BELGIUM

Key indicators

<table>
<thead>
<tr>
<th></th>
<th>Belgium</th>
<th>OECD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average earnings</td>
<td>EUR 39 700</td>
<td>EUR 27 800</td>
</tr>
<tr>
<td></td>
<td>USD 58 100</td>
<td>USD 40 600</td>
</tr>
<tr>
<td>Public pension spending % of GDP</td>
<td>8.9</td>
<td>7.0</td>
</tr>
<tr>
<td>Life expectancy at birth</td>
<td>79.6</td>
<td>78.9</td>
</tr>
<tr>
<td></td>
<td>at age 65</td>
<td>83.4</td>
</tr>
<tr>
<td>Population over age 65 % of working-age population</td>
<td>28.8</td>
<td>23.6</td>
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</tbody>
</table>

Belgium: pension system in 2008

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

Qualifying conditions

Normal pensionable age is 65 for men. For women, the eligibility age is 64 since 1.1.2006. It increased to 65 on 1.1.2009. Following legal rules in Belgium a full career requires 45 years for men and 44 years for women (since 1 January 2006). Since 1 January 2009 a full career also requires 45 years for women.

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%. The estimated annual accrual rate is therefore 60%/ 45 = 1.33% for men (and starting from 2009, for women). 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 will be provided, but calculated on the lower number of career years.

There is a ceiling to yearly pensionable earnings of EUR 46 895.18 for 2008.

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 real increases (called ‘adaptations to well-being’). However, these increments have recently been more targeted to the lowest or the longest-running pensions. From 2008 onwards, 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 585.83 for a single person and EUR 731.92 for pensioners with a dependent spouse (amounts payable in May 2008).

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 the attributed pension entitlements for them. Annual earnings of less than EUR 18 389, (level applicable starting on 1 January 2008) (EUR 18 756.44 on 1 May 2008 and EUR 19 131.53 on 1 September 2008) are inflated to this level. To qualify for the minimum credits, at least 15 years’ insurance is necessary, for an equivalent of at least 1/3 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 15 864.90 (EUR 16 181.74 on 1 May 2008 and EUR 16 505.35 EUR on 1 September 2008) for a pension at “family pension”-rate or EUR 12 691.91 (EUR 12 945.38 on 1 May 2008 and EUR 13 204.27 EUR on 1 September 2008) 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 11 032.28 for pensioners meeting the full contribution condition (45 years) (EUR 11 252.61 from 1 May 2008 and EUR 11 707.19 at 1 September 2008) for a single person or EUR 13 786.01 (EUR 14 061.33 from 1 May 2008 and EUR 14 629.39 from 1 September 2008 onwards) 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 at least two-thirds of the full number of years. In the other case, the benefit value will simply be obtained through 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 2013, work after the age of 62 or beyond 44 years of contributions will be credited with a bonus (EUR 2 for each day worked, limited to EUR 624 (not indexed)for each full year of work), following the ‘generation pact’.

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 revenue 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 10 380.47 (EUR 10 587.77 from 1 May 2008 and EUR 10 630.83 from 1 September 2008) for a pensioner living alone and EUR 7 785.49 (EUR 7 490.97 from 1 May 2008 and EUR 8 099.78 from 1 September 2008) 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 limits correspond to the legal age: 65. During a transitional period (for GRAPA attributed between 1 January 2006 and 31 December 2008 it is possible to apply for GRAPA at the age of 64 (for women). Since 1 January 2009, the age limit is 65 in all cases.

Voluntary private pensions

A scheme of sectoral complementary pensions was introduced in 2003 to further extend the 2nd 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 2005, early retirement is possible from age 60, subject to 35 years contributions. 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.

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 (44 years for women) 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 21 436.50 (single) or EUR 26 075.00 (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 15% above the limits above then the pension will be completely withdrawn (for as long as the earnings surpass the ceiling).

Before the legal (normal) pension age, the limits for cumulating pensions and earnings are limited to EUR 7 421.57 or EUR 11 132.37 respectively, with the same 15% 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 “tijdschript”. Tijdschript 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 ‘tijdschript’. 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 ‘tijdschript’ period. When a person withdraws totally from the labour market, no compensation is made. These years count in the
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 earnings prior to the period of unemployment are used in the calculation base for the entire unemployment period. There is no limit to the number of years credited. The application of this crediting however, will lead to a slightly lower pension benefit than in case of a full active career as this credit amount does not necessarily follow completely the full real wage growth over the credited period. Unemployment above the age of 62 or after 42 years of career will not allow for the application of the ‘pension bonus’ for these years.

Personal income tax and social security contributions

Taxation of pensioners

There are no special credits or allowances for pensioners.

Taxation of pension income

Pensions are taxable. Pension income, however, give entitlement to a tax reduction of maximum EUR 1 781.29 for each person. The tax reduction is subject to restrictions. The first restriction is based on the ratio of pension income to aggregate taxable income (ATI). A single person with a pension of EUR 5 000 and net taxable income of EUR 10 000, will receive only half of the basic amount. The second restriction is related to total ATI. If ATI is less than EUR 19 740 the whole reduction applies. Above EUR 39 480, only one-third of the reduction is granted. Between these two thresholds, the reduction is one-third of the full value plus two-thirds of the value multiplied by EUR 39 480 — ATI divided by EUR 19 740. In addition, if the taxable income is consisting of pension income only and it is less than EUR 12 618.06 then income tax is reduced to zero. Restrictions apply for each spouse on a separate basis: this means, for example, that the restriction based on the ATI is computed according to the ATI of each spouse. The tax reduction and the thresholds are adjusted annually in line with the consumer price index.

Social security contributions paid by pensioners

Pensioners with a pension above a minimum threshold pay a social security contribution of 3.55% for health and disability insurance. The minimum threshold is EUR 1 182.99 (EUR 1 255.42 since 1 September 2008) for a single pensioner without dependents. The effect of the contribution cannot lead to a pension payment inferior to this monthly amount (EUR 1 402.01 and EUR 1 487.85 respectively per month for pensioners with dependents).

There are also ‘solidarity’ contributions that are levied on all pensions (public, occupational and private) which exceed EUR 1 257.33 per month for single pensioners and EUR 1 571.92 for pensioners with a dependent spouse. This contribution ranges between 0.5% and 2% of the gross pension. From 1 July 2008 this threshold has been raised to EUR 2 012.75 /month (EUR 2 373.58 for pensioners with dependents). (EUR 2 053.05 and EUR 2 326.99 from 1 September 2009 onwards)

The effect of the contribution cannot lead to a pension payment inferior to this monthly amount.

The holiday allowance for pensioners and the supplementary allowance are taxed as pensions, but are not subject to the so called “solidarity contribution” and equally not to the sickness insurance contribution.
<table>
<thead>
<tr>
<th>Men</th>
<th>Median earner</th>
<th>Women (where different)</th>
<th>Individual earnings, multiple of average</th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>0.5</td>
</tr>
<tr>
<td>Gross relative pension level (% average gross earnings)</td>
<td>36.2</td>
<td>30.1</td>
<td>32.3</td>
</tr>
<tr>
<td>Net relative pension level (% net average earnings)</td>
<td>58.3</td>
<td>52.0</td>
<td>54.5</td>
</tr>
<tr>
<td>Gross replacement rate (% individual gross earnings)</td>
<td>42.6</td>
<td>60.1</td>
<td>43.0</td>
</tr>
<tr>
<td>Net replacement rate (% individual net earnings)</td>
<td>66.0</td>
<td>81.8</td>
<td>67.6</td>
</tr>
<tr>
<td>Gross pension wealth (multiple of average gross earnings)</td>
<td>6.9</td>
<td>9.8</td>
<td>7.0</td>
</tr>
<tr>
<td>Net pension wealth (multiple of average net earnings)</td>
<td>8.1</td>
<td>11.5</td>
<td>8.2</td>
</tr>
<tr>
<td>Gross pension wealth (multiple of average gross earnings)</td>
<td>6.5</td>
<td>9.8</td>
<td>6.8</td>
</tr>
<tr>
<td>Net pension wealth (multiple of average net earnings)</td>
<td>7.6</td>
<td>11.5</td>
<td>8.0</td>
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