change in circumstances directly, through our new IT systems. Not only is this efficient, it will often result in a better level of service. Many clients are seeking the same ease of use they already know from internet banking. They are used to serving themselves via the website and expect things to be processed smoothly. We call this ‘high tech’ service. But it is our ‘high touch’ approach to client care that makes our client service complete. Clients who require additional support can speak to us personally and we will help them with whatever they need. This applies even if the client could have achieved what they wanted, submit an application, say, or report a

change, via the website. Whatever the circumstances, our clients are always free to choose how they communicate with the SVB, from logging in with a personal DigiD code to visiting our office in person.

Remaining flexible

The iBVM model does not aim at a one-off reorganisation but prepares us for a situation of continual change. In fact, that situation is already a reality. It can be seen in the increasing number of proposed changes to the schemes we implement, such as the government's current plans for the old age pension scheme (AOW) - a higher pensionable age, a financially flexible AOW scheme and the discontinuation of the supplementary allowance for partners - and for the child benefit scheme (having the amount paid dependent on the country of residence and linking the benefit for older children to an education requirement). Change is also evident in our increasingly close cooperation with our implementing partners and the municipal authorities, for example, in the way we assist the Tax Administration in their implementation of the child budget, or exchange data with the penal authorities to ensure that pensioners who are in prison do not receive an AOW pension. In the face of the many changes ahead, it is vital that we maintain our ability to respond quickly to new developments.

Our organisation and ICT

To ensure that the iBVM is absorbed into the DNA of the SVB, two important areas of change have been identified: the organisational structure and ICT.

Implementation of the schemes has been restructured to be carried out by integral service teams, and our client service is now geared to this new way of working. Each service team will soon be able to work with all of the SVB's main schemes (old age pension, child benefit and survivor benefit). A limited number of specialised teams will be formed to work with the smaller schemes such as voluntary insurance, international secondment, income support for the over-65s, remigration benefit and the care allowance for handicapped children (TOG). The work of these teams will also be completely integrated.

Our ICT systems will need to be adjusted. We are moving from a number of separate systems to a set of integrated systems which are essential to our new working methods and integral client services. At the same time, we will carry on developing web services so that our clients can access services themselves.

9 Read more

This paper relies heavily on several other SVB publications. Three of these form a series on the Dutch State Pension and can be found on the SVB's website:

Parts of the SVB site are translated in English, German, French, Spanish and Turkish. These parts hold general information on national insurance schemes implemented by the SVB.

The author of this paper has been a client services coordinator at the SVB since 2005. In this capacity he advises on steps that the SVB can take to improve its services to clients. Since 1996 he has held various positions and has worked on various projects at the SVB in which the greatest common denominator has always been the design of client communication. He now holds a position for the department of information management as a senior policy advisor to the board. He has studied Dutch Language and Art History. The author can be reached via email: lboss@svb.nl or by telephone: +31 6 2239 0859