



Luxembourg – an overview of employee benefits

State and Mandatory Benefits	Normal retirement age is age 65, but early retirement is possible from 57 or 60 in some circumstances. The state retirement pension is part flat-rate and part defined benefit, based on earnings up to a ceiling of €8,047.66 a month (March 2008). After a full career, the total pension is a flat-rate pension of €378.24 a month plus an earnings-related pension of 1.85% to 2.05% of adjusted earnings per year (depending on age at retirement and total career). Generally, the total pension is between 65% and 75% of final covered earnings. The state also provides survivors' pensions, disability pensions and medical care.
Typical New Private Plan	Typically, employers provide a defined contribution pension plan, with low contribution rates up to the earnings ceiling and higher contribution rates on earnings above the ceiling. A lump sum death benefit of one to two times earnings may be provided for single employees, spouses' and orphans' pensions for married employees, and insured disability benefits.
Typical Costs	Employers and employees both contribute 8% of covered earnings for state retirement benefits (the state contributes a further 8%). Employers contribute 2.80% up to €5,763.25 a month (2007) for medical care and employees contribute 5.05%. Employer contributions to private plans are typically 3% to 7%, with employee contributions limited to €1,200 a year.
Tax Implications	Employer contributions and premiums to pension plans and insured benefits are taxed at entry, at the rate of 20% of contributions. Employee contributions are tax deductible up to €1,200 a year. Lump sum benefits and pensions are tax free if paid in Luxembourg or Belgium.
Labour Law Issues	Membership of private plans is compulsory for all employees who satisfy the eligibility conditions. Employee contributions to private plans vest immediately. Employer contributions must vest after 10 years' service, but normally a shorter period (three to five years) is provided.
Pooling Potential	Insured benefits can be included in multinational pooling arrangements.
International Financial Reporting	For listed companies, International Financial Reporting Standards apply in both consolidated and separate company statements. For unlisted companies, International Financial Reporting Standards are permitted in both consolidated and separate company statements.
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