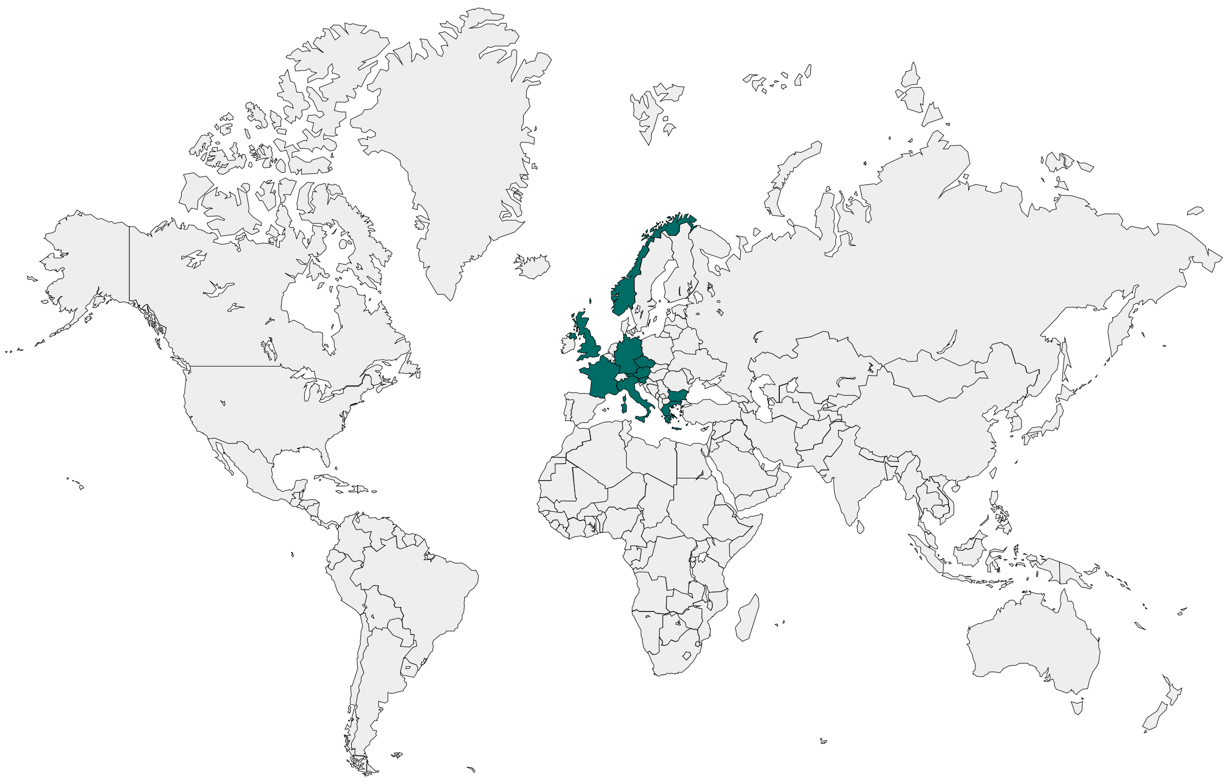
MAX PLANCK INSTITUTE
FOR SOCIAL LAW AND SOCIAL POLICY

Edited by
Simone M. Schneider
Teodora Petrova
Ulrich Becker

PENSION MAPS

Visualising the Institutional Structure of Old Age Security in Europe



First Edition

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Pension Maps: Visualising the Institutional Structure of Old Age Security in Europe
Simone M. Schneider, Teodora Petrova, Ulrich Becker (eds.)

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PREFACE

Which is the best old age pension system?

This is a question I have come to be confronted with time and again. As understandable as it is, it is impossible to answer. Not only do we lack a commonly accepted yardstick: the introduction and design of social benefits systems depend on political decisions taken in a given historical situation, following their own rationale. It is also that old age security relies, in nearly all countries, on different institutions. Even if their individual functioning may not be as complicated as that of systems providing benefits in kind, they form part of a complex institutional architecture. The interplay between different old age security systems or schemes and, thus, the role of one single scheme within the respective institutional landscape is difficult to summarise and may vary from one country to another.

Of course, one can try to explain those differences and the institutional setups in many words. But then this question came to my mind: Why not try to make them visible, to use an iconic approach, to provide insights at a glance in the proper sense? This is the underlying idea of drawing 'Pension Maps' as a concrete way to make old age security understandable and to open up an easy pathway to more information.

Yet, it is quite a way from a rough idea to a refined report. And easy-looking results require hard work. Once we got started, many new questions arose, conceptual and substantial as well as formal ones. Without the commitment and input of Dr. *Simone Schneider*, in whose hands lay the responsibility to carry out the project, we would not have come to such consistent, detailed and accurate descriptions of old age social security systems. And the project would not have been as comprehensive as it has turned out to be. We have also received most valuable support from *Teodora Petrova*, who helped with the data collection and editing of country reports. The 'core project group' was supplemented by other researchers from our Institute who both worked on case studies and took part in a series of discussion rounds on the design of the Pension Maps.

Working on these Maps was, and still is, a demanding task. It does not only require a certain enthusiasm for colourful drawings but also energy and scientific accuracy in providing the necessary data. Therefore, we are truly and deeply grateful for the cooperation with many researchers from outside the Institute. Colleagues from all over Europe were prepared to share their knowledge and make it available to a greater audience via the Maps. We feel honoured to have received their support, which was indispensable for the whole project.

We would also like to thank *Špela Hadalin* for her admirable work in putting the Maps into a proper form, helping with the collection of statistical data and preparing this report, as well as *Christina McAllister* for her support with proofreading.

This volume contains a first series of Pension Maps, providing pictures and information on the old age security systems of ten European countries. More is yet to come, and we are working on an extended version which will also include selected non-European countries.

Munich, January 2021

Ulrich Becker

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INTRODUCTION

Ulrich Becker, *Simone M. Schneider* and *Teodora Petrova*

I. Aim of the Project

Pension Maps provide an overview of old age security – one of the most relevant and biggest parts of social protection. In most countries, old age security forms a major part of the welfare state. It plays a crucial role for the well-being of people, for societal cohesion and financial redistribution. It is based on a major share of social expenditure, and it is performed by different institutions, administrative authorities or agencies, occupational and other pension funds as well as pension insurance. As a consequence, it is also bound to various conditions and differs in its coverage ranging from all residents to specific fractions of the population.

In this context, Pension Maps attempt to visualise the complex institutional setting of old age security and to make them perceptible within one single image. Yet, these images shall not only provide a visual impression, they shall also deliver reliable information – at least as much as is needed in order to guide the reader and to pinpoint the basic characteristics of different types of old age social security systems. Their drafting requires a systematic approach and scrutiny in its implementation. Necessary information has to be sorted based on a set of relevant concepts and categories. The proper size and placement of the single boxes presenting every scheme has to be properly sketched; and those boxes have to depict their relations to one another, both in a functional perspective and in their actual coverage of a certain percentage of the population.

This is why we had to draft and to follow a complex roadmap for our mapping based on clear-cut categorical distinctions on the one hand, and avoid confusion through too many details on the other. And of course, all information included in the Pension Maps had to be accurate and reliable. If everything goes well, Pension Maps look easily understandable and illustrative; yet, they still have the capacity to provide more and more information at second and third sight. The overall aim is for the Pension Maps to be used by a broader audience for general orientation, while also yielding more detailed information for those interested in understanding specific structures and functions of the different components of old age security systems.

In the end, Pension Maps shall provide at one single glance answers to the following questions:

- How is old age security organised within a given country? How do public, occupational and private pension schemes interact?
- How can a standard level of protection be achieved in old age? What measures will secure a minimum level of protection, and do these measures form part of the old age security system? What are the options for topping up pension benefits? How high is the average level of protection provided in a country compared to the European and OECD average?
- Which population groups are considered and protected by formal institutions? What are the forms of participation and do they vary systematically between pension schemes? Does the level and form of protection differ between population groups?

And, by these means, the Pension Maps allow for comparison. They follow a systematic conceptual basis, depict a certain set of parameters and put the single old age security systems in their functional context. Thus, taking the Maps as parts of a more comprehensive picture, a Pension Atlas, renders similarities, but also differences visible. In this way, the Maps can further address certain long-standing gaps in pension research that are, for instance, observable in the scarcely available literature on the Middle and Eastern European pension systems. Similarly, the Pension Maps can be used to render visible the effects of the financial crisis on the pension systems of the Southern European states.

II. Starting Points and Structure of the Country Reports

Pension Maps need some explanation. They do not only transport information. They also reflect a couple of fundamental concepts and, in a certain way, our own conceptual understanding of them. First, we differentiate between form and function. Second, we were eager to grasp the characteristics of the respective old age security systems as precisely as possible. The outcome is a systematisation of old age security[1] that captures the multifaceted interplay of different old age pension schemes.

Therefore, every Map is complemented by a short summary of the system's key institutional features as well as more detailed information on each pension scheme, including information on its coverage, financing mechanisms, administrative bodies, qualifying conditions and old age benefits.[2] Measures that fall outside the system but still address old age financial social protection are also described.

The accompanying information shall facilitate the understanding of the Pension Map and the interplay of the different pension schemes. The coherence and consistency of the accompanying information enables swift comparison of the institutional structure of old age security and specific pension schemes within and across countries.

III. Parameters

The categorisation of old age security schemes which are presented as a 'box' in the Pension Map are based on the following parameters:

- *Legal form* (colour of boxes): The 'legal form' refers to the legal basis of the pension scheme and the form of organisation as defined by the legal relationship between the institution and the insured person or beneficiary. We distinguish between three legal forms: (a) *public* refers to pension schemes based on public law and administered by public institutions (red-coloured boxes); (b) *private* refers to personal pension provision based on private law and administered by private law pension plan providers (blue-coloured boxes); (c) as a third category, *occupational* refers to pension plans linked directly to a person's occupational activity or industrial relations (yellow-coloured boxes).

  Occupational pension systems merit some additional remarks as their legal basis and administration is multifaceted, and even their legal form may be regarded as being hybrid. Generally speaking, they refer to a direct link to an occupational activity. In contrast, supplementarity, modes of financing and the question of whether their administration is carried out by public or private law institutions are not determining factors for defining a scheme as occupational, both according to the case law of the ECJ[3] and secondary EU law[4].[5] Against this background, we have left it to the experts and their national perspective to determine which schemes are to be considered as occupational.
- *Function* (y-axis): The 'function' refers to the social policy aim of benefits (or: schemes). We distinguish between three main functions: (a) *minimum protection* refers to a (guaranteed) minimum level of (pension) income in old age; (b) *standard protection* refers to the intended level of pension benefits in old age; (c) the *topping-up function* describes supplementary pension benefits exceeding standard protection.
- *Right to access* (x-axis): The 'right to access' indicates the categories of persons of working age that are either able or required to enter a pension scheme. The 'right to access' equals the 'factual coverage' of schemes with mandatory affiliation and indicates the 'intended coverage' for schemes with voluntary affiliation. For means-tested schemes, the 'potential (future) coverage' is displayed, usually embracing the entirety of the working age population when considered in need in old age.
- *Form of affiliation* (contour of boxes): The 'form of affiliation' can vary from mandatory affiliation, making insurance for the person legally binding (clear contour line); to voluntary participation, leaving it up to the person to join a pension scheme (contour line with large dots); and other forms, such as automatic enrolment with possibilities of opting out (contour line with small dots).
- *Means testing* (shape of the boxes' corners): Generally, a box with only right angle corners refers to schemes with some form of means testing based on a person's/family's income, assets and/or pension benefits; oval angle corners indicate that benefits are granted based on other qualifying criteria. Right angles solely on a box's lower corners refer to pension schemes which provide minimum pension benefits based on strict pension testing provided that all other qualifying conditions are met.
- *Modes of financing* (colour of the boxes' contour lines): We distinguish between two often competing 'modes of financing': schemes financed on a pay-as-you-go (PAYG) basis (red contour line) and (fully or partially) capital-funded schemes (blue contour line).
- *Sources of financing* (colour shading of boxes) refer to the scheme's budget and specify the degree to which a scheme is financed out of (insurance) contributions (light colour shades) or the state's general budget (dark colour shades). The latter does not only consider state subsidies (dark-coloured lower section of a box), but also other forms of incentives (such as tax reductions) that are at the expense of the state (dark-coloured upper section of a box).

IV. Putting Institutions into Context

1. In a Pension Map, every single old age security scheme is presented as a box, a rectangle with two dimensions. These dimensions mirror the functionality of a system: on the one hand with regard to the level of protection they offer (on the y-axis, function in a narrow sense), and on the other hand concerning the coverage, i.e. the groups of persons that (potentially) enjoy protection through this specific scheme (on the x-axis).

a) The vertical or y-axis is grouped into three sections picturing the level of protection: minimum protection, standard protection, and topping up. In addition, circles located at the y-axis portray the actual net replacement rates of pension benefits from mandatory public schemes for full-career average wage earners that are provided by the OECD. This allows for comparisons of the level of protection provided by public schemes falling within standard protection between the respective country (red circle), the EU-28 average (black circle) and the OECD average (grey circle). Whenever available, replacement rates for mandatory private and voluntary pension schemes were used for indicating the financial protection function of additional (supplementary) schemes falling within standard protection. The height of schemes providing either a minimum level of protection or serving a topping-up function was held constant across Pension Maps as its actual level of protection in the form of net replacement is difficult to assess and hardly available.

b) The horizontal or x-axis pictures the working age population (age 15-64) of a country. The width of mandatory pension schemes indicates the 'factual coverage', that is, the scope of persons of working age with an active membership (based on national data if available or an estimate thereof) in proportion to the entirety of the total working age population. For reasons of illustration/visualisation, a minimum fixed scheme size was assigned, leading to an overrepresentation of schemes with a small coverage, which is indicated by a star and an additional clarifying note at the bottom of the Pension Map. Specialised schemes with a coverage below 0.2% and exclusive membership status for specific occupational groups (such as schemes for attorneys and notaries in Austria) are indicated in the Pension Map by a straight line. Blank spaces illustrate the proportion of the working age population (or an estimate thereof) that is not actively insured in any of the mandatory old age pension schemes pictured in the Pension Map (including pensioners at age 64 or younger).

For voluntary schemes, it is the 'intended coverage' which is portrayed by the width of the scheme, i.e. the scope of persons that has the right to access the scheme, for example based on the person's occupation or membership in a statutory/public scheme. Generally, means-tested schemes provide a minimum level of protection to those considered in need, who are often not eligible for pension benefits or whose pension benefits are insufficient. Therefore, the width of these schemes illustrates the 'potential (future) coverage' often covering the entire working age population at the time being, provided that they meet the qualifying conditions (for assessing need) when in old age.

Boxes placed side by side on the horizontal axis illustrate 'exclusive' access rights implying that simultaneous participation in multiple schemes is not foreseen. Schemes that can be accessed simultaneously (with the exception of means-tested schemes that require further access conditions) are placed on top of each other in a vertical order.

2. The information accompanying the Pension Maps consists of two parts: It starts with a short description of the development of national old age security in general and of how its three different functions (standard protection, top-ups and minimum) are being fulfilled. Second, they describe the five main elements of every single old age security system (coverage, financing, administration, qualifying conditions and benefits).

Additional information is provided in the Annex. The so-called Fact Sheets contain statistical data on the demographic context, the coverage of the respective pension schemes, and the level of financial protection in the form of the net replacement rates for each system. This information was gathered primarily from international databases (OECD, Eurostat) as well as national statistical offices and was used specifically for the scaling and alignment of the pension schemes as well as for the visualisation of the level of financial protection.

3. Pension Maps as they are pictured in this report illustrate the status quo in 2020 by representing the rights of a person starting a career and entering the old age security system that same year. Therefore, schemes that are closed for new entrants in 2020 are not pictured in the Pension Map, but may also be presented in the accompanying information if considered necessary by the country expert. Further, Pension Maps only feature those schemes whose primary function is to provide financial protection in old age. Schemes that only provide 'fixed-term' early pension benefits, so-called 'bridging schemes', as they exist for example in Bulgaria and Slovenia, are not pictured in the Map, but are described in the accompanying information.

V. Outline and Outlook

The following chapters provide case studies for ten European countries, namely Austria, Bulgaria, Czech Republic, France, Germany, Great Britain, Greece, Italy, Norway, Slovenia.

We are working on an extended volume which will hopefully contain case studies on Belgium, Croatia, Cyprus, Denmark, Estonia, Finland, Hungary, Ireland, Poland, Portugal, Romania, Serbia, Slovakia, Spain, Sweden, and Switzerland.

The country selection followed different considerations: First, we put a certain emphasis on Baltic Sea States as Pension Mapping started within the framework of the project *On the Edge of Societies: New Vulnerable Populations, Emerging Challenges* *for Social Policies, and Future Demands for Social Innovation. The Experience of the Baltic Sea States*, which is carried out jointly by the Max Planck Institute for Demographic Research in Rostock and the Max Planck Institute for Social Law and Social Policy in Munich. Second, we tried to include as many Central and Eastern European states as possible as information on their social protection systems still remains scarce even more than 30 years after the fall of the Berlin Wall. Third, we aim at providing an overview of old age security in Southern Europe, keeping in mind that systems in those countries underwent a particular amount of changes in the aftermath of the financial crisis of 2008/09.[6]

We would also like to go beyond regional borders and to map old age security of selected non-European countries, starting with Brazil, China, and Russia. And maybe then – though certainly not tomorrow – the world ...

Footnotes

1 Partly based on prior research undertaken at our Institute; see Zacher, Ziele der Alterssicherung und Formen ihrer Verwirklichung, in: Zacher (ed.), *Alterssicherung im Rechtsvergleich* (Nomos 1991), pp. 31-113; Becker, Generalbericht unter besonderer Berücksichtigung der Rechtslage in Deutschland, in: Schlachter/Becker/Igl (eds.), *Funktion und rechtliche Ausgestaltung zusätzlicher Alterssicherung* (Nomos 2005), pp. 107-145.

2 For the structure of pension systems see also the presentations in: Immergut/Anderson/Schulze (eds.), *The Handbook of West European Pension Politics* (Oxford University Press 2006).

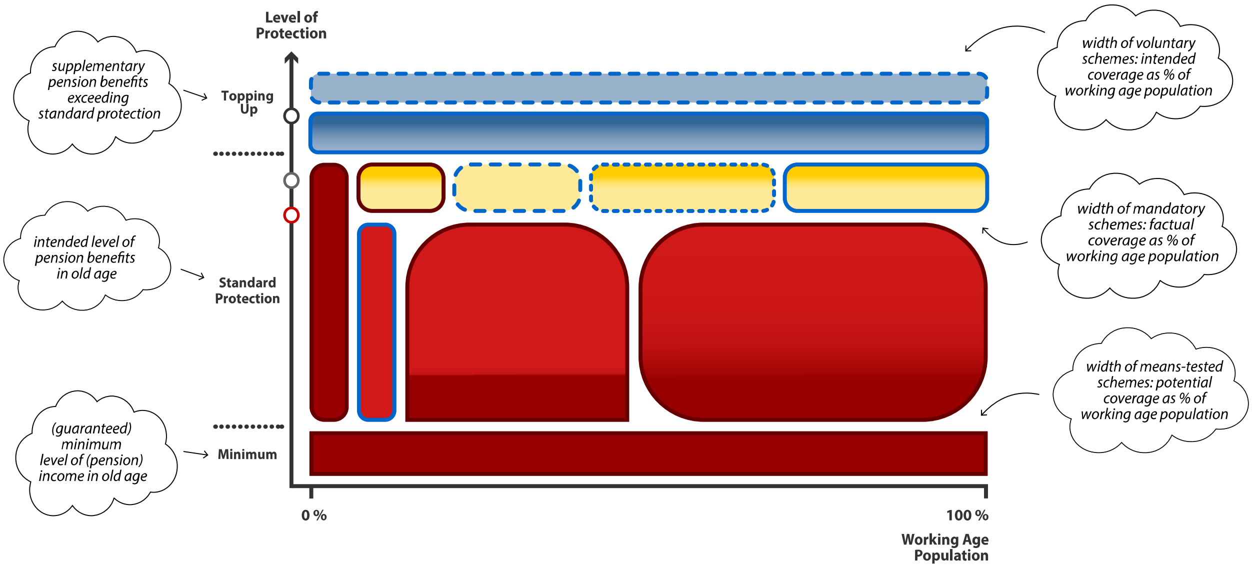
3 Case C-7/93 *Beune* of 28/09/1994, ECLI:EU:C:1994:350, para. 37; Case C-366/99 *Griesmar* of 29/11/2001, ECLI:EU:C:2001:648, para. 37; Case C-351/00 *Niemi* of 12/09/2002, ECLI:EU:C:2002:480, para. 42; Case C-559/07 *Commission v. Greece* of 26/03/2009, ECLI:EU:C:2009:198, para. 44.

4 For different approaches undertaken by EU secondary legislation, see: Directive 2014/50/EU on minimum requirements for enhancing worker mobility between Member States by improving the acquisition and preservation of supplementary pension rights, OJ L 128, 30.4.2014, pp. 1–7; Directive 2006/54/EC on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation (recast), OJ L 204, 26.7.2006, pp. 23–36.

5 See for different approaches Kaufmann, Challenges Facing Occupational Pension Schemes: Some Remarks in a Comparative Approach, in: Kaufmann/Hennion (eds.), *Steuerung der betrieblichen Altersversorgung in Europa: garantierte Sicherheit?* (Springer 2011), p. 33.

6 See contributions in: Becker/Poulou (eds.), *European Welfare State Constitutions after the Financial Crisis* (Oxford University Press 2020).

USER GUIDE FOR PENSION MAPS



Legal Forms

public

occupational

private

Sources of Financing

contribution-based

state-subsidised

tax-incentivised

Forms of Affiliation

mandatory

voluntary

possibility of opting out

Modes of Financing

PAYG

fully funded

Means-Testing of Benefits

without means test

means-tested

pension-tested

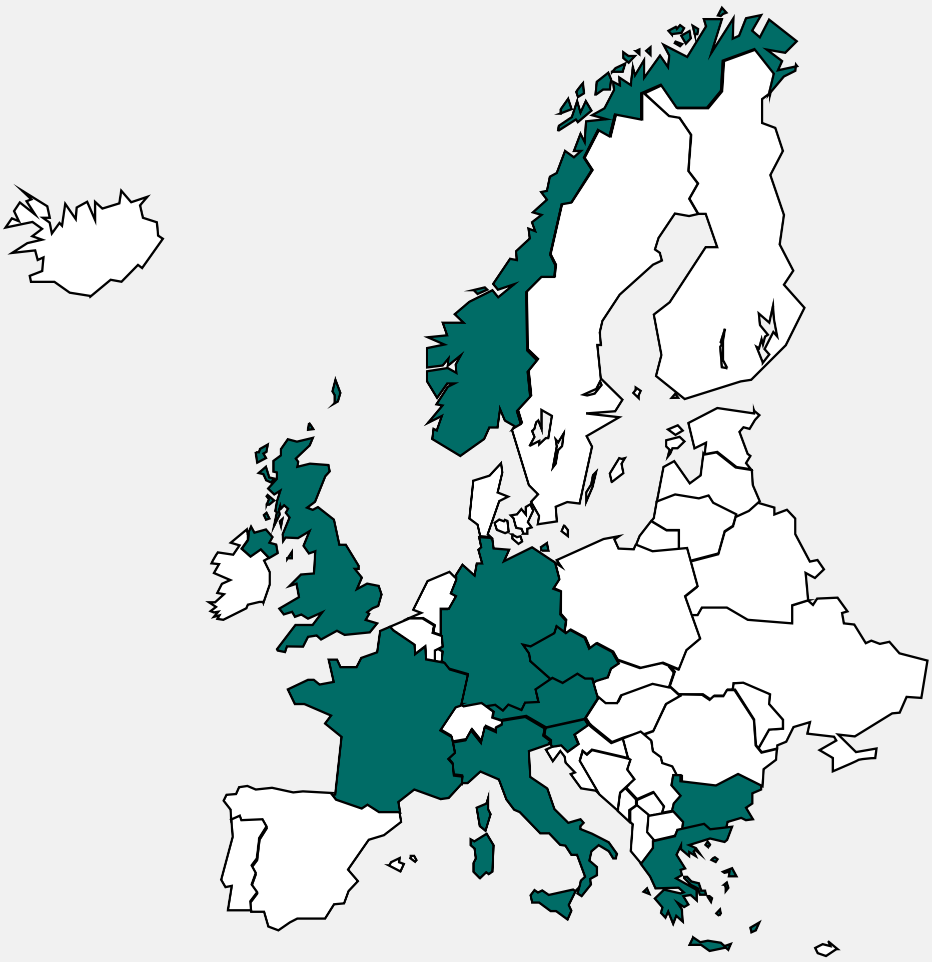
Net Replacement Rates from Mandatory Public Schemes

EU-28, average

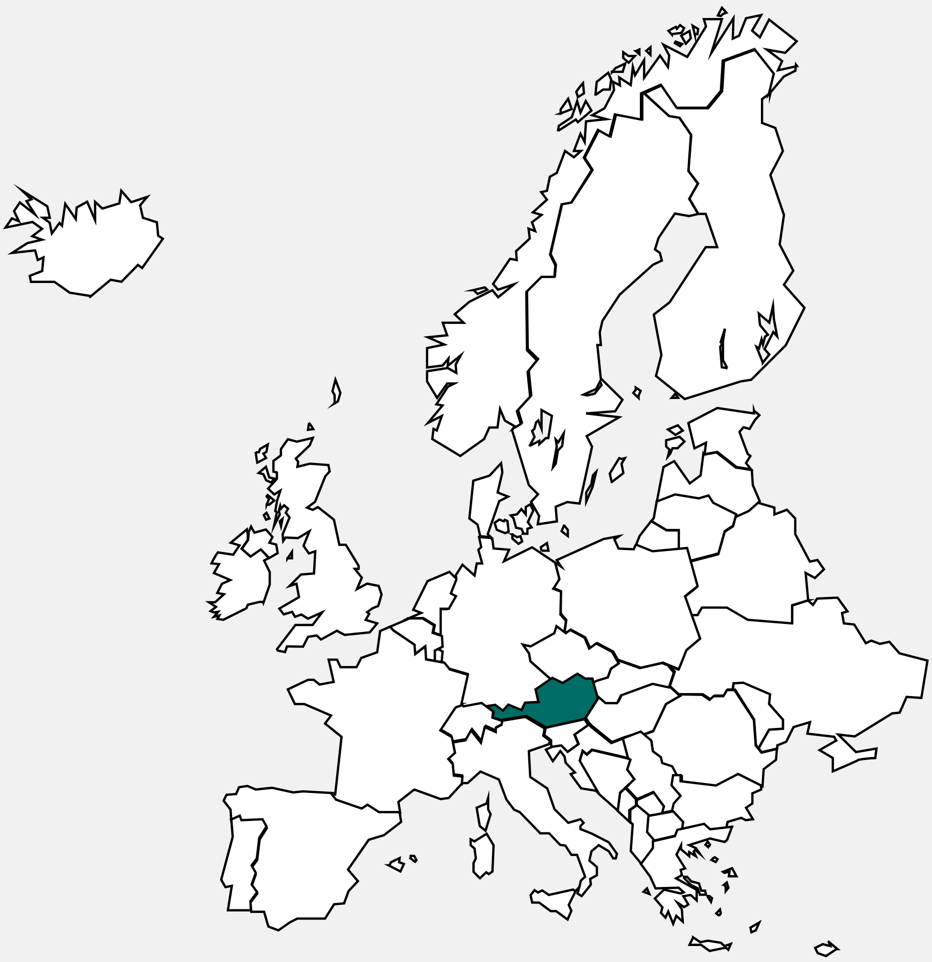
OECD, average

national, average

COUNTRY REPORTS ON OLD AGE SECURITY



AUSTRIA



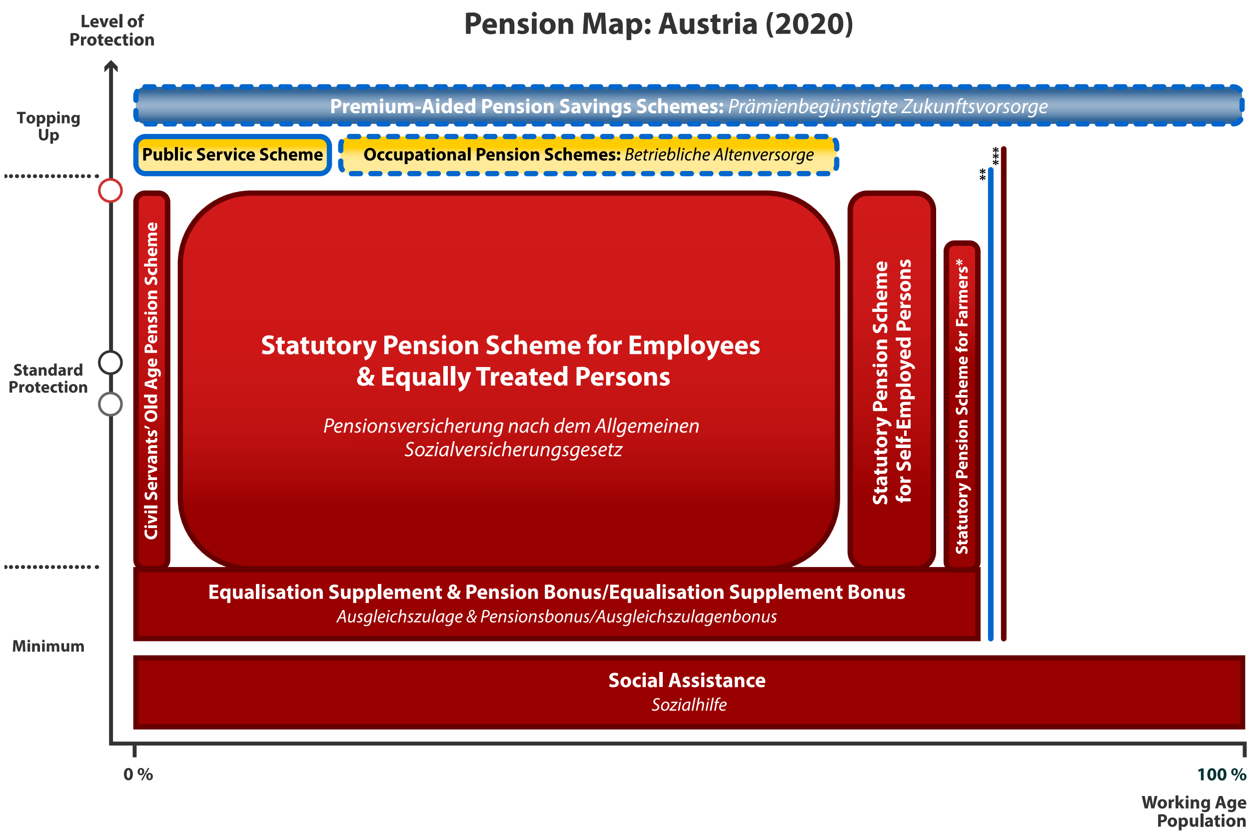
THE AUSTRIAN OLD AGE SECURITY SYSTEM IN 2020

Susanne Auer-Mayer

In Austria, a pension insurance law was created for the first time in 1906 for white-collar workers. With the General Social Security Act of 1955, the social insurance, and in this context also the statutory old age pension insurance, was unified and reorganised to protect all employees (and some equally treated groups). Since 1998, the majority of self-employed persons including most liberal professionals have also been subject to mandatory insurance. The pension reforms of 2003 and 2004 brought about fundamental changes in the statutory pension law. With the Pension Harmonisation Act 2004, the General Pension Act was enacted, which created uniform personal pension accounts for all employees, most of the self-employed and farmers, and extended the assessment basis for pension benefits to the entire insurance period. Finally, yet importantly, privileges of civil servants were abolished by harmonising pension regulations with those for employees in the private sector. As of now, 'standard protection' in old age is achieved primarily by mandatory insurance in statutory old age pension schemes. Occupational and private pension plans are usually not mandatory and only used to 'top-up' public benefits. However, they will probably gain in importance, as current reforms are expected to result in lower public benefits of future retirees. An income-tested pension supplement shall guarantee a 'minimum' pension level for persons who fulfil all insurance requirements. For all other elderly persons with insufficient financial means general social assistance measures function as a last resort.

Standard Protection in Old Age

The majority of the Austrian workforce is mandatorily insured within the *statutory old age pension insurance* (*Gesetzliche Pensionsversicherung*). The public pension insurance is pay-as-you-go-(PAYG)-financed with benefits being linked to the amount and duration of contributions paid throughout a person's career. The General Pension Act (*Allgemeines Pensionsgesetz*) provides uniform regulations on the qualifying conditions and the calculation of pension benefits for employees (incl. '*Vertragsbedienstete*'; i.e. employees in the public sector, appointed under civil law), self-employed persons (incl. most liberal professions) and farmers. However, there are still various specific legal bases for the insurance of these groups, not only defining the insured persons and the amount of



Coverage: * < 3% (*Statutory Pension Scheme for Farmers*); ** < 0.2% (*Pension Scheme for Attorneys*); *** < 0.02% (*Statutory Pension Scheme for Notaries*) contributions to be paid, but also determining the competent insurance institution. In this respect, it can be argued that despite the recent harmonisation strategies different pension schemes still exist depending on the type of employment, namely the *statutory pension scheme for employees and equally treated persons* (*Pensionsversicherung nach dem Allgemeinen Sozialversicherungsgesetz*), the *statutory pension scheme for self-employed persons (Pensionsversicherung nach dem Gewerblichen Sozialversicherungsgesetz oder dem Freiberuflichen-Sozialversicherungsgesetz*), and the *statutory pension scheme for farmers (Pensionsversicherung nach dem Bauern-Sozialversicherungsgesetz*).

The bar associations are the only chambers of the liberal professions that have made use of the possibility to opt out of the *statutory pension scheme for self-employed persons*. Therefore, insurance for attorneys is organised in a separate pension scheme, the *old age pension scheme for attorneys* (*Berufsständische Versorgung der Rechtsanwälte*), which is administered by the chambers' pension funds (*Versorgungseinrichtungen*) according to their own statutes (*Satzung*). Furthermore, there exists a special *statutory old age pension scheme for notaries* (*Notarversorgung*).

The financial protection of civil servants, who are generally appointed under public law, is organised in the autonomous *civil servants' old age pension scheme* (*Beamtenversorgung*). It is largely tax-financed and paid out of the general budget, although civil servants have to contribute as well. As of now, the scheme is still regulated by the Pension Act of 1965 (*Pensionsgesetz 1965*), but pension rights of civil servants born after 1975 or appointed after 2004 are mainly determined by the regulations of the General Pension Act and the General Social Security Act.

Top-Ups

State-regulated *occupational pension plans* (*betriebliche Altersvorsorge*) are, for the most part, fully funded and provided by the employer. In general, participation of employers and employees is voluntary. An exception applies to the *supplementary pension scheme for the public service* (*Zusatzversorgung des öffentlichen Dienstes*). The federal government is legally obliged as an employer to pay contributions to a pension institution (*Pensionskasse*; i.e. a special type of insurance company) for civil servants and '*Vertragsbedienstete*'. Regulations to secure employees' claims to occupational pensions were created with the 1990 Company Pensions Act. Commonly, the choice of the organisational form of pension plans depends on agreements, often at company level, whereby collective agreements are very important. Pension plans are either implemented internally via the employer in the form of book reserves (*direkte Leistungszusage*) or externally in the form of contributions to a pension institution (*Pensionskasse*) or by concluding a collective insurance (*Betriebliche Kollektivversicherung*; i.e. contributions to a life insurance company) or life insurances in favour of the employees. In general, employees are entitled to contribute up to the level of contributions paid by their employer (or up to 1,000 EUR/year if contributions of the latter are lower). Contributions to occupational pension plans are incentivised by tax refunds and exemptions from social security contributions, while pension payments that were originally financed by the employee are tax-privileged or even completely tax-free.

Another possibility to 'top up' public pension benefits is via private pension insurance such as the *premium-aided pension savings schemes* (*Prämienbegünstigte Zukunftsvorsorge*). The state supports participation in this schemes by granting (lump sum) tax refunds on contribution payments and tax exemptions for pension payments as long as pension plans fulfil all necessary requirements.

Minimum

The *equalisation supplement* (*Ausgleichszulage*) forms part of the statutory pension scheme, but is financed by the federal government. The supplement guarantees a minimum pension income for persons entitled to pension payments. It is income-tested and granted if the person's (pension) income and the income of the spouse/registered partner fall below a certain reference level (*Ausgleichszulagenrichtsatz*) also considering the household's composition. If the person has been insured for at least 30/40 years, an additional supplement, the so-called *pension bonus* (*Pensionsbonus*) – or *equalisation supplement bonus* (*Ausgleichszulagenbonus*) if the income is below the reference level of the *equalisation supplement* – is granted via the application of a higher minimum reference level. Elderly people with insufficient financial means who do not qualify for the *equalisation supplement* only have the possibility to apply for general *social assistance* (*Sozialhilfe*). The latter is strictly means-tested and takes not only income and assets of the applicant into account, but also the income of the spouse/cohabiting civil partner and (maintenance) claims against other persons (with only a few exceptions).

Social Assistance

Sozialhilfe

A. Coverage

- Austrian citizens, persons entitled to asylum, persons having legally and actually resided in Austria for at least five years who cannot sufficiently cover their necessary subsistence from income/assets.
- Before the expiry of this 5-year period, EU/EEA citizens with a right of residence, Swiss citizens and third-country nationals are included only to the extent to which the granting of social assistance benefits is mandatory under international or EU law.
- Persons entitled to subsidiary protection are only entitled to 'core social assistance benefits' (*Kernleistungen*) which do not exceed the level of basic provision (*Grundversorgung*) granted for asylum seekers.
- More generous rules may be applied in accordance with the assistance of the *Länder* for disabled persons (*Behindertenhilfe*).

B. Financing

- The scheme is entirely tax-financed out of the general federal budget.

C. Administration

- The administration and organisation of the scheme falls under the jurisdiction of the *Länder*.
- Local welfare authorities manage the scheme (i.e. review applications, decide on eligibility, and pay out benefits).

D. Qualifying Conditions

- Legal residence in Austria and income/assets below subsistence level as defined by law.
- Benefits are means-tested based on monthly net incomes and assets of the elderly person and his/her spouse/cohabitating partner; (maintenance) claims against other persons and other government benefits to cover subsistence are also taken into account.
- Excluded from means-testing are e.g. assets of about 5,500 EUR per person and self-used property/housing (but possibility to create a lien); persons taking up gainful employment are granted an allowance of up to 35% of their monthly income for a maximum period of 12 months.

E. Benefits

- The amount of benefits is based on the sum of (mostly flat-rate) benefits for the overall needs minus income and assets.
- Benefits are granted for basic needs, reasonable costs for housing and heating, contributions to healthcare, special needs (e.g. due to disabilities) and one-time needs (e.g. basic equipment, furnishing).
- The flat-rate benefits for basic needs are determined based on the *equalisation supplement* reference level; benefits granted per person are reduced if adult persons are living together; (digressive) surcharges are granted if the recipient has children.
- Benefits are typically granted for max. 12 months; renewable as long as qualifying conditions persist; benefit payments are suspended if the beneficiary leaves Austria (different minimum periods according to regulations of the *Länder*).
- Benefit rates are adjusted yearly based on changes in prizes/incomes; benefit rates can vary between the *Länder*, but there are nationwide maximum limits.
- Benefits are not subject to income tax.

F. Legal Basis

- Basic Law on Social Assistance (*Sozialhilfe-Grundsatzgesetz*); Social Assistance Legislation of the *Länder* (*Sozialhilfe-, Mindestsicherungs- und Behindertenhilfegesetze der Länder*); Income Tax Act (*Einkommensteuergesetz 1988*).

Equalisation Supplement & Pension Bonus/Equalisation Supplement Bonus

Ausgleichszulage und Pensionsbonus/Ausgleichszulagenbonus

A. Coverage

- Persons legally residing in Austria whose pension entitlement according to the *statutory pension insurance schemes* does not reach a certain minimum level.
- Civil servants born after 31/12/1975 or appointed after 31/12/2004 (*civil servants appointed under old law can apply for a so-called supplementary allowance (Ergänzungszulage) under similar conditions as for the equalisation supplement*).

B. Financing

- The *equalisation supplement* and the *pension bonus/equalisation supplement bonus* are part of the *statutory pension schemes* but are tax-financed out of the general federal budget.

C. Administration

- Self-administered federal pension carriers take administrative responsibility for all affairs related to the scheme.
- The 'Federal Pension Insurance Institution' is responsible for employees and equally treated groups.
- The 'Social Insurance Institution of the Self-Employed' is responsible for self-employed persons including farmers and their families.
- The 'Insurance Institution for Civil Servants, Railways and Mining' administers the *pension scheme for federal civil servants*.

D. Qualifying Conditions

- Legal residence in Austria and entitlement to statutory pensions benefits (according to the Austrian statutory pension scheme but also the schemes of other EU member states).
- Income below the reference level (*Ausgleichszulagenrichtsatz*) defined by law as (a kind of) subsistence level.
- Benefits are means-tested based on monthly pension income (gross) and other income (net, including maintenance claims) of the elderly person and his/her spouse/registered partner.
- Additional *pension bonus/equalisation supplement bonus* (i.e. application of a higher reference rate) is granted in case of 30/40 years of insurance.
- Uniform rules for all persons entitled to statutory pension benefits according to the statutory pension insurance (type of employment/respective pension scheme not relevant).

E. Benefits

- The amount of benefits is based on the reference level minus income.
- If the elderly person is married or in a registered partnership, a higher reference level is applicable; in return the income of the spouse/partner is also taken into account; the reference level is also higher if the recipient has children.
- Higher benefits are granted if the person qualifies for the *pension bonus/equalisation supplement bonus*.
- The flat-rate benefit rates are adjusted yearly based on changes in prices/incomes (inflation rate) or a special law that provides for a higher adjustment.
- Benefits are granted 14 times per year as long as qualifying conditions persist; benefit payments are suspended if the beneficiary leaves Austria for a period exceeding 60 days.
- Benefits are subject to income tax (as far as above the income tax limit).

F. Legal Basis

- General Social Security Act – Fourth Part, Section V (*Allgemeines Sozialversicherungsgesetz – Vierter Teil, V. Abschnitt*); Commercial Social Security Act – Second Part, Section III, Subsection 3 (*Gewerbliches Sozialversicherungsgesetz - Zweiter Teil, Abschnitt III, 3. Unterabschnitt*); Farmers' Social Security Act – Second Part, Section III, Subsection 3 (*Bauern-Sozialversicherungsgesetz - Zweiter Teil, Abschnitt III, 3. Unterabschnitt*); Pension Act (*Pensionsgesetz 1965*); Supplementary Allowances Regulation (*Ergänzungszulagenverordnung 2021*); Income Tax Act (*Einkommensteuergesetz 1988*).

Statutory Pension Scheme for Employees and Equally Treated Persons

Pensionsversicherung nach dem Allgemeinen Sozialversicherungsgesetz

A. Coverage

Mandatory insurance

- Employees (incl. apprentices and contractual employees in the public sector).
- Equally treated groups, especially freelancers working primarily for a single client without having employees of their own.
- Persons performing their military service (or alternative service).
- Specific groups of economically inactive persons, such as parents during child-raising periods; claimants of income replacement benefits incl. recipients of sickness benefits, invalidity benefits or unemployment benefits.

Opting-Out

- Not possible.

Exempted

- Civil servants.
- Marginally employed persons.
- Some other groups (e.g. priests or members of the orders and congregations of the Catholic Church or the institutions of the Protestant Diaconia; employed lawyers incl. trainee lawyers and candidates for notary's office with regard to their inclusion in the pension schemes of the professional chamber, see *old age pension scheme for attorneys* and the *statutory old age pension scheme for notaries*).

Voluntary insurance

- Persons not mandatorily insured in the statutory old age pension scheme and of at least 15 years of age.
- Persons with at least twelve months of insurance within the 24 months before leaving or at least three months of insurance annually in the five years before can continue insurance (until they are mandatorily insured again or entitled to a pension).
- Possibility of retroactive insurance for periods of education.
- Special provisions for marginally employed persons and home caregivers.

B. Financing

General finances

- Mainly PAYG-financed from insurance contributions.
- Partly tax-financed out of the general federal budget.

Contribution rates to mandatory insurance

- Fixed share of monthly gross earnings (22.8%) with contribution assessment ceiling (*Höchstbeitragsgrundlage*).
- Contributions shared between employer (12.55%) and employee (10.25%).
- Special provisions for contribution payments (rates and/or modalities) apply for distinct occupational groups (e.g. insured economically inactive persons).
- Insured persons can voluntarily choose to pay higher contributions.

Contribution rates to voluntary insurance

- Fixed contribution rate (22.8%).
- Different contribution bases (depending on whether former mandatory insurance is continued or not).
- Special conditions (lower contributions) for marginally employed persons.
- Free insurance for home caregivers under certain conditions (contributions paid by the federal government).
- Insured persons can voluntarily choose to pay higher contributions.

Taxation of contribution payments

- Contributions are tax-deductible.

C. Administration

- The 'Federal Pension Insurance Institution' (*Pensionsversicherungsanstalt*) as self-administered federal pension carrier takes administrative responsibility for all affairs related to the scheme.

D. Qualifying Conditions

Qualifying conditions

- *Standard old age pension*: statutory retirement age is 65 for men and 60 for women; from 2024 on, women's retirement age will be gradually raised to 65 until 2033.
- Minimum insurance period: 15 years (comprising at least 7 years of employment).

Early retirement

- *Corridor pension*: possibility of retirement at 62 in case of an insurance period of at least 40 years (*Korridorpension*).
- *Heavy labour pension*: possibility of retirement at 60 in case of an insurance period of 45 years, including 10 years of heavy labour within the last 20 years (*Schwerarbeitspension*).
- *Severe disability pension*: possibility of early retirement at any age if severe and permanent invalidity has occurred with minimum insurance period of 5 years (*Invaliditäts-, Berufsunfähigkeits- und Erwerbsunfähigkeitspension*).
- Negative (permanent) adjustments to pension benefits in case of early retirement: corridor pension: 5.1% per year, max 15.3%; heavy work pension: 1.8% per year, max 9%; severe disability pension: 4.2% per year, max 13.8%.

Deferred retirement

- Retirement can be deferred with positive (permanent) adjustments to pension benefits (4.2% per year).

Combining employment & retirement

- Termination of employment is not a precondition for claiming old age pension benefits.
- After reaching the statutory retirement age employment is permitted without earnings limit; income ceilings apply for retired persons below standard statutory retirement age (with options for 'partial' old age pensions in some cases).
- Reduction of contribution if person continues working after reaching statutory retirement age.

E. Benefits

Pension benefits

- Primarily based on the amount of the insured income and the insurance period, including pension-credited periods of e.g. child-raising.
- No specification in law regarding fixed minimum and maximum amount of pension benefits; maximum pension benefits levelled due to contribution assessment ceiling; minimum pension benefits secured by the *equalisation supplement* (plus *pension bonus/ equalisation supplement bonus*).

Benefit calculation

- Based on multiplication of the following factors:
- *Assessment basis*: insured income (total of the monthly *contribution basis*) of each calendar year (transitional provisions for insurance periods before 2005 and in particular for persons born before 1955).
- *Account percentage*: 1.78% are credited to the pension account as partial credit; the partial credits of previous years are revalued and added up; the sum is the total credit.
- For insurance periods before 2005 an initial credit (calculated according to the former law) on the pension account was granted.
- *Current pension value*: the pension entitlement at the standard retirement age is calculated by dividing the total credit of the benefit by 14 (plus/minus adjustments for deferred or early retirement).
- *Adjustments*: annual adjustment of the pension value taking into account changes in prices/incomes (inflation rate); typically a special law provides for a different adjustment depending on the pension level.

Taxation and social security contributions

- Pension benefits are subject to income tax according to general tax rules.
- Mandatory contributions for health insurance (5.1%) are deducted monthly from the pension total.

F. Legal Basis

- General Pension Act (*Allgemeines Pensionsgesetz*); General Social Security Act – First Part and Fourth Part, Section V (*Allgemeines Sozialversicherungsgesetz – Erster Teil und Vierter Teil, V. Abschnitt*); Income Tax Act (*Einkommensteuergesetz 1988*).

Statutory Pension Scheme for Self-Employed Persons

Pensionsversicherung nach dem Gewerblichen Sozialversicherungsgesetz/ Freiberuflichen-Sozialversicherungsgesetz

A. Coverage

Mandatory insurance

- Self-employed persons with a trading license (commercial self-employed persons).
- Other self-employed persons including liberal professionals (if their chamber has not declared their opting-out).
- Former self-employed persons during military service (or alternative service).
- Former self-employed persons during child-raising periods.

Opting-Out

- Specific groups of liberal professionals; request had to be filed by the professional chamber by 1 October 1999 at the latest; only the bar associations have made use of this possibility.[1]
- Commercials with only marginal income and limited turnover under certain further conditions (e.g. persons that have only started self-employed activity or during child-raising periods).

Exempted

- Notaries.
- Liberal professionals with only marginal income.
- Commercials during periods of suspension of their trade license (or similar cases).

Voluntary insurance

- Persons with at least twelve months of insurance within the 24 months before leaving or at least three months of insurance annually in the previous five years can continue insurance (until they are mandatorily insured again or entitled to a pension).
- Possibility of retroactive insurance for periods of education.

B. Financing

General finances

- Mainly PAYG-financed from insurance contributions.
- Partly tax-financed out of the general federal budget.
- In addition, artists are subsidised by a social security fund set up for their benefit.

Contribution rates to mandatory insurance

- Fixed share of annual earnings (22.8%); with contribution assessment ceiling (*Höchstbeitragsgrundlage*).
- For certain liberal professionals: only 18.5%/20.0% must be paid by the insured person; the difference to 22.8% is made up by a 'partner benefit' from the federal government from tax revenues.
- Fixed minimum contribution basis (not applicable if person is employed aside from self-employed activity).
- Insured persons can voluntarily choose to pay higher contributions.

Contribution rates to voluntary insurance

- Fixed contribution rate (22.8%; 20.0% for certain liberal professions).
- Fixed contribution base depending on former earnings.
- Insured persons can voluntarily choose to pay higher contributions.

Taxation of contribution payments

- Contributions are tax-deductible.

C. Administration

- The 'Social Insurance Institution of the Self-Employed' as self-administered federal pension carrier takes administrative responsibility for all affairs related to self-employed persons.

D. Qualifying Conditions

Qualifying conditions

- Same as for *statutory pension scheme for employees and equally treated persons.*

Early retirement

- Same as for *statutory pension scheme for employees and equally treated persons.*

Deferred retirement

- Same as for *statutory pension scheme for employees and equally treated persons.*

Combining employment & retirement

- Same as for *statutory pension scheme for employees and equally treated persons.*

E. Benefits

Pension benefits

- Same as for *statutory pension scheme for employees and equally treated persons.*

Benefit calculation

- Based on the multiplication of the following factors:
- *Assessment basis*: insured income (*contribution basis*) of each calendar year (transitional provisions for insurance periods before 2005 and in particular for persons born before 1955).
- *Account percentage*: same as for *statutory pension scheme for employees and equally treated persons.*
- For insurance periods before 2005 an initial credit (calculated according to the former law) on the pension account was granted.
- *Current pension value*: same as for *statutory pension scheme for employees and equally treated persons.*
- *Adjustments*: same as for *statutory pension scheme for employees and equally treated persons.*

Taxation and social security contributions

- Same as for *statutory pension scheme for employees and equally treated persons.*

F. Legal Basis

- General Pension Act (*Allgemeines Pensionsgesetz*); Commercial Social Security Act – First Part and Second Part, Section III (*Gewerbliches Sozialversicherungsgesetz - Erster Teil und Zweiter Teil, Abschnitt III*); Liberal Professions‘ Social Security Act (*Freiberuflichen-Sozialversicherungsgesetz*); Artists' Social Insurance Fund Act (*Künstler-Sozialversicherungsfondsgesetz*); Income Tax Act (*Einkommensteuergesetz 1988*).

Civil Servants' Old Age Pension Scheme

Beamtenversorgung

A. Coverage

- Civil servants including judges, public prosecutors, soldiers.[2]
- Teachers and holders of public offices nominated as civil servants.[3]

B. Financing

General finances
- Partly financed from mandatory contributions of the civil servants.
- Partly tax-financed out of the federal budget.

Contribution rates
- Civil servants born after 31/12/1975 or appointed after 31/12/2004: same contribution rates as for *statutory pension scheme for employees and equally treated persons.*

C. Administration

- The 'Insurance Institution for Civil Servants, Railways and Mining' administers the scheme for federal civil servants (incl. verification of pension rights/entitlements, calculation of pension benefits and payment thereof); specific service authorities administer schemes for distinct service groups.

D. Qualifying Conditions

Qualifying conditions
- *Standard public service pension*: statutory retirement age is 65; minimum service period: 15 years.
- Different retirement conditions may apply for special groups (also due to transitional provisions).

Early retirement
- Conditions for early retirement for civil servants born after 31/12/1975 or appointed after 31/12/2004:
- Possibility of retirement at 62 in case of a service period of at least 40 years (*Korridorpension*).
- Possibility of retirement at 60 in case of a service period of 45 years, including 10 years of *heavy labour* within the last 20 years (*Versetzung in den Ruhestand bei Vorliegen von Schwerarbeitszeiten, Schwerarbeitspension*).
- Possibility of early retirement in case of incapacity of service (*Versetzung in den Ruhestand wegen Dienstunfähigkeit*) with minimum service period of 5 years.
- Negative (permanent) adjustments to pension benefits in case of early retirement (same as for *statutory pension scheme for employees and equally treated persons*).

Deferred retirement
- Retirement can be deferred up to 5 years by the competent Federal Minister if there is an important interest in the person's remaining in service.
- Civil servants born after 31/12/1975 or appointed after 31/12/2004: same positive (permanent) adjustments to pension as for *statutory pension scheme for employees and equally treated persons.*

Combining employment & retirement
- After retirement employment in the private sector is permitted without earnings limit.

E. Benefits

Pension benefits
- Primarily based on the earnings during service period and years of service, including pension-credited periods of e.g. child-raising.
- Minimum pension benefits secured by the *equalisation supplement.*
- Pension law for civil servants has been harmonised with the pension law for employees in the private sector in 2004; therefore, also pension benefits depend on age, date of appointment and date of service.
- Civil servants born after 31/12/1975 or appointed after 31/12/2004: same provisions as for *statutory pension scheme for employees and equally treated persons* (but initial credit to the pension account according to the old law for service periods before 2005).
- Civil servants born before 01/01/1976 and appointed before 01/01/2005: pensions calculated according to both 'old' and 'new' law ('parallel calculation'; *Parallelrechnung*); total pension is made up of partial pensions according to the ratio of service periods under the old and new law.

Benefit calculation

- Civil servants born after 31/12/1975 or appointed after 31/12/2004: same provisions as for *statutory pension scheme for employees and equally treated persons*.
- *Adjustments*: annual adjustment of the pension value taking into account changes in prices/incomes; typically, differentiations depending on the pension level.

Taxation and social security contributions

- Pension benefits are subject to income tax according to general tax rules.
- Mandatory contributions for health insurance (5.1%) are deducted monthly from the pension total.

F. Legal Basis

- Pension Act (*Pensionsgesetz 1965*); Salaries Act (*Gehaltsgesetz 1965*); Civil Servants‘ Act (*Beamten-Dienstrechtsgesetz 1979*); Act on Judges’ and Prosecutors’ Service Law (*Richter- und Staatsanwaltschaftsdienstgesetz*); General Pension Act (*Allgemeines Pensionsgesetz*); General Social Security Act (*Allgemeines Sozialversicherungsgesetz*); Income Tax Act (*Einkommensteuergesetz 1988*).

Statutory Pension Scheme for Farmers

Pensionsversicherung nach dem Bauern-Sozialversicherungsgesetz

A. Coverage

Mandatory insurance
- Self-employed entrepreneurs working in the agrarian sector (e.g. farmers, foresters, winemakers, fish farmers or horticulturists) and their spouse/partner/children/parents if they work full-time in the enterprise, are at least 15 years old and are not subject to mandatory insurance in the *statutory pension scheme for employees and equally treated persons*.
- Formerly as farmers insured persons during military service (or alternative service).
- Formerly as farmers insured persons during child-raising periods.

Exempted
- Persons working in the agrarian sector if the (fiscal) 'unit value' (*Einheitswert*)[4] of the agriculture (forestry) does not reach a minimum amount (or has not been defined) and if the income from the undertaking is not the main source of income.
- Leaseholders of a hunt or fishery if they do not derive their main source of income from this activity.

Voluntary insurance
- Persons with at least twelve months of insurance within the 24 months before leaving or at least three months of insurance annually in the previous five years can continue insurance (until they are mandatorily insured again or entitled to a pension).
- Possibility of retroactive insurance for periods of education.

B. Financing

General finances
- Mainly tax-financed out of the federal budget.
- Partly PAYG-financed from insurance contributions.

Contribution rates
- Fixed (flat-rate) contribution payments (22.8%) depending on the unit value and the number of insured people.
- Only 17.0% must actually be paid by insured person; the difference to 22.8% is made up by a 'partner benefit' from the federal government from tax revenues.
- Possibility to opt for contributions on the basis of the declared income.
- Contribution basis is lower if more family members are insured.

Taxation of contribution payments
- Contributions are tax-deductible.

C. Administration

- The 'Social Insurance Institution of the Self-Employed' as self-administered federal pension carrier takes administrative responsibility for all affairs related to self-employed persons including farmers.
- The former 'Social Insurance Institution for Farmers' was merged with the one for the Self-Employed in 2020.

D. Qualifying Conditions

Qualifying conditions
- Same as for *statutory pension scheme for employees and equally treated persons.*

Early retirement
- Same as for *statutory pension scheme for employees and equally treated persons.*

Deferred retirement
- Same as for *statutory pension scheme for employees and equally treated persons.*

Combining employment & retirement
- Same as for *statutory pension scheme for employees and equally treated persons.*

E. Benefits

Pension benefits
- Primarily based on the insured unit value (or the declared income) and the length of insurance, including pension-credited periods of e.g. child-raising.
- No specification in law regarding fixed minimum and maximum amount of pension benefits; maximum pension benefits levelled due to contribution assessment ceiling; minimum pension benefits secured by the *equalisation supplement* (plus *pension bonus*).

Benefit calculation

- Based on the multiplication of the following factors:
- *Assessment basis*: insured unit value/income (*contribution basis*) of each calendar year (transitional provisions for insurance periods before 2005 and in particular for persons born before 1955).
- *Account percentage*: same as for *statutory pension scheme for employees and equally treated persons* (for insurance periods before 2005 an initial credit (calculated according to the former law) on the pension account was granted).
- *Current pension value*: same as for *statutory pension scheme for employees and equally treated persons*.
- *Adjustments*: same as for *statutory pensions scheme for employees and equally treated persons*.

Taxation and social security contributions

- Same as for *statutory pension scheme for employees and equally treated persons*.

F. Legal Basis

- General Pension Act (*Allgemeines Pensionsgesetz*); Farmers' Social Security Act – First Part and Second Part, Section III (*Bauern-Sozialversicherungsgesetz – Erster Teil und Zweiter Teil, Abschnitt III*); Income Tax Act (*Einkommensteuergesetz 1988*).

Old Age Pension Scheme for Attorneys

Berufsständische Versorgung der Rechtsanwälte

A. Coverage

Mandatory insurance
- Attorneys (since 2011 incl. associates).[5]

Voluntary insurance
- Under certain conditions formerly mandatorily insured persons can request to continue insurance on a voluntary basis.
- Under certain conditions insurance months can be additionally purchased.

B. Financing

General finances
- Funded schemes based on contribution payments and capital revenues, with various financing mechanisms (partly PAYG-, partly capital-funded).
- No government guarantees or state subsidies (problem of 'funding gaps').[6]

Contribution rates
- Fixed amount (with possibility of reduction under certain conditions) or fixed share of declared income paid by insured person; contributions differ between regional funds.

Taxation of contribution payments
- Contributions are tax-deductible.

C. Administration

- Pension funds are independent public law institutions (no insurance carriers), self-administered and region-specific.
- The professional chambers are responsible for the administration and organisation of the schemes, with supervision by the responsible ministries of the federal government.

D. Qualifying Conditions*

**Exact conditions are regulated in self-administration by the statutes of the Austrian bar association and the regional professional chambers.*

Qualifying conditions
- Retirement age between 65 and 70.
- In general waiting period of 12 months, partly only minimum contribution period of one month.

Early retirement
- Entitlement to an early retirement pension if standard retirement age will be reached within four years, with negative (permanent) adjustment to pension benefits (4.8% per year).
- Possibility of early retirement (but lower pension benefits) if severe and permanent invalidity has occurred (waiting period: 5 to 10 years depending on age; no waiting period under certain conditions).

Deferred retirement
- Retirement can be deferred without a maximum age.

Combining employment & retirement
- Termination of employment is often a precondition for claiming pension benefits.

E. Benefits

Pension benefits
- Based on total amount of individual contribution payments, contribution period, and 'basic old age pension' (*Basisaltersrente*) according to statutes; benefits may differ between pension funds.

Benefit calculation
- Based on the sum of contribution payments, partly plus number of valuable contribution months and amount of 'basic old age pension' (*Basisaltersrente*) set by statutes of the professional chambers.
- *Adjustments*: depending on surpluses in reserve funds and decision of professional chambers.

Taxation and social security contributions on pension payments
- Pension benefits are subject to income tax according to general tax rules.
- Contributions for (statutory/private) health insurance are mandatory (fully paid by retired person).

F. Legal Basis

- Lawyers‘ Act (*Rechtsanwaltsordnung*); Stautes of the Bar Associations (*Satzungen der Rechtsanwaltskammern*); Income Tax Act (*Einkommensteuergesetz 1988*).

Statutory Old Age Pension Scheme for Notaries

Notarversorgung

A. Coverage

Mandatory insurance
- Notaries and notarial candidates.

B. Financing

General finances
- Mainly PAYG-financed from insurance contributions.
- Partly financed from other revenues (e.g. investments).

Contribution rates to mandatory insurance
- Fixed share of annual earnings (currently 14.0%; but fixed minimum lump sum) without contribution assessment ceiling.

Taxation of contribution payments
- Contributions are tax-deductible.

C. Administration

- Pensions are administered by the Pension Institution of the 'Austrian Notaries' Office' (*Versorgungsanstalt des österreichischen Notariats*).

D. Qualifying Conditions

Qualifying conditions
- *Standard old age pension*: retirement age will be raised from currently 69 to 70 years by 2027.
- Minimum contribution period: 5 years.

Early retirement
- Entitlement to an early retirement pension after reaching the age of 65 if the office has expired or the person has been removed from the list of notary candidates.
- Possibility of early retirement if severe and permanent invalidity has occurred (minimum contribution period: 1 year).
- Negative (permanent) adjustments to pension benefits in case of early retirement (4.8% per year, max 24%).

Combining employment & retirement
- After retirement, employment in private sector is permitted without earnings limit.

E. Benefits

Pension benefits
- Based on various components: a fixed basic amount (*Grundbetrag*), a component based on the length of contribution payments ('amount of increase'; *Steigerungsbetrag*), and an additional earnings-related/income-related component (*Zusatzpension*).
- Fixed minimum of pension benefits (also in case of early retirement); no fixed maximum of pension benefits (but lower share of additional component with increasing amount).

Benefit calculation
- Based on the following factors:
- Fixed basic amount (*Grundbetrag*),
- Amount of increase for each valuable contribution month (*Steigerungsbetrag*),
- Additional pension benefits (in general 16%) based on the average income during the past 30 years.
- *Adjustments*: annual adjustment of the pension value taking into account changes in prices/incomes.

Taxation and social security contributions
- Pension benefits are subject to income tax according to general tax rules.
- Mandatory contributions for health insurance (5.1%) are deducted monthly from the pension total.

F. Legal Basis

- Notaries' Act (*Notariatsordnung*); Notaries' Pension Act (*Notarversorgungsgesetz 2020*); Statutes of the Notaries' Chambers (*Satzungen der Notariatskammern*); Income Tax Act (*Einkommensteuergesetz 1988*).

Occupational Pension Schemes

Betriebliche Altersvorsorge

A. Coverage

Voluntary participation

- Private sector employees; plans provided by employer, often based on collective agreement or company-level agreement between employer and works council.
- Automatic enrolment of employees (without obligation to pay contributions themselves) if pension plan is not implemented by individual agreement.

B. Financing

General finances

- Fully funded schemes financed by contribution payments and capital revenues.

Contribution rates

- Contributions are paid by employer according to agreed conditions; voluntary participation of employee is possible (in general up to the level of contributions of the employer).

State support & incentivising strategies

- Tax refunds and exemptions from social security contributions granted for contributions to occupational pension plans.

C. Administration

- Different types of pension plans can be implemented by employer; pension plans either implemented internally via the employer in the form of book reserves (*direkte Leistungszusage*) or externally in the form of contributions to a pension institution (*Pensionskasse*) or by concluding a collective insurance (*Betriebliche Kollektivversicherung*) or life insurances in favour of the employees.
- Pension institutions monitored by the 'Financial Market Authority' (*Finanzmarktaufsicht*).
- Internal pension plans partly secured by the 'Insolvency Remuneration Fund' (*Insolvenz-Entgelt-Fonds*) in case of insolvency of employer.

D. Qualifying Conditions

- No minimum retirement age specified in law; employee entitled to occupational pension benefits according to agreed conditions; conditions are regulated in pension regulations at company or collective level.

E. Benefits

Pension payments

- Monthly life-long annuity (or one-time lump sum payment under certain conditions).
- Dependent on payment commitment: often 'defined benefit' (DB) or 'defined contribution' (DC) with a guarantee of a minimum investment return (only for externally implemented plans).

Taxation and social security contributions

- Company pensions from employer contributions are subject to wage tax, those parts that were financed by the employee are tax-privileged or even tax-free.
- Pension payments are not subject to social security contributions.

F. Legal Basis

- Company Pensions Act (*Betriebspensionsgesetz*); Pension Funds Act (*Pensionskassengesetz*); Income Tax Act (*Einkommensteuergesetz 1988*).

Supplementary Pension Scheme for the Public Service

Zusatzversorgung des öffentlichen Dienstes

A. Coverage

Mandatory participation

- The federal government as employer is statutorily obliged to conclude an occupational pension plan for civil servants and *Vertragsbedienstete* born after 31/12/1954.

B. Financing

General finances

- Fully funded schemes financed by contribution payments and capital revenues.

Contribution rates

- The federal government has committed itself by collective agreement to a contribution of 0.75% of the assessment basis (= earnings of the employees without contribution assessment basis).
- Voluntary participation of employees up to the level of contributions of the federal government (or up to 1,000 EUR/year).

State support & incentivising strategies

- Tax refunds and exemptions from social security contributions granted for contributions to occupational pension plans.

C. Administration

- Administered by the 'Federal Pension Institution' (*Bundespensionskasse*).

D. Qualifying Conditions

- Civil servants: retirement age depending on statutory retirement age (see *civil servant's pension scheme*).
- Civil servants who have left civil service before retirement and *Vertragsbedienstete*: minimum retirement age of 55 (except in case of invalidity).
- Minimum service period of one year (*Wartefrist*).

E. Benefits

Pension payments

- Monthly life-long annuity (or one-time lump sum payment under certain conditions).
- 'Defined contribution' (DC) with a guarantee of a minimum investment return.

Taxation and social security contributions

- Pensions from employer contributions are subject to wage tax, those parts that were financed by the employee are tax-privileged or even tax-free.
- Pension payments are not subject to social security contributions.

F. Legal Basis

- Company Pensions Act (*Betriebspensionsgesetz*); Pension Funds Act (*Pensionskassengesetz*); Salaries Act (*Gehaltsgesetz 1965*); Contract Staff Act (*Vertragsbedienstetengesetz 1948*); Collective Bargaining Agreement about Pension Fund Commitments for Civil Servants (*Kollektivvertrag über die Pensionskassenzusage für Bundesbedienstete*); Income Tax Act (*Einkommensteuergesetz 1988*).

Premium-Aided Pension Savings Schemes

Prämienbegünstigte Zukunftsvorsorge

A. Coverage

Voluntary participation

- All persons not yet receiving a statutory old age pension; typically no minimum age required.

B. Financing

General finances

- Fully funded personal pension plans based on contribution payments (incl. state allowances under certain conditions) and capital revenues.

Contribution payments

- Insured persons provide contribution payments and decide upon its amount individually.

State support

- State subsidies of currently 4.25% (max. 6.75%) of the contributions paid (up to a fixed maximum; currently approximately 3,000 EUR/year); only certified pension plans are subject to state subsidies.[7]
- Tax exemptions for contributions.

C. Administration

- Pension plan providers (banks, insurance companies, or investment funds) manage pension funds and pay benefits directly to the person.
- Insurance companies monitored by the 'Financial Market Authority' (*Finanzmarktaufsicht*).

D. Qualifying Conditions

- Depends on contract; typically between 60 and 65.
- Possibility of transfer to other institutions after contribution period of at least 10 years.

E. Benefits

Pension payments

- Accumulated capital through contribution payments (incl. state allowances) and investment yields, minus administrative costs and costs/fees of pension provider.
- Life-long annuity paid monthly (using unisex mortality tables); partly options for one-time lump sum payment (but partial loss of state subsidies and subsequent taxation advantages).
- Guarantee that there are no losses in nominal amounts of paid contributions (mandatory for state support).

Taxation and social security contributions on pension payments

- Pension payments are tax-exempted if conditions for state support are met.
- Pension payments are not subject to social security contributions.

F. Legal Basis

- Income Tax Act (*Einkommensteuergesetz 1988*); Insurance Contracts Act (*Versicherungsvertragsgesetz*); Insurance Supervision Act (*Versicherungsaufsichtsgesetz 2016*).

Footnotes

1 The chamber of civil engineers also declared opting-out, but 're-opted' for statutory insurance beginning with 2013.

2 Information presented in this table refers to the regulations for civil servants at federal level. Regulations for civil servants at state and municipal level can differ and fall within the jurisdiction of the *Länder*. Furthermore, there exist special provisions for civil servants working in outsourced legal entities, such as the Austrian Federal Railway, the postal services or the universities.

3 Excluded are employees in the public service employed by civil contract as '*Vertragsbedienstete*'. Please note that nowadays especially teachers are mostly employed as '*Vertragsbedienstete*'; the number of civil servants in Austria is decreasing.

4 The unit value is a value for land that is determined by a specific procedure. It is significantly below the market value.

5 Attorneys are the only group among the liberal professions whose pensions are exclusively granted by special funds of their professional chambers. Basic insurance of all other liberal professions (except notaries who have their own scheme; see *old age pension scheme for notaries*) is secured by the *statutory pension scheme for the self-employed*. For medical doctors the '*berufsständische Versorgung*' within the 'welfare fund' of their professional chambers is supplementary to statutory pension insurance.

6 However, the government pays lump sum contributions for free procedural assistance by lawyers, which are used to finance the pension scheme.

7 Requirements for state subsidies: such as special requirements for investment (certain percentage of shares); companies have to guarantee that sum of invested capital contribution payments (plus state allowances) is available at beginning of pay-out phase; binding of the paid-up capital for at least 10 years; life-long annuity paid monthly; state subsidies capped at a maximum amount; persons are entitled to change the level of contributions or suspend account for fixed-time period; possibility of transfer to other institutions after 10 years; at this time it's also possible to request premature lump sum payment (but partial loss of state subsidies and subsequent taxation in this case).

BULGARIA

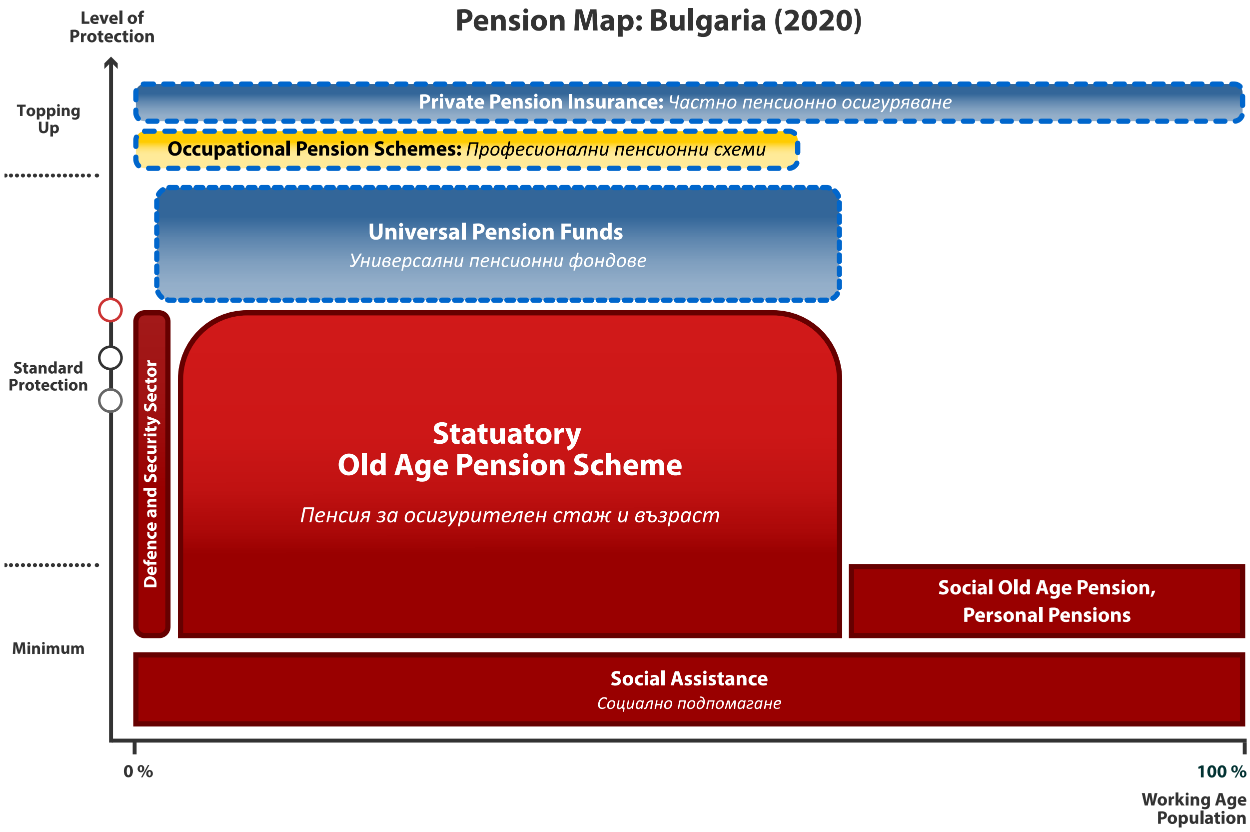
THE BULGARIAN OLD AGE SECURITY SYSTEM IN 2020

Teodora Petrova

The history of the Bulgarian old age pension system dates back to the adoption of the first Constitution in 1879. Throughout the years, the pension system has undergone several reforms changing the fundaments of its institutional structure especially during and after the period of socialism (1946–1989). Since 1990, some of these substantial reforms involved the establishing of private and occupational pension schemes in addition to the traditional public pension schemes. As of today, the 'standard' level of protection against financial risks in old age can be achieved mainly via mandatory insurance in public pension schemes and automatic enrolment in private pension scheme where part of the mandatory insurance contributions, determined by law, is transferred. Some professional groups are additionally automatically enrolled in occupational pension schemes providing the former with the option of early retirement. Further, old age pensions can be 'topped up' through voluntary enrolment in supplementary private and occupational pension schemes, which are incentivised by tax reliefs. The pension system also contains last-resort pensions that guarantee a monthly 'minimum' income for elderly persons who do not qualify for any other old age pension and have no further means to support themselves. Outside the pension system, a modest safety net is provided through general social assistance measures.

Standard Protection in Old Age

Most of the economically active population, consisting of the 3rd labour category (non-hazardous jobs) and the 1st and 2nd labour categories (different degrees of hazardous jobs), is mandatorily enrolled in the public, pay-as-you-go (PAYG) financed *statutory old age pension scheme* (*Пенсия за осигурителен стаж и възраст*).[1] All of the persons insured in the *statutory old age pension scheme*, including the self-employed, are also automatically enrolled in the private capital-funded *universal pension funds* (*Универсални пенсионни фондове*). Persons can choose to opt out from this private scheme and direct the entirety of their mandatory pension insurance contributions to the public scheme. Some of the public sector employees are insured in a separate public pension scheme, the so-called *pensions in the defence and security sector* (*Пенсии в сектор "Отбрана и сигурност"*) that has its own separate pension fund. Most of



these public sector employees, namely military and police personnel, are also enrolled in the *universal pension funds*. Exceptions to this rule are civil servants working for the State Intelligence Agency, the Military Intelligence Service of the Ministry of Defence and the State Agency for National Security, who are excluded from participating in the capital--funded scheme.

Due to the nature of their work, persons working in hazardous jobs (i.e. the 1st and 2nd labour categories) are further insured through contributions paid by their employers into capital-funded occupational pension schemes, the so-called *professional pension funds* (*Професионални пенсионни фондове*), providing a fixed-term early pension. If persons opt out from these funds, they must continue their insurance for early pension in the *statutory old age pension scheme*. Teachers are also mandatorily enrolled in a special occupational scheme, namely the *teachers' pension fund* (*Учителски пенсионен фонд*), where additional contributions are paid by their employers. The scheme provides either a fixed-term early pension or a supplement to the old age pension, based on when the benefits are claimed.[2]

Top-Ups

The options for the topping up of the pension income comprise the voluntary *occupational pension schemes* (*Професионални пенсионни схеми*) and the voluntary *private pension insurance* (*Частно пенсионно осигуряване*). The former are usually provided to employees of a given enterprise, as a result of negotiations with the employer and on the basis of insurance contributions provided by the enterprise. The exact circle of participants in these schemes is usually determined in a collective agreement (concluded between the employer/ the employer association and the trade union) or collective labour contract (between the employees and the employer). In the case of the *private pension insurance* individuals have the option of creating their own individual pension savings account, where they can choose between different conditions. Every person who has turned 16 can participate voluntarily in a private pension scheme by making instalments on a monthly or other temporal basis. Participation in such schemes, which are approved by the state, is incentivised by some tax relief measures.

Minimum

The provision of a minimum income level in old age is guaranteed by various measures and schemes. Persons eligible to public pensions of the statutory scheme are guaranteed benefits of at least the amount of the minimum statutory pension level. Elderly persons not eligible to any other pension, including pension entitlements from other countries, can apply for a monthly guaranteed minimum income of the *social old age pension* (*Социална пенсия за старост*) at age 70. The scheme is means-tested and takes into account the annual income of the applicant and other family members and provides a modest safety net against poverty to elderly persons. For specific groups, such as elderly mothers of numerous children and persons who have taken care of sick family members for more than 10 years, the system provides targeted, means-tested pensions, so-called *personal pensions* (*Персонални пенсии*) at the age of 67. These pensions are granted on an individual basis by the Council of Ministers, requiring the elderly person not to qualify for any other pension and to have at least three years of insurance. As a last resort, persons suffering from material deprivation and who may not (yet) qualify for the social pension can apply for *social assistance* (*Социално подпомагане*). General social assistance measures are strictly means-tested and fall outside the pension system as they do not specifically target senior citizens. Recipients of the *social old age pension* or the *personal pension* can still be eligible for targeted social assistance benefits for housing and heating.

Social Assistance

Социално подпомагане

A. Coverage

- Persons residing in Bulgaria who cannot sufficiently cover their necessary subsistence from income/assets.

B. Financing

- The scheme is entirely tax-financed out of the state budget.

C. Administration

- The administration and organisation of the scheme falls under the jurisdiction of the Social Assistance Agency (*Агенция за социално подпомагане*).
- Local welfare authorities belonging to the Social Insurance Agency manage the scheme (i.e. review applications, decide on eligibility, and pay out benefits).

D. Qualifying Conditions

- Persons residing in Bulgaria.
- Persons with income/assets below subsistence levels as defined by law.
- The applicant must not be able to receive (sufficient) maintenance from other family members, such as children or (former) spouse.
- Benefits are means-tested based on monthly net incomes and assets of the elderly person and his/her family (spouse and other cohabitating family members/individuals) measured against the monthly differentiated guaranteed minimum income for the preceding month; excluded from means-testing are e.g. assets of 250 EUR per person, and under specific circumstances ownership of additional housing.

E. Benefits

- Types of benefits: monthly benefits; one-time needs-based benefits (e.g. exceptional needs, such as related to healthcare, education, utilities and others); targeted benefits (for covering reasonable costs for housing and heating).
- The amount of monthly benefits is based on the sum of benefits minus income and assets of the elderly person and his/her family.
- Benefit rates are determined and differentiated based on the age of the elderly, the level of disability (if present), and whether the elderly individual lives alone or not.
- Monthly benefits are typically granted as long as qualifying conditions exist.
- Benefits are not subject to income tax.

F. Legal Basis

- Social Assistance Law (*Закон за социално подпомагане*); Rules on Application of the Law on Social Assistance (*Правилник за прилагане на закона за социално подпомагане*); Family Code (*Семеен Кодекс*).

Personal Pensions

Персонални пенсии

A. Coverage

- Mothers of numerous children and persons who have nursed a disabled family member who cannot sufficiently cover their necessary subsistence from income/assets.

B. Financing

- The scheme is entirely tax-financed out of the state budget.

C. Administration

- The territorial department of the National Social Security Institute (NSSI) receives and reviews pension applications, initiates a procedure for a decision on the granting of the pension by addressing the local municipal council and ultimately manages payments (in case of approved application).
- The local municipal council makes a proposal for granting a pension to the Minister of Labour and Social Policy.
- In case of an approval of the proposal by the Minister of Labour and Social Policy, a joint report is issued by the Minister of Labour and Social Policy and the Minister of Finance which is submitted to the Council of Ministers.
- The Council of Ministers decides on the granting of the pension.

D. Qualifying Conditions

- *Mothers of numerous children*: mother must have given birth to 5 or more children and must have raised them until they have reached 18 years of age; she must not have been deprived of parental rights/parental rights must not have been restricted; children must not have been placed in a public institution for more than a year (exception: institutionalisation due to medical reasons).
- *Persons who have nursed a disabled family member*: person should have taken care for more than 10 years of a seriously ill family member in need of constant attendance (family members are: spouse, as well as lineal ascendants and descendants).
- Retirement age increases to 67 until 2023 for persons born after 29/02/1956; minimum insurance periods: 3 years.
- Persons must have no right to any other pension (including no right to a *social old age pension* or any pension entitlement from another country).
- Persons with income/assets below subsistence levels as defined by law.
- Benefits are means-tested: beneficiaries' income and the annual household income must be less than the sum of the monthly guaranteed minimum income defined by law for the preceding 12 months.

E. Benefits

- Lifetime pension; flat-rate amount equal to 90% of the amount of the social old age pension.
- Pension benefits are not subject to income tax.

F. Legal Basis

- Social Security Code, Chapter 6, Section IV (*Кодекс за социално осигуряване*); Ordinance on the Pensions and the Insurance Periods (*Наредба за пенсиите и осигурителния стаж*).

Social Old Age Pension

Социална пенсия за старост

A. Coverage

- Destitute elderly persons aged 70 or older residing in Bulgaria.

B. Financing

- The scheme is entirely tax-financed out of the state budget.

C. Administration

- The National Social Security Institute manages the scheme and the payments.

D. Qualifying Conditions

- Persons must be at least 70 years old.
- Persons must have no right to any other pension (including no right to a *personal pension* or any pension entitlement from another country).
- Benefits are means-tested: beneficiaries' income and the annual household income must be less than the sum of the monthly guaranteed minimum income defined by law for the preceding 12 months.

E. Benefits

- Lifetime pension; the flat-rate amount is determined by a decision of the Council of Ministers.
- Pension benefits are not subject to income tax.

F. Legal Basis

- Social Security Code, Chapter 6, Section IV (*Кодекс за социално осигуряване*); Annual Laws on the Social Security Budget (*Годишни закони за за бюджета на държавното обществено осигуряване*).

Statutory Old Age Pension Scheme

Пенсия за осигурителен стаж и възраст

A. Coverage

Mandatory insurance

- Majority of economically active part of the population, i.e. 3rd labour category (non-hazardous jobs, including most civil servants and the self-employed) and 1st and 2nd labour categories (hazardous jobs).
- Specific groups of economically inactive persons who receive social insurance benefits (e.g. for periods of maternity and child-rearing, receipt of unemployment benefits, sickness benefits).
- Specific groups of economically inactive persons who do not receive social insurance benefits (e.g. parents during child-raising periods, home caregivers, people who are in temporary work incapacity but do not receive social insurance benefits).

Exempted

- Persons working in the defence and security sector.

Voluntary insurance

- Persons commissioned to work abroad by a Bulgarian intermediary; pensioners working as self-employed; the spouse of an individual who is on a long-term diplomatic mission.

B. Financing

General finances

- Mainly PAYG-financed out of insurance contributions of the currently insured population.
- Tax-financed: contributions for civil servants.
- Tax-financed: non-contributory insurance periods (credited as pension-relevant periods).
- The state finances any deficit.

Contribution rates

- *3rd labour categories*: fixed share of monthly gross earnings (14.8%) with contribution assessment ceiling; contributions shared between the employer (8.22%) and the employee (6.58%); contribution for civil servants is entirely covered by the employer.
- *1st and 2nd labour categories*: fixed share of monthly gross earnings (17.8%); contributions shared between the employer (9.97%) and the employee (7.83%).
- If persons opt out from the *universal pension funds*, the total contribution rate increases, with 5% shared between the employer (2.80%) and the employee (2.20%).
- If persons in the 1st and 2nd labour categories opt out from the *professional pension funds*, the total contribution rate increases by 12% for the 1st labour category and 7% for the 2nd labour category (paid by employer).

C. Administration

- The National Social Security Institute (NSSI) manages the scheme and is accountable for its actions to the National Assembly.
- The National Revenue Agency collects contributions and transfers them to the NSSI.

D. Qualifying Conditions

Qualifying conditions

- *Standard old age pension*: statutory retirement age increases to 65 until 2037 for women (born after 31/03/1972) and until 2029 for men (born after 31/01/1964); minimum insurance periods: increase until 2027 to 37 years for women and 40 years for men. After reaching 65 years, the retirement age will increase according to life expectancy.
- *Old age pension for incomplete insurance periods*: statutory retirement age increases to 67 until 2023 for men and women (born after 29/02/1956); minimum insurance periods: 15 years of actual contributory insurance periods.

Early retirement

- Available up to 1 year prior to reaching the retirement age of the standard old age pension with negative (permanent) adjustments to pension benefits (0.4% per month).
- *Early retirement 1st labour category (if opted out from professional pension scheme)*: statutory retirement age increases to 55 (until 2037 for women born after 30/04/1982 and until 2029 for men born after 28/02/1974); minimum insurance periods: the sum of the total insurance periods and the retirement age must equal 94 for women and 100 for men; persons must have a minimum of 10 years of qualifying insurance periods within the 1st labour category.

- *Early retirement 2nd labour category (if opted out from professional pension scheme)*: statutory retirement age increases to 60 (until 2037 for women born after 30/04/1977 and until 2029 for men born after 28/02/1969); minimum insurance periods: the sum of the total insurance periods and the retirement age must equal 94 for women and 100 for men; persons must have a minimum of 15 years of qualifying insurance periods within the 2nd labour category.

Deferred retirement

- Retirement can be deferred with positive (permanent) adjustments to pension benefits (2.8% per year).

Combining employment & retirement

- Termination of employment is not a precondition for claiming pension benefits.
- After reaching statutory retirement age employment is permitted without earnings limit.

E. Benefits

Pension benefits

- Primarily based on the amount of contributory earnings throughout working career, including pension-credited periods like e.g. child-raising.
- Maximum amount: 1,200 BGN.
- Minimum amount: 250 BGN; for persons with a calculated pension income below the minimum pension threshold.
- *Privileges for civil servants*: right to special one-time compensation of the amount of last gross salaries (depending on the length of service, max. of up to 10 gross salaries), requiring the person to have met all qualifying conditions for standard old age pension/early pension.

Factors for benefit calculation

- Based on the following factors: (a) 'individual coefficient', (b) 'the reference income for the calculation of the pension', (c) 'percentage used to determine the weight of each year of insurance periods'.
- *Individual coefficient*: the ratio of the individual's average monthly insured earnings to the national average monthly insured earnings (based on the respective reference period) adjusted by the individual's number of working days per month.
- *Reference period*: the insured earnings after 31/12/1999 until the date of claiming an old age pension. For pensions claimed after 30/04/2019 and before 01/01/2023 an alternative reference period can be opted for: 3 consecutive years of insurance periods within the last 15 insurance years until 01/01/1997 and the insured earnings after this date until the date of claiming an old age pension.
- *Reference income for the calculation of the pension*: multiplication of the 'individual coefficient' with the population average monthly insured earnings for the 12 calendar months preceding the month of retirement.
- *Percentage determining the weight of each year of insurance*: 1.2% per year (further adjusted for deferred retirement).
- *If persons remain in the universal pension funds*: the individual coefficient is lowered with the ratio of the insurance contributions for the capital-funded scheme and the total rate of the mandatory pension insurance (i.e. 5/19.8 = 25.3%).
- *Adjustments*: yearly adjustment of pension value accounting for changes of gross average earnings and increase of average living costs.

Taxation and social security contributions

- Pension benefits are not subject to tax.
- Health insurance contributions are covered by the state budget.

F. Legal Basis

- Social Security Code, Section I (*Кодекс за социално осигуряване*); Decree on the Categorisation of Labour for Retirement Purposes (*Наредба за категоризиране на труда при пенсиониране*); Ordinance on Pensions and Insurance Periods (*Наредба за пенсиите и осигурителния стаж*); Law on Health Insurance (*Закон за здравното осигуряване*); Law on the Civil Servant (*Закон за държавния служител*).

Pensions in the Defence and Security Sector

Пенсии в сектор "Отбрана и сигурност"

A. Coverage

Mandatory insurance

- Police and military personnel, as well as employees in the State Intelligence Agency, the Military Information Service of the Ministry of Defence and the State Agency for National Security.

B. Financing

General finances

- Tax-financed out of the general budget.

Contribution rates

- *Police and military personnel*: fixed share of monthly gross earnings (55.8%) entirely covered by the employer; if persons opt out from the *universal pension funds*, the total contribution rate increases by 5%, entirely covered by the employer.
- *Civil servants in the sector regulated by the Law on Civil Servants* (for example Ministry of Internal Affairs): fixed share of monthly gross earnings (19.8%) entirely covered by the employer.
- *Civil servants in the State Intelligence Agency, the Military Intelligence Service of the Ministry of Defence and the State Agency for National Security*: fixed share of monthly gross earnings (60.8%) entirely covered by the employer.

C. Administration

- The National Social Security Institute (NSSI) manages the scheme and is accountable for its actions to the National Assembly.
- The National Revenue Agency collects contributions and transfers them to the NSSI.

D. Qualifying Conditions

Qualifying conditions

- Statutory retirement age increases to 55 years until 2029 for men and women (born after 28/02/1974); minimum service periods: 27 years, 18 of which must be actual contributory insurance periods.
- Exceptions apply in cases of years of service under water or in the air.

E. Benefits

Pension benefits

- Same as for *statutory old age pension scheme.*
- *Further privileges*: right to special one-time compensation of the amount of last gross salaries (depending on the length of service, max. of up to 20 gross salaries), requiring the person to have met all qualifying conditions for standard old age pension/early pension.

Factors for benefit calculation

- Same as for *statutory old age pension scheme.*

Taxation and social security contributions

- Pension benefits are not subject to tax.
- Health insurance contributions are covered by the state budget.

F. Legal Basis

- Social Security Code, Section I, (*Кодекс за социално осигуряване*); Law on Civil Servants (*Закон за държавния служител*); Law of the State Intelligence Agency (*Закон за Държавна агенция "Разузнаване"*); Law on the Agency for National Security (*Закон за Държавна агенция "Национална сигурност"*); Law on Defence and the Military Forces (*Закон за отбраната и въоръжените сили на Република България*).

Universal Pension Funds

Универсални пенсионни фондове

A. Coverage

Mandatory insurance

- All persons insured in the *statutory old age pension scheme*.
- Military and police personnel insured in the *pensions in the defence and security sector scheme*.

Opting-out

- Multiple possibilities for opting out with the requirement to transfer to *statutory old age pension scheme* (restriction: at least one year required between the previous exercise of this right, and up to 5 years before reaching the standard retirement age of the *statutory old age pension scheme*).

B. Financing

General finances

- Fully funded personal pension plans based on contribution payments and capital revenues.

Contribution payments

- The total contribution rate equals 5% with contribution assessment ceiling.
- Contributions shared between the employer (2.80%) and the employee (2.20%); the self-employed and seafarers contribute the same total rate themselves (5%).

State support

- Employees' contribution payments are tax-deductible.
- Employers' contribution payments are recognised as expense and are not subject to tax.
- The investment returns of the funds which are then placed in the individual accounts are not subject to tax.

C. Administration

- Pension plan providers manage pension funds and pay benefits directly to the eligible person.
- The National Revenue Agency gathers the required contributions and transfers them to the respective pension insurance companies.
- The Financial Supervision Commission regulates licenses, oversees and sanctions the pension plan providers.

D. Qualifying Conditions

- Based on reaching the standard retirement age of the *statutory old age pension scheme*.
- The pension can be claimed up to 5 years before reaching the standard retirement age of the *statutory old age pension scheme* if the accumulated capital allows for the payment of a benefit higher than the minimum amount of the standard old age pension (250 BGN).

E. Benefits

Pension payments

- Accumulated capital through contribution payments and investment yields, minus administrative costs and costs/fees of pension provider.
- Life-long annuity paid monthly (using unisex-mortality tables); option for one-time lump sum payment or fixed-term pension.
- Depend on the term of pension payment, the biometrical tables, and the technical interest rate (an interest rate derived from actuarial mathematics, used to discount future benefits in order to determine their present value).

Taxation and social security contributions

- Pension payments are not subject to tax.
- Contributions for health insurance are covered by the state budget.

F. Legal Basis

- Social Security Code, Part II, Sub-Part II (*Кодекс за социално осигуряване*).

Professional Pension Funds

Професионални пенсионни фондове

A. Coverage

Mandatory insurance

- Persons working in the 1st and 2nd labour categories.

Opting-out

- One-time option for opting out upon request with the requirement to transfer to *statutory old age pension scheme* (restriction: transfer only possible before reaching early retirement age).

B. Financing

General finances

- Fully funded schemes financed by contribution payments and capital revenues.

Contribution payments

- Fixed share of monthly gross earnings: 12% for the 1st labour category and 7% for the 2nd labour category of the gross earnings entirely covered by the employer.

State support

- Employers' contribution payments are recognised as expense and are not subject to tax.
- The investment returns of the funds which are then placed in the individual accounts are not subject to tax.

C. Administration

- Pension plan providers manage pension funds and pay benefits directly to the eligible person.
- The National Revenue Agency gathers the required contributions and transfers them to the respective pension insurance companies.
- The Financial Supervision Commission regulates licenses, oversees and sanctions the occupational pension plan providers.

D. Qualifying Conditions

- *For 1st labour category*: retirement age is 10 years lower than the standard retirement age of the *statutory old age pension scheme*; minimum insurance periods: 10 years in 1st labour category, acquired after 31/12/1999.
- *For 2nd labour category*: retirement age is 5 years lower than the standard retirement age of the *statutory old age pension scheme*; minimum insurance periods: 15 years in 2nd labour category (or in both 1st and 2nd labour categories), acquired after 31/12/1999.

E. Benefits

Pension payments

- Fixed-term early pension payment received until the reaching of the standard retirement age of the *statutory old age pension scheme*.
- Accumulated capital through contribution payments and investment yields, minus administrative costs and costs/fees of pension provider.
- Fixed-term early pension; option for one-time lump sum payment.
- Depend on the term of pension payment, the biometrical tables, and the technical interest rate (an interest rate derived from actuarial mathematics, used to discount future benefits in order to determine their present value).

Taxation and social security contributions

- Pension payments are not subject to tax.
- Contributions for health insurance are covered by the state budget.

F. Legal Basis

- Social Security Code (*Кодекс за социално осигуряване*), Part II, Sub-Part II; Decree on the Categorisation of Labour for Retirement Purposes (*Наредба за категоризиране на труда при пенсиониране*); Law on the Taxes of the Incomes of Natural Persons (*Закон за данъците върху доходите на физическите лица*) Chapter 4; Law on Health Insurance (*Закон за здравното осигуряване*).

Teachers' Pension Fund

Учителски пенсионен фонд

A. Coverage

Mandatory insurance
- All teachers (public and private).

B. Financing

General finances
- Mainly PAYG-financed from insurance contributions of the currently insured population.

Contribution rates
- Fixed share of monthly gross earnings (4.30%) covered by the employer.

C. Administration

- The National Social Security Institute (NSSI) manages the scheme and is accountable for its actions to the National Assembly.
- The National Revenue Agency collects contributions and transfers them to the NSSI.

D. Qualifying Conditions

- *Fixed-term early pension (until reaching the statutory retirement age)*: statutory retirement age increases to 62 years until 2037 for women (born after 31/03/1975) and 2029 for men (born after 31/01/1967); minimum insurance periods: 25 years and 8 months (for women) and 30 years and 8 months (for men); negative (permanent) adjustments to fixed-term early pension benefits (0.1% per month).
- *Old age pension supplement*: early retirement can be deferred to the standard retirement age of the *statutory old age pension scheme* with a guaranteed permanent pension supplement proportional to the years of deferred retirement.

E. Benefits

Pension benefits
- The scheme can provide either a fixed-term early pension (until reaching the standard retirement age of the *statutory old age pension scheme*) or an old age pension supplement (in case of deferred fixed-term early retirement).
- *Fixed-term early pension*: based on the (a) length of period of insurance while exercising the profession of teacher or pedagogue, (b) reference income for this period, (c) the individual coefficient, (d) the population average monthly insurance income for the 12 calendar months preceding the month of retirement.
- *Old age pension supplement*: 0.33% of the standard old age pension amount multiplied by the number of insurance periods acquired after reaching the fixed-term early retirement age.

Taxation and social security contributions
- Pension benefits are not subject to tax.
- Contributions for health insurance are covered by the state budget.

F. Legal Basis

- Social Security Code, Chapter 6, Section I (*Кодекс за социално осигуряване*).

Occupational Pension Schemes

Професионални пенсионни схеми

A. Coverage

Voluntary participation

- Employees, with participation being based on collective or individual agreements.
- Possibilities for voluntary enrolment vary in relation to the different conditions offered by the employers.

B. Financing

General finances

- Fully funded personal pension plans based on contribution payments and capital revenues.

Contribution payments

- Contribution payments are usually split between the employer and the employee (proportions vary).

State support

- Contribution payments of the employee up to 10% of the monthly income are tax-deductible.
- Monthly contribution payments of the employer up to 60 BGN are tax-exempted; higher contribution payments are subject to 10% tax.
- The investment returns of the funds which are then placed in the individual accounts are not subject to tax.

C. Administration

- Pension plan providers manage pension funds and pay benefits directly to the eligible person.
- The Financial Supervision Commission regulates licenses, oversees and sanctions the occupational pension plan providers.

D. Qualifying Conditions*

** Conditions are regulated in pension regulations at company or collective level.*

Qualifying conditions

- Minimum age 60; the pension can be claimed up to 5 years before reaching age 60.

E. Benefits

Pension payments

- Accumulated capital through contribution payments and investment yields, minus administrative costs and costs/fees of pension provider.
- Life-long annuity paid monthly (using unisex-mortality tables); option for one-time lump sum payment or fixed-term pension; right of the insured person to withdraw at any time the accumulated capital in the individual account.
- Depend on the term of pension payment, the biometrical tables, and the technical interest rate (an interest rate derived from actuarial mathematics, used to discount future benefits in order to determine their present value).

Taxation and social security contributions

- If the accumulated capital is withdrawn after reaching the retirement age specified in the collective or individual agreement, pension payments are not subject to tax.
- If persons withdraw the accumulated finances before the retirement age specified in the collective agreement, the withdrawn sum is subject to 10% income tax.
- Pension payments are not subject to social security contributions.

F. Legal Basis

- Social Security Code, Part III (*Кодекс за социално осигуряване*); Law on the Corporate Income Tax, Part 4 (*Закон за корпоративното подоходно облагане*).

Private Pension Insurance

Частно пенсионно осигуряване

A. Coverage

Voluntary participation

- Persons who have turned 16.

B. Financing

General finances

- Fully funded personal pension plans based on contribution payments and capital revenues.

Contribution payments

- Persons provide contributions themselves and decide on the amount of contribution payments and the length of the contribution period.

State support

- Contribution payments which are up to 10% of the monthly income are tax-deductible.
- The investment returns of the funds which are then placed in the individual accounts are not subject to tax.
- The incomes to the funds (coming from contribution payments) are not subject to tax.

C. Administration

- Pension plan providers manage pension funds and pay benefits directly to the eligible person.
- The Financial Supervision Commission regulates licenses, oversees and sanctions the pension plan providers.

D. Qualifying Conditions

- Based on the acquisition of the right to the standard old age pension of the *statutory old age pension scheme*.
- The pension can be claimed up to 5 years before reaching the standard retirement age of the *statutory old age pension scheme*.

E. Benefits

Pension payments

- Accumulated capital through contribution payments and investment yields, minus administrative costs and costs/fees of pension provider.
- Life-long annuity paid monthly (using unisex-mortality tables); option for one-time lump sum payment or fixed-term pension; right of the insured person to withdraw at any time the accumulated capital in the individual account.
- Depend on the term of pension payment, the biometrical tables, and the technical interest rate (an interest rate derived from actuarial mathematics, used to discount future benefits in order to determine their present value).

Taxation and social security contributions

- If the accumulated capital is withdrawn after the acquisition of the right to the standard old age pension of the *statutory old age pension scheme*, pension payments are not subject to tax.
- If the accumulated capital is withdrawn before the acquisition of the right to the standard old age pension of the *statutory old age pension scheme*, the amounts of the pension benefit corresponding to the insurance contributions for which tax advantages were used are subject to 10% tax.
- Pension payments are not subject to social security contributions.

F. Legal Basis

- Social Security Code, Part III (*Кодекс за социално осигуряване*). Law on the Taxes of the Incomes of Natural Persons, Chapter 4 (*Закон за данъците върху доходите на физическите лица*).

Footnotes

1 The following is intended to provide an overview of the most up-to-date system only concerning those born after 31/12/1959.

2 As the main function of the *professional pension fund* and the *teachers' pension fund* is to provide a fixed-term early retirement pension instead of long-term financial security in old age, these schemes are not pictured in the pension map for Bulgaria.

CZECH REPUBLIC

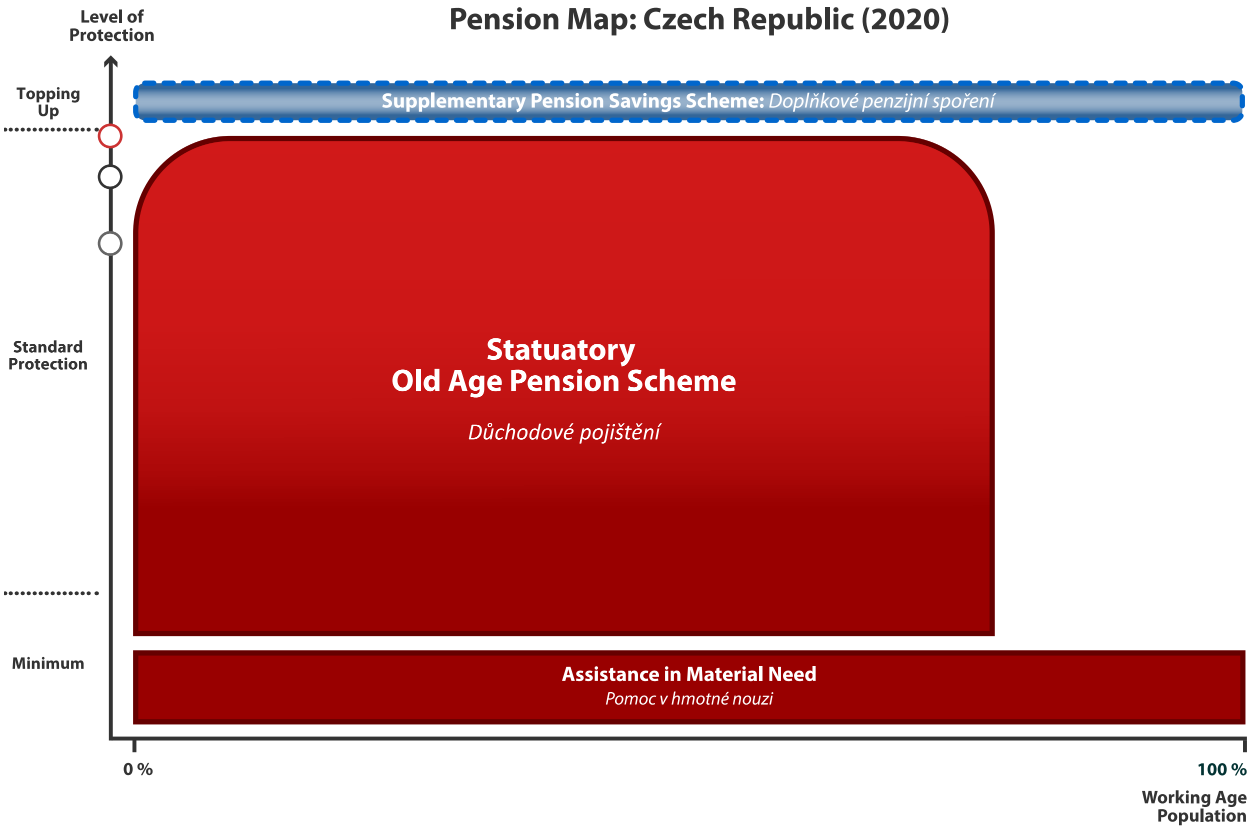
THE CZECH OLD AGE SECURITY SYSTEM IN 2020

Tomáš Zajíček

After the collapse of the Austro-Hungarian Monarchy in 1918, the newly formed Czechoslovak Republic partly retained the Austrian pension-related legislation which targeted only certain groups, such as the civil servants. Simultaneously, pension and overall social protection coverage were extended to the majority of the population through the adoption of the Social Insurance Act (Act 221/1924 Coll.) in 1924. Since then, the pension system has undergone a couple of reforms, changing the fundaments of its institutional structure. After the end of socialism in 1989 and the subsequent dissolution of Czechoslovakia in 1993, two acts were enacted that created the legal framework for today's pension system in the Czech Republic. Namely, a public, earnings-related *statutory old age pension scheme* was introduced in 1995 by the Pension Insurance Act (Act 155/1995 Coll.), which was later complemented by a voluntary private pension scheme created in 1994 by the Additional Pension Insurance Act (Act 42/1994 Coll.). Another reform in 2013 introduced a voluntary private scheme where part of the mandatory pension insurance could be directed. The scheme was abolished three years later. As of today, protection against financial risk in old age is organised by a combination of both public and private pension schemes. Mandatory insurance in the *statutory old age pension scheme* constitutes the 'standard protection' in old age in the Czech Republic. Voluntary participation in supplementary private pension schemes provides options for 'topping up' public pensions. Despite the high participation rates, the amounts of supplementary benefits provided by private pension schemes are not high enough to significantly replace the income from the *statutory old age pension scheme*. Owing to the remaining influence of the socialist pension model, public pension benefits remain essential for retirees and still represent the greater part of the pension income after retirement for many individuals. A 'minimum' level of protection is guaranteed by the minimum pension of the *statutory old age pension scheme*. Outside the pension system, general social assistance measures aim at providing a basic subsistence level to destitute individuals.

Standard Protection in Old Age

Standard protection in old age is provided by the *statutory old age pension scheme* (*Důchodové*



pojištění). It is a pay-as-you-go-(PAYG)-financed scheme in which nearly all of the economically active population is mandatorily insured. Voluntary insurance in the scheme is permitted for some economically inactive persons and other specific groups. Apart from the standard old age pension, specific regulations determine the rights to early pension, the retirement of miners given the hazardous nature of their work, and the provision of a supplement to the old age pension, such as the monthly supplement (of CZK 1,000) for retirees older than age 85. The pension calculation method also sets a minimum statutory pension level which cannot be less than the amount corresponding to 10% of the average monthly salary in the country. The minimum pension follows the qualifying conditions of the pensions of the statutory scheme.

Back in 2013, concerns over future financial deficits of the *statutory old age pension scheme* led to the establishment of an additional *statutory funded pension scheme* (*Důchodové spoření*) as part of standard protection. The scheme was based on individual savings and provided the option for voluntary participation for persons between the age of 18 and 35. The contribution rate was 5% of the assessment base, consisting of 3% of the mandatory pension contributions and an extra 2% added by the participant. The early legislative elections in 2013 have redrawn the political map of the country, thereby leading to the abolishing of this scheme in 2016. Structural pension reform is a sensitive political issue raised with each election but so far system amendments are only limited to parametric improvements.

Top-Ups

Public pensions can be topped up by voluntary participation in supplementary private pension schemes. The *additional pension insurance scheme with state contributions* (*Penzijní připojištění se státním příspěvkem*) was the first supplementary private pension scheme introduced in the Czech Republic.[1] Since 1 December 2012, the scheme has been closed for new entrants and has been factually replaced by the *supplementary pension savings scheme* (*Doplňkové penzijní spoření*) with stricter qualifying conditions and less risk protection on benefits. Participants of the former private scheme have the right to opt out and relocate their accumulated assets to the successor scheme, as simultaneous participation in the two private schemes is not allowed. State incentives, such as state allowances and tax benefits, as well as the possibility of employers to voluntarily make contributions for their employees have made both private pension schemes very popular.

Minimum

The public pension system guarantees a minimum statutory pension level to those individuals who qualify for any pension of the *statutory old age pension scheme*. Outside of the pension system, persons with insufficient financial means are protected by the *assistance in material need* (*Pomoc v hmotné nouzi*). This general social assistance measure is means-tested and supports those who have insufficient income regardless of whether they are entitled to low old age pension benefits or not. Material need is defined as the lack of income that is considered necessary to ensure basic living requirements. The *assistance in material need* does not specifically target senior citizens, but addresses other population groups as well.

Assistance in Material Need

Pomoc v hmotné nouzi

A. Coverage

- Persons residing in the Czech Republic who cannot sufficiently cover their necessary subsistence from income/assets.

B. Financing

- Completely tax-financed out of the general budget.

C. Administration

- Regional branches of the Labour Office of the Czech Republic (ÚP ČR) manage the scheme (i.e. review applications, decide on eligibility, and pay out benefits).

D. Qualifying Conditions

- Persons with income/assets below subsistence level as defined by law.
- Objective inability for increasing income by own actions.
- Benefits are means-tested, based on monthly net income and the value of assets of the beneficiary and his or her family members.

E. Benefits

- Benefits include: living allowance, housing supplement (covering reasonable costs for housing), extraordinary immediate assistance (situations requiring immediate solution, e.g. caused by natural disasters, accidents, etc.).
- Benefits are not subject to income tax.

F. Legal Basis

- Assistance in Material Need Act – Act 111/2006 Coll. as amended (*zákon o pomoci v hmotné nouzi*).

Statutory Old Age Pension Scheme

Důchodové pojištění

A. Coverage

Mandatory insurance

- Economically active part of the population, i.e. persons in employment relationships, employees carrying out work on the basis of an agreement on work performed outside an employment relationship and the self-employed (detailed statutory rules apply).
- Specific groups of economically active persons, i.e. judges, civil servants, parliamentary deputies, members of business corporations or cooperatives.
- Economically active participants must meet conditions for participation in the sickness insurance system (Act 187/2006 Coll.).
- Specific groups of economically inactive persons such as mothers during pre-birth and child-raising periods (up to age 4), home caregivers under the conditions stipulated in the Social Services Act (Act 108/2006 Coll.), claimants of income replacement benefits incl. recipients of sickness benefits and unemployment benefits, persons with the 3rd degree of disability.

Voluntary insurance

- Persons of at least 18 years of age who are not compulsorily insured in the statutory old age pension, such as job seekers who are not entitled to unemployment benefits, students (at secondary or higher specialised school level, university), persons performing long-term voluntary work under specified conditions, members of the European Parliament elected in the Czech Republic.

B. Financing

General finances

- Mainly PAYG-financed from insurance contributions.
- Partly tax-financed out of the general budget.

Contribution rates for mandatory insurance

- Fixed share of monthly gross earnings (28.0%) with contribution assessment ceiling.
- Contributions shared between the employer (21.5%) and the employee (6.5%); the self-employed contribute the same total rate themselves (28.0%).[2]

Contribution rates for voluntary insurance

- Fixed share (28.0%) of assessment base chosen by the participant, which must be at least 25% of the average monthly salary in the Czech Republic.

C. Administration

- The Czech Social Security Administration (ČSSZ) and the Ministry of Labour and Social Affairs (MPSV) manage the scheme.

D. Qualifying Conditions

Qualifying conditions

- *Standard old age pension*: statutory retirement age increases progressively to 65 until 2036 for persons born after 1971[3] (women's retirement age is lowered in accordance with the number of children raised); minimum insurance period: 35 years.
- Special conditions apply to *old age pensions in case of disability* (65 years of age without minimum insurance period) and for *specific groups of mining workers* (retirement available 7 years prior to reaching the statutory retirement age; specific conditions apply, such as commencing of work in deep mines before October 2016, spending at least 3,300 shifts in deep mines or 2,200 shifts in uranium mines, or 3,081 shifts in deep mines and 1,981 shifts in uranium mines if work was terminated due to reaching maximum permissible exposure).
- *Old age pension for incomplete insurance periods*: retirement age is 5 years higher than the statutory retirement age (no decreasing of the retirement age for women due to child-raising); minimum insurance period: 15 years.

Early retirement

- Available up to 3 years prior to reaching the retirement age if the statutory retirement age is below 63 years; available up to 5 years prior to reaching the retirement age if the person has reached age 60 and the statutory retirement age is at least 63 years; minimum insurance periods: 35 years (under specific conditions lowered to 30 years).

- Negative (permanent) adjustments to pension benefits apply (0.9% for every 90 calendar days if early retirement is claimed within the year before reaching the statutory retirement age; 1.2% for every 90 calendar days if early retirement is claimed more than 1 and less than 2 years prior to reaching the statutory retirement age; 1.5% for every 90 calendar days if early retirement is claimed more than 2 years prior reaching the statutory retirement age).

Deferred retirement
- Retirement can be deferred with positive (permanent) adjustments to pension benefits (1.5% for every 90 calendar days of performing gainful activity).

Combining employment & retirement
- Termination of employment is not a precondition for claiming pension benefits.
- After reaching statutory retirement age employment is permitted without earnings limit; persons can increase pension benefits: positive (permanent) adjustments to pension benefits (1.5% for each 180 calendar days of gainful activity if receiving 50% of pension benefits or 0.4% for each 360 calendar days of performing gainful activity if receiving 100% of pension benefits).

E. Benefits

Pension benefits
- Primarily based on the length of insurance period and the amount of contributory earnings throughout working career.
- Maximum amount: depending on the current reduction boundaries (provided in the law) determining the levels of income and the proportion of this income taken into account for benefit calculation.
- Minimum amount: pension-tested benefit for persons with a pension below the minimum statutory pension level (CZK 3,490 in 2020); the amount of the minimum pension cannot be less than the amount of 10% of the average monthly salary in the country.
- *Pension supplement*: monthly supplement of CZK 1,000 for beneficiaries older than age 85 and CZK 2,000 for beneficiaries older than age 100.

Factors for benefit calculation
- Based on two main components: flat rate *basic amount* and earnings-related *percentage amount.*
- *Basic amount*: flat rate, calculated as 10% of the average monthly salary in the Czech Republic.
- *Percentage amount*: calculated on the basis of the personal assessment base and the number of insurance periods (1.5% of the personal assessment base per year of insurance); minimum percentage amount: CZK 770.
- *Personal assessment base*: based on the number of insured periods and the person's average earnings during the reference period.
- *Reference period*: the period beginning with the calendar year immediately following the year in which the insured person reached the age of 18 and ending with the calendar year immediately preceding the year of claiming an old age pension; calendar years before 1986 are not taken into consideration.
- *Adjustments*: yearly adjustment of pension value accounting for inflation and average growth in real wages.

Taxation and social security contributions
- Pension benefits are not subject to tax if the total amount of pension benefits in the calendar year does not exceed the amount of 36 times the minimum wage.
- Contributions for health insurance are covered by the state budget.

F. Legal Basis

- Pension Insurance Act – Act 155/1995 Coll. as amended (*zákon o důchodovém pojištění*); Act 589/1992 Coll. as amended (*zákon o pojistném na sociální zabezpečení a příspěvku na státní politiku zaměstnanosti*).

Supplementary Pension Savings Scheme

Doplňkové penzijní spoření

A. Coverage

Voluntary participation
- Any natural persons, without age restrictions.

B. Financing

General finances
- Fully funded personal pension plans based on contribution payments (incl. state allowances) and capital revenues.

Contribution payments
- Amount of the contribution varies and can be chosen by the individual (minimum amount: CZK 100/month).
- Contribution payments can be paid by employer (in whole or in part) as an employee benefit.

State support
- State subsidies: condition of minimum participant's contribution of CZK 300/month; for contributions of CZK 300-999/month, state contribution is CZK 90 and 20% of the amount exceeding CZK 300; for contributions of CZK 999/month and more, state contribution is equal to CZK 230.
- Employees' contribution payments up to a maximum amount (CZK 24,000/year) are tax-deductible.
- Employers' contribution payments up to a maximum amount (CZK 50,000/year) are tax-deductible.

C. Administration

- Pension plan providers manage pension funds and may pay benefits directly to person.
- Licenced insurance providers conclude contracts with participants for payment of pension benefits.
- The Czech National Bank (ČNB) grants licences, sanctions and oversees pension companies.
- The Ministry of Finance (MF) pays state subsidies, administrates IT system of the scheme and supervises pension companies.

D. Qualifying Conditions

- Minimum age 60, minimum insurance periods: 60 calendar months (or fulfilling some specific conditions concerning the payment of benefit); possibility for surrender (exiting from the pension plan before fulfilling the specific conditions), minimum insurance periods: 24 calendar months (no requirements for minimum insurance periods in case of fund liquidation).

E. Benefits

Pension payments
- Accumulated capital through contribution payments (incl. state subsidies) and investment yields, minus administration costs/fees of pension plan provider.
- Life-long or fixed-term annuity paid monthly; possibility for lump sum payment; possibility for transferring the accumulated capital to a chosen insurance company (subsequent benefit is to be paid at least 4 times per year in regular non-decreasing instalments and for at least 3 years); in case of death of the participant, possibility for surrender to person specified by the deceased/heirs.

Taxation and social security contributions
- Only investment yields forming part of pension payments are subject to income tax; lump sum payment and surrender are subject to capital gains tax.
- Pension payments are not subject to social security contributions.

F. Legal Basis

- Supplementary Pension Savings Act – Act 427/2011 Coll. as amended (*zákon o doplňkovém penzijním spoření*).

Additional Pension Insurance Scheme with State Contributions (Closed Scheme)

Penzijní připojištění se státním příspěvkem

A. Coverage

Voluntary participation
- Any natural persons of at least 18 years of age.
- **The scheme has been closed for new entrants since 1 December 2012.**

Opting-out
- Since 1 January 2013, participants have been able to opt out from the scheme and relocate their accumulated capital to the *supplementary pension savings scheme.*

B. Financing

General finances
- Fully funded personal pension plans based on contribution payments (incl. state allowances) and capital revenues.

Contribution payments
- Amount of the contribution varies and can be chosen by the individual (minimum amount: CZK 100/month).
- Contribution payments can be paid by employer (in whole or in part) as an employee benefit.

State support
- State subsidies: condition of minimum participant's contribution of CZK 300/month; for contributions of CZK 300-999/month, state subsidy is CZK 90 and 20% of the amount exceeding CZK 300; for contributions of CZK 999 and more, state subsidy is equal to CZK 230.
- Employees' contribution payments up to a maximum amount of (CZK 24,000/year) are tax-deductible.
- Employers' contribution payments up to a maximum amount of (CZK 50,000/year) are tax-deductible.

C. Administration

- Pension plan providers manage pension funds and pay benefits directly to person.
- The Czech National Bank (ČNB) grants licences, sanctions and oversees pension companies.
- Ministry of Finance (MF) pays state subsidies and supervises pension companies.

D. Qualifying Conditions

- Minimum age 60, minimum insurance periods can vary between 60 and 120 calendar months (specific qualifying conditions may be stipulated in the pension plan); possibility for surrender (exiting from the pension plan before fulfilling the specific conditions), minimum insurance periods: 12 calendar months (no requirements for minimum insurance periods in case of fund liquidation).

E. Benefits

Pension payments
- Accumulated capital through contribution payments (incl. state subsidy) and investment yields, minus administration costs/fees of pension plan provider.
- Life-long annuity paid monthly; possibility for lump sum payment; in case of death of the participant, possibility for survivor's pension; guarantee for no losses in nominal amounts.

Taxation and social security contributions
- Only investment yields forming part of the pension payments are subject to income tax; lump sum payment and surrender are subject to capital gains tax.
- Pension payments are not subject to social security contributions.

F. Legal Basis

- Additional pension insurance Act – Act 42/1994 Coll. as amended (*zákon o penzijním připojištění se státním příspěvkem*); Supplementary Pension Savings Act (Act 427/2011 Coll. as amended (*zákon o doplňkovém penzijním spoření*).

Footnotes

1 As the *additional pension insurance scheme with state contributions* is closed for new entrants, the scheme is not pictured in the pension map for the Czech Republic.

2 The assessment base depends on the self-employed person´s choice but must be at least 50% of the person´s tax base according to the Income Tax Act – Act 586/1992 Coll. (*zákon o daních z příjmů*).

3 The retirement ages of men and of women are converging due to a faster increase of the retirement age of women.

FRANCE

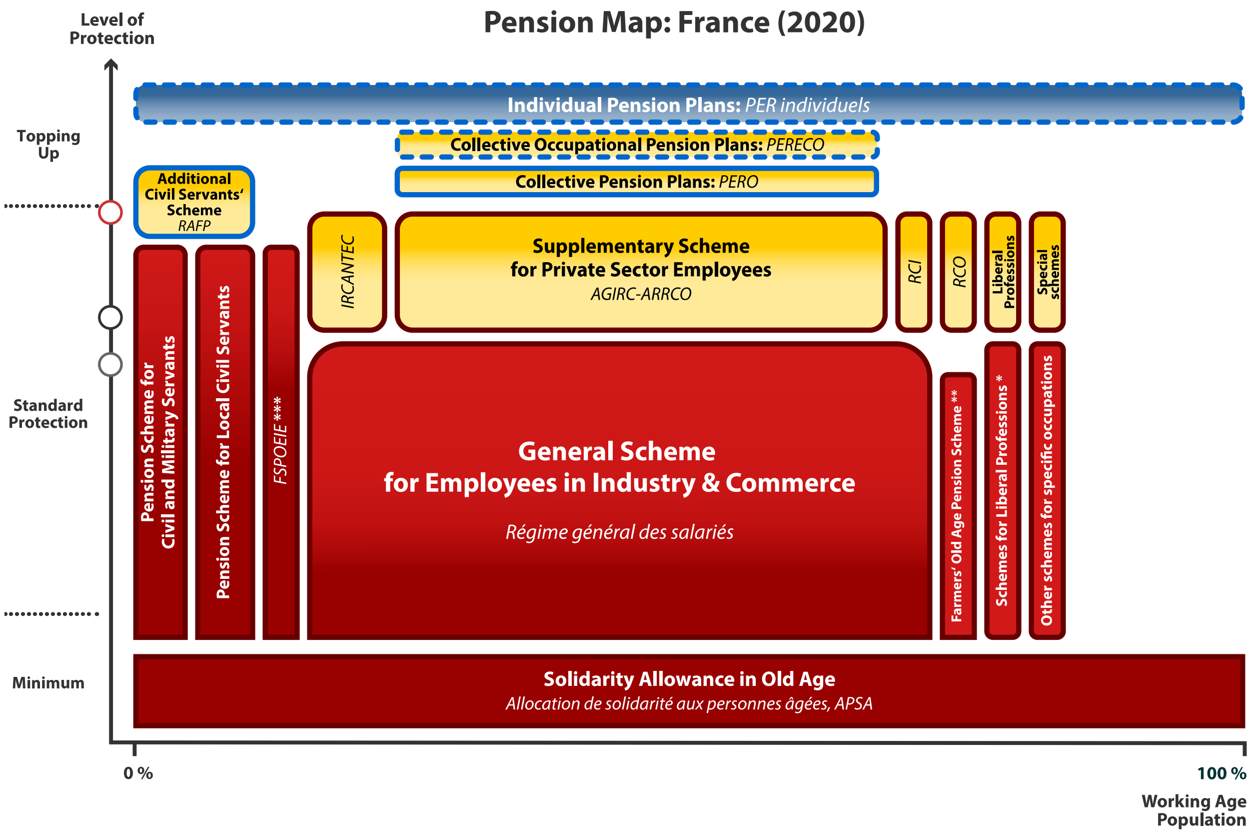
THE FRENCH OLD AGE SECURITY SYSTEM IN 2020

Linxin He

In France, the first compulsory pension system for industrial and agricultural workers was created only in 1910. Before this legislation, the French pension system consisted mainly of private pension funds established by employers in sectors where the professional danger was particularly high (for example in the mining sector). This heritage has largely shaped the contemporary French pension system, which is above all characterised by a large heterogeneity of pension schemes based on the type of professions. Although there have been multiple reform initiatives in the past, the existence of numerous special pension schemes still remains a remarkable feature of today's system (not to mention the public sector which has had its own pension system since a law of 1853). Despite ongoing reform intentions,[1] the current French old age pension system is still fragmented, yet quite generous. 'Standard protection' is based on mandatory insurance in profession-specific public pension schemes, also referred to as basic schemes (*régimes de base*) and (with only few exceptions) supplementary occupational pension schemes managed by social partners (*régimes complémentaires*). The state also encourages subscription to voluntary occupational and private pension schemes through tax reliefs to 'top up' public and occupational pension benefits acquired through mandatory insurance. A 'minimum' level of protection is guaranteed by a regulated minimum pension as part of the basic public pension schemes. For elderly persons who do not qualify for a public minimum pension and whose financial means fall below the subsistence level, the state itself provides a minimum income benefit through social assistant measures.

Standard Protection

The main basic public pension scheme is the *general scheme for employees in industry and commerce (Régime général des salariés)*. It was created in 1945 after the Second World War and functions on a pay-as-you-go (PAYG) basis. Insurance in this scheme is mandatory for all employees working under a labour contract (*contrat de travail*) for an employer, particular groups of persons who have been assimilated by law and are treated as employees (such as home workers, managers, sales representatives), and the self-employed (with the exception of liberal professions). Under specific conditions, persons not subject to mandatory insurance can join



Coverage: * < 3%; ** < 2%; *** < 1%

the general scheme voluntarily. Next to the general scheme, there are other basic pension schemes for specific occupational groups: *the farmers' old age pension scheme (Mutualité sociale agricole, MSA)* for self-employed farmers and their family members, the *old age pension scheme for liberal professions (Assurance vieillesse des professions libérales)* and other schemes for specific occupations, such as schemes for railway workers (especially the SNCF company), artists (French Comedy, Opera of Paris, etc.), employees of the Bank of France, lawyers.

Further, mandatory insurance in supplementary occupational pension schemes provides a supplementary level of protection. The largest scheme is the *supplementary scheme for private sector employees* (*AGIRC-ARRCO*)[2] which initially was divided into the scheme for executives (*AGIRC*, created in 1947) and the scheme for all private sector employees (*ARRCO*, created in 1961) until its unification in 2019. This scheme functions on a PAYG basis and includes most insured persons of the basic public *general scheme for employees in industry and commerce*. Other special supplementary schemes exist, such as the *complementary pension scheme for public employees on labour contracts* (*Institution de retraite complémentaire des agents non titulaires de l'État et des collectivités publiques, IRCANTEC*), the *supplementary pension scheme for the liberal professions* (*Régime complémentaire des professions libérales*), the *supplementary pension scheme for self-employed farmers* (*Retraite complémentaire obligatoire pour les exploitants agricoles, RCO*), the *supplementary pension scheme for self-employed persons* (*Régime complémentaire des indépendants, RCI*) and other supplementary schemes for particular professions.

For some occupations, standard protection is provided by a single basic public scheme. These schemes are also referred to as complete schemes (*régimes intégrés*). They are often PAYG-financed, mostly out of the state budget, and often fall within the category of special schemes (*régimes spéciaux*) due to their historical roots. Prominent examples are the *old age pension scheme for civil and military servants* (*Retraite des fonctionnaires de l'État*), the *old age pension scheme for local civil servants* (*Retraite des fonctionnaires territoriaux et hospitaliers*) and the *special pension scheme for employees in industrial establishments controlled by the state* (*Retraite des ouvriers des établissements industriels de l'État, FSPOEIE*). Despite constant initiatives to reduce differences in social protection between civil servants and private sector employees (cf. the pension age), the pension schemes for civil servants still remains more generous. Moreover, civil servants at state and local level benefit from the fully funded mandatory insurance provided by the *additional scheme for civil servants* (*Régime additionnel de la function publique, RAFP*). This scheme lies at the frontier of standard protection and can equally be analysed as a topping-up measure for civil servants.

Top-Ups

The French system allows different possibilities to top up pension benefits by means of private saving plans. A law in 1994 (so-called *'loi Madelin'*) has recognised the legal status of these so-called *institutions of supplementary pension* (*institutions de retraite supplémentaire*). Tax reliefs are provided by law in order to encourage employers and employees to subscribe to a private savings account. Different saving possibilities have been envisaged by law, such as the collective occupational pension plan to be set up by an enterprise (*Plan d'épargne pour la retraite collectif, PERCO*) and the individual pension plan (Plan d'épargne retraite populaire, PERP) that were closed for new entrants starting from 1 October 2020. The law N°2019-486 (*la loi 'PACTE'*) has simplified these private saving plans and new regulations have entered into force, creating three types of private pension products: *individual pension plans* (*Plans d'épargne retraite individuels, PER individuels*), *collective occupational pension plans* (*Plans d'épargne retraite d'entreprise collectifs, PERECO*) with the option for opting out and mandatory *collective pension plans* (*Plans d'épargne retraite obligatoires, PERO*) in which participation is mandatory for the employee.

Minimum

A minimum level of protection is guaranteed by a contributory minimum pension (*minimum contributif*) as part of most public pension schemes for elderly persons who fulfil all contributory requirements for a full-rate pension. A minimum income benefit for elderly persons with insufficient financial means and who do not qualify for the contributory minimum pension benefit of the basic public scheme is guaranteed through social assistance measures. The rules of these measures have been simplified in 2004. A minimum benefit is now provided by the *solidarity allowance in old age* (*Allocation de solidarité aux personnes âgées, ASPA*). This social assistance benefit is also commonly referred to as *'minimum vieillesse'* (minimum income benefit in old age) and is entirely financed by the public budget. It is means-tested, based on the personal income or the family income according to the situation of the household like other social assistance measures and is available for people who are at least 65 years old.

Solidarity Allowance in Old Age

Allocation de solidarité aux personnes âgées, ASPA

A. Coverage

- Persons residing in France who have reached the age of 65 and cannot sufficiently cover their necessary subsistence with their own income or assets.

B. Financing

- The scheme is entirely tax-financed out of the state budget via the Solidarity Fund for Old Age (*Fonds de solidarité vieillesse*).

C. Administration

- The benefit is served by the institutions which are responsible for the payment of the beneficiary's regular pension. If no such institution exists, a special service belonging to the Deposit and Consignment Office (*Caisse des dépôts et des consignations*) will take over the responsibility.

D. Qualifying Conditions

- Persons who have reached the age of 65 (reduced to 62 for persons born after 1955 if the person suffers from invalidity).
- Persons residing in France.
- Benefits are means-tested: the person's annual income must be below a certain level according to the situation of the household (not higher than 10,418.40 EUR for a single person and 16,174.59 EUR for a family in 2019); the income taken into account includes salaries, retirement pensions and particular assets (the principal residence of the beneficiary is excluded).

E. Benefits

- The amount of benefits granted can reach about 900 EUR for one individual per month.
- In case of personal income, a partial benefit is paid up to the level of the *solidarity allowance*.
- The benefit is paid monthly (at the beginning of a month).
- Benefits are not subject to income tax.

F. Legal Basis

- Social Security Code – Articles L815-1 to L815-6 (*Code de la sécurité sociale, articles L815-1 à L815-6*).

General Scheme for Employees in Industry and Commerce

Régime général des salariés

A. Coverage

Mandatory insurance
- Employees working under a labour contract (*contrat de travail*).
- Specific groups equal by law to employees (such as home workers, sales representatives, workers in hotels, cafés and restaurants, managers of companies under particular conditions, freelance journalists).
- Since 2018, self-employed persons (excluding liberal professionals); before 2018, the self-employed were covered by the special public pension scheme, the *'Régime social des indépendants, RSI'*.

Exempted
- Persons mandatorily affiliated to another public pension scheme.
- Persons considered as non-employed by law (such as persons who are registered in the business register, the *Registre de Commerce et des Sociétés* (*RCS*)).

Voluntary insurance
- Formerly mandatorily insured persons can request to continue insurance on a voluntary basis.
- Carers of invalid family members.
- Persons working abroad who have previously been mandatorily insured.
- Parents taking care of a child under 20 years of age who are not affiliated to any mandatory public pension scheme.

B. Financing

General finances
- Mainly PAYG-financed from insurance contributions.
- Partly tax-financed out of the national budget.

Contribution rates to mandatory insurance
- Fixed share of monthly gross earnings (15.45%) with contribution assessment ceiling (3,428 EUR).
- Contributions shared between employer (8.55%) and employee (6.9%).
- Special provisions for contribution payments apply for the self-employed.

Taxation of contribution payments
- Tax exemptions for insurance contributions.

C. Administration

- The National Old Age Insurance Fund (*Caisse nationale d'assurance vieillesse, Cnav*) is in charge of the administration. Its mission includes maintaining the financial balance of the regime, determining future orientations, and assuring the coordination.
- Regional Retirement Insurance and Occupational Health Offices (*Caisses d'assurance retraite et de la santé au travail*) are responsible for the ordinary services of the old age pension (such as payment).

D. Qualifying Conditions

Qualifying conditions
- Statutory (minimum) retirement age increases to 62 and retirement age of full-rate pension increases to 67 for insured persons born after 1955.
- *Full-rate old age pension*: the insured person must either be 62 years old (if born after 1955) and have a minimum contribution record of 172 quarters/year (= 43 years; if born after 1972) or must have reached the age of 67 (if born after 1955).

Early retirement
- Benefits can be claimed before reaching the statutory (minimum) retirement age only by persons (born after 1955) with a long working career (age: 60), persons with disabilities (55), and persons working in arduous jobs (age 60); available without permanent negative adjustments to pension benefits.

Deferred retirement
- Retirement can be deferred; with positive (permanent) adjustments (*surcote*) to pension benefits (at least 0.75% every three months), if qualifying conditions for full-rate old age pension are met.

Combining employment & retirement
- In general, the payment of pension benefits must be preceded by the termination of the employment relationship.
- The person is allowed to restart a professional activity, if the employer has changed, if a certain time (6 months) has passed between the two activities, or if the activity is of another type (e.g., self-employment).

- 'Partial retirement' is possible under specific conditions.

E. Benefits

Pension benefits

- Primarily based on the amount of contributory earnings of the best 25 years including a bonus for raising children and for taking care of dependent persons.
- Maximum amount: benefits cannot exceed 50% of the 'social security ceiling' (*plafond de la sécurité sociale*) which is determined yearly by the legislator.
- Minimum pension (*minimum contributif*): similar to the minimum wage, i.e. around 1,200 EUR per month (lower amounts are possible under certain conditions), if the pension benefit is below a minimum level and if qualifying conditions for full-rate old age pension are met.

Benefit calculation

- Based on the multiplication of the following factors:
- The retiree's average annual salary of the 25 best years in terms of earnings.
- The '*proportional factor*' calculated according to the ratio between the pensionable period and the required period for a full pension.
- The '*pension rate*' which will be applied to the average annual salary cannot surpass 50% (= full pension rate). It is reduced if the pensionable periods are less than 172 quarters.
- *Adjustments*: yearly adjustment of pension value decided each year by the Law on the Financing of Social Security.

Taxation and social security contributions

- Pension benefits are subject to income tax according to the rules applicable to salaries.
- Pension benefits are not subject to social contributions, except the CSG (*contribution sociale généralisée*) and CRDS (*contribution au remboursement de la dette sociale*), two special solidarity contributions to the financing of the social security system.

F. Legal Basis

- Social Security Code – Book III (*Code de la sécurité sociale, Livre III*).

Old Age Pension Scheme for Civil and Military Servants

Retraite des fonctionnaires de l'Etat

A. Coverage

Mandatory insurance

- Civil servants of the state, the magistrates (judges and public prosecutors) and military servants.

B. Financing

General finances

- Mainly tax-financed out of the state budget (a special category has been created in the laws on public finances for the financial governance of this scheme).
- Partly PAYG-financed from insurance contributions of the public servants.

Contribution rates

- Fixed share of monthly gross earnings; without contribution assessment ceiling.
- Contributions are shared between public servants and the employer (i.e. state).
- Public servants pay a monthly contribution of 10.83% of their monthly gross earnings (in 2019).
- The employer (i.e. state) pays a contribution of 74.28% for public servants and 126.07% for military servants (in 2019). This is a virtual contribution; instead of paying, the state retrospectively indicates this amount as expenditure in its budget.

Taxation of contribution payments

- Tax exemptions for insurance contributions.

C. Administration

- The Directorate General of Public Finances (*Direction générale des finances publiques*) is in charge of the functioning of the scheme.
- Since 2009, the Service for State Pensions (*service des retraites de l'Etat*) has been created within the Directorate General of Public Finances. Its mission concerns especially the payment of pension benefits.

D. Qualifying Conditions

Qualifying conditions for public servants

- Conditions vary according to the category of the public servant: for 'sedentary servants' (such as office workers) the statutory (minimum) retirement age is 62, the minimum service period is 2 years; for 'active servants' (such as police officers), the standard (minimum) retirement age is 57, the minimum service period is 17 years.
- *Full-rate pension*: the insured person must either have a minimum contribution record of 172 quarters (if born after 1973) <u>or</u> must have reached the full-rate pension age of 67 (for the 'sedentary' category) or 62 (for the 'active' category).

Early retirement

- Available for persons who have a long career (i.e., when they started to work before the age of 20) 2 years before retirement age, without negative adjustments to pension benefits.

Deferred retirement

- In general, a person can be asked to retire when reaching a certain age (67 for persons born after 1955 in the sedentary category; 62 for persons born after 1955 in the active category).
- There are exceptions concerning the age limit, if the person has not yet reached the minimum service period.

Combining employment & retirement

- Under certain conditions, the person can combine a professional activity in the public or private sector with the claiming of pension benefits.

E. Benefits

Pension benefits

- Primarily based on last earnings prior to retirement and years of service.
- Maximum amount: the full pension is the maximum amount of the pension benefits, which is 75% of the last earnings of the public servant.

- Minimum amount: similar to the minimum wage, i.e. around 1,200 EUR per month (lower amounts are possible under certain conditions), if the pension benefit is below a minimum level and if qualifying conditions for full-rate old age pension are met.

Benefit calculation
- The level of income which the person receives for at least six months before the onset of retirement (*traitement incidiaire*).
- The ratio between the period of service and the required period for a full pension.
- *Adjustments*: yearly adjustments of benefits, indexed to prices.

Taxation and social security contributions
- Pension benefits are subject to income tax.
- Pension benefits are not subject to social contributions, except the CSG, CRDS and CASA.

F. Legal Basis

- Civilian and Military Retirement Pensions Code (*Code des pensions civiles et militaires de retraite*).

Old Age Pension Scheme for Local Civil Servants

Retraite des fonctionnaires territoriaux et hospitaliers

A. Coverage

Mandatory insurance
- Civil servants of local administrations (*collectivités territoriales*).
- Civil servants in hospital services.

B. Financing

General finances
- Mainly tax-financed out of the local public budget.
- Partly PAYG-financed from insurance contributions of the civil servants.

Contribution rates
- Fixed share of monthly gross earnings; without contribution assessment ceiling.
- Contributions are shared between civil servants (10.83%) and the employer (30.65%)(in 2019).

Taxation of contribution payments
- Tax exemptions for insurance contributions.

C. Administration

- The National Office for Agents of Local Administrations (*Caisse nationale de retraite des agents des collectivités locales*) is in charge of the administration of the scheme.
- This Office is integrated in the Deposit and Consignment Office (*Caisse des dépôts et des consignations*).

D. Qualifying Conditions

Qualifying conditions for public servants
- Conditions vary according to the category of the public servant: for 'sedentary' servants, the statutory (minimum) retirement age is normally 62, the minimum service period is 2 years; for 'active servants', the retirement age is 57, the minimum service period is 17 years.
- *Full-rate pension*: the insured person must either have a minimum contribution record of 172 quarters (for persons born after 1973) <u>or</u> must have reached the full-rate pension age of 67 (for the sedentary category) or 62 (for the active category).

Early retirement
- Available for persons who have had a long career (i.e., persons who started to work before the age of 20) 2 years before retirement age, without negative adjustments to pension benefits.

Deferred retirement
- In general, a person can be asked to retire when reaching a certain age (67 for persons born after 1955 in the 'sedentary' category; 62 for persons born after 1955 in the 'active' category).
- There are exceptions concerning the age limit, if the person has not yet reached the minimum service period.

Combining employment & retirement
- Under certain conditions, the person can combine a professional activity in the public or the private sector with the claiming of pension benefits.

E. Benefits

Pension benefits
- Primarily based on last earnings prior to retirement and years of service.
- Maximum amount: the full-rate pension is the maximum amount of the pension benefits, which is 75% of the last earnings of the public servant.
- Minimum amount: similar to the minimum wage, i.e. around 1,200 EUR per month (lower amounts are possible under certain particular conditions), if the pension benefit is below a minimum level and if qualifying conditions for full-rate old age pension are met.

Benefit calculation
- The level of income which the person receives for at least six months before the retirement (*traitement incidiaire*).
- The ratio between the period of service, and the required period for a full pension.
- *Adjustments*: yearly adjustments of benefits, indexed to prices.

Taxation and social security contributions
- Pension benefits are subject to income tax.
- Pension benefits are not subject to social contributions, except the CSG, CRDS and CASA.

F. Legal Basis

- Law of 26 January 1984 on the territorial public function and Law of 9 January 1986 on the public function in hospitals (*Loi n° 84-53 du 26 janvier 1984 portant dispositions statutaires relatives à la fonction publique territoriale et Loi n° 86-33 du 9 janvier 1986 portant dispositions statutaires relatives à la fonction publique hospitalière*).

Special Pension Scheme for Employees in Industrial Establishments Controlled by the State

Fonds spécial des ouvriers des établissements industriels de l'État, FSPOEIE

A. Coverage

Mandatory insurance

- Persons employed in an industrial establishment controlled by the state (*according to the administrative law, these employees are considered as public agents with a special status*).

B. Financing

General finances

- Mainly PAYG-financed from insurance contributions, with public subsidies.

Contribution rates

- Fixed share of monthly gross earnings; without contribution assessment ceiling.
- Contributions are shared between
- the employees (10.83%) and the employer (35.01%) (in 2019).

Taxation of contribution payments

- Tax exemptions for insurance contributions.

C. Administration

- The FSPOEIE is administrated by the Deposit and Consignment Office (*Caisse des dépôts et des consignations*).

D. Qualifying Conditions

Qualifying conditions for public servants

- The statutory (minimum) retirement age varies according to the category of the employee: for 'sedentary workers', it is 62; for workers in an arduous job, it is 57; a minimum insurance duration of 2 years is required.
- *Full-rate pension*: the insured person must have a minimum contribution record of 172 quarters (for persons born after 1973).

Early retirement

- Available for persons who have a long career (especially when they started to work at the age of 17), without negative adjustments to pension benefits.

Deferred retirement

- A person can be asked to retire when reaching the age of 65.

Combining employment & retirement

- Under certain conditions, the person can combine a professional activity in the public or the private sector with the claiming of pension benefits.

E. Benefits

Pension benefits

- Primarily based on last earnings prior to retirement and years of service.
- Maximum amount: the full pension is the maximum amount of the pension benefits, which is 75% of the last earnings of the public servant.
- Minimum amount: similar to the minimum wage, i.e. around 1,200 EUR per month (lower amounts are possible under certain conditions) if the pension benefit is below a minimum level and if qualifying conditions for full-rate old age pension are met.

Benefit calculation

- The level of income which the person receives for at least six months before the retirement (*traitement incidiaire*); if the employee receives a salary, then the reference for the calculation will be the hourly wage multiplied by 1759 (number of working hours in a year).
- The ratio between the period of service, and the required period for a full pension.
- *Adjustments*: yearly adjustments of benefits, indexed to prices.

Taxation and social security contributions

- Pension benefits are subject to income tax.
- Pension benefits are not subject to social contributions, except the CSG, CRDS and CASA.

F. Legal Basis

- Decree of 5 October 2004 on Pension Schemes for Employees in an industrial establishment controlled by the state (*Décret n°2004-1056 du 5 octobre 2004 relatif au régime des pensions* *des ouvriers des établissements industriels de l'Etat*). Initially, cf. Law of 21 March 1928 on the reform of Pension Schemes for Employees in an industrial establishment controlled by the state (Loi du 21 mars 1928 portant réforme des régimes des ouvriers des établissements Industriels de l'État). See also two other laws: *Loi n° 49-1097 du 2 août 1949* and *loi n° 2003-775 du 21 août 2003.*

Farmers' Old Age Pension Scheme

Mutualité sociale agricole, MSA

A. Coverage

Mandatory insurance

- Entrepreneurs working in the agricultural sector determined by Article L722-1 *seq.* of the Rural Code, who have exceeded a minimum size of cultivated area or a minimum time of working or who have reached a certain amount of income.[3]
- Other family members who are at least 16 years old, who participate in the farming activities.

Voluntary insurance

- Persons who were previously insured can request to continue insurance on a voluntary basis, request must be filed within 6 months after termination of mandatory insurance.

B. Financing

General finances

- Mainly PAYG-financed from insurance contributions.

Contribution rates

- Share of monthly personal income, with contribution assessment ceiling (= 'social security ceiling').
- Contributions comprise two elements:
- For the 'lump sum old age pension benefit' (*assurance vieillesse individuelle*), the rate is 3.32%.
- For the 'old age pension benefit' based on acquired points (*assurance vieillesse agricole*), the rate is 11.55%.
- The minimal contribution assessment basis per year is equal to 800 times the hourly minimum wage.

Taxation of contribution payments

- Tax exemptions for insurance contributions.

C. Administration

- The central institution is the Central Office of the Agricultural Social Mutual Assistance Association (*Caisse centrale de mutualité sociale agricole*).
- The administration is largely decentralised and offices are found at the departmental level.
- The functioning of these offices is supervised by the state.

D. Qualifying Conditions

Qualifying conditions

- Statutory (minimum) retirement age increases to 62 for insured persons born after 1955.
- *Full-rate old age pension*: the insured person must either be 62 years old (if born after 1955) and have a minimum contribution record of 172 quarters (= 43 years; if born after 1972) <u>or</u> must have reached the age of 67 (if born after 1955).

Early retirement

- Benefits can only be claimed before reaching the statutory (minimum) retirement age by persons (born after 1955) with a long working career (age: 60), persons with disabilities (55), and persons working in arduous jobs (age 60); available without permanent negative adjustments to pension benefits.

Deferred retirement

- Retirement can be deferred; with positive (*permanent*) adjustments (*surcote*) to pension benefits (at least 1.25% every three months), if qualifying conditions for full-rate old age pension are met.

Combining employment & retirement

- In general, the payment of pension benefits must be preceded by the termination of the agricultural activity.
- Under certain conditions the entrepreneur is allowed to continue to be active (e.g., with another type of activity, or with administrative permission in certain cases).

E. Benefits

Pension benefits

- The benefits are divided into two parts: a lump sum payment (*assurance vieillesse individuelle*) and a benefit calculated via points (*assurance vieillesse agricole*).
- Maximum amount: the total sum of the benefits shall not exceed 50% of the 'social security ceiling' which is determined yearly by the legislator.
- Minimum amount: the benefit should not be less than 75% of the minimum wage, if qualifying conditions for full-rate old age pension are met.

Benefit calculation

- The lump sum payment is calculated at a basis of 3,400 EUR per year (in 2019) and an additional rate determined by the ratio of the valid pensionable period and the required duration to receive the full pension (gradually towards 172 quarters). The level of this benefit is comparable to the *solidarity allowance in old age* (*ASPA*).
- The benefits calculated by points are based on the contributions paid during the career. The points acquired during the career shall not be less than 15.
- *Adjustments*: yearly adjustments of benefits, indexed to prices.

Taxation and social security contributions

- Pension benefits are subject to income tax.
- Pension benefits are not subject to social contributions, except the CSG, CRDS and CASA (*contribution additionnelle de solidarité pour l'autonomie*).

F. Legal Basis

- Social Security Code – Book III (*Code de la sécurité sociale, Livre III*); Rural Code – Book III and Book VII (*Code rural, Livre III et livre VII*).

Old Age Pension Scheme for the Liberal Professions

Assurance vieillesse des professions libérales

A. Coverage

Mandatory insurance

- Liberal professions, such as notaries, doctors, midwives, veterinarians, pharmacists. Please note that after the abandonment of the *pension scheme for the self-employed* in 2018, self-employed persons in a sector which is not recognised as a liberal profession are affiliated to the general scheme.

B. Financing

General finances

- Financing based on the PAYG principle.

Contribution rates

- Fixed share of professional income of the previous year; with contribution assessment ceiling of five times the social security ceiling (*plafond de la sécurité sociale*).
- Rates differ for income brackets: 8.23% for incomes below the social security ceiling (*plafond de la sécurité sociale*); 1.87% for incomes below the contribution assessment ceiling.
- There is a mandatory minimum amount of yearly contributions, calculated according to a percentage of the social security ceiling (11.5% in 2019).

Taxation of contribution payments

- Tax exemptions for insurance contributions.

C. Administration

- Pensions are administrated by a national office – the National Office of Old Age Pension for the Liberal Professions (*Caisse nationale d'assurance vieillesse des professions libérales,* CNAVPL).
- Eleven special sections are established inside the national office. Each section is in charge of one or several special professions.

D. Qualifying Conditions

Qualifying conditions

- Statutory (minimum) retirement age increases to 62 and retirement age of full-rate pension increases to 67 for insured persons born after 1955.
- *Full pension*: the insured person must either have a minimum contribution record of 172 quarters or must have reached the age of 67.

Early retirement

- Available for handicapped persons (with an invalidity rate of at least 50%) at age 55 to 60 and for persons with a long working career (e.g. at age 60, if person has started to work at the age of 16, and has continuously worked since then).

Deferred retirement

- Retirement can be deferred with permanent positive adjustments (0.75% every three months), if qualifying conditions for the full payment of old age pension are met.

Combining employment & retirement

- Termination of employment is usually not a precondition for claiming pension benefits.
- The amount of the income from employment should not exceed a certain limit.

E. Benefits

Pension payments

- The scheme functions on a basis of acquired points.
- Particular periods (especially periods of training and of child-raising) are credited as pensionable periods.
- Maximum amount: limited to a maximal number of points (525 in 2020) that a person can acquire.
- Minimum amount: calculated according to the mandatory minimum amount of contributions. No particular guarantee applies (exceptions exist and are stated in Art. L643-1 of the Social Security Code).

Factors for benefit calculation

- The benefit equals the point value multiplied by the number of points.
- The contributions paid according to the first level of income with the rate of 8.23% can lead to the acquisition of 525 points maximum; those paid on the basis of the second level with the rate of 1.87% can lead to the acquisition of 25 points maximum.
- Diminutions or increases of the final sum of the pension can be caused by insufficient or exceeding pensionable periods.

- *Adjustments*: yearly adjustments of benefits, indexed to prices.

Taxation and social security contributions on pension payments

- Pension benefits are subject to income tax.
- Pension benefits are not subject to social contributions, except the CSG, CRDS and CASA.

F. Legal Basis

- Social Security Code – Book VI (*Code de la sécurité sociale, Livre VI*).

Supplementary Scheme for Private Sector Employees

AGIRC-ARRCO

A. Coverage

Mandatory participation
- Sector-specific, based on collective agreements for employees in the private sector, agricultural sector and public sector with private contract.

B. Financing

General finances
- PAYG-financed from insurance contributions.

Contribution rates
- Fixed share of monthly gross earnings paid by the employee and the employer; with contribution assessment ceiling.
- The contribution rates are dependent on income brackets: for annual salaries of up to 40,524 EUR (in 2019), the rate is 6.20%, shared between employee (2.48%) and employer (3.72%); for annual salaries ranging from 40,524 EUR to 324,192 EUR (in 2019), the rate is 17%, shared between the employee (6.8%) and the employer (10.2%).

Taxation of contribution payments
- Tax exemptions for insurance contributions.

C. Administration

- The social partners administrate the scheme autonomously.
- A joint committee (*comité paritaire*) is responsible for the interpretation of the collective agreement and determines the general measures affecting the agreement.
- A complementary pension scheme federation (*fédération de retraite complémentaire*) is in charge of the actual functioning of the scheme.

D. Qualifying Conditions

Qualifying conditions
- The (minimum) retirement age is the same as in the *general scheme for employees in industry and commerce* (62 years).
- There is no minimum qualifying period.

Early retirement
- Possibility to claim pension 10 years (max.) before retirement age with permanent negative adjustments.
- Special conditions for early retirement available for persons with disabilities or long career or working in arduous jobs (see *general scheme for employees in industry and commerce*).

Deferred retirement
- Retirement can be deferred with positive adjustments to pension payments (dependent on the duration of the deferral, e.g., 10% for two years).

Combining employment & retirement
- Termination of employment is usually not a precondition for claiming pension benefits.

E. Benefits

Pension benefits
- The benefits are determined by a system of points acquired according to the contributions paid during the career.

Factors for benefit calculation
- The sum of the benefit equals the point value multiplied by the number of points.
- There are various factors (such as child-raising periods) that can increase the benefit.
- *Adjustments*: the point value is readjusted every year.

Taxation and social security contributions
- Benefits are subject to income tax.
- Pension benefits are subject to mandatory health insurance, CSG, CRDS and CASA.

F. Legal Basis

- Collective Agreement AGIRC-ARRCO of 10 May 2019 (*Accord national interprofessionnel AGIRC-ARRCO*).

Complementary Pension Scheme for Public Employees on Labour Contracts

Institution de retraite complémentaire des agents non titulaires de l'État et des collectivités publiques, IRCANTEC

A. Coverage

Mandatory insurance

- Public employees of the state and of local administrations who are employed on a labour contract.

B. Financing

General finances

- Mainly PAYG-financed from insurance contributions, with public subsidies.

Contribution rates

- The contributions are calculated according to two levels of income, without contribution assessment ceilings.
- The contribution rates are dependent on income brackets: for annual salaries up to 40,524 EUR (in 2019) the rate is 7%, shared between the employee (2.8%) and the employer (4.2%); for annual salaries above 40,524 EUR (in 2019) the rate is 19.5%, shared between the employee (6.95%) and the employer (12.55%).

Taxation of contribution payments

- Tax exemptions for contribution payments.

C. Administration

- The scheme is administrated by the Deposit and Consignment Office (*Caisse des dépôts et des consignations*).
- The financial management of the scheme is conferred to a board which is composed of 34 members: 16 representatives of the beneficiaries, 16 representatives of the employers and 2 distinguished personalities chosen by the state.

D. Qualifying Conditions

Qualifying conditions

- The retirement age is 67 years.

Early retirement

- Possibility to apply for the pension before the retirement age (with negative adjustment of the benefit).
- Special conditions for early retirement available for persons with disabilities or long career or working in arduous jobs.

Deferred retirement

- Retirement can be deferred, with positive adjustments to pension benefits (0.625% per quarter).

Combining employment & retirement

- It is possible to combine a reduced activity with pension benefits.

E. Benefits

Pension benefits

- The benefit is determined via a point system.

Factors for benefit calculation

- The sum of the benefit equals the point value multiplied by the number of points.
- Various periods are assimilated to pensionable periods, creating thus extra points for the beneficiary (e.g. the period in which the invalidity pension or the unemployment benefits are granted).
- *Adjustments*: the point value is readjusted every year.

Taxation and social security contributions

- Pension benefits are subject to income tax.
- Pension benefits are subject to mandatory health insurance, CSG, CRDS and CASA.

F. Legal Basis

- Social Security Code – Book IX; Decree of 23 December 1970 (*Code de la sécurité sociale, Livre IX; Décret n°70-1277 du 23 décembre 1970 portant création d'un régime de retraites complémentaire des assurances sociales en faveur des agents non titulaires de l'Etat et des collectivités publiques*).

Supplementary Pension Scheme for Self-Employed Persons

Régime complémentaire des indépendants, RCI

A. Coverage

Mandatory insurance

- Self-employed persons mentioned in Art. L611-1 of the Social Security Code and not covered by any other supplementary pension scheme.

B. Financing

General finances

- PAYG-financed from insurance contributions.

Contribution rates

- The contributions are calculated according to two levels of income, with contribution assessment ceilings: the first level (up to 37,960 EUR per year in 2019) will be subject to a contribution at a rate of 7%; the second level (above 37,960 EUR and up to 162,096 EUR per year in 2019) will be subject to a contribution at a rate of 8%.

Taxation of contribution payments

- Tax exemptions for contribution payments.

C. Administration

- The scheme is administrated by the *Sécurité sociale des indépendants*.

D. Qualifying Conditions

- The person must have the right to benefit from the basic *general scheme for employees in industry and commerce* (i.e. the person must fulfil the conditions to apply for the pension of the *general scheme for employees in industry and commerce*).

E. Benefits

Pension benefits

- The benefit is determined by a system of points.
- The number of the points acquired is determined by the contributions paid by the insured person.

Factors for benefit calculation

- The sum of the benefit equals the point value multiplied by the number of points.
- If the person does not satisfy the conditions for a full-rate pension, negative adjustments will be applied to the sum of the benefit.
- *Adjustments*: the point value is readjusted every year.

Taxation and social security contributions

- Benefits are subject to income tax.
- Pension benefits are subject to CSG, CRDS and CASA.

F. Legal Basis

- Social Security Code – Book VI (*Code de la sécurité sociale, Livre VI*).

Supplementary Pension Scheme for Self-Employed Farmers

Régime complémentaire obligatoire pour les exploitants agricoles, RCO

A. Coverage

Mandatory insurance

- Persons insured in the *farmers' old age pension scheme.*

B. Financing*

** This scheme was established in 2003. For the financing of the benefits corresponding to the pensionable periods before 2003, it is the state that bears all the expenditures.*

General finances

- Mainly PAYG-financed from insurance contributions.

Contribution rates

- The contribution rate is 4% (in 2019) for entrepreneurs.
- The basis for the calculation of the contribution is the entire professional revenue.
- Other beneficiaries (e.g. family members) shall pay a lump sum contribution.

Taxation of contribution payments

- Tax exemptions for contribution payments.

C. Administration

- The scheme is administrated by the *Mutualité sociale agricole.*

D. Qualifying Conditions

- The person must have the right to benefit from the *farmers' old age pension scheme* (i.e. the person must fulfil the conditions to apply for the farmers' old age pension).

E. Benefits

Pension benefits

- The benefit is determined by a system of points.
- The number of the points acquired is determined by the contributions paid by the entrepreneur.
- Other beneficiaries acquire 16 points based on the lump sum contribution.

Factors for benefit calculation

- The point value is determined every year by decree.
- Under certain conditions, the level of the benefit can be raised to 75% of the minimum wage (cf. *complément différentiel de retraite complémentaire*).

Taxation and social security contributions

- Benefits are subject to income tax.
- Pension benefits are subject to CSG, CRDS and CASA.

F. Legal Basis

- Rural Code – Book VII (*Code rural, Livre VII*).

Supplementary Pension Scheme for the Liberal Professions

Régime complémentaire des professions libérales

A. Coverage

Mandatory insurance

- All liberal professions insured in the *old age pension schemes for the liberal professions*.

Voluntary insurance

- A previous spouse collaborating with a person insured by the *scheme for the liberal professions* can be affiliated voluntarily to the scheme.

B. Financing

General finances

- Mainly PAYG-financed from insurance contributions.

Contribution rates

- The contribution rate is determined independently for each section of the liberal professions.

Taxation of contribution payments

- Tax exemptions for contribution payments.

C. Administration

- The special sections established inside the *Caisse nationale d'assurance vieillesse des professions libérales* (CNAVPL), which is in charge of the basic scheme for the liberal professions, are responsible (independently from one another) of the administration of the complementary pension of each section (with an individual account for each section).

D. Qualifying Conditions

- Same as for the *old age pension scheme for the liberal professions*.

E. Benefits

Pension benefits

- The benefit is determined by a system of points.

Factors for benefit calculation

- The benefit corresponds to the point value multiplied by the number of points acquired by the insured person.
- A bonus can be added to the profit if the beneficiary has at least three children.
- *Adjustments*: the point value is readjusted every year.

Taxation and social security contributions

- Benefits are subject to income tax.
- Pension benefits are subject to CSG, CRDS and CASA.

F. Legal Basis

- Social Security Code – Book VI (*Code de la sécurité sociale, Livre VI*).

Additional Pension Scheme for Civil Servants

Régime additionnel de la fonction publique, RAFP

A. Coverage

Mandatory insurance

- Persons insured in the *pension scheme for civil and military servants* and the *old age pension scheme for local civil servants.*

B. Financing

General finances

- Fully funded schemes (*régime par répartition provisionnée*).

Contribution rates

- The contributions are shared between the employer (5%) and the civil servant (5%).
- The basis for the calculation of the contribution is limited to 20% of the total annual gross income of the civil servant.

Taxation of contribution payments

- Tax exemptions for contribution payments.

C. Administration

- The scheme is administrated by the Deposit and Consignment Office (*Caisse des dépôts et des consignations*).
- The financial management of the scheme is conferred to a special establishment – the *établissement public gestionnaire du régime* (ERAFP).
- The ERAFP is led by a board composed both of the employers and the representatives of the employed persons.
- The administration operates under the supervision of the state.

D. Qualifying Conditions

- The person must have the right to benefit from the basic public scheme which is either the *pension scheme for civil and military servants* or *the pension scheme for local civil servants* (i.e. retirement age is either 62 or 57).

E. Benefits

Pension benefits

- The benefit is determined by a system of points.
- Dependent on the points acquired during the working career, pension benefits are either paid as a lump sum (< 4599 points), as an annuity (> 5125 points), or both (> 4598 and < 5126).
- The benefit will be paid separately on two occasions, in a way that will increase the possibility of the person to acquire an annuity.
- *Adjustments*: the annuity is readjusted every year.

Taxation and social security contributions

- Benefits are subject to income tax (for benefits paid as capital, it is possible to choose between a lump sum taxation of 7.5% and the ordinary rules).
- Pension benefits are subject to CSG, CRDS and CASA.

F. Legal Basis

- Decree of 18 June 2004 on the Additional Pension Scheme for Public Servants (*Décret n°2004-569 du 18 juin 2004 relatif à la retraite additionnelle de la fonction publique*).

Collective Pension Plans

Plans d'épargne retraite obligatoires, PERO

A. Coverage

Mandatory participation

- A company can subscribe for all its employees or a category of its employees to a collective pension insurance; employees have no possibilities to opt out.

B. Financing

General finances

- Fully funded personal pension plans based on personal contribution payments and capital revenues.

Contribution payments

- Contribution payments consist of different components:
- Mandatory contribution payments from employees and the employer required by the plan.
- The employee can make voluntary payments to the plan (no fixed contribution rate) and the employer can make supplementary payments in the name of the employee.

Taxation of contribution payments

- Contributions paid by the employee and the employer are not subject to taxations within a certain limit.
- Under certain conditions, the revenue generated by the savings is exempted from income taxes.

C. Administration

- The plans are administrated by private insurance companies and the costs of their management must be paid by the employer.

D. Qualifying Conditions

- The insured person has the right to claim benefits in case of retirement; conditions are the same as in the *general scheme for employees in industry and commerce*.
- Under certain conditions, the savings must be paid to the entitled beneficiaries before retirement (e.g., in case of death of the person, the sum must be paid back as part of the inheritance).

E. Benefits

Pension payments

- The benefit is determined by the conditions of the insurance contract.
- Lump sum payment and annuity payment are both possible.

Taxation and social security contributions

- Payments are not always subject to income tax (especially when the benefit is paid as a lump sum).
- Payments are subject to CSG, CRDS and CASA.

F. Legal Basis

- Monetary and Financial Code, Book II, Title II, Chapter IV (*Code monétaire et financier, Livre II, Titre II, Chapitre IV*).

Collective Occupational Pension Plans

Plans d'épargne retraite d'entreprise collectifs, PERECO

A. Coverage

Voluntary participation
- A company can subscribe for all its employees to a collective pension insurance. The plan can include all employees by default. However, the employees must be informed and be given the option to opt out.

B. Financing

General finances
- Fully funded personal pension plans based on personal contribution payments and capital revenues.

Contribution payments
- Contributions are primarily paid by the employee; no fixed contribution rate.
- The employer can make supplementary payments in the name of the employee.
- In total, the payments of the employer cannot exceed three times the payment of the employee or 16% of the 'social security ceiling' (*plafond annuel de la sécurité sociale*).

State support
- The sum contribution paid by the employee is not subject to income tax within a limit determined by the *Code general des impôts* (*Art. 163 quatervicies, I, 1, d*).
- The contribution paid by the employer is not subject to income tax.
- Under certain conditions, the revenue generated by the savings are exempted from income taxes.

C. Administration

- The plans are administrated by private insurance companies and the costs of their management must be paid by the employer.

D. Qualifying Conditions

- The insured person has the right to claim benefits in case of retirement; conditions are the same as in the *general scheme for employees in industry and commerce*.
- Under certain conditions, the savings must be paid to the entitled beneficiaries before retirement (e.g., in case of death of the person, the sum must be paid back as part of the inheritance).

E. Benefits

Pension payments
- The benefit is determined by the conditions of the insurance contract.
- Lump sum payment and annuity payment are both possible.

Taxation and social security contributions
- Payments are not always subject to income tax (especially when the benefit is paid as a lump sum).
- Payments are subject to CSG, CRDS and CASA.

F. Legal Basis

- Monetary and Financial Code, Book II, Title II, Chapter IV (*Code monétaire et financier, Livre II, Titre II, Chapitre IV*).

Individual Pension Plans

Plans d'épargne retraite individuels, PER individuels

A. Coverage

Voluntary participation

- Individuals can subscribe privately to a savings account; no restrictions regarding age or employment status.

B. Financing

General finances

- Fully funded personal pension plans based on personal contribution payments and capital revenues.

Contribution payments

- Persons provide contribution payments and decide upon the specific amount individually.

State support

- The payments within a certain limit (32,909 EUR in 2020) are not subject to income tax.
- The revenue generated by the savings is exempted from income taxes in certain conditions.

C. Administration

- The plans are administrated by private insurance companies.

D. Qualifying Conditions

- The insured person has the right to claim benefits only in case of retirement; conditions are the same as in the *general scheme for employees in industry and commerce* and other basic pension schemes.
- Under certain conditions, the savings must be paid to the entitled beneficiaries before retirement (e.g., in case of death of the person, the sum must be paid back as part of the inheritance).

E. Benefits

Pension payments

- The benefit is determined by the conditions of the insurance contract which is generally divided into two types: contract with predetermined benefits; contract with predetermined insurance fees.
- Lump sum payment and annuity payment are both possible.

Taxation and social security contributions

- Payments are not always subject to income tax (especially when the benefit is paid as a lump sum).
- Payments are subject to CSG, CRDS and CASA.

F. Legal Basis

- Monetary and Financial Code, Book II, Title II, Chapter IV (*Code monétaire et financier, Livre II, Titre II, Chapitre IV*).

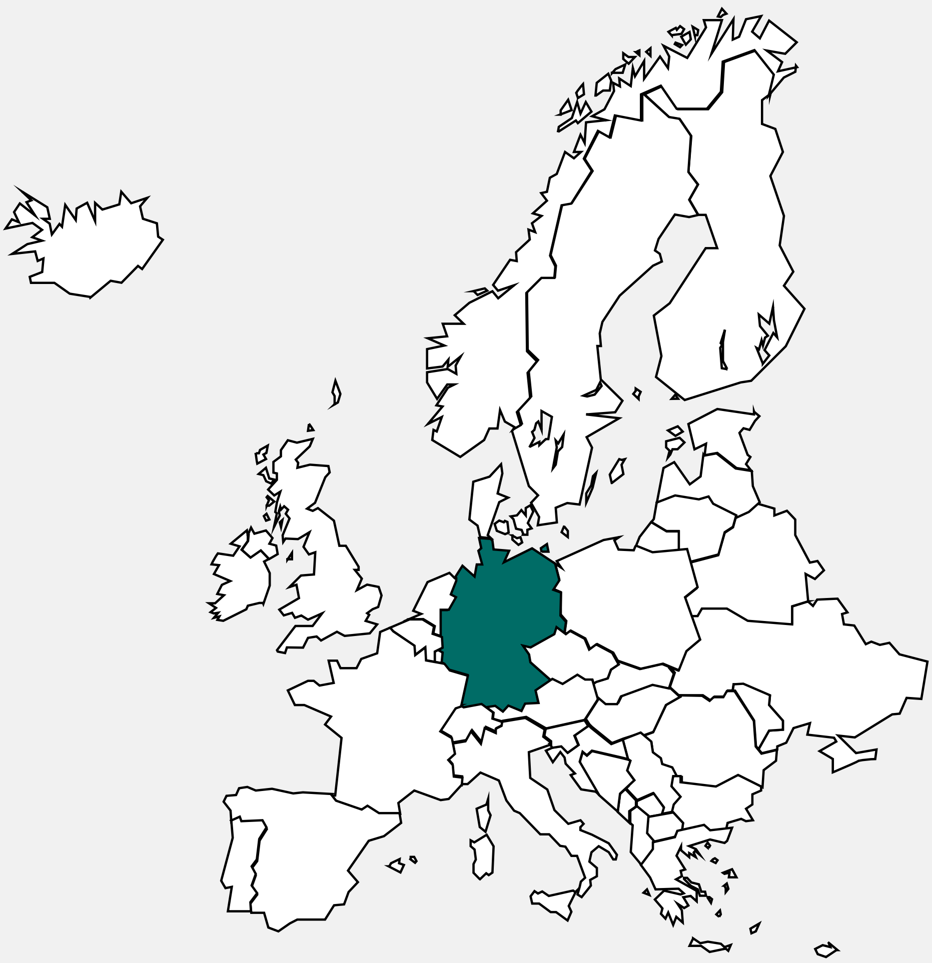
Footnotes

1 The French President Emmanuel Macron has promised at the beginning of his term a pension reform which would create a general pension system and the reform process has in effect started in 2019 and reaches now the parliamentary stage. The unexpected coronavirus pandemic has interrupted the legislative procedure.

2 General Association of Retirement Institutions for Executives (AGIRC), Association for Employees' Supplementary Pension Schemes (ARRCO).

3 If the insured person exercises another non-agricultural activity, the relevant scheme shall be determined by referring to the working time spent in each of the activities. The activity with the longest working time will serve as the criteria for choosing the relevant scheme.

GERMANY



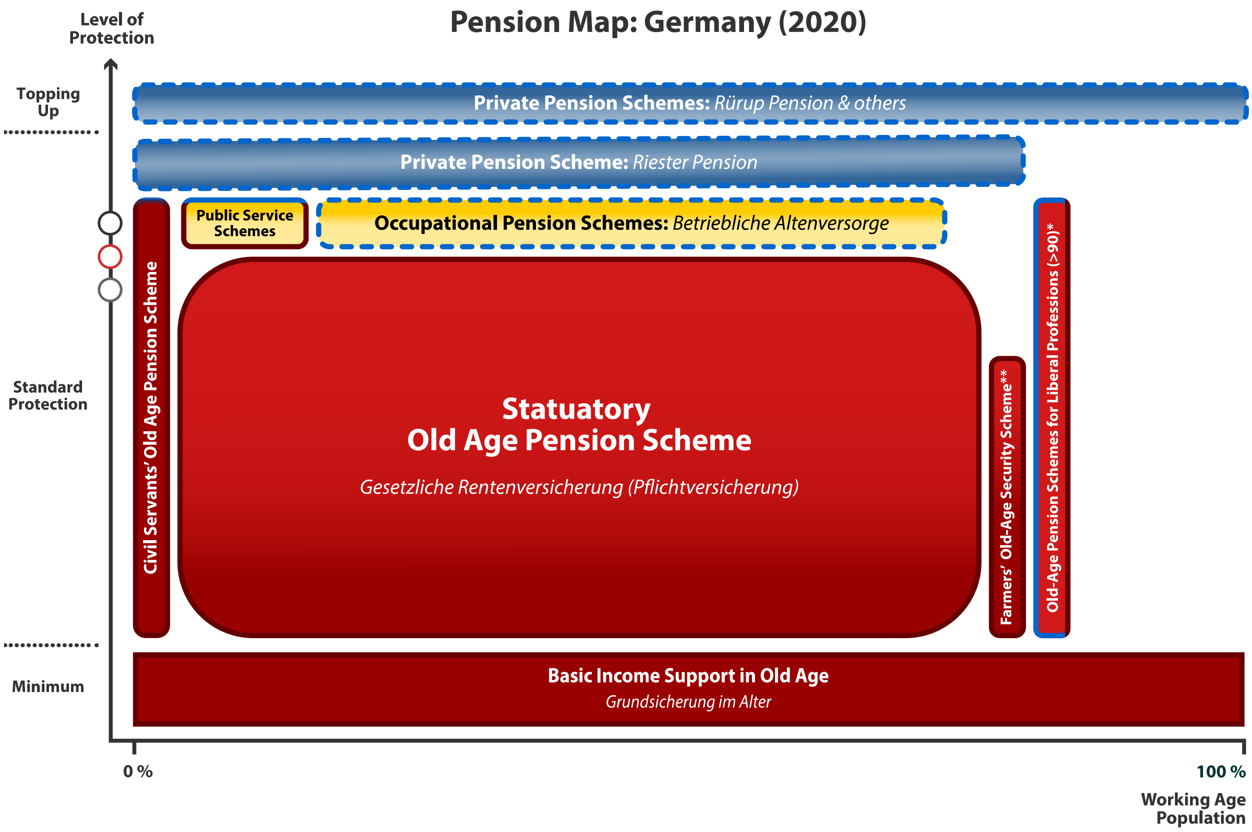
THE GERMAN OLD AGE SECURITY SYSTEM IN 2020

Simone M. Schneider

The German old age pension insurance system dates back to the Disability and Old Age Insurance Act of 1889. With the pension reform of 1957, the system was fundamentally reformed in order to provide 'standard protection' against financial risks in old age for a majority of the German workforce; private and occupational pension plans remained largely a private matter. Since 2001, and in response to severe financial pressures, the institutional landscape of the German old age pension system has changed profoundly and with it the intended pathways to achieve 'standard protection' in old age. On the one hand, legal measures were introduced that lowered the guaranteed pension benefit level of the *statutory old age pension scheme*. On the other hand, new regulations for occupational pensions were introduced and private, state-subsidised pension schemes were created. Although participation is still voluntary, supplementary pension schemes can no longer be perceived as simple 'top-ups' to public pensions; rather, they serve as 'substitutes' compensating deficits of a weakened public system. As of now, the legislator intends to provide 'standard protection' against financial risks in old age by an interplay of mandatory insurance in public pension schemes and (mostly) voluntary private investment in fully funded occupational or private schemes that are incentivised by state allowances and/or reductions of taxes and social security contributions. Other supplementary private pension plans may 'top up' pension benefits if used in conjunction with other forms of 'standard protection'. The guarantee of a 'minimum' subsistence level for elderly persons is not a principal function of the German old age pension system, but attained through special social assistance measures.

Standard Protection in Old Age

The *statutory old age pension scheme (Gesetzliche Rentenversicherung)* is by far the largest public scheme in which the majority of the German workforce is mandatorily insured. It is a pay-as-you-go-(PAYG)-financed insurance scheme with benefits being linked to contributions paid throughout a person's career. Specific public pension schemes exist for distinct occupational groups who are excluded from mandatory insurance in the statutory old age pension scheme. The *civil servants' old age pension scheme (Beamtenversorgung)* provides privileged treatment for civil servants, judges



Coverage: * < 2%; ** < 1%

and soldiers. It is fully tax-financed, paid out of the general budget and commonly provides a high level of financial protection in old age, granting benefits based on earnings received at the end of a person's career. Entrepreneurs and their families who work in the agricultural sector can only expect partial financial protection in old age from mandatory insurance in the heavily subsidised *farmers' old age security scheme (Landwirtschaftliche Altersvorsorge)* with fixed (flat-rate) contributions. Financial protection for persons working in the liberal professions is organised within more than 90 autonomous and mostly fully funded *old age pension schemes for the liberal professions (berufsständische Versorgungswerke)*. Due to their specific financing mechanisms, benefits tend to be higher compared to the *statutory old age pension scheme*. Persons not subject to mandatory insurance can join the statutory old age pension scheme on a voluntary basis.

State-regulated *occupational pension plans* (*betriebliche Altersvorsorge*) are (mostly) fully funded and provided by the employer. In general, participation of employees is voluntary with the exception of specific supplementary pension schemes that are mandatory for particular occupational groups such as the *supplementary pension schemes for public service employees* (*Zusatzversorgung des öffentlichen Dienstes*). Commonly, the choice of the organisational form of pension plans depends on agreements, often at company level, or is based on collective agreements. Pension plans are either implemented internally via the employer in the form of book reserves (*Direktzusage*) and support funds (*Unterstützungskasse*), or externally in the form of direct insurance (*Direktversicherung*; i.e. life insurance held by an employer on behalf of employees), a pension institution (*Pensionskasse*; i.e. a special type of life insurance company), or pension funds (*Pensionsfonds*). If not agreed otherwise, all employees are legally entitled to pay part of their income into a company's pensions plan (i.e. deferred compensation) in the form of a direct insurance, for which reductions of taxes and social security contributions are granted.

With the introduction of the *Riester pension* (*Riester-Rente*) in 2002, the state created a voluntary but state-subsidised, fully funded *private pension scheme* (*private Altersvorsorge*) accessible for persons mandatorily insured in a public pension scheme and their spouses (with the exception of the liberal professions). The state supports participation in the scheme by granting state allowances and extra tax refunds on contributions paid into certified/approved pension plans. Options of private pension plans are various, and range from bank savings plans, private pension insurance or investment fund savings plans, to combined savings and loan plans for owner-occupied residential property. Under certain conditions, employees participating in an externally implemented occupational pension plan can decide to participate in the *Riester pension* and benefit from its state subsidies.

Top-Ups

In 2005, the state created another voluntary, fully funded private pension scheme, the so-called *Rürup pension* (*Basisrente*). The state supports participation in the scheme via tax deductions for certified/approved pension plans. The scheme was originally designed for the self-employed who are not mandatorily insured in public pension schemes and therefore without access to *Riester pension*; however, all individuals with taxable income who reside in Germany can access the *Rürup* scheme. The *Rürup pension* serves as a 'top-up' to public pension benefits for persons who are covered by other forms of 'standard protection' in old age, in particular high earners. In addition, a range of more flexible, privately funded pension plans exist (e.g. in the form of life insurances) that can be used in conjunction with other pension schemes to top up pension benefits.

Minimum

To guarantee a basic subsistence level for elderly persons with insufficient financial means, a *basic income support scheme in old age* (*Grundsicherung im Alter*) was introduced in 2003. The scheme explicitly targets poverty alleviation among elderly persons and is financed out of the general federal budget. The scheme is means-tested but differs from general social assistance measures. For example, no maintenance claims against children and parents with an annual income of less than 100,000 EUR are made. Income and assets of spouses, cohabiting civil partners and similar unions are considered, whereas certain personal income, such as parts of supplementary pension payments, and specified assets, such as self-used property/housing, are exempted from means-testing. The scheme is legally independent of the *statutory old age pension scheme*, but forms part of social assistance in Germany.

Basic Income Support in Old Age

Grundsicherung im Alter

A. Coverage

- Persons residing in Germany who have reached the standard statutory retirement age and cannot sufficiently cover their necessary subsistence from income/assets.

B. Financing

- The scheme is entirely tax-financed out of the general federal budget.

C. Administration

- The administration and organisation of the scheme falls under the jurisdiction of the *Länder.*
- Local welfare authorities manage the scheme (i.e. review applications, decide on eligibility, and pay out benefits).

D. Qualifying Conditions

- Persons who have reached the standard retirement age of the *statutory old age pension scheme* (age 67 for persons born after 1963).
- Persons residing in Germany.
- Persons with income/assets below subsistence level as defined by law.
- Benefits are means-tested based on monthly net incomes and assets of the elderly person and his/her spouse/cohabitating partner; excluded from means-testing are e.g. assets of 5,000 EUR per person, pension benefits from voluntary occupational/private schemes (100 EUR, 30% of pension thereafter, max. 50% of benefit rate for basic needs) and self-used property/housing; income of children or parents is only considered if the yearly gross income (per person) exceeds 100,000 EUR.

E. Benefits

- The amount of benefits is based on the sum of (mostly flat-rate) benefits for the overall needs of the elderly person minus income and assets.
- Benefits are granted for basic needs, reasonable costs for housing and heating, contributions to healthcare and long-term care, special needs (e.g. due to disabilities) and one-time needs (e.g. basic equipment, furnishing).
- The flat-rate benefits for basic needs are regularly determined based on the actual consumption expenditure of low-income households; benefit rates are adjusted yearly based on changes in prices/incomes; benefit rates can vary slightly between the *Länder*/municipalities.
- Benefits are typically granted for 12 calendar months; renewable as long as qualifying conditions persist; benefit payments are suspended if the beneficiary leaves Germany for a period exceeding 4 weeks.
- Benefits are not subject to income tax.

F. Legal Basis

- Social Security Code – Book XII, Chapter 4 (*Sozialgesetzbuch XII, Viertes Kapitel*).

Statutory Old Age Pension Scheme

Gesetzliche Rentenversicherung

A. Coverage

Mandatory insurance

- Employees (incl. persons in vocational training and economically active persons with disabilities).
- Specific groups of self-employed, such as self-employed teachers, lecturers, nurses, midwives, artists,[1] and self-employed persons working primarily for a single client without having employees of their own.[2]
- Specific groups of economically inactive persons, such as parents during child-raising periods and home caregivers; claimants of income replacement benefits incl. recipients of sickness benefits, injury benefits, transitional allowances and unemployment benefits (ALG I), if they were mandatorily insured in the year before they began drawing the benefit.

Opting-in

- Specific groups of non-compulsorily insured persons, such as developmental aid workers, the self-employed,[3] recipients of social benefits.

Exempted

- Civil servants, soldiers, judges or persons with equivalent insurance coverage; short-term marginally employed persons; the marginally self-employed; university students.
- Persons who have reached the standard statutory retirement age and receive a full old age pension (if combined with employment: option to waive exemption from mandatory insurance to increase pension benefits).

Opting-out

- Persons insured within a liberal professions scheme; persons in marginal long-term employment.

Voluntary insurance

- Persons not compulsorily insured in the *statutory old age pension scheme* and of at least 16 years of age; also available for Germans living abroad.

B. Financing

General finances

- Mainly PAYG-financed from insurance contributions.
- Partly tax-financed out of the general federal budget (fixed lump sum payments defined by law).

Contribution rates to mandatory insurance

- Fixed share of monthly gross earnings (18.6%) with contribution assessment ceiling.
- Contributions shared in parity between employer (9.3%) and employee (9.3%) for contributory earnings of more than 1,300 EUR; different shares between employer and employee apply to earnings of 1,300 EUR and less.
- Special provisions for contribution payments (rates and/or modalities) apply for distinct occupational groups (e.g. miners; the self-employed; artists).

Contribution rates to voluntary insurance

- No fixed share/contribution rate; monthly contributions can be chosen freely within a predefined range.

Taxation of contribution payments

- Tax exemptions for employee's contributions (100% after 2024) capped by maximum amount; employer's contributions 100% tax-exempted.

C. Administration

- Self-administered federal and regional pension carriers take administrative responsibility for all affairs related to the scheme: the 'German Pension Insurance – Federal Institution', the 'German Pension Insurance – Mining, Railways, Sea', and a number of 'Regional Institutions of the German Pension Insurance'.

D. Qualifying Conditions

Qualifying conditions

- *Standard old age pension*: statutory retirement age increases to 67 for insured persons born after 1963; minimum insurance period: 5 years.
- Special conditions apply to old age pensions for *long service* (35 years; age 67 with option of early retirement), *exceptionally long service* (45 years; age 65), for *severe disability* (35 years; age 65 with option of early retirement), and *long-service miners* (25 years; age 62).

Early retirement

- Available for *long-service old age pensions* (at age 63) and *severe disability old age pensions* (at age 62) with negative (permanent) adjustments to pension benefits (0.3% per month).

Deferred retirement

- Retirement can be deferred with positive (permanent) adjustments to pension benefits (0.5% per month).

Combining employment & retirement

- Termination of employment is not a precondition for claiming pension benefits.
- After reaching statutory retirement age employment is permitted without earnings limit; income ceilings apply for retired persons below standard statutory retirement age with options for 'partial' old age pensions.

E. Benefits

Pension benefits

- Primarily based on the amount of contributory earnings throughout working career, including pension-credited periods of e.g. child-raising.
- No specification in law regarding fixed minimum and maximum amount of pension benefits;[4] maximum pension benefits levelled due to contribution assessment ceiling.

Benefit calculation

- Based on the multiplication of the following factors:
- *Personal earning points*: relate to the insured income for each calendar year, divided by the average income of all insured persons, totalled over the individual's insurance career, multiplied by the age factor to adjust for early or deferred pension claiming.
- *Pension type factor*: for old age pensions = 1.
- *Current pension value*: the monthly pension that an average earner would receive after paying contributions for one calendar year.
- *Adjustments*: yearly adjustment of pension value accounting for changes in earnings (before deductions) and a sustainability factor; no downward adjustment possible.

Taxation and social security contributions

- Pension benefits are subject to income tax (100% for pensions granted in 2040) according to general tax rules.
- Mandatory contributions for health insurance (shared in parity between retired person and pension insurance carrier) and long-term care insurance (fully paid by retired person).

F. Legal Basis

- Social Security Code – Book VI (*Sozialgesetzbuch VI*), Income Tax Act (*Einkommensteuergesetz*).

Civil Servants' Old Age Pension Scheme

Beamtenversorgung

A. Coverage

- Civil servants and judges; soldiers of the Federal Armed Forces; certain holders of public offices.[5]

B. Financing

- Fully tax-financed out of the federal budget.
- Since 1999, the federal state has been building up a pension reserve used for expenses after 2031 (for 15 years); financed through reductions in salaries and pension expenditures from previous/current years; managed by Federal Ministry of the Interior, for Construction and Home Affairs.
- Shift towards (partial) capital funding for new entries as of 2007 (creation of special pension reserve fund for new entrants).

C. Administration

- The 'Service Centre of the General Directorate of Customs' administers the scheme for federal civil servants and judges (incl. verification of pension rights/entitlements, calculation of pension benefits and payment thereof); specific authorities administer schemes for distinct service groups.

D. Qualifying Conditions

Qualifying conditions for federal civil servants
- *Standard public service pension*: statutory retirement age increases to 67 for persons born after 1963; minimum service period: 5 years.
- Special retirement conditions apply in case of *long-term service* (period: 45 years; age: 65), and in case of retirement due to *incapacity for service* (period: 40 years; age 63); reduced standard retirement ages apply for exceptionally arduous occupations, such as persons working with the federal police, fire departments, soldiers, air traffic control service.

Early retirement
- Available at age 63 with negative (permanent) adjustments to pension benefits (3.6% per year).

Deferred retirement
- Retirement can be deferred up to 3 years upon request (if in the interest of the public employer) with supplements to income (and without positive adjustments to pension benefits).

Combining employment & retirement
- Termination of employment is not a precondition for claiming pension benefits.
- After reaching standard retirement age, employment in private sector is permitted without earnings limit; income ceilings apply for public sector employment and before reaching standard statutory retirement age.

E. Benefits

Pension benefits
- Primarily based on last earnings prior to retirement and years of service.
- Maximum pension benefits: 71.75% of reference salary; minimum pension benefits at least 35% of the reference salary or 65% of a defined salary level.

Benefit calculation
- Based on reference salary: typically, the salary prior to retirement (if received for at least 2 years), modified by a reduction factor.
- Based on pensionable periods of service, primarily times of civil and public service.
- Amount of pension benefits determined applying a linear rate of increase (1.79375 percentage points) for each year of service; supplements to pension benefits are granted.
- *Adjustments*: yearly adjustments of benefits directly linked to adjustments of salaries for active civil servants.

Taxation and social security contributions
- Pension benefits are subject to income tax.
- Private social security premiums (health/long-term care) paid by pensioner with important state subsidies for health care in the form of *Beihilfe* ('state aid').

F. Legal Basis

- Civil Service Pensions Act (*Beamtenversorgungsgesetz*); Military Pensions Act

(*Soldatenversorgungsgesetz*); Civil Service Pensions Competence Order (*Beamtenversorgungszuständigkeitsanordnung*); Pension Reserves Act (*Versorgungsrücklagegesetz*); Civil Service Status Act (*Beamtenstatusgesetz*); Federal Civil Service Act (*Bundesbeamtengesetz*), Federal Remuneration Act (*Bundesbesoldungsgesetz*).

Farmers' Old Age Security Scheme

Landwirtschaftliche Altersvorsorge

A. Coverage

Mandatory insurance

- Self-employed entrepreneurs and spouse/partner working in the agrarian sector (e.g. farmers, foresters, winemakers, fish farmers or horticulturists) and who are not compulsorily insured in the statutory old age public pension scheme; agricultural enterprise must exceed minimum size of cultivated area.
- Other family members who are at least 18 years of age, who work full-time for the family business and are not compulsorily insured in the *statutory old age pension scheme*.

Opting-out

- Under certain conditions, a person can request exemption from the scheme.

Voluntary insurance

- Under certain conditions; formerly mandatorily insured persons (as agricultural entrepreneurs or as spouses) can request to continue insurance on a voluntary basis.

B. Financing

General finances

- Mainly tax-financed out of the federal budget.
- Partly PAYG-financed from insurance contributions.

Contribution rates

- Fixed (flat-rate) monthly contribution payments independent of declared income (set by the Federal Ministry of Labour and Social Affairs) for insured entrepreneurs and spouse/partner; contributions are lower (fixed at 50%) for other insured family members.
- Insured entrepreneurs and spouse/partner can request state subsidies to contribution payments dependent on annual income.

Taxation of contribution payments

- Tax exemptions for insurance contributions excluding state subsidies (100% after 2024) capped by maximum amount.

C. Administration

- Self-administered federal and regional pension carriers take administrative responsibility for all affairs related to the scheme: the 'Social Insurance for Agriculture, Forestry and Horticulture (SVLFG)' and a number of regional insurance carriers.

D. Qualifying Conditions

Qualifying conditions

- Statutory retirement age increases to 67 for insured persons born after 1963; minimum insurance period: 15 years; relevant insurance periods are not limited to periods covered by the Farmers' scheme.
- Reduced standard retirement age (increase to 65) for insured person with minimum insurance period of 45 years.

Early retirement

- Available at age 65 with minimum insurance period of 35 years with negative (permanent) adjustments to pension benefits (0.3% per month).
- Available up to 10 years before statutory retirement age for insured entrepreneur/spouse (not available to 'other family members') with negative (permanent) adjustments to pension benefits (0.3% per month), if minimum insurance period of 15 years is met and if spouse is/has been entitled to standard/early old age pension.

Deferred retirement

- Retirement can be deferred.

Combining employment & retirement

- Termination of employment is not a precondition for claiming pension benefits.
- After reaching statutory retirement age continuous employment is permitted without earnings limit; income ceilings apply for retired persons below standard statutory retirement age.

E. Benefits

Pension benefits

- Primarily based on the length of insurance/credited period.
- Benefits allow only for partial financial security in old age.

Benefit calculation

- Based on the multiplication of (a) the personal 'increment factor' (total of months covered as insurance/credited periods multiplied by a predefined factor), (b) the 'pension type factor' for old age pensions (= 1), and (c) a fixed 'general pension value' (representing the monthly pension value per year of contributions paid).
- Benefit calculation differs for insured family members with regard to 'increment factor' (resulting in half the amount compared to self-employed entrepreneurs and spouse/partner).
- *Adjustments*: yearly adjustment of pension value according to the pension value of the *statutory old age pension scheme*.

Taxation and social security contributions

- Pension benefits are subject to income tax (100% for pensions granted in 2040) according to general tax rules.
- Mandatory contributions for health insurance (shared in parity between retired person and pension insurance carrier) and long-term care insurance (fully paid by retired person).

F. Legal Basis

- Law on the Old Age Insurance Scheme for Farmers (*Gesetz über die Alterssicherung der Landwirte*); Income Tax Act (*Einkommensteuergesetz*).

Old Age Pension Schemes for the Liberal Professions

Berufsständische Versorgungswerke

A. Coverage

Mandatory insurance

- The liberal professions, mainly including self-employed medical doctors, dentists, veterinarians, pharmacists, architects, notaries, lawyers, tax consultants, financial auditors, psychotherapists, engineers.
- Under certain conditions, employed persons in the liberal professions can opt out of mandatory insurance in *statutory old age pension schemes* substituted by mandatory insurance in the *liberal professions pension scheme*.

Voluntary insurance

- Possible under certain conditions; formerly mandatorily insured persons can request to continue insurance on a voluntary basis.

B. Financing

General finances

- Funded schemes based on contribution payments and capital revenues, with various financing mechanisms.
- No government guarantees or state subsidies.

Contribution rates

- Fixed share of declared income paid by insured person; contribution rates can differ between funds.
- Rates often based on contribution rate of *statutory old age pension scheme* (some funds request higher mandatory contributions with upper and lower limits), under certain conditions reduced contribution payments possible.
- Statutes may allow for additional voluntary contribution payments (capped by maximum amount for the total sum of mandatory and voluntary payments).

Taxation of contribution payments

- Tax exemptions for insurance contributions (100% after 2024) capped by maximum amount.

C. Administration

- Pension funds (in total 96) are independent public law institutions (no insurance carriers), self-administered and profession-/ region- specific.
- Special public authorities under the jurisdiction of the *Länder* are responsible for the administration and organisation of the schemes, with legal supervision by the responsible ministries of the *Länder*.

D. Qualifying Conditions*

**Conditions are regulated in self-administration by the statutes of the pension fund and can differ from the general regulations stated below.*

Qualifying conditions

- Retirement age increases to 67 without minimum contribution period (some exceptions: minimum contribution period of 60 months).

Early retirement

- Often available at age 60 with negative (permanent) adjustments to pension benefits (according to statutes).

Deferred retirement

- Retirement can be deferred, often to a maximum age (up to 70/72) and with additional pension rights (according to statutes).

Combining employment & retirement

- Termination of employment is usually not a precondition for claiming pension benefits.

E. Benefits

Pension payments

- Monthly pensions (no lump sum payment); dependent on total amount of individual contribution payments and contribution period; revenues may differ between pension funds.

Factors for benefit calculation

- Benefit calculations according to self-administration by the different pension funds; generally, amount of pension benefits depend on the sum of (mandatory and voluntary) contribution payments for a given calendar year, multiplied with an age-dependent actuarial coefficient.
- *Adjustments*: depending on surpluses in reserve funds and decision of administrative board.

Taxation and social security contributions on pension payments

- Pension benefits are subject to income tax (100% for pensions granted in 2040) according to general tax rules.
- Contributions for (private) health insurance and long-term care insurance are mandatory (fully paid by retired person).

F. Legal Basis

- Legislation of the *Länder* on 'Versorgungswesen'; statutes of different protection schemes organised at the *Länder* level; Income Tax Act (*Einkommensteuergesetz*).

Occupational Pension Schemes

Betriebliche Altersvorsorge

A. Coverage

Voluntary participation

- Private sector employees; plans provided by employer, often based on collective agreement.
- If no plan is provided by employer and permitted by collective agreement, employee can request to convert portion of earnings into company's pension plan ('deferred compensation').
- Possibility for automatic enrolment with 'silent consent' of employee (= optional system); silent consent can be revoked under certain conditions; restricted to plans based on collective agreement.

B. Financing

General finances

- Fully funded schemes financed by contribution payments and capital revenues.

Contribution rates

- Contributions can be paid by employer or shared between employee and employer.
- *Conversion of earnings model*: employee entitled to pay a max. of 4%* as direct insurance (if not agreed otherwise and no alternative plans provided by employer); low annual minimum contribution required; since 2019, employer has been obliged to pay additional contribution amounting to 15% of employee's converted earnings, if conversion entails savings in social security contributions for employer; several exceptions apply (e.g. modifications based on collective agreements with social partners).
- *Externally implemented pension plans*: employee can request to continue insurance payments on individual basis after leaving company.

State support & incentivising strategies

- *For low income groups* (with monthly gross income < 2,200 EUR): federal state allowance of 30% of employer's contributions (of a predefined range), if employer pays annual contributions of at least 240 EUR (only for plans with external implementation).
- *Internally organised pension plans*: contribution payments are fully tax-exempted and (fully/partially) exempted from social security contributions (full exemption for employer's contributions; max. of 4%* for employee's contributions).
- *Externally implemented pension plans*: contribution payments of employer/employee exempted from tax (max. of 8%*) and social security contribution (max. of 4%*).
- Under specific circumstances, scheme qualifies for private, state-subsidised *Riester pension* (e.g. requires external implementation paths; contributions based on net income).

**of contribution assessment ceiling of statutory old age pension scheme*

C. Administration

- Different types of pension plans can be offered by employer; pension plans either organised internally (*Direktzusage, Unterstützungskasse*) or implemented by external institutions (*Direktversicherung, Pensionskasse, Pensionsfonds*).
- Employer mainly responsible for the fulfilment of the pension plan promise, even if implementation is carried out by external pension institutions; no employer liability in case of pure defined contribution plan based on collective agreements between employer and trade unions (*social partnership model*).
- Externally implemented pension plans monitored by the 'Federal Institute for Financial Services Supervision' (BAFin).
- The 'Pension Security Association (PSVaG)' protects internal pension plans and pension funds (*Pensionsfonds*) from insolvency of employers and investment risks.

D. Qualifying Conditions

- Employee entitled to occupational pension benefits when claiming full old age pension from the *statutory old age pension scheme*; no minimum retirement age specified in law.
- Conditions are regulated in pension regulations at company or collective level.

E. Benefits

Pension payments

- Monthly life-long annuity or one-time lump sum payment (exception: pension funds only paid as life-long annuity or according to payment plan).

- Dependent on payment commitment: often 'defined benefit' (DB) or 'defined contribution' (DC) with a guarantee of a minimum investment return (only for externally implemented plans); since 2018 'pure defined contribution' with no minimum benefit or interest guarantees permitted (*restricted to social partnership model*); DC pensions highly depend on successful investment returns.

Taxation and social security contributions

- Payments are subject to income tax; tax rate depends on the total income (from all sources).
- Pension payments (> 159.25 EUR, adjusted yearly) are subject to mandatory health insurance; pension payments (if exceeding min. amount) are fully subject to long-term care insurance (paid in full by retired person).

F. Legal Basis

- Occupational Pensions Act (*Betriebsrentengesetz*); Act to Strengthen Company Pensions (*Betriebsrentenstärkungsgesetz*); Retirement Savings Act (*Altersvermögensgesetz*); Income Tax Act (*Einkommensteuergesetz*); Retirement Income Act (*Alterseinkünftegesetz*); Insurance Supervision Act (*Versicherungsaufsichtsgesetz*); Occupational Pension Allowance Act (*Betriebsrentenfreibetragsgesetz*).

Supplementary Pension Schemes for Public Service Employees

Zusatzversorgung des öffentlichen Dienstes

A. Coverage

Mandatory insurance[6]

- Public service employees (incl. persons in vocational training); based on collective agreements.

Opting-out

- Certain groups of public service employees can opt out upon request (e.g. public employees who do scientific work at universities or research institutions with fixed-term employment contracts during which they are unable to complete the minimum insurance period).

Voluntary insurance

- Formerly mandatorily insured persons can request to continue insurance on voluntary basis.
- Voluntary insurance in extra supplementary fully funded scheme available to all public service employees (for details see *occupational pension schemes*).

B. Financing

General finances

- Financing mechanisms vary between pension schemes: either PAYG or mix of PAYG and funded schemes financed from mandatory insurance contributions and capital revenues.

Contribution rates to mandatory insurance

- Fixed share of income subject to supplementary pension payments (capped by max. amount).
- Contributions paid by employer (higher share) and employee (lower share); shares differ by schemes and financing mechanism.

Taxation of contribution payments

- Rules for taxation of mandatory insurance contributions (employer/employee) are complex and vary with financing mechanism (PAYG-/capital-funded).

C. Administration

- Supplementary pension carriers administer the schemes; the largest being the VBL.
- The 'Federal Ministry of Finances' oversees the mandatory insurance scheme of the VBL.
- The 'Federal Financial Supervisory Authority' oversees the voluntary insurance scheme of the VBL.

D. Qualifying Conditions

- Based on entitlement to full old age pension from *statutory old age pensions scheme* with a minimum insurance period of 60 months.

E. Benefits

Pension benefits

- Primarily based on the amount of contributory earnings, length of contribution period and capital revenues.
- If minimum insurance period is not fulfilled, persons can request lump sum payment of personal contributions until age 69 (minus administrative costs).

Factors for benefit calculation

- Based on the multiplication of the following factors:
- *Pension points* (per year): relate to the insured income for each calendar year, divided by a referential income (determined by social partners), multiplied by age factor adjusting for life expectancy and expected revenues before and during retirement.
- *Bonus points*: based on (fictitious) capital revenues.
- *Pension value*: based on mathematical insurance calculation.
- *Adjustments*: pensions increase by 1% per year.

Taxation and social security contributions

- Pension benefits are subject to income tax, if insurance contributions were tax-exempted; if contributions were subject to income tax, fixed share of pension benefits (minus contribution payments) are subject to income tax (share dependent on age of retirement).
- Pension payments (> 159.25 EUR, adjusted yearly) are subject to mandatory health insurance; pension payments (if exceeding min. amount) are fully subject to long-term care insurance (paid in full by retired person).

F. Legal Basis

- Occupational Pensions Act (*Betriebsrentengesetz*); Income Tax Act (*Einkommensteuergesetz*); based on collective agreements (*Tarifvertrag Altersversorgung – ATV; Altersvorsorge-Tarifvertrag-Kommunal – ATV-K*).

Private Pension Scheme: Riester Pension

Riester-Rente

A. Coverage

Voluntary participation

- All persons *mandatorily* insured in the *statutory old age pension scheme.*
- Persons covered by *civil servants' old age pension scheme.*
- Persons covered by mandatory insurance in *farmers' old age security scheme.*
- Recipients of ALG II (if previously mandatorily insured in *statutory old age pension scheme*); recipients of pensions for reduced earning capacity.
- Spouses, if partner is legally entitled/eligible.

B. Financing

General finances

- Fully funded personal pension plans based on contribution payments (incl. state allowances) and capital revenues.

Contribution payments

- Insured persons provide contribution payments and decide upon the amount individually.
- Requirements for state subsidies: minimum payments of 60 EUR per year; maximum state allowances granted for payments of at least 4% of gross income subject to contributions (previous year) up to a maximum of 2,100 EUR (minus state allowances).
- Persons are entitled to suspend account for fixed-time period and are allowed to refer pension contributions to other pension plans (including home ownership pensions).

State support

- Only certified pension plans are subject to state subsidies and tax reliefs.
- State subsidies including basic allowances (max. 175 EUR per person/year), child allowances (300 EUR per child/year born after 2007, 185 EUR per child/year born before 2008) and one-time bonus for new entries before age 25 (200 EUR).
- Extra tax reductions (claimed as special expenditures) granted only if amount of tax refunds exceeds state allowances; tax-deductible contributions of up to 2,100 EUR minus state allowances.

C. Administration

- Pension plan providers (banks, insurance companies, or investment funds) manage pension funds and pay benefits directly to person.
- The 'Federal Central Tax Office' approves/certifies pension plans subject to state subsidies.
- The allowance 'Office for Retirement Assets' (ZfA), a division of the 'German Pension Insurance – Federal Institution', manages the scheme (i.e. responsibility for application procedure, verification of eligibility of state allowances, payment of state allowances); contact point for insured person, pension plan providers, tax offices and other institutions.
- Tax offices decide on tax refunds (in addition to state allowances).

D. Qualifying Conditions

- Minimum age 62 (age 60 for contracts signed before 2012); often starting with retirement in *statutory old age pension scheme.*

E. Benefits

Pension payments

- Accumulated capital through contribution payments (incl. state allowances) and investment yields, minus administrative costs and costs/fees of pension provider.
- Life-long annuity paid monthly (using unisex-mortality tables); option for one-time lump sum payment of a max. of 30% of accumulated capital at beginning of pension payments; if monthly payments are below threshold: one-time lump sum payment of 100% possible, or yearly instead of monthly benefit payments.
- Guarantee that sum of invested capital contribution payments plus state allowances is available at beginning of pay-out phase; no losses in nominal amounts.
- Owner-occupied residential property can be incorporated into pension arrangements.

Taxation and social security contributions on pension payments

- Pension payments are subject to income tax; tax rate depends on the total income (from all sources).

- Pension payments are not subject to social security contributions.

F. Legal Basis

- Income Tax Act (*Einkommensteuergesetz*); Pension Contract Certification Act (*Altersvorsorgeverträge-Zertifizierungsgesetz*); Act on the Federal Financial Supervisory Authority (*Finanzdienstleistungsaufsichtsgesetz*); Insurance Contracts Act (*Versicherungsvertragsgesetz*).

Private Pension Scheme: Rürup Pension

Basisrente

A. Coverage

Voluntary participation

- Persons with taxable income residing in Germany.

B. Financing

General finances

- Fully funded personal pension plans based on personal contribution payments and capital revenues.

Contribution payments

- Persons provide contribution payments and decide upon its amount individually.

State support

- Only certified pension plans are subject to tax reliefs.
- Extra tax reductions (claimed as special expenditure); tax-deductible contribution payments (100% after 2024) capped by maximum amount.

C. Administration

- Pension plan providers manage pension funds and pay benefits directly to person.
- The 'Federal Central Tax Office' approves certified pension plans subject to tax reliefs.
- Tax offices decide on tax refunds.

D. Qualifying Conditions

- Minimum age 62 (age 60 for contracts signed before 2012).

E. Benefits

Pension payments

- Accumulated capital through contribution payments and investment yields, minus administration costs/fees of pension plan provider.
- Life-long annuity paid monthly; (partial/full) lump sum payments not permitted (exceptions for small monthly benefits below threshold); calculation of annuities on the basis of unisex mortality tables not required; guarantee of nominal value of invested capital not required.
- Special safeguards similar to *statutory old age pension scheme* (payments are not seizable, transferable, or otherwise disposable).

Taxation and social security contributions on pension payments

- Pension payments are subject to income tax (100% for pensions granted in 2040) according to general tax rules.
- Pension payments are not subject to social security contributions.

F. Legal Basis

- Income Tax Act (*Einkommensteuergesetz*); Pension Contract Certification Act (*Altersvorsorgeverträge-Zertifizierungsgesetz*).

Footnotes

1 The pension scheme for artists (*Künstlersozialversicherung*) is part of the *statutory old age pension scheme*. It was introduced in 1983 and is regulated in the Artists' Social Security Act and SGB VI.

2 The latter group can be exempted from compulsory insurance upon request for up to 3 years or in full if they are close to retirement age.

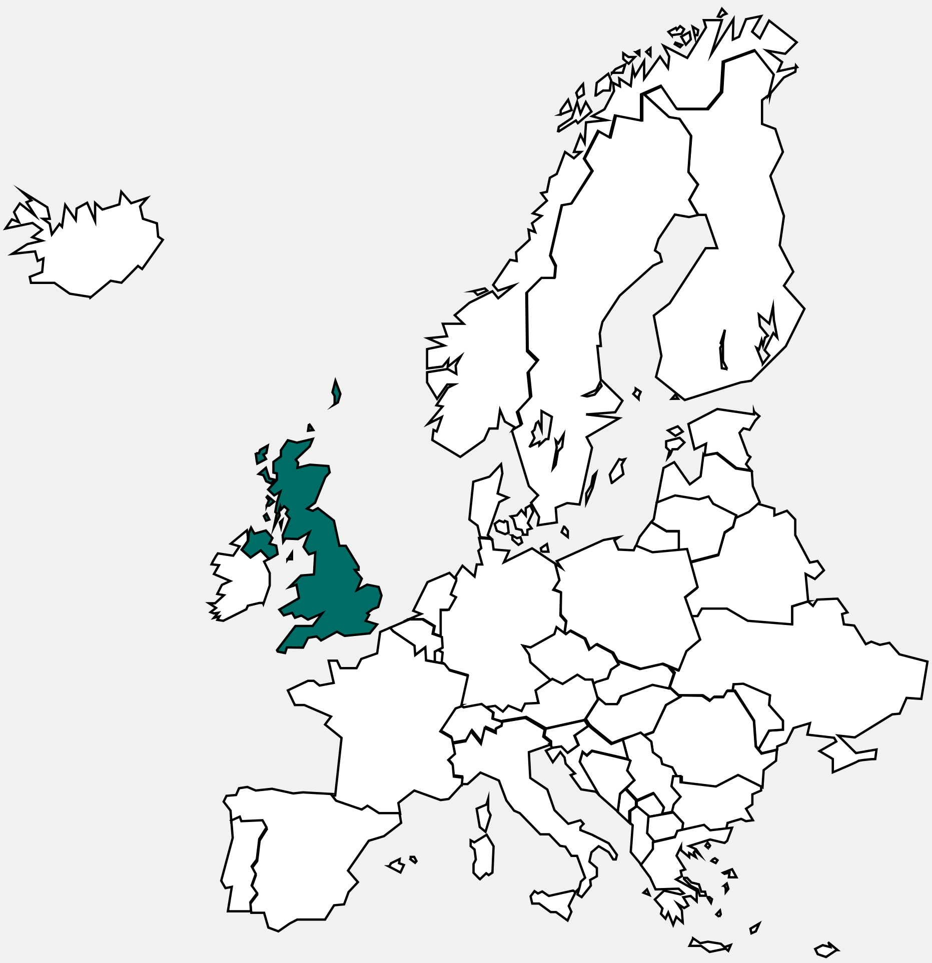
3 Request must be filed within 5 years after taking up self-employed activities.

4 A pension supplement (*Grundrente*) will be introduced in 2021. Persons with low pension income and a minimum insurance period of 33 years can receive a top-up to their public pensions of the *statutory old age pension scheme*.

5 Information presented in this table refers to regulations for civil servants at federal level. Regulations for civil servants at state and municipal level can differ and fall within the jurisdiction of the *Länder*.

6 Other mandatory occupational schemes: *steelworkers' supplementary insurance scheme in the Saarland* (*Hüttenknappschaftliche Zusatzversorgung im Saarland*); *supplementary pension scheme for employees in agriculture and forestry* (*Zusatzversorgung für Arbeitnehmer in der Land- und Forstwirtschaft*); *supplementary pension scheme for stage artists and orchestra musicians* (*Zusatzversorgung für Bühnenkünstler und Orchestermusiker*).

GREAT BRITAIN



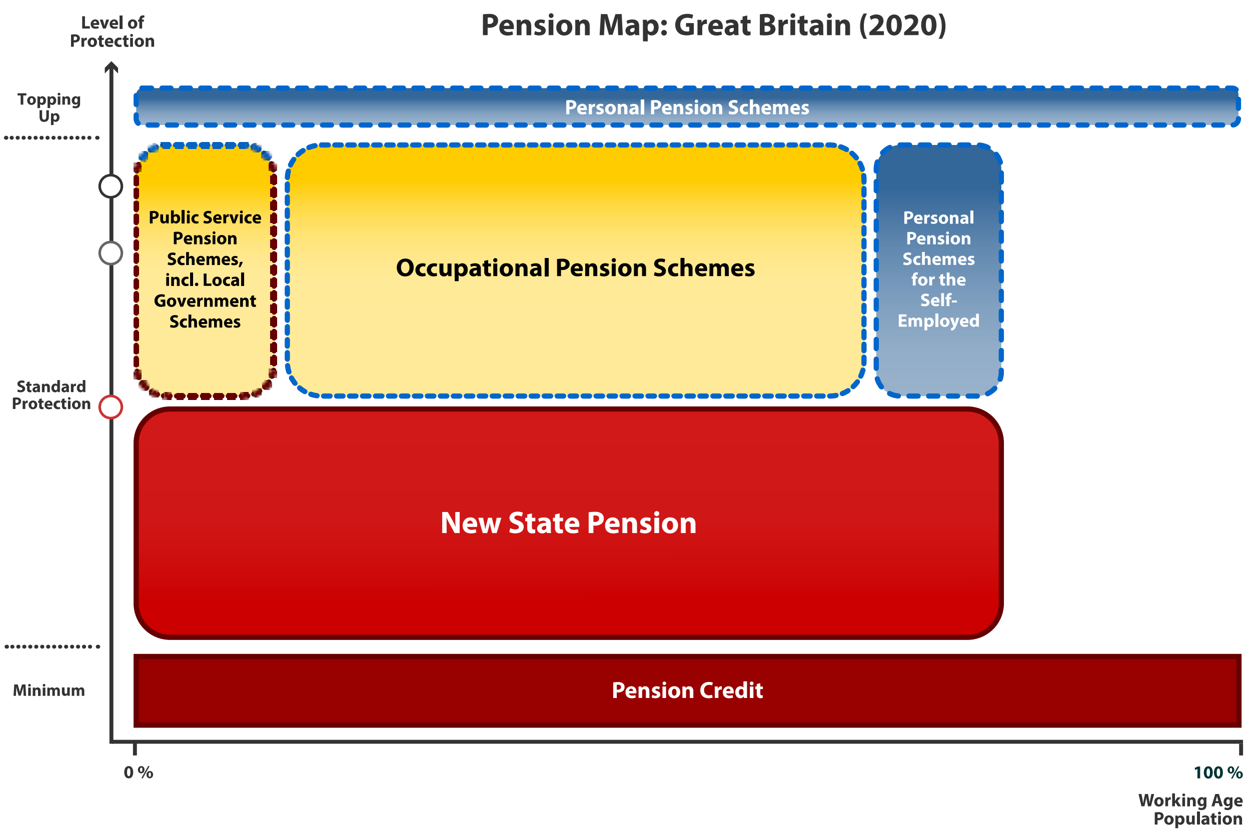
THE BRITISH OLD AGE SECURITY SYSTEM IN 2020

Christian Günther

Although haphazard pension arrangements for civil servants had existed in the United Kingdom since at least the late 17th century, it was not until the 1908 Old Age Pension Act that a national pension system was put onto a statutory footing. This provided a means-tested pension to those over the age of 70 and constituted an important element in a package of social reforms that laid the foundations for the British welfare state. Since that time, the pension system has been overhauled multiple times – most notably in 1946 – and the New State Pension regime, which came into effect in 2016 pursuant to the Pensions Act 2014, marked the culmination of the latest slew of reforms.[1] Although this introduced substantial changes, the following three elements of the post-war pension system have remained largely intact: First, a state pension that provides a modest flat-rate income to most pensioners, requiring them to have made sufficient National Insurance contributions (NICs) during their working life. This is intended to offer pensioners a basic level of protection. Second, various incentivising strategies for the adoption of occupational and personal pension arrangements, which supplement the basic state-provided pension to cumulatively grant a 'standard' level of protection in old age. In particular, this 'standard protection' is intended to be ensured through occupational pension schemes for those in public or private employment and through personal pension schemes for those in self-employment. Personal pension schemes that are additional to such employment-related schemes are envisioned to be 'top-ups' of this standard protection. The third and final element is a means-tested 'Pension Credit' that seeks to provide a 'minimum' income to those who have insufficient state or private arrangements for this purpose.[2]

Standard Protection in Old Age

The first aspect of standard old age protection in Great Britain is the 'New State Pension', as laid down in the Pensions Act 2014, which is applicable to those reaching state pension age on or after 6 April 2016. In principle, it is open to anyone who reaches state pension age and has made, or is deemed to have made, sufficient NIC contributions for at least 10 years. The main features of this scheme are the following two: First, it is still funded entirely by NICs, and the ultimate flat-rate benefit



for which an individual is eligible is dependent upon the number (but not the size) of yearly contributions that they have made throughout their working life, i.e. from the age of 16 to the state pension age. Individuals will be eligible for the full flat-rate pension if they have made contributions for at least 35 years. This flat-rate is proportionally reduced for each year of contributions that falls below this 35-year threshold but is still above the 10-year minimum. Second, making NICs is mandatory for those in employment and those who are self-employed, so long as they have reached a certain age and are earning over a certain threshold amount. However, it is also possible to be credited with having made relevant NICs in a variety of circumstances and to make voluntary contributions where one's record has gaps.

Since the full flat-rate amount of this basic state pension remains only marginally above the 'minimum' income provided through the means-tested Pension Credit, the government envisages that, as a matter of course, individuals will also engage in other forms of supplemental pension provision. For those in employment this standard level of protection is primarily ensured through *occupational pension schemes*, including specific *public service pension schemes* for those in public employment. Indeed, under the Pensions Act 2008 an employer is bound to auto-enrol his employees within an occupational scheme at regular intervals, merely providing the latter with the option to opt out. Such schemes may be external schemes, schemes directly run by the employer, schemes run by multiple employers or (in some cases) industry-wide schemes. The precise form of the scheme's administration will be determined by whether it is based on a contract or a trust. Most schemes take the latter form and will thus be run by trustees, which owe fiduciary duties to the members of the scheme and thus will be independent from employer control. Contract-based schemes will not have legal personality, but rather constitute a separate pool of assets overseen by an independent institution. They must include independent governance committees that scrutinise how the scheme is run.

Those who are self-employed do not have access to occupational schemes and must thus fall back on *personal pension schemes* in order to achieve a standard level of protection. In this respect, the government-backed 'National Employment Savings Trust' does provide a personal scheme that is specifically targeted at the self-employed, providing them with favourable terms, but participation is still entirely voluntary. Lastly, with regard to both occupational and personal schemes, the achievement of a standard level of protection is also incentivised through the state's provision of various tax incentives.

Top-Ups

Although *personal pension schemes* may be the only way for the self-employed to supplement their basic state pension arrangements, it is in principle open to any individual to top up their pension through such personal arrangements. Furthermore, these will also benefit from various tax-reliefs, particularly if an individual's contributions to all of their private pension schemes (and contributions on their behalf) remain below an 'annual allowance' threshold (introduced by the Finance Act 2004). This allowance is currently £40,000, but it is tapered for high earners.

Minimum

The last element in the British pension system is made up of a means-tested Pension Credit, which was introduced in its current form by the Pensions Act 2014. The aim was to have a single streamlined system that provided only the poorest and most vulnerable in society with an 'appropriate amount' of money that the government deemed necessary for them to live on. For those of qualifying age, Pension Credit replaces the primary means-tested benefit that is provided to those of working age, Universal Credit, and therefore cannot be claimed concurrently. However, those who claim Pension Credit may also be eligible for other benefits, including: Winter Fuel Allowance, Cold Weather Payment, Housing Benefit and Council Tax Reductions.

Pension Credit

A. Coverage

- Persons that have reached the qualifying age, are living in Great Britain, have a right to reside in the United Kingdom or the common travel area and whose income is below a certain level.

B. Financing

- Funded through general taxation.

C. Administration

- The state pension service administers Pension Credit and the public pension system in general. It is part of the Department for Work and Pensions.

D. Qualifying Conditions

- An individual claimant must have reached qualifying age. This is linked to the state pension age of women. In mixed-age couples, both claimants must have reached pension age.
- The individual must have the right to reside and currently live in Great Britain (England, Scotland and Wales).
- The individual must also be habitually resident in either the United Kingdom or the common travel area (including the Republic of Ireland, the Channel Islands and the Isle of Man).
- It is means-tested: the person's income must be below a certain level, defined as the 'appropriate amount'. In determining this, the 'relevant income' is the person's (and their partner's) weekly income, including claimed pensions and social security benefits. It will also include capital savings over a certain amount (although certain property, such as one's home, is excluded).

E. Benefits

- The amount of benefits granted is the difference between the 'appropriate amount' and the 'relevant net income'. The appropriate amount is made up of the standard amount (representing the minimum amount deemed necessary for day-to-day living) and extra amounts in some circumstances, including: severe disability, carers, certain housing costs and responsibility for children or qualifying young persons.
- The benefit must be increased each tax year in line with the increase in the general level of earnings.
- Pension credit is tax-free.

F. Legal Basis

- Pensions Act 2014; Welfare Reform Act 2012; Pensions Act 2007; The State Pension Credit (Additional Amount for Child or Qualifying Young Person) (Amendment) Regulations 2018; The State Pension Credit Act 2002; Pensions Act 1995.

New State Pension

A. Coverage

Mandatory insurance

- Employees and self-employed over the age of 16 and earning over a certain threshold amount must make NICs.
- Certain classes of people are automatically credited with having made NICs, despite not falling within the above category and despite no actual financial contributions having been made. These include those who: earn above a lower earnings limit, but below the primary earnings threshold[3]; receiving statutory maternity, paternity or adoption pay; claiming Child Benefit for children under 12; receiving Carer's Allowance; and those receiving Employment Support Allowance (i.e. those who have a disability or health condition that affects how much they can work).

Voluntary insurance

- Voluntary contributions can be made to fill gaps in one's NIC record. These can usually be made for the last six years only.

B. Financing

General finances

- PAYG-financed from insurance contributions (funded through the National Insurance Fund).
- NIF may be supplemented by a Treasury Grant – a sum from general taxation – if Her Majesty's Treasury considers it expedient to do so (limited to 17% of outgoing payments).

Contribution rates to mandatory insurance

- Employee NICs are a fixed share (12%) of weekly or monthly gross earnings over a primary earnings threshold (£183 a week for 2020/2021); additional rates may apply after reaching an upper earnings limit.
- Employer NICs are a fixed share (13.8%) of weekly or monthly gross earnings over a secondary earnings threshold (£169 per week for 2020/2021).
- Self-employed NICs depend on profits made. For 2020/2021, the threshold is an annual profit of £6,475, at which point NICs amounting to £3.05 per week will be due. If the profits are greater than £9,501 but below £50,000, then 9% of this will be due in NICs. 2% of any profits exceeding £50,000 will be due in NICs.

C. Administration

- The state pension service administers the new state pension and the public pension system in general. It is part of the Department for Work and Pensions.

D. Qualifying Conditions

Qualifying conditions

- Reaching state pension age. State pension age increased to 66 for both genders as per October 2020 (and, subject to review will increase to 67 by 2028); minimum insurance period: 10 qualifying years of NICs.
- The individual must make a claim for the new state pension, it is not automatic.

Early retirement

- Individuals cannot claim the new state pension before reaching state pension age.

Deferred retirement

- Individuals can defer claiming the new state pension for as long as they please with positive (permanent) adjustments to pension benefits (1% for each nine weeks of deferral).

Combining employment & retirement

- One can claim the new state pension while one is still working. This will not reduce the amount of pension benefits received.

E. Benefits

Pension benefits

- Benefits take the form of a flat-rate that is based on the number of NICs that an individual has made.
- The amount of benefit received is not affected by the size of one's contributions.

Benefit calculation

- The number of NICs is counted in terms of 'qualifying years'. To be credited with one such year an individual must make, or be credited with having made, sufficient NICs in that tax year.

- The full rate is available to those who have made or been credited with 35 or more years of NICs. With each qualifying year lower than this (but above the 10 years required for eligibility) the flat-rate is proportionally reduced.
- The flat-rate was £155.65 per week when it was introduced in April 2016 and increases every year by whichever of the following is the highest: 2.5%, average increase of earnings, or inflation (this is the so-called triple lock). The 2020 flat rate is £175.20 per week.

Taxation and social security contributions

- New state pensions are seen as income and taxed according to normal income tax rules, although individuals will no longer have to pay NICs.

F. Legal Basis

- Pensions Act 2014; Pensions Act 2011; Pensions Act 2008; Pensions Act 2007; Pensions Act 1995; Social Security Act 1993; Social Security Contributions and Benefits Act 1992; State Pension Regulations 2015.

Occupational Pension Schemes

A. Coverage

Automatic enrolment

- Employers must automatically enrol employees that are of qualifying age (between twenty-two and state pension age) if they earn over a threshold amount.

Opting-out

- Individuals may always opt out of occupational schemes. But the individual will still be automatically enrolled into the scheme every three years if they are eligible.

Opting-in

- If the employer is not obliged to automatically enrol the employee, they must still let the employee join the scheme if they wish to do so.

B. Financing

General finances

- Funded through contributions of an employer and/or individual employee and capital revenues.

Contribution rates

- Total occupational pension contributions must be 8% of qualifying earnings; contributions are shared between employer, employee and the state. The employer must contribute a fixed share of 3%, but may opt to contribute more; the state will contribute a fixed share of 1% or higher (depending on the amount of earnings) as pension tax relief; employees must make up the rest and may be able to make additional voluntary contributions depending on the scheme.

State support & incentivising strategies

- Employer contributions may be eligible for various forms of tax relief (depending on a multiplicity of factors) and will not be subject to national insurance contributions.
- Employees will receive full tax relief on their contributions so long as these do not exceed either 100% of their income or the annual allowance. Above this contributions are subject to income tax.
- Various tax reliefs exist for the money accumulated in pension funds.

C. Administration

- The Pensions Regulator is the state authority that monitors occupational pension schemes.
- Independent governance committees of contract-based schemes can raise concerns over a scheme's governance with the Financial Conduct Authority.
- A Pension Protection Fund exists to guarantee that pensions are paid to individuals who lose out due to underfunded defined benefit schemes.

D. Qualifying Conditions

- Defined contributions schemes usually require the individual to have reached the minimum pension age (of 55); defined benefit schemes usually become available between the ages of 60 and 65, granting reduced benefits if claimed earlier.
- The earliest an individual can take their pension is usually 55.
- To take such pensions early the consent of one's (former) employer will usually be necessary.
- One can take such a pension while still working.

E. Benefits

Pension payments

- Payments may take the form of an annuity for the rest of one's life or of a lump sum.
- The benefits offered by such schemes have traditionally been 'defined benefit' (DB) or 'defined contribution' (DC). The amount received for DB pensions is usually related to the final salary of the individual, whereas the amount received from DC depends on the contributions, the return on investment and the annuity rate.
- New scheme types have been introduced that involve combinations of DB and DC schemes, allowing for only part of the pension benefit to be defined and for employees to switch between the type of benefit received (dependent on the nature of the scheme and, potentially, certain conditions being met).

Taxation and social security contributions

- Recipients are liable to pay income tax on their pension. However, no tax is payable if the annual pension amount is less than one's personal allowance and a lump sum worth up to 25% of the total pension is usually tax-free.
- One does not have to pay National Insurance contributions on pensions received.

F. Legal Basis

- Pension Schemes Act 2017; Pension Schemes Act 2015; Pension Act 2014; The Occupational Pension Schemes (Charges and Governance) Regulations 2015; The Pensions Act 2014; Pension Act 2008; Pension Act 2004; Finance Act 2004; Pension Act 1995; Pension Schemes Act 1993.

Public Service Pension Schemes

A. Coverage

Automatic enrolment

- Public service employers (in: the civil service, the judiciary, teaching, local government, the national health service, fire and rescue services, the police and armed forces) must automatically enrol employees of qualifying age (between twenty-two and state pension age) if they earn over a threshold amount.

Opting-out

- Individuals may always opt out of occupational schemes. But the individual will still be automatically enrolled into the scheme every three years if they are eligible.

Opting-in

- If the employer is not obliged to automatically enrol the employee, they must still let the employee join the scheme if they wish to do so.

B. Financing

General Finances

- PAYG-financed from contributions, apart from *local government pension schemes*, which are capital-funded.

Contribution Rates

- In general, there is a variation of employer and employee contribution rates depending on such factors as the size of the employee's income and the nature of the occupation.
- The *armed forces pension scheme* is the only scheme that is non-contributory for the employee, with all relevant contributions being borne by the state. Members may opt to make additional pension payments however, to increase the pension benefits they will receive.

State support & incentivising strategies

- Tax reliefs will generally be comparable to those afforded to employees in *private sector occupational pension schemes*; in particular, no tax will be due on contributions that fall below the employee's annual allowance.

C. Administration

- The schemes are run by scheme managers, which are advised by pension boards.
- In *local government pension schemes* there are also pension committees or investment committees that manage the pension funds and their investment.
- Scheme policy is set out in regulations by the relevant minister and government department.
- The Pensions Regulator is responsible for the regulation of these schemes.

D. Qualifying Conditions

Qualifying conditions

- For teachers, civil service workers, NHS workers and local government workers the qualifying pension age is linked to the state pension age.
- The pension age for firefighters and those in the police and armed forces is 60.
- To qualify for any benefits, two years' qualifying service will usually be necessary.

Early retirement

- In the armed force an early departure payment (in the form of a lump sum and monthly allowance) is available from the age of 40, if the relevant individual has completed 20 years of service and has left the regular service. Upon reaching state pension age, the monthly payment will change to a pension.
- Those in other occupations may claim the pension, in a permanently reduced form, from the age of 55. The reduction is proportionate to how early the retirement is claimed.

Deferred retirement

- Individuals who defer claiming their pension beyond the state pension age, will enjoy positive (permanent) adjustments to pension benefits at a set percentage.

Combining employment & retirement

- Termination of employment is not a precondition for claiming pension benefits.
- Depending on the precise occupation, and usually subject to the agreement of one's public service employer, partial retirement may be available.

E. Benefits

Pension benefits

- These schemes are statutory defined benefit (DB) pension schemes.
- Pension benefits are (following the Public Service Pensions Act 2013) based on Career Average Revalued Earnings (CARE) rather than the final salary of an individual.

Taxation and social security contributions

- Once state pension age is reached, one no longer pays National Insurance contributions, but will still be liable to pay income tax.

F. Legal Basis

- Public Service Pensions Act 2013; The Armed Forces Pension Regulations 2014; The Armed Forces Early Departure Payments Scheme Regulations 2014; Superannuation Act 1972; The Public Service (Civil Servants and Others) Pensions Regulations 2014; The Teachers' Pension Scheme Regulations 2014; The Teachers' Pensions Regulations 2010; The National Health Service Pension Scheme Regulations 2015; The Firefighters' Pension Scheme (England) Regulations 2014; The Firefighters' Pension Scheme (Scotland) Regulations 2015; The Police Pensions Regulations 2015; The Police Pensions Regulations 2006; The Police Pensions Regulations 1987; The Judicial Pensions (Fee-Paid Judges) Regulations 2017; The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016; The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014; The Local Government Pension Scheme Regulations 2013.

Personal Pension Schemes

A. Coverage

Voluntary participation

- It is open to any individual below the age of 75 to take out an individual contract with a private pension scheme provider.

B. Financing

General finances

- Funded by contributions and, potentially, by the revenue generated from those contributions.

Contribution payments

- Contributions to these schemes may be regular or ad hoc.

State support

- Tax relief will usually be comparable to that available for *occupational pensions*. Calculation of the annual allowance, which provides tax relief, is made across all types of pension contributions made by the individual and for the individual (e.g. by the state or their employer).

C. Administration

- Pension plan providers (usually insurance companies and banks but independent providers also exist) manage pension funds and pay benefits directly to persons.
- Personal pensions may take the form of stakeholder pensions (which meet certain government requirements, such as requiring minimum contributions and capping charges) or of self-invested personal pensions (granting individual control over pension-fund investments).
- The Financial Conduct Authority regulates personal pension schemes.

D. Qualifying Conditions

- The individual must be 55 years or over to receive benefits from a personal pension scheme (ill health may allow receipt thereof earlier).
- The exact age at which one can take the pension will be determined by the terms of the relevant contract.
- The individual does not have to stop working in order to draw benefits.

E. Benefits

Pension payments

- Accumulated capital through contribution payments and investment yields. This is accompanied by administration charges, whose form is dependent on the pension plan provider. Usually charges are capped at 0.75% of the pension fund.
- Benefits will usually be in the form of a regular pension income, but one may also choose to receive it as a lump sum.
- Personal pensions are a form of a defined contribution (DC) pension scheme.

Taxation and social security contributions on pension payments

- Pension benefits are subject to income tax. However, no tax is payable if the annual pension amount is less than one's personal allowance and 25% of the pension can usually be drawn on as a lump sum tax-free.
- No National Insurance contributions are payable on such benefits.
- If the total pension benefits drawn by an individual exceed a specified 'lifetime allowance' additional taxes become due (differing depending on whether they are taken as a pension or a lump sum).

F. Legal Basis

- The Finance Act 2004; Pension Schemes Act 1993; Social Security Act 1986.

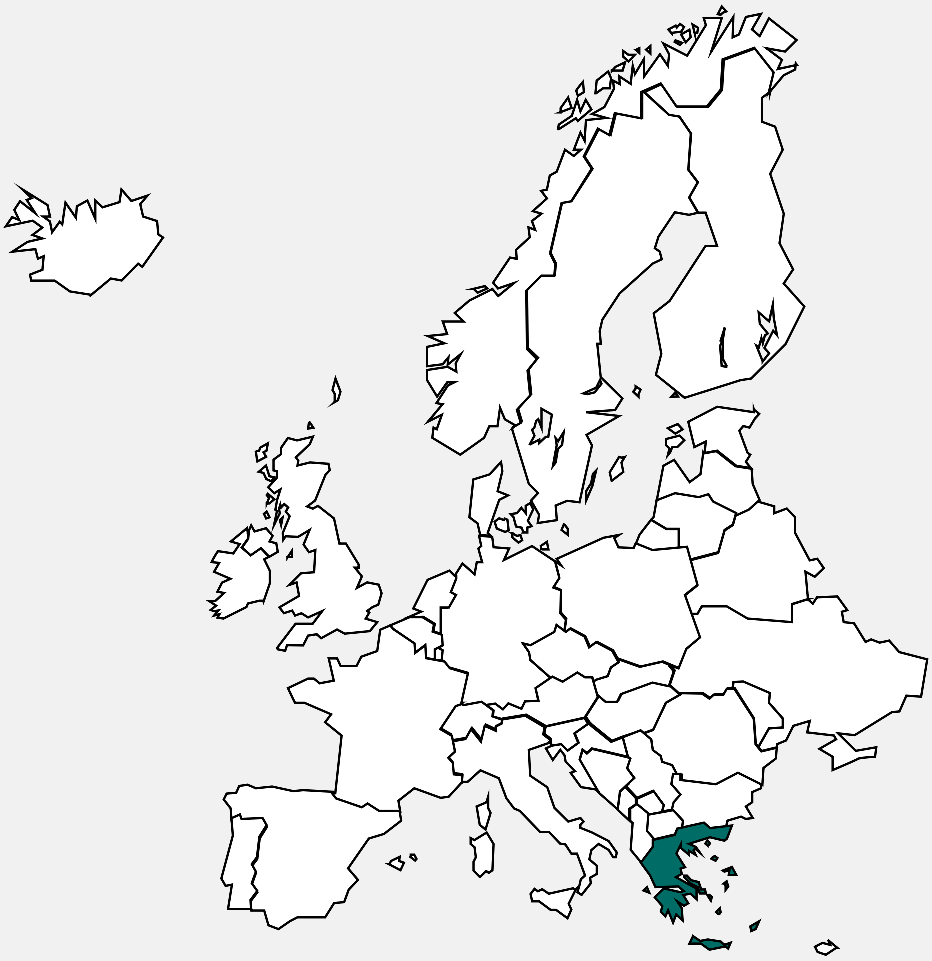
Footnotes

1 Please note that there is a distinct, albeit comparable, system in place in Northern Ireland, which is distinguished by separate legislation and institutions.

2 Please note that there are various rules that apply in order to smooth the transition between the current and the older pension regimes. The following is intended to provide a prospective overview of the most up-to-date system only.

3 If one earns below the lower earnings threshold, then one is neither required to make NICs nor is one credited as having made them, but one can still make voluntary contributions.

GREECE



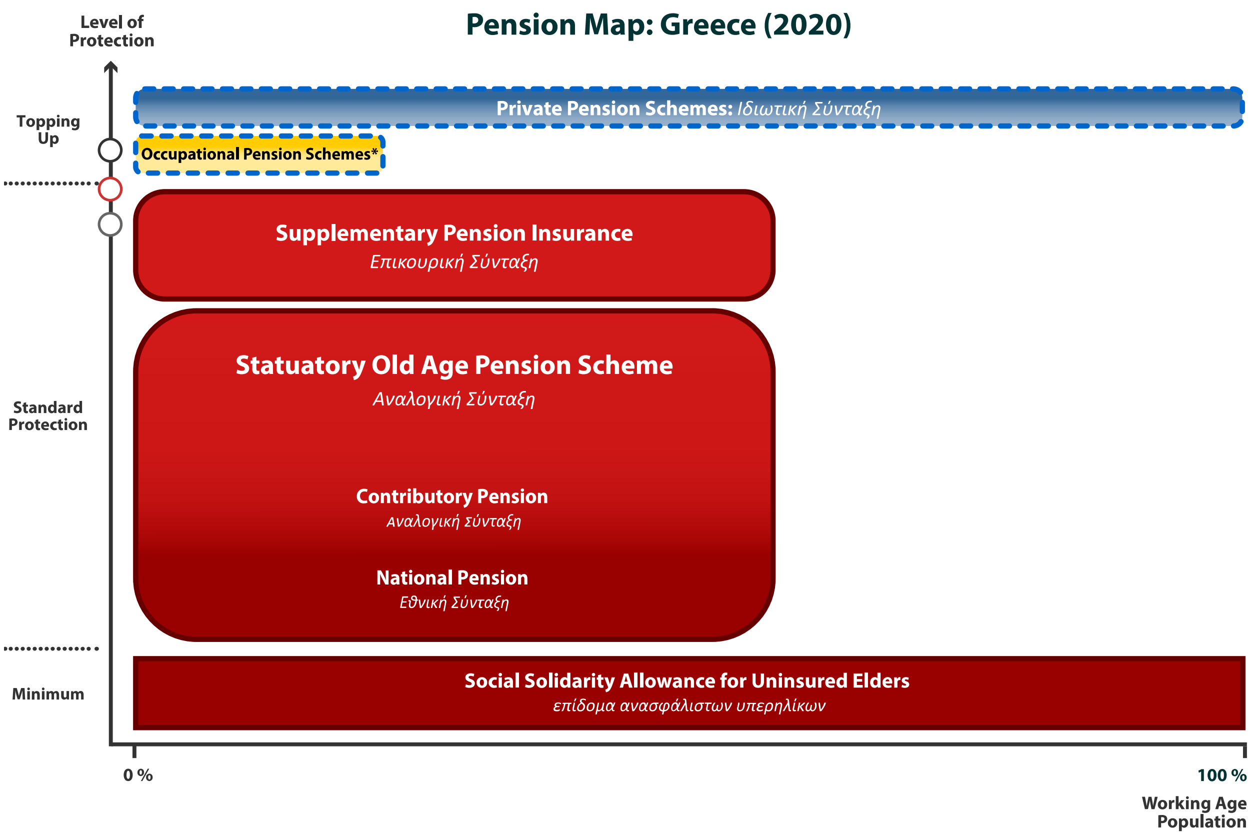
THE GREEK OLD AGE SECURITY SYSTEM IN 2020

Dafni Diliagka

The Greek public pension system is part of the social insurance system of Greece. It operates under public law and is enshrined in the Greek Constitution (Art. 22(5)). The origins of the Greek social insurance system can be traced back to the 19th century, when social protection was only provided to a limited range of professions. After the Second World War, social protection was extended by the adoption of Emergency Law No. 1846 of 1951. Preceded by reform efforts in the 1990s and 2000s, a major reform process was initiated in 2010, in the midst of the economic crisis, that turned the highly fragmented Greek pension system into a unified system. The process culminated in the unification of all statutory public pension funds in 2020, following the previous unification of supplementary public pension funds in 2016. As of now, 'standard protection' against financial risks in old age is provided through mandatory insurance in both a statutory and a supplementary public pension scheme. In addition to the contributory earnings-related pensions provided by both schemes, the statutory pension scheme also offers a modest flat-rate 'national pension', which is financed and guaranteed by the state. This is intended to offer a basic level of protection to most pensioners, requiring them to have made sufficient contributions during their working life and to have lived long enough in Greece. Public pension benefits can be 'topped up' through voluntary enrolment in private and occupational pension schemes, which are incentivised by tax reliefs. Elderly residents who do not qualify for any old age pension and have no further means to support themselves can claim social assistance benefits which shall provide a 'minimum' level of protection.

Standard Protection in Old Age

Standard protection is provided by mandatory insurance in the *statutory old age pension scheme* (*Σύστημα Κύριας Κοινωνικής Ασφάλισης*) and the *supplementary pension insurance scheme* (*Σύστημα Επικουρικής Κοινωνικής Ασφάλισης*). Insurance in both public schemes is mandatory for the entire workforce, namely for all persons in employment, the self-employed, and agricultural workers. There are no options for voluntary insurance in these schemes, nor can persons choose to opt in or opt out from mandatory insurance. Benefits of the *statutory old age pension scheme* comprise two



* Information on the scope of persons that has the right to access the scheme (i.e. intended coverage) is not available.

components: an earnings-related 'contributory pension' (*αναλογική σύνταξη*) which is financed by insurance contributions on a PAYG basis, and a tax-financed, flat-rate 'national pension' (*εθνική σύνταξη*) that provides a basic level of protection. A full 'contributory pension' of the statutory scheme is provided to persons at the age of 67 or, respectively, at the age of 62 with an insurance record of 40 years. The benefit is paid by the unified public pension fund e-EFKA (*Ηλεκτρονικός Ενιαίος Φορέας Κοινωνικής Ασφάλισης*), an independent public legal entity governed by public law. The full flat-rate 'national pension' is provided to pensioners with an insurance record of 20 years and 40 years of residence in Greece (between the age of 17 and 67), and is paid entirely out of the state budget. It is reduced proportionally for each year of contribution and each year of residence that falls below these thresholds. The minimum requirement for the national pension is 15 years of residence and 15 years of insurance in the statutory scheme. Pension benefits of the *supplementary public pension scheme* complement those of the statutory scheme and are provided by the auxiliary pension fund E.T.E.A.E.P (*Ενιαίο Ταμείο Επικουρικής Ασφάλισης και Εφάπαξ Παροχών*), which is financed on a PAYG basis solely from contributions of employers and employees. The supplementary scheme was turned into a notional defined contribution system (NDC) in 2012.

Top-Ups

Public pension benefits can be topped up by voluntary participation in *occupational pension insurance schemes* (*Επαγγελματική Σύνταξη*) and *private pension schemes* (*Ιδιωτική Σύνταξη*). Insurance in an *occupational pension scheme* is usually offered to employees of a given enterprise based on collective agreements (concluded between the employer/the employer association and the trade union) with possibilities for opting out or a collective labour contract (between the employees and the employer). Although *occupational pension schemes* have been introduced in 2002, these schemes are still not well-developed in Greece. Further, and with regard to *private pension schemes*, individuals have the option of creating their personal pension savings accounts, choosing between various conditions. Every person who has turned 18 can participate in a voluntary *private pension scheme* by making instalments on a monthly or other temporal basis. Participation in occupational and private pension schemes is supported by the state through tax reliefs and incentives.

Minimum

Elderly persons with insufficient financial means who are not eligible for the flat-rate 'national pension' of the statutory old age pension scheme that guarantees a basic level of protection are granted a *social solidarity allowance for uninsured elders* (*Επίδομα ανασφάλιστων υπερηλίκων*). It is a means-tested, flat-rate social assistance benefit financed by the public tax revenue that guarantees a minimum level of protection. To qualify for the full social assistance benefit, an individual has to have lived in Greece for 35 years. For individuals with shorter periods of residence, but at least 15 years of residence (between the age of 17 and 67), the benefit is reduced accordingly. The *social solidarity allowance for uninsured elders* and the 'national pension' of the *statutory old age pension scheme* cannot be claimed simultaneously.

Social Solidarity Allowance for Uninsured Elders

Επίδομα ανασφάλιστων υπερηλίκων

A. Coverage

- Uninsured elderly persons permanently residing in Greece, who have reached the standard statutory retirement age, who cannot sufficiently cover their necessary subsistence from their income/assets and who are not eligible for the 'national pension' of the *statutory old age pension scheme.*

B. Financing

- The scheme is entirely tax-financed out of the state-budget.

C. Administration

- Benefits are granted and provided by the Organisation of Welfare Benefits and Social Solidarity (OPEKA).

D. Qualifying Conditions

- The person must have reached the statutory retirement age of 67 years.
- Persons must not be eligible for any old age pension, incl. 'national pension' of the *statutory old age pension scheme*; if the person receives pension income from abroad, it must be less than 360 EUR/month.
- The benefit is residence-tested: the person must have been a resident in Greece for at least 15 years (between the age of 17 to 67); 35 years of residence are required for full benefit.
- The benefit is means-tested: the person's income, the household's income and assets must be below a certain level (personal income: 4,320 EUR/year, household income: max. 8,640 EUR/year, property assets: max. 9,000 EUR in 2020).

E. Benefits

- Full flat-rate benefit (360 EUR per month/person in 2020) for those with 35 years of residence in Greece; proportionate shortening for shorter residence periods.

F. Legal Basis

- Law 4387 of 2016, Unified System of Social Insurance, providing for the reform of the social protection system and pension scheme and regulating the tax income and taxation for games of change and inserting other provisions (*Μεταρρύθμιση ασφαλιστικού συνταξιοδοτικού συστήματος*).

Statutory Old Age Pension Scheme

Σύστημα Κύριας Κοινωνικής Ασφάλισης

A. Coverage

Mandatory insurance
- The entire workforce, namely all employees and self-employed individuals as well as agricultural workers.

Voluntary Insurance/Opting-Out/Opting-in
- There are no options for voluntary insurance or opting-in/opting-out of mandatory insurance in this scheme.

B. Financing

General finances
- *National pension*: entirely tax-financed out of the state budget.
- *Contributory pension*: PAYG-financed from insurance contributions of the currently insured population; since 2015, there are no fixed contributions out of the state budget.*

Contribution Rates
- Fixed share (20%) of monthly gross earnings.
- Contributions shared between employee (10%) and employer (10%).
- Special contribution regulations for self-employed and agricultural workers.
- Unemployed persons: a max. of 300 days of unemployment recognizable as notional insurance period; long-term unemployed persons can make voluntary contributions until five years prior to retirement.

**Pension benefits granted up until 1 January 2015 were financed on a tripartite basis, i.e. by employee and employer contributions, regular and additional state subsidies, as well as resources gained from the optimal use of the assets controlled by the public pension funds.*

C. Administration

- Benefits are provided by the digital Unified Social Insurance Fund (e-EFKA).

D. Qualifying Conditions

Qualifying conditions
National pension
- Statutory retirement age is 67 with minimum insurance period of 15 years; 20 years of insurance period required for full 'national pension'.
- Persons must have resided in Greece for a minimum of 15 years (between the age of 17 and 67); 40 years of residence required for full 'national pension'.
- Benefits are not means-tested.

Contributory pension
- *Standard old age pension*: the statutory retirement age is 67 years with minimum insurance period of 5 years (insured after 2002).
- Persons are also entitled to full pension at the earliest age of 62 with a minimum insurance period of 40 years (12,000 contribution days).
- Special conditions apply for persons in hazardous jobs: retirement age is 62 with a minimum contribution period of 17 years.

Early retirement
- Available at age 62 for persons with a minimum contribution record of 15 years (age 60 for persons in hazardous jobs with a minimum of 105,000 contribution days, of which 7,500 days have been worked in an arduous and unhygienic profession (AUP)); with negative (permanent) adjustments (i.e. benefits are reduced by 1/200 of the full pension for each month pending the reaching of the age of 67).

Deferred Retirement
- Generally, it is not possible to defer retirement; retirement can only be deferred without positive adjustments to pension benefits (for persons first insured after 01/01/1993 or persons with vested pension rights after 01/01/2011).

Combining Employment and Retirement

- Employment after retirement is possible, but subject to certain restrictions.
- If the pensioner is above the age of 62 and claims pension benefits next to employment (starting after 01/03/2020), benefits will be reduced by 30% independent from the amount of income achieved through employment; the whole amount of the pension benefit is withheld if the pensioner (first insured before 1983) is below the age of 62.

E. Benefits

Pension benefits

<u>National pension</u>

- Full flat-rate benefit for persons with a 20 years' contribution record and 40 years of residence in Greece (384 EUR per month/person in 2020); proportionate reduction for shorter residence periods; minimum amount: 345.50 EUR per month/person.

<u>Contributory pension</u>

- Primarily based on the amount of contributory earnings throughout working career.
- Maximum amount: 5,900 EUR/month (incl. national pension benefits).
- Minimum amount: no minimum amount (see 'national pension').

Factors for benefit calculation

- The total amount of pension allocation is determined with reference to the earnings record, the contribution record and the accrual rate.
- The estimated accrual rate ranges between 0.77% and 2.5% of individual earnings.
- *Adjustments*: The earnings are adjusted yearly according to a sustainability principle, which is adjusted in accordance with the annual earnings registered in the social security scheme to the consumer price index (inflation).
- The replacement rate is set at about 34% for 35 years of insurance and 41% for 40 years of insurance; replacement rates are adjusted yearly by legislation following consultation with the Hellenic Statistical Authority (ELSTAT) and the National Actuarial Authority (EAA).

Taxation and social security contributions

- The tax allowance is set at 5,000 EUR per year for pensioners below the age of 65, and 9,000 EUR for pensioners above the age of 65; pensioners receiving more than 750 EUR in pension income per month are obliged to pay taxes.
- Contributions to the health insurance system are mandatory.
- A solidarity contribution fee exists for old age pension benefits of more than 1,400 EUR/per month; an extra solidarity contribution applies to pensioners below the age of 60 with a monthly pension income of more than 1,700 EUR.

F. Legal Basis

- Law 4387 of 2016, Unified System of Social Insurance, providing for the reform of the social protection system and pension scheme and regulating the tax income and taxation for games of chance and inserting other provisions (*Μεταρρύθμιση ασφαλιστικού συνταξιοδοτικού συστήματος*); Law 4670/2020, Social Insurance Reform and Digital Reconstruction of the National Social Insurance System (e-EFKA) (*Ασφαλιστική μεταρρύθμιση και ψηφιακός μετασχηματισμός Εθνικού Φορέα Κοινωνικής Ασφάλισης* (*e-ΕΦΚΑ*)).

Supplementary Pension Insurance Scheme

Σύστημα Επικουρικής Κοινωνικής Ασφάλισης

A. Coverage

Mandatory insurance

- All persons mandatorily insured in the *statutory old age pension scheme* (i.e. all persons employed in the public and private sector, self-employed persons, agricultural workers).

Voluntary Insurance/Opting-Out/Opting-in

- There are no options for voluntary insurance or opting-in/opting-out of mandatory insurance in this scheme.

B. Financing

General finances

- The scheme operates under a PAYG-financed notional defined contribution system (NDC) (since 2012, for persons first insured after 01/01/2014) based on insurance contributions and property investments of the supplementary public pension schemes.
- Any kinds of transfers from the public budget are precluded; there are no guarantees by the state to cover for any deficits incurred by the scheme.

Contribution rates

- Fixed share (6%) of monthly gross earnings.
- Contributions shared in parity between employers (3%) and employees (3%).
- Special contribution regulations for self-employed and agricultural workers (i.e. insurance contributions are calculated on the basis of the minimum basic salary of a single employee over the age of 25).

C. Administration

- Benefits are provided by the Unified Auxiliary Social Security and Lump Sum Benefits Fund (ETEAEP).

D. Qualifying Conditions

- Conditions equal those of the statutory public pension scheme.

E. Benefits

Pension benefits

- Earnings-related, based on the amount of contributory earnings throughout working career.

Factors for benefit calculation

- Notional defined contribution (NDC) system (since 2012):
- The notional return that is applied to the contributions, with consideration also given to the sustainability factor, which guarantees the continuity of the system.
- The sustainability factor depends on the average earnings of the insured as well as the number of insured persons and demographic changes. It concerns the clause of 'null deficit', which constitutes a self-correcting mechanism in the *supplementary public pension funds*. According to this clause, benefits shall be readjusted if expenditures exceed revenues.

Taxation and social security contributions

- Benefits are subject to tax.

F. Legal Basis

- Law 4052 of 2012, Law of Competency of the Ministries of Health and Social Solidarity and Labour and Social Security for the application of the Law 'Approval of the Draft Financial Assistance Facility Agreement between the European Financial Stability Facility (EFSF), the Hellenic Republic and the Bank of Greece on the Memorandum of Understanding between the Hellenic Republic, the European Commission and the Bank of Greece' and other provisions on the reduction of public debt and the rescue of the Greek economy (*'Νόμος αρμοδιότητας Υπουργείων Υγείας και Κοινωνικής Αλληλεγγύης και Εργασίας και Κοινωνικής Ασφάλισης για εφαρμογή του νόμου «Εγκριση των Σχεδίων Συμβάσεων Χρηματοδοτικής Διευκόλυνσης μεταξύ του Ευρωπαϊκού Ταμείου Χρηματοπιστωτικής Σταθερότητας (Ε.Τ.Χ.Σ.), της Ελληνικής Δημοκρατίας και της Τράπεζας της Ελλάδος, του Σχεδίου του Μνημονίου Συνεννόησης μεταξύ της Ελληνικής Δημοκρατίας, της Ευρωπαϊκής*

Επιτροπής και της Τράπεζας της Ελλάδος και άλλες επείγουσες διατάξεις για τη μείωση του δημοσίου χρέους και τη διάσωση της εθνικής οικονομίας' και άλλες διατάξεις); Law 4387 of 2016, Unified System of Social Insurance, providing for the reform of the social protection system and pension scheme and regulating the tax income and taxation for games of chance and inserting other provisions (*Μεταρρύθμιση ασφαλιστικού συνταξιοδοτικού συστήματος*); Law 4670/2020, Social Insurance Reform and Digital Reconstruction of the National Social Insurance System (e-EFKA) (*Ασφαλιστική μεταρρύθμιση και ψηφιακός μετασχηματισμός Εθνικού Φορέα Κοινωνικής Ασφάλισης* (*e-ΕΦΚΑ*)).

Occupational Pension Insurance Schemes

Επαγγελματική Σύνταξη

A. Coverage

Voluntary insurance

- Public and private sector employees; farmers.
- Based on collective agreement with possibilities for opting-out or collective labour contract.
- Main criterion for the establishment of an occupational pension fund is company size: number of employees must be at least 100.

B. Financing

General finances

- Fully funded schemes.
- No guarantees by the state to cover for any deficits incurred by the scheme.

Contribution Rates

- Contribution rate depends on the terms of the collective agreements.

State Support

- Contributions can be deducted from tax.

C. Administration

- Funds are managed by an independent management board elected every 4 years.
- The Ministry of Employment and Social Insurance Issues, the Hellenic Capital Market Commission and the National Actuarial Authority supervise the occupational scheme.

D. Qualifying Conditions

- The vesting period is 3 years for workers; minimum age for acquisition of pension rights: not older than 21 years.

E. Benefits

Pension Payments

- Benefits can be provided periodically or as lump sum benefits.
- The amount to be awarded depends on the notional return that is applied to the contributions (DC).

Taxation and social security contributions

- Pensions provided as lump sum benefits are not subject to tax; pensions provided periodically are subject to tax.

F. Legal Basis

- Law 3029/2002 concerning Social Security Reform (*Μεταρρύθμιση Συστήματος Κοινωνικής Ασφάλισης*); Law 4575/2018, which transferred Directive No. 2014/50/EU into domestic law, on minimum requirements for enhancing worker mobility between Member States by improving the acquisition and preservation of supplementary pension rights (*Ενσωμάτωση στην ελληνική νομοθεσία της Οδηγίας 2014/50/ΕΕ του Ευρωπαϊκού Κοινοβουλίου και του Συμβουλίου της 16ης Απριλίου 2014, σχετικά με τις ελάχιστες προϋποθέσεις για την προαγωγή της κινητικότητας των εργαζομένων μεταξύ των κρατών-μελών, με τη βελτίωση της απόκτησης και της διατήρησης δικαιωμάτων συμπληρωματικής συνταξιοδότησης*).

Private Pension Schemes

Ιδιωτική Σύνταξη

A. Coverage

Voluntary participation
- All persons who have turned 18 can participate voluntarily in the scheme.

B. Financing

General finances
- Fully funded scheme financed from contributions of the insured person.

Contribution payments
- The contribution rate depends on the terms of the agreement.

State Support
- Contributions can be deducted from tax.

C. Administration

- The benefits are administered by social insurance companies or by Undertakings for Collective Investment in Transferable Securities (UCITS) and their Managers (OSEKA).
- The scheme is supervised by the Bank of Greece.

D. Qualifying Conditions

- Retirement age varies depending on the conditions of the agreement; it is not tied to the statutory retirement age.
- An obligatory minimum length of pension plan can be defined.

E. Benefits

Pension payments
- Dependent on the terms of the agreement (lump sum payment, fixed-term or lifelong pension).

Taxation and social security contributions
- Pension payments are subject to tax (rates: 15% for lifelong pension and 10% for lump sum pension).

F. Legal Basis

- Law 3867/2010 concerning the Supervision of Private Insurance, Establishment of a Private Life Insurance Guarantee Fund, Credit Rating Agencies and other provisions within the scope of the Ministry of Finance (*Εποπτεία ιδιωτικής ασφάλισης, σύσταση εγγυητικού κεφαλαίου ιδιωτικής ασφάλισης ζωής, οργανισμοί αξιολόγησης πιστοληπτικής ικανότητας και άλλες διατάξεις αρμοδιότητας του Υπουργείου Οικονομικών*); Law 4364/2016 which transferred the Directive No. 2009/138/EC in domestic law on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (*Προσαρμογή της ελληνικής νομοθεσίας στην Οδηγία 2009/138/ ΕΚ του Ευρωπαϊκού Κοινοβουλίου και του Συμβουλίου, της 25ης Νοεμβρίου 2009, σχετικά με την ανάληψη και την άσκηση δραστηριοτήτων ασφάλισης και αντασφάλισης* (*Φερεγγυότητα ΙΙ*)).

ITALY

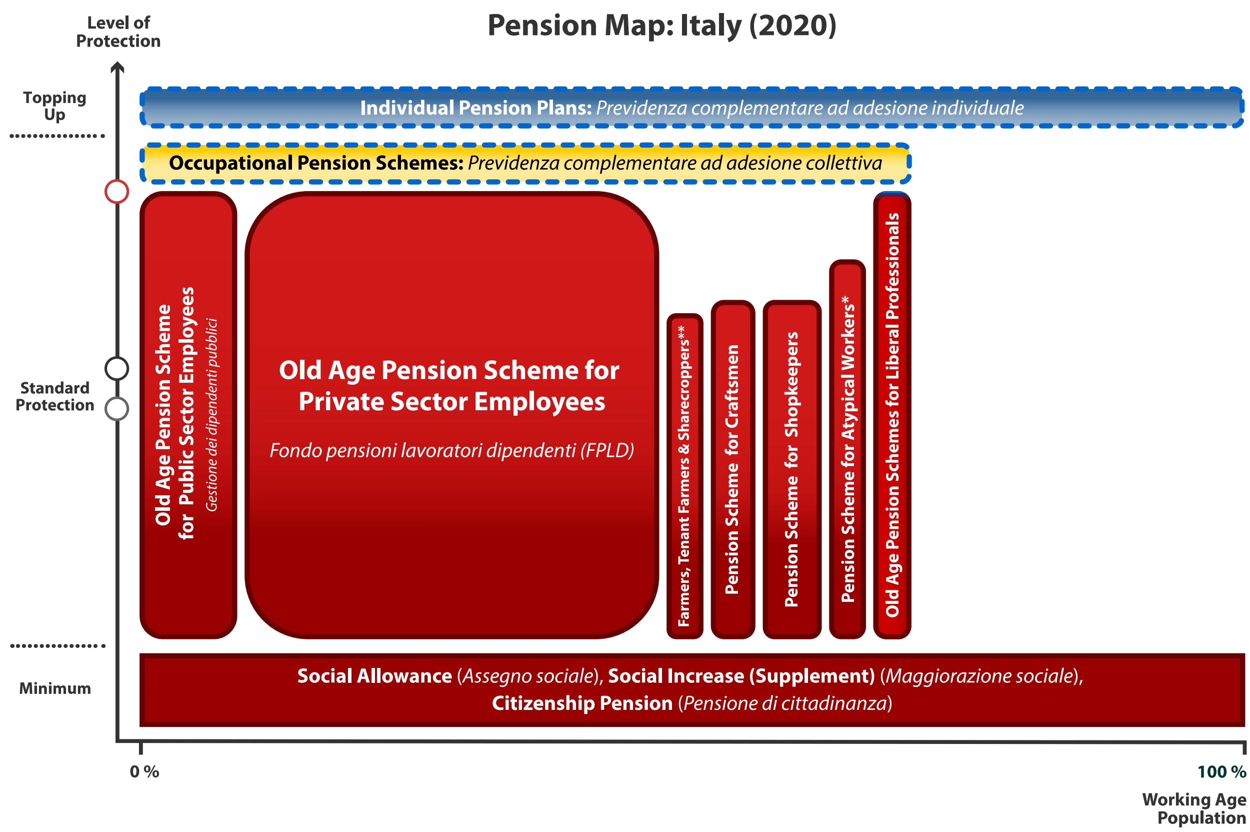
THE ITALIAN OLD AGE SECURITY SYSTEM IN 2020

Eva Maria Hohnerlein

Italy introduced the first old age pension insurance for manual workers on a voluntary basis in 1889 (Act No. 350/1889). In 1919, mandatory insurance was introduced and extended to low-income private sector employees. After World War II, public old age insurance schemes continually spread for all types of subordinate employment and to several groups of self-employed workers. Substantial reforms have been enacted since the early 1990s, aimed at harmonising the statutory pension rules across different professional groups. As of now, 'standard old age protection' in Italy is based mainly on mandatory insurance in public pension schemes and, to some extent, on voluntary insurance in occupational schemes, incentivised by tax reliefs and, since 2007, by the silent consent mechanism for transferring a statutory labour law benefit (severance pay) to such schemes. Further, old age pension benefits can be 'topped up' through voluntary enrolment in private pension schemes which are incentivised by tax reliefs. 'Minimum' protection for elderly persons with insufficient financial resources unable to support themselves is mainly addressed via means- and income-tested social assistance instruments.

Standard Protection in Old Age

Statutory old age pension insurance is mandatory for the entire Italian workforce. In a universalistic approach all employees and self-employed persons are either subject to the *general compulsory insurance* (*Assicurazione generale obbligatoria, AGO*) organised in several social insurance schemes or to mandatory insurance in comparable public schemes, also referred to as substitutive, exclusive or integrative. All these schemes are based on a pay-as-you-go (PAYG) mechanism with benefits being linked to contributions paid throughout a person's career. The vast majority of them are administered by the National Social Security Institution INPS, with benefit calculation rules being based on an NDC system for all new entrants as of 1996. The scheme covering most private sector workers under the AGO is the *old age pension scheme for private sector employees* (*Fondo pensioni lavoratori dipendenti, FPLD*). General compulsory insurance (AGO) for the self-employed is organised within three special old age pension schemes, namely the *scheme for farmers, tenant farmers and sharecroppers* (*Gestione coltivatori diretti, coloni e mezzadri,*



Coverage: * < 3%; ** < 2%

CDCM), the *pension scheme for craftsmen* (*Gestione artigiani*) and the *pension scheme for shopkeepers* (*Gestione commercianti*). A fourth separate *pension scheme for atypical workers* (*Gestione separata lavoratori parasubordinati*) was implemented in 1996 for various categories of self-employed workers not yet covered by mandatory insurance in a public scheme or any of the autonomous pension schemes for the liberal professions. Outside the AGO, smaller 'substitutive' insurance schemes exist for workers in specific occupational sectors (e.g. aviation, clergy, show-business) with eligibility criteria that can deviate from the general scheme, while overall financing mechanisms and benefit calculation rules have been assimilated to it. The *old age pension scheme for public sector employees* (*Gestione dei dipendenti pubblici*) is organised within five 'exclusive' funds, with the largest two being the one for state civil servants and employees, and another for employees of local authorities. Besides, homemakers performing unpaid care work deriving from family responsibilities can insure themselves voluntarily in a separate scheme under the auspices of INPS.

Standard old age protection for certified liberal professions is organised within various autonomous *pension schemes for liberal professionals* (*Regimi pensionistici 'privatizzati' dei liberi professionisti*), based on mandatory affiliation according to the rules of the respective professional order, e.g. for labour consultants, lawyers, medical doctors, journalists, biologists. These schemes enjoy some regulatory autonomy, have their own financial resources, contribution, eligibility and calculation rules, and mainly apply the PAYG mechanism.

Supplementary pensions are provided most often as voluntary, capital-funded *occupational pension schemes* (*Previdenza complementare ad adesione collettiva*). Participation is open to all insured persons of the AGO and other standard protection schemes, but access conditions differ by the type of fund: *'Closed'* or *'contractual' pension funds* (*Fondi pensione negoziali*) are the result of collective bargaining between employers' associations and trade unions, and are implemented either as company pension funds by a single company, as industry-wide pension funds set up by the employers' association and the trade unions for a specific group of workers including self-employed workers, or as territorial funds that provide inter-categorial coverage in three regions/autonomous provinces. By contrast, *'open' pension funds* (*Fondi pensione aperti*) are set up by banks, insurance companies or investment companies and asset management companies for a generic group of participants (i.e. the self-employed) and can offer both occupational pension plans (with collective affiliation) and personal pension plans (with individual affiliation). As of 2007, employees have to choose whether to invest their annual severance pay provision (*Trattamento di Fine Rapporto, TFR*) in a pension plan or to keep it in their company as a backup in the event of redundancy or as an additional lump sum benefit after retirement.

Top-Ups

New forms of capital-funded *individual pension plans* (*Previdenza complementare ad adesione individuale*) based on life insurance contracts (*Piani individuali pensionistici*) were introduced in 2000. They are offered by insurance companies and are incentivised by tax deductions and supervised with similar conditions as occupational pension schemes.

Minimum

The 'minimum pension' guaranteed within the statutory general pension insurance (AGO) has been abolished for new entrants as of 1996. Nevertheless, public pension schemes provide some kind of income support as an annual benefit, the so-called *fourteenth pension* (*14ma pensione*) which depends on personal income. In addition, special tax-financed social assistance measures are available to guarantee a minimum income to all elderly persons with insufficient financial means. An income-tested monthly *social allowance* (*assegno sociale*) is provided for persons aged 67 or older who have been residing in Italy for at least 10 years. In addition, an income-tested monthly supplement, the so-called *social increase* (*maggiorazione sociale*) can be claimed by recipients of the social allowance and of low-income statutory pensions at age 70 and above. A new means-tested *citizenship pension* (*pensione di cittadinanza*) for senior persons aged 67 or older was introduced as of April 2019, subject to the same residence clause but more restrictive access conditions in terms of household composition and means-testing criteria than the social allowance in old age.

Social Allowance

Assegno sociale

A. Coverage

- Italian and EU citizens residing in Italy for at least 10 consecutive years who have reached the standard statutory retirement age and have insufficient means to cover their subsistence needs.
- Non-EU citizens must be holders of a long-term residence permit.

B. Financing

- Entirely tax-financed out of the general budget.

C. Administration

- Managed by the National Institute for Social Security (INPS).
- Supervised by Ministry of Labour and Social Policies.

D. Qualifying Conditions

- Based on standard retirement age of the *statutory pension schemes* (age 67).
- Qualified residence clause: Habitual residence in Italy in a stable and continuous way for 10 years (qualified residence permit in case of non-EU nationals).
- No personal income or financial means lower than the *social allowance*.
- Income-tested (all taxable and most non-taxable income, but only 1/3 of pension based on NDC calculation scheme is considered): annual personal income below 5,978 EUR for a single person; below 11,956 EUR for a couple; ceilings are adjusted annually.

E. Benefits

- Flat-rate benefit: monthly amount of up to 460 EUR (paid in 13 instalments).
- In case of personal income, a partial benefit is paid up to the level of the *social allowance*.
- Benefit is adjusted annually to changes in the cost-of-living-index.
- Benefit is suspended if the beneficiary leaves Italy for a period exceeding 30 days.
- Benefit is reduced (by 50% or 25%) in case of in-patient care or public residential care on public expenses (where expenses are borne by the state).

F. Legal Basis

- Pension Reform Law No. 335/1995; Law No. 133/2008; Law No. 448/2001; Law No. 14/2009; Law No. 122/2010 as modified by Law No. 214/2011.

Social Increase

Maggiorazione sociale

A. Coverage

- Italian and EU citizens with habitual residence in Italy who draw an insurance pension of the AGO (except pensioners of the separate *scheme for atypical workers* or the *social allowance*) and have insufficient means to cover their subsistence needs.

B. Financing

- Entirely tax-financed out of the general budget.

C. Administration

- Managed by the National Institute for Social Security (INPS).
- Supervised by Ministry of Labour and Social Policies.

D. Qualifying Conditions

- Available at age 70; earlier access permitted for insurance pensioners (age reduced by one year for every contribution period of 5 years, up to a total of 5 years).
- Income-tested: annual personal income limit between 5,978 EUR (full benefit) and 8,470 EUR (partial benefit) for a single person; income limits between 11,956 EUR (full) and 14,447 EUR (partial) for couples.

E. Benefits

- Fixed flat-rate monthly supplement to *social allowance* and to AGO insurance pensions.
- For recipients of *social allowance*: monthly amount (13 instalments) of up to 192 EUR.
- For recipients of a public pension: monthly amount (13 instalments) of up to 136 EUR (up to 124 EUR for beneficiaries of the *14th annual payment*).
- No regular adjustments.

F. Legal Basis

- Law No. 544/1988 as modified by Law No. 388/2000; Law No. 448/2001; Law No. 127/2007.

Citizenship Pension

Pensione di cittadinanza

A. Coverage

- Italian and EU citizens residing in Italy for at least 10 consecutive years who have reached the standard statutory retirement age and are without sufficient means to cover their subsistence needs.
- In addition, non-EU citizens must be holders of a long-term residence permit.

B. Financing

- Entirely tax-financed out of the general budget.

C. Administration

- Managed by the National Institute for Social Security (INPS).
- Supervised by Ministry of Labour and Social Policies.

D. Qualifying Conditions

- Available at age 67; age requirement holds for all members of the family unit (unless severely disabled or needing constant care attendance).
- Qualified residence clause: habitual residence in Italy for 10 years (the last two of which in a continuous way).
- Qualified residence permit in case of non-EU nationals.
- No income or income amount below benefit level; assessment of need according to the Equivalent Economic Situation Indicator ISEE related to the family unit.
- Strictly means-tested (related to financial assets, patrimonial assets and certain durable goods): annual income below 9,360 EUR (in case of rental expenses), to be multiplied by equivalence scale parameters; financial assets (savings) not exceeding 6,000 EUR + 2,000 EUR for any additional member of the family unit, up to a ceiling of 10,000 EUR (higher ceilings in case of family members affected by disability or loss of autonomy); real estate assets not exceeding 30,000 EUR (home-ownership of habitual residence is exempted).

E. Benefits

- Benefit determined according to family unit composition, based on equivalence scale (with upper limit).
- Two types of benefits available: (a) flat-rate benefit of up to 630 EUR/month for a single person (annual amount of up to 7,560 EUR) to cover living expenses, multiplied with equivalence scale parameters in case of family units with more members, up to ceiling (ceiling increased in the presence of a seriously disabled or non-self-sufficient family member); (b) additional benefit of up to 150 EUR/month (up to 1,800 EUR/year) as subsidy for rental or mortgage costs; corresponding to a total amount of 780 EUR/month for a single person; to 1,032 EUR/month for a couple.
- No regular adjustments.

F. Legal Basis

- Decree Law No. 4/2019, as modified by Law No. 26/2019.

Old Age Pension Scheme for Private Sector Employees

Fondo pensioni lavoratori dipendenti, FPLD

A. Coverage

Mandatory insurance

- Employees in subordinate private sector employment, including domestic workers.

B. Financing

General finances

- Mainly PAYG-financed from insurance contributions.
- State finances any deficit.

Contribution rates

- Fixed share of monthly gross earnings (33% in general); up to maximum annual earnings ceiling (103,055 EUR in 2020).
- Contributions shared between employer (23.81%) and employee (9.19%).
- Different contribution rates apply for distinct occupational groups; reduced contributions for domestic workers.
- General statutory daily minimum contribution is 49 EUR or the sectoral minimum wage set by collective agreement if higher (special minima for some occupations or in case of part-time work).
- Employees have to pay an additional 1% solidarity contribution on annual pensionable earnings exceeding 47,379 EUR (3,948 EUR per month) without impact on pension benefit.

Taxation of contribution payments

- Contributions are fully deductible from income before taxes.

C. Administration

- Managed by National Institute for Social Security (INPS).
- Supervised by Ministry of Labour and Social Policies and Ministry of Economy and Finance.

D. Qualifying Conditions

Qualifying conditions

- *Standard old age pension* (*pensione di vecchiaia*): statutory retirement age is 67; (retirement age will be gradually increased based on increase in life expectancy; *temporarily suspended until end of 2026*); minimum insurance period: 20 years of paid or credited contributions; pension amount: must be above pension value threshold (i.e. at least 1.5 times the monthly old age social allowance (*assegno sociale*), about 690 EUR per month).
- Old age pension for persons with *insufficient pension benefits* (*below pension value threshold*): retirement age extended to age 71, with a minimum qualifying period of 5 years of paid contributions, irrespective of pension amount in NDC account.
- Special conditions apply for mothers (12 months per child, up to maximum of 24 months prior to standard retirement age), caregivers (providing care for disabled spouse or relatives), for persons under special circumstances (e.g. arduous jobs) and for specific professions (e.g. pilots, artists, athletes).

Early retirement

- *Early contributory pension* with age requirement (*pensione anticipata contributiva*): available at age 64 with 20 years of contributions under the condition that pension amount corresponds to 2.8 times the old age social allowance (about 1,289 EUR per month in 2020), without negative adjustments to pension benefits.
- *Early pension* (*pensione anticipata*) without age requirement: minimum contribution period is 42 years and 10 months for men, 41 years and 10 months for women (still applying in 2020), reduced to 41 years of contributions in case of early career workers.

Deferred retirement

- Deferred retirement is possible up to age 71, with more favourable calculation coefficients.

Combining employment & retirement

- Termination of *current* employment is a precondition for claiming pension benefits.
- Combination of income from new employment and old age pensions (incl. pensions from early retirement) is possible without limitations.

E. Benefits

Pension benefits

- Earnings-related pension benefits (with 13 instalments); based primarily on the amount of contributions paid throughout the working career, credited contributions (e.g. for maternity, military service, sick pay; child-raising) and purchased/redeemed periods not covered by contribution obligations (e.g. periods to obtain university degrees).
- Maximum pension amount due to the ceiling for pensionable income and contributions.
- No fixed minimum in the NDC scheme, but supplements available under specific conditions (*fourteenth payment and special tax allowance; see also social increase*).
- *Fourteenth payment* (*14ma pensione*): additional benefit as 14th instalment (paid once a year in July) requiring pensioners to be at least 64 years old, with personal income below certain levels; amount of supplement depends on personal income and on the length of the contribution period: for annual income up to 10,044 EUR, the benefit amounts to a maximum of 437 EUR (with contribution period of 15 years), 546 EUR (with contribution period between 15-25 years), 655 EUR (with contribution period above 25 years); for annual income up to 13,392 EUR the benefit amounts to 336 EUR, 420 EUR or 504 EUR depending on the contribution period.
- *Special tax allowance* (*Importo aggiuntivo*): flat-rate bonus of 155 EUR paid in December as a rebate for pensioners who are exempted from paying income tax because of their low income; pension must not exceed the minimum pension amount (516 EUR per month in 2020) plus the tax bonus; annual income of single person must not exceed 1.5 times the minimum pension amount (10,044 EUR); annual income of couple must not exceed 3 times the minimum pension (20,088 EUR).

Benefit calculation

- Earnings-related pension is based on notional contributions, set at 33% of insured earnings (pensionable income) with lower and higher ceiling; calculated amounts are adjusted annually according to the average rate of increase in GDP in the last 5 years, multiplied by an actuarial coefficient that varies according to the insured person's age at the time of the initial pension payment (ranging from 4.2% at age 57 to 6.513% at age 71 in 2020).
- The coefficients are adjusted biannually in relation to long-term changes in GDP accounting for the evolution in the income from work subject to mandatory contributions, and to changes in life expectancy (next downward adjustment for 2021-22).
- Indexation: automatic yearly adjustment of pensions, based on changes in consumer price index and differentiated with regard to pension levels, subject to frequent changes; currently, pensions up to 4 times the minimum pension (2,052 EUR) are fully adjusted, higher pensions only partially (percentages range from 77% down to 40%).

Taxation and social security contributions

- Contributory public pension benefits are subject to income tax (minimum tax-exempt level of 8,000 EUR p.a. for pensioners).
- Temporary solidarity contribution on pensions exceeding 5,000 EUR per month (deductions ranging from 15% to 40% of pension brackets above 100,160 EUR p.a.).
- No social security contributions.

F. Legal Basis

- Law No. 88/1989; Pension Reform Law No. 335/1995; Legislative Decree No. 565/1996; Budget Law No. 388/2000; Decree Law (D.L.) No. 247/2007; D.L. No. 81/2007 converted into Law No.127/2007; Law No. 133/2008; Law No. 102/2009; Law No. 122/2010; Law No. 214/2011 (Fornero pension reform); Law No. 92/2012; Law No. 147/2013; Law No. 190/2014; Law No. 109/2015; Law No. 208/2015; Stability Law No. 232/2016; Law No. 205/2017; D.L. 4/2019, converted into Law No. 26/2019; Budget Law 160/2019; Income Tax Act (DPR) No. 917/1986 (*Testo unico delle imposte sui redditi, TUIR*).

Old Age Pension Scheme for Public Sector Employees

Gestione dei dipendenti pubblici

A. Coverage

Mandatory insurance[1]

- The *scheme for state employees* (*Cassa per i Trattamenti Pensionistici dei Dipendenti dello Stato, CTPS*) covers police staff, ministries, judges, military staff of the Armed Forces, diplomatic personnel, prefectural personnel and professors in public universities, teaching and non-teaching staff in schools.
- Public sector employees of other administrations are covered by the *scheme for local authorities* (*Cassa per le Pensioni dei Dipendenti degli Enti Locali, CPDEL*), such as employees of the regions (except Sicily), provinces, municipalities, local health authorities, hospitals of the National Health Service (non-medical staff), municipality-owned companies, some quasi-state agencies.
- Three minor schemes: for preschool teachers and teachers in elementary schools (*Cassa per le Pensioni degli Insegnanti d'asilo e di scuole elementari parificate, CPI*); for health workers (*Cassa per le pensioni dei sanitari, CPS*), including medical employees of the National Health Service, medical and veterinary surgeons employed by municipalities, provinces and public welfare and charity institutions; government medical and veterinary surgeons not entitled to a state pension; for officials of the judiciary (*Cassa per le pensioni degli ufficiali giudiziari, CPUG*).

B. Financing

General finances

- Mainly PAYG-financed from insurance contributions.
- State finances any deficit.

Contribution rates to mandatory insurance

- Fixed rate of monthly gross earnings with contribution assessment ceiling.
- Contribution rates vary: 33% for state employees (8.8% employee share); 32.65% for the local authorities and healthcare sectors (8.85% employee share).
- The employer's share is to be paid by the respective public authority (e.g. state, local authorities, etc).
- Employees have to pay an additional 1% solidarity contribution on annual earnings exceeding 47,379 EUR (3,948 EUR per month) without impact on pension entitlement.

C. Administration

- Managed by National Institute for Social Security (INPS).
- Supervised by Ministry of Labour and Social Policies and Ministry of Economy and Finance.

D. Qualifying Conditions

Qualifying conditions

- Standard retirement age is 67, with automatic termination of employment contract.
- Derogations from the adjustment to life expectancy in case of arduous work (e.g. nurses in hospital shift turn work; teachers in early childhood education and care facilities, public transport bus drivers).
- Special age conditions for various groups (e.g. public employees in the defence, security and rescue sectors, professors of public and other university staff).
- Non age-related conditions: Same as for *old age pension scheme for private sector employees* (*FPLD*).

Early retirement

- Same as for *old age pension scheme for private sector employees* (*FPLD*).

Deferred retirement

- Only as an exception. Employees can opt to remain in service up to the age of 70 if they have not yet accumulated the required contribution years at the standard retirement age.

Combining employment & retirement

- Automatic termination of employment relationship at the statutory retirement age. Pensioners cannot be re-employed by public administrations, otherwise same conditions as for private sector employees (see *old age pension scheme for private sector employees* (*FPLD*)).

E. Benefits

Pension benefits

- Same as for *old age pension scheme for private sector employees* (*FPLD*).

Benefit calculation

- Same as for *old age pension scheme for private sector employees* (*FPLD*).
- Derogations for certain categories or functions (e.g. employees in the defence and security sectors, diplomatic and prefectural staff may obtain higher benefits according to the nature of the services they provide).
- State employees (civil or military) and local authorities staff who terminate their service without fulfilling requirements to obtain an old age pension are entitled to a special one-time flat-rate benefit (*indennità una tantum*) if they have completed at least one year of service.
- *Indexation*: Same as for *old age pension scheme for private sector employees* (*FPLD*).

Taxation and social security contributions

- Same as for *old age pension scheme for private sector employees* (*FPLD*).

F. Legal Basis

Decree of the President of the Republic (DPR) No. 1092/1973 (*Testo unico delle norme sul trattamento di quiescenza dei dipendenti civili e militari dello Stato*); Laws No. 335/1995; No. 214/2011; No. 114/2014; D.L. No. 4/2019, converted into Law No. 26/2019; Law No. 160/2019; Income Tax Act No. 917/1986 (*Testo unico delle imposte sui redditi, TUIR*).

Old Age Pension Scheme for Farmers, Tenant Farmers and Sharecroppers

Gestione coltivatori diretti, coloni e mezzadri, CDCM

A. Coverage

Mandatory insurance

- Self-employed farmers, tenant farmers and sharecroppers (including agricultural entrepreneurs) provided that the enterprise requires agricultural work for not less than 104 days per year and that the agricultural work is the habitual and prevalent activity (major source of income) for the self-employed farmer; family members of at least 15 years (relatives and in-laws up to the 4th degree) working in the agrarian sector.

B. Financing

General finances

- PAYG-financed from insurance contributions.
- Partly tax-financed out of general budget.

Contribution rates

- 24% of income gained from agricultural activities, based on the number of workdays (minimum 156, maximum 312 days) and the daily conventional income (set at 59 EUR in 2020); additional contribution of 0.68 EUR for each workday (up to a maximum of 156 workdays per year).
- Temporary exemption of contribution obligation for new affiliates under the age of 40 (100% reduction for up to 24 months).

C. Administration

- National Institute for Social Security (INPS) collects contributions and manages the scheme for self-employed farmers.
- Supervision by Ministry for Labour and Social Policies and Ministry of Economy and Finance.

D. Qualifying Conditions

Qualifying conditions

- Same as for *old age pension scheme for private sector employees* (*FPLD*).

Early retirement

- Same as for *old age pension scheme for private sector employees* (*FPLD*).

Combining employment & retirement

- Termination of self-employment is not a requirement.
- Income from work and pension income can be combined without limitation.

E. Benefits

Pension benefits

- Same as for *old age pension scheme for private sector employees* (*FPLD*).
- *Fourteenth payment* (*14ma pensione*): same as for *old age pension scheme for private sector employees* (*FPLD*), with a minimum contribution period of 18 years (highest increase with more than 28 years).

Benefit calculation

- Same as for *old age pension scheme for private sector employees* (*FPLD*), with pension based on notional contributions, set at 24% of pensionable income (up to ceiling).
- *Indexation*: same as for *old age pension scheme for private sector employees* (*FPLD*).

Taxation and social security contributions

- Same as for *old age pension scheme for private sector employees* (*FPLD*).

F. Legal Basis

- Laws No. 1047/1957; No. 223/1990; No. 335/1995; No. 311/2004; No. 214/2011; No. 147/2013; No. 232/2016; No. 160/2019; Income Tax Act (DPR) No. 917/1986 (*Testo unico delle imposte sui redditi, TUIR*).

Old Age Pension Scheme for Craftsmen

Gestione artigiani

A. Coverage

Mandatory insurance

- Artisanal entrepreneurs engaged in the production of artisanal goods or services.

B. Financing

General finances

- PAYG-financed from insurance contributions.
- Partially tax-financed.

Contribution rates

- Fixed share of company income: 24% of annual company income up to 47,379 EUR; 25% on company income above the limit; reduced rates for workers under 21 (21.9% and 22%); annual minimum income is set at 3,836 EUR (3,501 EUR for persons under 21); annual maximum is set at 78,965 EUR.

C. Administration

- National Institute for Social Security (INPS) collects contributions and manages the scheme.
- Supervision by Ministry for Labour and Social Policies and Ministry of Economy and Finance.

D. Qualifying Conditions

Qualifying conditions

- Same as for *old age pension scheme for private sector employees* (*FPLD*).

Early retirement

- Same as for *old age pension scheme for private sector employees* (*FPLD*).

Combining employment & retirement

- Same as for *old age pension scheme for farmers, tenant farmers and sharecroppers* (*CDCM*).

E. Benefits

Pension benefits

- Same as for *old age pension scheme for private sector employees* (*FPLD*).
- *Fourteenth payment* (*14ma pensione*): same as for *old age pension scheme for farmers, tenant farmers and sharecroppers* (*CDCM*).

Benefit calculation

- Same as for old age pension scheme for *private sector employees* (*FPLD*), with pension based on notional contributions, set at 25% of pensionable income (up to ceiling).
- *Indexation*: same as for *old age pension scheme for private sector employees* (*FPLD*).

Taxation and social security contributions

- Same as for *old age pension scheme for private sector employees* (*FPLD*).

F. Legal Basis

- Laws, No. 463/1959; No. 223/1990; No. 335/1995; No. 311/2004; No. 111/2011; No. 147/2013; No. 232/2016; Income Tax Act (DPR) No. 917/1986 (*Testo unico delle imposte sui redditi, TUIR*).

Old Age Pension Scheme for Shopkeepers

Gestione commercianti

A. Coverage

Mandatory insurance

- Owners of a small-scale enterprise in the commercial, service or tourism sectors, independently of the number of employees, who mainly rely on own personal work (self-employed), with the help of family members.

B. Financing

General finances

- PAYG-financed from insurance contributions.
- Partially tax-financed.

Contribution rates

- Fixed share of company income, workers aged 21 and above: same as *old age pension scheme for craftsmen*; reduced rates for workers under 21 (22% and 23%); annual minimum income is set at 3,850 EUR; annual maximum at 78,965 EUR.

C. Administration

- National Institute for Social Security (INPS) collects contributions and manages the scheme.
- Supervision by Ministry for Labour and Social Policies and Ministry of Economy and Finance.

D. Qualifying Conditions

Qualifying conditions

- Same as for *old age pension scheme for private sector employees* (*FPLD*).

Early retirement

- Same as for *old age pension scheme for private sector employees* (*FPLD*).

Combining employment & retirement

- Same as for *old age pension scheme for farmers, tenant farmers and sharecroppers* (*CDCM*).

E. Benefits

Pension benefits

- Same as for *old age pension scheme for private sector employees* (*FPLD*).
- *Fourteenth payment* (*14ma pensione*): same as for *old age pension scheme for farmers, tenant farmers and sharecroppers* (*CDCM*).

Benefit calculation

- Same as for *old age pension scheme for craftsmen.*
- *Indexation*: same as for *old age pension scheme for private sector employees* (*FPLD*).

Taxation and social security contributions

- Same as for *old age pension scheme for private sector employees* (*FPLD*).

F. Legal Basis

- Laws No. 613/1966; No. 223/1990; No. 335/1995; No. 311/2004; No. 214/2011; No. 147/2013; No. 232/2016; Income Tax Act (DPR) No. 917/1986 (*Testo unico delle imposte sui redditi, TUIR*).

Old Age Pension Scheme for Atypical Workers

Gestione separata lavoratori parasubordinati

A. Coverage

Mandatory insurance

- Liberal professionals in sectors not covered by any of the autonomous *old age pension schemes for liberal professionals* (*Regimi pensionistici 'privatizzati' dei liberi professionisti*); so-called para-subordinate workers (project workers on continuous collaboration contracts); self-employed workers subject to VAT; atypical workers in marginal/minor self-employment, and assimilated categories (e.g. home sellers; self-employed customs agents, university collaborators with research grants; researchers with scholarships for attending doctoral research courses).

B. Financing

General finances

- PAYG-financed from insurance contributions.
- Partially tax-financed.

Contribution rates

- Fixed share of effective (not predetermined) income only; with minimum annual reference income (15,953 EUR in 2020), used to acknowledge the number of months covered by contributions; in case of contributions below the minimum threshold less than 12 months will be accounted.
- Contribution rates vary between groups of atypical workers: 33% for collaborators and assimilated workers, shared between customer and collaborator by 2/3 to 1/3; 25% for professionals not covered otherwise, and 24% for pensioners and self-employed persons with gainful employment covered by other mandatory pension scheme.

C. Administration

- National Institute for Social Security (INPS) collects contributions and manages the scheme.
- Supervision by Ministry for Labour and Social Policies and Ministry of Economy and Finance.

D. Qualifying Conditions

Qualifying conditions

- Same as for *old age pension scheme for private sector employees* (*FPLD*).

Early retirement

- Same as for *old age pension scheme for private sector employees* (*FPLD*).

Combining employment & retirement

- Same as for *old age pension scheme for farmers, tenant farmers and sharecroppers* (*CDCM*).

E. Benefits

Pension benefits

- Same as for *old age pension scheme for private sector employees* (*FPLD*).
- *Fourteenth payment* (*14ma pensione*): same as for *old age pension scheme for farmers, tenant farmers and sharecroppers* (*CDCM*).

Benefit calculation

- Same as for *old age pension scheme for private sector employees* (*FPLD*), with pension based on notional contributions of insured income (varies across different categories: set at 24%, 25%, or 33% of pensionable income) up to earnings ceiling.
- *Indexation*: same as for *old age pension scheme for private sector employees* (*FPLD*).

Taxation and social security contributions

- Same as for *old age pension scheme for private sector employees* (*FPLD*).

F. Legal Basis

- Laws No. 335/1995; No. 326/2003; No. 311/2004; No. 214/2011; No. 147/2013; No. 232/2016; Income Tax Act (DPR) No. 917/1986 (*Testo unico delle imposte sui redditi, TUIR*).

Old Age Pension Schemes for Liberal Professionals

Regimi pensionistici 'privatizzati' dei liberi professionisti

A. Coverage

Mandatory insurance
- For certified liberal professions registered under the professional order, mainly including self-employed medical doctors, dentists, veterinarians, pharmacists, architects, notaries, lawyers, tax consultants, financial auditors, psychotherapists, engineers.

Voluntary insurance
- Possible under certain conditions, in particular during the first years of professional activity.

B. Financing

General finances
- PAYG-financed from insurance contributions and own resources (capital revenues).
- No government guarantees or state subsidies.

Contribution rates
- Fixed share of income declared for income tax purposes/company income subject to VAT; paid by insured person.
- Contribution rates differ between schemes, according to regulations.
- Statutes may allow for additional voluntary contribution payments.

C. Administration

- Pension funds (foundations or associations according to the Civil Code) with some normative autonomy, consisting of:
- A) schemes under Decree Law 509/1994 including labour consultants (ENPACL); veterinary doctors (ENPAV), pharmacists (ENPAF), lawyers (*Cassa Forense*), engineers and architects (INARCASSA), surveyors and graduated surveyors (CIPAG), accountants (CNPR), certified accountants (CNPADC), notaries (CNN), medical doctors (ENPAM);
- B) schemes under Decree Law103/1996 including biologists (ENPAB), separate scheme for agricultural technicians and consultants (ENPAIA), multi-categorical scheme for agronomists, forestry experts, actuaries, chemists, geologists (EPAP), graduated and non-graduated industrial consultants (EPPI), psychologists (ENPAP), nurses (ENPAPI).
- Supervised by the Pension Funds Supervisory Board COVIP (*Commissione di vigilanza sui fondi pensione*) as to the control of investments of financial resources.
- Supervised by the Ministry of Economy and the Ministry for Labour and Social Policies, as in the case of occupational pension schemes.

D. Qualifying Conditions

Qualifying conditions
- Retirement age increases to 67 without minimum contribution period (some exceptions: minimum contribution period of 60 months); qualifying conditions vary according to regulations of each independent pension scheme.

Early retirement
- Available, depending on regulations.

Deferred retirement
- Retirement can be deferred, up to a maximum age (up to 70-75) and with additional pension rights, according to regulations.

Combining employment & retirement
- Termination of employment is usually not a precondition for claiming pension benefits (exception: long-term service pensions cannot be combined with specific professional activity previously exercised).

E. Benefits

Pension benefits
- Earnings-related monthly pensions.
- Some schemes provide for an income-tested minimum pension; maximum pension amount based on pensionable income ceilings according to statutes.

Factors for benefit calculation
- Various calculation methods across different 509/1994 schemes; some have adopted the contribution-based method with calculation criteria that are sometimes different from the *old age pension scheme for private sector employees* (*FPLD*).

- The funds established under Law 103/1996 apply the contribution-based NDC method: pensions are calculated by multiplying the individual amount of contributions paid by members by an age-related coefficient at the time of retirement, which also considers life expectancy.
- *Indexation*: according to regulations.

Taxation and social security contributions
- Pension benefits subject to income tax.
- Solidarity contributions imposed on higher pensions.
- No social security contributions.

F. Legal Basis

- Legislative Decrees No. 509/1994; No. 103/1996; Law No. 335/1995; Law No. 111/2011; Law No. 133/2011; Law No. 214/2011; statutes and regulations of different schemes; Income Tax Act (DPR) No. 917/1986 (*Testo unico delle imposte sui redditi, TUIR*).

Occupational Pension Schemes

Previdenza complementare ad adesione collettiva

A. Coverage

Voluntary participation[2]

- Private and public sector employees as well as self-employed persons, liberal professionals, and members of a cooperative society, via *'closed'* or *'contractual' pension funds* (*CPFs*), set up through collective bargaining agreements, including those signed at the company level, implemented either as company pension funds by a single company or as industry-wide pension funds for a specific group of participants[3] or by regions and social partners for the workforce of a particular region/autonomous province.[4]
- *'Open' pension funds* created by financial services companies for a generic group of participants, i.e. the self-employed, when membership is established on a collective basis.
- Incentivised enrolment to closed pension funds with 'silent consent' mechanism.
- Special rules for public sector employees, depending on the legal basis of the employment relationship (collective labour law agreement or statute).[5]

B. Financing

General finances

- Fully funded schemes.
- Financed by contribution payments (of employer and employee), partial or complete transfer of TFR entitlement (as established by law or by collective agreements) and capital revenues.

Contributions rates

- Modalities and minimum contributions are defined by collective agreement, either as a fixed amount or, in the case of private sector employees, as a percentage of the remuneration or particular elements of remuneration (annual amount of the TFR benefit, corresponding to 6.91% of gross salary, or part of TFR); for self-employed persons and liberal professionals contribution is determined as percentage of taxable income; special rules for public sector employees and for particular categories.
- Contributions are usually shared between employer and employee, in particular if participation is based on collectively bargained agreement.

Incentivising strategies

- Contributions are not considered as income subject to mandatory insurance contributions, but the employer has to pay a solidarity contribution corresponding to 10% of the transferred resources, in favour of the statutory pension scheme.
- Tax incentives for insured person: contributions up to 5,165 EUR p.a. (excluding TFR transfers) are tax exempt; after 5 years of affiliation, an increased ceiling (7,747 EUR p.a.) applies.
- Tax relief for employers related to TFR payments.

C. Administration

- The Pension Funds Supervisory Board COVIP (*Commissione di vigilanza sui fondi pensione*) supervises the investments and provides rules on information and transparency.
- *Closed pension funds*: assets managed through companies in the financial services sector (insurance companies, banks and asset management companies); with asset management companies; subscription or acquisition of shares of real estate companies, etc.

D. Qualifying Conditions

- Entitlement is tied to employee's or worker's pension entitlement under the corresponding statutory pension scheme, payments before reaching the retirement age are possible under specific conditions; at least 5 years of participation in occupational pension fund.

E. Benefits

Pension payments

- Monthly life-long annuity or up to 50% of capital as one-time lump sum payment (exception: 100% lump sum payment in case of low amount).
- Depending on accumulated capital and retirement age.

- Lump sum anticipations possible for various defined purposes; of up to 75% (100% for public sector) of accumulated capital possible to cover extraordinary expenses under specific conditions (e.g. healthcare costs) after a minimum period of participation of 8 years.
- Freely chosen anticipation of up to 30% of accumulated capital (for private sector employees only).

Taxation and social security contributions

- Pension incomes are only partially taxable reflecting the tax paid by the pension fund on its investment returns during the accumulation phase.
- Income tax on 87.5% of the amount.
- No social security contributions.

F. Legal Basis

- Legislative Decrees No. 124/1993; No. 252/2005; Law No. 243/2004; Law No. 296/2006; Legislative Decree No. 147/2018; D.L. No. 4/2019 converted into Law No. 26/2019; Law No. 160/2019; Income Tax Act No. 917/1986 (*Testo unico delle imposte sui redditi, TUIR*).

Individual Pension Plans

Previdenza complementare ad adesione individuale

A. Coverage

Voluntary participation

- Open to anybody.
- Based on *individual pension plan* (*Piano pensionistico individuale, PIP*) featuring life insurance contracts with pension purposes or coverage through individual membership to *'open' pension funds*.

B. Financing

General finances

- Fully funded personal pension plans based on contribution payments.

Contributions rates

- Contributions can be chosen freely.
- Private sector employees can transfer their TFR benefit.

State support

- Tax relief on contributions.

C. Administration

- Personal pension plans are offered by insurance companies.
- Supervision by the Pension Funds Supervisory Board COVIP (*Commissione di vigilanza sui fondi pensione*) and Ministry of Labour and Social Policies and Ministry of Economy and Finances.

D. Qualifying Conditions

- Retirement age tied to statutory retirement age; payments before reaching the retirement age are possible under specific conditions (cf. occupational pensions).
- At least 5 years of participation.

E. Benefits

Pension payments

- Based on accumulated capital through contribution payments and investment yields, minus administrative costs and costs/fees of pension provider.
- Life-long annuity paid monthly (using unisex mortality tables); or lump sum payment up to 50% of capital, the remaining amount is for the annuities; or total amount as lump sum payment, but only if 70% of the accumulated capital result in an annual pension which is lower than 50% of the *social allowance*.

Taxation and social security contributions

- Pension payments are subject to income tax; favourable tax rates on yields; favourable tax rates for annuities and lump sum payment (varying between 15% and 9%).
- No social security contributions.

F. Legal Basis

- Legislative Decrees No. 124/1993; No. 47/2000; No. 252/2005; Income Tax Act No. 917/1986 (*Testo unico delle imposte sui redditi, TUIR*).

Footnotes

1 Cf. the special substitutive pension scheme provided by the Sicily Region (*Fondo Pensioni Sicilia*) under regional legislation; further special schemes are available for employees and elected subjects of the Chamber of Deputies and of the Senate, providing for life annuities, partially based on contributions; judges and employees of the Constitutional Court; staff of the presidency of the Republic; elected subjects of Ordinary Regions and Special Statute Regions (required to pay notional contributions). Most of the special schemes, e.g. the scheme for former deputies and senators have been remodeled on the basis of a NDC system, cf. regulations on pension benefits for deputies; on pension benefits for senators (2012).

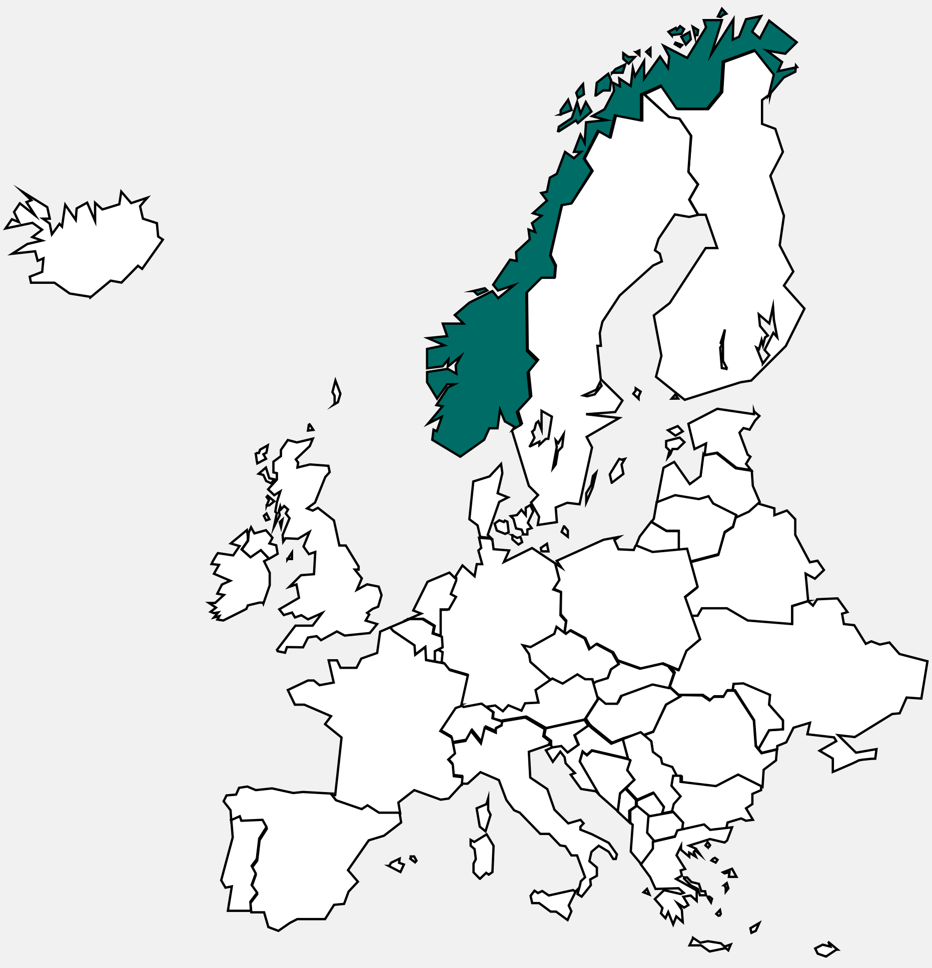
2 For a few occupations mandatory *'integrative' statutory pension schemes* persist to supplement standard pensions, e.g. for tax collectors, dock workers, miners (managed by INPS), while some self-employed professionals enjoy additional protection provided by mandatory supplementary insurance schemes, based on autonomous management and regulations.

3 E.g. *Cometa pension fund* for employees in the metalworking and plant installation industries and related sectors; *Fonchim pension fund* for employees in the chemical and pharmaceutical industries; *Previndai pension fund* for executives in the manufacturing industry.

4 E.g. the *Laborfonds pension fund* for employees working in the Trentino Alto Adige region; *Fondemain pension fund* for the workforce of the Aosta Valley region.

5 Currently, there are only a few *'closed' funds* that cover public service employees, e.g. *Espero* (teaching staff), *Perseo Sirio* for personnel of the regions, local authorities and the national health service, staff of ministries, of the Presidency of the Council of Ministers, university staff, and two regional funds that include also public administration staff. At present, civil servants with an employment relationship not governed by a collective labour agreement do not have the opportunity to join a *'closed' pension fund*.

NORWAY



THE NORWEGIAN OLD AGE SECURITY SYSTEM IN 2020

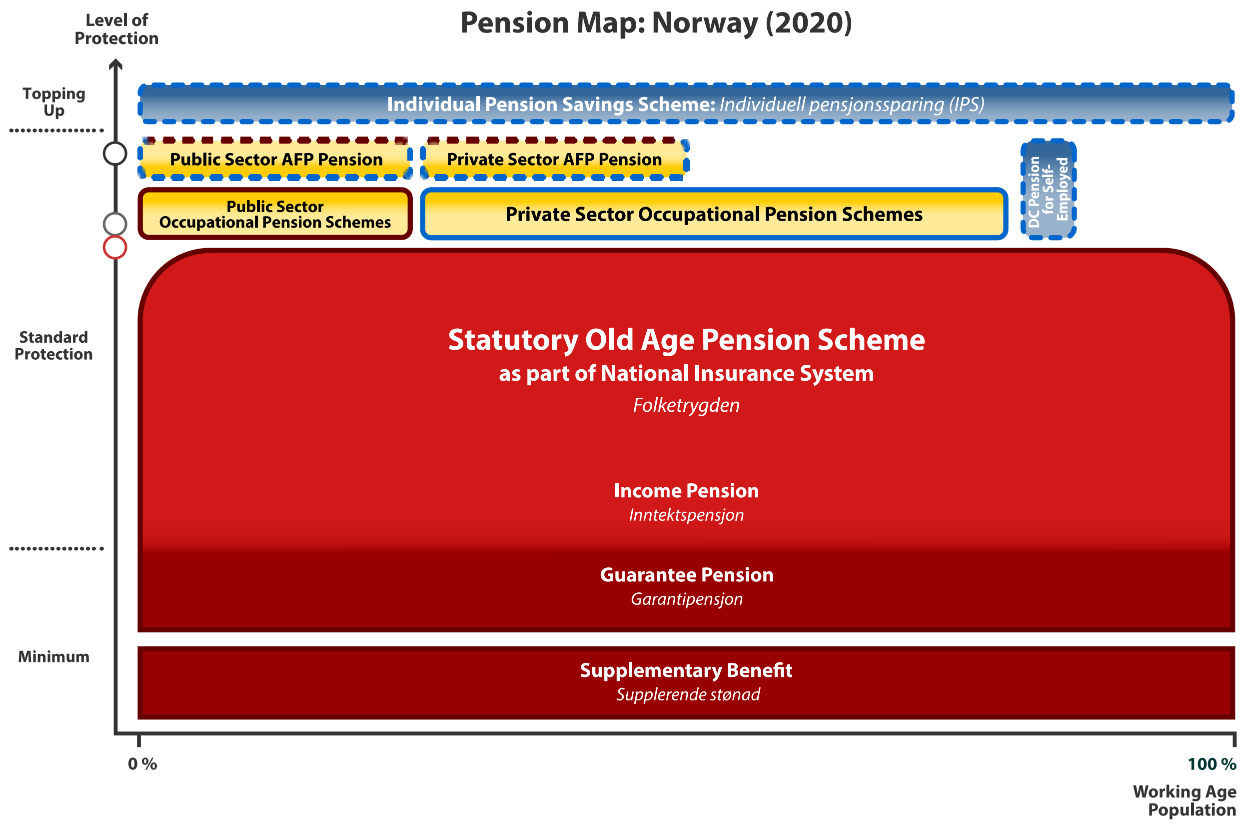
Anika Seemann

Norway's first nationwide public old age pension system was introduced in 1937. The public old age pension is now part of Norway's *national insurance system* (*folketrygden*), which is a mandatory, universal social security system formed in 1967. Concerns about fiscal sustainability due in particular to demographic change were the main reason behind a major reform of Norway's old age pension system, which was phased in beginning in 2011. In addition to the statutory earnings-related 'income pension', the *national insurance system* offers a 'guarantee pension' that is meant to provide a 'minimum' pension for individuals with an insufficient 'income pension'. With the 'guarantee pension', the avoidance of old age poverty forms an integral part of the statutory old age pension system, although additional social assistance is available for individuals with limited periods of residence in Norway who cannot obtain a full 'guarantee pension'. In addition to the universal old age pension system, Norway has both occupational pensions and private pensions. A 'standard' level of protection is intended to be ensured through supplementary benefits provided by mandatory insurance in occupational pension schemes for those in private and public employment and through personal pension schemes for those in self-employment. For individuals wishing to 'top up' their pensions, tax benefits are available for voluntary private pension savings.

Standard Protection in Old Age

All residents (and some individuals outside Norway) are members of the *statutory old age pension scheme as part of Norway's national insurance system* (*folketrygden*). To qualify for an old age pension, individuals need to have resided in Norway for at least three years between the ages of 16 and 66. The old age pension of the *national insurance system* consists of an earnings-related '*income pension*' (*inntekspensjon*) and a pension-tested '*guarantee pension*' (*garantipensjon*) ensuring a minimum amount of pension benefits. The system is financed as a pay-as-you-go (PAYG) system based on social contributions and state subsidies.[1] The 'income pension' is calculated based on lifetime income between the ages of 13 and 75. Flexible retirement is possible between the ages of 62 and 75.

Occupational pension schemes are mandatory both in the public and in the private sector. For *private sector occupational pension schemes*



(*obligatorisk tjenestepensjon, OTP*), it is a legal requirement that employers make a minimum contribution of 2% of employee earnings to a defined contribution pension plan. Defined benefit schemes are still an option, but they must be of the same scope as a 2% DC plan. *Public sector occupational pension schemes* (*offentlig tjenestepensjon*) are administered by different bodies, depending on whether an individual works for the state or a municipality. For state employees, occupational pensions are administered by the Norwegian Public Service Pension Fund (*Statens Pensjonskasse*), which operates as a pay-as-you-go (PAYG) system. At the municipal level, occupational schemes are largely funded schemes governed by collective agreements and administered through *Kommunal Landspensjonskasse*. Apart from their financing, however, public sector occupational pensions largely follow the same principles, with new uniform rules for public sector occupational pensions having come into effect on 1 January 2020 for cohorts born in or after 1963. The main aim of the recent reform was to bring *public sector occupational pension schemes* in line with the principles of the reformed *statutory old age pension scheme*.

Currently, a special type of collectively agreed early retirement scheme, also referred to as *contractual retirement pension* (*avtalefestet pensjon, AFP*), covers around 50% of employees in the private sector and 100% of employees in the public sector. These schemes were introduced in 1988 through tripartite agreements and are currently undergoing reform. The AFP pension is not an *insurance scheme*, so there is no membership; rather, individuals whose employer takes part in the scheme can *qualify* for the pension when they have spent sufficient time working for an employer who has entered into an AFP agreement. The cost of the scheme is shared between employers and the state. Before 2011, AFP schemes were exclusively devised as fixed-term early retirement schemes that could only be drawn between the ages of 62 and 67. This provided strong disincentives to continue to work until the age of 67 and thus contravened the aims of the pension reform of 2011. In 2011, the AFP pension was reformed for private sector employees, based on a new collective agreement from 2008. Following the agreement, the AFP pension was converted into a lifelong contractual retirement pension scheme for private sector employees. On 8 March 2018, a corresponding collective agreement was concluded for AFP pension schemes in the public sector (for public sector employees born in or after 1963). This new public sector contractual retirement pension scheme is intended to be based on the same principles as the AFP scheme in the private sector.[2]

For the self-employed, pension savings in addition to the old age pension from the *national insurance system* (*folketrygden*) are encouraged, but remain voluntary. Self-employed individuals can create their own *voluntary DC pension scheme* (*frivillig innskuddspensjon*), or they can join the occupational pension scheme that they create for their employees. In addition, they can use the individual pension savings scheme (outlined below) to save for old age.

Top-Ups

Individuals may save for a voluntary private pension to top up the public pension and the work-related pension schemes. In 2017, a special tax-deductible *individual pension savings scheme* (*individuell pensjonsordning, IPS*) was introduced. It serves either as a 'top-up' to public and occupational pension benefits for persons who are covered by other forms of 'standard protection' in old age, or as an additional pension to the public pension for the self-employed.

Minimum

The 'guarantee pension' of the *national insurance system* is intended for those individuals who have an insufficient 'income pension'. The 'guarantee pension' is tested against 80% of an individual's 'income pension', meaning that work will always prove beneficial within the system and that individuals can receive both a 'guarantee' and an 'income pension'. To qualify for a full 'guarantee pension', an individual has to have been a member of the national insurance system for 40 years. For individuals with shorter membership periods, the 'guarantee pension' is reduced accordingly. For those individuals whose pension falls below the minimum pension level provided through the 'guarantee pension' because they have not been members of the *national insurance system* (*folketrygden*) for 40 years, a special social assistance scheme, which is not part of the *national insurance system*, grants a *supplementary benefit* (*supplerende stønad*), so that individuals can secure the equivalent level of pension benefits to that provided by the 'guarantee pension', i.e. the minimum pension level. This scheme is strictly means-tested against the entirety of an individual's and their spouse's assets, rather than just their 'income pension' (as is the case for the 'guarantee pension').

Supplementary Benefit

supplerende stønad

A. Coverage

- Individuals who are legally resident in Norway and who have not been resident in Norway long enough to qualify for the full 'guarantee pension' in the *national insurance system*.

B. Financing

- The scheme is financed from taxes/the general budget.

C. Administration

- 'The Norwegian National Insurance Administration' (NAV).

D. Qualifying Conditions

- Retirement age for the 'guarantee pension' (67 years of age).
- A pension below the statutory minimum pension level in the *national insurance system* (*folketrygden*) resulting from a period of residence of fewer than 40 years.
- Legally resident in Norway.
- Strictly means-tested: an individual and their spouse can only have assets below 0.5 G; the applicant's benefit level is reduced by any income of the spouse that exceeds the minimum pension level.

E. Benefits

Benefits

- Benefits top up the difference between an individual's 'guarantee pension' and the standard rate of the full 'guarantee pension' (minimum pension level).
- Two different levels: ordinary and high (depending on household income situation).
- Benefits are granted for a period of 12 months at a time.

Taxation and social security contributions on pension payments

- Recipients pay reduced social security contributions (5.1%, compared to 8.2% for employees).
- All pension benefits (including social assistance in old age) are subject to taxation; a tax reduction of up to 30,000 NOK is granted to pensioners.
- Due to the tax deduction, recipients of the 'supplementary benefit' will typically not pay any tax.

F. Legal Basis

- Act on Additional Support for Individuals with Short Residency Periods in Norway (*Lov om supplerende stønad til personer med kort botid i Norge*).

Statutory Old Age Pension Scheme as Part of the National Insurance System

folketrygden

A. Coverage

Mandatory insurance
- Every individual who is resident in Norway (residence is defined as having intended residence in Norway of more than 12 months).
- Individuals who are employees in Norway or on the Norwegian continental shelf in relation to the extraction of natural resources.
- Individuals working in Svalbard or Jan Mayen.
- Norwegian citizens employed by the Norwegian state and stationed overseas (embassies, IOs etc.).

Opting-Out
- Individuals resident in Norway employed by a foreign state.

Voluntary insurance
- Individuals who are resident in Norway but not mandatory members can apply to become members of the *national insurance system*.
- The same applies for individuals resident outside of Norway, if they are working for a company registered in Norway or studying abroad.
- In deciding on applications for voluntary membership of the *national insurance system*, the authorities will factor in previous periods of membership as well as the overall feasibility of membership and the applicant's attachment to Norwegian society.

B. Financing

General finances
- PAYG-financed through social security contributions and state contributions from the general budget. (In 2019, the *national insurance system* was financed by 2/3 through social security contributions and 1/3 through state contributions.)

Contribution rates to mandatory insurance[3]
- Fixed share of monthly gross income without contribution assessment ceiling; no contributions need to be paid for incomes below 54,650 NOK.
- Employees pay 8.2% of income in social insurance contributions, of which roughly 3.1% are allocated to pensions.
- The employer's social contribution varies regionally, and is up to 14.1% (total).
- The self-employed pay 11.4% (total).

Contribution rates to voluntary insurance
- For voluntary members, the contribution rate for the *national insurance system* depends on whether the employer has to pay contributions.
- The maximum contribution rate[4] in cases of employer contribution is 28.6%; the maximum contribution rate without an employer's contribution is 37.8% of income.

C. Administration

- 'The Norwegian National Insurance Administration' (NAV).

D. Qualifying Conditions

Qualifying conditions
<u>*Income pension*</u>
- Individuals need to have been members of the *national insurance system* for at least three years in order to qualify for old age pension.
- Retirement age is flexible (62-75 years).
- If retiring before 67, the accumulated pension at the time of retirement must amount to at least the level of a 'guarantee pension' when the individual reaches 67, calculated on the basis of expected wage growth.

<u>*Guarantee pension*</u>
- Individuals need to have been members of the *national insurance system* for at least three years in order to qualify for old age pension.
- The 'guarantee pension' is tested against the 'income pension'; to qualify for a 'guarantee pension', 80% of the 'income pension' has to result in a pension below the statutory minimum pension level.
- Retirement age is 67 with 40 years of residence in Norway (required for full 'guarantee pension').

Early retirement
- No options for early retirement available before the age of 62.

Deferred retirement

- Retirement age is flexible, pension can be accessed between the ages of 62 and 75. Pensions have to be claimed from the age of 75.
- Individuals who stay in work continue to increase their pension based on the principle of actuarial neutrality.

Combining employment & retirement

- Termination of employment is not a precondition for claiming pension benefits.
- It is possible to work at the same time as receiving a pension.
- While individuals can remain in work after the age of 75, they will no longer add to their pension entitlements after reaching 75.
- Old age pension can be drawn at levels of 20, 40, 50, 60 and 80%.
- Degree of pension receipt can be changed once per year; decision to halt pension or increase to 100% can be taken at any time.

E. Benefits

Pension benefits

Income pension

- Primarily based on the amount of life-time earnings between the ages of 13 and 75.
- Pension can also be accumulated during military service, care periods, parental leave and unemployment.
- Maximum pension amount: only earnings of up to an amount of 7.1 G per annum are considered in benefit calculation.

Guarantee pension

- Pension-tested, flat-rate pension benefit (as determined by statutory minimum pension level) for those with insufficient levels of 'income pension'.

Benefit calculation

Income pension

- Pension accrual of 18.1% of pensionable income up to a ceiling of 7.1 G is added to accumulated individual pension entitlement accounts (*pensjonsbeholdningen*) each year.
- The accumulated entitlements are adapted once yearly to wage growth and, upon retirement, are indexed to annual wage growth minus 0.75 %.
- The individual pension benefit is adjusted to the age at which an individual applies for their pension and to cohort life expectancy (*levealderjustering*), determined for each cohort at the age of 61.

Guarantee pension

- Full flat rate pension for those with 40 years of membership in the *national insurance system*; proportionate shortening for shorter residence periods.
- Two different levels: ordinary and high (depending on household income situation).
- Benefit level (= the statutory minimum pension level) is determined once yearly.
- Indexed to annual wage growth reduced by 0.5%.
- Adapted to cohort life expectancy (*levealder-justering*), determined for each cohort at the age of 61.
- For individuals living in a state-run care home with free food and residence, the pension is reduced, but will be at least at the level of 22.5% of the 'guarantee pension'.
- For individuals serving a prison sentence, no old age pension is paid unless an individual has to pay child support.

Taxation and social security contributions

- Pensioners pay reduced social security contributions (5.1%, compared to 8.2% for employees).
- All pension income is subject to taxation; a tax reduction of up to 30,000 NOK is granted to pensioners.
- Due to the tax deduction, recipients of the 'guarantee pension' often do not pay tax.

F. Legal Basis

- National Insurance Act (*Lov om folketrygd*), Chapter 20.

Private Sector Occupational Pension Schemes

obligatorisk tjenestepensjon, OTP

A. Coverage

Mandatory insurance

- All employees in private sector employed in businesses with at least two employees (at 75% employment or equivalent).

Voluntary insurance

- Self-employed individuals can join the OTP-scheme that they create for their employees (see *voluntary defined contribution pension for the self-employed* (*Frivillig innskuddspensjon*)).

B. Financing

General finances

- Funded schemes.
- The cost for the administration of the scheme is to be carried by the employer.

Contribution rates

- The minimum requirement for schemes is that 2% of salary between 1 and 12 G are placed into system by the company.
- Ceilings: 7% of wage between 0 and 7.1 G; 18.1% of wage between 7.1 G and 12 G.
- It is optional whether or not the employee contributes.

Taxation of contribution payments

- Contributions are tax-deductible.

C. Administration

- Depending on scheme: employer or external company.

D. Qualifying Conditions

- Depending on pension plan.

E. Benefits

Pension Benefits

- Lifetime earnings in private sector employment.

Benefit calculation

- Mostly DC plans (around 90%).

Taxation and social security contributions on pension payments

- Pensioners pay reduced social security contributions (5.1%, compared to 8.2% for employees).
- All pension income is subject to taxation; a tax reduction of up to 30,000 NOK is granted to pensioners.

F. Legal Basis

- Act on Mandatory Occupational Pensions in Private Employment Relationships (*Lov om obligatorisk tjenestepensjon i private arbejdsforhold* (*OTP-loven*)); Act on Defined Contribution Pensions in Work Relations (*Lov om innskuddspensjon i arbeidsforhold* (*innskuddspensjonsloven*)); Act on Defined Benefit Pensions (*Lov om foretakspensjon* (*foretakspensjonsloven*)); Act on Occupational Pensions (*Lov om tjenestepension* (*tjenestepensjonsloven*)).

Public Sector Occupational Pension Schemes

offentlig tjenestepensjon

A. Coverage

Mandatory insurance

- Public sector employees.[5]
- Some private sector employees where the employer has special public responsibilities.

B. Financing

General finances

- Depending on scheme; some are largely PAYG with some additional financing through state budget (*Statens Pensjonskasse* (SPK), which covers state employees) and others are predominantly funded (such as *Kommunal Landspensjonskasse* (KLP), which operates at municipal level).

Contribution rates

- Employee pays 2%.
- The employer pays around 8-12% of wage in contribution (includes the state as employer).

Taxation of contribution payments

- Contributions are tax-deductible.

C. Administration

- A number of public pension carriers; most pensions are administered by the 'Norwegian Public Service Pension Fund' (*Statens Pensjonskasse* (SPK)) and *Kommunal Landspensjonskasse* (KLP).

D. Qualifying Conditions

Qualifying conditions

- Membership of the *national insurance system*.
- A minimum of one year's membership in the public occupational pension scheme.

Early retirement

- Same principles as in *national insurance system*.

Deferred retirement

- Same principles as in *national insurance system*.

Combining employment & retirement

- Same principles as in *national insurance system*.

E. Benefits

Pension Benefits

- Based on lifetime earnings in public sector employment between ages 13 and 75.
- Specific care and education periods may also count.

Benefit calculation

- Same benefit calculation rules as 'income pension' in *national insurance system*.
- 5.7% of pensionable annual income between 0 and 12 G; and an additional 18.1% (23.8% in total) between 7.1 and 12 G are added to the accumulated individual pension accounts.

Taxation and social security contributions on pension payments

- Pensioners pay reduced social security contributions (5.1%, compared to 8.2% for employees).
- All pension income is subject to taxation; a tax reduction of up to 30,000 NOK is granted to pensioners.

F. Legal Basis

- Act on the Norwegian Public Service Pension Fund (*Lov om Statens pensjonskasse*), Act Concerning a Pension Scheme for Nurses (*Lov om pensjonsordning for sykepleierske*) and collective agreements for individuals employed by municipalities. Following a reform of public occupational pensions that entered into force on 1 January 2020, the same rules now apply to all occupational public pensions. The new rules for the changes in occupational public pensions were incorporated through the Act on changes in the Act on the Public Pension Fund, the Coordination Act and other Acts (New Occupational Pension for Employees in the Public Sector) (*Lov om endringer i lov om Statens pensjonskasse, samordningsloven og enkelte andre lover* (*ny tjenestepensjon for ansatte i offentlig sektor*)).

Contractual Retirement Pension in the Private Sector

avtalefestet pensjon, AFP

A. Coverage

- It is not an insurance scheme, so there is no membership; rather, individuals whose employer takes part in the scheme can apply for a pension from this scheme if they fulfil the qualifying conditions.
- Private sector employees (those covered by a collective agreement concerning AFP) are eligible (this applies to around 50% of private sector employees in 2019).

B. Financing

General finances
- A combination of PAYG and funded financing from employer premiums, capital revenues in addition to state subsidies.

Contribution rates & state support
- Around 2.5% to be paid by employers on wages between 1 and 7.1 G.
- 1/3 contribution from state for private sector employees and 2/3 from employer.

Taxation of contribution payments
- Not applicable.

C. Administration

- AFP Administration (*Fellesordningen for* AFP) and 'The Norwegian National Insurance Administration' (NAV).

D. Qualifying Conditions

Qualifying conditions
- Qualifying age: 62 years.
- If taking the pension before 70 years of age, the pension needs to be drawn alongside a minimum of 20% of the pension from the *national insurance system*.
- Individuals need to have worked in a company with AFP for at least 7 out of the 9 years before reaching the age of 62.
- The individual must make a claim for the AFP pension, it is not automatic.

Combining employment & retirement
- AFP can be combined with wage income without an earnings test.
- AFP can only be drawn at a rate of 100%.

E. Benefits

Pension benefits
- Lifetime supplementary pension to pension from the *national insurance system*.
- Based on income over life course as well as income-equivalent periods corresponding to those in the *national insurance system* (but based on period between 13 and 61 years).

Benefit calculation
- Annual AFP = 0.314% of previous annual income up to 7.1 G received between age 13 and 62.
- Adjusted to life expectancy coefficient.
- Indexed according to wage growth minus 0.75%.

Taxation and social security contributions on pension payments
- Pensioners pay reduced social security contributions (5.1%, compared to 8.2% for employees).
- All pension income is subject to taxation; a tax reduction of up to 30,000 NOK is granted to pensioners.

F. Legal Basis

- Act on State Subsidy to Employees who Receive a Pension based on a Collective Agreement in the Private Sector (*Lov om statstilskott til arbeidstakere som tar ut avtalefestet pensjon i privat sektor* (*AFP-tilskottsloven*)) and collective agreements.

Contractual Retirement Pension in the Public Sector

avtalefestet pensjon - AFP

A. Coverage

- It is not an insurance scheme, so there is no membership; rather, individuals whose employer takes part in the scheme can apply for a pension from this scheme if they fulfil the qualifying conditions.
- Public sector employees born in or after 1963 are eligible (for individuals born before 1963, the AFP scheme is a *fixed-term early retirement scheme*).[6]

B. Financing

General finances

- PAYG financing from state and municipal budgets.

Contribution rates

- To be determined.

Taxation of contribution payments

- Not applicable.

C. Administration

- *Statens Pensjonskasse* (SPK); *Kommunal Landspensjonskasse* (KLP) and 'The Norwegian National Insurance Administration' (NAV).

D. Qualifying Conditions

Qualifying conditions

- Qualifying age: 62 years.
- If taking the pension before 70 years of age, the pension needs to be drawn alongside a minimum of 20% of the pension from the *national insurance system*.
- Individuals need to have worked in a company with AFP for at least 7 out of the 9 years before reaching the age of 62.
- The individual must make a claim for the AFP pension, it is not automatic.

Combining employment & retirement

- AFP can be combined with wage income without an earnings test.
- AFP can only be drawn at a rate of 100%.

E. Benefits

Pension benefits

- Lifetime supplementary pension to pension from the *national insurance system*.
- Based on income over life course as well as income-equivalent periods corresponding to those in the *national insurance system* (but based on period between 13 and 61 years).

Benefit calculation

- Annual AFP = 0.314% of previous annual income up to 7.1 G received between age 13 and 62.
- Adjusted to life expectancy coefficient.
- Indexed according to wage growth minus 0.75%.

Taxation and social security contributions on pension payments

- Pensioners pay reduced social security contributions (5.1%, compared to 8.2% for employees).
- All pension income is subject to taxation; a tax reduction of up to 30,000 NOK is granted to pensioners.

F. Legal Basis

- Currently in preparation.

Voluntary Defined Contribution Pension for the Self-Employed

frivillig innskuddspensjon

A. Coverage

Voluntary insurance
- Self-employed individuals (business owners).
- This type of saving involves the establishment of a pension scheme tied to a business (if a self-employed individual has employees, this can be the same as the mandatory *private sector occupational pension schemes* (OTP) established for the employees, but for the self-employed the participation in the OTP pension scheme remains voluntary).

B. Financing

General finances
- Fully funded personal pension plans based on personal contribution payments and capital revenues.

Contribution payments
- Individuals provide contribution payments and decide upon its amount individually.
- Contributions can be up to a maximum of 7% of income between 1 and 12 G.

State support
- Contributions are tax-deductible. (The scheme is most beneficial for individuals with an income above 7.1 G and thus most suitable to the high-earning self-employed.)

C. Administration

- Pension plan providers manage pension funds and pay benefits directly to the person.
- Norwegian institutions and institutions in the EEA are eligible.

D. Qualifying Conditions

- The payment of pension can start no earlier than at 62 years, and the pension must be paid until at least 77 years of age.

E. Benefits

Pension payments
- Accumulated capital through contribution payments and investment yields, minus administration costs/fees of pension plan provider.
- DC plan.

Taxation and social security contributions on pension payments
- Pensioners pay reduced social security contributions (5.1%, compared to 8.2% for employees).
- All pension income is subject to taxation; a tax reduction of up to 30,000 NOK is granted to pensioners.

F. Legal Basis

- Act on Defined Contribution Pensions in Work Relations (*Lov om innskuddspensjon i arbeidsforhold* (*innskuddspensjonsloven*)).

Individual Pension Savings Scheme

individuell pensjonssparing, IPS

A. Coverage

Voluntary insurance
- All individuals above the age of 18.

B. Financing

General finances
- Fully funded personal pension plans based on personal contribution payments and capital revenues.

Contribution payments
- Persons provide contribution payments and decide upon its amount individually.
- Maximum of 40,000 NOK can be saved per year.

State support
- Tax deferrals available, subject to conditions (currently up to 8,800 NOK per year).

C. Administration

- Pension plan providers manage pension funds and pay benefits directly to person.
- Norwegian institutions and institutions in the EEA are eligible.

D. Qualifying Conditions

- To quality for tax deferral, the payment of pension can start no earlier than at 62 years, and the pension must be paid for at least 10 years <u>and</u> until the individual has reached the age of 77.

E. Benefits

Pension payments
- Accumulated capital through contribution payments and investment yields, minus administration costs/fees of pension plan provider.

Taxation and social security contributions on pension payments
- Pensioners pay reduced social security contributions (5.1%, compared to 8.2% for employees).
- All pension income is subject to taxation; a tax reduction of up to 30,000 NOK is granted to pensioners.

F. Legal Basis

- Act on Individual Pension Saving Plans (*Lov om individuell pensjonsordning*).

Footnotes

1 The wage-indexed basic amount 'G' (*grunnbeløpet*) plays a central role in calculating contributions and benefits under the pension system. 1 G amounts to around 1/6 of average annual full-time labour income (99,858 NOK as of 1 May 2019).

2 For the time being, the AFP pension for public sector employees remains an early retirement scheme that cannot be utilised at the same time as the statutory old age pension. Since 1 January 2020, however, cohorts born in or after 1963 have started qualifying for the new life-long AFP scheme.

3 This contribution is a type of tax, and is not directly related to the pension benefits. Pension benefits are calculated on the basis of income rather than contributions.

4 The maximum rate is payable by individuals who do not pay income tax in Norway.

5 Some special/additional rules apply to the following groups: Chemists: Act on the Pension Scheme for Chemists (*Lov om pensjonsordning for apotekvirksomhet mv.* (*apotekerpensjonsloven*)); The Parliamentary Ombudsperson for Administration: Act on the Pension Scheme for the Parliamentary Ombudsperson (*Lov om pensjonsordning for Stortingets ombudsmann for forvaltningen*); Supreme Court Judges: Supplementary Act to the Act on the Norwegian Public Service Pension Fund (*Lov om tillegg til lov 28. juli 1949 om Statens pensjonskasse* (*høyesterettspensjonsloven*)); MPs and Government: Act on the Pension Scheme for Members of Parliament and Members of Government (*Lov om pensjonsordning for stortingsrepresentanter og regjeringsmedlemmer*); Dancers and Singers at the Norwegian National Opera and Ballet: Act on the Pension Scheme for Ballet Dancers, Soloists and Choir Singers at the National Opera & Ballet (*Lov om pensjonsordning for ballettdansere, sangsolister og korsangere ved Den Norske Opera & Ballett* (*operapensjonsloven*)).

6 The Contractual Retirement Pension (AFP) in the Public Sector is currently being converted from an early retirement scheme to a life-long pension scheme. It is intended to follow the same principles as the Contractual Retirement Pension (AFP) in the Private Sector, although some aspects of the reform are still to be determined. The reform will be linked to a reform of AFP pensions in the private sector, which is intended to be agreed on in 2021.

SLOVENIA

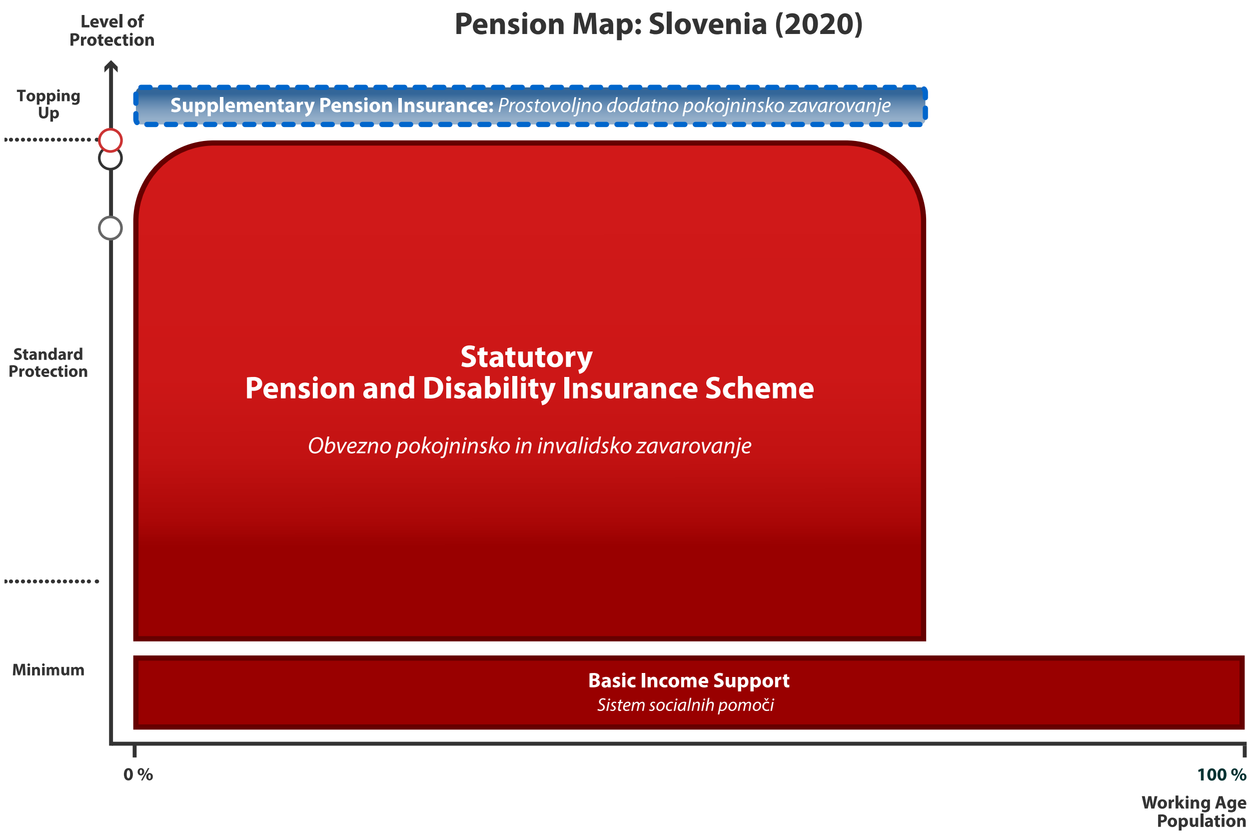
THE SLOVENIAN OLD AGE SECURITY SYSTEM IN 2020

Luka Mišič

The first act exclusively addressing old age social security in Slovenia entered into force in 1937 after the disintegration of the Austro-Hungarian Empire and the establishment of the Kingdom of Yugoslavia. Throughout Yugoslav history, including its development from a Kingdom to a Socialist Republic and Federation and up until its disintegration in 1991, competences in the field of social security seemingly shifted back and forth between the Federation and the individual republics. Responsibilities for social security were decentralised in 1974, with the enactment of the last federal constitution, allowing Yugoslav republics to pass their own legislations and to establish administrative bodies. However, the Slovenian pension insurance system was altered at a slower pace and the Yugoslav Act on the Fundamental Rights of Old Age Insurance of 1982 remained applicable in the country up until 1991. Still, the Slovenian social security system was already considered as practically autonomous when the country became independent in 1991. After the country's independence, the first Pension and Disability Insurance Act (*Zakon o pokojninskem in invalidskem zavarovanju, ZPIZ*) was passed in 1992. Since then, the Act has been subject to two major reforms in 2000 (ZPIZ-1) and in 2013 (ZPIZ-2), with the latter being currently in force albeit having witnessed seven major revisions. As of now, 'standard protection' is provided by mandatory insurance for the majority of the Slovenian workforce in the public pension scheme. Professional groups with burdensome and hazardous jobs are additionally enrolled in mandatory occupational pension schemes providing them with a fixed-term early pension. Public pensions can be 'topped up' by voluntary participation in supplementary private pension schemes incentivised by the state through tax reliefs and tax return measures. 'Minimum' subsistence can be provided through general social assistance measures that are not part of Slovenia's public pension insurance scheme.

Standard Protection in Old Age

The majority of economically active persons, including the self-employed, are mandatorily insured within the Slovenian *statutory pension and disability insurance scheme* (*obvezno pokojninsko in invalidsko zavarovanje*), without opting-out rights. Possibilities for opting in are only available



under specific circumstances. The statutory insurance scheme is primarily contribution-financed and based on a pay-as-you-go (PAYG) system. The Pension and Disability Insurance Institute of Slovenia (*Zavod za pokojninsko in invalidsko zavarovanje Slovenije*) has the sole authority in operating the scheme. One feature of the Slovenian public pension scheme is its strong redistributive element. The calculation of benefits is based on a maximum amount of contributory earnings defined in the law, while no assessment ceiling is defined for insurance contributions. An additional special 'yearly allowance' (*letni dodatek*) is granted to all of the scheme's beneficiaries with proportionately higher amounts granted to low pension recipients.

The *supplementary pension insurance for hazardous jobs* (*obvezno dodatno pokojninsko zavarovanje*) is a fully funded 'occupational insurance scheme' (*poklicno zavarovanje*) which provides a fixed-term early pension to persons formerly employed in hazardous jobs until reaching the statutory retirement age. Insurance in this scheme is mandatory (without possibilities for opting out or for voluntary insurance) for all persons performing burdensome or hazardous jobs or work which cannot be performed professionally after reaching a certain age (e.g. soldiers, police officers). The scheme is solely financed by employers' contributions.[1]

Top-Ups

Public pension benefits can be topped up by *supplementary pension insurance* (*prostovoljno dodatno pokojninsko zavarovanje*) in fully funded 'private pension schemes', either in the form of individual or collective insurance (the latter requiring participation of the employer). The *supplementary pension insurance* is operated by private pension funds and based on individual accounts. The state incentivises participation through tax reliefs and tax return measures. Further, private income saving schemes subject to civil law and insurance law regulation provide private life insurance plans and/or investment plans as another alternative for securing financial protection in old age.

Minimum

The *statutory pension and disability insurance scheme* offers a 'minimum pension' (*najnižja pokojnina*) for individuals with insufficient contribution-based pensions. The 'minimum pension' is not a separate pension scheme, but forms a special condition within the public scheme guaranteeing a minimum level of public pension benefits to those individuals who qualify for a public pension. With the 'minimum pension' and proportionally higher amounts of pension benefits provided in form of the 'yearly allowance' for low pension recipients, the avoidance of old age poverty forms an integral part of the *statutory pension insurance scheme*. Since the abolishment of the 'state pension' (*državna pokojnina*) in 2012, the public insurance scheme no longer provides a means-tested pension to persons who do not qualify for a public old age pension. Instead, a minimum subsistence level is mainly achieved through a subsidiary, tax-funded *basic income support* (*sistem socialnih pomoči*). This general social assistance scheme is available to the general population with insufficient financial means but also addresses the needs of the elderly through additional benefits, such as the possibility to obtain a permanent right to monetary social assistance and entitlement to a special social assistance supplement.

Basic Income Support

Sistem socialnih pomoči

A. Coverage

- Persons residing in Slovenia (incl. beneficiaries of international protection and their family members) who cannot sufficiently cover their necessary subsistence from income/assets.

B. Financing

- The scheme is entirely tax-financed out of the general budget.

C. Administration

- The administration and organisation of the scheme falls under the competences of the Ministry of Labour, Family, Social Affairs and Equal Opportunities.
- Territorially dispersed social work centres administer the scheme at the executive level (i.e. review applications, decide on eligibility, and pay out benefits).

D. Qualifying Conditions

- Persons residing in Slovenia.
- Persons with income/assets below subsistence level as defined by law (402.18 EUR net per single person in 2020, with special requirements for family members when assistance is granted to a family, and special requirements for economically active recipients).
- Benefits are means-tested, based on monthly net income and the value of assets of the beneficiary and his or her family members, with particular types of income and assets excluded (up to a certain value or amount).

E. Benefits

- *Monetary social assistance*: provided to persons or families with income/assets below subsistence level; benefits are initially provided for 3 months (the period can be prolonged to 6 months); after the period expires, a re-evaluation occurs; if social conditions are not expected to improve due to age (older than age 65 for men and age 63 for women) and other circumstances, the benefit is granted for 1 year or permanently (special conditions apply).
- *Special monetary social assistance*: provided in cases of extraordinary costs.
- *Social assistance supplement*: provided to persons with work incapacity, unemployed persons or persons with work incapacity older than 65 (men) or 63 (women); amount determined according to the rules of the monetary social assistance with a higher means-testing threshold.

F. Legal Basis

- Social Assistance Payments Act (*Zakon o socialnovarstvenih prejemkih*), Social Assistance Act (*Zakon o socialnem varstvu*). Exercise of Rights from Public Funds Act (*Zakon o uveljavljanju pravic iz javnih sredstev*).

Statutory Pension and Disability Insurance Scheme

Obvezno pokojninsko in invalidsko zavarovanje

A. Coverage

Mandatory insurance

- Employees (workers), including civil servants and public officers.
- Self-employed persons.
- Specific groups of economically active persons, such as managing partners, farmers, persons employed within other legal relationships, foster carers (pursuing foster care as a professional activity), the clergy (persons pursuing a clerical profession).
- Specific groups of economically inactive persons, such as recipients of particular family/parental insurance benefits and home-caregivers, claimants of income replacement benefits incl. recipients of unemployment benefits, recipients of health insurance benefits after their employment had been terminated (if not insured on other statutory basis), persons on work rehabilitation (if not insured on other statutory basis).

Opting-in

- Persons above the age of 15 who do not fulfil one of the requirements for statutory insurance.
- Slovenian nationals employed abroad who are not insured in the host country/not able to export credited benefits, if they were insured or possessed permanent residence in Slovenia prior to departure.
- Recipients of family, widow's/widower's or occupational pensions; some farmers and transferees of farming economies (special conditions apply).

B. Financing

General finances

- Mainly PAYG-financed from insurance contributions.
- Partly tax-financed out of the general budget (state's obligation of co-financing is stipulated within the Pension and Disability Insurance Act).

Contribution rates

- Fixed share of monthly gross earnings (24.35%) without contribution assessment ceiling (exception: self-employed with contribution assessment ceiling of 3.5 state average annual salaries).
- Contributions shared between employees (15.5%) and employers (8.85%).

C. Administration

- Self-administered Pension and Disability Insurance Institute of Slovenia (sole social insurance carrier in the field).

D. Qualifying Conditions

Qualifying conditions

- *Standard old age pension*: statutory retirement age is 65; minimum insurance period: 15 years.
- Special conditions apply to persons with long insurance records: retirement age is 60, minimum insurance period: 40 years (excl. payments for missing contribution periods); the retirement age can be lowered due to childcare, military service (for men) or early opt-in (above the age of 15).

Early retirement

- Available at age 60 with minimum insurance period of 40 years (incl. additional payments for missing contribution periods), with negative (permanent) adjustments to pension benefits (0.3% per month).

Deferred retirement

- Retirement can be deferred without limit.
- Deferring retirement after reaching age 60 and 40 years of insurance periods (excl. payments for missing contribution periods) is possible with positive (permanent) adjustments to pension benefits (1.5% per 0.5 years, up to a maximum of 3 years, maximum positive adjustment: 9%).

Combining employment & retirement

- Termination of employment is a precondition for claiming full early or standard old age pension (exception: full retirement is compatible with employment on the grounds of civil law contracts (without limitations)).
- Combining 'partial' retirement with full-time employment is possible: pension benefits are shortened up to 40% of the standard old age pension in the first 3 years, after 3 years, this is reduced to 20%.

- Combining ‘partial’ early/standard retirement with part-time employment is possible: pension benefits are shortened proportionate to the number of working hours; if qualifying conditions for standard old age pensions are met, a pension bonus of 20% to 35% (of the 40% of the standard old age pension) is paid for the first 3 years; after 3 years the added bonus is reduced to 10% to 17.5% (of the 40% of the standard old age pension).[2]

- *Adjustments*: yearly adjustment of pension value accounting for changes of gross average earnings and increase of average living costs.

Taxation and social security contributions
- Pension benefits are subject to income tax only above a certain amount (1,173 EUR in 2020).
- Contributions for health insurance are covered by the Pension and Disability Insurance Institute of Slovenia.

E. Benefits

Pension benefits
- Primarily based on the amount of contributory earnings of the most favourable 24 (consecutive) years, including pension-credited periods of e.g. child-raising.
- Maximum amount: calculation base is limited to 4 times the minimum calculation base.
- Minimum pension: is a fixed percentage (27.5% in 2020; increasing to 29.5% in 2024) of the minimum calculation base (241.62 EUR in 2020); for persons with a calculated pension income below the minimum pension threshold.
- *Yearly allowance*: one-off yearly allowance provided in varying amounts to pension recipients (proportionally higher allowance rates are provided to recipients of lower pension benefits).

Benefit calculation
- Based on the following factors: (a) amount of earnings, (b) duration of insurance periods, (c) sex (transitional period for equalising pension calculations between men and women ends in 2021).
- *Calculation base*: contribution bases are earnings, particular reimbursements and social insurance benefits of the most favourable 24 consecutive years of insurance (*reference period*).
- *Minimum calculation base*: 76.5% of the average wage in Slovenia in the previous year, excluding average income tax and average contribution payments.
- *Maximum calculation base*: 4 times the minimum calculation base.
- *Transformation of pensionable periods*: 1 year of insurance equals 1.36% of the calculation base, 15 years of insurance equal 29.5% of the calculation base, 40 years of insurance equal 63.5% of the calculation base; additional positive adjustments can be invoked on grounds of child-care; lower percentages apply to men (until the end of the transitional period in 2021).

F. Legal Basis

- Pension and Disability Insurance Act (*Zakon o pokojninskem in invalidskem zavarovanju*), Social Security Contributions Act (*Zakon o prispevkih za socialno varnost*).

Supplementary Pension Insurance for Hazardous Jobs

Obvezno dodatno pokojninsko zavarovanje

A. Coverage

Mandatory participation

- Persons performing work recognised as especially burdensome or hazardous; persons performing work that cannot be performed professionally after reaching a certain age.

B. Financing

General finances

- Fully funded schemes financed by contribution payments and capital revenues.

Contribution rates

- Contribution rates differ between 8.2% and 8.8%, depending on the nature of the working position.
- Contributions are paid by employer.

C. Administration

- Mandatory Supplementary Pension Insurance Fund.
- The Labour Inspection Authority, the Bank of Slovenia, and different specialised agencies supervise the occupational pension schemes, carry out monitoring and issue decisions in case of violations (e.g. on temporary suspension of fund management authorisation, revocation of fund management authorisation).

D. Qualifying Conditions

- Retirement age ranges between 52 to 56 (depending on the type of work performed).
- Minimum insurance period: 42.5 years (incl. 'added periods', i.e. ¼ of the period in which an insured person was mandatorily insured in the occupational pension insurance scheme, excl. payments for missing contribution periods); depending on the age and categorisation of the workplace's hazardous or burdensome nature, minimum insurance period (incl. added periods) is 40 years (special conditions apply).
- Sufficient amount of contributory earnings on the individual account required.

E. Benefits

Pension payments

- Primarily based on the amount of contributory earnings, length of contribution period, capital revenues and number of years until reaching retirement in *statutory pension and disability insurance scheme*.
- Fixed-term annuity paid monthly.

Taxation and social security contributions

- Payments are subject to income tax, with tax rates depending on the amount of income, with tax reliefs in place.
- Pension payments are subject to mandatory health insurance.

F. Legal Basis

- Pension and Disability Insurance Act (*Zakon o pokojninskem in invalidskem zavarovanju*).

Supplementary Pension Insurance

Prostovoljno dodatno pokojninsko zavarovanje

A. Coverage

Voluntary participation

- All persons insured in the *statutory pension and disability insurance scheme.*

B. Financing

General finances

- Fully funded personal pension plans based on contribution payments and capital revenues.

Contribution payments

- *Individual insurance*: insured persons provide contribution payments and decide upon the amount individually.
- *Collective insurance*: contribution payments paid by employer and employee (proportions vary).

State support

- *Individual insurance*: contribution payments up to 5.84% of gross wage per year (or up to 289 EUR per month and 2,819 EUR per year) are deducted from the personal income tax base and are subsequently returned in the amount of up to 1,410 EUR (*higher monthly contributions do not lead to a higher tax return*).
- *Collective insurance*: employers' contribution payments are recognised as expense deductible from the tax base (up to certain amounts).

C. Administration

- Pension funds, established and run by pension plan providers (banks, insurance companies, etc.).
- Different specialised agencies and the Bank of Slovenia supervise the private pension schemes, carry out monitoring and issue decisions in case of violations (e.g. on temporary suspension of fund management authorisation, revocation of fund management authorisation).

D. Qualifying Conditions

- Based on entitlement to early or old age pension from the *statutory pension and disability insurance scheme.*
- Early claiming of pension benefits: available after reaching age 53 if one is no longer subject to mandatory insurance in the *statutory pension and disability insurance scheme.*

E. Benefits

Pension payment

- Accumulated capital through contribution payments and investment yields, minus administrative costs and costs/fees of pension provider.

Taxation and social security contributions

- Payments are subject to taxation, with tax rates depending on the amount of income, with tax reliefs in place.
- Pension payments are not subject to social security contributions.

F. Legal Basis

- Pension and Disability Insurance Act (*Zakon o pokojninskem in invalidskem zavarovanju*).

Footnotes

1 As the main function of the *supplementary pension insurance for hazardous jobs* is to provide a fixed-term early retirement pension instead of long-term financial security in old age, these schemes are not pictured in the pension map for Slovenia.

2 The same added bonus rules apply for persons partially re-entering the labour market, who are entitled to 12.5% to 75% of their pension benefit (percentage depends on number of working hours).

ANNEX

FACT SHEET: AUSTRIA

Background Information

General statistics on population & employment*	Value	Year	Source
Working age population (age 15-64)	5,819	2019	Eurostat[1]
Active population, labour force (age 15-64)	4,484	2019	Eurostat[1]
Inactive population, outside labour force (age 15-64)	1,335	2019	Eurostat[1]
Elderly population (age 65+)	1,611	2019	Eurostat[1]
Total population (all ages)	8,878	2019	Eurostat[2]

** number of persons reported (in thousands)*

Coverage

Number of persons insured in mandatory pension schemes*	Value	Year	Source
Statutory pension scheme for employees and equally treated persons (*Pensionsversicherung nach dem ASVG*)	3,467	2019	National[3]
Statutory pension scheme for self-employed persons (*Pensionsversicherung nach dem GSVG/FSVG*)	463	2019	National[4]
Civil servants' old age pension scheme (*Beamtenversorgung*)	176	2018	National[5]
Statutory pension scheme for farmers (*Pensionsversicherung nach dem BSVG*)	132	2019	National[4]
Pension scheme for attorneys (*Berufsständnische Versorgung der Rechtsanwälte*)	9	2019	National[6]
Statutory old age pension scheme for notaries (*Notarversorgung*)	1	2020	National[7]
Supplementary pension scheme for the public service (*Zusatzversorgung des öffentlichen Dienstes*)	236	2019	National[8]

** number of persons reported (in thousands)*

Coverage of funded and private pension plans*	Value	Year	Source
Mandatory/quasi-mandatory pension plans	x	2018	OECD[9]
Auto-enrolment	x	2018	OECD[9]
Voluntary: occupational pension plans (*here: Pensionskassen only*)	14.4	2018	OECD[9]
Voluntary: private pension plans (*here: PZV only*)	22.2	2017	OECD[9]
Voluntary: total	n.a.	2018	OECD[9]

** % of the working-age population (age 15-64);*
"n.a." = information not available; "x" = not applicable

Financial Protection in Old Age

National net pension replacement rates*	Value	Year	Source
Total net (with voluntary)	n.a.	2018	OECD[10]
Net mandatory public and private	89.9	2018	OECD[10]
Net mandatory public	89.9	2018	OECD[10]

** % of individual pre-retirement earnings;*
"n.a." = information not available

Reference EU28 and OECD: net pension replacement rates*	Value	Year	Source
EU: Total net (with voluntary)	67.0	2018	OECD[10]
EU: Net mandatory public and private	63.5	2018	OECD[10]
EU: Net mandatory public	55.5	2018	OECD[11]
OECD: Total net (with voluntary)	65.4	2018	OECD[10]
OECD: Net mandatory public and private	58.6	2018	OECD[10]
OECD: Net mandatory public	47.3	2018	OECD[11]

** % of individual pre-retirement earnings*

References

[1] Source: European Labour Force Survey (EU-LFS), available at Eurostat; dataset: 'Population by Sex, Age, Citizenship and Labour Status (1 000)', ID: lfsa_pganws, accessed on 10/11/2020; unit of measure: number of persons (in thousands); definitions: the 'working age population (age 15-64)' includes all persons of 15 to 64 years of age; the 'active population, labour force (age 15-64)' is defined as the sum of employed and unemployed persons of 15 to 64 years of age; the 'inactive population, outside the labour force (age 15-64)' consists of all persons who are classified neither as employed nor as unemployed of 15 to 64 years of age; the 'elderly population (age 65+)' includes all persons of 65 years of age or older.

[2] Source: Annual National Accounts, available at Eurostat; dataset: 'Population and Employment', ID: nama_10_pe, accessed on 10/11/2020; unit of measure: number of persons (in thousands); definition: the 'population (total)' consists of all persons, nationals or foreigners, who are permanently settled in the economic territory of the country, even if they are temporarily absent from it, on a given date. A person staying or intending to stay for at least one year is considered to be settled in the territory. By convention, the total population excludes foreign students and members of foreign armed forces stationed in a country.

[3] Pensionsversicherungsanstalt (2020). Statistische Daten der Pensionsversicherungsanstalt. PVA: Wien. Additional information on benefit recipients is provided by the OECD Social Benefit Recipients Database (SOCR).

[4] Sozialversicherungsanstalt der Selbständigen (2020). Jahresbericht 2019. SVS: Wien.

[5] Source: Statistik Austria, accessed on 15/12/2020. Please note that the number of persons refers to the number of civil servants employed at the federal and state level in 2018.

[6] Source: Österreichischer Rechtsanwaltskammertag (ÖRAK), Mitgliederzahlen, accessed on 15/12/2020. Please note that the number of persons refers to the actual number of attorneys and associates in 2019.

[7] Source: Österreichische Notariatskammer (ÖNK), Notarfinder, accessed on 15/12/2020. Please note that the number of persons refers to the actual number of notaries and notary candidates in 2020.

[8] Bundespensionskasse (2020). Jahresbericht 2019. BPK: Wien.

[9] Source: OECD Global Pension Statistics, available at OECD Pensions at a Glance 2019, Table 9.1, Coverage of Funded and Private Pension Plans in Selected OECD and Other Jurisdictions (https://doi.org/10.1787/888934042371); unit of measure: percentage of the working-age population (age 15-64); definition: coverage rates are provided with respect to the working-age population (i.e. individuals aged 15 to 64 years). Active members are individuals with assets in a pension plan who are not retired yet. They may be actively contributing or may be holding rights in a plan. For more information see: OECD (2019), Pensions at a Glance 2019: OECD and G20 Indicators, OECD Publishing, Paris, https://doi.org/10.1787/b6d3dcfc-en.

[10] Source: OECD Pension Models, available at OECD Pensions at a Glance 2019, Table 5.6, Gross and Net Pension Replacement Rates from Mandatory (Public and Private) and Voluntary Pension Schemes (http://doi.org/10.1787/888934041611); unit of measure: percentage of individual pre-retirement earnings; definition: the 'net replacement rate' is defined as the individual net pension entitlement divided by net pre-retirement earnings, taking into account personal income taxes and social security contributions paid by workers and pensioners. It measures how effectively a pension system provides a retirement income to replace earnings, the main source of income before retirement. Pension entitlements are based on current legislation in OECD countries. The values of all pension system parameters reflect the situation in 2018 and onwards. The calculations show the pension benefits of a worker who enters the system that year at age 22 and retires after a full career. The baseline results are shown for single individuals. For more information see: OECD (2019), Pensions at a Glance 2019: OECD and G20 Indicators, OECD Publishing, Paris, https://doi.org/10.1787/b6d3dcfc-en. Further information is provided in OECD country profiles.

[11] The net pension replacement rate of mandatory public schemes is calculated on the basis of the net pension replacement rates of mandatory schemes holding the relationship between the net and gross pension replacement rate constant [net RR mandatory public = gross RR mandatory public x (net RR mandatory total / gross RR mandatory total)]; source: OECD Pension Models, available at OECD Pensions at a Glance 2019, Table 5.3. Gross Pension Replacement Rates from Mandatory Public, Mandatory Private and Voluntary Private Pension Schemes (http://doi.org/10.1787/888934041497), Table 5.6, Gross and Net Pension Replacement Rates from Mandatory (Public and Private) and Voluntary Pension Schemes (http://doi.org/10.1787/888934041611); unit of measure: percentage of individual pre-retirement earnings; definition: the gross replacement rate is defined as the gross pension entitlement divided by gross pre-retirement earnings. The net replacement rate is defined as the individual net pension entitlement divided by net pre-retirement earnings, taking into account personal income taxes and social security contributions paid by workers and pensioners. For more information see: OECD (2019), Pensions at a Glance 2019: OECD and G20 Indicators, OECD Publishing, Paris, https://doi.org/10.1787/b6d3dcfc-en.

FACT SHEET: BULGARIA

Background Information

General statistics on population & employment*	Value	Year	Source
Working age population (age 15-64)	4,474	2019	Eurostat[1]
Active population, labour force (age 15-64)	3,276	2019	Eurostat[1]
Inactive population, outside labour force (age 15-64)	1,198	2019	Eurostat[1]
Elderly population (age 65+)	1,492	2019	Eurostat[1]
Total population (all ages)	6,976	2019	Eurostat[2]

** number of persons reported (in thousands)*

Coverage

Number of persons insured in mandatory pension schemes*	Value	Year	Source
Statutory old age pension scheme (*Пенсия за осигурителен стаж и възраст*)	2,672	2019	National[3]
Universal pension funds (UPF) (*Универсални пенсионни фондове*)	2,335	2019	National[3]
Professional pension funds (*Професионални пенсионни фондове*)	116	2019	National[3]
Pensions in the defence and security sector (*Пенсии в сектор „Отбрана и сигурност“*)	67	2019	National[3]
Teachers' pension fund (*Учителски пенсионен фонд*)	90	2019	National[3]

** number of persons reported (in thousands)*

Coverage of funded and private pension plans*	Value	Year	Source
Mandatory/quasi-mandatory pension plans (*here: UPF only*)	85.1	2019	OECD[4]
Voluntary: occupational pension plans	0.2	2019	OECD[4]
Voluntary: private pension plans	14.3	2019	OECD[4]
Voluntary: total	n.a.	2019	OECD[4]

** % of the working-age population (age 15-64);*
"n.a." = information not available

Financial Protection in Old Age

National net pension replacement rates*	Value	Year	Source
Total net (with voluntary)	89.3	2018	OECD[5]
Net mandatory public and private	89.3	2018	OECD[5]
Net mandatory public	65.0	2018	OECD[6]

** % of individual pre-retirement earnings*

Reference EU28 and OECD: net pension replacement rates*	Value	Year	Source
EU: Total net (with voluntary)	67.0	2018	OECD[5]
EU: Net mandatory public and private	63.5	2018	OECD[5]
EU: Net mandatory public	55.5	2018	OECD[6]
OECD: Total net (with voluntary)	65.4	2018	OECD[5]
OECD: Net mandatory public and private	58.6	2018	OECD[5]
OECD: Net mandatory public	47.3	2018	OECD[6]

** % of individual pre-retirement earnings*

References

[1] Source: European Labour Force Survey (EU-LFS), available at Eurostat; dataset: 'Population by Sex, Age, Citizenship and Labour Status (1 000)', ID: lfsa_pganws, accessed on 10/11/2020; unit of measure: number of persons (in thousands); definitions: the 'working age population (age 15-64)' includes all persons of 15 to 64 years of age; the 'active population, labour force (age 15-64)' is defined as the sum of employed and unemployed persons of 15 to 64 years of age; the 'inactive population, outside the labour force (age 15-64)' consists of all persons who are classified neither as employed nor as unemployed of 15 to 64 years of age; the 'elderly population (age 65+)' includes all persons of 65 years of age or older.

[2] Source: Annual National Accounts, available at Eurostat; dataset: 'Population and Employment', ID: nama_10_pe, accessed on 10/11/2020; unit of measure: number of persons (in thousands); definition: the 'population (total)' consists of all persons, nationals or foreigners, who are permanently settled in the economic territory of the country, even if they are temporarily absent from it, on a given date. A person staying or intending to stay for at least one year is considered to be settled in the territory. By convention, the total population excludes foreign students and members of foreign armed forces stationed in a country.

[3] Source: National Social Security Institute (NSSI), Bulgaria; table reports number of persons with active membership and at least one day of pension insurance in June 2019 (based on personal communication, 03/12/2020).

[4] Source: OECD Global Pension Statistics, available at OECD Pension Markets in Focus No. 17, 2020, Figure 1.6, Coverage of Funded and Private Pension Plans in Selected OECD and Other Jurisdictions, by Type of Plan, Latest Year Available, accessed on 13/11/2020; unit of measure: percentage of the working-age population (age 15-64); definition: coverage rates are provided with respect to the total working-age population (i.e. individuals aged 15 to 64 years). Active members are individuals with assets in a pension plan and who are not retired yet. They may be actively contributing or may be holding rights in a plan. For more information see: OECD (2020), Pensions Markets in Focus 2020.

[5] Source: OECD Pension Models, available at OECD Pensions at a Glance 2019, Table 5.6, Gross and Net Pension Replacement Rates from Mandatory (Public and Private) and Voluntary Pension Schemes (http://doi.org/10.1787/888934041611); unit of measure: percentage of individual pre-retirement earnings; definition: the 'net replacement rate' is defined as the individual net pension entitlement divided by net pre-retirement earnings, taking into account personal income taxes and social security contributions paid by workers and pensioners. It measures how effectively a pension system provides a retirement income to replace earnings, the main source of income before retirement. Pension entitlements are based on current legislation in OECD countries. The values of all pension system parameters reflect the situation in 2018 and onwards. The calculations show the pension benefits of a worker who enters the system that year at age 22 and retires after a full career. The baseline results are shown for single individuals. For more information see: OECD (2019), Pensions at a Glance 2019: OECD and G20 Indicators, OECD Publishing, Paris, https://doi.org/10.1787/b6d3dcfc-en.

[6] The net pension replacement rate of mandatory public schemes is calculated on the basis of the net pension replacement rates of mandatory schemes holding the relationship between the net and gross pension replacement rate constant [net RR mandatory public = gross RR mandatory public x (net RR mandatory total / gross RR mandatory total)]; source: OECD Pension Models, available at OECD Pensions at a Glance 2019, Table 5.3. Gross Pension Replacement Rates from Mandatory Public, Mandatory Private and Voluntary Private Pension Schemes (http://doi.org/10.1787/888934041497), Table 5.6, Gross and Net Pension Replacement Rates from Mandatory (Public and Private) and Voluntary Pension Schemes (http://doi.org/10.1787/888934041611); unit of measure: percentage of individual pre-retirement earnings; definition: the gross replacement rate is defined as the gross pension entitlement divided by gross pre-retirement earnings. The net replacement rate is defined as the individual net pension entitlement divided by net pre-retirement earnings, taking into account personal income taxes and social security contributions paid by workers and pensioners. For more information see: OECD (2019), Pensions at a Glance 2019: OECD and G20 Indicators, OECD Publishing, Paris, https://doi.org/10.1787/b6d3dcfc-en.

FACT SHEET: CZECH REPUBLIC

Background Information

General statistics on population & employment*	Value	Year	Source
Working age population (age 15-64)	6,856	2019	Eurostat[1]
Active population, labour force (age 15-64)	5,259	2019	Eurostat[1]
Inactive population, outside labour force (age 15-64)	1,596	2019	Eurostat[1]
Elderly population (age 65+)	2,108	2019	Eurostat[1]
Total population (all ages)	10,669	2019	Eurostat[2]

** number of persons reported (in thousands)*

Coverage

Number of persons insured in mandatory pension schemes*	Value	Year	Source
Statutory old age pension scheme (*Důchodové pojištění*)	5,312	2019	National[3]

** number of persons reported (in thousands)*

Coverage of funded and private pension plans*	Value	Year	Source
Mandatory/quasi-mandatory pension plans	x	2018	OECD[4]
Auto-enrolment	x	2018	OECD[4]
Voluntary: occupational pension plans	x	2018	OECD[4]
Voluntary: private pension plans	64.1	2018	OECD[4]
Voluntary: total	64.1	2018	OECD[4]

** % of the working-age population (age 15-64);*
“x“ = not applicable

Financial Protection in Old Age

National net pension replacement rates*	Value	Year	Source
Total net (with voluntary)	n.a.	2018	OECD[5]
Net mandatory public and private	60.3	2018	OECD[5]
Net mandatory public	60.3	2018	OECD[5]

** % of individual pre-retirement earnings;*
“n.a.” = information not available

Reference EU28 and OECD: net pension replacement rates*	Value	Year	Source
EU: Total net (with voluntary)	67.0	2018	OECD[5]
EU: Net mandatory public and private	63.5	2018	OECD[5]
EU: Net mandatory public	55.5	2018	OECD[6]
OECD: Total net (with voluntary)	65.4	2018	OECD[5]
OECD: Net mandatory public and private	58.6	2018	OECD[5]
OECD: Net mandatory public	47.3	2018	OECD[6]

** % of individual pre-retirement earnings*

References

[1] Source: European Labour Force Survey (EU-LFS), available at Eurostat; dataset: 'Population by Sex, Age, Citizenship and Labour Status (1 000)', ID: lfsa_pganws, accessed on 10/11/2020; unit of measure: number of persons (in thousands); definitions: the 'working age population (age 15-64)' includes all persons of 15 to 64 years of age; the 'active population, labour force (age 15-64)' is defined as the sum of employed and unemployed persons of 15 to 64 years of age; the 'inactive population, outside the labour force (age 15-64)' consists of all persons who are classified neither as employed nor as unemployed of 15 to 64 years of age; the 'elderly population (age 65+)' includes all persons of 65 years of age or older.

[2] Source: Annual National Accounts, available at Eurostat; dataset: 'Population and Employment', ID: nama_10_pe, accessed on 10/11/2020; unit of measure: number of persons (in thousands); definition: the 'population (total)' consists of all persons, nationals or foreigners, who are permanently settled in the economic territory of the country, even if they are temporarily absent from it, on a given date. A person staying or intending to stay for at least one year is considered to be settled in the territory. By convention, the total population excludes foreign students and members of foreign armed forces stationed in a country.

[3] Source: Česká správa sociálního zabezpečení, Přehled vybraných statistických ukazatelů z agend ČSSZ 2020, accessed on 30/12/2020. Table reports number of insured persons (employed, self-employed) and persons with voluntary insurance recorded on 30/09/2019. Additional information on benefit recipients is provided by the OECD Social Benefit Recipients Database (SOCR).

[4] Source: OECD Global Pension Statistics, available at OECD Pensions at a Glance 2019, Table 9.1, Coverage of Funded and Private Pension Plans in Selected OECD and Other Jurisdictions (https://doi.org/10.1787/888934042371); unit of measure: percentage of the working-age population (age 15-64); definition: coverage rates are provided with respect to the working-age population (i.e. individuals aged 15 to 64 years). Active members are individuals with assets in a pension plan who are not retired yet. They may be actively contributing or may be holding rights in a plan. For more information see: OECD (2019), Pensions at a Glance 2019: OECD and G20 Indicators, OECD Publishing, Paris, https://doi.org/10.1787/b6d3dcfc-en.

[5] Source: OECD Pension Models, available at OECD Pensions at a Glance 2019, Table 5.6, Gross and Net Pension Replacement Rates from Mandatory (Public and Private) and Voluntary Pension Schemes (http://doi.org/10.1787/888934041611); unit of measure: percentage of individual pre-retirement earnings; definition: the 'net replacement rate' is defined as the individual net pension entitlement divided by net pre-retirement earnings, taking into account personal income taxes and social security contributions paid by workers and pensioners. It measures how effectively a pension system provides a retirement income to replace earnings, the main source of income before retirement. Pension entitlements are based on current legislation in OECD countries. The values of all pension system parameters reflect the situation in 2018 and onwards. The calculations show the pension benefits of a worker who enters the system that year at age 22 and retires after a full career. The baseline results are shown for single individuals. For more information see: OECD (2019), Pensions at a Glance 2019: OECD and G20 Indicators, OECD Publishing, Paris, https://doi.org/10.1787/b6d3dcfc-en. Further information is provided in OECD country profiles.

[6] The net pension replacement rate of mandatory public schemes is calculated on the basis of the net pension replacement rates of mandatory schemes holding the relationship between the net and gross pension replacement rate constant [net RR mandatory public = gross RR mandatory public x (net RR mandatory total / gross RR mandatory total)]; source: OECD Pension Models, available at OECD Pensions at a Glance 2019, Table 5.3. Gross Pension Replacement Rates from Mandatory Public, Mandatory Private and Voluntary Private Pension Schemes (http://doi.org/10.1787/888934041497), Table 5.6, Gross and Net Pension Replacement Rates from Mandatory (Public and Private) and Voluntary Pension Schemes (http://doi.org/10.1787/888934041611); unit of measure: percentage of individual pre-retirement earnings; definition: the gross replacement rate is defined as the gross pension entitlement divided by gross pre-retirement earnings. The net replacement rate is defined as the individual net pension entitlement divided by net pre-retirement earnings, taking into account personal income taxes and social security contributions paid by workers and pensioners. For more information see: OECD (2019), Pensions at a Glance 2019: OECD and G20 Indicators, OECD Publishing, Paris, https://doi.org/10.1787/b6d3dcfc-en.

FACT SHEET: FRANCE

Background Information

General statistics on population & employment*	Value	Year	Source
Working age population (age 15-64)	40,815	2019	Eurostat[1]
Active population, labour force (age 15-64)	29,246	2019	Eurostat[1]
Inactive population, outside labour force (age 15-64)	11,569	2019	Eurostat[1]
Elderly population (age 65+)	12,831	2019	Eurostat[1]
Total population (all ages)	67,456	2019	Eurostat[2]

** number of persons reported (in thousands)*

Coverage

Number of persons insured in mandatory pension schemes*	Value	Year	Source
General scheme for employees in industry and commerce (*Régime général des salariés*)	22,956	2018	National[3]
Old age pension scheme for civil and military servants (*Retraite des fonctionnaires de l'État*)	2,000	2018	National[5]
Old age pension scheme for local civil servants (*Retraite des fonctionnaires territoriaux et hospitaliers*)	2,200	2018	National[5]
Special pension scheme for employees in industrial establishments controlled by the state (*Retraite des ouvriers des établissements industriels de l'État, FSPOEIE*)	200	2018	National[5]
Farmers' old age pension scheme (*Mutualité sociale agricole, MSA*)	477	2018	National[3]
Old age pension scheme for the liberal professions (*Assurance vieillesse des professions libérales*)	881	2018	National[3]
Supplementary scheme for private sector employees (*AGIRC-ARRCO*)	18,800	2017	National[4]
Additional pension scheme for civil servants (*Régime additionnel de la fonction publique, RAFP*)	4,500	2018	National[5]
Complementary pension scheme for public employees on labour contracts (*Institution de retraite complémentaire des agents non titulaires de l'État et des collectivités publiques, IRCANTEC*)	2,940	2017	National[5]
Supplementary pension scheme for the liberal professions (*Régime complémentaire des professions libérales*)	n.a.	2018	National[5]
Supplementary pension scheme for self-employed farmers (*Retraite complémentaire obligatoire pour les exploitants agricoles, RCO*)	n.a.	2018	National[5]
Supplementary pension scheme for self-employed persons (*Retraite complémentaire des indépendants, RCI*)	n.a.	2018	National[5]
Mandatory collective pension plans (*Plans d'épargne retraite d'entreprise obligatoires, PERO*)	n.a.	2020	–

** number of persons reported (in thousands);*
"n.a." = information not available

Coverage of funded and private pension plans*	Value	Year	Source
Mandatory/quasi-mandatory pension plans	x	2017	OECD[6]
Auto-enrolment	x	2017	OECD[6]
Voluntary: occupational pension plans	25.2	2017	OECD[6]
Voluntary: private pension plans	7.8	2017	OECD[6]
Voluntary: total	n.a.	2017	OECD[6]

** % of the working-age population (age 15-64);*
"n.a." = information not available; "x" = not applicable

Financial Protection in Old Age

National net pension replacement rates*	Value	Year	Source
Total net (with voluntary)	n.a.	2018	OECD[7]
Net mandatory public and private	73.6	2018	OECD[7]
Net mandatory public	73.6	2018	OECD[7]

** % of individual pre-retirement earnings;*
"n.a." = information not available

Reference EU28 and OECD: net pension replacement rates*	Value	Year	Source
EU: Total net (with voluntary)	67.0	2018	OECD[7]
EU: Net mandatory public and private	63.5	2018	OECD[7]
EU: Net mandatory public	55.5	2018	OECD[8]
OECD: Total net (with voluntary)	65.4	2018	OECD[7]
OECD: Net mandatory public and private	58.6	2018	OECD[7]
OECD: Net mandatory public	47.3	2018	OECD[8]

** % of individual pre-retirement earnings*

References

[1] Source: European Labour Force Survey (EU-LFS), available at Eurostat; dataset: 'Population by Sex, Age, Citizenship and Labour Status (1 000)', ID: lfsa_pganws, accessed on 10/11/2020; unit of measure: number of persons (in thousands); definitions: the 'working age population (age 15-64)' includes all persons of 15 to 64 years of age; the 'active population, labour force (age 15-64)' is defined as the sum of employed and unemployed persons of 15 to 64 years of age; the 'inactive population, outside the labour force (age 15-64)' consists of all persons who are classified neither as employed nor as unemployed of 15 to 64 years of age; the 'elderly population (age 65+)' includes all persons of 65 years of age or older.

[2] Source: Annual National Accounts, available at Eurostat; dataset: 'Population and Employment', ID: nama_10_pe, accessed on 10/11/2020; unit of measure: number of persons (in thousands); definition: the 'population (total)' consists of all persons, nationals or foreigners, who are permanently settled in the economic territory of the country, even if they are temporarily absent from it, on a given date. A person staying or intending to stay for at least one year is considered to be settled in the territory. By convention, the total population excludes foreign students and members of foreign armed forces stationed in a country.

[3] Caisse nationale de l'assurance vieillesse des professions libérales (2019). Recueil statistique de l'assurance vieillesse des professions libérales édition 2019. CNAVPL: Paris. For further information see also: Direction de la recherche, des études, de l'évaluation et des statistiques (2020). Les retraités et les retraites édition 2020. Drees: Paris. Additional information on benefit recipients is provided by the OECD Social Benefit Recipients Database (SOCR).

[4] Agirc-Arrco (2018). Chiffr'Agirc-Arrco 2018. Publications de l'Agirc-Arrco: Paris.

[5] Ministère de la transformation et de la fonction publique (2020). Rapport sur les pensions de retraite de la fonction publique 2020. Direction générale de l'administration et de la fonction publique: Paris.

[6] Source: OECD Global Pension Statistics, available at OECD Pensions at a Glance 2019, Table 9.1, Coverage of Funded and Private Pension Plans in Selected OECD and other Jurisdictions (https://doi.org/10.1787/888934042371); unit of measure: percentage of the working-age population (age 15-64); definition: coverage rates are provided with respect to the working-age population (i.e. individuals aged 15 to 64 years old). Active members are individuals with assets in a pension plan who are not retired yet. They may be actively contributing or may be holding rights in a plan. For more information see: OECD (2019), Pensions at a Glance 2019: OECD and G20 Indicators, OECD Publishing, Paris, https://doi.org/10.1787/b6d3dcfc-en.

[7] Source: OECD Pension Models, available at OECD Pensions at a Glance 2019, Table 5.6, Gross and Net Pension Replacement Rates from Mandatory (Public and Private) and Voluntary Pension Schemes (http://doi.org/10.1787/888934041611); unit of measure: percentage of individual pre-retirement earnings; definition: the 'net replacement rate' is defined as the individual net pension entitlement divided by net pre-retirement earnings, taking into account personal income taxes and social security contributions paid by workers and pensioners. It measures how effectively a pension system provides a retirement income to replace earnings, the main source of income before retirement. Pension entitlements are based on current legislation in OECD countries. The values of all pension system

parameters reflect the situation in 2018 and onwards. The calculations show the pension benefits of a worker who enters the system that year at age 22 and retires after a full career. The baseline results are shown for single individuals. For more information see: OECD (2019), Pensions at a Glance 2019: OECD and G20 Indicators, OECD Publishing, Paris, https://doi.org/10.1787/b6d3dcfc-en. Further information is provided in OECD country profiles.

[8] The net pension replacement rate of mandatory public schemes is calculated on the basis of the net pension replacement rates of mandatory schemes holding the relationship between the net and gross pension replacement rate constant [net RR mandatory public = gross RR mandatory public x (net RR mandatory total / gross RR mandatory total)]; source: OECD Pension Models, available at OECD Pensions at a Glance 2019, Table 5.3. Gross Pension Replacement Rates from Mandatory Public, Mandatory Private and Voluntary Private Pension Schemes (http://doi.org/10.1787/888934041497), Table 5.6, Gross and Net Pension Replacement Rates from Mandatory (Public and Private) and Voluntary Pension Schemes (http://doi.org/10.1787/888934041611); unit of measure: percentage of individual pre-retirement earnings; definition: the gross replacement rate is defined as the gross pension entitlement divided by gross pre-retirement earnings. The net replacement rate is defined as the individual net pension entitlement divided by net pre-retirement earnings, taking into account personal income taxes and social security contributions paid by workers and pensioners. For more information see: OECD (2019), Pensions at a Glance 2019: OECD and G20 Indicators, OECD Publishing, Paris, https://doi.org/10.1787/b6d3dcfc-en.

FACT SHEET: GERMANY

Background Information

General statistics on population & employment*	Value	Year	Source
Working age population (age 15-64)	53,545	2019	Eurostat[1]
Active population, labour force (age 15-64)	42,427	2019	Eurostat[1]
Inactive population, outside labour force (age 15-64)	11,118	2019	Eurostat[1]
Elderly population (age 65+)	17,149	2019	Eurostat[1]
Total population (all ages)	83,093	2019	Eurostat[2]

** number of persons reported (in thousands)*

Coverage

Number of persons insured in mandatory pension schemes*	Value	Year	Source
Statutory old age pension scheme (*Gesetzliche Rentenversicherung*)	38,727	2018	National[3]
Civil servants' old age pension scheme (*Beamtenversorgung*)	1,758	2019	National[3]
Farmers' old age security scheme (*Landwirtschaftliche Altersvorsorge*)	181	2019	National[3]
Old age pension schemes for the liberal professions (*Berufsständische Versorgungswerke*)	860	2018	National[3]
Supplementary pension schemes for public service employees (*Zusatzversorgung des öffentlichen Dienstes*)	5,882	2019	National[3]

** number of persons reported (in thousands)*

Coverage of funded and private pension plans*	Value	Year	Source
Mandatory/quasi-mandatory pension plans	x	2015	OECD[4]
Auto-enrolment	n.a.	2015	OECD[4]
Voluntary: occupational pension plans	57.0	2015	OECD[4]
Voluntary: private pension plans (*here: Riester pension only*)	33.8	2015	OECD[4]
Voluntary: total	70.4	2015	OECD[4]

** % of employees aged 25–64 subject to social insurance contributions;*
"n.a." = information not available; "x" = not applicable

Financial Protection in Old Age

National net pension replacement rates*	Value	Year	Source
Total net (with voluntary)	68.0	2018	OECD[5]
Net mandatory public and private	51.9	2018	OECD[5]
Net mandatory public	51.9	2018	OECD[5]

** % of individual pre-retirement earnings*

Reference EU28 and OECD: net pension replacement rates*	Value	Year	Source
EU: Total net (with voluntary)	67.0	2018	OECD[5]
EU: Net mandatory public and private	63.5	2018	OECD[5]
EU: Net mandatory public	55.5	2018	OECD[6]
OECD: Total net (with voluntary)	65.4	2018	OECD[5]
OECD: Net mandatory public and private	58.6	2018	OECD[5]
OECD: Net mandatory public	47.3	2018	OECD[6]

** % of individual pre-retirement earnings*

References

[1] Source: European Labour Force Survey (EU-LFS), available at Eurostat; dataset: 'Population by Sex, Age, Citizenship and Labour Status (1 000)', ID: lfsa_pganws, accessed on 10/11/2020; unit of measure: number of persons (in thousands); definitions: the 'working age population (age 15-64)' includes all persons of 15 to 64 years of age; the 'active population, labour force (age 15-64)' is defined as the sum of employed and unemployed persons of 15 to 64 years of age; the 'inactive population, outside the labour force (age 15-64)' consists of all persons who are classified neither as employed nor as unemployed of 15 to 64 years of age; the 'elderly population (age 65+)' includes all persons of 65 years of age or older.

[2] Source: Annual National Accounts, available at Eurostat; dataset: 'Population and Employment', ID: nama_10_pe, accessed on 10/11/2020; unit of measure: number of persons (in thousands); definition: the 'population (total)' consists of all persons, nationals or foreigners, who are permanently settled in the economic territory of the country, even if they are temporarily absent from it, on a given date. A person staying or intending to stay for at least one year is considered to be settled in the territory. By convention, the total population excludes foreign students and members of foreign armed forces stationed in a country.

[3] Bundesministerium für Arbeit und Soziales (2020). Ergänzender Bericht der Bundesregierung zum Rentenversicherungsbericht 2020 gemäß § 154 Abs. 2 SGB VI (Alterssicherungsbericht 2020). BMAS: Berlin. Additional information on benefit recipients is provided by the OECD Social Benefit Recipients Database (SOCR).

[4] Source: OECD Global Pension Statistics, available at OECD Pensions at a Glance 2019, Table 9.1, Coverage of Funded and Private Pension Plans in Selected OECD and Other Jurisdictions (https://doi.org/10.1787/888934042371); unit of measure: percentage of employees aged 25-64 subject to social insurance contributions; definition: coverage rates for Germany are provided with respect to employees aged 25-64 subject to social insurance contributions. Active members are individuals with assets in a pension plan who are not retired yet. They may be actively contributing or may be holding rights in a plan. For more information see: OECD (2019), Pensions at a Glance 2019: OECD and G20 Indicators, OECD Publishing, Paris, https://doi.org/10.1787/b6d3dcfc-en.

[5] Source: OECD Pension Models, available at OECD Pensions at a Glance 2019, Table 5.6, Gross and Net Pension Replacement Rates from Mandatory (Public and Private) and Voluntary Pension Schemes (http://doi.org/10.1787/888934041611); unit of measure: percentage of individual pre-retirement earnings; definition: the 'net replacement rate' is defined as the individual net pension entitlement divided by net pre-retirement earnings, taking into account personal income taxes and social security contributions paid by workers and pensioners. It measures how effectively a pension system provides a retirement income to replace earnings, the main source of income before retirement. Pension entitlements are based on current legislation in OECD countries. The values of all pension system parameters reflect the situation in 2018 and onwards. The calculations show the pension benefits of a worker who enters the system that year at age 22 and retires after a full career. The baseline results are shown for single individuals. For more information see: OECD (2019), Pensions at a Glance 2019: OECD and G20 Indicators, OECD Publishing, Paris, https://doi.org/10.1787/b6d3dcfc-en. Further information is provided in OECD country profiles.

[6] The net pension replacement rate of mandatory public schemes is calculated on the basis of the net pension replacement rates of mandatory schemes holding the relationship between the net and gross pension replacement rate constant [net RR mandatory public = gross RR mandatory public x (net RR mandatory total / gross RR mandatory total)]; source: OECD Pension Models, available at OECD Pensions at a Glance 2019, Table 5.3. Gross Pension Replacement Rates from Mandatory Public, Mandatory Private and Voluntary Private Pension Schemes (http://doi.org/10.1787/888934041497), Table 5.6, Gross and Net Pension Replacement Rates from Mandatory (Public and Private) and Voluntary Pension Schemes (http://doi.org/10.1787/888934041611); unit of measure: percentage of individual pre-retirement earnings; definition: the gross replacement rate is defined as the gross pension entitlement divided by gross pre-retirement earnings. The net replacement rate is defined as the individual net pension entitlement divided by net pre-retirement earnings, taking into account personal income taxes and social security contributions paid by workers and pensioners. For more information see: OECD (2019), Pensions at a Glance 2019: OECD and G20 Indicators, OECD Publishing, Paris, https://doi.org/10.1787/b6d3dcfc-en.

FACT SHEET: GREAT BRITAIN

Background Information

General statistics on population & employment*	Value	Year	Source
Working age population (age 15-64)	41,757	2019	Eurostat[1]
Active population, labour force (age 15-64)	32,631	2019	Eurostat[1]
Inactive population, outside labour force (age 15-64)	9,126	2019	Eurostat[1]
Elderly population (age 65+)	11,970	2019	Eurostat[1]
Total population (all ages)	66,833	2019	Eurostat[2]

** number of persons reported (in thousands)*

Coverage

Number of persons potentially insured in mandatory pension schemes*	Value	Year	Source
New State Pension	32,777	2019	National[3]

** number of persons reported (in thousands)*

Coverage of funded and private pension plans*	Value	Year	Source
Mandatory/quasi-mandatory pension plans	x	2018	OECD[4]
Auto-enrolment	46.0	2018	OECD[4]
Voluntary: occupational pension plans	n.a.	2018	OECD[4]
Voluntary: private pension plans	5.0	2018	OECD[4]
Voluntary: total	n.a.	2018	OECD[4]

** % of the working-age population (age 15-64);*
"n.a." = information not available; "x" = not applicable

Additional information on active memberships in occupational pension plans*	Value	Year	Source
Occupational pension plans (total)	17.3	2018	National[5]
Occupational pension plans for private sector employees	11.0	2018	National[5]
Occupational pension plans for public sector employees	6.3	2018	National[5]

** number of persons reported (in millions)*

Financial Protection in Old Age

National net pension replacement rates*	Value	Year	Source
Total net (with voluntary)	61.0	2018	OECD[6]
Net mandatory public and private	28.4	2018	OECD[6]
Net mandatory public	28.4	2018	OECD[6]

** % of individual pre-retirement earnings*

Reference EU28 and OECD: net pension replacement rates*	Value	Year	Source
EU: Total net (with voluntary)	67.0	2018	OECD[6]
EU: Net mandatory public and private	63.5	2018	OECD[6]
EU: Net mandatory public	55.5	2018	OECD[7]
OECD: Total net (with voluntary)	65.4	2018	OECD[6]
OECD: Net mandatory public and private	58.6	2018	OECD[6]
OECD: Net mandatory public	47.3	2018	OECD[7]

** % of individual pre-retirement earnings*

References

[1] Source: European Labour Force Survey (EU-LFS), available at Eurostat; dataset: 'Population by Sex, Age, Citizenship and Labour Status (1 000)', ID: lfsa_pganws, accessed on 10/11/2020; unit of measure: number of persons (in thousands); definitions: the 'working age population (age 15-64)' includes all persons of 15 to 64 years of age; the 'active population, labour force (age 15-64)' is defined as the sum of employed and unemployed persons of 15 to 64 years of age; the 'inactive population, outside the labour force (age 15-64)' consists of all persons who are classified neither as employed nor as unemployed of 15 to 64 years of age; the 'elderly population (age 65+)' includes all persons of 65 years of age or older.

[2] Source: Annual National Accounts, available at Eurostat; dataset: 'Population and Employment', ID: nama_10_pe, accessed on 10/11/2020; unit of measure: number of persons (in thousands); definition: the 'population (total)' consists of all persons, nationals or foreigners, who are permanently settled in the economic territory of the country, even if they are temporarily absent from it, on a given date. A person staying or intending to stay for at least one year is considered to be settled in the territory. By convention, the total population excludes foreign students and members of foreign armed forces stationed in a country.

[3] Source: Labour Force Survey (LFS), available at Office for National Statistics. Employment in the UK: September 2019, accessed on 07/01/2021. This number represents an estimate based on the number of people aged 16 years and over in active employment between May and July 2019. Please note that in some ways this number will be under-inclusive, not accounting for those who are credited with making contributions on the basis of receiving certain benefits, while in others it is over-inclusive by including those earning below the threshold amount for contributions. Additional information on benefit recipients is provided by the OECD Social Benefit Recipients Database (SOCR) and by the British Department for Work and Pensions (DWP).

[4] Source: OECD Global Pension Statistics, available at OECD Pensions at a Glance 2019, Table 9.1, Coverage of Funded and Private Pension Plans in Selected OECD and Other Jurisdictions (https://doi.org/10.1787/888934042371); unit of measure: percentage of the working-age population (15-64 years); definition: coverage rates are provided with respect to the total working-age population (i.e. individuals aged 15 to 64 years). Active members are individuals with assets in a pension plan who are not retired yet. They may be actively contributing or may be holding rights in a plan. For more information see: OECD (2019), Pensions at a Glance 2019: OECD and G20 Indicators, OECD Publishing, Paris, https://doi.org/10.1787/b6d3dcfc-en.

[5] Source: Office for National Statistics, dataset: 'Occupational Pension Schemes in the UK', 2018 edition, accessed on 11/01/2021.

[6] Source: OECD Pension Models, available at OECD Pensions at a Glance 2019, Table 5.6, Gross and Net Pension Replacement Rates from Mandatory (Public and Private) and Voluntary Pension Schemes (http://doi.org/10.1787/888934041611); unit of measure: percentage of individual pre-retirement earnings; definition: the 'net replacement rate' is defined as the individual net pension entitlement divided by net pre-retirement earnings, taking into account personal income taxes and social security contributions paid by workers and pensioners. It measures how effectively a pension system provides a retirement income to replace earnings, the main source of income before retirement. Pension entitlements are based on current legislation in OECD countries. The values of all pension system parameters reflect the situation in 2018 and onwards. The calculations show the pension benefits of a worker who enters the system that year at age 22 and retires after a full career. The baseline results are shown for single individuals. For more information see: OECD (2019), Pensions at a Glance 2019: OECD and G20 Indicators, OECD Publishing, Paris, https://doi.org/10.1787/b6d3dcfc-en. Further information is provided in OECD country profiles.

[7] The net pension replacement rate of mandatory public schemes is calculated on the basis of the net pension replacement rates of mandatory schemes holding the relationship between the net and gross pension replacement rate constant [net RR mandatory public = gross RR mandatory public x (net RR mandatory total / gross RR mandatory total)]; source: OECD Pension Models, available at OECD Pensions at a Glance 2019, Table 5.3. Gross Pension Replacement Rates from Mandatory Public, Mandatory Private and Voluntary Private Pension Schemes (http://doi.org/10.1787/888934041497), Table 5.6, Gross and Net Pension Replacement Rates from Mandatory (Public and Private) and Voluntary Pension Schemes (http://doi.org/10.1787/888934041611); unit of measure: percentage of individual pre-retirement earnings; definition: the gross replacement rate is defined as the gross pension entitlement divided by gross pre-retirement earnings. The net replacement rate is defined as the individual net pension entitlement divided by net pre-retirement earnings, taking into account personal income taxes and social security contributions paid by workers and pensioners. For more information see: OECD (2019), Pensions at a Glance 2019: OECD and G20 Indicators, OECD Publishing, Paris, https://doi.org/10.1787/b6d3dcfc-en.

FACT SHEET: GREECE

Background Information

General statistics on population & employment*	Value	Year	Source
Working age population (age 15-64)	6,771	2019	Eurostat[1]
Active population, labour force (age 15-64)	4,634	2019	Eurostat[1]
Inactive population, outside labour force (age 15-64)	2,136	2019	Eurostat[1]
Elderly population (age 65+)	2,333	2019	Eurostat[1]
Total population (all ages)	10,725	2019	Eurostat[2]

** number of persons reported (in thousands)*

Coverage

Number of persons potentially insured in mandatory pension schemes*	Value	Year	Source
Statutory old age pension scheme (*Σύστημα Κύριας Κοινωνικής Ασφάλισης*)	3,911	2019	National[3]
Supplementary pension insurance scheme (*Σύστημα Επικουρικής Κοινωνικής Ασφάλισης*)	n.a.	2019	National[3]

** number of persons reported (in thousands);*
"n.a." = information not available

Coverage of funded and private pension plans*	Value	Year	Source
Mandatory/quasi-mandatory pension plans	n.a.	2018	OECD[4]
Auto-enrolment	x	2018	OECD[4]
Voluntary: occupational pension plans	<5	2018	OECD[4]
Voluntary: private pension plans	n.a.	2018	OECD[4]
Voluntary: total	n.a.	2018	OECD[4]

** % of the working-age population (age 15-64);*
"n.a." = information not available; "x" = not applicable

Financial Protection in Old Age

National net pension replacement rates*	Value	Year	Source
Total net (with voluntary)	n.a.	2018	OECD[5]
Net mandatory public and private	51.1	2018	OECD[5]
Net mandatory public	51.1	2018	OECD[5]

** % of individual pre-retirement earnings;*
"n.a." = information not available

Reference EU28 and OECD: net pension replacement rates*	Value	Year	Source
EU: Total net (with voluntary)	67.0	2018	OECD[5]
EU: Net mandatory public and private	63.5	2018	OECD[5]
EU: Net mandatory public	55.5	2018	OECD[6]
OECD: Total net (with voluntary)	65.4	2018	OECD[5]
OECD: Net mandatory public and private	58.6	2018	OECD[5]
OECD: Net mandatory public	47.3	2018	OECD[6]

** % of individual pre-retirement earnings*

References

[1] Source: European Labour Force Survey (EU-LFS), available at Eurostat; dataset: 'Population by Sex, Age, Citizenship and Labour Status (1 000)', ID: lfsa_pganws, accessed on 10/11/2020; unit of measure: number of persons (in thousands); definitions: the 'working age population (age 15-64)' includes all persons of 15 to 64 years of age; the 'active population, labour force (age 15-64)' is defined as the sum of employed and unemployed persons of 15 to 64 years of age; the 'inactive population, outside the labour force (age 15-64)' consists of all persons who are classified neither as employed nor as unemployed of 15 to 64 years of age; the 'elderly population (age 65+)' includes all persons of 65 years of age or older.

[2] Source: Annual National Accounts, available at Eurostat; dataset: 'Population and Employment', ID: nama_10_pe, accessed on 10/11/2020; unit of measure: number of persons (in thousands); definition: the 'population (total)' consists of all persons, nationals or foreigners, who are permanently settled in the economic territory of the country, even if they are temporarily absent from it, on a given date. A person staying or intending to stay for at least one year is considered to be settled in the territory. By convention, the total population excludes foreign students and members of foreign armed forces stationed in a country.

[3] ΕΛΣΤΑΤ (2020). ΕΛΛΑΣ ΜΕ ΑΡΙΘΜΟΥΣ Ιούλιος - Σεπτέμβριος 2020. ΕΛΣΤΑΤ: Αθήνα. Please note that the table reports the number of persons in gainful employment aged 15 and above potentially insured in the statutory old age pension scheme (Σύστημα Κύριας Κοινωνικής Ασφάλισης) in 2019. Additional information on benefit recipients is provided by the Greek Ministry of Social Affairs, see Υπουργείο Εργασίας & Κοινωνικών Υποθέσεων (2020). ΜΗΝΙΑΙΑ ΑΠΕΙΚΟΝΙΣΗ ΣΥΝΤΑΞΙΟΔΟΤΙΚΩΝ ΠΑΡΟΧΩΝ, ΔΕΚΕΜΒΡΙΟΣ 2020. ΗΔΙΚΑ: Αθήνα.

[4] Source: OECD Global Pension Statistics, available at OECD Pensions at a Glance 2019, Table 9.1, Coverage of Funded and Private Pension Plans in Selected OECD and Other Jurisdictions (https://doi.org/10.1787/888934042371); unit of measure: percentage of the working-age population (age 15-64); definition: coverage rates are provided with respect to the working-age population (i.e. individuals aged 15 to 64 years). Active members are individuals with assets in a pension plan who are not retired yet. They may be actively contributing or may be holding rights in a plan. For more information see: OECD (2019), Pensions at a Glance 2019: OECD and G20 Indicators, OECD Publishing, Paris, https://doi.org/10.1787/b6d3dcfc-en.

[5] Source: OECD Pension Models, available at OECD Pensions at a Glance 2019, Table 5.6, Gross and Net Pension Replacement Rates from Mandatory (Public and Private) and Voluntary Pension Schemes (http://doi.org/10.1787/888934041611); unit of measure: percentage of individual pre-retirement earnings; definition: the 'net replacement rate' is defined as the individual net pension entitlement divided by net pre-retirement earnings, taking into account personal income taxes and social security contributions paid by workers and pensioners. It measures how effectively a pension system provides a retirement income to replace earnings, the main source of income before retirement. Pension entitlements are based on current legislation in OECD countries. The values of all pension system parameters reflect the situation in 2018 and onwards. The calculations show the pension benefits of a worker who enters the system that year at age 22 and retires after a full career. The baseline results are shown for single individuals. For more information see: OECD (2019), Pensions at a Glance 2019: OECD and G20 Indicators, OECD Publishing, Paris, https://doi.org/10.1787/b6d3dcfc-en. Further information is provided in OECD country profiles.

[6] The net pension replacement rate of mandatory public schemes is calculated on the basis of the net pension replacement rates of mandatory schemes holding the relationship between the net and gross pension replacement rate constant [net RR mandatory public = gross RR mandatory public x (net RR mandatory total / gross RR mandatory total)]; source: OECD Pension Models, available at OECD Pensions at a Glance 2019, Table 5.3. Gross Pension Replacement Rates from Mandatory Public, Mandatory Private and Voluntary Private Pension Schemes (http://doi.org/10.1787/888934041497), Table 5.6, Gross and Net Pension Replacement Rates from Mandatory (Public and Private) and Voluntary Pension Schemes (http://doi.org/10.1787/888934041611); unit of measure: percentage of individual pre-retirement earnings; definition: the gross replacement rate is defined as the gross pension entitlement divided by gross pre-retirement earnings. The net replacement rate is defined as the individual net pension entitlement divided by net pre-retirement earnings, taking into account personal income taxes and social security contributions paid by workers and pensioners. For more information see: OECD (2019), Pensions at a Glance 2019: OECD and G20 Indicators, OECD Publishing, Paris, https://doi.org/10.1787/b6d3dcfc-en.

FACT SHEET: ITALY

Background Information

General statistics on population & employment*	Value	Year	Source
Working age population (age 15-64)	38,428	2019	Eurostat[1]
Active population, labour force (age 15-64)	25,254	2019	Eurostat[1]
Inactive population, outside labour force (age 15-64)	13,174	2019	Eurostat[1]
Elderly population (age 65+)	13,566	2019	Eurostat[1]
Total population (all ages)	60,339	2019	Eurostat[2]

** number of persons reported (in thousands)*

Coverage

Number of persons insured in the main mandatory pension schemes*	Value	Year	Source
Old age pension scheme for private sector employees (*Fondo pensioni lavoratori dipendenti, FPLD*)	14,197	2019	National[3]
Old age pension scheme for public sector employees (*Gestione dei dipendenti pubblici*)	3,301	2019	National[3]
Old age pension scheme for farmers, tenant farmers and sharecroppers (*Gestione coltivatori diretti, coloni e mezzadri, CDCM*)	445	2019	National[3]
Old age pension scheme for craftsmen (*Gestione artigiani*)	1,553	2019	National[3]
Old age pension scheme for shopkeepers (*Gestione commercianti*)	2,044	2019	National[3]
Old age pension scheme for atypical workers (*Gestione separata lavoratori parasubordinati*)	831	2019	National[3]
Old age pension schemes for liberal professionals (*Regimi pensionistici 'privatizzati' dei liberi professionisti*)	1,322	2018	National[4]

** number of persons reported (in thousands)*

Coverage of funded and private pension plans*	Value	Year	Source
Mandatory/quasi-mandatory pension plans	x	2018	OECD[5]
Auto-enrolment	n.a.	2018	OECD[5]
Voluntary: occupational pension plans	10.1	2018	OECD[5]
Voluntary: private pension plans	12.3	2018	OECD[5]
Voluntary: total	20.6	2018	OECD[5]

** % of the working-age population (age 15-64);*
"n.a." = information not available; "x" = not applicable

Additional information on funded pension plans*	Value	Year	Source
Private pension plans: total	8,264	2019	National[6]
Contractual (closed) pension funds	3,095	2019	National[6]
Open pension funds	1,516	2019	National[6]
"new" PIPs	3,264	2019	National[6]
"old" PIPs	354	2019	National[6]
Pre-existing pension funds	618	2019	National[6]

** number of persons reported (in thousands)*

Financial Protection in Old Age

National net pension replacement rates*	Value	Year	Source
Total net (with voluntary)	n.a.	2018	OECD[7]
Net mandatory public and private	91.8	2018	OECD[7]
Net mandatory public	91.8	2018	OECD[7]

** % of individual pre-retirement earnings;*
"n.a." = information not available

Reference EU28 and OECD: net pension replacement rates*	Value	Year	Source
EU: Total net (with voluntary)	67.0	2018	OECD[7]
EU: Net mandatory public and private	63.5	2018	OECD[7]
EU: Net mandatory public	55.5	2018	OECD[8]
OECD: Total net (with voluntary)	65.4	2018	OECD[7]
OECD: Net mandatory public and private	58.6	2018	OECD[7]
OECD: Net mandatory public	47.3	2018	OECD[8]

** % of individual pre-retirement earnings*

References

[1] Source: European Labour Force Survey (EU-LFS), available at Eurostat; dataset: 'Population by Sex, Age, Citizenship and Labour Status (1 000)', ID: lfsa_pganws, accessed on 10/11/2020; unit of measure: number of persons (in thousands); definitions: the 'working age population (age 15-64)' includes all persons of 15 to 64 years of age; the 'active population, labour force (age 15-64)' is defined as the sum of employed and unemployed persons of 15 to 64 years of age; the 'inactive population, outside the labour force (age 15-64)' consists of all persons who are classified neither as employed nor as unemployed of 15 to 64 years of age; the 'elderly population (age 65+)' includes all persons of 65 years of age or older.

[2] Source: Annual National Accounts, available at Eurostat; dataset: 'Population and Employment', ID: nama_10_pe, accessed on 10/11/2020; unit of measure: number of persons (in thousands); definition: the 'population (total)' consists of all persons, nationals or foreigners, who are permanently settled in the economic territory of the country, even if they are temporarily absent from it, on a given date. A person staying or intending to stay for at least one year is considered to be settled in the territory. By convention, the total population excludes foreign students and members of foreign armed forces stationed in a country.

[3] Istituto Nazionale della Previdenza Sociale (2020). INPS tra emergenza e rilancio. XIX Rapporto annuale, October 2020. INPS: Roma. Please note that the numbers reported in the table are available in the statistical annex only, available online. Additional information on benefit recipients is provided by the OECD Social Benefit Recipients Database (SOCR).

[4] Itinerari Previdenziali (2020). The Italian Pension System. Financial and demographic trends of the pension and welfare system in 2018. Report No. 7, 2020.

[5] Source: OECD Global Pension Statistics, available at OECD Pensions at a Glance 2019, Table 9.1, Coverage of Funded and Private Pension Plans in Selected OECD and Other Jurisdictions (https://doi.org/10.1787/888934042371); unit of measure: percentage of the working-age population (age 15-64); definition: coverage rates are provided with respect to the working-age population (i.e. individuals aged 15 to 64 years). Active members are individuals with assets in a pension plan who are not retired yet. They may be actively contributing or may be holding rights in a plan. Please note that for Italy, the coverage rate that is shown under voluntary occupational plans also covers individuals automatically enrolled in a plan. The total coverage rate for Italy is free from multiple counting (i.e. counts members only once even when they have several plans) and is not equal to the sum of the coverage of occupational and personal plans.
For more information see: OECD (2019), Pensions at a Glance 2019: OECD and G20 Indicators, OECD Publishing, Paris, https://doi.org/10.1787/b6d3dcfc-en.

[6] Source: COVIP (Commissione di Vigilanza sui Fondi Pensione): 'Supplementary Pension Funds in Italy at End-2019: Main Data', accessed on 24/11/2020.

[7] Source: OECD Pension Models, available at OECD Pensions at a Glance 2019, Table 5.6, Gross and Net Pension Replacement Rates from Mandatory (Public and Private) and Voluntary Pension Schemes (http://doi.

org/10.1787/888934041611); unit of measure: percentage of individual pre-retirement earnings; definition: the 'net replacement rate' is defined as the individual net pension entitlement divided by net pre-retirement earnings, taking into account personal income taxes and social security contributions paid by workers and pensioners. It measures how effectively a pension system provides a retirement income to replace earnings, the main source of income before retirement. Pension entitlements are based on current legislation in OECD countries. The values of all pension system parameters reflect the situation in 2018 and onwards. The calculations show the pension benefits of a standard worker who enters the system that year at age 22 and retires after a full career. The baseline results are shown for single individuals. For more information see: OECD (2019), Pensions at a Glance 2019: OECD and G20 Indicators, OECD Publishing, Paris, https://doi.org/10.1787/b6d3dcfc-en. Further information is provided in OECD country profiles.

[8] The net pension replacement rate of mandatory public schemes is calculated on the basis of the net pension replacement rates of mandatory schemes holding the relationship between the net and gross pension replacement rate constant [net RR mandatory public = gross RR mandatory public x (net RR mandatory total / gross RR mandatory total)]; source: OECD Pension Models, available at OECD Pensions at a Glance 2019, Table 5.3. Gross Pension Replacement Rates from Mandatory Public, Mandatory Private and Voluntary Private Pension Schemes (http://doi.org/10.1787/888934041497), Table 5.6, Gross and Net Pension Replacement Rates from Mandatory (Public and Private) and Voluntary Pension Schemes (http://doi.org/10.1787/888934041611); unit of measure: percentage of individual pre-retirement earnings; definition: the gross replacement rate is defined as the gross pension entitlement divided by gross pre-retirement earnings. The net replacement rate is defined as the individual net pension entitlement divided by net pre-retirement earnings, taking into account personal income taxes and social security contributions paid by workers and pensioners. For more information see: OECD (2019), Pensions at a Glance 2019: OECD and G20 Indicators, OECD Publishing, Paris, https://doi.org/10.1787/b6d3dcfc-en.

FACT SHEET: NORWAY

Background Information

General statistics on population & employment*	Value	Year	Source
Working age population (age 15-64)	3,474	2019	Eurostat[1]
Active population, labour force (age 15-64)	2,719	2019	Eurostat[1]
Inactive population, outside labour force (age 15-64)	755	2019	Eurostat[1]
Elderly population (age 65+)	919	2019	Eurostat[1]
Total population (all ages)	5,348	2019	Eurostat[2]

** number of persons reported (in thousands)*

Coverage

Number of persons potentially insured in mandatory pension schemes*	Value	Year	Source
Residents actively insured in the statutory old age pension scheme (*Folketrygden*) (age 13-64)	3,600	2019	National[3]
Public sector employees, potentially insured in the public sector occupational pension scheme (*Offentlig tjenestepensjon*)	855	2019	National[4]
Private sector employees, potentially insured in the private sector occupational pension scheme (*Obligatorisk tjenestepensjon, OTP*)	1,846	2019	National[4]

** number of persons reported (in thousands)*

Coverage of funded and private pension plans*	Value	Year	Source
Mandatory/quasi-mandatory pension plans	57.9	2018	OECD[5]
Auto-enrolment	x	2018	OECD[5]
Voluntary: occupational pension plans	n.a.	2018	OECD[5]
Voluntary: private pension plans	23.1	2018	OECD[5]
Voluntary: total	n.a.	2018	OECD[5]

** % of the working-age population (age 15-64);*
"n.a." = information not available; "x" = not applicable

Additional information on number of persons participating in funded and private pension plans*	Value	Year	Source
Private sector AFP	835	2019	National[6]
Public sector employees, potentially covered by the public sector AFP	855	2019	National[4]
Self-employed, with (potential) access to DC pension for the self-employed	119	2019	National[7]
Individual pension savings scheme (*Individuell pensjonssparing, IPS*)	128	2019	National[8]

** number of persons reported (in thousands)*

Financial Protection in Old Age

National net pension replacement rates*	Value	Year	Source
Total net (with voluntary)	n.a.	2018	OECD[9]
Net mandatory public and private	51.6	2018	OECD[9]
Net mandatory public	44.9	2018	OECD[10]

** % of individual pre-retirement earnings;*
"n.a." = information not available

Reference EU28 and OECD: net pension replacement rates*	Value	Year	Source
EU: Total net (with voluntary)	67.0	2018	OECD[9]
EU: Net mandatory public and private	63.5	2018	OECD[9]
EU: Net mandatory public	55.5	2018	OECD[10]
OECD: Total net (with voluntary)	65.4	2018	OECD[9]
OECD: Net mandatory public and private	58.6	2018	OECD[9]
OECD: Net mandatory public	47.3	2018	OECD[10]

** % of individual pre-retirement earnings*

References

[1] Source: European Labour Force Survey (EU-LFS), available at Eurostat; dataset: 'Population by Sex, Age, Citizenship and Labour Status (1 000)', ID: lfsa_pganws, accessed on 10/11/2020; unit of measure: number of persons (in thousands); definitions: the 'working age population (age 15-64)' includes all persons of 15 to 64 years of age; the 'active population, labour force (age 15-64)' is defined as the sum of employed and unemployed persons of 15 to 64 years of age; the 'inactive population, outside the labour force (age 15-64)' consists of all persons who are classified neither as employed nor as unemployed of 15 to 64 years of age; the 'elderly population (age 65+)' includes all persons of 65 years of age or older.

[2] Source: Annual National Accounts, available at Eurostat; dataset: 'Population and Employment', ID: nama_10_pe, accessed on 10/11/2020; unit of measure: number of persons (in thousands); definition: the 'population (total)' consists of all persons, nationals or foreigners, who are permanently settled in the economic territory of the country, even if they are temporarily absent from it, on a given date. A person staying or intending to stay for at least one year is considered to be settled in the territory. By convention, the total population excludes foreign students and members of foreign armed forces stationed in a country.

[3] Source: Statistics Norway, population statistics, dataset: '07459: Population, by Sex and One-Year Age Groups (M) 1986 - 2020', accessed on 07/12/2020. Please note that the number of persons refers to residents in Norway aged 13 to 64, potentially covered by the statutory scheme. Additional information on benefit recipients is provided by the OECD Social Benefit Recipients Database (SOCR).

[4] Source: Statistics Norway, register-based employment statistics, dataset: 'Employed Persons 15-74 Years by Sector and Industrial Division. 4th Quarter', accessed on 28/11/2020. Please note that the number of persons refers to the employees in the public and private sector potentially covered by the respective schemes.

[5] Source: OECD Global Pension Statistics, available at OECD Pensions at a Glance 2019, Table 9.1, Coverage of Funded and Private Pension Plans in Selected OECD and Other Jurisdictions (https://doi.org/10.1787/888934042371); unit of measure: percentage of the working-age population (age 15-64); definition: coverage rates are provided with respect to the working-age population (i.e. individuals aged 15 to 64 years). Active members are individuals with assets in a pension plan who are not retired yet. They may be actively contributing or may be holding rights in a plan. For more information see: OECD (2019), Pensions at a Glance 2019: OECD and G20 Indicators, OECD Publishing, Paris, https://doi.org/10.1787/b6d3dcfc-en.

[6] Fellesordningen for AFP (2020). Årsrapport 2019. AFP, Oslo. Please note that the number of persons refers to the employees in the private sector potentially covered by the respective schemes.

[7] Source: Statistics Norway, income and consumption, dataset: 'Income, Self-Employed', accessed 7/12/2020. Please note that the number of persons refers to the number of self-employed persons potentially covered by the respective scheme.

[8] Source: Statistics Finans Norge, Statistikk - IPS, accessed on 03/12/2020.

[9] Source: OECD Pension Models, available at OECD Pensions at a Glance 2019, Table 5.6, Gross and Net Pension Replacement Rates from Mandatory (Public and Private) and Voluntary Pension Schemes (http://doi.org/10.1787/888934041611); unit of measure: percentage of individual pre-retirement earnings; definition: the 'net replacement rate' is defined as the individual net pension entitlement divided by net pre-retirement earnings, taking into account personal income taxes and social security contributions paid by workers and pensioners. It measures how effectively a pension system provides a retirement income to replace earnings, the main source of income before retirement. Pension entitlements are based on current legislation in OECD countries. The values of all pension system parameters reflect the situation in 2018 and onwards. The calculations show the pension benefits of a worker who enters the system that year at age 22 and retires after a full career. The baseline results are shown for single individuals.

For more information see: OECD (2019), Pensions at a Glance 2019: OECD and G20 Indicators, OECD Publishing, Paris, https://doi.org/10.1787/b6d3dcfc-en. Further information is provided in OECD country profiles.

[10] The net pension replacement rate of mandatory public schemes is calculated on the basis of the net pension replacement rates of mandatory schemes holding the relationship between the net and gross pension replacement rate constant [net RR mandatory public = gross RR mandatory public x (net RR mandatory total / gross RR mandatory total)]; source: OECD Pension Models, available at OECD Pensions at a Glance 2019, Table 5.3. Gross Pension Replacement Rates from Mandatory Public, Mandatory Private and Voluntary Private Pension Schemes (http://doi.org/10.1787/888934041497), Table 5.6, Gross and Net Pension Replacement Rates from Mandatory (Public and Private) and Voluntary Pension Schemes (http://doi.org/10.1787/888934041611); unit of measure: percentage of individual pre-retirement earnings; definition: the gross replacement rate is defined as the gross pension entitlement divided by gross pre-retirement earnings. The net replacement rate is defined as the individual net pension entitlement divided by net pre-retirement earnings, taking into account personal income taxes and social security contributions paid by workers and pensioners. For more information see: OECD (2019), Pensions at a Glance 2019: OECD and G20 Indicators, OECD Publishing, Paris, https://doi.org/10.1787/b6d3dcfc-en.

FACT SHEET: SLOVENIA

Background Information

General statistics on population & employment*	Value	Year	Source
Working age population (age 15-64)	1,350	2019	Eurostat[1]
Active population, labour force (age 15-64)	1,015	2019	Eurostat[1]
Inactive population, outside labour force (age 15-64)	334	2019	Eurostat[1]
Elderly population (age 65+)	421	2019	Eurostat[1]
Total population (all ages)	2,089	2019	Eurostat[2]

** number of persons reported (in thousands)*

Coverage

Number of persons insured in mandatory pension schemes*	Value	Year	Source
Pension and disability insurance (*obvezno pokojninsko in invalidsko zavarovanje*)	961	2019	National[3]
Supplementary pension insurance for hazardous jobs (*obvezno dodatno pokojninsko zavarovanje*)	48	2019	National[4]

** number of persons reported (in thousands)*

Coverage of funded and private pension plans*	Value	Year	Source
Mandatory/quasi-mandatory pension plans	x	2018	OECD[5]
Auto-enrolment	x	2018	OECD[5]
Voluntary: occupational pension plans	n.a.	2018	OECD[5]
Voluntary: private pension plans	n.a.	2018	OECD[5]
Voluntary: total	40.1	2018	OECD[5]

** % of the working-age population (age 15-64);*
"n.a." = information not available; "x" = not applicable

Financial Protection in Old Age

National net pension replacement rates*	Value	Year	Source
Total net (with voluntary)	n.a.	2018	OECD[6]
Net mandatory public and private	57.5	2018	OECD[6]
Net mandatory public	57.5	2018	OECD[6]

** % of individual pre-retirement earnings;*
"n.a." = information not available

Reference EU28 and OECD: net pension replacement rates*	Value	Year	Source
EU: Total net (with voluntary)	67.0	2018	OECD[6]
EU: Net mandatory public and private	63.5	2018	OECD[6]
EU: Net mandatory public	55.5	2018	OECD[7]
OECD: Total net (with voluntary)	65.4	2018	OECD[6]
OECD: Net mandatory public and private	58.6	2018	OECD[6]
OECD: Net mandatory public	47.3	2018	OECD[7]

** % of individual pre-retirement earnings*

References

[1] Source: European Labour Force Survey (EU-LFS), available at Eurostat; dataset: 'Population by Sex, Age, Citizenship and Labour Status (1 000)', ID: lfsa_pganws, accessed on 10/11/2020; unit of measure: number of persons (in thousands); definitions: the 'working age population (age 15-64)' includes all persons of 15 to 64 years of age; the 'active population, labour force (age 15-64)' is defined as the sum of employed and unemployed persons of 15 to 64 years of age; the 'inactive population, outside the labour force (age 15-64)' consists of all persons who are classified neither as employed nor as unemployed of 15 to 64 years of age; the 'elderly population (age 65+)' includes all persons of 65 years of age or older.

[2] Source: Annual National Accounts, available at Eurostat; dataset: 'Population and Employment', ID: nama_10_pe, accessed on 10/11/2020; unit of measure: number of persons (in thousands); definition: the 'population (total)' consists of all persons, nationals or foreigners, who are permanently settled in the economic territory of the country, even if they are temporarily absent from it, on a given date. A person staying or intending to stay for at least one year is considered to be settled in the territory. By convention, the total population excludes foreign students and members of foreign armed forces stationed in a country.

[3] Zavod za pokojninsko in invalidsko zavarovanje Slovenije (2020). Letno poročilo 2019. ZPIZ: Ljubljana. Additional information on benefit recipients is provided by the OECD Social Benefit Recipients Database (SOCR).

[4] Kapitalska družba (2020). Korak v prihodnost. Letno poročilo Sklada obveznega dodatnega pokojninskega zavarovanja RS za leto 2019. Kapitalska družba d.d.: Ljubljana.

[5] Source: OECD Global Pension Statistics, available at OECD Pensions at a Glance 2019, Table 9.1, Coverage of Funded and Private Pension Plans in Selected OECD and Other Jurisdictions (https://doi.org/10.1787/888934042371); unit of measure: percentage of the working-age population (age 15-64); definition: coverage rates are provided with respect to the working-age population (i.e. individuals aged 15 to 64 years). Active members are individuals with assets in a pension plan who are not retired yet. They may be actively contributing or may be holding rights in a plan. For more information see: OECD (2019), Pensions at a Glance 2019: OECD and G20 Indicators, OECD Publishing, Paris, https://doi.org/10.1787/b6d3dcfc-en.

[6] Source: OECD Pension Models, available at OECD Pensions at a Glance 2019, Table 5.6, Gross and Net Pension Replacement Rates from Mandatory (Public and Private) and Voluntary Pension Schemes (http://doi.org/10.1787/888934041611); unit of measure: percentage of individual pre-retirement earnings; definition: the 'net replacement rate' is defined as the individual net pension entitlement divided by net pre-retirement earnings, taking into account personal income taxes and social security contributions paid by workers and pensioners. It measures how effectively a pension system provides a retirement income to replace earnings, the main source of income before retirement. Pension entitlements are based on current legislation in OECD countries. The values of all pension system parameters reflect the situation in 2018 and onwards. The calculations show the pension benefits of a worker who enters the system that year at age 22 and retires after a full career. The baseline results are shown for single individuals. For more information see: OECD (2019), Pensions at a Glance 2019: OECD and G20 Indicators, OECD Publishing, Paris, https://doi.org/10.1787/b6d3dcfc-en. Further information is provided in OECD country profiles.

[7] The net pension replacement rate of mandatory public schemes is calculated on the basis of the net pension replacement rates of mandatory schemes holding the relationship between the net and gross pension replacement rate constant [net RR mandatory public = gross RR mandatory public x (net RR mandatory total / gross RR mandatory total)]; source: OECD Pension Models, available at OECD Pensions at a Glance 2019, Table 5.3. Gross Pension Replacement Rates from Mandatory Public, Mandatory Private and Voluntary Private Pension Schemes (http://doi.org/10.1787/888934041497), Table 5.6, Gross and Net Pension Replacement Rates from Mandatory (Public and Private) and Voluntary Pension Schemes (http://doi.org/10.1787/888934041611); unit of measure: percentage of individual pre-retirement earnings; definition: the gross replacement rate is defined as the gross pension entitlement divided by gross pre-retirement earnings. The net replacement rate is defined as the individual net pension entitlement divided by net pre-retirement earnings, taking into account personal income taxes and social security contributions paid by workers and pensioners. For more information see: OECD (2019), Pensions at a Glance 2019: OECD and G20 Indicators, OECD Publishing, Paris, https://doi.org/10.1787/b6d3dcfc-en.