Reform of the supplementary pension scheme

The long awaited reform of supplementary pensions has now materialised thanks to a bill tabled in March 2017. The main measures are as follows:

- **Extension of supplementary pension scheme to freelancers**

The aim is actually to enable the professions and the self-employed to build up retirement provisions under a legal and fiscal framework similar to that in force for salaried employees.

To extend this scope of application, the project provides for the introduction of specific supplementary pension schemes subject to the prior approval of the competent authority.

As is the case for company supplementary pension schemes, the approved schemes can provide retirement, death, disability and survivorship coverage.

Like employer’s contributions paid by a company for an employee, the contributions of freelancers will be subject to a 20% withholding at source.

On the fiscal front, freelancers will be able to deduct 20% from their annual income for their contributions, although the deduction will be limited to five times the minimum social wage. For the sake of fairness, this measure will be introduced under supplementary pension schemes put in place by companies for their employees.

- **Protection of acquired rights**

This other aspect of the bill arises out of the transposition of the “Mobility” European Directive which is intended to remove legal constraints to the acquisition and preservation of supplementary pension rights that could stand in the way of the free movement of workers in the European Union.

First, the bill reduces to 3 years the current 10-year period before being able to benefit from acquired rights.

Then, still in line with the European Directive, the bill provides further clarifications about the treatment of acquired rights in case of early retirement. At present, the law from 1999 is limited to providing that the preservation of acquired rights must be guaranteed. In practice, the employers are not currently required to maintain the nature of the benefits initially promised, but only to transfer the current value of the acquired rights. The bill now clarifies the rights of an affiliate in case of early retirement. Companies are required to maintain their promises until retirement and will be able to free themselves only if they finance the cost of their transfer to another scheme that guarantees the same **retirement benefits.**

It should be noted that the option of redemption in the event of early retirement by an employee is abrogated, including in the case of “minimal” amounts. The aim is to make sure that retirement savings are built up, as opposed to the concept of short-term savings.

In order to improve the protection of affiliates, the bill reviewed the provisions governing the change of the supplementary pension scheme. It is henceforth prohibited to reduce the retirement benefits acquired at the time of that change (even if the acquired reserves are maintained).