National report - Belgium

ETUC SociAll Project

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Executive summary[1]

Belgium is characterised by a three-pillar pension system: a first pillar of the mandatory public pension scheme, a second pillar of occupational pensions and a third pillar of individual pension saving. The first pillar is organised along socio-economic regimes of workers, self-employed and civil servants. Between those three schemes substantial differences exist in the pension level. The sustainability is improved by the increase of the legal pension age in the near future (66 in 2025, 67 in 2030). Poverty among pensioners is high but declining. The first pillar for employees is characterised by low replacement rates, even after taxation, for medium and high-income groups. For self-employed the benefits are also low, but this goes together with rather low contribution base and contribution rate. Only the pension for civil servants guarantees an adequate and decent replacement rate, that in the other schemes need to be organised by a second pillar.

The second pillar has been promoted by Belgian governments for decades, including the previous and the present government. This resulted in a substantial enlargement of the coverage. Up until now this did not guarantee for a large part of the beneficiaries a substantial increase of the income after retirement. In the first pillar for workers, there is a relatively high level of solidarity, with contributions to be paid on all income, and benefits that are based on capped wages. The first pillar for self-employed is less solidaristic because the contributions are digressive and became zero from a certain income level. The second pillar is characterised by huge inequalities, between low and high benefits, between sectors, by gender, between blue- and white-collar workers. This is also the consequence of unequal contributions for this second pillar, despite substantial but hardly documented fiscal incentives, and with relative high service costs.

There has been a persistent ambition to increase in the first pillar the low benefits. This culminated in a road map of the present government for the coming period 2021-2024 towards a minimum pension of net 1,500 euro per month. There is now also an ambition to improve the replacement rate in the first pillar, restoring the insurance principle. This will be realised among others by relieving the cap for the pension calculation. This hardly catch up with the erosion that has been taken place in the last decades. The studies and further reform proposals that will be presented by the present government will teach us how far we will evolve in a fully engaged support for the first pillar. Since only a substantial improvement of the first pillar, upward converging to the present system for the civil servants, will relieve the pressure and efforts in second pillars or even the further support for the third pillar. This seems to be also the preferred option for the trade unions.

Some of the pension policies were maintained through many governments. This is the case for the support for the second pillar, with a remarkable success in the coverage, but with insufficient success in the level. Also, the ambition to increase the real or legal age of retirement has been a continued road. For others we are confronted with a stop-go policy as is the case for a pension bonus. The road for a fully engaged support for the first pillar is still open.

Great progress is made on the individual transparency of pension rights in as well the first and second pillar. This fits in a strategy to allow the citizen to make informed decisions on his future retirement and pension plans. In this paper we provide some recent but fragmented evidence on the administration cost and social and fiscal expenditures for the second pillar. The lack of transparency

1 We thank Chris Serroyen (ACV), Celien Vanmoerkerke,(ABVV), Astrid Thienpont (ABVV) and Lisa Castelein (ACLVB) for their critical comments and constructive suggestions on the earlier version of this report. Also Josef Wöss (AK Wien) made instructive remarks. The remaining errors are the responsibility of the author.

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of the total cost and its fiscal implications remain a point of concern. They are of relevance for the trade-off between further stimulation the first pillar and maintaining the support for the second and third pillar. The previous governments started with a reform process (the Belgium's pension reform Commission 2020-2040, later transformed in a scientific committee). New reform studies and plans are announced by the present government by September 2021. At the moment of finalising this paper, a website PensionStat.be was launched to make reliable and clearly defined statistics available, to improve further transparency. It will support further research and informed policy making in the field of pensions.

1 | The National Context

Belgium is characterised by a three-pillar pension system: a first pillar of the mandatory public pension scheme, a second pillar of occupational pensions and a third pillar of individual pension saving.[2]

Three parallel, public schemes for retirement and survivor's pension exist, organised along three different socio-economic regimes covering employees, the self-employed and civil servants, including especially the education sector. They constitute the first and by far the most important pillar of the Belgian pension system. A residual public scheme guarantees a minimum income provision for older people without sufficient own resources (including pension entitlements).

The second pillar consists of a variety of occupational schemes, which since 2003 have expanded to cover about 75% of private sector employees and close to 45% of the self-employed. For also a growing number of the contractual (non-statutory) personnel in the public sector, a second pillar is installed.

The third pillar is made up of personal retirement savings and life insurance schemes that serves the same ambition of pension saving. Despite for many the third pillar, including the experts of the Pension Commission, is in Belgium not considered as part of the pension scheme, but needs to be considered as long-term saving, in acquired its place in the pension scene. Also the trade unions underline that they do not consider the third pillar as part of the pension scheme.

In appendix a1.1 the present situation of the Belgian labour market is described along those socio-professional categories. Some 4.2 million persons are active as wage earner or as civil servant or they combine a career of employed, self-employed or independent. Some 1.1 million are active as self-employed, either as main occupation, or as secondary occupation or still active after retirement. The table illustrates that despite the organisation of the pension regimes along socio-professional lines there are some ¼ mixed careers. For the present group of self-employed, it is only for 66% of them their main occupation. For some 24% of the independent workers it is their second occupation.

1.1 Statutory public pension schemes

The statutory public pension scheme is a defined pension scheme, financed as a pay-as-you go system. The statutory pensionable age for men and women is 65. From 2025 on it will be 66 and from 2030 on it will be 67. The equivalent of 45 years of seniority is normally required for eligibility to a full pension. Shorter careers will result in proportionally lower pensions. Early retirement is possible for those that began working at an early age and have completed a high number of contribution years. If they have acquired 45 years of seniority, it will be a full pension.

The first pillar is financed either from earnings-related contributions (employers/employees and the self-employed) into social security or general taxation-based subsidies directly from the state budget (civil servants). The financing of the social security pension is topped up with the so-called alternative (tax) financing and direct state subvention, as is the case for the social security in general.[3] Recent reforms of this direct state subsidy to the social security, and so also pension financing, guarantees a link between this direct state subsidy and the increasing cost of ageing. However, this link of

2 Similar overviews of the national pension system can be found in the annexes of the Ageing Report 2018 and the Pension Adequacy report. We partly base this report on our contribution in ESPN (European social policy network) for the Pension Adequacy Report 2018 and several updates of the ongoing pension reforms in the country fiches for Belgium for this ESPN Network.

3 See Pacolet (2019) and Desmet, R., Tarantchenko, E. ,Van den Bosch, K., (2021).

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the financing to the cost of ageing is conditional on a significant increase in the effective retirement age (an increase of six months each year) and real GDP growth of minimum 1.5%.[4]

For employees and self-employed, pension benefits are calculated as 60% of the capped average adjusted wage or business income over the contributory career. When the retiree has a dependent spouse with no or low own pension income the percentage is raised to 75%. Because the calculation base is capped, no formal maximum pension is defined but is dependent from the capped income in the past used for calculating the pension entitlements. Also, for the civil servant pension an absolute cap is provided. The further discussed second pillar is also capped in the sense that the fiscal and social contribution incentives to provide those additional benefits are limited to acquire in total (first and second pillar combined) 80% of the last gross income. At the same time an extra contribution is levied on contributions for the second pillar above a certain maximum.

A large category of the self-employed are only engaged as a secondary occupation. Normally they do not build up additional pension rights on top of their pension in their first occupation. When they pay social contributions as in the main occupation, they can build up pension rights.

For civil servants, pension benefits are calculated on the basis of the average wage over the last ten years in service with a maximum of 75% of the final wage.

All three systems can take into account periods for which no contributions have been paid (so-called 'assimilated periods' such as unemployment, illness, childcare, ...). The crediting is arranged differently in the different systems and differs also in function of the type of period to be credited.

In the framework of social assistance, residents older than 65 have the right to a means-tested *minimum income guarantee for elderly persons* (the IGO/GRAPA).

Pension benefits are indexed to consumer prices. Additional adaptations to wage developments are possible through the 'prosperity bonus' negotiated with the social partners, that imply a regular adaptation of the current pensions to the evolution of the general living standard, including prioritising the improvement of the low pensions. For civil servants the 'perequation' mechanism ensures that benefits are adjusted in line with the evolution of standard wages of civil servants.

Until 2014, the survivor's pension amounted to 80% of the benefit of the deceased calculated at the 'family rate' (75%). Eligibility for survivor pensions started at age 45. Since 1.1.2015, the system was reformed and this minimum age will increase to 50 by 2025 and 55 in 2030[5] Widows/widowers below that age will receive a temporary 'transition benefit' of one year (two in the case of dependent children).

Whereas for civil servants the pensionable age also functions as a mandatory retirement age, in the private sector it is not compulsory to retire at the pensionable age. Moreover, the retirement pension can be combined with income from work. Financial incentives to work longer still include an 'age supplement' for civil servants after the age of 62 and a 'pension bonus' for employees and self-employed. Those systems have been in place for the civil servants from 2000 on, and for employees and self-employed since the Generation pact in 2005. In 1.1.2014 this system was reformed and an new progressive amount system was put into place that applies to the three pension schemes (employees, self-employed and civil servants) equally, with an earliest possible age acquiring the bonus corresponding to the earliest possible early retirement age of the individual concerned. However, this system was again abolished on 1.1.2015 by the Government Michel I, with the exception of already built-up rights. The new Government De Croo proposes again to introduce a pension bonus. It illustrates a stop go -policy on this matter.

There are in 2018 some 2.1 million beneficiaries for either an old age pension or a survivor's pension in the public pension regime of wage earners or self-employed (see appendix a1.2). Some 1.3 million have only a pension of a salaried worker, only 98 thousand have only a pension as self-employed and 745 thousand combine a pension of either salaried worker, self-employed or civil

4 See Pacolet (2019) and Lambert, L., Van Cutsem, P. and Feltesse P.(December 2019).

5 This does not apply for the survivors that did not, or not enough, participated in the labour market when the spouse died.

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servant. More mixed situations appear, but that is not only the result of the career in the past, but also because here old age pensions and survivor pensions appear combined. On top of that, there are some additional benefits or pension regimes as the means tested guaranteed income for the elderly and also an unconditional pension for the independent workers. The statistics of the Federal Pension Service reveal the still existing system of annuities for the salaried workers, and for as well the salaried workers and the self-employed the prevalence of a pension bonus (because of working longer). Finally, there are some 500 thousand old age and survivor's pensions for civil servants, of which some 289 thousand only a civil servant pension, and some 289 thousand also occur in combination of a pension as salaried worker or self-employed.[6]

In appendix a1.3 the total expenditures for the statutory public pension schemes are given. In 2015 it is 42 billion or 10.1% of GDP of which 15.2 billion (3.6% of GDP) for the civil servants and 26.7 billion (or 6.4% of GDP) for the wage earners and self-employed. Of this total amount the survivors' pension amount to some 7.4 billion, 1.8% of GDP and 18% of the total public pension spending. It reveals the importance of this part, to a large extend benefitting to women.

1.2 Private occupational pension schemes

Private occupational pension schemes form the second pillar of the Belgian pension system. They are foreseen for wage earners in the private sector and the self-employed, but more and more they are also installed for contractual workers in the public sector who do not have a civil servant pension.

For employees these supplementary pension arrangements are linked to the work contract following sector or enterprise level labour agreements. Before the 2003 'Act on Supplementary Pensions', which sought to greatly expand the coverage of occupational schemes, these schemes almost exclusively benefitted high wage earners, to compensate for their very low level of replacement rates of the legal pension. By 2012 and following the 2003 law, coverage had widened to include about 75% of employees through single or group company schemes or schemes covering a whole sector of employment.

In addition, about 45% of the self-employed had joined one of the supplementary pension schemes for the self-employed.

The most recent information on the coverage can be found on the PensionStat.be (see Table a1.5). Of the total active population, including also those looking for work and civil servants, some72.3% (M 78,3, F 65.9) benefit from a second pillar, either actively (still paying contributions) or inactively (no additional contributions). The figures are however too optimistic since a part of the beneficiaries are so called 'sleepers', with no active contributions to their pension plan. The active second pillar accounts are 55% (M 60.1, F 49.4%) of the total active population. Looking more in detail to the active private worker (without unemployed and civil servants, so those that could be entitled to those occupational pensions, the participation rate is 69.6%; for men some 78.2% and for women some 60.6%. The gender gap is some 19% point, or 29% higher for men. For the self-employed, as main occupation or when contributions are paid as main occupation, the participation rate is 53,9% Remarkable is here that the participation rate is higher for women (55.0%) that for men (53.3%).

Occupational pension benefits are paid out in the form of either lump sums or annuities, but in practice an overwhelming majority of pay-outs happens in the form of lump sum. In 2015 some 96% of the new second pillar pensions are paid out as a lump sum, some 3% combined the lump sum with an annuity and only 1% received only an annuity (Vergrijzingscommissie, Jaarlijks Verslag 2020, p. 60).

6 The Belgian Ageing Commission calculates some 'full-time equivalent' pensions, where they separate the employee and self-employed pensions. They count 1.8 million employees' pensions, some 313 thousand self-employed, some 430 thousand civil servant pensions and some 108 thousand guaranteed income for the elderly. The Eurostat ESSPROS statistics mention some 2,2 old age and anticipated old age pensions, some 108 thousand means tested guaranteed income for the elderly and some 541 thousand survivors' pensions.

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On 1 January 2020 some 3,950,000 persons are contributing to a second pillar, of which 3,358,714 as employee, 360,027 as self-employed and some 229,390 combining both situations. Some 2.2 million are only affiliated with an insurance fund, some 909 thousand are only affiliated with a pension fund and some 755,000 are affiliated in both systems. The total acquired reserves were some 85.6 billion on 1 January 2019 and 91.5 billion on 1 January 2020 (FSMA, 2020, 2021).[7] For 2019,some 16.9 billion are build up in pension funds, and the rest, some 74.5 billion, in insurance funds. There is however a huge difference between workers and self-employed. The latter are mostly affiliated with an insurance company (See Table a.1.5 in appendix 1). Of the total acquired reserves in 2020 of 91.5 billion, some 63 billion are for the workers and 28 billion for the sell employed. The second pillar is for the latter for 97% situated in insurance funds, for the workers some 75% of the second pillar is build up in insurance funds (see Table a.1.6 in appendix 1).

The balance sheet of the total pension funds sector in Belgium in 2019 is some 40 billion, for almost 2 million beneficiaries. Included in this are some 10,7 billion so called pan-European pension funds (for most of the time foreign multinational companies) for 77,000 beneficiaries (PensioPlus, Press Conference, 16 February 2021).

The total pay-out of the second pillar in 2015 was good for 4.6 billion or 1.1% of GDP, or some 11% of the statutory public pension scheme. In 2018 it was good for 4.9 billion or again 1.1% of GDP. Those figures are based on a new table in the national accounts, the Table 29 'Supplementary table for accrued-to-date pension entitlements in social insurance' (see appendix 2 for the table for 2018). The table also includes the contributions. The contributions in the second pillar are according this Table 29 some 5.7 billion in 2015 and 6.8 billion in 2018 (National Bank of Belgium, Online Statistics). In this table of the national accounts also the total 'pension scheme service charge' is mentioned. This cost is only included in the funded, private, pension scheme. For the first pillar it is supposed to be included in the general administration cost of the social security (and pensions). It is estimated for the funded schemes at some 805 million euro in 2018, some 0.2% of GDP, some 1% of the acquired reserves in the second pillar (some 105 billion in 2018) and some 17% of the pay-out. It illustrates the problem of substantial working costs for those funded pension schemes. As P. Diamond (2018) states, A front-load fee (% of new contributions) of 1% would reduce the value of contributions after a 40 years career with some 20%; an annual management fee (% of account balance) of 0.5% would reduce the value of the account after 40 years with some 10.5%.[8]

In the overview of Eurostat of the second pillar pensions, the Belgian situation is described as most of the time 'DB', not in the least because of the legal obligation for the organiser (employer or sector) to guarantee a minimum return of 1.75%. It is remarkable that in the yearly overview the FSMA mentions that the majority of the pension plans for workers are DC or hybrid DC/DB (some 95% of all accounts), although the reserves are for the moment more balanced between DB and DC. The share of DC in total funds is only 65%. Some 5% of the accounts are pure DB, but account for 35% of the acquired reserves. It illustrates the role of the second pillar to guarantee for a limited group a substantial improvement of their replacement rate in total pension entitlements. ,. Remarkable in the reporting of the FSMA is that it only provides information on the number of involved persons, the type and the total and average amount, for as well the salaried and independent workers, but no information is provided for the pay-out and the contributions. That makes the National Accounts Table 29 (see above) even more interesting. It should be noted that the reporting of the FSMA on pension plans at the enterprise level is incomplete due to a lack of detailed information, and also the Court of Account signals problems of accurateness and completeness in the central records of the social pillars (Court of Audit, 2020).

There are two important types of second pillar pensions, at enterprise level or at sector level.

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7 Those figures differ from the accrued-to-date pension entitlements in the funded pension schemes, as mentioned in the national accounts.

8 Peter Diamond (2018), https://saspensions.files.wordpress.com/2018/11/peter-diamond.pdf

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The fiscal advantages given to contributions made in the second and third pillar schemes were reduced by the 2011 pension reform package, which also stipulated that supplementary pension benefits taken up before the age of 62 will be taxed at a higher rate. Nevertheless, they are of a growing concern.

A recent report of the Court of Audit (Court of Audit, Rekenhof, 2020) signals problems in the adequate control of the in some cases reduced and in other cases increased contributions on those second pillar contributions. This resulted in a persistence of lack of transparency on the macro-economic cost of those second pillar pensions, as already mentioned in the Pension Commission in 2014 (Court of Audit, 2020, p. 64). The Court of Audit estimates the para-fiscal expenditures for the second pillar of 340 million on the 3.9 billion contributions for the employees and 250 million for the 1.9 billion contributions for the independent workers (situation 2018, Court of Audit, 2020, p. 61-62). Total second pillar contributions are 5.7 billion. The fiscal expenditure (reduced income of the tax office) is not estimated. The problem of the fiscal treatment of the second pillar is also discussed in a recent study of the High fiscal Council (Hoge Raad van Financiën, May 2020) where especially the favourite treatment of the payment in capital of those pensions, with a substantial advantageous treatment. In a recent parliamentary question, the Minister of Pensions (Lalieux, 25 Februari 2021), mentions however a total amount of social and fiscal expenditures for the second pillar of 2 billion. In the policy brief of the Minister (Lalieux, November 2020), greater macro-economic transparency is announced, in the context of the preparation of a pension reform plan by Fall 2021.

For decades, Belgian governments wished to encourage the second pillar pensions. The government Michel I 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; and finally, a bill has been adopted on a 'voluntary supplementary pension for employees', although this should be defined more as a third pillar system.

More recently, minimum age and career requirements have been dropped from pension plans. In this context should be mentioned also the harmonisation of second pillar pensions of blue- and white-collar workers. In 2015 a law was passed that introduces an obligation of gradual harmonisation of second pillar rights for blue- and white-collar workers between 2015 and 2025. Harmonisation should be accomplished on the sectoral level in 2024, whereafter enterprises have one (extra) year to close differences on the enterprise level. Even though considerable efforts have been made in several sectors, progress has been very slow for several reasons: the complexity of the sectoral landscape, with different sector committees for white and blue collar workers and enterprises belonging to several sectors, the complexity of pension plans and the difficulty in comparing them, and of course the small margin to negotiate pay raise. The differences in the contributions between blue-collar and white-collar schemes range sometimes from 1 to 3% of wages. The upward convergence of such regimes would comply already with the ambition of the former and present government to increase the contributions for the second pillar to minimum 3% of the wages (see further). Some estimate the additional costs of this convergence between 410 million and 1 billion (Keeris, 2018; Marsh & McLennan companies, January 2021),

The most recent information available shows a further increase, but at the same time reflects fragmentation of coverage. For some 1 million of the 3.8 million persons entitled to a second pillar pension in 2019, no active contributions were made in that year (FSMA, 2019). Although the coverage has been broadened, there has been no deepening. The broadening takes place however in the lower income categories, and by definition in a funded system the additional reserves are at the starting point of the funding. The wage norm also restricts the possibility to increase this kind of occupational

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welfare, and the potential return (or increased cost) limits its attractiveness for all partners. This is also indicated by the total reserves in these funded pensions, which have not increased substantially as a percentage of total GDP. 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, 2016). The progress does not seem to be whole-hearted, or at least it is handicapped by the willingness to pay for it.

In its most recent[9] (2020, p. 59 and 60) Ageing report for Belgium, a comparison is made between the importance of the second pillar now (2015) in comparison with some 10 years back (2004), for the recently retired wage earners. Between 2004 and 2015 the availability of a second pillar increased for the total group of recently retired persons from 35% (18% F and 46% M) to 46% (40% F and 60% M). This illustrates a substantial further broadening, and even a more substantial increase for women than men, although the gender gap in coverage remains the same in percentage point. The average capital declines however, in terms of euro 2015, from some 140,000 (80,000 F and 150,000 M) euro in 2004 to 80,000 in 2015 (60,000 F and 85,000 M). Here the gender gap in average pension capital is narrowing. But 50% of the beneficiaries received a capital below the median value of 50,000 (25,000 F and 60,000 M) euro in 2004 to 20 000 in 2015 (20,000 F and 20,000 M). Translated in monthly implicit annuities this equals to an additional pension of (median values for 2015) 115 euro (107 F and 120 M), the lowest 25% are lower than 22 euro (14 F and 24 M), the highest 25% is higher than 482 euro (423 F and 517 M).The report further illustrates that those implicit monthly annuities are especially important for the fourth and fifth quintile of the mandatory pension. In the fourth quintile the 50% and 25% highest occupational pensions are above respectively 109 and 416 euro per month, in the fifth quintile it is for the 50% and 25% highest occupational pensions above respectively 427 and 1,190 euro per month (Ibidem, p. 60).

1.3 Individual pension saving

Third pillar schemes consist of a variety of personal retirement saving schemes and individual life insurance contracts supported by different fiscal incentives. Since 1985 individual pension saving accounts exist, but before that Belgium has a long tradition in long term saving via life insurance contract. All forms are stimulated by fiscal incentives. The third pillar is not considered by experts as part of the pension system, This is confirmed by the Report of the pension reform Commission that states: The Pension Commission considers policies related to the third pillar not as an intrinsic part of the pension policy but eventually as a relevant saving policy' (Belgium's pension reform Commission 2020-2040, 2014, principle 1.5 p. 8). This opinion is shared by trade unions, see Survey Trade Unions. Nevertheless, it acquired a remarkable place in the Belgian landscape of pensions and long-term saving financial products outperforms even the second pillar for a large part of the population. Of the 3.7 million persons with a second pillar, half of them have an acquired pension capital of the median value is 3,091 euro, and 2,185 for employees (Sigedis, 2018) respectively 3 488 and 2,455 in 2019. On 1 January 2020, the median value for the second pillar acquired capital of 3.9 million beneficiaries was 3,344 euro (PensionStat.be). Such an amount is already reached after 2 to 3 years individual retirement saving or even 1,5 year of fiscally supported long-term saving (amounts see below).

Some of the proposed new initiatives as the individual 'voluntary supplementary pension for employees' have even the character of a third pillar instrument. Illustrative for the complementarity , at least in the mindset, of the third and the second pillar is a proposal of the High Council of Finance to limit the individual pension savings to only those who have no second pillar, including even the civil servants since their first pillar is including an implicit second pillar (High Council of Finance, 2020, p. 301).

9 Those reports have been published yearly since 2002 and contributed substantially to the transparency of the debate on the cost of ageing and rising awareness.

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The contributions for personal retirement savings (annual ceiling of 990 euro or 1,270 euro in 2021) and individual life insurance contracts (annual ceiling of 2,350 euro in 2021) are deductible from the income tax. The tax relief is equal to 30% of the contributions. In 2016, some 2.55 million persons contributed to an individual retirement saving scheme or some 38% of total persons of working age. The individual retirement saving schemes are good for 28.5 billion euro[10] or 6.8% of GDP. More important are the individual life insurance contracts that amount to 152 billion euro or 36% of GDP. The third pillar is twice as important as the second pillar.

The total individual insurance premiums where in 2019 some 10 billion, the savings in 2019 in individual retirement accounts amounted to some 2.4 billion (Assuralia). In 2018 the fiscal expenditures for those individual retirement accounts only amounted to 579 million. Additional use of the long-term saving possibility resulted in and additional fiscal expenditure of 327 million. (Kamer van Volksvertegenwoordigers, 2020).

When the individual pension products were launched in the eighties, we argued ourselves that there was no need and budgetary also no room to develop them in Belgium (Pacolet, 1985). On several occasions and in several programmes of political parties a further reduction of the stimuli for third and even second pillars are mentioned as a potential financing source for expansion of the first pillar. We suppose this can only be convincing when the first pillar is substantially upgraded (Pacolet, 2021).

The third pillar has been further promoted in the previous government Michel I (summer 2017) where the Minister of Finance allows an enlargement of the tax credit of 30% for a saving effort of 940 to 25% if the saving effort would be1,200 euro per year. This reveals however also that the public budget is reaching its limits, but still tries to convince the population to put greater efforts in pension savings. The fiscal incentive is declining for the additional savings effort, and it must be shown if the measure is successful (quod non).[11]

Belgium is also characterised by a high level of homeownership. This is called more and more also as a 'fourth' pension pillar that certainly contributed to a reduction of poverty at later age (see further).

As the sub-title suggests, the third pillar is as well in some academic, political, and social circles not considered as part of the pension system, but it is more considered as individual long-term savings. This became already clear in the report of the Commission on the pension reform. Also the trade unions follow the reasoning the third pillar should not be considered as part of the pension system.[12] Also in some new pension reform proposals of some political parties, the fiscal incentives for third or even second pillars are considered to be reduced and used for further expansion of the first pillar.

When the individual pension products were launched in the eighties, we argued ourselves that there was no need and budgetary also no room to develop them in Belgium (Pacolet, 1985). We argue now that a further limitation or reduction of the second and third pillar can only be convincing when the first pillar is substantially upgraded (Pacolet, 2021).

Illustrative for the lack of transparency of information on the second pillar and third pillar is that even in the authoritative statistics of the OECD (Pension Markets in Focus) up until 2019 only the pension funds where included. In 2020 this is corrected by also including the collective life insurance funds. But a new error was introduced since from 2017 on also the voluntary individual pension savings are included (they should not)…while on top of that they exist already since 1987.

10 Some 17.3 billion euro for the individual retirement savings accounts and 11.2 billion euro for the individual retirement 'insurance savings accounts.

11 The same goes for the 'individual second pillar for workers' created also by the government Michel I.

12 Personal comments of the trade-union representatives to the present report.

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2 | The Challenges

The Pension Adequacy Report 2018 of the European Commission defines three important dimensions of the adequacy of pensions: a reasonable retirement period; a decent replacement rate for the pensions, defined as the level of the pensions after retirement and the income before, after taxes (net), and a low poverty risk for retired persons, illustrating the adequacy of the minima and the possibility to keep pensioners out of poverty.

2.1 Poverty risk

The Belgian Ageing commission provides information on the adequacy of the pensions.[13]

The poverty risk for pensioners declines from 25% in 1994 to 17% in 2017, to be compared with the poverty risk of the total population that remained on the same level in those two years. For the active population the poverty risk reduced marginally from 6% to 5%; for the unemployed it increased from 34 to 51% and also for other inactive persons, it increased from 25% to 34% (Vergrijzingscommissie, 2020). So within this context of increasing poverty risk of the benefit earners, the situation of the pensioners improved. It was above the poverty risk of the rest of the population in the beginning, to reach now the same level. But compared with the active population, and should that not be the reference point, it still is three times higher!

The Belgian elderly are more homeowner with no remaining mortgage debt when they are retired. When this home ownership is included, the poverty risk improves further. Corrected for the imputed rent, this poverty risk for the persons below 65 is 16.3% while it is reduced to 9.8% for the persons above 65. It illustrates that home ownership is a kind of a 'fourth pension pillar'.

The poverty rates decline among others by the longer career of women, and when two pensions are based on two careers, but the problem is higher for single persons that for couples. When couples are dependent on one (family) pension, then the poverty risk is high since family benefits in general are not adequately taking into account the cost of living of a family. So it risks being below the poverty line of couples.[14]

Health care and long- term care are also risks of old age. Some 50% of all public health expenditures are meant for the 20% of the population above 65, what should remind us however also that it remains to be a risk for the rest of the population. Long-term care is oriented to a large extend to either persons with handicap or to the elderly again.

The cost of health care is according to the trade unions less a problem since the Federal government introduces a maximum bill for the out of pocket expenditures for health care. The out of pocket expenditures for the main long-term care services are not included in this maximum bill, not at the time that for instance the long-term care was in the federal health insurance, but neither since 2015 when long-term care became a regional responsibility. Here the system of a maximum bill does not exist for the out of pocket expenditures in long-term care. In Flanders since 2001 already an additional long-term care insurance has been installed, partly compensating those out-or pocket or other costs by a cash allowance. In Wallonia and Brussels this additional insurance is still 'under construction',

13 The possible income fall in the future because of the COVID-crisis can create the illusion of improved adequacy of pensions in the near future.

14 That takes into account that the poverty line for a couple is 1.5 times the poverty line for a single person, as the OECD equivalence scale for household incomes implies.

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with the potential risk of growing regional differences. The Flemish 'care insurance' can still be accessed in Brussels on a voluntary basis, what reduces its 'mandatory' character of a social insurance system, confirming our fear for growing regional differences.

2.2 Minima

Three minima (for respective single persons and families) are relevant to assess the adequacy: the minimum pension (of wage earners and of self-employed workers), the minimum right and the income guarantee. There has been a gradual convergence of those minima to the poverty line (see yearly report of the Belgian Ageing Commission). This is more the case for the individual minimum but less the case for the family pension, since the family benefits do not take into account properly the household dimension (equivalence scale of OECD) that is used for the poverty line. Nevertheless the poverty risk is higher for individuals than for two person households.

During the general elections of May 2019, several proposals were made for setting the minimum pension at '1,500' euro per months. The proposals differ however in the definition as gross, or net, for a full career or not, for a full career of 42 years or of 45 years, in the public pension or to be built up as a generalised additional second pillar. The ETUC survey indicates that an improved minimum pension should be eligible from the career length of 42 years.

The Federal Government agreement of the present Government De Croo will improve substantially the low pensions. For the guaranteed minimum income for pensioners a path of four years of gradual increase in four equal steps of the pensions is planned from 1 January 2021, 2022, 2023 and 2024 or in total 11%. towards net 1,500 euro per month for a complete career of 45 years. For the means tested income guarantee for the elderly (IGO) a similar growth path of in total 10.75% is scheduled. This increase comes on top of the usual indexation to the price level and the regular adaptation to the standard of living (Lalieux, November 2020). The governmental agreement also foresees the increase of all minimum benefits towards the poverty level. This is especially of relevance for benefits for couples, since those do not account properly for the standard of living for a couple (see above). For future pensioners entitled to the minimum pension a career length of 30 years will be required and also a requirement on effective employment will be installed.

At this moment some 20% of civil servants have a pension lower than net 1,500 euro, some 80% of wage earners, some 94% of those with a mixed pension wage earner/self-employed pension and all self-employed have a pension below 1,500 net since there is a maximum pension for this category that is lower (Fediplus). For the recent figures on minima, maxima and average pension amounts see point 2.4 and appendix 4.4.

2.3 Replacement rates

At the start, the Belgian Ageing Report paid attention to the present and future replacement rate, including the impact of the second pillar on it (Pacolet, Coudron, 2010). This is not any more the case in the actual reports. The 'social sustainability' became a core concept but that is referring to the adequacy especially of the minima and the poverty risk. The reporting is for the rest focussing on the macro-economic sustainability from the viewpoint of the public finances. For that reason, the PAR of the European Commission provides a more balanced perspective. In the information on the adequacy in terms of replacement rate, there are two concepts used, the average replacement rate and the theoretical replacement rate. For Belgium we refer to the annex and the tables provided there in the PAR, based on calculations of the OECD. They reveal especially that the replacement rate of the lower pensions, especially in net terms is relatively high, but the replacement rate for middle and high incomes is low. The theoretical replacement rate for low earnings (66% of average) is 87.8% for net

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earnings and 61.1 for gross income; for average earnings, it is 74.6 for net income and 50.4 for gross income; for high earnings, it is 65.4% for net income and 37.7 income for gross income.

A relative low replacement rate of the pensions for self-employed has been caused by the low contributions that implied a correction factor in the calculation of the pension, compared to the wage earners. The average replacement rate of 60% used in both regimes for the pensions above the minima, was corrected for the self-employed because of their lower social contributions. In a study of the UCM (2018) and confirmed in an advise of the Management board of the social security of the self- employed (ABCGG, 2019) it was argued that the original correction factor on the income of the self-employed was intended to correct for the difference between social security contributions of the wage earners regime versus the self-employed. This would guarantee that 1 euro in contributions would generate the same pension amount in both pension schemes. According to the ABCGG this comparison needs to take into account the changing importance of the financing of pension expenditures in total social expenditures, but also the growing part of exemptions that are occurring in the regime for the wage earners and the relative importance of assimilated periods that are taken into account to calculate the pension. Two correction factors exist taking into account the two different contribution rates for the first- and second-income level of the self-employed. Those were in 2019 0.6632 and 0.5415. Taking into account the present differences in contribution rates the correction factor should increase to 0.7919 and 0.7676 and even 1.1403 and 1.1053 if taken into account the present difference in assimilated years (see appendix 4.1). The ABCGG proposes to eliminate this correction factor (equalising it to 1) for the income from now on, for the new career years. This would increase the budget for self-employed pensions by 11.7 million in 2024 and 64.2 million in 2030 (to be compared to a total budget for self-employed, see appendix 3.1), what seems to be a modest request (1% of the estimated budget in 2030). It becomes more important when the system will become more mature. For instance the additional cost would be 274 million in 2040, but at the same time the impact may change because of the increase of the minimum pensions toward 1,500 euro net. The low level of the pension for self-employed seems however to be explained by other reasons, namely the low contribution base.

2.4 Pension differences

The pension benefit is difficult to compare since it depends on previous income, career, type and family situation. This has been highlighted already in depth in the 2005 study of Prof. Jos Berghman a.o. (2007) on the pension register, that by the way included not only the mandatory public pension but also the occupational pensions. The huge differences between the pension of the wage earners, the self-employed and the civil servants became clear.

In appendix 4.1 we present the minima and maxima pensions and the gross and net average pensions according to socio-economic category. The differences between the average gross benefits is flattened substantially after taxation. The net pension for a complete career as a civil servant is 2 072 euro; as a salaried worker it is 1,255 euro and as a self-employed it is 904 euro.

In appendix 4.2 we present the average monthly pension benefit according to socioeconomic scheme from 2000 until 2020, based on the database of the Belgian Ageing Report 2020. The average amounts are in euro per month (gross benefits) and in constant prices of 2019. The average pension for the civil servants is in 2019 more than 3,300 euro, while for the wage earner it is some 1,280 euro and for the self-employed 1,000 euro. In the appendix 4.3 we give the index since 2000 of those pension benefits and compare it to the index of the evolution of the GDP per capita. This real GDP per capita increased between 2000 and 2019 with some (only?) 18%. The average pension of the wage earners and the civil servants increased with a similar percentage of respectively 22 and 17%, so keeping track with the general evolution of GDP per capita. Only the pensions of the self-employed increased with 43%, illustrating a substantial catching up in the last two decades. The figures for 2020

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illustrate the drop in GDP per capita (back to the level of before 2007 in real terms), while the pensions kept their nominal and real value, sheltered against the COVID-storm that hits the economy.

2.5 Gender gap

Since 2009, the legal retirement age is 65 for both men and women. Before 1998, it was 60 for women and 65 for men. Between 1998 and 2009, transitional provisions were in place for women (with increases of one year of age every third calendar year). The 2015 pension reform raises the statutory retirement age from 65 up to 66 by 2025 and to 67 by 2030.

In Belgium, there is still a large difference between the legal retirement age and the average effective retirement age. Moreover, in 2014 the average effective exit age from the labour market was somewhat lower for women than for men (59.3 years for women and 60 years for men). Nonetheless, evidence shows a catching-up process whereby the increase of the legal retirement age for women from 60 to 65 had a positive impact on both the average effective exit age and the employment rate of women. The most recent report of the Belgian Ageing Commission (2020, p. 65) describes also a substantial shift in the labour market participation of women. In 1960 the activity degree[15] of young women was some 60%, but dropped to 30% at the age of 30-34, to remain at that level until retirement. Since then it increased permanently and for all age categories. Today, 2019, the exception is that it again declined for the age category of 20-24 for reasons of education (from 80% to 50%), but for all other age categories it is close to 85% up until the age of 45-49, some 80% for 50-54, 70% for 55-59 and 40 for the age group 60-64 This had and has a positive impact on the present and future pensions. The high level, including those employed but also unemployed, for a large part of the active age, and then the declining percentage for the older age categories, illustrate also the high potential for an increase of total (female) employment and earned pension benefits in the future.

The average pension of women lies however substantially below that of men. This can be measured by both the 'gender gap in pensions'[16] and the 'gender gap in pension coverage'[17] (EC, 2017). Belgium shows a gender gap in pensions of 34.1% in 2015 compared to an average EU-28 gender gap in pensions of 38.1%. Furthermore, the gender gap in pension coverage amounts to 17.3% in 2015 compared to an average EU-28 gender gap in pension coverage of 5%[18].

In the first pension pillar, the pension level depends on the former earnings and the length of the career as pensions are calculated based on the number of career years. As a consequence, lower pensions are mainly the result of gaps in pay (i.e. 'gender pay gap'),[19] employment and working hours. Firstly, the wages of women are lower than those of men. However, the gender pay gap in Belgium (6.5%) is much lower than the average EU-28 pay gap (16.3%). Secondly, their work intensity is less than full time - as women tend to work part-time more frequently than men. In Belgium 4 out of 10 working women work part-time. This is a much higher level compared to the working men in Belgium (9.5%) as well as the average EU-28 percentage (32% of the working women work part-time). Finally, the average number of years in employment for women is lower. For instance, the employment rate for persons aged between 55 and 59 amounts to 68.5% for men and to 58% for women in Belgium (to be compared also with the 'activity' degree, see above). It is not surprising that in the recent report on 'Gender Gap in pensions' commissioned by the European Parliament (Chłoń-Domińczak, 2017) the low female employment rate and the high proportion of women in part-time work are defined as factors which have a negative impact on the gender pension gap for Belgium.

15 Activity ratio is calculated as persons in employment + unemployment, including those exempted from looking for work + those unemployed with additional benefit from the employer to the total population per age category.

16 The gender gap in pensions measures the difference in pensions between women and men.

17 The gender gap in pension coverage is the gap between the proportions of men and women who are entitled to a pension. It measures to which more men than women have access to the pension system.

18 This part is based on the ESPN contribution for the PAR, Pacolet & De Wispelaere (2018).

19 The unadjusted Gender Pay Gap (GPG) represents the difference between average gross hourly earnings of male paid employees and of female paid employees as a percentage of average gross hourly earnings of male paid employees.

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Despite these gender gaps the negative impact on the pension of women is to some extent reduced by the so-called 'assimilated periods'. Pension rights in Belgium can also be granted for non-active periods. During these 'assimilated periods', persons can build up pension rights when they are unemployed, ill or when they take up maternity or parental leave. The previous Federal government Michel I had the ambition 'to strengthen the link between an individual's work and the pension received'. It has therefore recently decided that pension rights after twelve months of unemployment will be calculated on the basis of an individual's minimum entitlement and no longer on the basis of the latest wage (an exception applies to people over 50).[20] A reform of the principle of 'assimilated periods' could have a greater impact on women than on men.

Appendix 4.1 shows that 84% of assimilated days concern unemployment or incapacity of work. This percentage is higher for men than for women. For women, part-time work with retention of rights and time credit are important assimilated periods, covering respectively 10% and 6% of all assimilations.

The importance of assimilated periods has evolved over the years. In 1970, some 13% of all days generating pension rights in the employee scheme were assimilated. The same percentage applied to women and men. The 1970s and early 1980s saw considerable increases in the importance of assimilation, so that in 1985 38 and 31% of days generating pension rights of respectively women and men were assimilated. Data for 2011 show that percentages have evolved to 30% for women and 37% for men. In general, both female and male workers are at a very high level of assimilated periods. Moreover, the importance of assimilated periods for women is much higher than for men. So, the gender gap in terms of pay, employment and working hours is strongly reduced as a result of assimilation. It is worth noting that for self-employed persons the share of assimilated periods amounts to barely 3% for men and 5% for women.

Appendix 5.2 shows that the percentage of assimilated years is higher for women than for men, but in absolute number of years, it is higher for male wage earners. There is a substantial lower number of years for the recent retired persons with only a pension as a self-employed, but for the retirees with a mixed career, the difference is smaller.

There is sometimes critique on the high level of assimilated periods. There is a rather generous assimilation (qualification hereafter also by trade unions) of periods of maternity, paternity and parental leave, sickness, unemployment (but more and more conditional), care duties, training leave during the career, and study years in general. Taking those study years into account for the calculation of pensions are abolished now for the civil servants but can be recovered in all schemes by paying additional contributions for those study years. Up until 2020 also reduced tariffs for contributions existed for workers and self-employed.

The critique on the too generous inclusion of assimilated periods was countered in the basic report of the commission for the pension reform 2020-2040 where they put that periods of unemployment and incapacity to work (sickness and disability), need to remain 'assimilated periods'. If there are eventual misuses in those schemes, they need to be addressed there, and not in the pension system (Pension Commission, paragraph 13.1, p. 108).

2.6 Uncovered workers

'Our mandatory pension system 'has a rather broad coverage, at least for those with labour market participation, with a rather generous system of assimilation of periods of inactivity' (and complemented with a social assistance system with means testing)', is the opinion of the trade unions (Survey, Q. 1.5).

They identify however underinsurance for pension rights for:

20 https://www.tijd.be/politiek-economie/belgie-federaal/Vuurwerk-over-pensioen-werkloze-50-plussers/9933072.

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- students at work, for which a solidarity contribution is levied, but without pension rights;
- apprentices in dual learning until the end of year that they become 18;
- platform workers below 6 130 euro per year with no contributions but also no pension rights (the system has been overruled by the Constitutional Court from 1.1.2021);
- paid voluntary work;
- C2C work or 'citizens to citizens';
- helpers for the self-employed without a labour contract and under the age of 20;
- self-employed for which the activity is only the secondary activity;
- Bogus self-employed;
- new problems will emerge for the persons benefiting from a guaranteed minimum income since a residence condition is added to this benefit. The constitutional court again rejected this condition as not compatible with the standstill principle set out in article 23 of the constitution and the coordination regulation (EU) 883/2004. (Q 2.2 Survey).

People at risk of in-effective coverage are further:
- widowed women: The Constitutional court rejected, at the request of the trade union, the increase of the minimum age to be entitled to the survivors pension from 45 to 55 in the period 2025-2030 for the vulnerable group of persons that do not participate, or partly participate in the labour market (especially women);
- working poor with poor pensions: are self- employed because of less adequate social security and part time workers.

Belgium has a relative well-developed system of career breaks and part time schemes with assimilation for the pension rights, but this is permanently under pressure. And at risk here remain the women that never entered the labour market or left it at a certain moment (Survey, Q. 2.3 .c).

What the reasons for ineffective coverage concerns, there seems to be less a problem over aggregation of insurance periods and the transparency of the rules. This is remarkable since it is complex and diverse, especially with mixed careers. More problematic is the calculation of the pension and its determinants, a career of 45 years, low minima and maxima, inadequate revalorisation of past career, increase of pension age and stricter conditions for early retirement. Although 'parametric', they are of a structural nature. The increase of the pension age could however facilitate the attainment of career requirements since the pension age increased without increasing the career length. This was not the case in the beginning of 2000 when the increase of the pension age for women from 60 to 65 went together step by step with an increase of the career length from 40 to 45.

2.7 Wage ceiling

In 1981 for both blue collar and white-collar workers a wage ceiling was introduced for the calculation of the pension rights. Before it existed only for the white-collar workers. As can be seen from appendix 4.5 it was in 1981 set at a level of 2.1 times the average GDP. Since then it gradual eroded to arrive at 1.4 time the average GDP per capita in 2019. The regular revalorisation to keep it in line with the general wage did not change that degradation in comparison with GDP per capita. Between 1980 and 2020 the wage ceiling increased with some 14.4% in real terms, far below the increase of real GDP per capita in the same period of 75%.[21] The scenarios for the future of the Belgian ageing commission do not suppose that situation might change.[22] For the providers of a second pillar, it remains an argument of promoting further their alternative (Pensioplus, Yearly Report, 2019).

21 See for more detailed information in Pacolet, De Smedt & De Wispelaere (2020)
22 See Report Vergrijzingscommissie, 2020.

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The trade unions warned in 2016 for an improvement of the wage ceiling, when it would be compensated by a reduced inclusion of assimilated years (ABVV, ACLVB, ACV a.o., 2016) whereby on one hand the insurance logic of the public pension was restored, but on the other hand the solidarity logic was reduced. The Pension Commission (quoted in ABVV, ACLVB, ACV a.o., 2016, footnote 10 & 11) mentioned that in 2008 80% of the workers were never touched by the wage ceiling in one single year, while for those that were confronted with it, this was 'only' the case during 16 years for men and 11 years for women. This probably increased since then since in the beginning of the generalised wage cap in 1981 this was still 2,1 times the average GDP per capita but since then it reduced to only 1.4 times in 2019 (see appendix 4.5). It is 1.6 in 2020 because of the decline in GDP.

The wage cap erodes the insurance principle in the social security so that the support for the system further erodes and reduces further the sustainability of the public system. The new Government De Croo want to reinforce that insurance principle by improving the replacement rate and increasing the wage ceiling. For that reason, the wage ceiling will be lifted, parallel to the increase of the minimum pensions, with 9,86%, also in four equal steps (2021, 2022, 2023, 2024) (Lalieux, 3 November 2020). To catch up with the level of real growth of GDP per capita, the ceiling would need to increase some 41% point or 36% (See appendix 4.5 and also Pacolet, 2021).

A confirmation how the solidarity principle determined substantial the outcome of the Belgian pension system is illustrated by the fact that the gross pensions of high earners, defined as work earnings four times as high as low earners, is only around two times higher than the gross pension of low income earners. The net pension income is even below two times higher (see also in appendix 4.1 the difference between gross and net income). This ratio between high and low pensions is one of the lowest in Europe (Pension Adequacy Report 2018, p. 55). This indicator of the solidarity dimension is interesting to follow when low pensions are further increased.

2.8 Arduous jobs

In the pension schemes for private and public workers, different conditions exist for early retirement because of arduous working conditions.

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 must 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 and contractual workers in the public sector, 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 needed 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 & Galle, 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 was promised for after the summer of 2018, and the new system would start from 2020 (Bacquelaine, 2018e). All those plans stopped with the resignation of the government Michel I in December 2018. The new governmental agreement of the government De Croo does not mention it anymore. Here also it is a stop-go policy.

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2.9 Adequacy of second pillar and third pillar

There is also in Belgium some evidence that, despite the efforts to promote the second pillar, the pension funds in relative terms did hardly increase in terms of percentage of GDP. Belgium remained one of the countries where those pension funds were hardly developed. It was ranked 20 years ago as one of the countries with the lowest reserves, and it still is now. According to a recent OECD Pension outlook, Belgium was one of the only countries where the reserves of the pension funds, as percentage of the GDP, did not increase.[23] Despite also the continued efforts and contributions, they hardly are adequate to pay out the pensions of the new retirees. When at the same time a growing number of persons are benefitting from such a second pillar, this could imply that those new second pillar pensions are limited and cannot fill the gap of a stagnating or even eroding first pillar. This problem has for instance increased because of the agreement between the social partners in the last years to accept a lower guaranteed return, now 1.75%. It is the result of developments in financial markets. A recent report of the Financial Stability Board on the vulnerabilities of the private pension schemes does not provide clear evidence on the present coverage and the level of adequacy of the second pillar, since they include in those private pensions a substantial part of the third pillar[24].

The Pension Reform Commission 2020-2040 inspired to a large extend, the design of the future pension system in Belgium, and it is invited to continue this discussion in a tripartite Pension Committee. It argued for a reinforcement of the first pillar, not only to prevent poverty, but also to guarantee income for all income levels. It disqualified, perhaps too rigidly, the third pillar as part of the pension architecture. And it used only one paragraph to explain the need for a funded second pillar pension. The third pillar deserves some credit as a classic long-term saving instrument, as precautionary savings. The fourth pillar of home ownership is also highly developed in Belgium. The Pension Reform Commission 2020-2040 also studied the possibility to introduce a complementary funded 'first pillar bis', but did not retained it in general. Only for the new contractual workers in the public sector, they considered it as a possible alternative (paragraph 18, p. 175). It comes close to the creation by the Flemish Government of its own pension fund in 2018 (Vlaams Pensioenfonds). For the rest they propose a further improvement of the second pillar. This has been the ambition of the previous and the present federal government, as documented further. But some of the weaknesses illustrated also above supports the conclusion that the second pillar needs urgently a proper assessment, to avoid that it cannot deliver what it is promising. And to assess if a further improvement of the first pillar would not be the best alternative for the present Belgian pension system, in terms of adequacy, affordability at present and sustainability in the future, what we suggest in our conclusions. This concern about the adequacy of the second pillar is reinforced by the growing awareness of its substantial fiscal and parafiscal support and by the high level of services costs. It undermines the sustainability of the second pillar.

There is also a generally felt need for further improvement of the transparency of the present system, also in comparison with other countries, among others on the level of contributions, the cost of service and finally the outcome in terms of replacement rate, and the relative share of first and second pillars.

2.10 Transparency

The trade unions indicate in their response to the ETUC survey that transparency is not so much a problem. This certainly is confirmed by efforts of the previous Belgian government 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

23 Despite also the fact that even in OECD statistics, statistics are sometimes erroneous.

24 Financial Stability Board, Regional Consultative Group for Europe, Working Group on Private Pension Schemes Resilience (2017).

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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 was 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. Until 2020 this settlement of education years was even possible at a reduced tariff. Transparency is a point of concern for all communication between private pension institutions and workers. Contracts are usually very complicated and information on interests and costs is often incomplete and hard to compare between different companies or institutions. The new governmental agreement wants to continue those efforts, introducing more tools for the future retirees to plan their future pension. It was and is based also on the 'belief' that the population can take up greater individual responsibility in their pension planning. This could be improved by promoting further finical literacy. We are afraid it is an illusion. Choices about the optimal pension scheme needs to be made collectively.

2.11 Conclusions

There is consensus to further increase the minimum pensions and other social benefits to the poverty line. The other consensus between many is that for the rest of the pensioners, a decent replacement rate should be reached by a topping up of the mandatory pension with a second pillar. This seems to be still the consensus in the new governmental agreement. In the trade union's view this decent replacement rate need to be (Survey, Q.2.4) realised with a public pension 'more in line with former wages, including generous assimilation conditions'.

Main problems of the present pension system according the trade unions are:
- pensions are too low;
- replacement rate is too low;
- career of 45 years is too difficult to reach, especially for female workers, resulting in further reduction of pension;
- accessible second pillars went not together with adequate second pillars: they remain unequal, especially for women, SME, blue collar workers(and this seems to have aggravated in recent years) (Q 1.6). The benefits are for a large group so limited that they do not imply a significant improvement of the income as a pensioner; and the improvement seems to go slowly.

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3 | Present and possible reforms

The most recent reforms in the pension system goes back to the installation of a 'Commission Pension Reform 2020-2040' of pension experts in 2013 by the Government Di Rupo and the Minister of Pensions Alexander De Croo. The commission was installed in the year before new elections. The commission of academic experts, with among others also the former minister of pensions and later the Minister health and social affairs Frank Vandenbroucke, published their conclusions in the summer of 2014, after the elections. Alexander De Croo is now Prime Minister and Fank Vandenbroucke is again Minister of Social Affairs. In appendix 3 we list the major recommendations. The report became a point of reference within the new government Michel I, but also outside the government. But their recommendations also form a continuum with previous reforms. It reaffirms a strong first pillar, linked to the evolution of income and purchasing power, maintaining the existing socio-economic schemes, but harmonising the calculations in an integrated way including length of career, pension age, life expectancy and arduousness of jobs. The new government included many of their suggestions in their pension reform agenda. One element was not included in the recommendations of the committee of experts, namely the increase of the legal pension age.

Also a new consultation structure was installed to prepare future pension reforms. In May 2015, the government installed a tripartite National Pension Committee with representatives of the employers, the trade unions and the government. It is a consultative body, installed not or only physically but also institutionally near the social and economic consultative bodies of National Labour Council and Social Economic Council. The chairperson is up until now the (now past) chairperson of the National Labour Council, Mr. Paul Windey. To support their activities a Knowledge centre is created, embedded in the Federal Planning Bureau and finally the commission of experts continues her role as an 'Academic council (Academische Raad van Pensioenen)'.

A first additional advice of the committee of Experts was how to integrate 'arduous' jobs in the future pension scheme. The conclusion was that it is the responsibility of the social partners to define the list of arduous jobs. So the National Pension Committee prepared in the summer of 2016 an advice on how to do this. The same Committee prepared also the further mentioned advice on the flexibility of the required rate of return for the insurance funds. The most important role for the coming years was integrating all the ongoing parametric changes in a more harmonised system of calculation of the pensions, based on a 'notional point' system. This would have been in place by 2030, and would have included measures for adaptation to 'adequacy and sustainability', by linking the legal pension age to life expectation.

The recent reforms implied according to the trade unions however:
- a more restricted early retirement , with increasing age and career conditions;
- a more restrictive eligibility for the survivor's pension;
- more strict conditions for assimilation of non-active periods, especially for long term unemployed and people in specific schemes for older unemployed;
- increase of pension age to 66 and 67, 'but quantitative impact on adequacy and coverage is rather limited, because the big majority of workers can retire earlier'.

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3.1 The reforms of the government Michel I[25]

The reforms announced by the government in October 2014 build on a series of earlier reforms. The most important are the 1996 Act on the sustainability of pensions, which gender-equalised the pensionable ages and raised minimum provisions and introduced already a first step towards raising early retirement to the age of 60, conditional to 35 years of seniority. The 2001 Act foresaw building financial reserves of a 'Silver Fund' to help to meet the extra cost of baby-boomers retiring by creating budgetary reserves; the 2003 Act to regulate and expand occupational schemes; and the 2005 'Generation Pact' to encourage longer working lives.

The changes enacted in December 2011 sought in particular to limit early retirement. While refraining from raising the pensionable age the reform stepped up efforts to increase effective retirement ages and the duration of working lives. The rationale behind focussing on career length instead of pensionable age is to encourage more people to work longer before retirement so larger revenue from contributions would be collected while workers also built better pension entitlements. Eligibility ages and contributory requirements are gradually raised and early exit options in unemployment insurance reduced. Periods without contributions that previously were taken into account for the calculation of pension rights are now accrued in less advantageous ways, so that more weight is given to periods of work and contribution payments. Special schemes for particular types of workers were abolished in 2012 and within the three schemes in the first pillar the trend towards a more homogeneous treatment continued.

Further reforms adopted in 2015 continue the gradual increase in minimum eligibility ages for early retirement and in requirements about completed contribution years, however while still providing exceptions for long and arduous working careers. In addition, the minimum age of entitlement to a survivor's pension will increase further to 55 years by 2030 and the eligibility age for 'time credit until retirement' was raised from 55 to 60. These reforms have been voted by the Parliament in 2015.

In addition, the 2015 reform increasing the current pensionable age from 65 to 66 by 2025 and to 67 by 2030 breaks new ground. A novel approach to the promotion of longer working lives is also indicated by the abolishing of the pension bonus since 1.1.2015, allowing unlimited prolongation beyond 45 years of the period in which one can continue to work and build pension entitlements and dropping restrictions on combining pension with work income after the pensionable age or the completion of 45 contribution years.

Several measures are proposed to improve the minimum pension by explicitly increasing the benefit, aiming at fixing its level at 10% above the poverty threshold for a full career and facilitating access to it. This improvement continued the last years but some benefits as the income guarantee for single older persons and especially also for couples remain below or close to the poverty line.

A list of arduous jobs and new age and career conditions for earlier retirement for people with this type of work, in line of the newly created Pension Committee, were going to be defined in consultation with the social partners. Those discussions between the social partners did not result in a rapid conclusion so that the federal government decided in autumn 2017 to keep the present early exit regimes unchanged for the existing categories.

Major envisioned pension reforms to be completed by 2030 include the introduction of an automatic mechanism for adaptation to adequacy and sustainability challenges and a more transparent calculation of pension benefits based on a 'point' system. Further harmonisation of pensions for public and private sector workers is also considered, including an extension of the assessment period for civil servants. The government also announced automatic corrective mechanisms to adapt the pension system to demographic and financial evolution, beyond 2030.

The government also tasked the Pension Commission 2020-2040 additional advice on the system of 'partial or part-time pensions'.

25 In December 2019 the NVA left the government what resulted in a minority government Michel II, followed by an interim government Wilmès I and II. The Minister of Pensions remained in the four governments Daniel Bacquelaine.

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The funded pensions in the second pillar remained a major concern for the government Michel I. As a general principle the Government Agreement 2014-2019 mentions already the ambition to invite the social partners that they should aim at contributions of some 3% of wages. In 2016 the persistence of low interest rates raised the issue of the financial equilibrium of the group insurances. Those group insurances are the major provider of occupational pensions. When they cannot deliver the legally guaranteed minimum return, the sponsors (the employers) would be obliged to compensate the deficit, with the risk that they in turn get in difficulties. For that reason, the government invited the social partners to agree on a reduction of the minimum guaranteed return, what has been accepted. This implies of course a further erosion of the second pillar.

Nevertheless, the federal government continued to promote those funded pensions further, for the public sector as an alternative for certain categories of employees of the public sector and for the independent workers. The federal government also introduced some further incentives to further promote voluntarily contributions to a second pillar. Employees could ask their employers to contribute a further share of their wages in a second pillar (Summer 2017 fiscal budget agreement).

Finally, periods of study can be 'purchased' and taken into account in calculating the public statutory pension. From December 2017 the legal conditions have been modified.

Two pension reform plans of the resigning government were referred by the federal parliament to the 'Council of State' for further evaluation: one on part time pension, and one on the introduction of tighter residence conditions for applicants for the income guarantee for the elderly (IGO). In the context of the fight against social fraud, the Federal Pension Service (FPD) tightens the conditions of stay in Belgium and extends the possibilities to control it. For instance, every stay abroad needs to be declared to the FPD from 1 July 2019 at risk of losing one month of IGO, and even the postman will be used to control the stay. (D. Bacquelaine, 24 April 2019, V. Beel, 2019)

Finally, the Government Michel I also decided the elimination of the in 2001 created 'Silverfund', although it is internationally a common strategy to create partly a funded public pension. One of the arguments was that it invested in special bonds of the Belgian government so that it was considered not as a real externally funded system. The other reason was that the government in fact confirmed that the financial sustainability of the public pension should be guaranteed by the pay-as-you go mechanism. This is by the way at odds with one of the recommendations of the Commission Pension Reform 2020 - 2040 to create also a first pillar bis, a funded part in the public pension.

The Silverfund equals in 2016 some 21.9 billion euro or 5.2% of GDP. It is almost as important as the pension funds in the second pillar (5.9% of GDP). Nevertheless, the Federal Planning Bureau qualified the Silverfund as a 'failed strategy to frontload the future costs of ageing'. It has been replaced later on by measures to foster employment and economic growth that would guarantee the future financing of the cost of ageing in a Pay-as-you-go optic. Only in the last five years policies of structural reform were prioritised to guarantee sustainable financing of this cost (Denil, Frogneux & Saintrain, February 2019). See also the ESPN Flash report on the Silverfund (Pacolet, 2016).

It has to be reminded that the third pillar is for many pension experts considered in Belgium as not appropriate in a pension system.

In theory, as illustrated in a stylised way in appendix 6, there are several alternatives for maintaining sustainable pension financing in a pay-as-you-go system: increase contribution, by either increasing the contribution base or the contribution rate, reduce pension period or reduce pension level. If we want to improve the adequacy of pensions, increase the level of pensions, the only two alternatives are increasing the contribution base or increase the contributions. Adequacy implies not only the avoidance of poverty but also an adequate replacement rate and a reasonable period of retirement, as is well illustrated by the triangle of adequacy used in the European Pension Adequacy Report. Working longer reduces the period of retirement, so limiting that dimension of 'adequacy', but reduces the number of pensioneers and increases the number of active workers. But a similar result could be realised by fully engaged go for full employment, in the sense of reducing unemployment and also improve the employment rate of the total population. The stylised presentation in appendix 7 illustrates finally also the importance of the wage level, or the general level of productivity and economic growth. In that sense the Belgian choice in financing social security by making a link to economic growth and postponing the actual retirement age (see above), are at the core of solving the sustainability issue, but not the only, and partly difficult to control.

The Pension Adequacy Report 2018 provides a further balanced perspective on the 'triangle of adequacy'. It includes three dimensions: a reasonable pension period measured by the length of retirement, maintaining income measured by the replacement rate and avoiding poverty, measured by AROPE 65, the population age 65 and over at risk of poverty or social exclusion. All of them are dependent on discretionary choices and negotiation. Avoiding poverty refers most of the time to the poverty risk and the national poverty line. Maintaining income refers to the replacement rate between the income after retirement and before retirement. Most of the time a 75% is put forward as desirable.

The government Michel I 2014-2020, in line with the recommendations of the 2014 commission, 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. On several occasions the CSR (country specific recommendations) in the European Semester reminded Belgium to those plans. Related to this is the automatic linkage of the legal pension age to life expectancy. They were also to a substantial degree proposed by the Pension Reform Commission. 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). In the new governmental agreement of the Government De Croo, it is not mentioned any more. New proposals for fundamental reform are expected for fall 2021. But hereafter we give the new proposals for reform at a shorter time.

3.2 The reforms announced by the government Alexander De Croo I

On 1 October 2020 a new federal government was installed with Prime Minister Alexander De Croo. We give hereafter the main proposals for the pension reform in the coming years. But as important of what is in the governmental agreement, is also what is not in it.

The minimum pension going in the direction of net 1,500 euro per month is foreseen by the end of the government period in 2024 for those with a career of 45 years. Finally, the ambition is to increase it in net terms to a level of 1,500 euro by 2024, on top of the efforts to adapt the minimum pensions to inflation and the regularly adaptation to the standard of living. The minimum level will only be reached after a full career of 45 years and also a condition of effective employment will be included. There is also an eligibility requirement of a career of minimum 30 years. The IGO will increase in a similar way, together with the ambition to bring the minimal more in line with the poverty threshold There will also be an equal treatment in the calculation for the wage earners and the self-employed. There is no precise public information available on the budgetary impact of this measure. The Federal Planning Bureau calculated at the eve of the elections May 2019 the impact of several proposals of the political parties. It was a proposal of the PS to increase the pension of a single person by 2020 above 1,750 gross and 1,500 net. The budgetary cost in 2020 would be 3.2 billion. The cost of increasing the social benefits at the level of the poverty line would cost 1.2 billion.

Important about what is not mentioned is that nothing is mentioned about the future pension age. So the increase of the pension age to 66 in 2020 and 67 in 2030 will be maintained. The planned introduction of the pension system based on points is not mentioned neither, nor the link of the

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future pension age to the increased life expectation. Also, the debate on pensions for arduous jobs is not present in the governmental agreement.

The social protection of workers, and their pensions, will be improved for platform workers and for certain other explicit mentioned groups as journalists and artists. Also further initiatives for the pensions of the local governments are again mentioned, but this was already in line with the reforms of March 2018 and before.

The second pillar will further be harmonised between blue and white-collar workers and the social partners are invited to see how the second pillar can be generalised for all workers at the level of (at least?) a contribution rate of 3% of the wages. This is a similar ambition as of the previous government. Moreover, the government wants to encourage investment of pension savings in sustainable economy, hoping that this can also offer a solution to the low interest rates.

The management cost of those funded pension schemes (as well the second and the third pillar) will be scrutinised and if needed further controlled. Containment of those administrative costs might be realised by increased efficiency. This implies that at least in terms of the new governmental agreement the third pillar also maintains its place, although some of the coalition parties where during the elections proposing some reduction of the fiscal support for the third pillar.

Within the context of reviewing the financing of the social security, also a revision of the contributions of the self-employed are planned. The above-mentioned correction factor for pensions of self-employed will be gradually eliminated for the new career years. This will have an impact on longer term. At short term the increase of the low pensions will benefit relative more the self-employed. The Policy brief of the Minister of Pensions (Lalieux, p. 7) mentions that more solidarity needs to be introduced also in the pension scheme of the self-employed. It is not clear how it will take into account the digressive and zero social security contribution above a certain income level. For the wage earners, the social contributions apply to the total income, while the pension benefit is capped beyond a certain wage ceiling. In our view the convergence in the financing of the social security should imply a further abolition of the digressive contributions for self-employed and the zero contribution above a certain income level. How principles of convergence between the several pension schemes, improved solidarity, improved insurance, will materialise, will become clear by September 2021 where the Policy brief announces a study of and a plan for those needed pension reforms.

The Governmental agreement also foresees a further increase of this wage ceiling (see above point 2.7).

A pension bonus will again be introduced for working longer, eligible from the moment of entitlement to early pension, and similar for all pension schemes.

A more fundamental reform of the pensions is planned. By September 2021 a plan needs to be presented by the Minister of Pensions Karine Lalieux (PS). It will be organised along the line of a greater convergence of the three socio-professional groups, with a standstill for the acquired rights (what could imply a further reduction of the new rights), an improved solidarity within the system (what is realised by the higher minima) while the replacement rates for the other income categories need to be improved. Some of the measures already proposed in the governmental agreement go in the direction of convergence or similar further improvement. Some of the measures in the past implies however also a degradation of the pension system of the civil servants. The future will tell if that will be the further direction, or that there will be upward convergence.

The convergence is already notable in appendix 4.2 where the average pensions of the self-employed are increasing more than for other categories, and especially in the scenario for the coming years 2019-2024 there is a remarkable slowing down of the increase of the pension of civil servants.

Further improvement of the social protection is aimed by the fight against bogus self-employed or bogus employed.

On the issue of gender dimension, a study will be started to assess the potential of a 'pension' split.

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To conclude: the central left new government is in many aspects of pension reform continuing the direction already taken by the previous central right government.

We mentioned already the many initiatives taken to improve the transparency for the pensions for the citizen via MyPension. This will be continued to include new dimensions and to provide the citizen with more tools to decide himself about his future pension (financing). This also is in line with a substantial shift in that direction taken already by the previous governments and their administration.

In general, the additional financing of the social security is again guaranteed (what could be expected) but at the same time a greater convergence is announced.[26].

For the civil servants also the debate of the sickness/ disability pension of the civil servants is announced. That debate also was started by the previous government, but not concluded. Now it is more generous for as well the sickness benefit, but also when becoming unable to work, the civil servant could enter earlier the pension system, much more favourable than sickness and disability pensions in the private sector. But for younger persons this 'sickness pension' was less favourable since pensions could be calculated on the basis of the (limited number) of already acquired career years.

Also, the residence obligations/ control of those benefiting of a means tested income guarantee of the elderly, is also again proposed for further scrutiny. Again, this is an ongoing debate.

The funded pension schemes will be invited to include more 'sustainable' financial instruments in their portfolio (green bonds?), but will in the future not all investments become sustainable?

The part time pension as an alternative and complementary system of earlier exit or continued activity is promoted also to combine work and pension, or to prolong the working career. Also, this was already planned by the previous minister of pension Daniel Bacquelaine, and because of the resigning government re-introduced as a law proposal by David Clarinval (24 September 2019). The new government agreement includes this idea. It implies the possibility, to take up 50% of the pension, and continue to work for 50%, building up additional pension rights. By the way, the proposal of David Clarinval includes again all socio-economic categories, so further contributing to the convergence.

To conclude: the new government is on many occasions continuing the direction already taken by the previous government(s). A substantial part of the reforms of the precious government remains acquired, while others are off the table.

26 According to a recent Parliamentary question (Belgische Senaat, 2020) of R. Daems some 85000 persons are in a situation of early retirement because of long-term incapacity to work, what implies a total budget of some 1.8 billon. Those 'pensioners' and their budget should be considered as disability pensions and not old age pensions.

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4 | Guidelines and Recommendations

4.1 The return of the repartition pension

The trade unions confirm in the ETUC Survey their trust in the present pension system that gives priority to the first pension pillar, the mandatory pension system based on pay-as-you-go pension plan and not funding, based on the income during the career, under the condition that they are adequacy revalorised, including minima and maxima, again under the condition that they are adequately revalorised. They confirm their trust in this Bismarck model, based on an 'insurance logic' and financed by contributions and completed with a social assistance means tested scheme for those with not sufficient labour market participation.

On the point of sustainability, the trade unions reject that financing should be dependent from an a priori determined maximum due to fiscal or economic conditions

The trade unions mention as main challenges the ageing population due to an expected stagnation of the immigration in the future (although there has been a substantial population increase in the last two decades of a magnitude similar with the baby boom in the years 1945-1995 (Pacolet, 2020).

As mentioned already some of the parameters of calculation of the pension rights contribute to the low level of pensions, so the low level of adequacy. But also the low wages themselves for certain sectors and categories contribute to the low level of pensions. In the future the Belgian Ageing Commission describes a further reduction of the poverty risk for pensioners. When our economy is entering, due to low productivity, an era of low wages, this will put a burden on the adequacy of future pensions. For that reason, the employment policy should not only aim at increased employment, but also at employment with decent income standards.

It is remarkable that the TU survey does not see the financing capacity of the funded voluntary pension schemes as a problem. TU criticise the strategy that inadequate pensions need to be solved by the second pillar 'because we don't see voluntary pension schemes as a solution' for pensions (Survey Q. 2.3 c). This is in contradiction with the strategy of past (and the new) governments of as well right or left, that persistently emphasised that the inadequacy of the replacement rate for medium and high incomes in the mandatory public pension needed to be solved by further development of the second pillar. This goes togethers with or without further responsibility of the social partners in those systems. The latest government agreement focuses again on this, inviting the social partners to take initiatives to generalising the second pillar to all worker up to a level of (at least?) yearly contributions of 3% of the wage sum. At the same time, we observe that the financing of the funded voluntary pension schemes is inadequate and can only be solved by increased contributions, at an additional cost of fiscal expenditures and service costs. Our analysis reveals that this strategy did not work in the past, despite the broadening of the number of beneficiaries, but with remaining problems of unequal access or inadequate additional benefits, because the development was not 'fully hearted', because it needs additional contributions. If there would be a willingness to contribute more to the financing of pensions, this also could be realised in the repartition pension. For the present pensioners, it is too late to start a second pillar, so new funds are needed. For the future pensions, it is certainly not the right moment, to start additional savings/contributions for a funded pension. In view of the present budgetary and economic situation there is no space to allow more contributions for a second pillar, that increase the burden on labour (here voluntary contributions) and reduce revenue for the state. It is almost also too late for the pensions of the echo boomers (born between

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1965-1985) that will increase the pension bill in the years 2030-2050. When we need an expansionary economic policy for the next decade, I think a repartition pension is more appropriate than a funded pension. The additional concern about the high administrative or financial intermediation cost of such a voluntary scheme is recognised by the present government also, and they propose efforts to contain them. But the best containment is to avoid them.

4.2 The return of the social dialogue

The trade unions mention that the previous government made many unilateral decisions in the pension reform, with only mandatory advisory procedures in the governing body or the Federal Pension Service and for the civil servants in the overarching Consultative Negotiation committee of the public sector (Committee A). The only real involvement of the social partners was realised in the definition of the arduous occupations for the public sector in Committee A. For the private sector, the government asked the social partners to reach an agreement in the National Labour Council. Those negotiations failed, and the question was if the government would now generalise the agreement reached for the public sector. Because of the dismissing of the government since December 2018, further discussions were left to the new government. According to the trade unions, for the previous Minister of Pensions the social dialogue was only part of the formal process, but 'the content or output of that dialogue didn't matter to him'. The new government is putting much more weight in this social dialogue. A clear example is the invitation to guarantee at least 3% of the wages for financing of an adequate second pillar. Other problems, that by the previous government were left to the social dialogue, as an agreement on arduous jobs are not anymore on the agenda.

4.3 The importance of the European dimension

European Pillar of social rights inspires (and facilitates) trade union and government to campaign for and take measures, to guarantee access to social protection of atypical worker as the digital platform workers who earn less than 6,130 euro a year. The debate stopped with the resignation of the government and is again announced in the new governmental agreement. The European Pillar of Social Rights and the Access to Social Protection Recommendation inspired the consensus of the social partners in the National Labour Council. Also, the principle (14) of the European Social Pillar on adequate minimum benefits support the national ambition to increase the minimum benefits up to the European poverty threshold. But it remains a minimum.

A major problem is low skilled workers with poor labour market conditions, a higher risk of unemployment (and sickness and disability) and a further degradation of the assimilation periods. It will contribute further to the erosion of their pension. A second group at risk are low skilled women and migrant women. The revaluation of the minimum pensions up to 1,500 euro net, will correct that partly, but it is only eligible after a career of 30 years and will be dependent of the length of the career.

4.4 Transparency at micro and macro level

Despite the complexity, especially when the pension reforms are of 'stop-go' nature, there seems to be a growing transparency for the present and future retiree. This is perhaps even a leeway to further individual responsibility in pension planning, although we doubt if we have to go in that direction.

But at the same time we meet a lot of confusion in the macro-economic dimension of the pension system and its size, structure and parameters. This hampers the awareness of certain dimensions of the system, as the real size of contributions in the public but also the private system, and the benefits in terms of replacement rate, or the cost of organising the system. For instance in the exemplary yearly reports of the Belgian Ageing Commission, this dimension of replacement rate, risks to be

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forgotten. The Belgian administrations are perfectly equipped to provide that information. We are looking forward to see the statistics beyond the recent pension plans of the new government. It is the basis for further social dialogue.

4.5 Epilogue

The recently created PensionStat.be website demonstrates the willingness and ability to provide this transparency. At the moment of finalising this paper, Sigedis, the Federal Pension Service and the RSVZ (Social Security of self-employed) launched a website PensionStat.be, to make reliable and clearly defined statistics more easily available, to improve further transparency. The information gaps and sometimes inconsistencies that we signalled, illustrate that it came at the right moment. They create 'great opportunities' and will certainly contribute to an informed debate on the further pension reform plans. It will make statistics that we on several occasions ourselves looked for, as many other researchers. We partly tried in this paper again to bring together on an ad hoc basis this 'empirical evidence' PensioonStat.be allows a more systematic, more easily accessible, and more detailed analysis. To go more in detail on this, goes beyond the ambition of this paper. Most of the information is of 1 January 2020. Not all the information used in this paper is the most recent, but that does not hamper the analysis and conclusions, since they are about the structure of out pension system. We refer however with pleasure to this new website for now and for future monitoring how the sector is evolving: https://pensionstat.be/nl.

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appendix 1 Number of active persons and pensioners, situation around 2018

a1.1 Number of insured persons, 2018

Table a1.1 Total number of active persons in 2018

Category	Number	In % of total
Employed workers		
Only salaried worker	2 898 581	68
Only civil servants	379 278	9
Both employed worker/ civil servant/self-employed worker	982 295	23
Total employed workers	4 260 154	100
Self-employed worker		
Main occupation	733 856	66
Second occupation	269 108	24
Active after pension age	109 682	10
Total self- employed	1 112 646	100

* At least one day active.
Source Sigedis, Loopbaangegevens (2018)

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a1.2 Number of beneficiaries of old age and survivors pension, 2018

Table a1.2 Number of beneficiaries of old age and survivors pension of private workers, self-employed workers and civil servants, 2018

	Salaried workers	Self-employed worker	Other benefits	Total pensioners	Only civil servant	Mixed career civil servant	Total civil servant	Grand total
Total beneficiaries				2,147,471				
Total pensions	1,989,350	551,184		2,098,197	289,532	289,533	579,065	2,387,729
Old age	1,798,879	470,634						
Survivors	452,311	109,155						
Transition benefit	1,139	260						
Heathing allowance	40,498							
Pension bonus	192,444	80,496						
Guaranteed income elderly			104,265					
Previous system guaranteed income			3,400					
Entitled to annuity	314,344							
Old age	278,463							
Survivors	53,791							
Benefit disabled			783					
Unconditional benefit self-employed			73,173					
Old age			51,695					
Survivors			23,610					

* Number of beneficiaries (individual or family benefits), several categories are possible.
Source RVP Jaarlijkse Statistiek van de uitkeringsgerechtigden 2018

a1.3 Pension benefit by socio-economic scheme

Table a1.1 Pension benefits by socio-economic category and by type of pension benefit (2015), million euro, percentages of total and % of GDP

	In million euro			As % of total		as % of GDP		
	Pension benefit payment	Old-age pension	Survivors' pension	% old age	% survivors	Pension benefit payment	Old-age pension	Survivors' pension
Civil servants	15,168.0	13,500.8	1,667.2	89	11	3.6	3.2	0.4
Wage earners	23,408.2	18,511.9	4,896.3	79	21	5.6	4.4	1.2
Self-employed	3,343.1	2,485.8	857.3	74	26	0.8	0.6	0.2
Total	41,919.3	34,498.5	7,420.8	82	18	10.1	8.3	1.8

Source Brys, Y. (October 2017, p. 56)

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a1.4 Number of beneficiaries second pillar and available funds

Table a1.4 Number of beneficiaries of second pillar 2019

	Only salaried worker	Only independent worker	Both salaried worker and independent worker	Total
Numbers				
Persons insured	3,187,040	363,148	208,779	3,758,967
of which				
Active	1,561,650	185,205	14,615	1,761,470
Active and non-active	733,019	94,418	164,935	992,373
Non-active	892,371	83,524	29,229	1,005,124
As % of total				
Total	100	100	100	100
Active	49	51	7	47
Active and non-active	23	26	79	26
Non-active	28	23	14	27

Source FSMA, De tweede pensioenpijler in beeld 2019

Table a1.5 Number of beneficiaries of second pillar 2020, by socio-professional group and provider

	Workers	Self-employed	Worker and self-employed	Total
Pension funds	899,968	8,623	1,019	909,610
Insurance	1,812,001	336,931	133,802	2,282,734
Combined pension fund and insurance	646,745	14,473	94,569	755,787
Total	3,358,714	360,027	229,390	3,948,131

Source FSMA, De tweede pensioenpijler in beeld 2020

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Table a1.6 Active and total participation rate in second pillar pensions by socio-professional group and total, 2020

	Beneficiaries	Active population	Participation %
Number beneficiaries second pillar			
Men	2,098,778	2,681,449	78.3
Women	1,545,987	2,362,071	65.5
All	3,644,765	5,043,520	72.3
Number, active, beneficiaries			
Men	1,610,975	2,681,449	60.1
Women	1,166,505	2,362,071	49.4
All	2,777,480	5,043,520	55.1
Number, active, beneficiaries, workers			
Men	1,383,754	1,770,627	78.2
Women	1,014,480	1,673,721	60.6
All	2,398,234	3,444,348	69.6
Number, active, beneficiaries, self-employed			
Men	270,542	507,694	53.3
Women	146,220	265,890	55.0
All	416,762	773,584	53.9

* Active beneficiaries: for which in the current year additional pension rights are acquired;
Active population: including those looking for work;
Workers: active workers, without those looking for work and statutory workers of public sector (civil servants);
Self-employed: active as main occupation and active in second occupation but paying contributions as main occupation.

Source PensionStat.be

Table a1.7 Number of acquired capital in second pillar 2020, by socio-professional group and provider

	Workers		Self-employed		Total	
	Acquired reserves	as % of total	Acquired reserves	as % of total	Acquired reserves	as % of total
Pension funds	15,937,579,395	25	989,558,946	3	16,927,138,341	19
Insurance	47,201,481,972	75	27,330,291,243	97	74,531,773,215	81
Total 2020	63,139,061,367	100	28,319,850,189	100	91,458,911,556	100

Source FSMA, De tweede pensioenpijler in beeld 2020

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Table a1.8 Number of accounts and acquired capital in second pillar for workers 2020 by type (DC/DB) and status (active/passive), 2020

	Active	as % of total	Passive 'sleepers'	as % of total	Total	as % of total
Number of accounts and in %						
DB	186,597	5.7	118,143	4.6	304,740	5.2
DC	2,540,929	78.0	1,959,660	76.7	4,500,589	77.4
Hybrid DC/DB	528,382	16.2	477,391	18.7	1,005,773	17.3
Total	3,255,908	100.0	2,555,194	100.0	5,811,102	100.0
Acquired capital (in billion euro and in %)						
DB	15.6	39.1	4.4	25.7	20.0	35.1
DC	22.5	56.4	11.1	64.9	33.6	58.9
Hybrid DC/DB	1.8	4.5	1.6	9.4	3.4	6.0
Total	39.9	100.0	17.1	100.0	57.0	100.0

	Workers		Self-employed		Total	
	Acquired reserves	as % of total	Acquired reserves	as % of total	Acquired reserves	as % of total
Pension funds	15,937,579,395	25	989,558,946	3	16,927,138,341	19
Insurance	47,201,481,972	75	27,330,291,243	97	74,531,773,215	81
Total 2020	63,139,061,367	100	28,319,850,189	100	91,458,911,556	100

* Number of accounts is larger than number of beneficiaries because you can have more than one account; passive accounts or 'sleepers' imply for the self-employed that in the year before no additional contributions are paid; for the workers it are the accounts on base of a previous employer.

Source FSMA, De tweede pensioenpijler in beeld 2020

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appendix 2 Comparison of second and first pillar in National Accounts of Belgium

Table a2.1 Pensions in Belgian National accounts: Table 29 Supplementary table for accrued-to-date pension entitlements in social insurance, 2018, in million euro

Type	Core national accounts	Not in the core national accounts		Total pension schemes	Counterparts: entitlements of	
	Non-general government	General government			Resident households	Non-resident households
	Defined benefit schemes and other non-defined contributions schemes	Defined benefit schemes for general government employees Classified in general governments	Social security pension schemes			
Item						
Pension entitlements in the beginning of the year	105,412	250,115	1,153,401	1,508,928	1,502,500	6,428
Increase in pension entitlements due to social contributions	8,117	9,594	52,367	70,078	69,764	314
Employer actual social contributions	5,498	0	14,497	19,995	19,656	339
Employer imputed social contributions	0	4,592	..	4,592	4,592	0
Household actual social contributions	1,266	0	14,802	16,068	16,068	0
Household social contribution supplements	2,157	5,002	23,068	30,228	30,187	41
Less: Pension scheme service charges	805	0	0	805	739	66
Other (actuarial) change of pension entitlements in social security pension schemes	..	..	3,403	3,403	3,403	0
Reduction in pension entitlements due to payment of pension benefits	4,872	12,217	35,269	52,357	52,113	244
Changes in pension entitlements due to social contributions and pension benefits	3,245	-2,622	20,501	21,124	21,055	70
Transfers of pension entitlements between schemes	0	260	-264	-4	-4	0
Changes in entitlements due to revaluations	-3,396	0	0	-3,396	-3,329	-67
Pension entitlements at the end of the year	105,261	247,753	1,173,638	1,526,652	1,520,221	6,431

* Table 29 represents the actual value for future pension entitlements for the present active population and pensioners, accrued up until the moment of calculation. The pensions included are old age pensions and survivors' pensions. Not included is the means tested and tax financed income guarantee for the elderly. We especially looked here at the contributions paid in the current year, the benefits paid in the current year and the pension scheme service charges. Calculations with a discount rate of 2%. More information a.o. Desmet, R., Tarantchenko, E. ,Van den Bosch, K., (2021).

Source Table 29 Supplementary table for accrued-to-date pension entitlements in social insurance, National Accounts, Data extracted on 06 Mar 2021 17:37 UTC (GMT) from NBB. Stat

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Table a2.2 Pensions in Belgian National accounts: Table 29 Supplementary table for accrued-to-date pension entitlements in social insurance, 2018, in % of GDP

Type	Core national accounts	Not in the core national accounts		Total pension schemes	Counterparts: entitlements of	
	Non-general government	General government			Resident households	Non-resident households
	Defined benefit schemes and other non-defined contributions schemes	Defined benefit schemes for general government employees Classified in general governments	Social security pension schemes			
Item						
Pension entitlements in the beginning of the year	22.9	54.3	250.5	327.7	326.3	1.4
Increase in pension entitlements due to social contributions	1.8	2.1	11.4	15.2	15.2	0.1
Employer actual social contributions	1.2	0.0	3.1	4.3	4.3	0.1
Employer imputed social contributions	0.0	1.0		1.0	1.0	0.0
Household actual social contributions	0.3	0.0	3.2	3.5	3.5	0.0
Household social contribution supplements	0.5	1.1	5.0	6.6	6.6	0.0
Less: Pension scheme service charges	0.2	0.0	0.0	0.2	0.2	0.0
Other (actuarial) change of pension entitlements in social security pension schemes			0.7	0.7	0.7	0.0
Reduction in pension entitlements due to payment of pension benefits	1.1	2.7	7.7	11.4	11.3	0.1
Changes in pension entitlements due to social contributions and pension benefits	0.7	-0.6	4.5	4.6	4.6	0.0
Transfers of pension entitlements between schemes	0.0	0.1	-0.1	0.0	0.0	0.0
Changes in entitlements due to revaluations	-0.7	0.0	0.0	-0.7	-0.7	0.0
Pension entitlements at the end of the year (F	22.9	53.8	254.9	331.6	330.2	1.4

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appendix 3 Main reforms in the past and more recent

Table a3.1 Major pension reforms in the past

Reform in the first pillar	
1982	Generalised installation of wage ceiling for pensions
1997	Pension Reform, including adaptations of wage ceilings, Minimum pension and guaranteed minimum income for the older pensioners
1999-2009	Increase legal pension age for women from 60 to 65 and length of career from 40 to 45 years
2001	Creation of a fund for the public pension: 'Silverfund'
2015	Increase of legal pension age to 66 in 2025 and 67 in 2030
2016	Abolition of the 'Silverfund'
Reform in the second pillar	
1995	Law Colla
1999	Government agreement on creation sectoral pension funds
2001	Social partners agreed on the creation of sectoral funds
2002	Creation of supplementary pension for independent workers
2003	Law on sectoral pensions
2003	Non-discrimination of temporary workers
Law of 30 March 2018	Adaptation of second pillar for contractual workers in the public sector, among others in the local public sector
From 1 januari 2019	Creation of a second pillar for contractual workers in Flemish administration
	Creation of individual supplementary pensions for salaried workers
Reform in the third pillar	
1985	Creation of individual pension saving accounts

Source Own updated summary

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Table a3.2 Major recent reforms trends and reform debate in the pension system

* A political cycle in the pension debate: green book on the pension reform before 2008 elections, white book announced for after elections, a pension reform commission installed since then, published their conclusions after the 2014 elections
* Reduction of early exit possibilities (for instance time credit, career length and age conditions)
* A continuum of parametric reforms from Generation Pact (2005) until reforms since 2011 and present government
* Priority for improving and safeguarding minimum pensions
* Progressive increase of real exit age
* Growing attention for arduous jobs and making work workable
* First reduction, then harmonising and finally dismantling of incentives for working longer (pension bonus)
* Progressive dismantling of preferential pension regimes
* First reductions in pensions of civil servants
* So called 'Silverfund' (public pension reserve of € 21.5 billion) under discussion and finally dismantled in 2016
* In 2015 the increase of legal pension age is voted (66 in 2025, 67 in 2030)
* By 2030 an automatic adaptation to adequacy (life expectancy) and sustainable pension systems and introduction of a harmonised notional point system
* Second pillar (occupational pensions) gets growing attention…but remains below ambition
* Financial sector (life insurance) claims adaptation of required return and as such undermining the ambition of the government to reinforce that second pillar

Table a3.3 Proposals of reform by the Commission of Pension Experts (2013-2014)

2013 Commission of pension experts installed; conclusions in 2014:

* Reinforcement of insurance principle in first pillar by relationship between career and earnings
* Guaranteeing also link to inflation and earnings
* Maintaining professional pillars
* Calculations harmonised between these pillars
* Introduction of a notional point system 'to make it more transparent to the citizen'
* Second pillar should be reinforced
* Growing attention for working longer in arduous jobs and workable work

Since then they provided additional advises on arduous jobs and part time pension

May 2015 National Pension Committee is installed

National Pension Committee of social partners and federal government, situated close to National Labour Council (NAR);
Knowledge centre created;
Commission of experts continued as Academic council

Priorities for future pension plans of government:

* Arduous jobs: further discussion with the social partners
* Return on second pillar: social partners have to propose a solution
* Prepare the reform by 2030 of notional point system and adaptation to adequacy and sustainability

Source Own summary in Pacolet, De Wispelaere

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appendix 4 **Average pension benefit**

a4.1 Minimum, maximum and average pension according to socio-economic categories

Table a4.1 Minimum, maximum and average pension per socio-economic category, in euro per month, gross figures

	Minimum	Maximum	Average
Civil servants	1,365.66	6,668.68	2,713.00
Wage earners	1,253.83	2,470.38	1,152.49
Self-employed	1,253.83	1,460.56	918.45

Source A. Mouton, Trends, 3/10/2019 on information PensioPlus

Table a4.2 Gross and net average pension per socio-economic category, in euro per month, 1 January 2020

	Gross	Net
Civil servants	2,933	2,072
Wage earners	1,375	1,255
Self-employed	935	904

* Averages for homogenous careers.
Source PensionStat.be

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a4.2 Evolution of average pension benefit 2000-2024

Table a4.3 Evolution of total beneficiaries, total pension expenditures and average pension benefit, 2000-2024

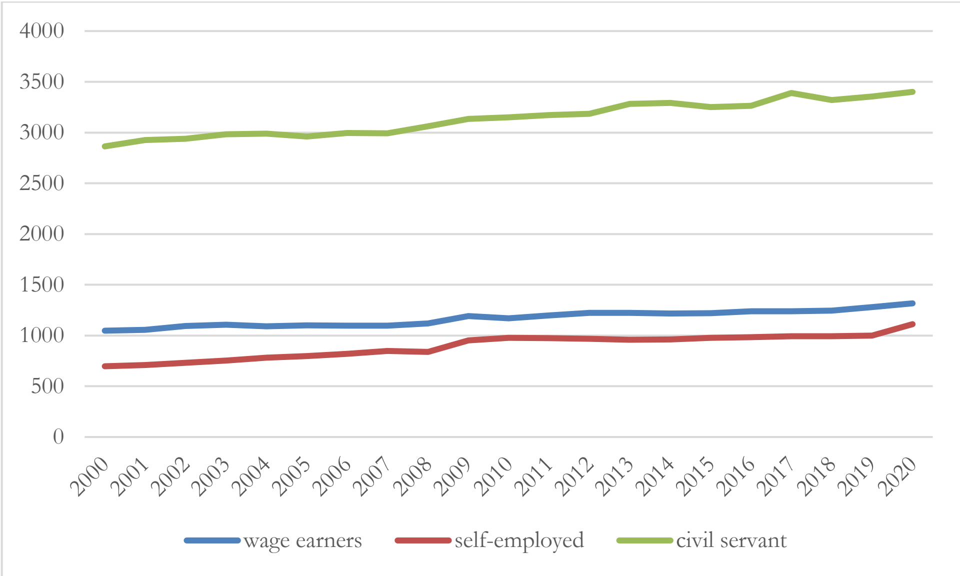
	2000	2005	2010	2015	2019	2020	2024	2024*	2030	2030*
Number of beneficiaries (in thousand)										
Wage earners (in FTE)	1,425	1,454	1,518	1,700	1,846	1,883	2,037		2,179	
Self-employed (in FTE)	300	287	285	304	315	319	337		347	
Civil servant	293	332	386	421	433	445	477		499	
Income guarantee elderly	93	90	101	113	108	108	110		106	
Average benefit per month, euro in prices 2019										
Wage earners	1,048	1,101	1,169	1,222	1,281	1,317	1,375	1,476	1,470	1,768
Self-employed	697	797	976	976	1,000	1,112	1,083	1,163	1,266	1,522
Civil servant	2,864	2,960	3,150	3,251	3,354	3,401	3,380	3,631	3,583	4,308
GDP per capita	34,963	37,417	38,330	39,604	41,291	37,003	41,734	44,825	44,305	53,276
Average benefit per month, euro in prices 2019 (2000=100)										
Wage earners	100	105	112	117	122	126	131		140	
Self-employed	100	114	140	140	143	159	155		182	
Civil servant	100	103	110	114	117	119	118		125	
GDP per capita	100	107	110	113	118	106	119		127	
Total expenditures (in million euro in prices of 2019)										0
Wage earners	17,920	19,212	21,299	24,925	28,385	29,766	33,591	36,079	38,448	46,233
Self-employed	2,509	2,745	3,341	3,561	3,785	4,252	4,381	4,706	5,267	6,333
Civil servant	10,082	11,790	14,584	16,406	17,438	18,149	19,361	20,795	21,457	25,802
Total	30,511	33,746	39,224	44,892	49,608	52,167	57,333	61,579	65,173	78,369
Total expenditures (as % of GDP)										
Wage earners	5.0	4.9	5.1	5.6	6	7	6.9		7.3	
Self-employed	0.7	0.7	0.8	0.8	0.8	1	0.9		1	
Civil servant	2.9	3.1	3.6	3.8	3.8	4.4	4.1		4.2	
Total	8.6	8.7	9.5	10.2	10.6	12.4	11.9		12.5	

* In nominal terms, applying the expected inflation of the Federal Planning Bureau 2020-2025; from 2025 on inflation rate is supposed of 1.9%.

Source Own calculations on pension expenditures and beneficiaries, databank Studiecommissie vergrijzing

a4.3 Evolution of average pension benefit,

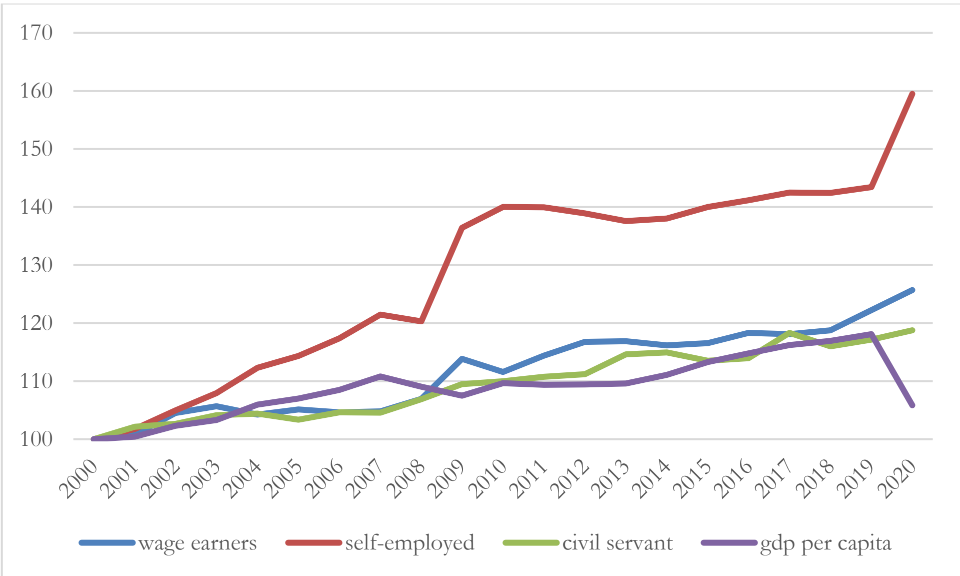
Figure a4.4 Average pension benefit 2000 – 2020, in euro prices of 2019



Source Own calculations on pension expenditures and beneficiaries, databank Studiecommissie vergrijzing

a4.4 Evolution 2000 – 2020 of average pension, index 2000=100

Figure a4.5 Evolution of average pension and GDP per capita, in real terms (prices of 2019), 2000=100



Source Own calculations on pension expenditures and beneficiaries, databank Studiecommissie vergrijzing

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a4.5 Wage ceiling

Table a4.6 Evolution wage ceiling for wage earners compared to GDP per capita, in euro and index 1981 - 2020

	Wage ceiling, nominal	Wage ceiling in prices of July 2020	GDP per capita in prices of 2020	Wage ceiling times GDP per capita
1981	19,706	50,786	23,693	2.14
2010	47,172	55,745	39,186	1.42
2019	57,603	58,122	41,523	1.40
2020	58,447	58,447	37,014	1.58
Growth between 1981 and 2019 (1981=100)	297	115	156	

Source Own calculations on Federale Pensioendienst ('loonplafond') and Contassur

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appendix 5 **Gender gap**

a5.1 Structure of assimilated days in wage earners scheme

Table a5.1 Percent distribution of assimilated days by type of assimilation in the employee scheme, by gender, 2010

	Total	Men	Women
Unemployment	54	63	45
Incapacity to work	30	28	32
Part-time work with retention of rights	6	2	10
Time credit	5	3	6
Free assimilation	4	3	5
Maternity/paternity leave	1	0	2
Other	1	1	1
Total	100	100	100

* **Source** H. Peeters (2016), quoted in Wouters, Pacolet, De Wispelaere, Nicaise, 2017

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a5.2 Number of effective employed years and total number of years eligible for calculation pensions, wage earners and self-employed, by gender

Table a5.2 Number of career years of recent retired persons for pension calculation and effective employed

Type career	Length career in years	
	Men	Women
Wage earners		
Effective employment	30	19
Pension career	44	30
Assimilated years	14	11
Assimilated years as % of total	32	37
Self-employed		
Effective employment	39	17
Pension career	40	18
Assimilated years	1	1
Assimilated years as % of total	3	6
Mixed career		
Effective employment	34	19
Pension career	41	26
Assimilated years	7	7
Assimilated years as % of total	17	27

Source Federal Planning Bureau, 2016 in ABCGG, 2019, p.11

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appendix 6 Parameters for an adequate and sustainable PAYG scheme

In a stylized way the financial equilibrium at moment t of A PAYG pension scheme can be presented as:[27]

Income of the pension scheme, pension contributions

= A(t) x c(t) x W(t)

= pension expenditures,

=B(t) x P(t) = B(t) x r(t) x W(t)

where

A is number of employed or potentially employed persons,

c is contribution rate,

W (t) is average wage and

B(t) is number of beneficiaries or retirees and

P(t) is average pension

r is the replacement rate or r(t) =P(t) /W(t)

and the contribution rate

c= (B(t) * P(t))/ (W(t) * A(t))

or

c(t) = (B(t) /A(t)) *(P(t) /W(t))

where

B(t) /A(t = dependency rate

and

P(t) /W(t = replacement rate.

Working longer changes the proportion between pensioners and active population; but also the increase of labour market participation and the reduction of unemployment can reduce the dependency ratio. Also the wage policy and the growth policy influences the adequacy level and affordability (sustainability) of future pensions.

27 See the interesting PowerPoint of Devolder, P., de Valeriola, S. (2016).

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With the financial support of the European Union