

# Old age protection in Belgium

A very short introduction



# The organization of old age protection

- pension system
  - on basis of contributions
  
- social assistance for the elderly
  - on basis of need (after means-test)

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- pension system
  - on basis of contributions
  - three pillars (pillar 1, pillar 2, pillar 3)
- social assistance for the elderly
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# The first pension pillar

- most important pension pillar for most people
- organized by government
- basic structure:
  - each year of work  $1/45^{\text{th}}$  of 60% of gross wage (a gross pension of 1.33% of gross wage)
  - all wages are adjusted to inflation
  - after 45 year career: gross pension of 60% of (price indexed) individual's gross average wage
  - pensions benefit from a tax reduction

# The first pension pillar

- If dependent spouse: 75% of wages
- minimum for individuals with low wages:
  - amount dependent on number of career years
  - after 45 years: €1200 [148,000 ISK]
- maximum (net) pension: €1780 [217,000 ISK]
- similar pension build-up during periods of unemployment, invalidity etc.  
(±30% of all pension build-up is assimilated)

# The first pension pillar

- pension age: 65 (66 in 2025: 67 in 2030)
- early retirement in 2018 (from 2019 onwards)
  - 60 after 43 (44) career years
  - 61 after 42 (43) career years
  - 63 after 41 (42) career years

# The second pension pillar

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- many employers and sectors set up pension schemes of their own
- financial management by insurers or pension funds
- fiscally stimulated by government

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presentation 2: 'tax expenditures'

how much does this fiscal stimulation cost?

how are the fiscal benefits distributed?



# The second pension pillar

- not everyone has access (some 45% of recent retirees)
- no maximum contribution
  - very unequal distribution second pillar pensions
  - median lump sum: €40,500 [5 million ISK]
  - 1 percent receives a lump sum of 1 million euros or more [120 million ISK] (= 66% with the lowest lump sums)

# The third pension pillar

- purely individual savings products
- financial management by banks or insurers
- fiscally stimulated by government
- individual decides if he/she wants to contribute:  
less than 50% participates
- maximum contribution: less unequal than  
second pillar

# Social assistance for the elderly

- granted if income pensioner ...
  - < €720 [88,000 ISK] (living together)
  - < €1080 [132,000 ISK] (living alone)
- income supplement is granted until above thresholds are met
- on the basis of means test
  - not only pension income, but all sources of income
  - assets are converted into income

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presentation 1: 'non take up'  
many pensioners do not get what  
they are entitled to