

GMS Flash Alert



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Belgium - Adjustments to the Overseas Social Security Scheme

The Belgian Overseas Social Security Scheme (“OSS scheme”) has undergone some changes that take effect on April 1, 2017, and include:

- the application of gender-neutral mortality tables; and
- an increase of the monthly minimum and maximum premium that can be contributed into the system by the employer or employee – this is tied to a decrease in the interest rate for pension accrual from 3.75 percent to 2 percent.¹

WHY THIS MATTERS

To prevent women from being disadvantaged for their higher life expectancy, the mortality tables are being made uniform for men and women. In terms of future pension accrual, the calculation of pension benefits will no longer differ between men and women.

Moreover, the interest rate for capitalization of premiums has decreased from 3.75 percent to 2 percent beginning April 1, 2017, to align with market practice, which may have an impact on pension accruals for those employees currently participating in the OSS scheme, as well as on future participants.

Employers should take steps to increase their premium contributions in order to safeguard the pension entitlements of their employees for years they worked overseas.

Employers that are currently participating in the OSS scheme on behalf of their employees working overseas are advised to contact the OSS in order to have their premiums adjusted in light of these changes.

Context

The OSS scheme is a voluntary social security system that offers coverage for situations where the Belgian statutory social security coverage cannot be safeguarded through bilateral or multilateral social security agreements.

The scheme is available for employees, self-employed workers, and civil servants (as well as their families, at charge) for:

1. Belgian, Swiss, and European Economic Area (EEA) nationals working outside the EEA/Switzerland;
2. Non-EEA nationals working outside the EEA/Switzerland for a company with a registered seat in Belgium or a Belgian governmental body.

The OSS scheme consists of two sorts of insurances:

- 1 the general insurance scheme, which provides coverage of work incapacity, deferred health care, and pension accrual; and
- 2 the complementary insurance scheme, which provides (additional) coverage for private life accidents, occupational accidents, and health care.

To be in line with European Court of Justice case law, the OSS scheme had to standardize the mortality tables for men and women. Consequently, as from April 1, 2017, men and women will build up the same pension entitlements through the OSS scheme.

The other change involves the interest rate for pension accrual, which is decreased from 3.75 percent to 2 percent to align this interest rate with market practice. The change will only apply for future pension accruals in the OSS scheme. The pension benefits accrued prior to April 1, 2017, will not be affected and will continue to capitalize under the interest rate of 3.75 percent.

KPMG NOTE

In the past, companies often determined the amount of the OSS contribution premium based on the estimated loss of a Belgian legal pension for the employee concerned when working outside Belgium and no longer covered by the Belgian state social security scheme.

The adjustment of the pension accrual means that the contribution premium that employers pay today will no longer result (after capitalization) in the same pension benefits as projected beforehand under the 3.75-percent interest rate. In order to safeguard employees' pension entitlements (built-up via the OSS scheme), employers will need to increase their current monthly OSS premiums.

Based on first calculations by the OSS, the current premiums have to be **multiplied by a factor of 1.9** in order to safeguard employees' pension entitlements in the OSS scheme.

Moreover, in order to guarantee an acceptable minimum pension for employees working overseas, the OSS adapted the “minimum contribution premiums” that can be paid in the general insurance scheme:

	Current monthly premium (until March 31, 2017)	Monthly premium beginning April 1, 2017
Minimum premium	€249.60	€312.00
Maximum premium	€998.55	€1,897.25

Below we provide an example of the estimated impact of the new rates and scales:

1. For a full career of 45 years under the OSS scheme started at the age of 20, on February 1, 2017, with the current minimum contribution of €249.60 (prior to April 1, 2017):
 - a. an individual would have received €15,433 (if a woman) and €15,913 (if a man) under the current legislation;
 - b. in future, that individual will only receive €8,252 (regardless of being a woman or a man).
2. For a full career of 45 years under the OSS scheme started at the age of 20, on April 1, 2017, with the new minimum contribution of €312:
 - a. an individual will receive a pension of €10,315 (for women and men).

FOOTNOTE:

1 Royal Decree of March 15, 2017, adjusting the Royal Decree of September 15, 1995 with respect to the payment and collection of the contribution premiums to the OSS and adjusting the Royal Decree of December 15, 1970 with respect to the OSS tariffs and scales, published on March 22, 2017, in the Belgian Official Public Gazette (*Arrêté royal modifiant l'arrêté royal du 15 septembre 1965 relatif à la perception des cotisations du régime de la sécurité sociale d'outre-mer et l'arrêté royal du 15 décembre 1970 fixant les tarifs et barèmes à appliquer par le Fonds des pensions de l'Office de sécurité sociale d'outre-mer*, publié le 22 mars 2017, *Moniteur Belge/Belgisch Staatsblad* N. 86).

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Watch the latest GMS video “The Importance of Certificates of Coverage When Sending Employees Overseas”!

In this video, featuring Bob Rothery and Stacy Finch with the KPMG LLP (U.S.) Global Mobility Services practice, we delve further into the nuts and bolts of social security totalization agreements and learn about certificates of coverage, the “detached worker rule,” the application of home versus host country social security rules, in general, to different kinds of assignments, and respective employee and employer obligations and responsibilities. See: “[The Importance of Certificates of Coverage When Sending Employees Overseas](#),” from KPMG’s GMS practice (app. 8-1/2 minutes).

Contact us

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