

Pensions at a Glance 2023



Belgium

Belgium: Pension system in 2022

The Belgian pension system consists of various pension schemes. There is an earnings-related public pension scheme and a means-tested safety net as well as purely individual pension products.

Key Indicators: Belgium

		Belgium	OECD
Average worker earnings (AW)	EUR	55 332	39 182
	USD	58 267	41 261
Public pension spending	% of GDP	10.7	7.7
Life expectancy	at birth	82.3	80.7
	at age 65	85.6	84.6
Population over age 65	% of working-age population	34.0	31.3

Qualifying conditions

The legal pensionable age is 65 for both men and women (increasing to 66 for those retiring from 1 February 2025 onwards and further to 67 for those retiring from 1 February 2030 onwards). A full public pension benefit requires 45 career years.

Benefit calculation

Public pensions for employees are calculated based on career earnings. However, if certain conditions are met, minimum regulations ensure that either the pension is (partly) calculated using a minimum wage, if this wage is higher than the earned wage, or that a minimum pension is granted if this pension is higher than the earnings-related pension.

Earnings-related

The pension calculation rate is 60% unless the pensioner has a dependent spouse without (or with low) pension rights, in which case it is 75% (this rate is granted if the sum of the individual pension rights at 60% for both spouses is less advantageous). The estimated annual accrual rate is therefore either $60\%/45 = 1.33\%$ or $75\%/45 = 1.67\%$. The earnings measure is average lifetime pay. Earlier years' earnings are revalued in line with prices.

The full pension is paid provided someone has 45 career years. Those with shorter careers will also receive a pension but one that is calculated based on the lower number of career years proportional to the full career.

For the calculation, a ceiling to yearly earnings is applied. For 2022 wages, this ceiling was EUR 71 519.98.

Minimum regulations

The earnings-related pension can be modified by minimum regulations in two ways:

1. Minimum right per career year. A pensioner with at least one-third of a full career can potentially benefit from the minimum right per career year: if the wage generating pension rights in a certain year is lower than a predetermined minimum amount, then the pension is calculated based on the minimum amount instead of on the actual earned wage (in January and February 2022 this minimum amount was EUR 27 415.03, in March and April EUR 27 964.85, in May, June and July EUR 28 523.89, in August, September and October EUR 29 093.89, in November EUR 29 675.17 and in December EUR 30 269.27). To ensure that an individual with too high a pension does not benefit from the minimum right, a maximum pension ceiling also exists (for pensions calculated at 60% these ceiling were EUR 18 280.97 in January and February 2022, EUR 18 647.60 in March and April, EUR 19 020.38 in May, June and July, EUR 19 400.54 in August, September and October, EUR 19 788.08 in November and EUR 20 184.24 in December; if calculated at 75%, these amounts are 25% higher). If the total pension surpasses this ceiling, no additional minimum rights are granted.
2. Minimum retirement pension. A pensioner with at least two-thirds of a full career has a right to a minimum retirement pension if this minimum pension is higher than the earnings-related pension. This minimum pension was EUR 18 280.97 in January and February 2022, EUR 18 647.60 in March and April, EUR 19 020.38 in May, June and July, EUR 19 400.54 in August, September and October, EUR 19 788.08 in November and EUR 20.184.24 in December. For those entitled to a pension calculated at the family rate of 75%, these amounts are 25% higher. Individuals with incomplete careers (e.g. 30 years) are only granted a fraction, proportionate to the duration of the career, of the minimum pension amount (e.g. 30/45th of the minimum pension amount).

Holiday payments

Holiday payments are in general granted from the second year of retirement onwards. An exception applies to those having received a replacement income for a full year before retiring. These pensioners are entitled to holiday payments from the first year of retirement onwards. The yearly holiday payment is calculated at 129.7% of the monthly pension and equals a maximum of EUR 997.17 (if the pension is calculated at 60%) or EUR 1 243.46 (if calculated at 75%).

Safety-net income: targeted

For individuals sharing a household, the means-tested safety-net, GRAPA (Garantie de revenu aux personnes âgées), was EUR 10 312.81 in January and February 2022, EUR 10 519.64 in March and April, EUR 10 729.94 in May, June and July, EUR 10 944.40 in August, September and October, EUR 11 163.02 in November and EUR 11 680.27 in December. For individuals living alone these amounts are EUR 15 469.22, 15 779.46, 16 094.91, 16 416.60, 16 744.53 and 17 079.75 respectively. Note that for the means test that is at the basis of this social assistance benefit, only 90% of the pension income amount is considered. To give an example, someone living alone and receiving a pension of EUR 13 100 in March 2022, will receive a GRAPA of EUR 3 989.46, i.e. $15\,779.46 - (13\,100 - 0.1 \times 13\,100)$.

The GRAPA cannot be taken up before the age of 65.

Both pension income and the GRAPA are automatically adjusted in line with a consumer price index (so-called “Health index” that excludes some goods). Every two years, discretionary real increases are also decided upon (called “adaptations to well-being”) to ensure that the income of the elderly does not lag behind the income of the population of active age. Quite often these increases are targeted towards the GRAPA, minimum pensions or the longest-running pensions.

Voluntary private pensions

Both occupational and purely private pensions exist.

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The decision to set up an occupational pension plan, the access conditions and the benefit formula are decided upon by the organizer (i.e. the employer or sector). In that sense, occupational pensions are voluntary. However, for an individual working in an organisation with an occupational pension plan, participation is mandatory. Because it is up to the organizer to decide on the exact content of the pension plan, a plethora of pension formula exist. Hence for the modelling exercise we follow the following procedure: among those with a second pillar pension we select the individuals with wages that correspond to the three type cases. Next, for each of these three wages we select the median contribution rate. The resulting contribution rates are 1.3% for the low earner, 3.3% for the average earner and 8.6% for the high earner. These percentages are calculated based on 2019 data.

Apart from occupational pensions, also fiscally stimulated, purely individual pension products exist. Pension build-up using such products is not modelled.

Variant careers

Early retirement

Early retirement is possible at the age of 60 after 44 career years, at the age of 61 after 43 career years and at the age of 63 after 42 career years. Exceptions apply to those individuals born before 1958 with a minimum number of career years. There is no actuarial reduction in pension calculation in case of early retirement. The pension however will be incomplete in case of less than 45 career years.

Pensioners with less than 45 career years and younger than 65 are subject to an earnings-test limiting the opportunity to combine an early retirement pension with work.

Late retirement

It is possible to defer the pension after the legal retirement age in order to further build up pension rights. It is also possible to combine a pension with income from work. In that case no further pension rights are accrued.

Assimilated periods

In Belgium, an elaborate system of pension credits exists, the so-named assimilated periods, i.e. periods that one does not work but during which pension rights are nonetheless built up. Unless otherwise mentioned, the pension that is built up during an assimilated period is based on a hypothetical wage that is similar to the wage earned in the previous period of work. Two examples of assimilated periods are periods of childcare and unemployment periods.

Childcare

To take care of children two important assimilated periods exist. To take care of a child below the age of twelve, each parent has a right to maximum 4 fulltime equivalent months of parental leave during which pension rights are granted. Furthermore, within the so-called 'tijdskrediet'-scheme, a maximum of four years and three months of assimilation can be granted to take care of a child below the age of eight. In order to have access to both schemes, certain access conditions have to be met (e.g. to have access to parental leave one had to be employed with the same employer during 12 of the last 15 months). These access conditions are stricter for the 'tijdskrediet'-scheme than for the parental leave scheme.

Unemployment

Until the end of 2012, periods of unemployment were completely assimilated. Since then, the assimilation of these periods is in certain conditions less advantageous. Thus, some exceptions notwithstanding, the so-called third period of unemployment (i.e. after 4 years), is no longer assimilated using the previous wage but using the minimum right per career year. For new pensioners as from 2019, also the second period of unemployment (i.e. after 1 year) since 2017 is assimilated using the minimum right per career year. Note that there is no limit to the number of years maximally credited.

Self-employed

The self-employed are mandatorily covered by the earnings-related scheme for the self-employed. Social contributions of the self-employed (20.5% of earnings) are lower than those of employees (13.07% of earnings paid by the employee, 25% of earnings paid by the employer). Yet, the pension calculation is the same, while until 2021 the income of the self-employed was limited to 69% in pension calculation.

More precisely, self-employed individuals that perform their activity as a 'main profession' with an income below a minimum threshold (in 2022 EUR 14 658.44) pay a social contribution of 20.50% on that minimum threshold. For individuals that have an income above that threshold, the situation is as follows: 20.50% on the income below threshold 1 (EUR 63 297.86 in 2022), 14.16% on the income between that threshold and threshold 2 (EUR 93 281.02 in 2022) and no social contributions on the part of the income above threshold 2.

The rules differ for those that perform their activity as a 'main profession' [hoofdberoep/activité principale] (some 60% of the self-employed) and those that perform their activity as an 'additional profession' [bijberoep/activité complémentaire] (some 35% of the self-employed). For the self-employed ('additional profession') who combine their self-employed activity with at least half-time work as an employee, similar social contributions mostly apply as for the former group, but their minimum contribution level is substantially lower. Exceptions notwithstanding, the self-employed in an additional profession, do not build up any public pension rights as a self-employed worker.

Personal income tax and social security contributions

Taxation of pensioners

There are no special credits or allowances for pensioners.

Taxation of pension income

After withholding social contributions, pensions are subject to income taxation. First pillar pensions are taxed as earnings, be it that a tax reduction is granted. The exact implications of these tax advantages differ according to marital status and the division of the pension income between the couple. For individuals without a dependent spouse, no taxes are due if the yearly pension does not exceed EUR 16 690 (income year 2022).

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. In 2022 these thresholds were EUR 1 699.84 (January and February), EUR 1 733.83 (March and April), EUR 1 768.51 (May, June and July), EUR 1 803.9 (August, September and October), EUR 1 839.96 (November) and EUR 1 876.80 (December) for a pensioner without dependents; for a pensioner with dependents these amounts were EUR 2 014.55, EUR 2 054.83,

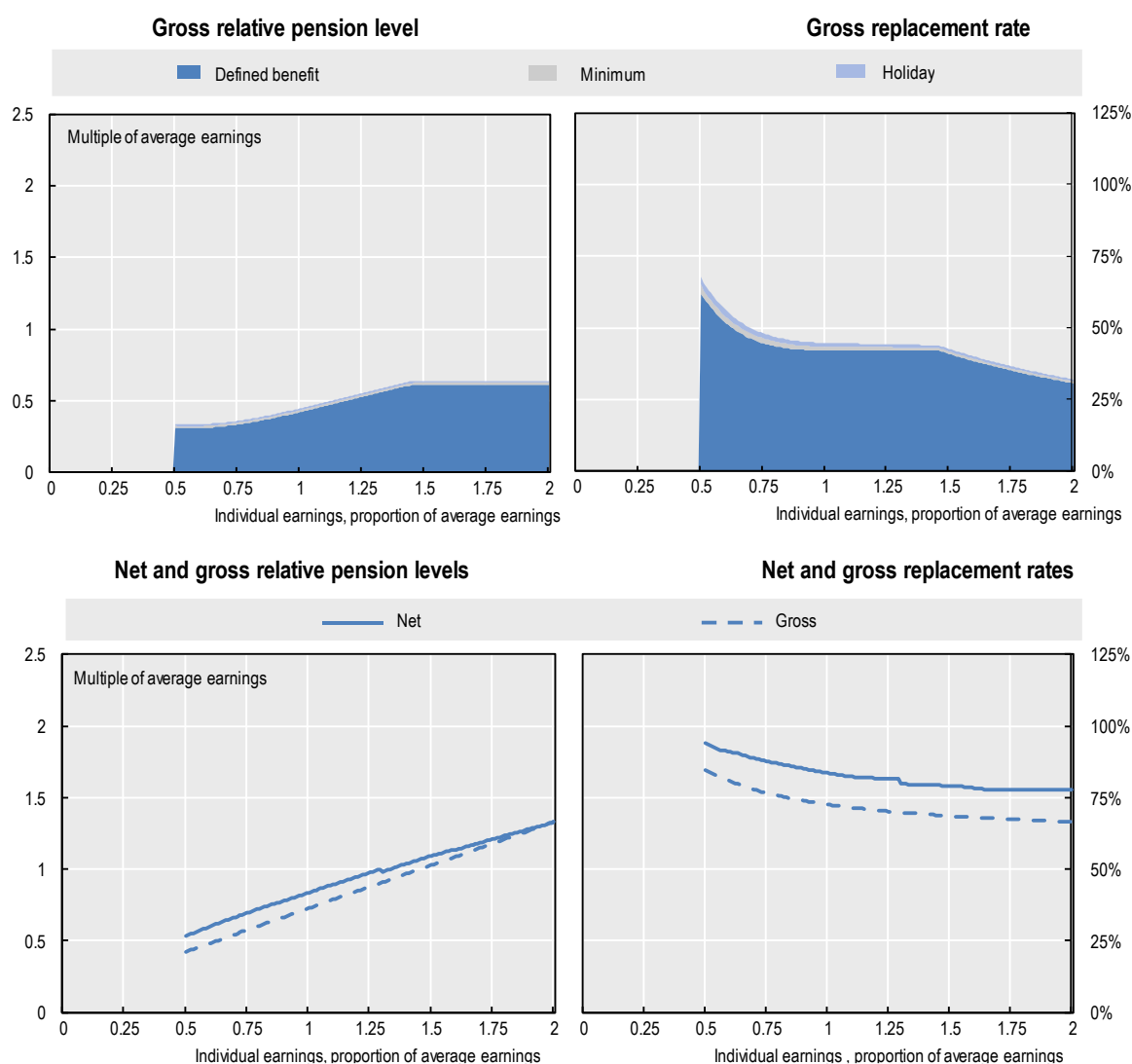
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EUR 2 095.92, EUR 2 137,90, EUR 2 180.60 and EUR 2 224.26. The effect of the contribution cannot lead to a pension payment inferior to this monthly amount.

There are also 'solidarity' contributions that are levied on all pensions, except the purely private ones, which exceed a certain monthly amount. For pensioners without a dependent spouse these amounts were EUR 2 753.12 (January and February), EUR 2 808.19 (March and April), EUR 2 864.35 (May, June and July), EUR 2 921.64 (August, September and October), EUR 2 980.07 (November) and EUR 3 039.67 (December). For pensioners with a dependent spouse the amounts were respectively EUR 3 182.96, EUR 3 246.62, EUR 3 311.55, EUR 3 377,78, EUR 3 445.33 and EUR 3 514.24. This contribution ranges between 0.5% and 2% of the gross pension. The effect of the contribution cannot lead to a pension payment inferior to this monthly amount.

Holiday payments are taxed as pensions but are not subject to the 'solidarity contribution' and to the above-mentioned 3.55% contribution.

Pension modelling results: Belgium in 2067 retirement at age 67



Men Women (where different)	Individual earnings, multiple of average					
	0.5	0.75	1	1.5	2	3
Gross relative pension level (% average gross earnings)	33.8	34.8	43.5	62.8	62.8	62.8
Net relative pension level (% net average earnings)	53.8	54.6	60.9	75.7	75.7	75.7
Gross replacement rate (% individual gross earnings)	67.7	46.3	43.5	41.8	31.4	20.9
Net replacement rate (% individual net earnings)	84.3	66.8	60.9	56.7	45.1	32.0
Gross pension wealth (multiple of individual gross earnings)	13.0	8.9	8.4	8.0	6.0	4.0
Net pension wealth (multiple of individual net earnings)	16.2	12.8	11.7	10.9	8.7	6.2
	17.7	14.0	12.8	11.9	9.5	6.7

Assumptions: Real rate of return 2.5%, real earnings growth 1.25%, inflation 2%, and real discount rate 1.5%. All systems are modelled and indexed according to what is legislated. Transitional rules apply where relevant. DC conversion rate equals 90%. Labour market entry occurs at age 22 in 2022. Tax system latest available: 2022.