

Belgium

Belgium: Pension system in 2012

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

Key indicators

		Belgium	OECD
Average worker earnings (AW)	EUR	46 100	32 400
	USD	60 700	42 700
Public pension spending	% of GDP	10.0	7.8
Life expectancy	At birth	80.4	79.9
	At age 65	19.4	19.1
Population over age 65	% of working-age population	29.6	25.5

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Qualifying conditions

Normal pensionable age is 65 for all. Following legal rules in Belgium a full pensions requires a 45 years career.

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). 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.

For the calculation, a ceiling to yearly pensionable earnings is applied. This ceiling is of EUR 51 092.44 for 2012, corresponding to 111% of average earnings.

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 603.61 for a single person and EUR 754.52 for pensioners with a dependent spouse (amounts payable in May 2012).

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 21 326.67 (amount applicable 1 January 2012 – EUR 22 189.36 for pensions starting from 1 December 2012 onwards) 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 17 513.00 for a pension at "family pension"-rate or EUR 14 012.34 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 (EUR 17 866.12 and EUR 14 292.82 from 1 December 2012 and onwards).

Minimum earnings-related pension

There is also a minimum earnings-related pension which at 1 February 2012 corresponds to EUR 13 052.28 for pensioners meeting the full contribution condition (45 years) (EUR 13 313.61 from 1 December 2012) for a single person or EUR 16 310.21 (EUR 16 636.77 from 1 December 2012 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 to maximally the normal legal retirement age or beyond 44 years of contributions will be credited with a bonus [EUR 2.25 (amount 1 February 2012)] for each day worked (indexed to prices), limited to EUR 702 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).

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 11 668.68 for a pensioner living alone and EUR 7 779.12 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.

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. This will increase to age 62 with 40 years contribution between 2013 and 2016 (see table below). 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

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 21 436.50 (single) or EUR 26 075.00 (with a dependent child), the pensions will not be reduced (EUR 21 865.32 and EUR 26 596.50 in 2013). 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). From 2013 further reforms will be applicable, so that for a retiree older than 65 with a career of at least 42 years the ceiling will be lifted entirely.

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 (EUR 7 570 and EUR 11 355.02 in 2013), 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 “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.

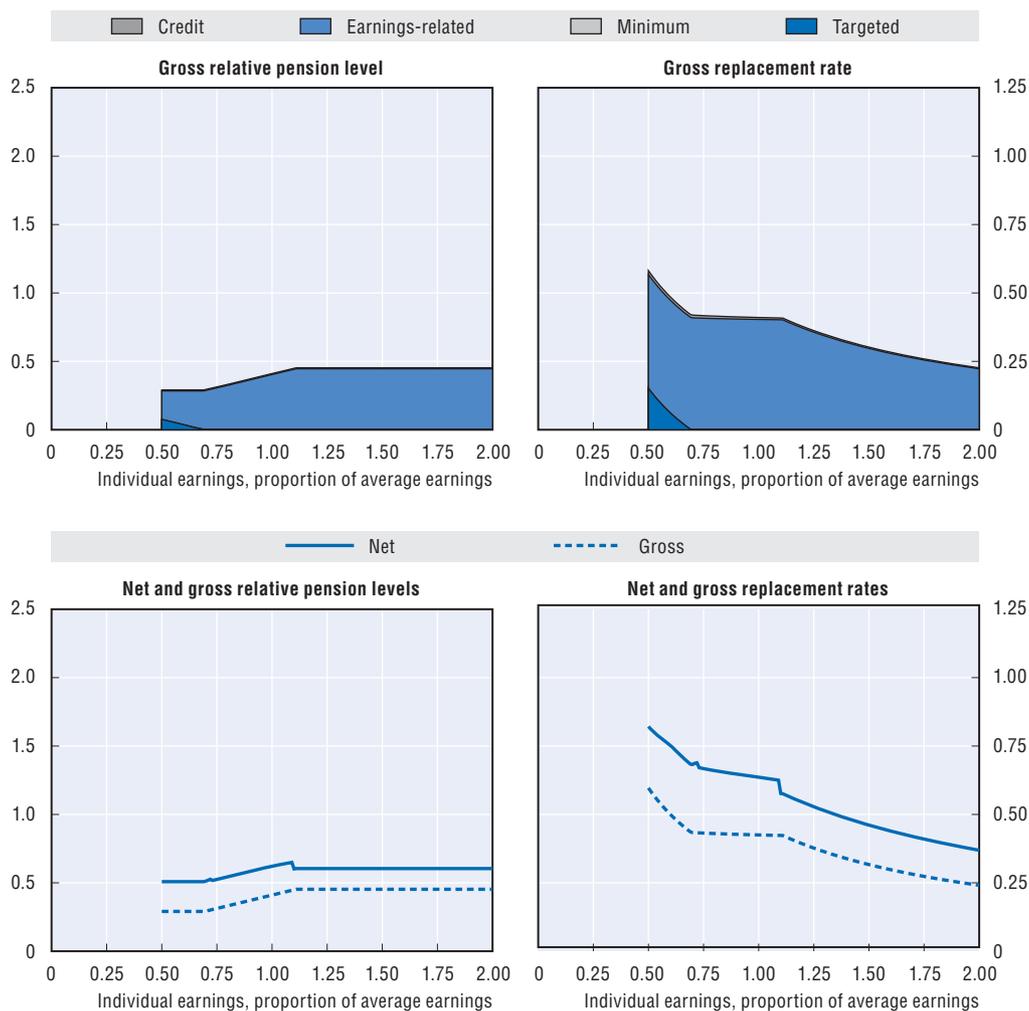
Unemployment

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.

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.

From 1 January 2013 and onwards, the crediting of unemployment periods for pension rights has been modified. For the unemployment periods compensated by a lump sum allowance (starting after max. 48 months of unemployment), the crediting will be done on the basis of the so-called “minimal annual credit”.

Pension modelling results: Belgium



Men Women (where different)	Median earner	Individual earnings, multiple of average				
		0.5	0.75	1	1.5	2
Gross relative pension level (% average gross earnings)	35.2	29.1	31.3	41.0	45.3	45.3
Net relative pension level (% net average earnings)	56.4	50.8	52.5	62.1	60.4	60.4
Gross replacement rate (% individual gross earnings)	41.4	58.2	41.7	41.0	30.2	22.6
Net replacement rate (% individual net earnings)	63.9	80.7	65.3	62.1	44.6	35.4
Gross pension wealth (multiple of individual gross earnings)	7.0	9.9	7.1	7.0	5.1	3.8
Net pension wealth (multiple of individual gross earnings)	6.4	11.3	8.1	7.9	5.8	4.4
		9.9	6.8	6.0	3.9	2.9
		11.3	7.8	6.9	4.5	3.3

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