Amendments to the Supplementary Pension Act

Dear Customer,

Effective **1 January 2016**, and in accordance with the agreement reached with the social partners, **a new law will enter into force** which will significantly change **group insurance**.
Passed in the Belgian House of Representatives on 17 December 2015, the new legislation is expected to be published in the Official Journal by the end of 2015. In this newsletter, we will be outlining the key changes: adjustment of the employer-guaranteed minimum return, a new death benefit coverage option for former employees who have opted to keep their accrued reserves invested in the plan (i.e. dormant insured), and the use of statutory retirement age as the trigger for paying out supplementary pension benefits.

1. Guaranteed minimum return

As of 1 January 2016, the **employer-guaranteed minimum return** earned on defined contribution and cash balance plans will be a **variable** percentage linked to the average yield on 10-year Belgian government bonds (OLO) over the last 24 months. Instead of the previous guaranteed returns of 3.25% (for employer contributions) and 3.75% (for employee contributions), there will now be one single percentage which will range from **a minimum of 1.75% to a maximum of 3.75%**.

In practical terms, contributions paid into these types of plans will earn a **guaranteed return** of **1.75% as of 1 January 2016**.

2. Death benefit coverage for former employees

As of 1 January 2016, all participants will be informed in their termination of employment letter of the option to take out **death benefit coverage which will provide payment of the reserves they have accrued in their company plan** upon their death. Once they have left the company, they will have 12 months to express their intentions.

3. Retirement age

The legislation links the payment of supplementary pension benefits to statutory retirement age

In other words, participants will only be able to **claim their second pillar pension savings upon reaching statutory retirement age. If the current pension plan regulations allow participants to cash out on their plan as of the age of 60**, they will also have the following options:

- collect the benefits upon reaching statutory retirement age, even if they remain employed beyond this age
- collect the benefits once they meet the requirements for early statutory retirement, even if they remain employed beyond this age

The new legislation also has the following consequences:

- In cases where it would now be unlawful to pay out the second pillar pension savings, the plan maturity date will be extended until the participants reach statutory retirement age (currently 65). This means that plans that initially allowed participants to cash out at the age of 60 will no longer be honoured at that age and must be extended.
- If the effective statutory retirement date is earlier than the plan maturity date, the retirement benefit must be paid on that date.
- Plans that mature when the participants reach the age of 65 may be extended (age to be specified) if the participants continue working and keep their retirement savings invested in the plan.
- Plans with dormant participants must be extended if the payment of retirement benefits is postponed beyond the initial plan maturity date

These changes will not be effective immediately. **Transitional arrangements** will be put in place so that employees can still draw on their supplementary pension early, regardless of the statutory (early) retirement age. Note, however, that these transitional measures will only apply in cases where the pension plan regulations allow participants to cash out on their plan as of the age of 60.

The transitional arrangements are summarised in the table below:

Participant's age in 2016	Supplementary pension savings payable as of:
≥ 58	the age of 60
57	the age of 61
56	the age of 62
55	the age of 63

The new legislation prohibits plans from including any incentives that would encourage employees of a certain age to take early statutory retirement

Such measures, such as applying **more favourable discounting practices** to supplementary pension savings claimed at the age of 60, will be considered **null and void.** Note, however, that transitional arrangements will also apply at first as a way to circumvent this restriction.

For new pension plans, the legislation has also changed the minimum retirement age

- The minimum retirement age for new plans cannot be lower than the statutory retirement age (currently 65).
- As of 1 January 2019, the minimum retirement age used for new enrolments in existing group insurance plans must be 65, even if the retirement age stipulated in the pension plan regulations is 60.

This will have no effect on existing pension plans. Only if the plan maturity date is adjusted, it will have to be altered to the required minimum age of 65. The retirement age does not need to be modified for other changes to the plan.

Naturally, AG Employee Benefits is following the situation very closely to ensure we achieve full compliance with the new legislation. We have already taken the necessary measures in the short term. In the next few weeks, we will be covering the new legislation in greater detail as well as the impact it will have on your plan.