

Abstract

Sustainability and prospects of the overseas social security system

In its audit in relation to the sustainability and the prospects of the overseas social security system, the Court highlighted the extent of the financial burden to the State of funding this optional social security scheme. In their answer to the Court, the ministers responsible for the Overseas Social Security Agency (OSSOM) subscribed to all recommendations made. A special Government appointee will be in charge of starting and carrying out the reform of this scheme.

The overseas social security scheme which came into being in 1963 and is administered by the Overseas Social Security Agency (OSSOM) is an optional scheme open to all, regardless of nationality, with an occupational activity outside the European Economic Space. This system also funds the entitlements and obligations in respect of the social security of former colonial officials.

This scheme has now become a funded system without any assets to cover the mathematical reserves. For several years, Government has not paid out the subsidy as established by law and obliged OSSOM to use its funds to pay out the social benefits.

The Court's audit examined the main features of this scheme and analysed the conditions of its sustainability.

The overseas social security system is a hybrid system combining the advantages of a pay-as-you-go system (holiday pay, index-linking, ...) and of a funded system based on the contributions paid. The advantages paid out to beneficiaries are thus much higher than in a funded system. Moreover, social benefits are sometimes significantly more favourable than these provided by the social security scheme for wage-earners.

This scheme generates significant expenses mainly for the State. In 2004, Government paid out 279.7 million euros, that is 86% of OSSOM's overall social benefits expenses.

Among the savings measures suggested by the Court was the alignment of the interest rate used to calculate OSSOM's retirement pensions (4.25%) on the interest rate used in the private sector of life insurance (3.75%).

The Court also recommended reducing the financial burden of the mechanism of revalorization of contributions as is used to calculate the retirement pensions to make up for the monetary depreciation because this mechanism does only partly apply to the insurance private sector (profit sharing).

Besides, the Court suggested that the beneficiaries' eligibility conditions for OSSOM's social benefits should be systematically checked. In addition, OSSOM's health care individual contracts devoid of any legal basis should be done away with.

Mortgage loans to beneficiaries and OSSOM's staff entirely borne by the State should also be terminated.

The Court pointed out in particular that making the system accessible to people of all nationalities, without any link with Belgium or notion of expatriation, alters the essence of this scheme and is a risk of increased expenses. This as well as the mainly state funded overseas social security should lead to a redefinition of the scope of this system taking into account that there should be a link with Belgium.

Finally, in view of the specific nature of the overseas social security scheme as an optional system essentially based on a funded system, the Court recommended carrying out a careful examination of the compatibility of this system with the European rules on free competition.

The Minister of Social Affairs and the Minister for Pensions subscribed to all recommendations made by the Court. They committed themselves, inter alia, in the short term to redefining the scope of the scheme and reducing the “technical” rate used to calculate retirement pensions. The entitlements to a pension benefit and the calculation will be reexamined to take account of the issue of funding. Besides, in order to reform the overseas social security system, they mentioned they would select a special Government appointee whose mandate would be to check the compatibility of this system with European law.

In order to carry out this commitment, the ministers said that before the summer they would submit the Council of Ministers a note that will determine the development trend of the overseas social security system in the forthcoming years.