

IOPS COUNTRY PROFILE: BELGIUM



DEMOGRAPHICS AND MACROECONOMICS

GDP per capita (USD)	43580
Population (000s)	11 322
Labour force (000s)	4 976
Employment rate	62.3
Population over 65 (%)	18.5
Dependency ratio ¹	54.8

Data from 2016 or latest available year.

1. Ratio of over 65-year-olds / labour force.

Source: OECD, various sources.

BELGIUM: COUNTRY PENSION DESIGN

STRUCTURE OF THE PENSION SYSTEM

Public pensions

- Earnings related public scheme with a minimum pension and a means-tested safety net
- Separate schemes for the self-employed and civil servants

Private pensions: occupational (voluntary)

- IORP or institution for occupational retirement provision, provident funds (private-sector employees and civil servants), and pensioenkas, caisse de pension, pension funds (self-employed workers)
- Group life insurance

Private pensions: personal (voluntary)

- Collective pension savings accounts
- Individual pension savings accounts

Source: OECD Global Pension Statistic

BELGIUM: THE PENSION SYSTEM'S KEY CHARACTERISTICS

PUBLIC PENSION

The public pension system covers all employed persons. There are separate schemes for the self-employed and civil servants.

Full old-age pension benefits are payable from age 65 with 45 years of coverage. Full pension benefits are equivalent to 60% of average lifetime earnings (75% for a married couple). The minimum pension is €14 838,59 for a single person with a full career record and €18 542,39 for a married couple. Workers with at least two-thirds of a full career record are awarded a pro rata minimum pension. Partial pension benefits are paid for an incomplete qualifying period and are paid according to the number of years of coverage less than that required for a full career.

Early pension benefits are in 2018 available to those aged 63 with 41 years of covered employment, while deferred retirement is also a possibility. In 2016, the effective retirement age was 61.3 years for men and 59.7 years for women.

Special old-age pension benefits are paid to the divorced husband or wife of a retired person. These benefits are means-tested and equal half the former spouse's pension calculated on the basis of 75% of average lifetime earnings, minus any pension earned by the divorced person.

Low-income elderly persons receive a guaranteed, means-tested income from age 65. It amounts to €686.24 a month for a single person.

A vacation allowance of €769,8 (€962,25 for a couple) is paid to pensioners annually. Pension benefits are adjusted in line with changes in the consumer price index.

OECD estimates put the replacement rate for average earners in 2016 at 47% (66% net).

OCCUPATIONAL VOLUNTARY

Coverage

Company pension plans cover all or specific categories of company employees. In the case of sectoral pension plans, the terms of coverage are laid down in the collective bargaining agreement. Employers in the sector concerned must join the plan unless the agreement allows them to opt out. Those who do opt out must put in place a plan providing benefits at least equal to those of the sectoral plan.

By 2016, 80% of the active population was covered. Yet, benefit levels in many plans – especially sectoral pension plans – are modest.

Typical Plan Design

Occupational DB pension plans tend to target retirement replacement rates of maximum 80%, including state pension benefits. Over the recent decades many DB schemes were closed to new members and replaced by DC schemes.

Since 2004 defined contribution plans benefit from a required minimum return (3,25% on employers contributions and 3,75% on employee contributions until 2016 and

1.75% on both type of contributions as from 2016). These minimum annual investment returns must be closed as soon as a member retires.

The standard benefit pay-out practice is the lump sum, though it can take the form of annuities.

The normal retirement age is 65. Most plans provide a retirement age of 65.

Taxation

Employer contributions are tax-deductible if the sum of statutory and supplementary pension benefits does not exceed 80% of gross annual wages. Employee and employer contributions are taxed at 4.4%, but employees do receive tax relief on them. Benefits are taxed as income, but retirees do receive tax credits. Lump sum payments are subject to a flat-rate tax.

PERSONAL VOLUNTARY

Coverage

Anyone between 18 and 64 of age can open a pension savings account.

Contributions

Contribution levels are set out in the contract between saver and provider. The law sets a maximum annual contribution of EUR 960 or EUR 1230 (figure established in 2018). Contracts have a duration of at least ten years and contributions must be made for at least five of the ten years.

Benefits

Benefits become available from the age of 60, while any early withdrawal is liable to a penalty.

Taxation

Depending on a saver's taxable income, he or she can benefit from tax deductions of between 30% and 40% on contributions.

MARKET INFORMATION

Occupational voluntary

At the end of 2016, 199 IORP's provided occupational pensions, covering 830.000 members. They managed assets worth EUR 35.1 billion. During the same period, group pension insurance schemes covered 2 million members. The pension entitlements of 600.000 members were managed by an IORP and an insurance company.

At the beginning of 2017 3 million people built up pension entitlements as an employee, 365.000 as a self-employed worker and 181.000 as an employee and a self-employed worker.

There were 49 sectoral pension schemes covering a total of 1,5 million workers at the start of 2016. In 2015 75% of the sectoral pension schemes are administered by an insurance company. 60% of the active members and 49% of the deferred members are affiliated to a sectoral

pension scheme that is administered by an IORP. Those IORP's manage two thirds of the pension entitlements.

Self-employed workers can take out an individual pension savings contract with a pension institution (IORP or insurance company). 570.555 self-employed workers had done so in 2015.

Personal voluntary

Pension savings contracts are provided by insurance companies (pension insurance contracts) and banks and capital asset management companies (pension savings funds). Insurance companies offer both contracts with guaranteed return (max. 2%) and unit linked contracts.

POTENTIAL REFORM

N/A

REFERENCE INFORMATION

KEY LEGISLATION

- 2018: Law on complementary pensions applicable to self-employed persons acting as a natural person in Belgium.
- 2016: Law on the supervision of insurance companies established in Belgium; regulates the establishment and operation of insurance companies; replaces the former general law of 1975.
- 2014: Law on complementary pensions applicable to self-employed company directors in Belgium.
- 2006: La loi relative au contrôle des institutions de retraite professionnelle (the Supervision of Occupational Retirement Institutions Act) lays down the supervisory powers of the Commission Bancaire, Financière et des Assurances, or Banking, Finance and Insurance Commission.
- 2003: La loi sur les retraites complémentaires (Complementary Pensions Act) sets out a framework for occupational pension provisions.
- 2002: Law on complementary pensions applicable to self-employed persons in Belgium.

KEY REGULATORY AND SUPERVISORY AUTHORITIES

- *Financial Stability and Markets Authority (FSMA)*: www.fsma.be
- *National Bank of Belgium (NBB)*: www.nbb.be

KEY OFFICIAL STATISTICAL REFERENCE AND SOURCES ON PRIVATE PENSIONS

- FSMA (2018), *Institutions for occupational retirement provision: sectoral overview 2017*, FSMA, Brussels: <https://www.fsma.be/en/news/institutions-occupational-retirement-provision-sectoral-overview-2017>
- FSMA (2017), *Rapport bisannuel concernant les régimes de pension sectoriels* (Twice-Yearly Report on Sectoral Pension Schemes), FSMA, Brussels: <https://www.fsma.be/fr/rapport-bisannuel>
- FSMA (2017), *Rapport bisannuel concernant la pension complémentaire libre des indépendants* (Twice-Yearly Report on the Voluntary Supplementary Pension Scheme for the Self-employed), FSMA, Brussels : <https://www.fsma.be/fr/rapport-bisannuel-0>
- FSMA (2017), *Rapport bisannuel concernant la pension complémentaire libre des dirigeants d'entreprise indépendants*, FSMA, Brussels : <https://www.fsma.be/fr/rapport-bisannuel-1>.
- OECD, Global Pension Statistics project, www.oecd.org/daf/pensions/gps.