Pension formula Private sector

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Belgium: Pension formula Private sector

- For the private sector each working year will give right to the following pension amount:

$$\frac{Yearly\ salary(year\ n) * revaluation\ factor}{45} * 60\%$$

The pension is thus influenced by two elements:

The number of working years, 45 to get a full pension

The salary evolution: the salary of every working year should be considered for the pension amount calculation. The salary taken into account is capped at a maximum defined on a yearly basis, 53 528,57 EUR for 2015.

Normal retirement age is 65 years old.

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The revaluation factor is independent of the salary.

Example: Suppose someone started working in 2012 and let the revaluation factors for the years 2013,2014 and 2015 are respectively of 1%,2% and 3%. Then the following calculation will be performed at end 2015.

- Revaluation of the 2012 salary : Salary(2012) * 1,01 * 1,02 * 1,03

Salary 2012 used for the pension amount calculation =

= **min (Salary(2012) *1,01 *1,02 *1,03, max2012 salary *1,01 *1,02 *1,03)**

- Revaluation of the 2013 salary : Salary(2013) *1,02 * 1,03

Salary 2013 used for the pension amount calculation =

= **min (Salary(2013) 1,02 *1,03, max2013 salary *1,02 *1,03)**

- Revaluation of the 2014 salary : Salary(2014) *1,03

Salary 2014 used for the pension amount calculation =

= **min (Salary(2014)*1,03, max2014 salary *1,03)**

Pension formula Private sector - Example

- Years of unemployment, disability or time credit are taken into account for the pension calculation.

The salary considered for those years is the last salary the worker was earning before the unemployment period; for long period of unemployed a lower fictive salary is taken into account.

If someone works for 25 years let's say from the age of 25 to the age of 50 and then becomes unemployed or disabled the 15 years he/she will be unemployed (disabled) till he/she reaches the normal retirement age will be taken into account.

So for him/her the formula becomes as follows:

$$\frac{\textbf{Yearly salary} * \textbf{40} * \textbf{revaluation factor}}{\textbf{45}} * 60\%$$

There Is no limit to the number of years someone has to work in order to be entitled for a full credit regarding the number of the years up to normal retirement.

Conclusions

- The impact on pension of broken careers is extremely limited in Belgium.

- The pension amount is fully dependent by the relationship between the yearly evolution of the salary and the revaluation factor.

  Someone with a full career of 45 years and a yearly salary evolution **equal to** the revaluation factor of the year, will get **exactly** 60% of his last salary as pension.

  Someone with a full career of 45 years and a yearly salary evolution **higher than** the revaluation factor of the year, will get **less than** 60% of his last salary as pension.

  Someone with a full career of 45 years and a yearly salary evolution **less than** the revaluation factor of the year, will get **higher than** 60% of his last salary as pension

  However:

  - *The number of years needed for a full pension, 45, is most times more than the number of years till the Normal retirement age*
  - *Salaries are usually low at the beginning of the career and then evolve at a rate higher than inflation.*

  So the vast majority of Belgian employees get a pension lower than 60% of their last salary