

# IGP Country Profile **Luxembourg**





# Table of Contents

<b>Customary employee benefits</b>	<b>3</b>
Survivors' benefits	3
Disability Benefits	3
Medical benefits	4
Retirement benefits	4
<b>Trends</b>	<b>6</b>
<b>Legislative news</b>	<b>7</b>
Pension adjustments	7
Young Employee Bonus	7
<b>Typical employee benefits plans and benchmarking</b>	<b>8</b>
Financial services (banking, insurance)	8
Technology & digital sector	8
Industrial & commercial sector	8
Startups & SMEs	8
<b>Useful links</b>	<b>9</b>
More information on LA LUXEMBOURGEOISE - Vie - Société	
Anonyme d'Assurances (LALUX)	9

# Customary employee benefits

## Survivors' benefits

### Lump sum death benefit

- For married or PACSed members: 2 × annual salary (2T)
- For all other employees: 1 × annual salary (1T)
- Additional: 0.5 × annual salary per tax-dependent child

*Trend: New plans increasingly favor lump-sum payments over annuity-based survivor pensions.*

### Spouse's pension

These provisions are largely outdated and are rarely offered in practice.

### Orphans' pension

These provisions are also mostly discontinued and no longer common.

## Disability Benefits

Luxembourg typically distinguishes between two types of disability benefits:

- CNAP-linked disability pension (statutory)
- “Rente d'invalidité économique” (economic disability pension)

### Common Features:

- Waiting period: 3–12 months
- Benefit amount: Typically 70–75% of salary, minus statutory disability pension
- Benefit scale:
  - <25% disability: No benefit
  - 25–67%: Proportional benefit
  - ≥67%: Full benefit
- Additional coverage: Waiver of premium for group life and pension plans during disability



## Medical benefits

In Luxembourg, traditional private medical insurance contracts - those that directly cover routine healthcare services like doctor visits, hospital stays, and prescriptions - are not typically approved or recognized by the national regulatory framework for employee benefits. Instead, medical care coverage is primarily managed through the public health insurance system, specifically the Caisse Nationale de Santé (CNS). This system ensures that all residents and employees are covered for essential healthcare services, and employers contribute to this system via mandatory social security contributions.

While CNS offers comprehensive coverage, many employers and employees opt for private health insurance to supplement public benefits, covering things such as private hospital rooms, faster access to specialists, dental and vision care, international coverage for expats

## Retirement benefits

Luxembourg's pension system is based on three pillars:

1. Statutory pension (CNAP)
2. Occupational pension plans (DB or DC, employer-sponsored)
3. Private pension savings plans

*Important update:*

- *DB plans and employer-sponsored DB arrangements are no longer actively offered; they exist only in legacy plans.*
- *DC plans dominate the market and are almost exclusively provided due to their flexibility and cost-efficiency.*

### Eligibility & vesting:

Employees are typically eligible for statutory pensions after 10 years of contributions to CNAP.

For private pension plans, maximum vesting is 3 years (but can be shorter: 0, 1, 2 years, or even 18 months).

### Retirement age

Normal retirement age remains 65.

Early retirement is possible at 60 with 40 years of contributions, or at 57 with 40 years of contributory periods. However, reforms starting in 2026 will gradually increase the contribution period required for early retirement at 60 by 8 months over 5 years.

### Pension formula

#### Definition of pensionable salary (T, T1, T2)

- $T = \text{Annual pensionable salary} = X \text{ (usually 12, 13, or 14.4)} \times \text{gross salary of a reference month (usually January), excluding benefits-in-kind.}$
- $T1 = \text{Portion of annual pensionable salary limited to the annual contribution ceiling (currently about €162,000).}$
- $T2 = \text{Portion of annual pensionable salary above } T1.$

These definitions are critical because contribution rates or benefit formulas often apply differently to T1 and T2. For example:

- Contributions on T1 may follow standard rates.
- Contributions on T2 may be capped or subject to different tax treatment.

## Customary employee benefits (cont'd)

Pensionable salary is typically based on final salary or average salary over the last 5–10 years.

### DB plans

DB plans are declining in popularity ; only older plans still apply.

Typical formula:  $P = (0.15\% \text{ to } 0.2\% \text{ of } S) \times n$ , where:

- P = Pension
- S = Salary base
- n = Years of pensionable service

### DC plans:

Contributions can reach up to 20% of salary, and are generally category-dependent or seniority-dependent. Increasingly preferred due to flexibility and cost-efficiency.

### Role of T in DC Plans

T is the base used to calculate contributions for Defined Contribution (DC) plans. Contributions are expressed as a percentage of T, not the gross monthly salary.

For example: If the plan specifies 10% of T, and  $T = €100,000$ , then the annual contribution = €10,000.

T1 and T2 matter because:

- Contributions on T1 (up to the annual ceiling, currently ~€162,000) are usually tax-advantaged.
- Contributions on T2 (above the ceiling) may be allowed but are often not tax-deductible or subject to different rules.

### Why is this important?

- Employers design DC plans with contribution tiers based on T1/T2 to optimize tax efficiency.
- Employees with high salaries may see contributions capped at T1 for tax purposes.
- Some plans apply different contribution rates for T1 and T2 (e.g., 8% on T1, 4% on T2).

# Trends

Luxembourg's employee benefits landscape is evolving in response to changing workforce expectations, economic pressures, and regulatory developments. Key trends include:

- **Hybrid & remote work:** Flexible work arrangements have become standard, especially for white-collar roles. Employers not offering hybrid models risk losing talent to more adaptable competitors.
- **Mental health & wellbeing:** There is growing investment in mental health support, wellness programs, and healthy habit initiatives. These are increasingly valued by employees alongside traditional benefits.
- **Lifestyle perks:** Meal vouchers (chèques-repas) remain popular, with many companies offering up to €15 per voucher, typically 18 per month.
- **Private health insurance:** While CNS provides universal coverage, private insurance is gaining traction for supplementary benefits like dental, vision, and faster access to specialists.



# Legislative news

Several legislative and policy changes have come into effect in Luxembourg in 2025, impacting employee benefits and labor law:

## Pension adjustments

- Statutory pensions increased by 1.6% from January 1, 2025, reflecting wage growth.
- Pension reform proposals include increasing contribution rates from 24% to 25.5% starting in 2026, and extending the contribution period for early retirement at 60 by 8 months over 5 years.

## Young Employee Bonus

Employers can offer a tax-free bonus to employees under 30 starting their first permanent contract, up to €5,000 depending on salary level.

# Typical employee benefits plans and benchmarking

## Financial services (banking, insurance)

This sector offers the most comprehensive and competitive benefits packages due to high demand for skilled professionals and international competition.

### Common benefits

- High base salaries and performance bonuses
- Supplementary pension schemes (DB and DC plans)
- Company cars (offered to mid- and senior-level staff)
- Meal vouchers (up to €15/day)
- Private health insurance (top-up to CNS coverage)
- 13th-month salary and long-term incentive plans
- Flexible working arrangements and remote work options
- Training budgets and career development programs
- Attractiveness bonuses for young talent and ESG roles

## Technology & digital sector

Tech companies are increasingly offering flexible and lifestyle-oriented benefits to attract digital talent.

### Common benefits

- Remote-first or hybrid work models
- Flexible hours and unlimited leave policies (in startups)
- Equity or stock options for key roles
- Wellness programs and mental health support
- Learning stipends and certification reimbursements
- Private health insurance and telemedicine access
- Meal vouchers and transport subsidies
- Diversity & inclusion initiatives and ESG-aligned perks

## Industrial & commercial sector

Benefits vary widely depending on company size and union agreements.

### Common benefits

- Standard statutory benefits (CNS, pension, leave)
- Meal vouchers and transport reimbursements
- Company canteen access
- Overtime compensation (140% pay or time off)
- Limited private insurance coverage
- Training and safety programs for compliance

## Startups & SMEs

Smaller firms often offer flexibility and culture-focused perks over high salaries.

### Common benefits:

- Flexible hours and remote work
- Flat hierarchies and fast career growth
- Meal vouchers
- Occasional bonuses or profit-sharing
- Limited pension or insurance schemes
- Focus on work-life balance and team culture



# Useful links

## **Demographic information and macro-economic indicators**

[CIA World Factbook](#) (please select the country to review)

[World Bank Group](#) (please select the country to review)

## **More information on LA LUXEMBOURGEOISE - Vie - Société Anonyme d'Assurances (LALUX)**

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