

Our pensions explained.

1. Why do people receive a pension?

You've probably already wondered where grandpa's money comes from. You realise that it doesn't come from selling the mushrooms that grandpa will pick in September, or from the delicious jam that grandma is famous for in the village. No, your grandpa – and maybe your grandma too, but it's not so sure – receives a pension because he worked before. Most people have to work to earn money. But this money, paid in the form of a salary, is only paid for as long as one works. As a result, elderly people who no longer go to work no longer receive a salary. If there were no decent pensions, most elderly people would be destitute.

2. How does the pension system work?

In Luxembourg, the State, the employer and the employees each pay 8% of the gross salary into the pension fund. If you earn 4,000 euros a month, you pay 320 euros into the pension fund, as does your employer and the State. That makes a total of 960 euros. The pension fund pays a monthly pension to people who are no longer of working age. This means that people who are working today are financing the pensions of people who have already worked for 40 years or more. What we are describing here is commonly referred to as the 'régime général'. Alongside the régime général, there is the 'régime spécail' for civil servants and state employees. The régime général is compulsory for every employee and every self-employed person.

3. When can i retire?

You can start drawing your pension when you reach the age of 60 but only if you have paid contributions during at least 10 of these 40 years. When you reach the age of 57 and have worked and contributed for 40 years, you will be entitled to a pension also known as 'pré-retraite solidarité'. From the age of 65, you will receive a pension, but only if you have contributed for 10 years at least.

4. How much will I earn once I retire?

That depends on several factors: how long you worked, how much you earned, and so on. But it also depends on when you retire. Pensions have already come under attack (in 2012 by the CSV-LSAP government), which means that the level of pensions is gradually falling for people who are working today. This is especially true for employees who are in the first half of their career. The amount of your pension is therefore an eminently political issue. Nothing is set in stone, so it is important to participate in the political discussion.

5. Are our pensions secure?

Pensions in our public system are very secure. They are based on the work of today's employees who pay contributions from their salaries. Contributions to the Pension Fund are based on economic activity, on people who work and earn money. We see this activity on a daily basis; it is very concrete. As long as we defend this intergenerational solidarity, our pensions will be secure. That doesn't mean that adjustments shouldn't be made from time to time. Insecurity arises when people are encouraged to take out private pension insurance. Private insurance is a real lottery because it is based on the fluctuations of the international financial markets. The past has shown us that private insurance is subject to financial shocks and that only the richest benefit from it.

6. If the régime général is compulsory, why can I take out private insurance?

Private insurance is for people who can afford to pay more per month to have a slightly higher pension or to benefit from a one-off payment of the money saved. It is an investment offered by banks or insurers. The money you pay in is invested and a certain return is guaranteed. But this yield is negligible. And, in the event of a stock market crash, the money is simply gone. This danger does not exist in the public system.

7. What are these three pillars that keep coming up in the discussion?

It has nothing to do with architecture, it's simply the three forms of pension insurance that exist.

The first pillar is the compulsory public system. The second pillar hardly exists in Luxembourg: it consists of pension insurance offered by companies to their employees. The third pillar is the private insurance mentioned above.

Of these three pillars, the first is by far the most important. The other two are negligible.

8. Is our system fair?

It is difficult to answer this question with a simple yes or no. However, we can identify three major injustices. Firstly, the minimum pension is insufficient, well below the poverty line. This is a real problem, especially considering that the poverty rate among senior citizens has been steadily increasing. Secondly, contributions are capped at five times the minimum wage. If an employee earns more than five times the minimum wage, they do not pay contributions on the part of their salary that is above this ceiling. People with very high salaries therefore pay proportionally less than people with normal salaries. Thirdly, at 36%, the pension gap between men and women is the third highest in Europe. This means that, on average, men's pensions are 36% higher than women's. This is due to the fact that women often do not have a full career or they have careers with interruptions. There is only one solution to redress these injustices: strengthening the public system.

9. What is the pension reserve and where does it come from?

In the past, more contributions were paid into the pension fund than it paid out to pensioners. This surplus was transferred to a fund – called the Fonds de Ccompensation – to be invested. This reserve continues to increase because contributions are still higher than the pensions to be paid. In 2023,

the reserve was 26 billion euros. This is enough to pay pensions for four years without having to contribute to the pension fund.

10. Do we need a reform?

Our public system is strong and healthy. For this reason, there must be no botched structural reform that is bound to degrade pensions. But a reform is needed to repeal the deteriorations of the 2012 reform. Because if we don't do it, pensions will continue to deteriorate and people who work today risk becoming poor pensioners. déi Lénk has drawn up a five-point plan whose aim is not only to maintain the current system, but to strengthen it by increasing revenue.