COUNTRY SPOTLIGHT | BELGIUM

Bursting under the pressure

Belgium's Arizona coalition is facing mounting pressure as it looks to push through sweeping pension reforms. Sandra Haurant **explores whether the changes will bring more unrest than solutions**

Belgium entered the *Guinness Book of World Records* in 2011 when it became the country to go the longest without a government in peacetime. The country, with its population of around 11.9 million, went for 541 days without a government, as politicians tried and failed to create a coalition following the 2010 federal elections.

The country appeared to cope relatively well, but Belgium does now have a government. A coalition nicknamed Arizona was formed at the start of this year, so-called because the colours of its five parties are the same as those in the Arizona state flag. It is led by Conservative, Bart de Wever, who became Prime Minister in February 2025.

According to Lydian lawyer, Alexander Vandenbergen: "The most urgent thing for [*the government*] at that stage was making some savings in the state pension costs."

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Vandenbergen says, noting that as the baby boomer generation retires, the demographic is shifting towards an ageing population.

Proposals were made for sweeping changes, but they were not met with unbridled joy. Days into the new government, pensions made the front page as thousands of protesters took to the streets in national strikes against proposed reforms. So, what are the proposed changes, and will they provide solutions?

Pension pillars

The Belgian retirement system consists of three pillars: A pay-as-you-go public pension (for employees, self-employed and civil servants), supplementary occupational pensions, and private personal pensions.

Occupational pensions exist both on a company level and an industry-wide level. In terms of coverage, it's a successful system, with more than 80 per cent of Belgian employees signed up.

Schemes are run by insurers or pension funds, with the choice depending on company size and scope. "Pension funds, in general, are used by large companies and insurance firms by smaller – as we have more smaller companies, the majority are held with insurance companies," says Vandenbergen.

Reforming pillar one pensions

"The basic role of the state pension is that everyone has a certain minimum retirement income – ideally more but at least that," says Better Finance senior research and policy officer, Sebastien Commain.

To do more, though, it appears changes are required. So what changes are being made under the Arizona government to ensure the state can continue to deliver despite the demographic challenges faced?

One key aspect, Vandenbergen says, is reducing the pension for civil servants. "Statutory employees have much higher pensions than others – it has been twice as high as those of employees, and those of employees have been twice as high as those of self-employed people," he says. The idea, says Vandenbergen, is to work towards closing that gap.

State workers do not have access to supplementary occupational schemes, which is one argument in favour of higher retirement incomes, but this is due to change. Reforms will extend occupational pensions to state workers as public and private regimes are harmonised.

The age of retirement has already been tackled in previous reforms and is set by law to increase to 67 by 2030. But as part of the government's goal to keep older people in work, early retirement will be discouraged. In 2024, some 42.8 per cent of employees in Belgium took retirement before the current legal minimum of 65, according to the HR firm Acerta.

The reforms will introduce stricter early retirement criteria, and a potential 'malus', or financial penalty, for those who do not meet them.

There are also changes due to the way in which pension rights are accrued, as part of a plan to bring public and private sector workers into closer alignment. This shift includes the abolishment of some of the other significant advantages enjoyed by state employees which, says Vandenbergen, hark back to a time when "Belgium was still very rich", and when civil servants essentially never retired.

A reworking of the way in which eligible pension years are calculated is anticipated, and valid reasons for breaks in work history will be heavily revised and the minimum number of workdays per year required for accrual will be increased. However, this part of the reform has come under criticism, as some argue it will negatively impact people with fragmented work histories and part time workers, who are often more vulnerable to begin with.

NN longevity expert, Colin Sanders, says: "The impact on part-time workers varies significantly depending on their work intensity throughout their career. For employees to avoid the pension malus [*financial penalty*], they need 35 half-time years and 7,020 working days. It's worth noting that care leave, maternity leave, military service, and temporary unemployment count as equivalent days, illness does not – but the government will provide for a 'sickness correction', under certain conditions."

Guarantees and limitations

On the occupational side, there are two types of supplementary pensions, known as Branch 21 and Branch 23. Branch 23 schemes invest in a wide spread of assets and offer no guarantees to investors – returns depend on the markets. These make up a tiny proportion of the market. Branch 21, far and away the most used of the two plans, is unusual in that it offers a guaranteed annual return on contributions. The minimum guaranteed return is calculated annually by the Financial Services Market Authority (FSMA) based on the return of the Belgian state's 10-year bonds.

"MOST OF US DON'T SAVE ENOUGH... WE NEED FINANCIAL PERFORMANCE SO THAT SMALL CONTRIBUTIONS ARE INCREASED"

"By law it can never be lower than 1.75 per cent, nor higher than 3.75 per cent," says Commain. "It remained at 1.75 per cent from 2016 to 2024 and jumped to 2.50 per cent in 2025."

This guarantee was implemented in the 1990s and has evolved over time to cover not just employee contributions, but those made by employers, too.

As a result, while technically Branch 21 pensions are not DB schemes, they are not exactly DC either, at least not in the way the term is generally understood. And crucially, says Vandenbergen, "the guarantee is part of labour law".

This has a big impact on who is responsible for meeting obligations. "This guarantee is not supported by the insurance company or pension fund manager," Commain says, "but by the sponsor (often, the employer), who must compensate any shortfall when the employee retires".

In theory, then, Belgian employees benefit from a solid system that offers a secure income in old age based on a steady stream of contributions and returns. But not everyone thinks it is the optimum system – and some say that imposing a guarantee limits the potential of supplementary pensions.

"In practice, it is a bad idea," says Commain. "If we want to guarantee [*returns*] every year, the manager will invest in low risk and low yields – typically sovereign debt. This brings small yields, and people are not generating capital on their pension. Most of us don't save enough, so this is a problem: We need financial performance so that small contributions are increased by financial returns."

Indeed, Better Finance's report on Belgium found that "despite the nominal capital guarantee, the lack of revaluation over the past five years amidst high inflation has severely impacted the actual purchasing power of pension savings".

Supplementary pensions for self-employed people are set to change though, as Sanders points out that "many of the measures still need to be developed or officially published in the Belgian Official Gazette," where the country's laws are published.

But, Sanders says, the initial plans have some contradictions. "The aim is to provide more substantial tax incentives for smaller self-employed workers, often working without a company, to encourage them to save more for their supplementary pension," he says.

"At the same time, self-employed individuals with higher supplementary pensions will face increased tax pressure. As of 2027, for example, an additional 2 per cent tax will be levied on the portion of the disbursed supplementary pension capital that exceeds €150,000. This measure will also apply to employees receiving similar pension payouts."

Rather like the country's ability to operate relatively effectively without a government, the pensions system has held up despite challenges, but demographic pressures and resistance to reform could soon test the Arizona authorities.