

PGB: Why reform signposts consolidation and homogeneity



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September 29, 2026

The Netherlands' pension reforms will usher in an era of fierce cost competition that accelerates consolidation, simplifies investment strategies and leaves only the largest providers standing, says PGB Pensioendiensten CEO Harold Clijsen.

The Netherlands' sweeping pension reforms will be followed by steady fund consolidation driven by a new focus on cost savings, predicts Harold Clijsen, CEO of PGB Pensioendiensten, the administrative and operational arm of EU37 billion Pensioenfondsen PGB, which manages the assets of 450 underlying pension schemes.

"There used to be some 1,000 pension funds in the Netherlands but now there are around 120 and in a couple of years I expect there will be less than 50. In the end, there may be just 10," says Clijsen, who compares the march towards consolidation in pension funds to The Netherlands's healthcare insurance industry that used to be characterised by hundreds of different providers in the 1990s but now comprises only a handful.

He predicts that once the sector has completed the move to DC by next January, it will enter a period of fierce price benchmarking that will last for two to four years, driving consolidation in its wake.

“Providers will be able to deviate on costs a little around things like service provision but not much because if they do, they will quickly fall out of the market.”

Clijisen believes consolidation is a good thing for participants because it will stop leakage and leave more money in their pensions. Smaller funds have higher costs, and implementing legislation is expensive. Meanwhile, bigger funds can negotiate lower fees with asset managers and afford higher salaries for the best talent.

In a self-perpetuating circle, fewer funds will also allow beneficiaries to more easily compare the costs of different providers.

A HOMOGENISED MARKET

On one hand, he doesn't anticipate consolidation will crimp investment choice or providers' ability to shape diverse portfolios. PGB offers three different life-cycle dependent risk profiles in its flexible premium scheme, one of the two new schemes (the other is called solidarity) being rolled out in the transition to DC.

Moreover, he questions if beneficiaries want multiple strategies.

“If you look at the research that is being done into investment, the dominant factor is lifecycle and people's ability to adjust risk levels depending on their age. We spoke to all of our 450 underlying companies and besides this factor, found little demand for alternative strategies amongst the industries we serve.”

That said, the solidarity scheme has only one risk profile that fits the many different employees of the industry sectors and companies.

But indicative of a new future of more simplified investments focused on costs and value for money, PGB has already tweaked its offering in listed equity. It used to include an allocation to quality and momentum factors but in the last couple of years has moved to a dominantly passive approach with an ESG overlay.

The rationale, he explains, was the lower fees attached to this kind of beta risk.

“In the new legislation, schemes are comparable so we want a scheme that is cost effective and part of that is beta risk at a low cost.”

The ability to compare will hone in on returns too. It means if returns at one pension fund fall, customers could jump ship to an alternative provider in a trend that he expects will accelerate with more frequent performance and return overviews. If the big schemes adopt low-cost market cap index tracking strategies, and only add value to other investments in line with what beneficiaries want, few will risk deviating from the norm.

“They will have to explain what’s happened if returns are lower. I guess the market will get more homogenised because underlying schemes can voluntarily leave if there is a performance drag.”

If trends in Denmark’s fiercely competitive pension sector are an indication of what could evolve in the Netherlands, the focus on costs could ultimately lead to less private investments. For example, the \$57 billion [Velliv](#), one of the largest commercial pension and life insurance companies, has scaled up low-cost, index-based investments and stopped allocating to its \$4.3 billion alternatives allocation since 2024 to compete on costs with rivals.

Clijisen recognises that schemes with members in low-paid industries will be wholly focused on low costs and index tracking strategies, with no appetite for private investments. However, he expects organisations representing wealthier industries to continue to allocate to private markets.

PGB, which has a 15 per cent allocation to private markets spanning real estate, infrastructure, private equity (small and mid US and European buy-out) and private debt, still in its infancy, sits somewhere in between.

PGB’s allocation to alternatives is also facilitated by a new, flexible and dynamic strategy. None of the four private market allocations have a fixed target. Using a total portfolio lens, the team see where capital needs to be invested and where the best opportunities lie.

“We used to have certain allocations and bands around our asset classes but we are letting this go on the illiquid side. If something is attractive we want to buy it, rather than be obliged because of our targets and schedule.”

INTEGRATING IMPACT

In another new strategy, the team is integrating impact across the whole of the private markets allocation in line with beneficiary demand, opportunities and returns. Investing for impact in private markets is an industry-wide trend amongst Dutch pension providers. For many, including [PGGM](#), the asset manager for the €237.8 billion PFZW, it includes investing for impact in specific industries where their beneficiaries work.

“Our goal is to squeeze costs with passive investment on one hand, and invest in assets where costs are quite high but we can integrate impact and tap interesting opportunities and returns on the other,” Clijisen concludes.