IGP Country Profile
Belgium

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Customary employee benefits

Death benefits

Spouse's pension benefits

Pension

Normally 50% to 75% of projected or actual retirement pension.

Lump Sum

Formerly, plans provided a pre- and post-retirement widow's pension of 50% to 80% of:

- Paid retirement, or
- The prospective retirement pension calculated on the assumption that the employee would have been employed until normal retirement on the basis of the last determined pensionable salary.

The lump sum benefits provided are generally considered minimum guarantees or apply to employees who have not yet met the eligibility requirements for coverage under the pension and widow's benefit plan.

More recent plans provide for lump sum death benefit (term life) coverage of one- or two-times salary instead of a pre-retirement pension.

Orphans' pension benefits

Pension

- 10% to 20% of projected retirement pension, normally payable until age 18, 21, or 25.
- A percentage of salary (e.g., 5%).
- A lump sum equal to 25% or 50% of pensionable salary S.
- The pension is doubled for full orphans.

Lump Sum

More frequently, a combined formula is used for lump sum death and orphans' benefits.

- Cohabiting/married: 200% S + 25% S per dependent child
- Single: 100% S + 25% S per dependent child

Where S equals the pensionable annual salary.

Eligibility

Orphans' pensions are generally payable until age 18 or 21; however, children who are 21 to 25 years of age and are continuing their education, or who are physically or mentally disabled, may continue to receive the pension benefit.

Disability benefits

Benefits

With regard to Social Security reimbursements, the occupational incapacity benefit is determined either by the step-rate or by the offset method.

- Step-rate means a percentage of the salary up to the ceiling of € 53,258.40, and another, generally higher percentage of the portion of salary exceeding the ceiling.
- The percentage applicable to the salary up to the Social Security ceiling ranges from 10% to 20%, and the percentage on the portion in excess of the ceiling ranges from 60% to 80%. It is important to note that due to the change of Social Security reimbursement after one year of disablement, the aggregate occupational incapacity benefit will change (it will generally decrease).
- The offset method avoids any reduction in disability benefits. In this case, the change in Social Security benefits will be "absorbed" by the insurer's benefit in order to provide a constant disability pension.

Waiver of group life and pension premiums is also generally provided.

The disability benefits are determined according to the economic disability rating:

- Under 25%: no benefits are paid.
- Between 25% and 67%: benefits are paid in proportion to the degree of disability.
- Over 67%: 100% of the benefits are paid.

Waiting period

Minimum 30 days, since the first month of disability is compulsory paid by the employer.

Medical benefits

Benefits

AG Insurance and other Belgian insurers offer an unlimited hospitalization cover. These covers were introduced in 2000 (and renewed in 2015) at the request of employers who want to provide their employees with a more comprehensive cover. Formerly, AG Insurance offered a Major Medical Hospitalization limited to twice the Social Security reimbursement. This formula still exists, but to a lesser degree.

Employers have the possibility to add an additional out-patient insurance for their employees.

The hospitalization product and the out-patient product provide cover as follows:

Unlimited cover

Hospitalization coverage

The limits of reimbursements after deduction of the Social Security benefits are as follows:

- Cost of hospital stay, doctor's fees, examinations, trreatments and the cost of drugs: unlimited
- Prostheses, orthopaedic appliances:
  - Unlimited when reimbursed by the National Health Service (NHS)
  - Up to € 5,000 when no reimbursement by the NHS

Out-patient expenses

Out-patient expenses are covered for a 1 month' pre-hospitalization and for a 3 months' post-hospitalization period, with an option to extend to respectively 2 and 6 months.

- Doctor's fees, examinations and treatments: unlimited
- Drugs: If prescribed
- Prostheses, Orthopaedic Appliances:
  - Unlimited if reimbursed by the NHS.
  - Up to € 5,000 when no reimbursement by the NHS

Serious diseases

- The cover of serious diseases provides for reimbursement of the same benefits as included in the out-patient expenses.
- Limited list of 30 diseases
- No deductible

Medi-Assistance

Third party payment system with extended covers such as household aid, transportation, babysitting services, etc.

Out-patient medical cover

The limits of reimbursements after deduction of the Social Security benefits and reimbursements of the unlimited cover are as follows:

- Costs of medical, paramedical, and dental treatments, prescribed drugs, medical appliances (prostheses, medical bandages, etc.), glasses and contact lenses: reimbursed up to 80%
- Costs of dental prostheses (including bridges, crowns and implants) and frames of glasses: eeimbursed up to 80%

Total reimbursement is limited to an annual ceiling (€ 500 - € 1,250 - € 2,500).

Retirement benefits

Benefits

Most plans are on a career average basis, but some plans are on a final pay pension formula; i.e.

- Average of the last three or five years, or
- Average of the best three (or five) during the last five (or ten) years.

Typical plans provide a pension of 66% to 75% of final average earnings after a full career, integrated with Social Security. This integration is usually achieved by the "offset" or by the "step-rate" methods.

- Most plans are based on the "step-rate" lump sum formula. Example: 3.6% to 8.4% of salary up to the Social Security benefit ceiling plus 15% to 24% of that part of salary in excess of the same ceiling, per year of service (maximum 40 years).

- Some plans still use the "offset" pension formula. Example: For each year of pensionable salary (maximum 40 years), 1.5% to 2.0% of salary minus 1/40th of the projected Social Security retirement pension.
- A few years ago, AG Insurance introduced a new approach to increased life expectancy, the result of which increased the cost of providing pensions on an annuity basis, since those pensions will require higher lump sums to service them. For this reason, AG Insurance recommends expressing the benefits of a pension scheme in the form of lump sum amounts. Example: (200% S1 + 700% S2) n/40
  - S1 = that part of the pensionable salary up to the Social Security benefits ceiling or ceiling fixed by the employer.
  - S2 = that part of the pensionable salary exceeding the ceiling.
  - n = number of years and full amounts of pensionable service.

  This formula has the advantage of being transparent so the client can calculate the benefit.

Most companies have opted for a defined contribution approach.

Eligibility

In Belgium, the retirement benefit must be settled at the moment of legal retirement.

Additional information

Legal provisions

In general, the decision to introduce, modify, or repeal a pension commitment exclusively depends on the competence of the employer. However, in case of individual contributions of an employee to the financing of the pension commitment and provided that the pension plan applies to all employees, the decision must be made:

- By a Collective Labor Agreement (CLA) if there is a worker's council, a committee for prevention and protection at work, or a trade union delegation within the company;
- By means of a modification to the settlement of work in the other cases.

Conditions of participation

- The law on supplementary pensions (LPC/WAP) was adapted following the law of June 27, 2018. As of January 1, 2019, workers who are members of a pension commitment immediately acquire supplementary pension rights.
- Effective with the participation, a medical examination can only be imposed in the following cases:
  - If the participant is free to choose the extent of the death cover
  - If the death-in-service benefit is at least 50% higher than the capital in the event of life at retirement age
  - If 10 workers or less are affiliated to the pension commitment
- The person to be affiliated cannot be excluded from the pension commitment on the basis of the results of a medical examination.

Employee categories

Any form of discrimination among employees is prohibited. In other words, if a pension commitment is concluded for a specific employee category, this category must be defined in the regulations and cannot be discriminatory. Any distinction, which does not rest on an objective criterion, and which is not reasonably justified is regarded as illicit.

Right of refusal in the event of introduction or modification of the pension commitment

The employee already in service at the time of the introduction of a pension commitment can refuse to be affiliated, except if this pension commitment was founded by Collective Labor Agreement (CLA), and if the Collective Labor Agreement does not contain a provision explicitly denying the option to decline affiliation.

The option to decline also exists in the event of modification of an existing commitment, if it involves an increase of the employee's obligations. The refusal is not authorized if the modification of the pension commitment was established by a collective labor agreement, except in cases where the CLA explicitly states this.

Acquired reserves and benefits

In the event of termination, the employee can claim the reserves and benefits acquired within the framework of the pension commitment of their employer, in accordance with the regulations:

Immediately, for the part built up by the employer's and employee's contributions

The law on supplementary pensions (LPC/WAP) was adapted following the law of June 27, 2018. As of January 1, 2019, workers who belong to a category of personnel for whom a pension commitment has been introduced must join immediately upon entry into service.

Guaranteed return

Since January 1, 2016, the employer-guaranteed minimum return earned on contributions is a variable percentage linked to the average yield on 10-years Belgian government bonds (OLO) over the last 24 months. Instead of the previous guaranteed returns of 3.25% (for employer contributions) and 3.75% (for employee contributions) in existence since 1996, there is now one single percentage ranging from a minimum of 1.75% to a maximum of 3.75%. This compulsory guaranteed return on contributions is now at 1.75%.

The return is to be guaranteed by the employer in case of:

- Transfer of the acquired reserves after a termination, i.e., at the end of the employment contract (before retirement)
- Retirement
- Revocation of the pension commitment.

Employer and employee contributions

The cost of the retirement plan is generally shared between the employer and the employee. The employer usually bears the total cost of the death plan.

The employee's contribution to the retirement plan is usually a percentage of his or her salary up to the Social Security ceiling (0 to 2%), plus a percentage of the excess (5 to 7%).

Vesting

Employees have an immediate vested right to private benefits secured by employee's and employer's contributions.

Surrender, conversion to an annuity and termination

Surrender

The acquired supplementary pension reserves will be paid out upon effective legal retirement.

Any Surrender before effective legal retirement is possible:

- When the participant has reached the statutory retirement age of 65;
- When the participant meets the eligibility requirements for early statutory retirement.

And insofar this possibility is foreseen in the pension regulations.

Under certain circumstances, it will be possible to receive the acquired reserves as of the age of 60. This possibility is foreseen in the pension regulations on December 31, 2015;

- as of the age of 63 if the participant was older than 55 in 2016.
- as of the age of 62 if the participant was older than 56 in 2016.
- as of the age of 61 if the participant was older than 57 in 2016.
- as of the age of 60 if the participant was older than 58 in 2016.

Conversion to an annuity

The employee (or the beneficiaries in the event of death) has (have) the right to ask for the conversion to an annuity when the pension commitment relates to the payment of assets. The modalities of conversion to an annuity are laid down by royal decree.

Termination

In the event of expiration of the employment contract, other than by death or retirement, the employee has several options:

- He or she can leave the reserves in the existing pension commitment. This option is the choice that will be taken into account if an employee does not confirm his/her choice.
- He or she can transfer the reserves into a hosting structure. This hosting structure is a retirement and death insurance offered by the employer and is specifically created for managing the reserves.

- He or she can transfer the reserves into the insurance fund of AG Insurance - Employee Benefits mentioned in the Royal Decree with regard to the attribution of extralegal benefits to employees stated in the Royal Decree n°50 dated October 24, 1967, relating to the survival and retirement pension of salaried employees
- He or she can transfer the reserves to the pension institution of the new employer

Transfers are only possible if the employee did not take up an advance or does not have a mortgage.

Funding

Death benefits before retirement

Death benefits before retirement are usually funded through one-year term life insurance. They are always based on individual capitalization, which mostly includes the mortality dividend.

In case of death before normal retirement, the benefits insured are increased by a minimum profit sharing equal to a percentage of the amount insured by the policy. This percentage is determined yearly and currently amounts to 25% (provisionally).

The profit sharing granted in case of death is paid at the date of the insured's death.

Retirement benefits

Before January 1, 1993, retirement benefits were normally funded with deferred lump sums based on individual capitalization (individual allocation) and according to a guaranteed tariff (guaranteed interest rate, guaranteed mortality table, and guaranteed expenses and loadings).

Since January 1, 1993, it has also been possible to fund defined retirement benefits through collective capitalization (unallocated funding) on the portion paid by the employer.

Retirement benefit contributions, whether funded by collective or individual capitalization, can be invested in different ways:

Branch 21

Contributions are capitalized according to the tariff. On top of the guaranteed interest rate, an annual profit sharing can be payable.

Pension insurance contracts generally cover long periods of time. Notwithstanding the great progress statistical sciences have made, it is impossible to forecast, with satisfactory precision, the evolution of mortality over such long periods. It is even more difficult to estimate the return on investment guaranteeing the mathematical reserves of such contracts.

This is the primary reason why the Insurance Control Authorities impose such strict rules on insurance companies with regard to the selection of the technical basis of their tariffs and the choice of their investment policy.

Thus:

1. Legally, the tariffs are to be based on a maximum interest rate of 2%.
2. The mortality tables to be used refer to the period 1988 1989 (total Belgian population per last national census).

Profit sharing is calculated annually and added to the lump sum insured.

- The dividends are tax free when they are paid together with the benefits.
- The accrued interest dividends are paid at the retirement date. In case of surrenders, the post 1985 accrued dividend is vested.

Note:

For a defined benefit plan, the dividends may be used to reduce the cost of death and retirement benefits. The reduction can be obtained in two different ways:

- Insured benefits are adjusted each year according to the accrual of dividends so that the total amount paid (profit sharing + insured benefits) is equal to the final benefits described in the plan;
- For employer's contracts only: Dividends are refunded to the employer on a yearly basis (and thus not capitalized with the insurer). However, under this alternative, the advantage of a tax-free dividend benefit is lost.

Branch 23

As of 1993, group insurance can be linked to investment funds. The Royal Decree, which handles the activity of life insurance, allows the use of investment funds as a financial vehicle.

The insurer takes care of all financial, actuarial, administrative, and accounting tasks.

The insurer does not guarantee a minimum interest rate. Yet, the client receives (after deduction of financial fees) the total return on investment. The funds are composed of different financial assets, such as shares, bonds, or cash.

Trends

Increasing success of the 2nd pillar

The number of Belgians with a complementary pension from the 2nd pillar is still higher than the number of Belgians with a complimentary pension in the 3rd pillar. Even though the majority chooses branch 21 solutions, there is an increasing appetite for branch 23 investments for new subscribed 2nd pillar plans.

Investment choices for employees regarding pension funds are possible. However, limited in practice due to the required employer guarantee of 1.75%.

As in all other countries, there is an evolution towards DC. New plans are mainly DC. In 2022, a total of 79% of all the affiliations in a 2nd pillar pension plan is in the form of a DC plan (source: FSMA 01.01.2022).

Flex Plans

We experience an increasing success of cafeteria plans. In 2016, 22% of the employers offered cafeteria plans. Nearly all cafeteria plans offer death coverage and only a small percentage offers choices, also for disability and health coverage. However, 68% of the employers are planning to offer flexible pension & health benefits in the future.

Increasing costs of medical expenses due to ageing population and new medical techniques

Private health insurance is an increasing success with 8 million citizens insured. 35% has a complementary health insurance with a "mutuelle".

Please refer to the following articles that appeared in IGP Network News:

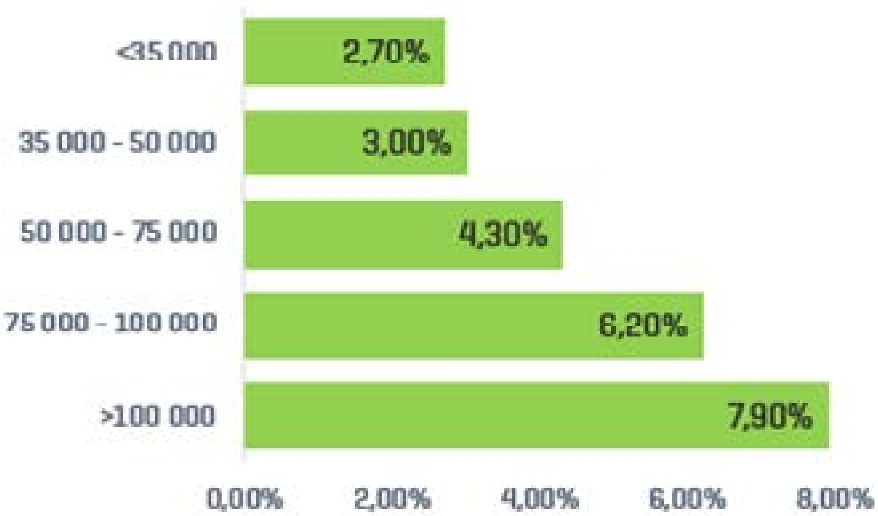
Pension rate rises to 2.50% - key employer info (2024)

Group Income Protection insurance: trends and data (2024)

AG's benchmark study on supplementary pensions (2023)

Typical employee benefits plans and benchmarking

The salary of the affiliate has an impact on the contribution rate (DC-plans):



Depending on the sector you work in, the salary will be higher or lower than in another sector. So, the contribution rate is also determined by the sector you work in:

Useful links

Demographic information and macro-economic indicators
CIA World Factbook (please select the country to review)
World Bank Group (please select the country to review)

Social security
https://socialsecurity.belgium.be

Federal pensions service:
www.sfpd.fgov.be
(available in Dutch/French)

Birth grants and family allowances
www.belgium.be
(available in Dutch/French/English)

More information on AG

Your Local Link to IGP in Belgium
Go to partner page on www.igpinfo.com

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