Belgium

Belgium: Pension system in 2014

The pension system has two components: an earnings-related public scheme with a minimum pension and a means-tested safety net.

Key indicators: Belgium

		Belgium	OECD
Average worker earnings (AW)	EUR	46 464	33 036
	USD	56 269	40 007
Public pension spending	% of GDP	10.2	7.9
Life expectancy	At birth	80.4	80.0
	At age 65	19.5	19.3
Population over age 65	% of population	18.6	16.2

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Qualifying conditions

Normal pensionable age is 65 for all. A full pension benefit requires 45 years of contributions.

Benefit calculation

Earnings-related

The rate for the calculation of the pension for a single pensioner is 60% and for those with a dependent spouse, 75% (if the sum of the individual pension rights at 60% for both spouses is less advantageous). The estimated annual accrual rate is therefore 60%/45 = 1.33% for a single pension. The earnings measure is average lifetime pay (under the modelling simplifying assumptions). Earlier years' earnings are revalued in line with prices and at the same time a revaluation coefficient is applied in order to revalue elderly wages in line with the increase of living standards (different coefficient for each year). The application of these revaluations of elderly wages used for the calculation of the retirement pension is not modelled.

The full pension is paid provided the qualifying conditions above are met. For shorter contribution histories, the pension is calculated on the lower number of career years.

For the calculation, a ceiling to yearly pensionable earnings is applied. This ceiling is EUR 52 972.54 for 2014.

Pensions in payment are uprated in line with a consumer price index (so-called "health index" that excludes some goods). There have also been discretionary increases in real terms (called "adaptations to well-being"). However, these increments have recently been more targeted to the lowest or the longest-running pensions. Since 2008, legislation obliges the government to make decisions on uprating of pensions every two years, based on advice of the social partners.

There are additional payments ("holiday" and "supplementary" allowances), payable once a year. These are equal to the value of the monthly pension up to a ceiling of EUR 668.65 for a single person and EUR 835.81 for pensioners with a dependent spouse (amounts payable in May 2014).

Minimum

Minimum annual credit

In cases of pensioners with low earnings or part-time work throughout their career, there is a minimum annual credit designed to increase their attributed pension entitlements. Annual earnings of less than EUR 22 466.73 (amount applicable 1 September 2013) are inflated to this level. To qualify for the minimum credits, at least 15 years' insurance is necessary, for an equivalent of at least one-third of a full-time employment (this gives an effective minimum pension for a full-career worker for a single person with a 45 year contribution history raised to this level for each year of the career). The application of this minimum annual credit cannot lead to the attribution of a pension superior to EUR 17 866.12 for a pension at "family pension" rate or EUR 14 292.89 for a pension at "isolated person" rate. If the pension calculation should result in such a pension, the "minimum annual credit" application will not be applied for all eligible career years, until the pension passes under this ceiling.

Minimum earnings-related pension

There is also a minimum earnings-related pension which corresponds to EUR 13 480.03 for pensioners meeting the full contribution condition (45 years) for a single person or EUR 16 844.72 with a dependent spouse. The benefit will be a proportion of this minimum in the case of less-than-full careers, if the beneficiary has contributed at least two-thirds of the full number of years. With lower contributions, the benefit value result from the application of the benefit formula (there will be no "levelling up" of the benefit in line with the minimum pensions).

The minimum pension is indexed to prices, excluding certain goods. Benefits are increased by 2% each time cumulative inflation exceeds a certain threshold (2%) since the last adjustment.

Pensioners will receive the higher of the minimum pension described here and the pension calculated (eventually with application of the "minimum annual credit" for those career years fulfilling the conditions).

Pension bonus

For pensions starting from 1 January 2007 onwards and before 2014, work after the age of 62 to maximally the normal legal retirement age or beyond 44 years of contributions will be credited with a bonus [EUR 2.2974 (amount on 1 January 2013)] for each day worked (indexed to prices), limited to EUR 716.78 for each full year of work, following the "generation pact". The government has taken the decision to reform this system from 1 January 2014 onwards, making the pension bonus progressive in function of how much longer one works (from EUR 1.5 per day up to EUR 2.5 per day when working six years longer). Form 1 January 2015 this "pension bonus" is abolished for the new entrants in the system, with exception made for the already acquired rights.

Working after normal retirement age can also be used to plug career gaps to obtain a full pension or can improve the pension amount, since only the 45 last years are used in the calculation.

Safety-net income: Targeted

In the case of elderly people, who have no pension rights based on a professional activity or whose pension rights are very low, a means-tested safety-net income can be attributed. This so-called GRAPA (*Garantie de revenu aux personnes âgées*) is a part of the social assistance measures, which are complementary to the social security provisions (e.g. legal pension for workers of the private sector as modelled).

The means-tested safety-net income for the elderly is EUR 1 011.70 a month for a pensioner living alone and EUR 674.46 a month for an older person living with others. Indexation is again to prices excluding certain goods. For the means test, "normal" pension revenue is taken into account for only 90% of its real amount.

Age limit is 65, without possibility for early take-up.

Voluntary private pensions

A scheme of sectoral complementary pensions was introduced in 2003 to further extend the second pillar pension system. The contribution rates are fixed through (sectoral) collective labour agreements, and can vary between economic sectors (the modelled contribution rate is 4.25%).

Variant careers

Early retirement

Since 1 January 2014, early retirement is possible from age 61, subject to 39 years contributions. This will gradually increase to age 62 with 40 years contribution by 1 January 2016 (see table below). For very long careers (more than 40 years), early retirement will still be possible before the "normal" early retirement age. There is no actuarial reduction in the pension calculation in the scheme of wage-earners. The pension however, can be incomplete, due to the possible incompleteness of the career (less than 45 years). There is an earnings test limiting the opportunity to combine an early retirement pension with work. This is stricter than the earnings test applied after normal pension age.

Starting date	Early retirement age	Career length	Exceptions
1 January 2013	60.5	38	Age 60 and 40 years career
1 January 2014	61	39	Age 60 and 40 years career
1 January 2015	61.5	40	Age 60 and 41 years career
1 January 2016	62	40	Age 60 and 42 years career or age 61 and 41 years career

A further increase in the early retirement age to 63 with 42 years of seniority by 1 January 2019 has been announced in the agreement of the new government.

Late retirement

It is possible to defer pension after the normal retirement age. For people who continue working after normal retirement age, this can permit to plug career gaps to obtain a full(er) pension or can improve the pension amount, since only the last 45 years are used in the calculation of the pension benefit.

Otherwise, it is possible to combine pensions and earnings (after normal pension age) within limits. For annual earnings under EUR 22 509 (single) or EUR 27 379 (with a dependent child), the pensions will not be reduced. Above this ceiling, the pension will be reduced by the amount that earnings surpass these limits. If actual earnings are 25% above the limits then the pension will be completely withdrawn (for as long as the earnings surpass the ceiling). Since 2013 further reforms are applicable, so that for a retiree older than 65 with a career of at least 42 years the ceiling is lifted entirely and the combination between pension and earnings is unlimited. The new government has announced to lift further all restrictions on combining earnings and pensions above the age of 65.

Before the legal (normal) pension age, the limits for cumulating pensions and earnings are limited to EUR 7 793 or EUR 11 689 respectively, with the same 25% earnings restriction.

Childcare

A maximum of three years in total caring for children may count as gainful employment, if the person benefits from the so-called "tijdskrediet". Tijdskrediet is a right for all employees in the private sector and they could benefit from a full suspension of labour activities or of a half-time reduction of labour time if they had worked more than three-quarters of full time for at least 12 months preceding the start of tijdskrediet. They also need to have worked for the same employer for more than a year, during the 15 months before the application for the start of the tijdskrediet period. When a person withdraws totally from the labour market, no compensation is made. These years count in the numerator of the benefit formula. The value for earnings in the formula is the last earnings before the labour-market absence.

Unemployment

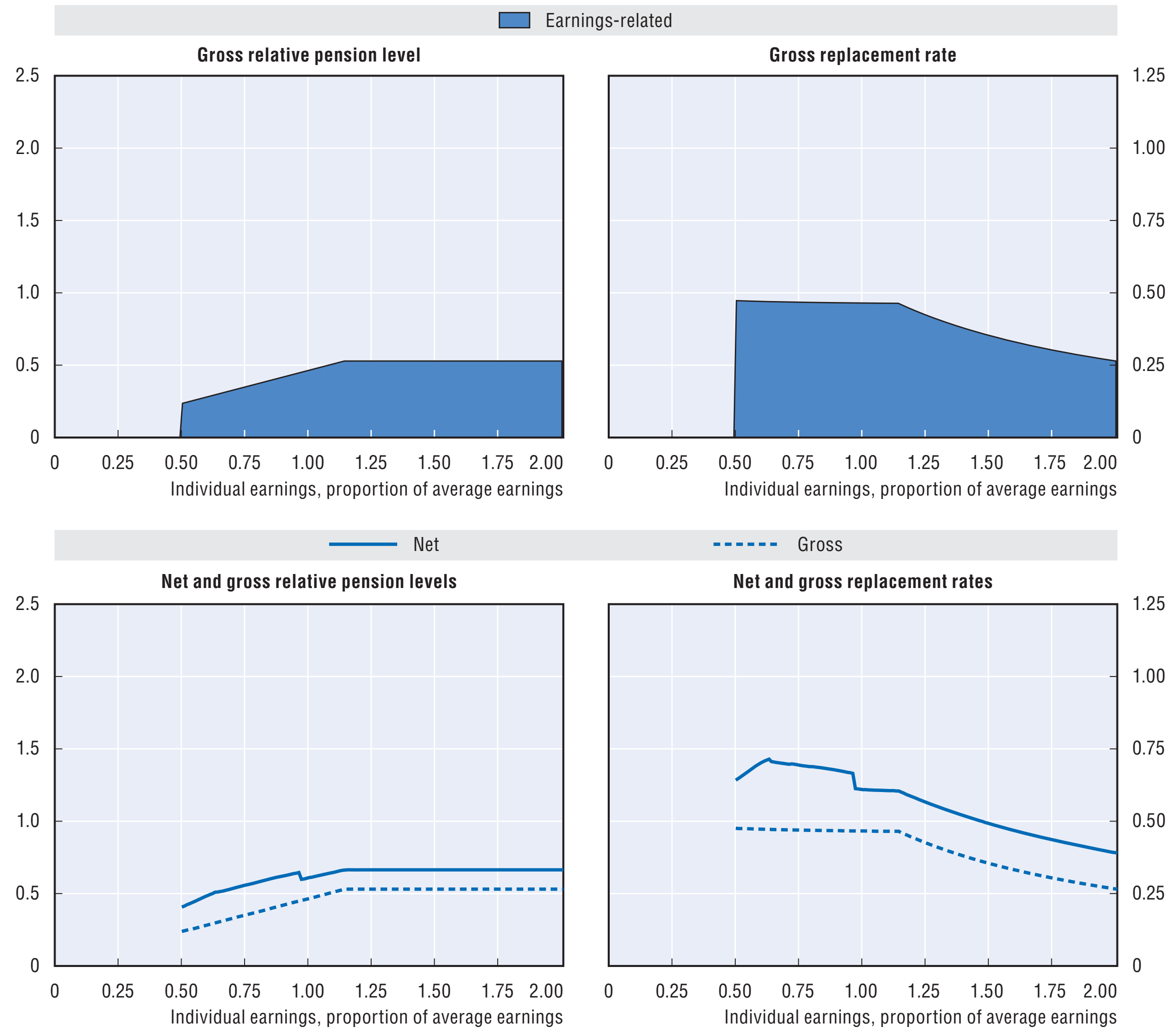
Periods on unemployment insurance benefits are credited under the pension system. The unemployment years count in the numerator of the benefit formula, and until 2012 earnings prior to the period of unemployment are used in the calculation base for the entire unemployment period.

For those who became involuntarily unemployed since 1 November 2012 the crediting of unemployment periods has changed for the unemployed aged less than 55. For them, the crediting of the unemployment period starting with the so called "3rd period" (from the moment the unemployment benefit will be calculated as a lump sum/day and no longer based on a percentage of the lost wage – starting after maximum 48 months of unemployment) will be done on the basis of the "minimum annual credit" instead of the lost wage. For those unemployed aged 55 or more on 1 November 2012 and entering the "3rd period" of unemployment, further crediting will take place on the basis of the lost wage. For those who became unemployed after their 50th birthday, the crediting of the "3rd period" after they reached the age of 55 will also be further credited on the basis of the lost wage.

Since 2012, for those unemployed in the system of the "unemployment benefit with supplement of the employer", the crediting of the unemployment period after their 59th birthday will be on the basis of the lost wage. The periods falling before the 59th birthday will be credited at the "minimum annual credit" (except for those already in the system before 28 November 2012 – crediting on the basis of the lost wage).

There is no limit to the number of years credited, but the total career length after crediting cannot be longer than 45 years.

Pension modelling results: Belgium in 2059, retirement at age 65



Baseline scenario: Legislation scenario (price indexation of safety nets)

Men	*Individual earnings, multiple of average*					
Women (where different)	*0.5*	*0.75*	*1*	*1.5*	*2*	*3*
Gross relative pension level	23.8	35.2	46.6	53.0	53.0	53.0
(% average gross earnings)						
Net relative pension level	40.7	55.8	60.9	66.4	66.4	66.4
(% net average earnings)						
Gross replacement rate	47.6	46.9	46.6	35.3	26.5	17.7
(% individual gross earnings)						
Net replacement rate	64.2	69.4	60.9	49.1	39.0	27.7
(% individual net earnings)						
Gross pension wealth	8.3	8.2	8.1	6.1	4.6	3.1
(multiple of individual gross earnings)	*9.5*	*9.4*	*9.3*	*7.1*	*5.3*	*3.5*
Net pension wealth	8.1	7.4	6.1	4.4	3.3	2.2
(multiple of individual gross earnings)	*9.4*	*8.5*	*7.0*	*5.1*	*3.8*	*2.5*

Assumptions: Real rate of return 3%, real earnings growth 1.25%, inflation 2%, and real discount rate 2%. All systems are modelled and indexed according to what is legislated. Transitional rules apply where relevant. DC conversion rate equal 85%. Labour market entry occurs at age 20 in 2014. Tax system latest available: 2013.

Pension modelling results: Belgium in 2059, retirement at age 65 *(cont.)*

Alternative scenario: Full-wage indexation of safety-nets schemes

Men	Individual earnings, multiple of average					
Women (where different)	*0.5*	*0.75*	*1*	*1.5*	*2*	*3*
Gross relative pension level	29.1	35.8	47.2	53.6	53.6	53.6
(% average gross earnings)						
Net relative pension level	49.9	56.4	61.5	67.0	67.0	67.0
(% net average earnings)						
Gross replacement rate	58.3	47.8	47.2	35.8	26.8	17.9
(% individual gross earnings)						
Net replacement rate	78.6	70.1	61.5	49.5	39.3	27.9
(% individual net earnings)						
Gross pension wealth	10.1	8.3	8.2	6.2	4.7	3.1
(multiple of individual gross earnings)	*11.6*	*9.5*	*9.4*	*7.1*	*5.4*	*3.6*
Net pension wealth	10.0	7.5	6.1	4.5	3.3	2.2
(multiple of individual gross earnings)	*11.5*	*8.6*	*7.1*	*5.1*	*3.8*	*2.6*

Assumptions: Real rate of return 3%, real earnings growth 1.25%, inflation 2%, and real discount rate 2%. All systems are modelled and indexed according to what is legislated except for the safety-nets which follow real-wages. Transitional rules apply where relevant. DC conversion rate equal 85%. Labour market entry occurs at age 20 in 2014. Tax system latest available: 2013.

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