



# Pension reform in Belgium: a real “stop and go” policy?

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JOZEF PACOLET – EUROPEAN SOCIAL POLICY NETWORK

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*The Belgian governmental agreement for 2014-2019 included a long list of changes to the pension system. Many of these have since been implemented. The most striking reform was the increase in the legal pension age to 66 by 2025 and 67 by 2030. The focus of this Flash Report is on less outstanding aspects where substantial changes have occurred (transparency, broadening of the coverage of second pillar pensions), or are still being discussed (the definition of arduous jobs and the introduction of a notional point system, including linkage of the legal pension age to life expectancy)*

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## Description

The Belgian governmental agreement for 2014-2019 aimed to increase further the transparency of the pension system. “MyPension” is an electronic platform, launched back in 2010 by the National Pension Office, which allows electronic communication with present and future pensioners and gives them access to all the relevant information on their pension record. Since December 2016, information has been available to both employees and the self-employed on all their entitlements to a second pillar pension, in “My complementary pension”. Since July 2018, future pensioners can simulate the impact of earlier retirement on their (gross and net) monthly pension. By the end of the year 2018, it will be possible to simulate the impact of the option to include (against payment to the State) years in education in the calculation of the pension amount.

For decades, Belgian governments have wished to encourage second pillar pensions. The present government has continued with the aim of “making the second pillar more democratic”. Several initiatives have been taken to implement this strategy: for certain public sector contractual employees, an option for a second pillar pension has been introduced to bring their pension more in line with civil servant pensions for the statutory personnel; access to second pillar pensions has been improved for the self-employed; more recently, minimum age and career

requirements have been dropped from pension plans; and finally, a bill has been adopted on a “voluntary supplementary pension for employees”.

In March 2018 (Bacquelaine, 2018a), a first draft of a bill on arduous jobs was adopted by the Government. For a job to be considered “arduous”, four aspects have to be assessed:

- At least one of the three following conditions has to be met: demanding working conditions due to physical strain, demanding work organisation and/or demanding work due to increased safety risks.
- A fourth element (mental or emotional strain) can be an aggravating factor but does not need to be met for a job to be considered arduous. If the worker has a recognised disability - a condition related to the individual and not the job - their job is also more likely to be considered arduous.

For civil servant pensions, the Pension Minister announced in May 2018 (Bacquelaine, 2018c) that he had reached an agreement with two of the three unions that the four (in fact three plus one) “principles” for arduousness listed above would be used to draw up a specific list of jobs that could be considered arduous. This needs to be confirmed by the government, especially since this agreement could have a substantial impact on the list of such arduous jobs in the private sector.

Some political parties, employers' organisations as well as academics criticised this list (Van den Broek, A., Galle, C., 5 June 2018). The discussion continued, and at the end of July 2018 a revised bill on arduous jobs was adopted by the Government, including the chapters on private salaried workers and the self-employed. A specific list of arduous jobs for which a preferential pension regime will be applicable is promised for after the summer of 2018, and the new system would start from 2020 (Bacquelaine, 2018e).

The Belgian governmental agreement also planned the introduction of a new way of calculating pensions, based on a "notional point" system: pension points would be earned depending on the number of years worked and income earned, with improved minimum rights and maintained maxima. This was to have been voted on during this governmental term, and should have started from 2030. Related to this is the automatic linkage of the legal pension age to life expectancy. In an April 2018 interview, Minister Bacquelaine declared that the decision might be passed on to the next government (Belga, 2018). However, after a trade union demonstration against the pension reforms in Brussels in May 2018, he declared in Parliament that he wished to reopen the debate with the social partners and the Academic Council on Pensions (Bacquelaine, 2018d).

## Outlook & commentary

The increasing transparency, giving future pensioners a better idea of their entitlements to first and second pillar pensions, will make individuals more aware of the adequacy of their pension, and should help them make proper retirement decisions. It is a major step forward.

The present government has continued the efforts to broaden the coverage of the second pillar. The most recent information

available shows a further increase, but at the same time reflects fragmentation of coverage. For some 1 million of the 3.66 million persons entitled to a second pillar pension in 2016, no active contributions were made in that year (MyPension/Mijn aanvullend pension, press release). Although the coverage has been extended, there has been no deepening. This is also indicated by the total reserves in these funded pensions, which have not increased substantially as a percentage of total GDP (Pacolet, forthcoming). This confirms the recent assessment made of the law on complementary pensions (2016): "it is all about money", about additional contributions to the financing of second pillar pensions (Jansen, S., 2016). The progress does not seem to be whole-hearted.

On the principles defining arduous jobs, significant progress has been made for civil servants. In line with the growing aim to harmonise private and public pensions, the list of arduous jobs, based on those principles, would also be applicable to the private sector. But the private sector employers' organisations reacted that this would stretch the coverage of the "arduous jobs" notion too far and therefore make them unaffordable. The debate is expected to resume after the summer of 2018.

Finally, the discussion on introduction of a pension system based on notional points seems to be being passed on to the next government, including the legislation that would link the legal pension age to life expectancy. Due to the apparent complexity of the new system, it might not even contribute to more transparency. Moreover, it may not even be needed, given the substantial progress made with "MyPension" and "My occupational pension". Any reforms, however, would only become applicable from 2030, so there is still some time to go, and meanwhile consultation on this issue will also be reopened.

## Further reading

Bacquelaine, D. (2018a), Press Release, 30 March 2018, "Zware functies: de Kern keurt het voorontwerp van wet goed in eerste lezing".

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Bacquelaine, D. (2018d), Belgische Kamer van Volksvertegenwoordigers, "Integraal Verslag Plenum vergadering 17 May 2018".

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FOD Kanselarij van de Eerste Minister (2018), Press Release, 20 July 2018, "Instelling van een vrij aanvullend pensioen voor de werknemers (VAPW)".

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MyPension/Mijn aanvullend pensioen: Available here

Pacolet J. (forthcoming), "Groeï en verdeling. De Lucas-optie", Belgisch Tijdschrift voor Sociale Zekerheid, 2017/4.

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## Author

[Jozef Pacolet](#) (KU Leuven (HIVA – Research Institute for Work and Society))