

Supplementary pension scheme
for the manual workers
in the Belgian construction industry



**Pension composition for employees
in Belgium**



3 possible pillars

3rd pillar

individual savings individual
- fully funded

2nd pillar

supplementary pension employer/industry
- fully funded

1st pillar

legal pension state/social security
- pay-as-you-go

Socio-economic context



Legal pension: financing under pressure

"Today's active population pays for today's retired persons."

- **ageing of the population**
 - legal retirement: 65 years old
 - life expectancy: \pm 80 years old
- **early retirement**
 - legal retirement age: 65 years old
 - average actual retirement age: 59 years old
- **number of active people per retired person**
 - 2004: 1 retired person \leftrightarrow 4 active persons
 - 2050: 1 retired person \leftrightarrow 2 active persons

Supplementary pension: 2003: new legal framework to stimulate the democratisation of the 2nd pillar

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Belgian construction industry



paid employment

manual workers:	165.000
intellectual workers:	35.000
total:	200.000

= 7% employment private industry

number of companies: 27.000
of which 85% < 10 employees

wage bill: € 3,2 billion

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Supplementary pension plan for construction workers



- industry that already grants its retired workers a supplementary retirement pension since 1964
 - = in order to improve the workers' loyalty

but: - tied to terms of seniority in the industry
- pay-as-you-go financing

=> not in line with the new legal framework

- beneficiaries: all workers (without any exclusion)
- fully funded

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New supplementary pension scheme Construction



- choice between:
 - scheme managed by an insurance company
 - => the modalities would depend on a strict technical framework
 - scheme organised within a pension fund
 - => the modalities can be defined by the social partners

↓
launched in January 2007
managed by Pensio B
financed by employer's contributions

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New supplementary pension scheme Construction



Principles

- for all workers of all building companies
- Pensio B opens an individual "savings" account
- with quarterly payments on the individual accounts
- on those payments: guaranteed yield of 3,25% per year
- constituted reserves: paid at the legal retirement age
- benefit paid as a lump sum or as a pension

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The pension capital's composition



contribution on individual accounts:

1. for all workers: % of the pay

- on the effective pay
- on a fictive pay in case of illness

unemployment caused
by bad weather

2. in addition, for active workers ≥ 58 years old: 500 EUR/quarter

guaranteed yield of 3,25% per year on the constituted reserves

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% of the contribution per quarter



Seniority in the industry	Percentage
0 to 4 years	0.20%
5 to 9 years	0.40%
10 to 14 years	1.00%
15 to 19 years	1.25%
20 to 24 years	1.50%
25 to 29 years	2.00%
from 30 years on	2.50%

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Moment of disbursement of the capital



- ⌚ at the legal retirement age (min. 60 years old):
disbursement to the worker

- ⌚ if the worker dies before his retirement:
disbursement to the beneficiaries:
 - partner
 - children
 - legal heirs till the 2nd degree

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The worker leaves the industry during his career



in case of exit: 3 options

- reserves left in Pensio B: guaranteed yield of 3,25%
- reserves moved to the new industry's or the new employer's pension institution
- reserves moved to an insurer

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Pensio B some figures



situation on 30 June 2010

- number of members: 245.000
 - active: 165.000
 - inactive: 80.000
- contributions paid on individual accounts in 2010: € 43 million
- value of the pension commitments: € 153 million
- value of the managed assets: € 176 million
- obtained yields:
 - 2007 (9 months): + 3.52%
 - 2008: + 3,25%
 - 2009: + 9,68%
 - 2010 (6 months): + 3,69%

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Points of interest



- **evolution of the % of contributions on individual accounts: to be negotiated in the joint committee in the next years**

- **the management of a sectoral scheme in a pension fund requires:**
 - **a sufficient size:** minimum 80.000 members
 - **an extensive automation of the management:**
 - * data flow
 - * calculation of the benefits
 - **competences that ensure the technical control of the framework:**
 - * prudential and jurisdictional framework
 - * actuarial
 - * financial

- **possibility of collaboration between industries**