## Transfers of pension contributions from the private sector to the public sector

**The Court of Audit performed an audit of transfers of pension contributions from the private sector to the public sector. The report was submitted to the federal Parliament.**

Legal pensions are financed on the basis of social security contributions raised from labour income. In the event of a mixed career, when a person successively works as a private sector employee and as a civil servant, the contributions perceived for each period must be transferred to the organization which will, in the end, fund the pension for these periods. The Court of Audit performed an audit of these transfers of pension contributions from the private sector to the public sector.

It noted that the enforcement of the regulation relating to the transfer of pension contributions causes the burden of the private sector pensions to move to the public sector.

On the one hand, the number of public sector pension recipients grew considerably over the years as a result of the easing of the legislation. Moreover, the number of people working as contract employees before their final appointment as civil servants increased strongly. Both factors explain why the federal Office for Public Sector Pensions (FOPSP) ultimately bears the pension burden for a growing number of people, for whom private pension contributions had originally been retained. As a result, the flow of pension contributions from the National Pension Office (NPO) towards the FOPSP is much more important than the opposite flow.

On the other hand, pension contributions are being transferred, without any revalorization or without interest being applied, to the organization which bears the pension burden. The ensuing depreciation effect became even more marked since the transfer was more and more delayed over the years. Since the beginning of the year 2007, the law even specified that the transfer could not take place before the date at which the pension took effect. This new legal scheme, however, was cancelled by the Constitutional Court on April 24, 2008, precisely because it is impossible to justify reasonably that this delaying of the transfer does not involve a transfer of the product of the capitalization of or the interest on these contributions.

In addition, the way the transfers are settled between the NPO and the FOPSP differs fundamentally from the system introduced by the law of April 14, 1965 with regard to the burden-sharing of pension between the various authorities. That system stipulates that each pension scheme should, every year, fund a part of the pension, in proportion to the services rendered for each public employer and to the wages collected. Moreover, the comparison with the transfer of pension rights between Belgian pension schemes and schemes of institutions of public international law shows that the financial benefit of the transfer of the NPO to FOPSP is very unfavourable for the public sector’s pension scheme.

The FOPSP did not set up any form of follow-up of the requests for payment. He does not have at its disposal an tool that would make it possible to control the effective transfer of the pension contributions carried out by the NPO, its accountancy is limited to recording the received amounts and the necessary data are still not treated electronically, in spite of the announcement, as soon as 2005, that the whole transfer process would be automated.

On the basis of a sample, the Court of Audit noted that, in more than half of the cases, the legal deadline of six months provided for the transfer from the NPO was not respected. Even at the expiry of a deadline twice as long, half of the requests were not yet treated. It also noticed the irregular rate at which the NPO transferred the pension contributions to the FOPSP. This could mean that the NPO uses transfers as a budget buffer.

The Minister for Social Integration, Pensions and Large cities agrees mainly with the Court's conclusions and recommendations. She is committed to requesting the concerned bodies to develop an automated procedure that would make it possible to ensure the follow-up and control of payment requests, to respect the prescribed deadlines (and to impose interest arrears when deadlines are exceeded) and to carry out a study relating to the exact budgetary incidence consumer prices adjusted transfers would have on the social security finances concerned.

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