

LUXEMBOURG - AN OVERVIEW OF EMPLOYEE BENEFITS

State and Mandatory Benefits	<p>Normal retirement age is 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 EUR 8413.80 a month (2010). After a full career, the total pension is a flat-rate pension of EUR 395.44 a month plus an earnings-related pension of 1.85% of adjusted earnings a year (depending on age at retirement and total career). The maximum pension is EUR 7,011.23 a month (2010). Generally, the total pension is between 65% and 75% of final covered earnings. The state also provides survivors' pensions, disability pensions and medical care.</p>
Typical New Pension Plan	<p>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 or two times earnings may be provided for single employees, spouses' and orphans' pensions for married employees, and insured disability benefits.</p>
Typical Costs	<p>Employers and employees both contribute 8% of covered earnings for state retirement benefits (the state contributes a further 8%). Employers and employees both contribute 2.95% of covered earnings for cash benefits and medical care. Employer contributions to private plans are typically 3% to 7%, with employee contributions limited to EUR 1,200 a year.</p>
Tax Implications	<p>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 EUR 1,200 a year. Lump sum benefits and pensions are tax free if paid in Luxembourg or Belgium.</p>
Labour Law Issues	<p>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.</p>
Pooling Potential	<p>Insured benefits can be included in multinational pooling arrangements.</p>
International Financial Reporting	<p>EU/EEA rules apply. For listed companies, International Financial Reporting Standards apply in both consolidated and separate company statements. For unlisted companies, IFRSs are permitted in both consolidated and separate statements.</p>
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