

Summary Report on the draft National Ordinance amending the National Ordinance on General Old Age Insurance (Landsverordening Algemene Ouderdomsverzekering; P.B. 2014, no. 56 (G.T.), as last amended by P.B. 2016, no. 37) and the National Ordinance on General Widows and Orphans Insurance (Landsverordening Algemene Weduwen- en wezenverzekering; P.B. 2014, no. 57 (G.T.), as last amended by P.B. 2016, no. 37)

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The draft National Ordinance seeks to amend the National Ordinance on General Old Age Insurance (Lv AOV) and the National Ordinance on General Widows and Orphans Insurance (Lv AWW) to apply an additional 10% reduction to the old-age pension and widows' and orphans' pensions of non-residents, with the exception of a category of non-residents as further specified in the draft. This is an additional cut since a 10% cut has already been made in 2017 on the pensions granted to non-residents under the Lv AOV and the Lv AWW.

The need for the additional reduction of the old-age pension and widows' and orphans' pensions is expressed in the general part of the explanatory memorandum attached to the draft National Ordinance, which states that the increase follows the government's long-standing previous efforts to secure the payment of the old-age pension to be awarded under the National Ordinance AOV.

The SER notes that the measure per se is not presented as an integral part of a broader policy framework and, as a result, it strongly seems like the 10% additional reduction in pension benefits to non-residents serves as an (isolated) policy instrument to realize a short-term goal. The SER is of the opinion that only financial considerations underly the additional 10% cut and notes that deciding on control measures based solely on financial considerations will not contribute to ensuring the sustainability of social funds in general and the AOV fund in particular.

The SER considers it important to focus on measures to increase contribution revenues arising from strategic and innovative policies aimed at achieving economic growth, which will lead to a broadening of the tax base and thus higher contribution revenues; strengthening the financial management of social security in order to achieve better levying and collection of due contributions; and reforming the funding scheme of the old-age pension in order to achieve a system that is less sensitive to demographic developments.

Furthermore, the SER considers an integrated, coherent and accessible social security policy to be of eminent importance for achieving sustainable social funds. Social security policy should therefore be aligned with the government's economic, migration and labour market policies.