

## Belgium

An earnings-related public scheme with a minimum pension and a means-tested safety net.

### Qualifying conditions

With 30 years' contributions, the pension can be claimed at 60 under the 2002 rules. This contribution condition will increase to 32 years in 2004 and 35 years from 2005. Since a full-career worker from age 20 will meet this condition, the modelling assumes that people draw the pension from age 60.

Normal pensionable age is 65 for men. For women, the eligibility age in 2002 was 62. It will increase to 63 in 2003, to 64 in 2006 and 65 in 2009.

### Benefit calculation

#### *Earnings-related*

The full replacement rate for a single pensioner is 60% and for those with a dependent spouse, 75%. The earnings measure is average lifetime pay. Earlier years' earnings are revalued in line with prices. Thus, replacement rates on the measure used in the modelling are lower than this target level due to real earnings growth over the career.

The full replacement rate is paid provided the qualifying conditions above are met. For shorter contribution histories, the pension is proportionally reduced.

There is a ceiling to pensionable earnings of EUR 39 368 for 2002 (around 125% of average earnings). This ceiling was frozen in nominal terms between 1982 and 1999.

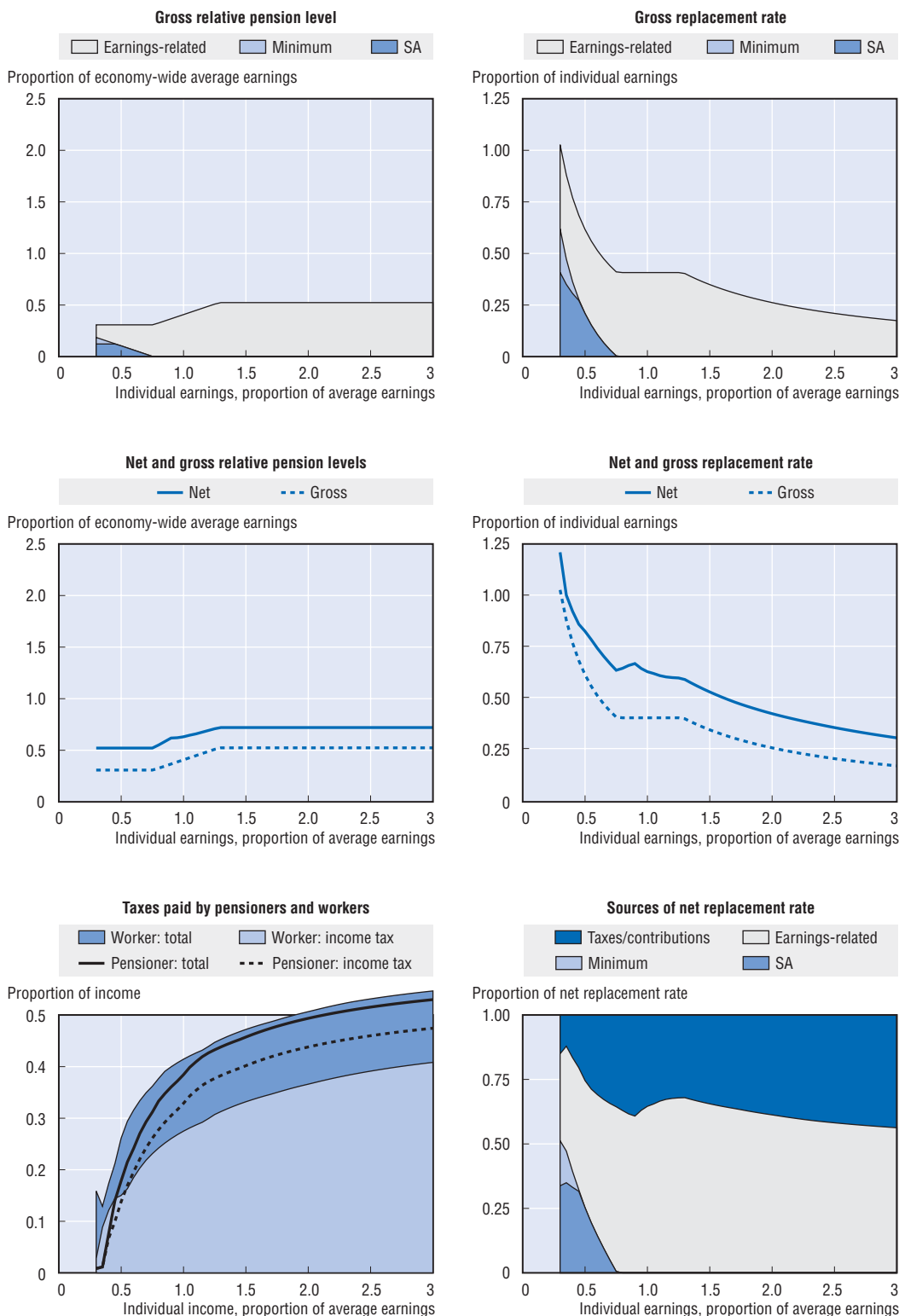
Pensions in payment are uprated in line with a consumer price index (that excludes some goods). There have also been discretionary real increases (called "adaptations to well-being"). However, these increments have recently been very limited (either to the lowest or the longest-running pensions).

#### *Minimum*

There is a minimum annual credit designed to increase pension entitlements for people with low earnings and/or in part-time work. Annual earnings of less than EUR 13 956 (equivalent to around 45% of average earnings) are inflated to this level. To qualify for the minimum credits, at least 15 years' insurance is necessary. (This gives an effective minimum pension for a full-career worker of EUR 11 495 for a single person, worth 37% of average earnings.)

There is also a minimum earnings-related pension of EUR 9 438 for a single person (EUR 11 794 with a dependent spouse) meeting the full contribution condition. For a single person, this is around 30% of average earnings. The benefit value can be reduced

### Pension modelling results: Belgium



Source: OECD, based on information provided by the countries.

proportionally for less-than-full careers, but only if the beneficiary has a minimum of two-thirds of the full number of years. The minimum pension is, in principle, indexed to prices, excluding certain goods. Benefits are only increased if cumulative inflation exceeds a certain threshold (2%).

Pensioners will receive the higher of the minimum pension described here and the pension calculated according to minimum annual credit.

### **Targeted**

The safety-net income for the elderly is EUR 7 163 for a pensioner living alone and EUR 4 775 for an older person living with others. Indexation is again to prices excluding certain goods.

## **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, gives entitlement to a tax reduction of EUR 1 590 for a single person and EUR 1 850 for a married couple. 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 earned income of EUR 5 000, will receive only half of the basic amount. The second restriction is related to total ATI. If ATI is less than EUR 17 580, the whole reduction applies. Above EUR 35 160, 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 EUR 35 160 – ATI divided by EUR 17 580. The overall effect is that there is no tax liability if pension income does not exceed EUR 11 849. 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. However, the net pension may not be lower than EUR 1 023 per month for single pensioners and EUR 1 221 for pensioners with dependents.

There are also “solidarity” contributions that are levied on all pensions (public, occupational and private) which exceed EUR 13 401 per annum for single pensioners and EUR 16 751 for pensioners with a dependent spouse. This contribution ranges between 0.5% and 2% of the gross pension.

### Pension modelling results: Belgium

Men	Individual earnings, multiple of average					
Women (where different)	0.5	0.75	1	1.5	2	2.5
Gross pension level <i>(% of average earnings)</i>	30.8	30.8	37.3	47.9	47.9	47.9
Net pension level <i>(% of average net earnings)</i>	52.1	52.1	62.8	68.4	68.4	68.4
Gross replacement rate <i>(% of individual earnings)</i>	61.6	41.1	37.3	31.9	23.9	19.2
Net replacement rate <i>(% of individual net earnings)</i>	82.7	63.8	62.8	50.6	40.6	34.2
Gross pension wealth <i>(multiple of average earnings)</i>	5.5 <i>6.3</i>	5.5 <i>6.3</i>	7.3 <i>8.4</i>	9.4 <i>10.7</i>	9.4 <i>10.7</i>	9.4 <i>10.7</i>
Net pension wealth <i>(multiple of average net earnings)</i>	9.3 <i>10.7</i>	9.3 <i>10.7</i>	11.3 <i>12.9</i>	12.9 <i>14.8</i>	12.9 <i>14.8</i>	12.9 <i>14.8</i>

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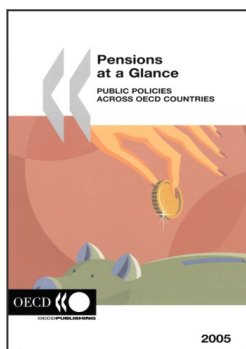
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