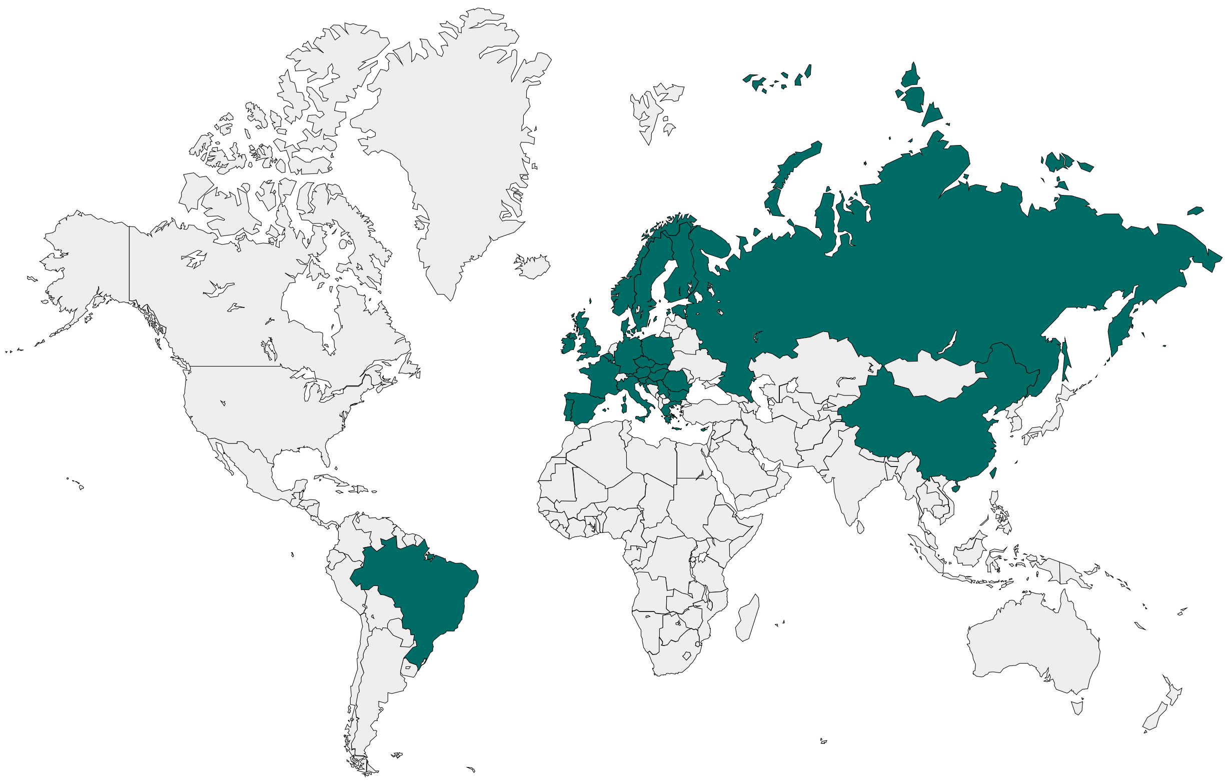
MAX PLANCK INSTITUTE
FOR SOCIAL LAW AND SOCIAL POLICY

Edited by
Simone M. Schneider
Teodora Petrova
Ulrich Becker

PENSION MAPS

Visualising the Institutional Structure of Old Age Security
in Europe and Beyond



Second Edition

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

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Max Planck Institute for Social Law and Social Policy
Amalienstrasse 33, D-80799 Munich, Germany
Tel.: +49 (0)89 38602-0
Fax: +49 (0)89 38602-490
E-mail: info@mpisoc.mpg.de
http://www.mpisoc.mpg.de

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PREFACE TO THE FIRST EDITION

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

PREFACE TO THE SECOND EDITION

Since the publication of the first Pension Maps report, we have worked non-stop on its extension. In close cooperation with international experts, we have collected information on old age security for a larger and more diverse set of countries. This second and extended edition shows the results of these collaborative efforts: it comprises Pension Maps for 25 European and 3 non-European countries.

These Pension Maps give an easy-to-understand overview of the diversity and variability in the organization of old age security across countries. After a quick study of the user's guide, the reader should be able to identify at a single glance how old age security is organized in a country, which schemes address the different protection functions, to whom access is granted, how fragmented or universal a system is, and how high the average pension level is compared to the average in the EU and the OECD – to name a few examples. Yet the reader should be warned. The report does not provide a simple or straightforward answer to the question of which old age security system is best. Systems differ widely and can only be compared and ranked along various analytical dimensions – as demonstrated by the variability of the Pension Maps.

The attentive and interested reader will appreciate that each Pension Map is accompanied by more detailed information on each pension scheme, including information on its coverage, financing mechanism, administrative institution, qualifying conditions, and calculation of benefits. The preparation of this additional information was the main challenge we faced when preparing this second edition – not only the amount of information we intended to gather, but also the sorting and presenting of the information in a systematic and consistent way so as to allow straightforward comparisons across systems.

Our deepest gratitude goes to our cooperation partners who patiently awaited our feedback and questions, and who were willing to invest much more of their time looking up detailed information than they expected when they agreed to contribute to this project. The comprehensiveness of the report attests to their efforts.

With this report we may have not been able to (dis)cover the world, but we certainly have come a step closer to providing our readers easily understandable and accessible information on old age security across a large and diverse set of countries. We are confident the information can be used in multiple ways. It can provide a rich database for the comparative study of social policy, and it can stimulate public discussions on how social policies can be organized and what can be learned from other countries.

The project has not yet come to an end. We advise our readers to keep an eye on the project's website for additional Pension Maps as we complete them.

Munich, December 2021

Simone M. Schneider

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LIST OF CONTRIBUTORS

EDITORS

Simone M. Schneider is Senior Researcher at the Department of Foreign and International Social Law at the Max Planck Institute for Social Law and Social Policy in Munich, Germany. She received her Ph.D. in Sociology from Humboldt University of Berlin in 2014. Her current research interests encompass social policy, social inequality, public opinion and quantitative research methods.

Teodora Petrova is Researcher and Ph.D. Candidate at the Department of Foreign and International Social Law at the Max Planck Institute for Social Law and Social Policy in Munich, Germany. She received her LL.M. from the European University Institute in Florence in 2013. Her Ph.D. research deals with the constitutional influence on social protection in Bulgaria. Her main research interests include constitutional social rights, social law reforms and pension law.

Ulrich Becker is a Director at the Max Planck Institute for Social Law and Social Policy and Honorary Professor for Public Law, European Law and Social Law at the Faculty of Law at Ludwig Maximilian University of Munich, Germany. His main research interests comprise social protection law, constitutional, administrative and European Union law as well as legal comparison.

AUTHORS

Susanne Auer-Mayer is Full Professor and Deputy Head of the Institute for Austrian and European Labour Law and Social Security Law at Vienna University of Economics and Business, Austria. She received her *venia docendi* for Labour Law and Social Law from the University of Salzburg in 2018. In her habilitation treatise, she dealt with questions of self-responsibility in social security law. Her research interests lie in both labour law and social security law.

Filip Bojić is Assistant Professor at the Department of Public Law at the Faculty of Law at University of Belgrade, Serbia. He received his Ph.D. in Law from the University of Belgrade in 2018. His research interests include labour law, international labour law and social security law.

Olga Chesalina is Senior Researcher at the Department of Foreign and International Social Law at the Max Planck Institute for Social Law and Social Policy in Munich, Germany. She received her Ph.D. in Law from the National Academy of Sciences of Belarus in 2002, and her LL.M. from Ludwig Maximilian University of Munich in 2009. Her main research interests comprise social and labour law, European Union law, law of Eastern European countries as well as legal comparison.

Elaine Dewhurst is Senior Lecturer of Law at the University of Manchester, UK. She received her Ph.D. in Law from the National University of Ireland in Cork in 2009. Her current research interests encompass non-discrimination and equality law, particularly age discrimination law.

Dafni Diliagka is Administrative Officer at Bezirk Oberbayern (District of Upper Bavaria), Germany. She received her Ph.D. from Ludwig Maximilian University in Munich in 2017 and was a scholar at the Department of Foreign and International Social Law at the Max Planck Institute for Social Law and Social Policy in Munich. Her Ph.D. research dealt with the constitutionality of pension benefit reductions in Greece. Her current interest encompasses the social law benefits for persons with disabilities according to German Social Law.

Elena-Luminița Dima is Professor for Labour Law, Social Security Law, and Labour and Industrial Relations in the European Union at the Faculty of Law at Bucharest University, Ph.D. Coordinator, Trainer for the National Institute of the Magistracy in the area of labour law and social security law, and an admitted Lawyer to the Bucharest Bar, Romania. Her main research interests include labour law, industrial relations and social protection law.

Thomas Erhag is Professor of Public Law at the School of Business, Economics and Law at Gothenburg University, Sweden. His main research interests comprise constitutional and administrative law with a specific interest in issues on social security and the European Union.

Thais Guerrero Padrón is Associate Professor of Labour and Social Security Law at the University of Cadiz and Vice Dean of the Faculty of Labour Sciences at University of Cadiz, Spain. Her current research activity focuses on the coordination of social security systems, social protection of self-employed workers, and socio-labour issues of European migration and asylum policy.

Christian Günther is Ph.D. Candidate at the Department of Foreign and International Social Law at the Max Planck Institute for Social Law and Social Policy in Munich, Germany. He received a B.A. in Jurisprudence from the University of Oxford in 2017 and an M.A. in Philosophy from King's College London in 2018. His Ph.D. deals with the regulation of clinical uses of artificial intelligence in the United Kingdom and the United States. His main research interests lie in medical and public law, legal philosophy and the ethics and politics of science and technology.

József Hajdú is Head of the Department of Labour Law and Social Security and Director of the Institute of Human Resource Management, Industrial Relations and Social Security at the Faculty of Law at University of Szeged, Hungary. He is Member of the European Committee of Social Rights at the Council of Europe, Strasbourg, France. His main interests are international and Hungarian labour law (with a special focus on AI and employment), international and Hungarian social security law and the protection of human (social) rights.

Linxin He is Associate Professor at the University of Paris 1 Pantheon-Sorbonne, France, and Affiliated Researcher at the Department of Foreign and International Social Law at the Max Planck Institute for Social Law and Social Policy in Munich, Germany. His current research deals with European labour and social security law, social rights and the transformation of the welfare state.

Athena Herodotou is Ph.D. Candidate at the Department of Law at University of Cyprus. She received her LL.M. in Public International Law from the University of Nottingham in 2016. Her Ph.D. research deals with the obligation of non-recognition in international law. Her main research interests include public international law, law of the sea, law of treaties, issues of sovereignty and constitutional law.

Marjukka Hietaniemi is Head of the Planning Services Unit of the Planning Department at the Finnish Centre for Pensions. She holds a master's degree in Economics from the University of Helsinki. Since the mid-1990s, she has participated in most of the earnings-related pension system reforms and is currently, among other working groups, a member of the parliamentary Social Security Reform Committee.

Eva Maria Hohnerlein is Senior Researcher at the Department of Foreign and International Social Law at the Max Planck Institute for Social Law and Social Policy in Munich, Germany. She received her Ph.D. in Law from the University of the Saarland in 1989. Her research covers international and comparative dimensions of social law, with a special focus on welfare state developments in Italy, including pension law reforms and social protection of the elderly.

Yves Jorens is Full Professor of (European) Social Law and Social Criminal Law at the Faculty of Law and Criminology at Ghent University, Belgium. He is Co-founder and Director of LIISA (Lab for International & Interdisciplinary Social Affairs) and Honorary Professor at the School of Sociology and Social Policy at University of Nottingham. His main domains of research are the coordination of social security for migrant workers, posting, cross-border employment, social dumping, combatting social fraud and social dumping and the employment situation in the aviation sector.

Constantinos Kombos is Associate Professor at the Law Department at University of Cyprus. He was elected in the field of public and European Union law and received his LL.M. from the University of Cambridge and his Ph.D. from the University of Hull. His research interests include constitutional law, comparative public law, European Union constitutional law and the protection of human rights.

Viktor Križan is Associate Professor at the Faculty of Law at University of Trnava, Slovakia, where he provides lectures and seminars in the fields of labour law, international and European labour law and social security law. He focuses in his professional and publishing activities primarily on the implementation of the labour law of the European Union into the legal order of the Slovak Republic and on the area of decent working conditions for employees.

Kati Kuitto is Senior Researcher and Deputy Head of Research at the Research Department of the Finnish Centre for Pensions in Helsinki. She received her Ph.D. in Political Science from the University of Greifswald in 2012. Her current research interests include the comparative study of pension adequacy, the lengthening of working lives and social policy over the life course.

Daniel Eryk Lach is Full Professor at the Chair of Labour Law and Social Law at the Faculty of Law and Administration at Adam Mickiewicz University in Poznan, Poland. He was a scholarship holder of the Max Planck Institute for Social Law and Social Policy in Munich. He is the author of over 100 scientific books and papers on theoretical and legal issues of the health and long-term care system, also in constitutional and cross-border aspects as well as on social security law and labour law.

João Carlos Loureiro is Professor of Constitutional Law and Social Security Law at the Faculty of Law at University of Coimbra and Researcher at the University of Coimbra Institute for Legal Research, Portugal. His main research interests comprise constitutional law, social security law, health law and bioethics and law and poverty.

Luka Mišič is Assistant Professor at the Department of Labour Law and Social Security Law and Research Fellow at the Institute of Criminology at the Faculty of Law at University of Ljubljana, Slovenia. He received his Ph.D. in Law from the University of Ljubljana in 2019. His research interests include social protection, social justice and free movement of persons in the EU.

Sergio Mittlaender is Professor of Law at FGV Direito SP in São Paulo, Brazil, and Senior Researcher at the Department of Foreign and International Social Law at the Max Planck Institute for Social Law and Social Policy in Munich, Germany. He holds a Ph.D. in Law and Economics from the Universities of Bologna, Hamburg and Rotterdam (2015). His research focuses on social law, public policies against corruption and discrimination, as well as on contracts and torts.

Cristina Sánchez Rodas is Professor of Labour Law and Social Security at the University of Seville, Spain. She is Director of the open journal *E-Revista Internacional de la Protección Social*, President of the Association of Women Labour Lawyers of Andalusia, and a specialist in European Social Law.

Anika Seemann is Senior Researcher at the Department of Foreign and International Social Law at the Max Planck Institute for Social Law and Social Policy in Munich, Germany. She received her Ph.D. in Legal History from the University of Cambridge in 2019. Her current research focuses on citizenship and social law in the Nordic countries from both a historical and contemporary perspective.

Martine Stagelund Hvidt is Postdoctoral Researcher at the Faculty of Law at University of Copenhagen, Denmark. She received her Ph.D. in Law from the University of Copenhagen in 2015. Her current research interests include pension law, health and safety at work and social and equality law.

Alexandra Georgiana Vâlcelaru is Ph.D. Candidate at the Faculty of Law at Bucharest University and an admitted Lawyer to the Bucharest Bar, Romania. She received her LL.M. from Bucharest University in 2017. Her Ph.D. research deals with the impact of digitalisation on labour relations and the status of gig economy workers. Her main research interests include labour law, social protection law and tech law.

Mika Vidlund is Liaison Manager at the Finnish Centre for Pensions. He works as a Team Leader of the International Analysis Team within the Planning Department. He received his Licentiate degree in Social Sciences from the University of Turku in 2006. His recent research activity has concentrated on cross-national comparisons of pension governance, financing and investments as well as on effective and flexible retirement.

Mari-Liis Viirsalu is Ph.D. Candidate at the School of Law at University of Tartu, Estonia. She received her LL.M. from the University of Constance in 2007. In her Ph.D. research she focuses on the protection of social rights in a market-based consumer choice model for social services. Her broader research interest lies in the liberalisation of welfare services and public/private sector cooperation especially with regard to the comparative, constitutional and administrative law aspects.

Ivana Vukorepa is Associate Professor at the Faculty of Law at University of Zagreb, Croatia, and Chair of Labour Law and Social Security Law. She has collaborated on several national and international research projects, and has been a member of European experts' networks in the field of social policy, labour law, as well as the free movement of workers and social security coordination. Her main research interests comprise labour law and social security law, with a specific interest in pensions.

Yifei Wang is Researcher and Ph.D. Candidate at the Department of Foreign and International Social Law at the Max Planck Institute for Social Law and Social Policy in Munich, Germany. She received her bachelor's and master's degrees in Law from Tsinghua University in Beijing in 2011 and 2014 respectively. Her Ph.D. research discusses the transformation and the state responsibility in China's social insurance law. Her main research interests include constitutional social rights, labour and social law in general and especially pension law.

Tomáš Zajíček is Ph.D. Candidate at the Department of Labour Law and Social Security Law at the Faculty of Law at Charles University, Czech Republic. He specialises in labour and social security law and his interest is focused on the French pension system, its development and also on French family policy. He works as a Junior Lawyer.

PART I

INTRODUCTION

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 each 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 - 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 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 top-ups. 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 as 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 (aged 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. The 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 25 European countries: Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Ireland, Italy, Norway, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, and Sweden.

The country selection was based on the following considerations. First, we emphasized Baltic Sea States, as their Pension Mapping lies 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*, 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 aimed to provide an overview of old age security in Southern Europe, keeping in mind that systems in those countries underwent significant changes in the aftermath of the financial crisis of 2008/09.[6]

We also went beyond regional borders and mapped old age security in selected non-European countries, including Brazil, the People's Republic of China, and the Russian Federation. And maybe then – though certainly not tomorrow – we would like to map 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).

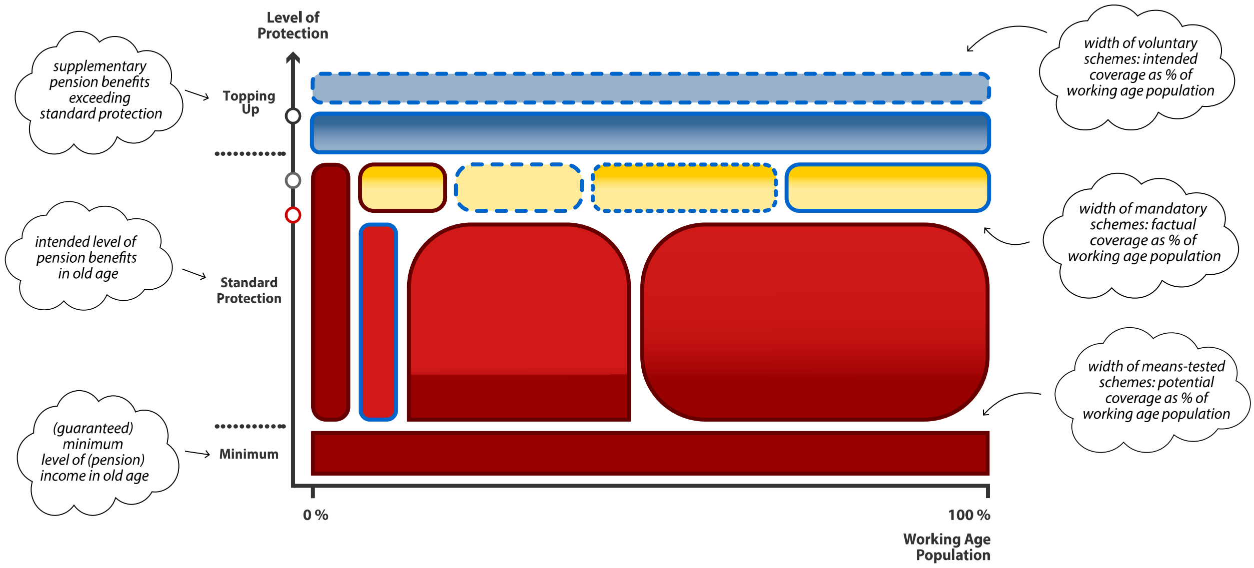
3 Case C-7/93 *Beune* of 28/09/1994, ECLI:EU:C:1994:350, para. 37; Case C-366/99 *Griesmar* of 29/11/2001, ECLI:EU:C:2001:648, para. 37; Case C-351/00 *Niemi* of 12/09/2002, ECLI:EU:C:2002:480, para. 42; Case C-559/07 *Commission v. Greece* of 26/03/2009, ECLI:EU:C:2009:198, para. 44.

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

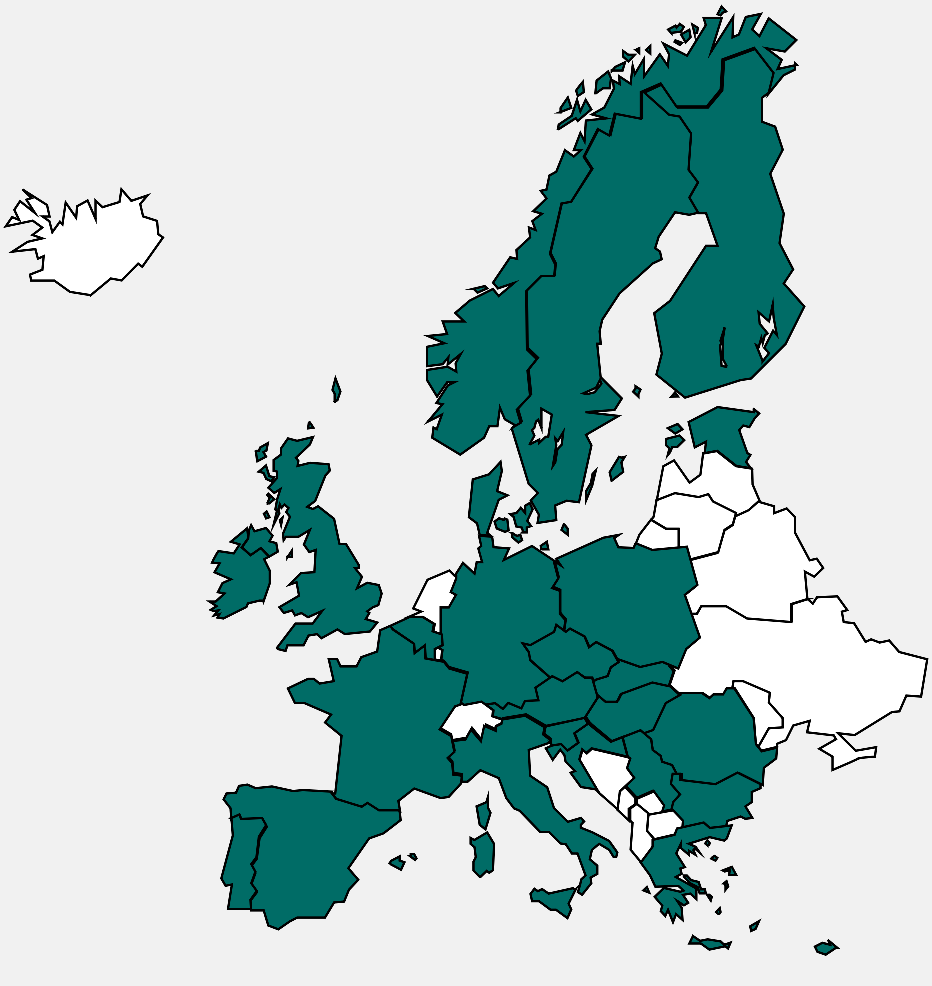
- without means test
- means-tested
- pension-tested

Net Replacement Rates from Mandatory Public Schemes

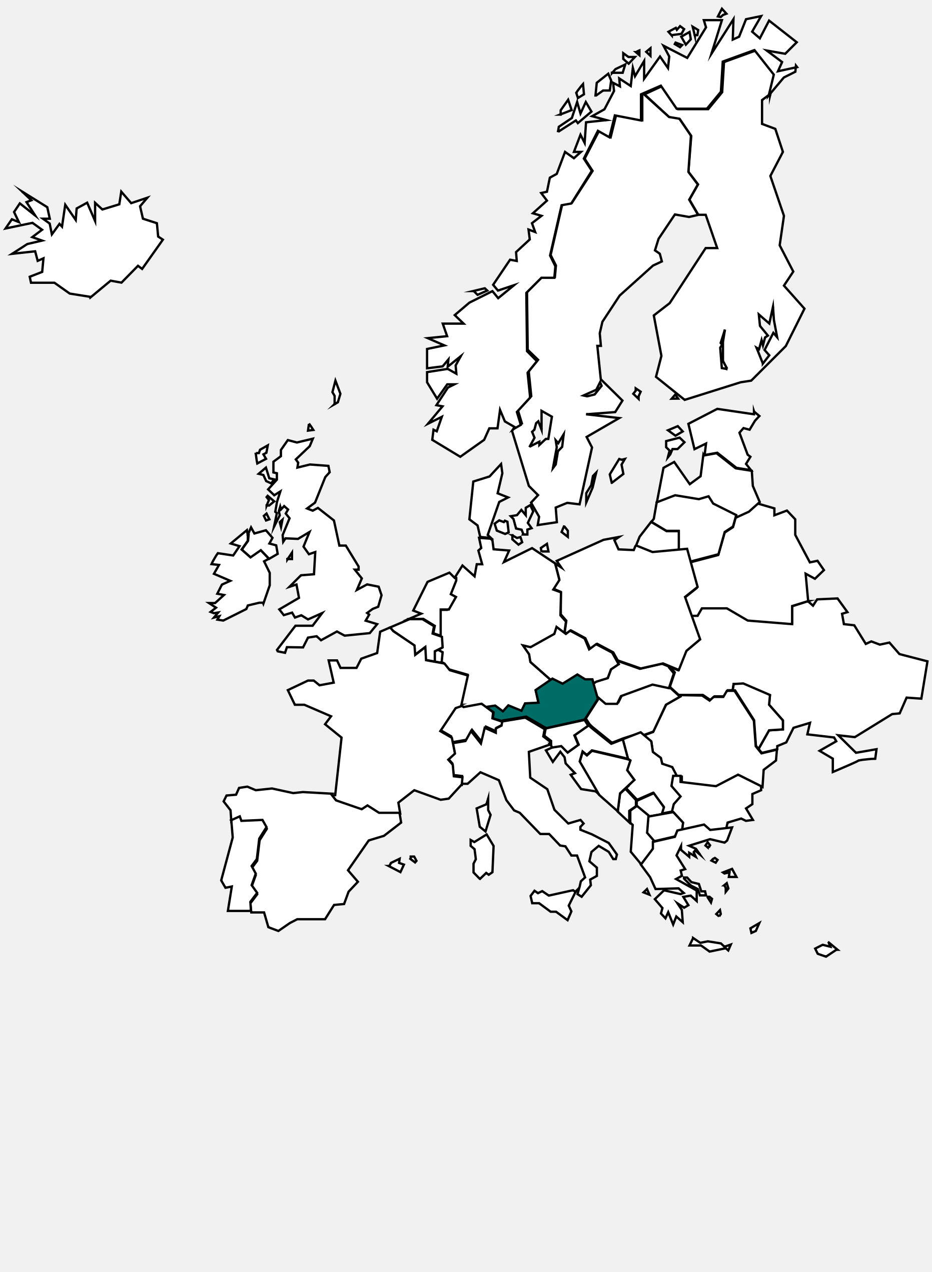
- EU-28, average
- OECD, average
- national, average

PART II

OLD AGE SECURITY IN EUROPE



AUSTRIA



THE AUSTRIAN OLD AGE SECURITY SYSTEM IN 2020

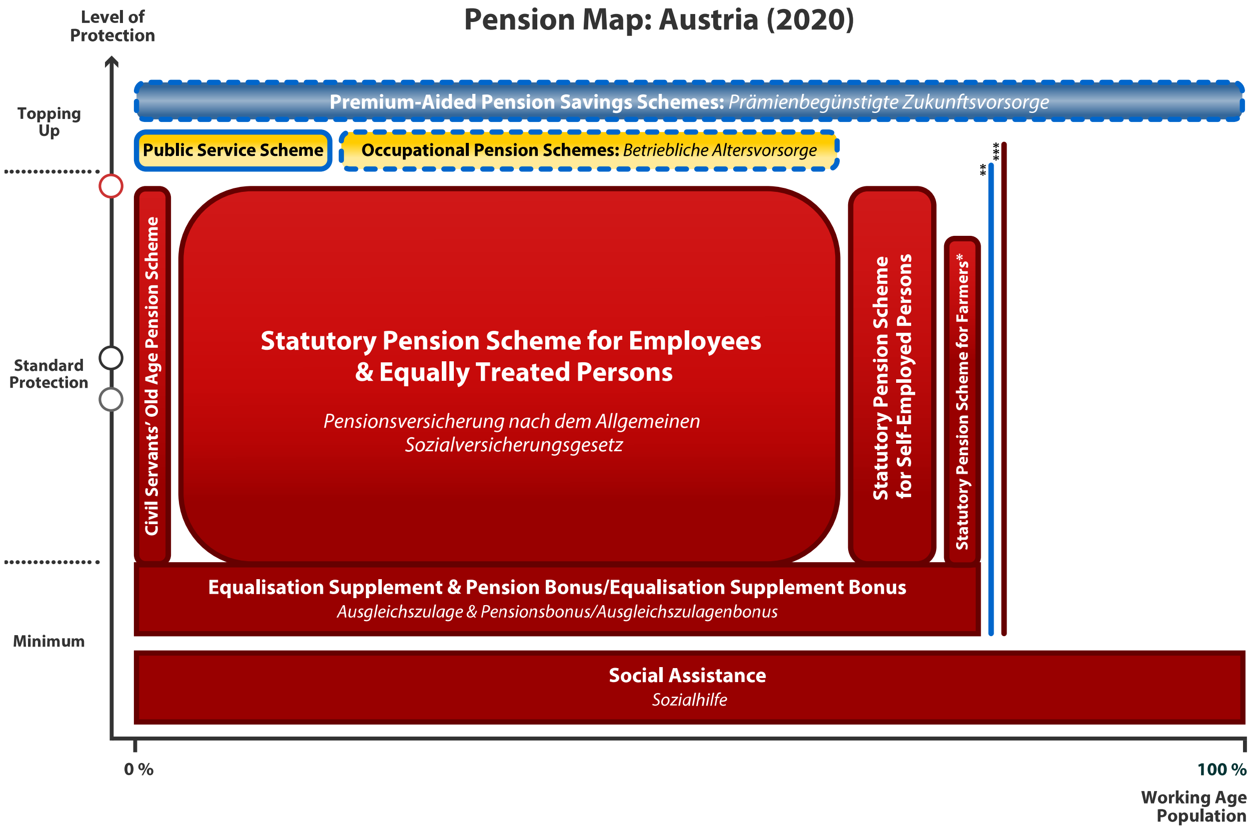
Susanne Auer-Mayer

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 contributions to be paid, but also

Pension Map: Austria (2020)



Coverage: * < 3% (*Statutory Pension Scheme for Farmers*); ** < 0.2% (*Pension Scheme for Attorneys*); *** < 0.02% (*Statutory Pension Scheme for Notaries*) 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 schemes* (*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 EUR 1,000/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 these 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/cohabiting 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 EUR 5,500 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 prices/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' (*Versicherungsanstalt öffentlich Bediensteter, Eisenbahnen und Bergbau*) 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 the 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 mandatory insurance within the previous 24 months or at least three months of mandatory insurance (per year) in the previous five years can continue insurance on a voluntary basis (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 to 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 a 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 to retired persons below the 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 the 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]
- Commercial businesses 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.
- Commercial businesses during periods of suspension of their trade license (or similar cases).

Voluntary insurance
- Persons with at least twelve months of mandatory insurance within the previous 24 months or at least three months of mandatory insurance (per year) in the previous five years can continue insurance on a voluntary basis (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 a 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’ (*Versicherungsanstalt öffentlich Bediensteter, Eisenbahnen und Bergbau*) 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 to 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 the 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 the 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*.
- Persons formerly insured as farmers during military service (or alternative service).
- Persons formerly insured as farmers 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 mandatory insurance within the previous 24 months or at least three months of mandatory insurance (per year) in the previous five years can continue insurance on a voluntary basis (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 that 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 associates have also been included).[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) adjustments 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 the general tax rules.
- Contributions to (statutory/private) health insurance are mandatory (fully paid by retired person).

F. Legal Basis

- Lawyers' Act (*Rechtsanwaltsordnung*); Statutes 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 the 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 EUR 1,000/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 servants' pension scheme*).
- Civil servants who have left the 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 contributions paid (up to a fixed maximum; currently approximately EUR 3,000/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 the pension funds and pay benefits directly to the person.
- Insurance companies monitored by the 'Financial Market Authority' (*Finanzmarktaufsicht*).

D. Qualifying Conditions

- Depends on contract; typical eligibility age is 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 in 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 payout 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 is also possible to request premature lump-sum payment (but partial loss of state subsidies and subsequent taxation in this case).

BELGIUM

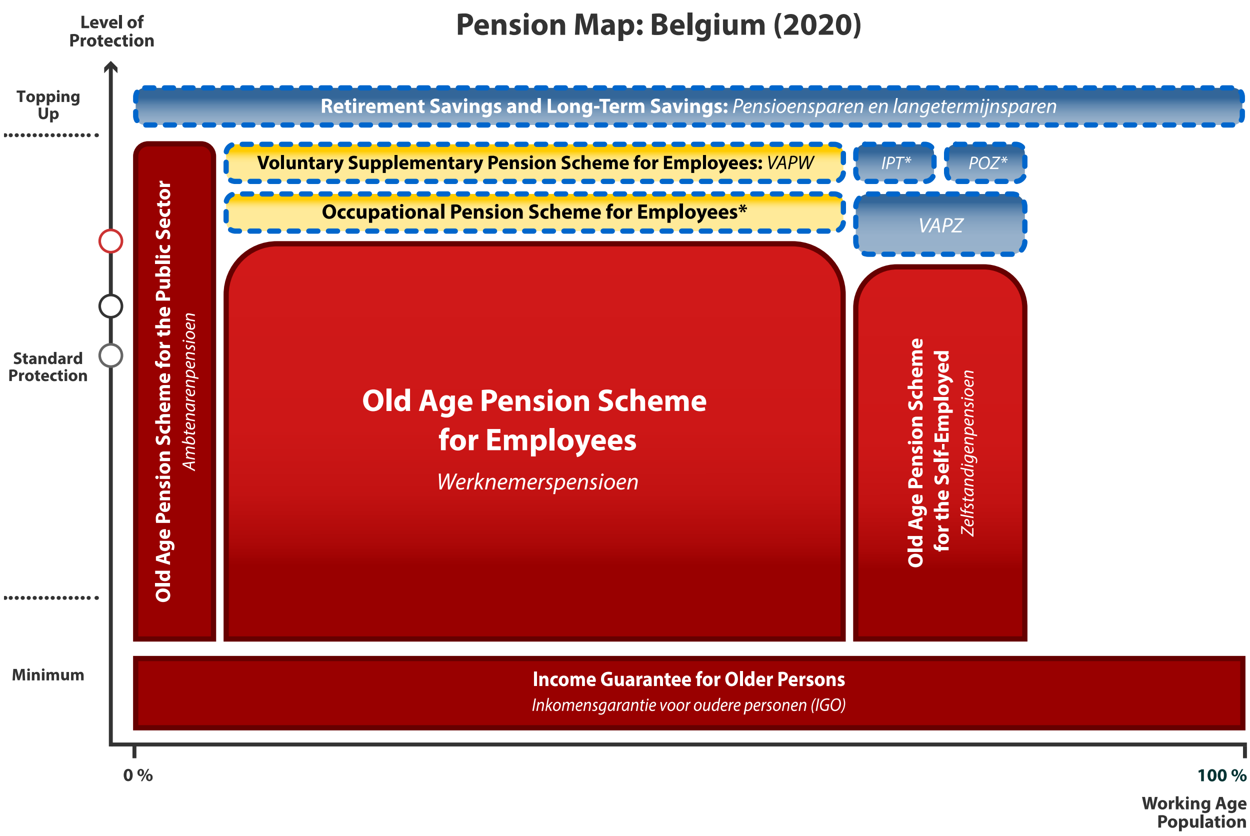
THE BELGIAN OLD AGE SECURITY SYSTEM IN 2020

Yves Jorens

The development of the old age pension system in Belgium has a long history which has led to three distinct statutory pension schemes for employees, the self-employed and civil servants. Shortly after the First World War, a transition was made from subsidised free insurance to compulsory insurance for employees and in 1955, shortly after the Second World War, a complete transition from capitalisation to a repartition system took place. In 1967, a uniform system for employees was set up (Royal Decree No. 50 for an Old Age and Survivors' Pension for Employees). For the self-employed, it was not until 1956 that a specific scheme was established, which at the time provided for a compulsory system of individual annuity purchases (capitalisation) through a statutory insurance. In 1967, the self-employed were to be given a completely new statute (Royal Decree No. 72 of 1967 for an Old Age and Survivors' Pension for the Self-Employed). Civil servants, on the other hand, have the oldest pension scheme dating back to a law of 1844 which is still in force today. Despite various reform efforts aiming for uniform standards, major differences between the three schemes still exist, especially for civil servants – who are granted certain privileges in pension rights until today. As of now, 'standard protection in old age' is based on a combination of public benefits from one of the three statutory pension schemes and supplementary benefits from occupational and private pension schemes for employees and the self-employed to guarantee a sufficient level of financial protection for these groups in old age. Benefits can be 'topped up' by private savings schemes which are incentivised by the state. A 'minimum' level of protection is guaranteed through the minimum pension level of the statutory pension schemes as well as social assistance measures.

Standard Protection in Old Age

The standard protection in old age is based on three different statutory schemes for employees, self-employed workers, and civil servants. Since 2017, all three schemes have been managed entirely by the Federal Pension Service (known as FDP in Dutch). The statutory *old age pension scheme for employees* (*Werknemerspensioen*) and the statutory *old age pension scheme for the self-employed* (*Zelfstandigenpensioen*) are mandatory and financed through social security contributions on a pay-as-you-go (PAYG) basis. Pension benefits are



* No information is available on the scope of persons that have the right to access the scheme (i.e. intended coverage).

mainly dependent on reaching the retirement age and ceasing any previously held employment/economic activity. However, the pension benefits of the self-employed are still a fair bit lower due to differences in the benefit calculation rules. In 2021, the standards for calculation were put on a par with those of the scheme for employees, ensuring equality in pension benefits between the two groups in the near future. The amount of pension benefits for the self-employed and for employees is based on their employment history, the wages earned during their working career and the person's family status.

Pensions of the *old age pension scheme for the public sector* (*Ambtenarenpensioen*) are of a different nature and are paid by the government. While those pensions are also mainly dependent on reaching the retirement age and ceasing any previous employment activity, more favourable arrangements with regard to the pension calculation lead to higher pension benefits compared to those of employees and the self-employed. Advantages arise in particular from differences in the calculation base, which for civil servants is the average salary over the previous 10 years (instead of the full career), and the reassessment system of pension benefits, which is linked to prosperity and automatically adjusts pension benefits to the increase in the salary scale of staff in active employment. As the civil servant's pension is regarded as a deferred salary, its calculation is very individualised and does not consider the civil servant's family status (with the exception of minimum pensions).[1]

In order to raise the amount of the statutory pension for employees and the self-employed and to achieve more equal pension amounts between the three schemes, the importance of a *supplementary funded pension* has increased significantly. For employees, supplementary protection is ensured primarily via a pension plan for the company or the relevant sector activity, i.e. the *occupational pension scheme for employees* (*Aanvullend pensioen voor werknemers*). Benefits are secured by a number of protective measures, such as the statutory return guarantee[2] and the obligation to have the supplementary pension plan managed by a pension institution in order to protect affiliates against a possible bankruptcy of their employer. Therefore, the management of a supplementary pension plan is compulsorily in the hands of a pension institution. This can be an insurance company or a pension fund (also known as an *institution for occupational retirement provision*, *IORP*). Participation of employers and employees is mostly voluntary and encouraged by the state via tax deductions on contribution payments. As an employer is not obliged to provide such options and to ensure that no employee is excluded, a new form of pension accrual was created in 2004: the *voluntary supplementary pension scheme for employees* (*Vrij aanvullend pensioen voor werknemers, VAPW*). Any employee who accrues no or a very low supplementary occupational pension with the employer or sector has had the option to accrue a supplementary pension since 2019. In doing so, the employer will deduct the employee's chosen contribution from the net salary and transfer it to the pension institution without paying any additional employer contributions. The government supports participation in this scheme by making the contributions eligible for a personal income tax reduction.

Self-employed persons can build up a supplementary pension on an individual basis through the private and *voluntary supplementary pension scheme for the self-employed* (*Vrij aanvullend pensioen voor zelfstandigen, VAPZ*). In order to increase this amount even further, self-employed managers can in addition build up a supplementary pension through the company where they are self-employed, via the so-called *individual pension commitment* (*Individuele pensioentoezegging, IPT*). Self-employed persons who do not exercise their professional activity in a company also have the possibility to save additionally with the *pension agreement for the self-employed* (*Pensioenovereenkomst voor zelfstandigen, POZ*). The public authorities support all these forms by means of tax aid measures, i.e. deductions of premiums from taxable income.

Top-Ups

Finally, many tax measures (tax relief) offer the possibility to further accrue the individual pension and thereby to top up pension benefits provided by other forms of standard protection through private *retirement savings and long-term savings* (*Pensioensparen en langetermijnsparen*).

Minimum

The three different statutory schemes for employees, the self-employed and civil servants install minimum pension rights. As such, persons who have worked a minimum number of years will receive a minimum amount of the statutory pension. Those who reach the statutory retirement age and who do not have sufficient financial resources can rely on social assistant measures, i.e. the so-called *income guarantee for older persons* (*Inkomensgarantie voor oudere personen, IGO*), which provides benefits on the basis of a means of subsistence test.

Income Guarantee for Older Persons

Inkomensgarantie voor oudere personen, IGO

A. Coverage

- All persons of Belgian nationality (subject to treaty, or entitled to a Belgian pension) who reside in Belgium and who do not receive a pension or whose pension does not reach a certain amount and for whom the means of subsistence do not exceed a certain amount.

B. Financing

- Fully financed by the state.

C. Administration

- The 'Federal Pension Service' (FDP) manages the scheme and pays out benefits.
- An application for benefits is, in most cases, not required. It is investigated automatically if the person applies for an old age pension benefit or receives an old age pension or a social assistance benefit.
- In all other cases, an application can be submitted to the municipality or to the 'Federal Pension Service' (FDP).

D. Qualifying Conditions

- The person must have reached the statutory retirement age.
- The person must have their main residence in Belgium (max. 29 days a year abroad).
- The person must have Belgian nationality (or equivalent situation: treaty or Belgian pension).
- Where appropriate, the person must have asserted the right to a statutory retirement pension.
- The person must have insufficient means of subsistence.
- Benefits are strictly means-tested within limits set by law; some income is fully exempt, e.g. family benefits; some income is partially exempt, e.g. 10% of the amount of pensions to be charged plus a basic amount; professional income (excluding EUR 5,000) and income from immovable and movable property are included in means testing; only the applicant's means of subsistence and that of the spouse or legal cohabitant with whom the person shares the same main residence are subject to means-testing.

E. Benefits

- Lump sum benefit; amount varies with household status, i.e. whether the person is single or cohabiting (increase in the case of hospitalisation in a retirement/care home).
- Amount is indexed and adjusted every two years.
- Right to social tariff for gas and electricity.
- Specific benefits (increased reimbursement) in the health care sector.
- Benefits are not subject to income tax if total income is below certain limits.
- Benefits are not subject to social security contributions.

F. Legal Basis

- Law of 22 March 2001 on Income Guarantee for Older Persons (*Wet tot instelling van een inkomensgarantie voor ouderen*).

Old Age Pension Scheme for Employees

Werknemerspensioen

A. Coverage

Mandatory insurance

- All employees (incl. miners and seafarers).

Opting in

- Persons to whom the social security legislation for employees has been extended, i.e. public service contractors, mandatories of non-commercial organisations, freight and passenger transport operators.
- Flight personnel in the aviation sector, artists (if working as employees), professional journalists, members of teaching staff of private educational institutions.

Excluded

- Employees covered by the *old age pension scheme for the public sector*, such as workers in public administration (i.e. civil servants), HR Rail.
- Persons who do not have to pay social security contributions (pensions sector), such as students, certain domestic workers.

Voluntary insurance

- Not possible.

B. Financing

General finances

- Mainly PAYG-financed from social security contributions (employees and employers) (about 75%).
- Partly financed through alternative financing mechanisms (20%) (VAT and withholding tax) and an annual 'government and balance grant' to fill deficits.

Contribution rates

- Fixed share of monthly earnings (38.07%) without contribution assessment ceiling. In addition, there is a system of special contributions.
- Contributions shared between employer (25%) and employee (13.07%).
- The social security contributions paid are a global amount (instead of individual percentages per social security sector) and are used for the global financial management of all benefits of the social security system for employees. This global management finances all social security branches according to their needs and not according to fixed percentages.

Taxation of contribution payments

- Contributions are tax-deductible.

C. Administration

- The 'Federal Pension Service' (FDP) calculates and pays the retirement benefit.

D. Qualifying Conditions

Qualifying conditions

- The statutory retirement age is 65; it increases to 66 in 2025 and to 67 in 2030.
- No minimum insurance period; maximum of 45 career years.
- Termination of previous employment is a precondition for claiming pension benefits.
- The retired person must reside in Belgium.

Early retirement

- Early retirement is possible and depends on the length of career/insurance period (opening rights to a pension): available at age 60 after 44 years of career, age 61 after 43 years of career, and age 63 after 42 years of career; available without negative (permanent) adjustments to pension benefit.

Deferred retirement

- The person can delay his/her application for an old age pension and continue to work provided that the employer agrees.
- In order to promote longer working lives, the 'principle of the occupational record unit'[3] does not apply in case a person decides to work more than the specified maximum number of days (14,040 days). (There is one exception: if the number of days above this maximum are days that are assimilated with working days due to unemployment, they will not be counted.)

Combining employment & retirement

- Employees can continue to work after reaching the retirement age, provided that the employer approves.
- In principle, it is possible to earn an unlimited amount of extra income if the person has retired (after statutory retirement age) or has completed a sufficient number of career years (45 years). However, these periods do not count for additional pension rights.
- Earnings limits exist for early retirement after insufficient career years.

E. Benefits

Pension benefits

- Mainly calculated on the basis of contributions paid throughout working career (max. of 45 years), periods of effective and assimilated work; some periods (e.g. studies) can be regularised after payment of contributions.
- Maximum amount: only earnings up to a maximum amount of EUR 60,026.75 (2021) are considered in benefit calculation.
- Minimum amount: there are two types of minimum that are simultaneously and alternatively applicable to the normal pension calculation: a 'minimum pension' for a full career and a 'minimum entitlement' per career year (if the basis of calculation is lower than the minimum wage for that year).

Benefit calculation

- Calculated on the basis of three elements: the length of the career, the annual salary indexed, and the family status of the person concerned (single and family status, i.e. whose spouses have terminated all non-authorised employment).
- *Adjustments*: earnings used for the calculation of the pensions are adjusted; yearly adjustment of pensions on the basis of the consumption prices (at irregular intervals also revaluation according to decision from the government).

Taxation and social security contributions

- Progressive levy on the overall retirement income (statutory and supplementary pension) and a levy for health care.
- In principle taxable in the personal income tax (exception made for victims of world wars).

F. Legal Basis

- Royal Decree No. 50 of 24 October 1967 (*Koninklijk besluit nr 50 betreffende het rust- en overlevingspensioen voor werknemers*); Law of 20 July 1990 (flexible retirement age) (*Wet tot instelling van een flexibele pensioenleeftijd voor werknemers en tot aanpassing van de werknemerspensioenen aan de evolutie van het algemeen welzijn*).

Old Age Pension Scheme for the Self-Employed

Zelfstandigenpensioen

A. Coverage

Mandatory insurance

- Compulsory for all persons who fall under the scope of the social status 'self-employed' (i.e. self-employed in a main profession only and as helpers).

Excluded

- Self-employed persons in secondary occupation.

Voluntary insurance

- Not possible.

B. Financing

General finances

- PAYG-financed pension from social security contributions.

Contribution rates

- Degressive contribution rate varying according to the level of the net professional income without contribution assessment ceiling. In addition, there is a system of special contributions.
- Contribution basis: professional income of the year in question (gross salary minus professional expenses).
- Payable to a social insurance fund to which one has to affiliate.
- The social security contributions paid are a global amount (instead of individual percentages per social security sector) and are used for the global financial management for all benefits of the social security system for the self-employed. This global management finances all social security branches according to their needs and not according to fixed percentages.

Taxation of contribution payments

- Contributions are tax-deductible.

C. Administration

- The pension is calculated by the 'National Institute for the Social Security of the Self-Employed' (NISSE).
- The 'Federal Pension Service' (FDP) pays the retirement benefits.

D. Qualifying Conditions

Qualifying conditions

- The statutory retirement age is 65; it increases to 66 in 2025 and to 67 in 2030.
- No minimum insurance period; maximum of 45 career years.
- Termination of previous conditions for self-employment is a precondition for claiming pension benefits.
- The retired person must reside in Belgium.

Early retirement

- Early retirement is possible and depends on the age and length of career (opening rights to a pension): available at age 60 after 44 years of career, age 61 after 43 years of career, and 63 after 42 years of career; available without negative (permanent) adjustments to pension benefit.

Deferred retirement

- Retirement is not compulsory. The person can delay his/her application. Meanwhile, further contribution payments on earnings are required.
- In order to promote longer working lives, the 'principle of the occupational record unit'[3] does <u>not</u> apply in case a person decides to work more than the specified maximum number of days (14,040 days). (There is one exception: if the number of days above this maximum are days that are assimilated with working days due to unemployment, they will not be counted.)

Combining employment & retirement

- In principle, it is possible to earn an unlimited amount of extra income if the person is retired (after statutory retirement age) or has completed a sufficient number of career years. However, these periods do not count for additional pension rights.
- Earnings limits exist for early retirement after insufficient career years.

E. Benefits

Pension benefits

- Mainly calculated on the basis of contributions paid during the career: maximum 45 years; periods of effective and assimilated work; some periods (e.g. studies) can be regularised after payment of contributions.
- Maximum amount: only professional income of up to an amount of EUR 61,865.94 (in 2021) per annum are considered in benefit calculation.
- Minimum amount: a minimum pension can be obtained if one has worked at least 2/3 of a full career.

Benefit calculation

- As from 2021, benefit calculation is the same as in *old age pension for employees* (*before 2021, a correction coefficient on the income of 30% was applied*).
- Pension benefits are calculated on the basis of three elements: the length of the career, the indexed professional income and the family status of the person concerned (single and family status, i.e. whose spouses have terminated all non-authorised employment).
- *Adjustments*: earnings used for the calculation of the pensions are adjusted; yearly adjustment of pensions on the basis of the consumption prices (at irregular intervals also revaluation according to decision from the government).

Taxation and social security contributions

- Progressive levy on the overall retirement income (statutory and supplementary pension) and a levy for health care.
- In principle taxable in the personal income tax (exception made for victims of world wars).

F. Legal Basis

- Royal Decree No. 72 on Old Age and Survivors' Pension for the Self-Employed (*Koninklijk besluit nr 72 betreffende het rust- en overlevingspensioen der zelfstandigen*).

Old Age Pension Scheme for the Public Sector

Ambtenarenpensioen

A. Coverage

- All civil servants.

B. Financing

- Fully tax financed out of the general budget.

C. Administration

- The pension benefit is managed, calculated and paid by the 'Federal Pension Service' (FDP).

D. Qualifying Conditions

Qualifying conditions

- The retirement age is 65 years; it increases to 66 in 2025 and to 67 years in 2030.
- Special retirement ages apply: some groups, such as certain magistrates, have a higher retirement age (between 65 and 70 years); three groups have a lower statutory retirement age: army staff, mobile works of HR Rail, police staff.
- Termination of previous employment is a precondition for claiming pension benefits.
- The retired person must reside in Belgium.

Early retirement

- Early retirement is possible and depends on age and career length: available at age 60 after 44 years of career, age 61 after 43 years of career, and at age 63 after 42 years of career; available without negative (permanent) adjustments to pension benefit.
- There also exists a special scheme for early retirement due to sickness or a pension for physical unfitness.

Deferred retirement

- The person can delay his/her application for an old age pension and continue to work provided that the employer agrees.

Combining employment & retirement

- Civil servants can continue to work after reaching the statutory retirement age, provided that the employer approves.
- In principle, it is possible to earn an unlimited amount of extra income if the person has retired or has completed a sufficient number of career years. However, these do not count for additional pension rights.
- Earnings limits exist for early retirement after insufficient career years.

E. Benefits

Pension benefits

- Mainly calculated on the basis of the credited services (i.e. career in real services as a civil servant defined as periods of effective and assimilated work); reference base for benefit calculation: salary of previous 10 years; some periods (e.g. studies) can be regularised after payment of contributions.
- Maximum pension: a relative maximum (fixed percentage of the reference wage) and an absolute maximum (fixed percentage of the salary scale of a secretary-general of the FPS).
- Minimum pension: a minimum pension is provided for persons with at least 20 years of service.

Benefit calculation

- Calculated on the basis of: (a) the career, the so-called career fraction (known as 'tantième' in French) which is in principle 1/60 (large number of derogations for certain groups such as magistrates, education staff, workers in active services, etc.); and (b) the reference salary (average salary of previous 10 years): the amount is indexed and also adapted to prosperity; family status is not included.

- *Adjustments*: pensions are adjusted yearly ('perequatie' in Dutch) in line with the salary scales in the public sector.

Taxation and social security contributions

- Progressive levy on the overall retirement income and a levy for health care and burial expenses.
- In principle taxable in the personal income tax (exception made for victims of world wars).

F. Legal Basis

- Law of 21 July 1844 on Civil and Clerical Pensions (*Algemene wet op de burgerlijke en kerkelijke pensioenen*).

Occupational Pension Scheme for Employees

Aanvullend pensioen voor werknemers

A. Coverage

Voluntary participation

- There are two different systems of pension commitments: (a) a collective scheme for (a group of) employees; (b) an individual pension commitment through a pension agreement (for personal reasons, not due to staff category; this can be in addition to an existing collective system, but may not be granted within the last 36 months before retirement).
- In case of a collective scheme: sectoral (Collective Labour Agreement, CLA) or company pension schemes (through group insurance or pension fund independent from the employer (i.e. Institutions for Occupational Retirement Provision)).
- Distinction between 'ordinary' and 'social' commitment. The latter provides, in addition to the accrual of a supplementary pension (sometimes also including death/disability pension), a so-called 'solidarity component' on the basis of which a number of additional solidarity benefits are offered (savings and further contributions are made for the supplementary pension during certain periods of inactivity, or current benefits are increased); the solidarity component must always be organised by persons other than the organiser or the sectoral organiser.[4]
- An employer is not obliged to offer a supplementary occupational pension to his/her employees.
- If an employer introduces a pension plan, he/she will determine which employees can benefit from the pension plan. Sometimes a pension plan applies to the entire staff, in other cases only to a certain group of employees. It is also possible that different pension plans coexist for different categories of personnel.
- If, at the level of a business sector, a sectoral plan has been introduced by means of a collective labour agreement, in principle all employers active in this business sector are obliged to participate in this sectoral plan; the employer can opt out of the so-called 'pension part', but not of the so-called 'solidarity part' (i.e. when the pension plan is also a social plan).
- It is possible that the Collective Labour Agreement (CLA) allows a company or a category of companies not to participate in the sectoral plan, but is itself responsible for building up a supplementary pension for its employees. The pension granted by the company in the event of an opting out must at least reach the level of the sectoral plan.
- The Collective Labour Agreement (CLA) may also provide that certain companies fall outside the scope of the Collective Labour Agreement.
- An employee who was already employed by that employer at the time of the introduction of the supplementary pension cannot be obliged to join the scheme, unless it is provided for by collective agreement.

B. Financing

General finances

- Personal pension plans based on contribution payments and capital revenues with minimum guarantee.
- A pension capital (system of capitalisation) based on the investment of deposits by the employer and/or person involved and increased by the investment returns.

Contribution payments

- Contributions paid by employer and/or employee (deducted from salary); paid at regular intervals.
- No fixed share/contribution rate; amount of contribution payments can be chosen freely within predefined range.
- No minimum contribution, but contribution ceiling: annual amount is EUR 1,630 (in 2021) or 3% of the gross salary received in the previous two years (if this exceeds the annual amount).

Tax support & incentivising strategies

- Tax deductions for contributions paid by employer under certain conditions and tax exemption for employee.
- *Employee contributions*: tax reduction (between 30% and 40%) and insurance tax (except social pension commitments).

- *Employer's contributions*: deductible as professional expenses (payment may not exceed 80% of last gross remuneration after deduction of all statutory and supplementary pensions) and number of special levies, i.e. insurance tax and special levy on social security (except for solidarity component).

C. Administration

- Every entity setting up a scheme is obliged to choose between concluding a group insurance or setting up a pension fund.
- Obligation to outsource to an external partner.
- This scheme is installed by an external pension institution (insurer or pension fund) or collective pension commitment (for all employees).
- This scheme is known as 'pension scheme through pension regulations'.
- The 'Financial Services and Market Authority' (FSMA) monitors pension institutions' compliance with social legislation as well as the financial health and appropriate organisation of pension funds.

D. Qualifying Conditions

- The payment of the supplementary pension is linked to the statutory retirement pension (exceptions possible if provided for in pension regulations).
- Conditions are regulated in pension regulations. The law states a number of elements that must be respected in the conditions of each pension plan: e.g. no waiting period may be imposed and no discrimination may be made on the basis of, for example, gender, age, nationality and part-time employment.

E. Benefits

Pension payments

- The payment can be made via one lump-sum capital payment or spread over time with a periodic (monthly or annual) interest rate or, in certain cases, a combination of both.
- Defined benefits or defined contributions system with two derivatives: the 'cash-balance plan' (between defined benefit and defined contribution system, savings are allocated on a specific day with the organiser guaranteeing a predetermined return) and the so-called 'cafeteria plan' (employee has freedom to decide on what the contribution can be spent (between the types of coverage as death, living, invalidity, etc.) and can choose the investment reserve while the organiser does not decide how the contribution should be spent).
- For defined benefit pension plans, there is only a statutory guaranteed return on employee contributions.
- In the case of defined contribution and cash balance type pension plans, the statutory guaranteed return applies to both employee and employer's contributions.
- Guaranteed return: no longer defined by law, but recalculated each year by the 'Financial Services and Markets Authority' (FSMA) on the basis of a formula. The interest rate used to calculate the guaranteed return is linked to the interest rate on 10-year government loans. The guaranteed return must be at least 1.75% and may not exceed 3.75%.

Taxation and social security contributions

- The benefits in capital are taxed at a lower tariff at a rate between 10% and 20%.
- In addition, there is a withholding of health care and solidarity contributions and municipal surcharges.

F. Legal Basis

- Law of 28 April 2003 on Supplementary Pensions for Employees, the tax regime of these pensions and some supplementary social security benefits (*Wet betreffende de aanvullende pensioenen en het belastingstelsel van die pensioenen en van sommige aanvullende voordelen inzake sociale zekerheid*); Law of 6 December 2018 on the Voluntary Supplementary Pension for Employees and different provisions concerning supplementary pensions (*Wet tot instelling van een vrij aanvullend pensioen voor de werknemers en houdende diverse bepalingen inzake aanvullende pensioenen*).

Voluntary Supplementary Pension Scheme for Employees

Vrij aanvullend pensioen voor werknemers, VAPW

A. Coverage

Voluntary participation

- All employees: in case the person does not obtain any (or a very low) supplementary pension with a plan set up by the employer or sector (see *occupational pension schemes for employees*), it is the voluntary choice of the employee to participate in the VAPW; participation can be stopped at any time by the employee.

B. Financing

General finances

- Personal pension plans based on contribution payments and capital revenues with minimum guarantee.
- A pension capital (system of capitalisation) based on the investment of deposits by the employer and/or person involved and increased by the investment returns.

Contribution payments

- Contributions paid by employee only (deducted from net salary); paid at regular intervals.
- No fixed share/contribution rate; amount of contribution payments can be chosen freely within pre-defined range.
- No minimum contribution, but contribution ceiling: annual amount is EUR 1,630 (in 2021) or 3% of the gross salary received in the previous two years (if this exceeds the annual amount).
- The employer will deduct the employee's chosen contribution from the net salary and transfer it to the pension institution.

Tax support & incentivising strategies

- Tax reduction (between 30% and 40%) and insurance tax (except social pension commitments).

C. Administration

- Obligation to outsource to an external partner.
- The 'Financial Services and Market Authority' (FSMA) monitors pension institutions' compliance with social legislation as well as the financial health and appropriate organisation of pension funds.

D. Qualifying Conditions

- The payment of the supplementary pension is linked to the statutory retirement pension (exceptions possible if provided for in pension regulations).
- Conditions are regulated in pension regulations.

E. Benefits

Pension payments

- The payment can be made via one lump-sum capital payment or spread over time with a periodic (monthly or annual) interest rate or, in certain cases, a combination of both.
- There is no guaranteed return in the case of the VAPW.

Taxation and social security contributions

- The benefits in capital are taxed at a lower tariff at a rate between 10% and 20%.
- In addition, there is a withholding of health care and solidarity contributions and municipal surcharges.

F. Legal Basis

- Law of 28 April 2003 on Supplementary Pensions for Employees, the tax regime of these pensions and some supplementary social security benefits (*Wet betreffende de aanvullende pensioenen en het belastingstelsel van die pensioenen en van sommige aanvullende voordelen inzake sociale zekerheid*); Law of 6 December 2018 on the Voluntary Supplementary Pension for Employees and different provisions concerning supplementary pensions (*Wet tot instelling van een vrij aanvullend pensioen voor de werknemers en houdende diverse bepalingen inzake aanvullende pensioenen*).

Voluntary Supplementary Pension Scheme for the Self-Employed

Vrij aanvullend pensioen voor zelfstandigen, VAPZ

A. Coverage

Voluntary participation

- All self-employed, the assisting spouse and the helper.
- Benefits of this scheme can be topped up with two additional schemes (one excludes the other): the IPT or the POZ.

B. Financing

General finances

- A pension capital (system of capitalisation) based on the investment of deposits by the person concerned and increased by the investment returns.

Contribution payments

- Minimum contribution (EUR 100 per year) and maximum contribution rate of 8.17% of professional income with an absolute maximum of EUR 3,291.30 (in 2021).
- For schemes with a solidarity system (providing additional benefits in case of e.g. temporary incapacity for work, sickness, death): minimum contribution (EUR 100) and maximum contribution rate of 9.40% of professional income with an absolute maximum of EUR 3,786.81 (in 2021).

Incentive strategy

- Contributions are fully deductible and exempted from insurance tax.

C. Administration

- The person can conclude an 'ordinary' or 'social' pension agreement with a pension institution of the person's choice.
- The 'Financial Services and Market Authority' (FSMA) monitors pension institutions' compliance with social legislation as well as the financial health and appropriate organisation of pension funds.

D. Qualifying Conditions

- The payment of the supplementary pension is linked to the statutory retirement pension or is claimable, at the earliest, at the age of 60 years.
- No premature surrender possible except if reserves are to be transferred to a new pension institution or if construction plans are to be realised.

E. Benefits

Pension payments

- The payments can be made via a one-time lump sum with a one-off capital payment, or life-long annuities with a periodic interest rate.
- The guaranteed return is 0.5%, i.e. the right to reimbursement of the sum of contributions paid by the pension institution (if not used to cover death before retirement or to provide solidarity benefits, and no guarantee as to a pension within 5 years).

Taxation and social security contributions

- Capital taxed on basis of a fictitious interest through a notional interest rate system: age determines how much and how long taxes must be paid (only maximum percentage of capital is taxed, and profit sharing is free from tax).
- Benefits are fully deductible, no insurance tax to be paid; withholding of health care and solidary contributions.

F. Legal Basis

- Programme Law of 24 December 2002 (*Law on Supplementary Pensions for the Self-Employed) (Programmawet van 24 december 2002*).

Individual Pension Commitment

Individuele pensioentoezegging, IPT

A. Coverage

Voluntary participation

- Self-employed managers with a company.

B. Financing

General finances

- A pension capital (system of capitalisation) based on the investment of deposits by the person concerned and increased by the investment returns.

Contribution payments

- Minimum contribution (EUR 100 per year) and maximum contribution rate of 8.17% of professional income with an absolute maximum of EUR 3,291.30 (in 2021).
- For schemes with a solidarity system (providing additional benefits in case of e.g. temporary incapacity for work, sickness, death): minimum contribution (EUR 100) and maximum contribution rate of 9.40% of professional income with an absolute maximum of EUR 3,786.81 (in 2021).

Incentive strategy

- Contributions are fully tax-deductible as operating expenses within 80% rule (maximum of all statutory and supplementary pensions of last gross income).

C. Administration

- The person can conclude an 'ordinary' or 'social' pension agreement with a pension institution of the person's choice.
- The 'Financial Services and Market Authority' (FSMA) monitors pension institutions' compliance with social legislation as well as the financial health and appropriate organisation of pension funds.

D. Qualifying Conditions

- The payment of the supplementary pension is linked to the statutory retirement pension or is claimable, at the earliest, at the age of 60 years.
- No premature surrender possible except if reserves are to be transferred to a new pension institution or if construction plans are to be realised.
- Agreement has minimum duration of 5 years.

E. Benefits

Pension payments

- The payments can be made via a one-time lump sum with a one-off capital payment, or life-long annuities with a periodic interest rate.
- Pension payments supplement those of the VAPZ.

Taxation and social security contributions

- Tax advantage through deduction premiums; tax advantage for one-off taxation of capital at a lower rate; two different rates (lowest one when person has worked until pensionable age: 10% versus 16.5%); withholding of health care and solidary contributions, municipal surcharges.

F. Legal Basis

- Law of 15 May 2014 containing various provisions, Chapter 4: Supplementary Pensions for Company Managers (*Wet van 15 mei 2014 houdende diverse bepalingen, Titel 4: Aanvullende pensioenen voor bedrijfsleiders*).

Pension Agreement for the Self-Employed

Pensioenovereenkomst voor zelfstandigen, POZ

A. Coverage

Voluntary participation
- The self-employed, the assisting spouse and the helper (excluding managers).

B. Financing

General finances
- A pension capital (system of capitalisation) based on the investment of deposits by the person concerned and increased by the investment returns.

Contribution payments
- Minimum contribution (EUR 100 per year) and maximum contribution rate of 8.17% of professional income with an absolute maximum of EUR 3,291.30 (in 2021).
- For schemes with a solidarity system (providing additional benefits in case of e.g. temporary incapacity for work, sickness, death): minimum contribution (EUR 100) and maximum contribution rate of 9.40% of professional income with an absolute maximum of EUR 3,786.81 (in 2021).

Incentive strategy
- Contributions are fully tax-deductible (within the 80% rule).

C. Administration

- The person can conclude an 'ordinary' or 'social' pension agreement with a pension institution of the person's choice.
- The 'Financial Services and Market Authority' (FSMA) monitors pension institutions' compliance with social legislation as well as the financial health and appropriate organisation of pension funds.

D. Qualifying Conditions

- The payment of the supplementary pension is linked to the statutory retirement pension or is claimable, at the earliest, at the age of 60 years.
- No premature surrender possible except if reserves are to be transferred to a new pension institution or if construction plans are to be realised.

E. Benefits

Pension payments
- The payments can be made via a one-time lump sum with a one-off capital payment, or life-long annuities with a periodic interest rate.
- Pension payments supplement those of the VAPZ.

Taxation and social security contributions
- Tax advantage through deduction premiums (max. 30%); one-off taxation of capital at a lower rate (at pensionable age/early retirement/death: 10%); withholding of health care and solidary contributions, municipal surcharges.

F. Legal Basis

- Law of 18 February 2018 containing various provisions on supplementary pensions and establishing a supplementary pension for self-employed persons active as natural persons, for assisting spouses and for self-employed helpers (POZ) (*Wet houdende diverse bepalingen inzake aanvullende pensioenen en tot instelling van een aanvullend pensioen voor de zelfstandigen actief als natuurlijk persoon, voor de meewerkende echtgenoten en voor de zelfstandige helpers*).

Retirement Savings and Long-Term Savings

Pensioensparen en langetermijnsparen

A. Coverage

Voluntary participation

- Everyone between the ages of 18 and 65 with taxable income in Belgium.
- Domicile: the person must be a Belgian national residing in Belgium or a resident of another Member State of the European Economic Area at the time the contract is concluded.
- There exist two different ways to save for retirement: a 'pension savings account' without a minimum guaranteed return and a 'pension savings insurance' with an insurance company and with an annual minimum return plus any profit distribution.

B. Financing

General finances

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

Contribution payments

- No fixed minimum contribution payments, but maximum amount of contribution payments; maximum amounts vary with scheme type.

State support & incentivising strategies

- Yearly contribution payments (maximum amounts) lead to a tax reduction.
- The 'classic' scheme: a maximum of EUR 980 of contribution payments with a tax reduction of 30% (plus municipal tax).
- The 'new' scheme: a maximum of EUR 1,260 of contribution payments with a tax reduction of 25% (plus municipal tax).
- Long-term savings: maximum premium calculated on the basis of the net taxable professional income, with an absolute upper limit of EUR 2,390 payments per year; settlement of other tax benefits related to the repayment of a mortgage loan; fixed return guaranteed; tax benefit of 30% on paid premiums.

C. Administration

- With the banks and insurance companies active on the Belgian market.
- The 'Financial Services and Market Authority' (FSMA) monitors the various financial products offered by the institutions.

D. Qualifying Conditions

- The savings account or savings insurance has a term of at least 10 years.
- The person must pay premiums.

E. Benefits

Pension payments

- Accumulated capital through contribution payments and investment yields, minus administration costs/fees.

Taxation and social security contributions

- An anticipative one-off tax of 8% (as a counterbalance to the tax benefit on premiums) is paid in advance on the capital saved and is automatically withheld by the bank or insurer; no other taxes payable on pension payments.

F. Legal Basis

- Income Tax Code (*Wetboek Inkomstenbelasting 1992*).

Footnotes

1 All civil servants' pensions remain a source of much debate, as they are not uniform. Because of the numerous statutes and mechanisms, the pension divergence among different civil servants is a convoluted tangle. For example, for many groups working in different public sectors (education, railways, police, magistrates) there exists a more advantageous career interruption. From a political point of view, attempts have been made in recent years to achieve further uniformity, putting pressure on the special (and favourable) arrangements for civil servants' pensions, without, however, taking as a starting point an integration of the statutory schemes for employees, the self-employed and civil servants. Thus, while largely respecting historical differences, it is proposed that a reform of the three schemes should be based on common principles, in particular through a point-based pension.

2 The statutory return guarantee is implemented as follows: the organiser (employer or sectoral organiser) is obliged to ensure that on retirement or when changing jobs, affiliates receive at least the amount of paid employer's contributions and/or employee contributions, capitalised at a statutory minimum return.

3 The 'principle of the occupational record unit' states that an entire career may not exceed the number of days required for a full pension (i.e. not more than 14,040 days).

4 Examples are (1) the beneficiary continues to accumulate the supplementary pension during certain periods of sickness, incapacity for work, etc.; (2) interest is paid in case of incapacity for work, death, sickness, etc.; (3) these pension plans come with additional tax benefits.

BULGARIA

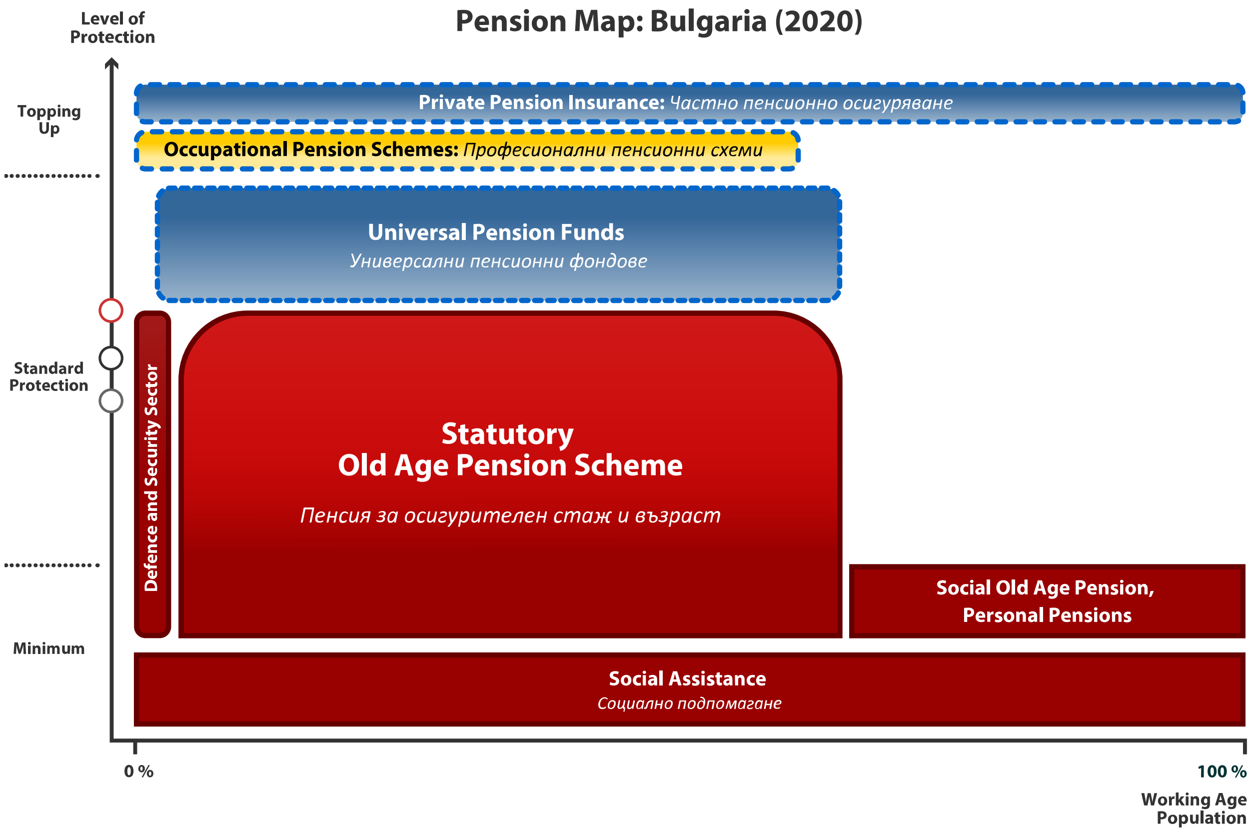
THE BULGARIAN OLD AGE SECURITY SYSTEM IN 2020

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 schemes 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 cohabiting family members/individuals) measured against the monthly differentiated guaranteed minimum income for the preceding month; excluded from means testing are e.g. assets of BGN 500 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, persons with a temporary work incapacity who 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: BGN 1,200.
- Minimum amount: BGN 250; 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 the Civil Servant* (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

- 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 the Civil Servant (*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 (BGN 250).

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 biometric 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 biometric 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 BGN 60 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.*

- 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 biometric 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 biometric 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

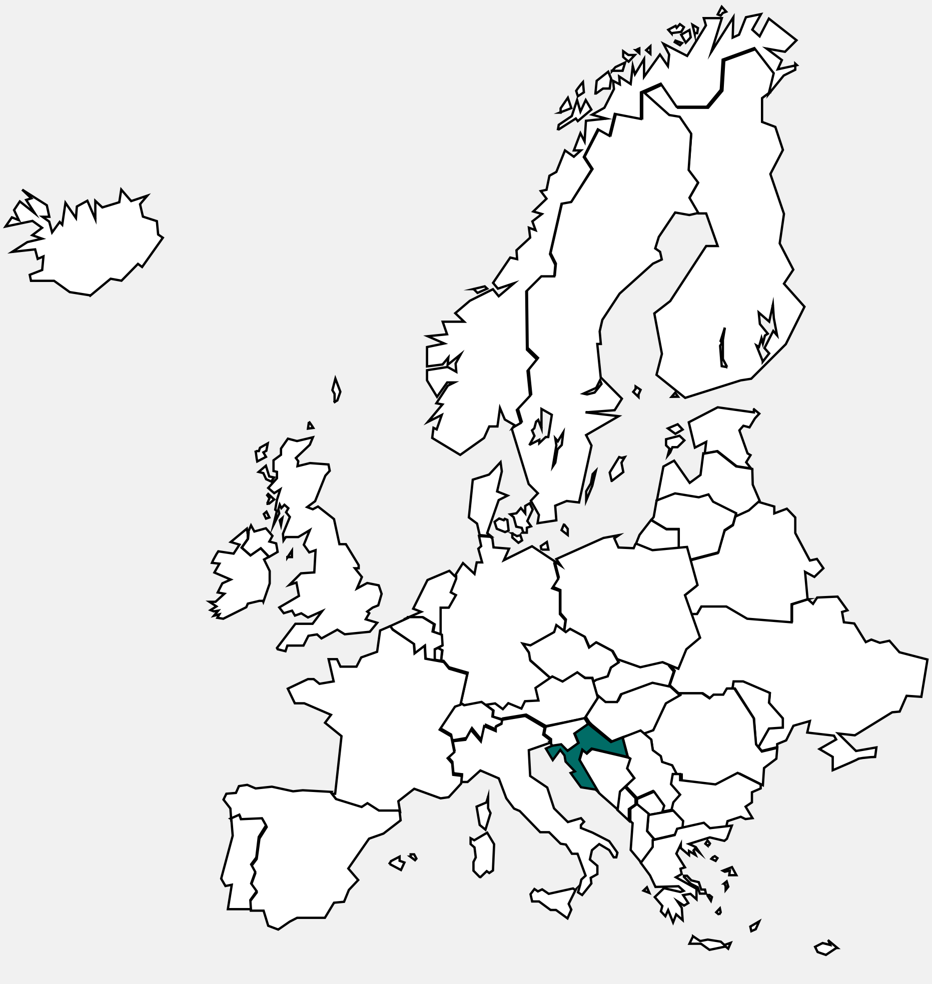
- Social Security Code, Part III (*Кодекс за социално осигуряване*). Law on the Taxes of the Incomes of Natural Persons, Chapter 4 (*Закон за данъците върху доходите на физическите лица*).

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.

CROATIA



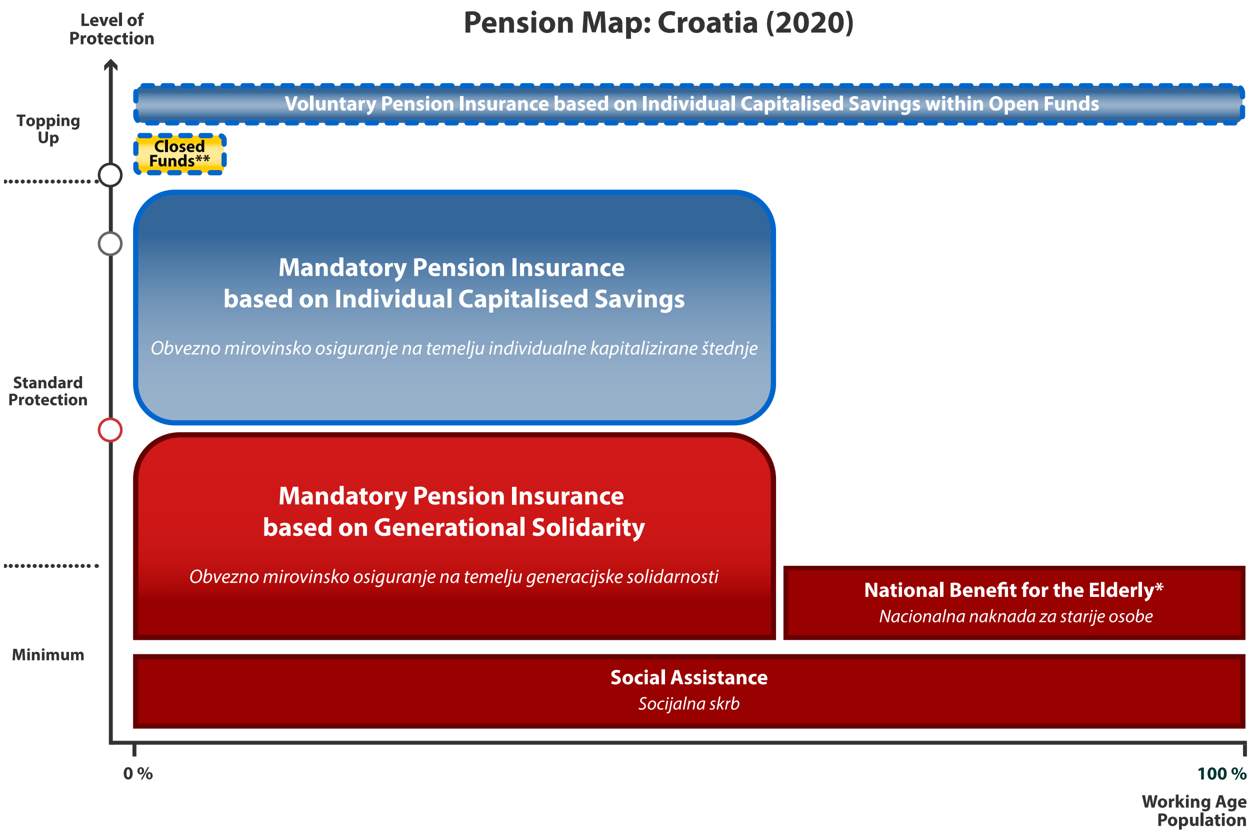
THE CROATIAN OLD AGE SECURITY SYSTEM IN 2020

Ivana Vukorepa

The origins of the Croatian pension system date back to the end of the 19th century when various disability and old age insurance schemes were adopted within the Austro-Hungarian monarchy. These were followed by the adoption of the Act on Mandatory Insurance for Workers in 1922. Throughout its existence, the pension system has undergone many significant changes. Before 2002, it embodied a public pay-as-you-go (PAYG), defined benefit system characterised by a very low retirement age and adherence to Bismarckian tradition. The transitional economy and wartime sufferings caused social instability and put financial pressure on the pension system, thereby bringing the need for reforms to the fore. The World Bank and the International Monetary Fund also advocated the necessity for system restructuring. In 1998, the first significant parametric reform focused on rationalisation and the control of pension costs. In 2002, a structural reform followed and turned the Croatian pension system into a multi-scheme system (also referred to in the national and international literature as a three-pillar system). Currently, 'standard protection' in the country is primarily provided by a public-private pension mix guaranteed by mandatory insurance in the public PAYG-financed pension scheme (also referred to as the first pillar) and in the private, fully funded pension scheme with individual accounts (also referred to as the second pillar). These pension benefits can be 'topped up' through voluntary participation in private or occupational pension schemes based on individual retirement accounts financed by contributions and investment returns (also referred to as the third pillar). Within the mandatory pension insurance, 'minimum' levels of pension protection are provided for individuals with insufficient contribution-based pension benefits. Outside the pension system, minimum subsistence levels are guaranteed through means-tested social assistance measures within the general social assistance scheme and a special social assistance benefit for the elderly enacted in 2020 and effective as of 2021.

Standard Protection in Old Age

The *mandatory pension insurance based on generational solidarity* (*obvezno mirovinsko osiguranje na temelju generacijske solidarnosti*) is a public earnings-related defined benefit scheme financed primarily by contributions on a PAYG basis. It compulsory insures all economically active persons



* In effect since 2021; ** Voluntary Pension Insurance based on Individual Capitalised Savings within Closed Funds

in Croatia, in addition to also covering some specific groups of economically active or inactive individuals. The public insurance scheme is primarily contribution-financed, while deficits are financed from the state budget. Apart from the standard old age pension regulations, many specific regulations determine the more favourable pension conditions with regard to numerous categories of the so-called 'privileged pensioners', such as military staff, police officers, war veterans, members of parliament, and workers in arduous and hazardous jobs.

The majority of persons covered by the *mandatory pension insurance based on generational solidarity* are also insured within the private pension scheme, the *mandatory pension insurance based on individual capitalised savings* (*obvezno mirovinsko osiguranje na temelju individualne kapitalizirane štednje*). It is in fact a private-public law mixed scheme that is based on public law, administered by private pension providers managing the mandatory pension funds, and supervised by public institutions. It is a fully funded pension scheme based on individual retirement accounts providing defined contribution pensions. All persons under the age of 40 (either at the time of the reform in 2002 or at the time of acquiring insuree status) are mandatorily enrolled in this scheme. Specific transition rules apply for persons aged between 40 and 50 years in 2002.[1] Since 2019, all participants have the right to choose before retirement (payout phase) whether they want to transfer their savings and withdraw pension benefits only from the *mandatory pension insurance based on generational solidarity*, if this transfer would lead to more favourable pension benefits for them.

Top-Ups

Pension benefits can be topped up with benefits from voluntary private (so-called 'open funds') and occupational pension schemes (so-called 'closed funds') that fall into the category of *voluntary pension insurance based on individual capitalised savings* (*dobrovoljno mirovinsko osiguranje na temelju individualne kapitalizirane štednje*). The private pension scheme, the *voluntary pension insurance based on individual capitalised savings within open funds* (*dobrovoljno mirovinsko osiguranje na temelju individualne kapitalizirane štednje u otvorenim fondovima*), can be accessed by all citizens regardless of their age and employment status. The occupational pension scheme, the *voluntary pension insurance based on individual capitalised savings within closed funds* (*dobrovoljno mirovinsko osiguranje na temelju individualne kapitalizirane štednje u zatvorenim fondovima*), consists of occupational retirement funds established by (collective) agreement and fund sponsors, i.e. employers, trade unions or other professional associations. Participation in the occupational scheme is limited to active or former employees, association members or self-employed persons respectively. Both schemes consist of defined contribution individual retirement accounts that are fully funded through contribution payments and investment returns. Enrolment in both schemes is incentivised by state subsidies and tax exemption of pension payments. Employers' contributions to both the 'open' and 'closed' funds benefit from additional tax relief measures. The Croatian law explicitly does not provide for the existence of occupational defined benefit schemes.

Minimum

The *mandatory pension insurance based on generational solidarity* also offers a 'minimum pension' (*najniža mirovina*) for individuals with insufficient contribution-based pension benefits. The 'minimum pension' is not a separate pension scheme but the result of a protective calculation method within the public scheme providing minimum statutory pension levels based on the individual's number of qualifying years multiplied by the 'actual pension value'.[2] Outside the pension system, general *social assistance* (*socijalna skrb*) provides minimum subsistence levels through various income-tested or means-tested measures for persons in need, including the elderly. Persons who qualify for the 'minimum pension' provided by the statutory pension scheme are usually not eligible for social assistance benefits, since pension benefits are mostly above the income thresholds for means-testing. During 2020, a special social assistance scheme, the income-tested *national benefit for the elderly* (*nacionalna naknada za starije osobe*) was enacted, entering into force from January 2021. It is intended to guarantee minimum protection for persons older than age 65 who do not qualify for statutory pension benefits from the public or private scheme. Taking into account the conditions and amount of this national benefit, it is likely that persons without old age pension benefits or other incomes will either qualify for the guaranteed minimum income within the general *social assistance* scheme or for this new special national social assistance benefit for the elderly. Recipients of the *national benefit for the elderly* may still be eligible for some other social assistance benefits, such as targeted benefits for housing and heating costs and social services for the elderly.

Social Assistance

Socijalna skrb

A. Coverage

- Persons who cannot sufficiently cover their necessary subsistence from income/assets.
- Persons in specific need, including persons who, due to old age or incapacity, cannot independently take care of their basic living needs.

B. Financing

- The scheme is tax-financed out of the general state budget and budgets of local (regional) self-government units.
- Donations.

C. Administration

- Primarily administered by the state; provision of benefits through social welfare institutions (local social welfare centres, social care homes, community service centres and home help centres).
- Other possible providers: associations, religious communities, other legal entities, craftsmen and natural persons performing professional social welfare activities, and foster families.

D. Qualifying Conditions

- Croatian citizens residing in Croatia; foreigners and stateless persons with permanent residence in Croatia; foreigners under subsidiary protection or with an established status of being a victim of trafficking, asylum seekers with a family member legally residing in Croatia.
- Most benefits are means-tested based on the individual's or the household's income and assets below subsistence level prescribed by law for specific cash benefits.
- For benefits in kind: age is not regarded as a required qualifying condition; but the identification of a social need is necessary for frail persons like elderly and infirm persons, persons with disabilities, mentally ill adults, persons suffering from addictions, and homeless persons. Income can be a relevant criterion.

E. Benefits

- Types of benefits: monthly benefits (guaranteed minimum income), targeted benefits (housing costs compensation, the right to heating costs allowances, a compensation for personal needs of accommodation users, personal disability allowance, an allowance for assistance and care); in-kind benefits; social services (e.g. information, identification and initial needs assessment provided by experts in social welfare centres, counselling and assisting, help at home, psychosocial support, accommodation, organised housing).
- Benefits are granted for specific needs under specific conditions prescribed by law.
- For benefits in kind: the amount of benefit is usually based on the prescribed percentage of a budget base (and sometimes depends on the number of household members).
- Benefits are not subject to income tax.

F. Legal Basis

- Social Assistance Act (*Zakon o socijalnoj skrbi, Narodne novine 157/2013, 152/2014, 99/2015, 52/2016, 16/2017, 130/2017, 98/2019, 64/2020, 138/2020*).

National Benefit for the Elderly (in effect as of 2021)

Nacionalna naknada za starije osobe

A. Coverage

- Destitute elderly persons aged 65 or older and with at least 20 years of residence in Croatia.

B. Financing

- The benefits are entirely tax-financed out of the state budget.

C. Administration

- The 'Croatian Pension Insurance Institute'.

D. Qualifying Conditions

- Persons must be Croatian citizens and at least 65 years old with 20 years of continuous residence in Croatia before submitting the application. The person must have no right to benefits from any other pension.
- The benefit is income-tested: the beneficiaries' income and the monthly income per member of the household must be less than the amount of the *national benefit for the elderly*.
- The benefit can in principle be received together with other social assistance measures (exceptions are the guaranteed minimum benefit, accommodation services, and if a person has a right to lifelong maintenance based on a civil law contract).

E. Benefits

- The amount of the monthly flat-rate benefit has been established by the law; it amounts to HRK 800 (in 2021) and will be adjusted from 2022 onwards accounting for changes in consumer prices (price indexation).
- Benefit is not subject to income tax.

F. Legal Basis

- Act on National Benefit for the Elderly (*Zakon o nacionalnoj naknadi za starije osobe, Narodne novine 62/2020*).

Mandatory Pension Insurance based on Generational Solidarity

Obvezno mirovinsko osiguranje na temelju generacijske solidarnosti

A. Coverage

Mandatory insurance

- All economically active persons, i.e. all groups of employees and self-employed persons.
- Specific groups such as farmers, apprentices and volunteers.
- Specific groups of temporarily economically inactive persons who receive social insurance benefits (e.g. for periods of maternity and child-rearing, sickness, or for recipients of unemployment benefits if they are 65 years or older and lack the required minimum pension insurance period).
- Specific groups of economically inactive persons who do not receive social insurance benefits (e.g. parents during child-raising periods, home caregivers).

Voluntary insurance

- So-called 'prolonged pension insurance', only available within 12 months following the termination of the mandatory insurance; available for persons in the following circumstances: during unpaid leave; during suspension of employment until the child reaches the age of three; during vocational training or specialisation after the termination of the employment contract, service, or performance of activities; during unemployment; during temporary or seasonal cessation of occupational activities; during employment abroad in international and other organisations on the basis of international social insurance agreements (i.e. with a foreign employer, if during that period the person is not compulsorily insured in the Republic of Croatia, or if EU regulations on the coordination of social security systems or international social insurance agreements do not specify otherwise); during a stay abroad as a spouse of the insured person working abroad; during unemployment of a person insured as a member of a ship's crew after termination of a fixed-term employment contract.

B. Financing

General finances

- Mainly PAYG-financed out of insurance contributions of the currently insured population.
- Partly tax-financed out of the state budget, for non-contributory insurance periods (credited as pension-relevant periods) and for covering pension budget deficiencies due to specific higher regular benefits for 'privileged' groups of pensioners (e.g. military, police, war veterans.)

Contribution rates

- The contribution assessment bases are either wages or payment receipts (for the self-employed: amounts are set by law as a percentage of the average wage in Croatia); with the minimum monthly social contribution threshold being 38% of the average wage in Croatia (HRK 3,321.96 in 2020) and the monthly contribution assessment ceiling set at 600% of the average wage in Croatia (HRK 52,452 in 2020), both determined on a yearly basis.
- *For persons only enrolled in this public mandatory scheme* (i.e. 'single-tier insurees'): fixed share of monthly gross earnings (20%) paid in total by the insured person.
- *For persons also enrolled in the private mandatory pension scheme, the so-called mandatory funded pension insurance based on individual capitalised savings* (i.e. 'two-tier insurees'): fixed share of monthly gross earnings (15%) paid in total by the insured person.
- *For persons whose work is based on a service contract or an author's contract*: contribution rates are halved (i.e. 10% instead of 20%, and 7.5% instead of 15%, respectively), paid in total by the insured person.
- *For self-employed persons working in agriculture and forestry*: contribution rates are lower (i.e. 10% instead of 20%, and 5% instead of 15%, respectively), paid in total by the insured person.
- *For workers in arduous and hazardous jobs:* additional contributions are paid by the employer.

Taxation of contribution payments

- Contributions are tax-exempt.

C. Administration

- The 'Ministry of Labour and Pension System' is in charge of legislative proposals and the general supervision of the system.
- The 'Pension Insurance Institute' (PIII) manages the scheme.

D. Qualifying Conditions

Qualifying conditions

- *Standard old age pension*: statutory retirement age is 65 for men, and increases gradually to 65 until 2030 for women; minimum insurance period: 15 years.

Early retirement

- *Statutory early retirement pension*: available up to 5 years prior to reaching the retirement age of the standard old age pension with (negative) permanent adjustments of pension benefits (0.2% per month of early retirement; maximum pension decrement: 12%); statutory early retirement age is 60 for men, and increases to 60 until 2030 for women; minimum insurance period: 35 years for men, and increases gradually to 35 years until 2030 for women.
- *Early retirement due to employer's bankruptcy*: persons fulfilling statutory early retirement conditions whose insurance status was terminated due to employer's bankruptcy, provided they have been unemployed for at least 2 years continuously prior to retirement; no adjustment of pension benefits.
- *Early retirement for long-term insured persons*: early retirement age is 60; minimum insurance period: 41 years, without adjustments of pension benefits.
- Special early retirement regulations apply to certain groups of insured persons (e.g. military, police, workers in arduous and hazardous jobs, etc.).

Deferred retirement

- Retirement can be deferred without limit; positive pension adjustment (0.34% per month of later retirement, for a maximum of 5 years, and a maximum total increment of 20.4%).

Combining employment & retirement

- Termination of employment is not a precondition for claiming pension benefits (restriction: standard and early retirement is compatible with part-time work of up to 20 hours per week, with the right to full pension benefits).
- By working and paying social security contributions persons can increase pension benefits.

E. Benefits

Pension benefits

- It is a defined personal points system, primarily based on contributory earnings throughout working career and related to the length of the insurance period.
- Maximum amount: often capped at 380% of the person's average earnings for the whole contribution period compared to economy-wide average earnings over the same period.
- Minimum amount: not set as absolute amount; it depends on the number of qualifying years multiplied by the 'actual pension value'[3].

Factors for benefit calculation

- All elements relevant for benefit calculation are reflected in the pension formula, which is a product of personal points, pension factor, actual pension value and the average ratio of contributions paid into the scheme in relation to the total mandatory (public and private) pension contribution rate.
- *Reference period*: overall average earnings throughout the career (reflected in average value points that constitute personal points).
- *Pension supplement*: amount varies depending on the scope of participation in the mandatory pension system; it is 27% for 'single-tier pensioners', and 20.25% for 'two-tier pensioners'.
- *Adjustments*: twice per calendar year (every 1 January and 1 July) pension benefits are adjusted according to a variable formula which depends on the trends of consumer prices and wages; adjustments are always to the pensioners' advantage: indexation is based on whichever of the two ratios of wages/consumer price index (70/30 or 30/70) yields the highest increase; pension benefits cannot be indexed downwards.

Taxation and social security contributions

- Pension benefits are subject to income tax, but under preferential treatment: tax obligation based on pensions is reduced by 50%.
- Pension benefits are often exempt from health insurance contributions; pension benefits higher than the average wage are subject to health insurance contributions, but at a reduced rate (3% compared to regular rate of 16.5%).
- Earnings received by working pensioners are subject to compulsory social security contributions (i.e. pension and health insurance contributions).

F. Legal Basis

- Contributions Act (*Zakon o doprinosima, Narodne novine 84/08, 152/08, 94/09, 18/11, 22/12, 144/12, 148/13, 41/14, 143/14, 115/16, 106/18*); Pension Insurance Act (*Zakon o mirovinskom osiguranju, Narodne novine 157/13, 151/14, 33/15, 93/15, 120/16, 18/18, 62/18, 115/18, 102/19*); Act on Maximum Pension (*Zakon o najvišoj mirovini*); Act on Supplements to Pensions acquired according to the Pension Insurance Act (*Zakon o dodatku na mirovine ostvarene prema Zakonu o mirovinskom osiguranju*); a number of further laws that define special rights for certain groups within the *mandatory pension insurance based on generational solidarity*.

Mandatory Pension Insurance based on Individual Capitalised Savings

Obvezno mirovinsko osiguranje na temelju individualne kapitalizirane štednje

A. Coverage

Mandatory insurance

- *Persons insured in the public mandatory pension insurance based on generational solidarity* (exception: persons above the age of 40 in 2002 or at the time of acquiring insuree status).

Opting in

- Persons between the age of 40 and 50 in 2002 or at the time of acquiring insuree status have the option of opting into the scheme.

Opting out

- Insured persons have the possibility of opting out of the scheme at the end of the accumulation phase (i.e. just before claiming retirement benefits) by transferring the accumulated savings to the 'Pension Insurance Institute'; in this case, pension payments equal those of 'single-tier pensioners'.

B. Financing

General finances

- Fully funded scheme with individual retirement accounts financed by contributions and capital revenues (investment returns).

Contribution rates

- Fixed share of monthly gross earnings (5%) paid by the employee.
- In case of self-employment, contributions are paid by the self-employed on the basis of a prescribed 'pension insurance base'.
- For persons working on a service contract or author's contract, contribution rates are halved (2.5%).
- For workers in arduous and hazardous jobs, additional contributions are paid by the employer.

Taxation of contribution payments

- Contributions are tax-exempt.

C. Administration

- The 'Ministry of Labour and Pension System' is the general competent authority that is in charge of legislative proposals and the general supervision of the functioning and implementation of all parts of the pension system.
- The 'Central Registry of Affiliates' (REGOS) keeps record of the personal accounts and is responsible for the transfer of paid contributions to the chosen mandatory pension fund.
- Pension companies manage the accumulation phase through operating mandatory pension funds; pension insurance companies manage the payout phase.
- The 'Croatian Financial Services Supervisory Agency' (HANFA) regulates licences, supervises business operations and investments, and sanctions pension companies and pension insurance companies.

D. Qualifying Conditions

- Pension payments are linked to the fulfilment of qualifying conditions and the entitlement to pension benefits of the *mandatory pension insurance based on generational solidarity*.

E. Benefits

Pension payments

- Accumulated capital through contribution payments and investment yields, minus administrative costs and costs/fees of pension provider.
- Defined contribution pension commitment.
- (Early) life-long annuity paid monthly (using unisex mortality tables); option of partial lump sum payment in the amount of 15% of accumulated savings.

- Life-time benefits can be paid either as individual benefit or joint benefit for spouses.
- Benefits can be paid for a guaranteed period (min. 5 years from the day of pension entitlement): if person dies within the guaranteed period, the 'named beneficiary' continues to receive benefits until the expiry of the guaranteed period.

Taxation and social security contributions

- Pension benefits are subject to income tax, but under preferential treatment: tax obligation based on pensions is reduced by 50%.
- Pension benefits are often exempt from health insurance contributions; pension benefits higher than the average wage are subject to health insurance contributions, but at a reduced rate (3% compared to regular rate of 16.5%).
- Earnings received by working pensioners are subject to compulsory social security contributions (i.e. pension and health insurance contributions).

F. Legal Basis

- Act on Compulsory Pension Funds (*Zakon o obveznim mirovinskom fondovima, Narodne novine 19/14, 93/15, 64/18, 115/18, 58/20*); Act on Pension Insurance Companies (*Zakon o mirovinskim osiguravajućim društvima, Narodne novine 22/14, 29/18, 115/18*).

Voluntary Pension Insurance based on Individual Capitalised Savings within Closed Funds

Dobrovoljno mirovinsko osiguranje na temelju individualne kapitalizirane štednje u zatvorenim fondovima

A. Coverage

Voluntary participation

- Current or former employees, association members or self-employed persons, respectively, participating in 'closed pension funds', which are special occupational retirement funds established by agreement (incl. collective agreements) and fund sponsors: employers, trade unions or other professional associations.

B. Financing

General finances

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

Contribution rates

- Contributions on behalf and for the scheme member paid by the fund's sponsor (in practice paid predominately by employers).
- Additional contributions by a scheme member are also possible.

State support

- Employers' contributions up to HRK 500 per month are exempted from income tax (maximum tax-exempted amount of HRK 6,000 per year).
- State subsidises savings by providing state allowance of up to 15% of paid contributions (restricted to one open or closed fund only, and to the maximum contribution amount of HRK 5,000 per year; maximum allowance amount: HRK 750 annually).

C. Administration

- The 'Ministry of Labour and Pension System' is the general competent authority that is in charge of legislative proposals and the general supervision of the functioning and implementation of all parts of the pension system.
- Pension companies manage the accumulation phase through operating closed pension funds; pension companies, pension insurance companies or life-insurance companies (depending on the person's individual choice) manage the payout phase.
- The 'Croatian Financial Services Supervisory Agency' (HANFA) regulates licences, supervises business operations and investments, and sanctions pension companies and pension insurance companies.

D. Qualifying Conditions

- *For partial one-time lump sum payment*: minimum retirement age is 55.
- *For temporary pension annuities*: minimum retirement age is 55.
- *For life-time annuities*: minimum retirement age is 60.

E. Benefits

Pension payments

- Accumulated capital through contribution payments (incl. state allowances) and investment yields, minus administrative costs and costs/fees of pension provider.
- Defined contribution (DC) pension commitment.
- Temporary pension annuities or life-long annuity paid monthly (using unisex mortality tables).
- *Partial one-off lump sum payment*: amounts to max. 30% of the amount in the person's personal account; the rest of the accumulated capital is paid in the form of temporary pension annuities or life-time annuities.

- *Temporary pension annuities*: minimum payment period is 5 years.

Taxation and social security contributions
- Pension payments are not subject to tax.
- Pension payments are not subject to social security contributions.

F. Legal Basis

- Act on Voluntary Pension Funds (*Zakon o dobrovoljnim mirovinskom fondovima, Narodne novine 19/14, 29/18, 115/18*); Act on Pension Insurance Companies (*Zakon o mirovinskim osiguravajućim društvima, Narodne novine 22/14, 29/18, 115/18*).

Voluntary Pension Insurance based on Individual Capitalised Savings within Open Funds

Dobrovoljno mirovinsko osiguranje na temelju individualne kapitalizirane štednje u otvorenim fondovima

A. Coverage

Voluntary participation

- All persons can participate voluntarily in the scheme without restriction.
- Simultaneous participation and saving in several voluntary pension funds are allowed; a person can also cumulate savings in open and closed funds simultaneously.

B. Financing

General finances

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

Contribution rates

- Persons provide contribution payments and decide upon its amount and the length of the contribution period individually; matching contribution payments can also be paid by employer.

State support

- Employers' contributions up to HRK 500 per month are exempted from income tax (maximum tax-exempted amount of HRK 6,000 per year).
- The state subsidises savings by providing state allowance of up to 15% of the paid contributions (restricted to one fund only and to the maximum contribution of HRK 5,000 per year; maximum allowance amount: HRK 750 annually); a precondition for the state allowance is Croatian citizenship (exceptions apply[4]).

C. Administration

- The 'Ministry of Labour and Pension System' is the general competent authority that is in charge of legislative proposals and the general supervision of the functioning and implementation of all parts of the pension system.
- Pension companies manage the accumulation phase through operating open pension funds; pension companies, pension insurance companies or life-insurance companies (depending on person's individual choice) manage the payout phase.
- The 'Croatian Financial Services Supervisory Agency' (HANFA) regulates licences, supervises business operations and investments, and sanctions pension companies and pension insurance companies.

D. Qualifying Conditions

- *For partial one-time lump sum payment*: minimum retirement age is 55.
- *For temporary pension annuities*: minimum retirement age is 55.
- *For life-time annuities*: minimum retirement age is 60.

E. Benefits

Pension payments

- Accumulated capital through contribution payments (incl. state allowances) and investment yields, minus administrative costs and costs/fees of pension provider.
- Defined contribution (DC) pension commitment.
- Temporary pension annuities or life-long annuity paid monthly (using unisex mortality tables).
- *Partial one-time lump sum payments*: amounts to max. 30% of the amount in the person's personal account; the rest of the accumulated capital is paid in the form of temporary pension annuities or life-time annuities.
- *Temporary pension annuities*: minimum payment period is 5 years.

Taxation and social security contributions

- Pension payments are not subject to tax.
- Pension payments are not subject to social security contributions.

F. Legal Basis

- Act on Voluntary Pension Funds (*Zakon o dobrovoljnim mirovinskom fondovima, Narodne novine 19/14, 29/18, 115/18*); Act on Pension Insurance Companies (*Zakon o mirovinskim osiguravajućim društvima, Narodne novine 22/14, 29/18, 115/18*).

Footnotes

1 Those persons could choose between staying only within the mandatory, PAYG-financed public pension scheme (also referred to as 'single-tier insurees/pensioners') or joining the new two-tier mandatory system with the second DC-funded part (also referred to as 'two-tier insurees/pensioners'). Persons who were over 50 years of age in 2002 could not join the private scheme.

2 The actual pension value (*aktualna vrijednost mirovine*) serves as a basis for pension valorisation and indexation. It is the value of one 'personal point' and is updated twice a year with the changes in the consumer price index and wages. Prior to 2019, a different 'minimum actual pension value' was used for the calculation of the minimum pension. Nowadays, however, the actual pension value is also used for the minimum pension calculation, thereby leading to an increase in the amount of minimum pension.

3 Actual pension value (*aktualna vrijednost mirovine*) serves as a basis for pension valorisation and indexation. It is the value of one 'personal point' and is updated twice a year with the changes in the consumer price index and wages. Prior to 2019, a different 'minimum actual pension value' was used for the calculation of the minimum pension. Nowadays, however, the actual pension value is also used for the minimum pension calculation, thereby leading to an increase in the amount of minimum pension.

4 Fund members without Croatian citizenship are entitled to the state allowance if the person resides in one of the EEA Member States. This right is limited to the period when contributions are paid for him/her into the *mandatory pension insurance on the basis of individual capitalised savings* in Croatia.

CYPRUS

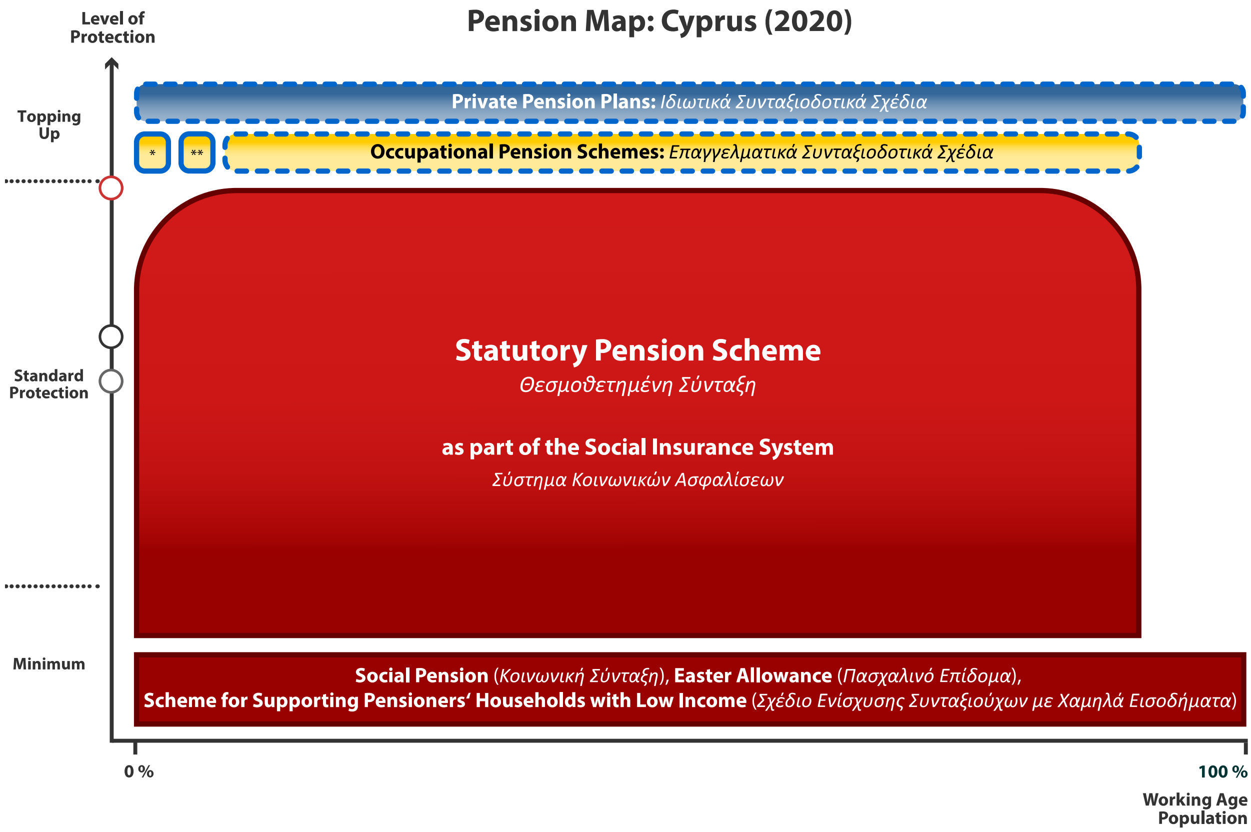
THE CYPRIOT OLD AGE SECURITY SYSTEM IN 2020

Athena Herodotou and Constantinos Kombos

The evolution of the Cypriot old age pension system has been gradual and incremental. Historically, public old age pensions were introduced as part of the first social insurance system of 1957 – and thus existed even prior to the independence of Cyprus in 1960. However, the system was limited in scope and substantive protection, as it excluded certain categories of workers from compulsory insurance (such as the self-employed and agricultural workers, who constituted the majority of the country's workforce) and provided only flat-rate benefits based on uniform contribution payments. Since its first implementation, the system has undergone several structural changes. The reform of 1964 extended the scope of persons protected by the system, which subsequently put the system under financial pressure and has periodically led to a reduction of pension benefits which, in turn, boosted the popularity of supplementary (occupational) pension schemes. Later on, the reform of 1980 introduced supplementary earnings-related insurance contributions and adjusted the calculation of pension benefits. Today, a 'standard level of protection' against financial risks in old age is achieved via mandatory insurance in the single statutory pension scheme. Public pensions can be 'topped up' through benefits from supplementary occupational and private pension schemes in which participation is mostly voluntary. A 'minimum' level of protection is guaranteed by the minimum pension of the statutory pension scheme. In addition, the Cypriot social insurance system provides a special social pension for elderly persons with low pension benefits who meet the necessary requirements. Outside the pension system, minimum protection is targeted through general social assistance measures.

Standard Protection in Old Age

All persons gainfully employed in Cyprus, i.e. employees and self-employed workers, are mandatorily insured in the general and public *social insurance system* (*σύστημα κοινωνικών ασφαλίσεων*), which provides a number of social benefits. The *statutory pension scheme* (*θεσμοθετημένη σύνταξη*) (also known as *old age pension* (*σύνταξη γήρατος*) before the amendment of 2017) constitutes an integral part of the social insurance system. The scheme is financed almost entirely on a pay-as-you-go (PAYG) basis from insurance contributions paid by the insured person, employers, and the state. In principle,



Coverage: * < 1% (*Pension Scheme for Lawyers*); ** < 1% (*Pension Scheme for Physicians and Dentists*) the scheme grants a statutory pension in the form of monthly instalments plus a thirteenth payment made in December of each year. The benefit calculation is based on two components: the 'basic pension', which is based on the insurable earnings up to a fixed insurance point threshold for the relevant contribution period, and the 'supplementary pension', which is based on the insurable earnings exceeding the threshold of the 'basic pension'.[1]

Top-Ups

The Cypriot old age pension system provides a number of possibilities to top up benefits of the statutory pension. For some specific professional groups such as lawyers, physicians and dentists, participation in fully funded occupation-specific pension plans such as the *pension scheme for lawyers* (*σχέδιο συνταξιοδότησης δικηγόρων*) and the *pension scheme for physicians and dentists* (*ταμείο συντάξεων ιατρών και οδοντιάτρων*) is mandatory by law. Civil servants who entered the public service before October 2011 mandatorily participate in the *government employees pension scheme* (*GEPS*) (*κυβερνητικό σχέδιο συντάξεων*). The GEPS was substantially affected by the financial crisis and it has been closed to new recruits in the civil service since October 2011.[2] Other, fully funded *occupational pension schemes* (*επαγγελματικά συνταξιοδοτικά σχέδια*) exist for the economically active population. Since 2020, participation in these schemes has been either mandatory or voluntary and plans are often based on individual or collective agreements. If contributions to the occupational pension schemes are paid entirely by the employer, the employee benefits double. In this case, the employer also takes over a share of the public contributions otherwise paid by the employee into the social insurance system. Another option to top up statutory pensions is the participation in fully funded *private pension plans* (*ιδιωτικά συνταξιοδοτικά σχέδια*), which are available to individuals on a voluntary basis. Individuals may create their pension savings account with the conditions of their choosing. The state supports participation in supplementary pension schemes which offer certified pension plans through tax deductions on contribution payments.

Minimum

Relevant legislation provides a minimum pension level for persons qualifying for a statutory pension.[3] Additionally, and in order to achieve a minimum level of protection, the Cypriot old age pension scheme provides a *social pension* (*κοινωνική σύνταξη*) for elderly persons who currently reside in Cyprus and have done so for a minimum period of time, who have reached the standard statutory retirement age and who are not entitled to any pension or other similar payment equal to or exceeding the monthly amount of the social pension (calculated yearly on the basis of the 'basic pension' of the *statutory pension scheme*). Outside the pension system, a minimum level of protection is also targeted through general social assistance measures such as the *scheme for supporting pensioners' households with low income* (*σχέδιο ενίσχυσης συνταξιούχων με χαμηλά εισοδήματα*) and the *Easter allowance* (*Πασχαλινό επίδομα*). These benefits are not legislatively protected but may be provided annually through decisions of the Council of Ministers, who delegates relevant implementing powers to the Ministry of Labour, Welfare and Social Insurance. These measures lack permanency and are in practice linked to the state of the economy. They are not directly related to the pension system and are financed from the Consolidated Fund of the Republic.

Social Pension

Κοινωνική Σύνταξη

A. Coverage

- Persons residing in Cyprus who have reached the standard statutory retirement age and cannot sufficiently cover their necessary subsistence from income and other pension entitlements.

B. Financing

- The scheme is entirely tax-financed out of the 'Consolidated Fund' of the Republic of Cyprus.

C. Administration

- Department of Social Insurance Services (under the control and supervision of the Ministry of Labour, Welfare and Social Insurance) controls and manages the 'Social Insurance Fund'.

D. Qualifying Conditions

- Individual claimants must have reached the standard statutory retirement age.
- The individual must have legally resided in Cyprus for a total period of at least 20 years (from age 40 onwards), or 35 years (from age 18 onwards).
- Benefits are means-tested: the person must not be entitled to any pension or other similar payment that is equal to or exceeds the monthly amount of the *social pension*.
- Beneficiaries of the *social pension* are deprived of their right to the *social pension* if they obtain, from any source, a right to a pension or other similar payment that is equal to or greater than the amount of the *social pension*; or if they are the dependants of a pensioner whose pension benefit supplement (due to dependants living in the household) is equal to or greater than the amount of the *social pension*.

E. Benefits

- The monthly amount equals 81% of the amount of the 'basic pension' of the *statutory pension scheme* paid by the 'Social Insurance Fund' to a person entitled to a statutory pension without dependants.
- The monthly amount of the *social pension* for the year 2020 was set at EUR 341.95.
- In December of each year a 13th monthly *social pension* benefit is paid (equal to 1/12 of the pension paid throughout the whole year).
- If a person is entitled to any source of pension or other similar payment of which the monthly amount is less than the monthly amount of the *social pension*, the monthly amount of the *social pension* shall be equal to the difference of the two pensions.
- Benefit payments are suspended if the beneficiary leaves Cyprus for a period exceeding six months (exception: health reasons).
- Pension benefits are not subject to tax.

F. Legal Basis

- The Provision of Social Pension Law of 1995 (*Ο Περί Χορήγησης Κοινωνικής Σύνταξης Νόμος του 1995 (Ν. 25(Ι)/1995)*).

Scheme for Supporting Pensioners' Households with Low Income

Σχέδιο Ενίσχυσης Συνταξιούχων με Χαμηλά Εισοδήματα

A. Coverage

- Pensioners' households with low income.

B. Financing

- The contributions are paid via centralised transfers from the state budget.

C. Administration

- Ministry of Labour, Welfare and Social Insurance.

D. Qualifying Conditions

- Households whose total annual income is below the poverty threshold and who reside in areas under the control of the Republic, with at least one pensioner, regardless of the person's age, and regardless of whether the person receives a pension from the 'Social Insurance Fund', and/or a *social pension*, and/or a pension from an occupational pension plan applicable in Cyprus.

E. Benefits

- Monetary benefit, the amount of which is decided by the Council of Ministers and is based on the total amount of the income and the number of persons living in the household.
- The amount is reviewed yearly in accordance with the poverty line.
- This benefit is not subject to income tax.

F. Legal Basis

- Decisions of the Council of Ministers based on the Guaranteed Minimum Income and Social Benefits Law (Law 109(I)/2014) (*Ο Περί Ελάχιστου Εγγυημένου Εισοδήματος και Γενικότερα περί Κοινωνικών Παροχών Νόμος του 2014 (109(I)/2014)*); most recent decision: Council of Ministers, Scheme for Supporting Pensioners' Households with Low Income, Decision No. 86.665, 23/1/2019 (*Σχέδιο Ενίσχυσης Συνταξιούχων με Χαμηλά Εισοδήματα, Αρ. Απόφασης 86.665, 23/1/2019*).

Easter Allowance

Πασχαλινό Επίδομα

A. Coverage

- Pensioners with low income.

B. Financing

- The contributions are paid via centralised transfers from the state budget.

C. Administration

- Ministry of Labour, Welfare and Social Insurance.

D. Qualifying Conditions

- Persons must qualify for the *scheme for supporting pensioners' households with low income*.
- Benefits are means-tested based on the yearly decisions of the Council of Ministers, usually including an income criterion: annual incomes must not exceed EUR 6,500 for single-person households and EUR 11,000 for two-person households.

E. Benefits

- Monetary benefit provided yearly during Easter time, the amount of which is decided by the Council of Ministers and is based on the number of persons living in the household (usually EUR 190 per pensioner).

F. Legal Basis

- Decisions of the Council of Ministers based on the Guaranteed Minimum Income and Social Benefits Law (Law 109(I)/2014) (*Ο Περί Ελάχιστου Εγγυημένου Εισοδήματος και Γενικότερα περί Κοινωνικών Παροχών Νόμος του 2014 (109(I)/2014)*); most recent decision: Council of Ministers, Provision of Easter Allowance to Pensioners with Low Income for 2019, Decision No. 87.140, 27/3/2019 (*Παραχώρηση Πασχαλινού Επιδόματος σε συνταξιούχους με χαμηλά εισοδήματα για το 2019, Αρ. Απόφασης 87.140, 27/3/2019*).

Statistutory Pension Scheme

- Available at age 63 for persons previously eligible for an invalidity pension (i.e. the person was entitled to invalidity pension before reaching the age of 63); immediately available to those who become invalid between the age of 63 and 65.

Deferred retirement
- Retirement can be deferred (up to age 68) 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.
- Pensioners that have reached the statutory retirement age can continue to work and earn income without prejudice to their pension benefits.

E. Benefits

Pension benefits
- Monthly pensions (no lump sum payment) based on total amount of the individual's insurable earnings throughout working career.
- In December of each year a 13th pension is paid, equal to 1/12 of the monthly pension paid for the whole year.
- No maximum amount specified; maximum pension benefit levelled due to contribution assessment ceiling.
- Minimum amount: the minimum amount of the *statutory pension* is readjusted every year by the Ministry of Labour, Welfare and Social Insurance; it corresponds to 85% of the monthly full 'basic pension' that would have been paid to the beneficiary if the person had had full insurance in the standard part of the scheme, which is also set yearly by the Ministry; for 2020, the minimum monthly amount was set at EUR 358.84 for a pensioner without a dependant, at EUR 478.45 with one dependant, at EUR 538.25 with two dependants, and to EUR 598.06 with three or more dependants.
- *Old age lump sum payment*: the amount is equal to 15% of the total amount of the person's insurable earnings (actual and assimilated).

Benefit calculation
- The *statutory pension* has two components: (i) the basic pension and (ii) the supplementary pension.
- The basic weekly pension is 60% of the weekly value of the annual average insurance points which have been credited to the insured person's basic insurance during the reference period; it increases to 80%, 90% or 100% for one, two or three dependants respectively.
- The supplementary weekly pension is equal to 1.5% of the weekly value of the total number of insurance points in the insured person's supplementary insurance.
- The monthly amount of the pension is calculated by multiplying the weekly amount by four.
- Benefits are adjusted for early or deferred pension claiming.
- *Adjustments*: pension benefits are readjusted every year based on the increase of insurable earnings and the price index.

Taxation and social security contributions
- Pension benefits are subject to taxation, in accordance with the Income Tax Law (Law 118(I)/2002) if annual total pension amount exceeds EUR 19,500.
- Contributions to public health insurance are mandatory (2.65% of pension benefit for the Cypriot General Health System).

F. Legal Basis

- Social Insurance Law of 2010 (Law 59(I)/2010) (*Ο περί Κοινωνικών Ασφαλίσεων Νόμος του 2010 (Ν. 59(I)/2010)*), especially Articles 35-39.

Occupational Pension Schemes

Επαγγελματικά Συνταξιοδοτικά Σχέδια

A. Coverage

Mandatory or voluntary insurance

- Economically active population.
- Participation is often based on collective or individual agreements.
- Occupational pension schemes may provide for compulsory or voluntary participation (since 2020).

B. Financing

General finances

- Fully funded personal pension plans based on contribution payments.

Contribution rates

- Contribution payments are usually split between the employer and the employee (proportions vary).
- The constituent instruments of every occupational pension scheme must include information on the contributions of its members.

State support & incentivising strategies

- Contributions to mandatory schemes are tax-deductible.
- Contributions to voluntary schemes: only pension plans certified by the Tax Commissioner are subject to tax reliefs.

C. Administration

- The management committee of each 'Institution of Occupational Pension Benefits' (IOPB) administers the respective fund.
- The 'Registrar of IOPBs' regulates licenses, supervises and sanctions the IOPBs.

D. Qualifying Conditions

- Depends on each occupational pension plan.
- The constituent instruments of each occupational pension scheme must include the pensionable age.

E. Benefits

- Pension benefits may take the form of lifelong payments, temporary payments, lump sum payments or any combination of these methods.
- Benefits and amount are calculated on the basis of predetermined factors, such as earnings and contribution period.

Taxation and social security contributions

- Benefits are subject to taxation, in accordance with the Income Tax Law (Law 118(I)/2002) if total annual pension amount exceeds EUR 19,500.
- Contributions to public health insurance are mandatory (2.65% of pension benefit for the Cypriot General Health System).

F. Legal Basis

- Law on the Establishment, Activities and Supervision of Institutions for Occupational Pension Benefits of 2020 (Law 10(I)/2020) (*Ο περί της Ίδρυσης, των Δραστηριοτήτων και της Εποπτείας των Ιδρυμάτων Επαγγελματικών Συνταξιοδοτικών Παροχών Νόμος του 2020 (Ν. 10(Ι)/2020)*).

Pension Scheme for Lawyers

Σχέδιο Συνταξιοδότησης Δικηγόρων

A. Coverage

Mandatory insurance

- All practicing lawyers in the private sector.
- Lawyers employed by the Law Office from 14/09/1966 until 18/03/2005.

B. Financing

General finances

- PAYG-financed through contributions to the 'Advocates Pension Fund' by practicing lawyers and certain lawyers employed at the Law Office.

Contribution payments

- Contributions are paid in the form of registration fees, licence renewal fees, and other special fees.
- One-time registration fee: EUR 50.
- For the purpose of renewing their licence to practice the profession, lawyers must pay EUR 480 for the previous year during which they held a licence to practice the profession.
- If a lawyer continues to practice law after the age of 70, he/she does not pay the fee for renewing his/her licence; years for which he/she does not pay the fee will not be counted towards the contribution period.
- Other fees are paid by lawyers to the 'Advocates Pension Fund' when filing petitions and appearing before courts.

Taxation of contribution payments

- Contributions are tax-deductible.

C. Administration

- The 'Advocates Pension Fund' provides pensions to retired lawyers.
- The 'Advocates Pension Fund' is under the control of the Board of Directors comprised of the Attorney-General (as its President), the President, Secretary and the Treasurer of the Cyprus Bar Association, the Presidents of the Local Bar Associations and a retired lawyer that receives pension in accordance with the relevant regulations.

D. Qualifying Conditions

Qualifying conditions

- Upon completing 40 years of practicing the legal profession, regardless of the person's age.
- Upon completing 35 years of practicing the legal profession and attaining, at the same time, the age of 65.
- Upon completing 25 years of practicing the legal profession and attaining, at the same time, the age of 70.

Early retirement

- Available at age 60 to persons with 35 years of practicing the legal profession, with gradual negative (permanent) actuarial adjustments (6% per year).
- Available at age 65 to persons with 25 years of practicing the legal profession, with gradual negative (permanent) actuarial adjustments (6% per year).

E. Benefits

Pension payments

- Monthly pension and lump sum benefit based on the years of practicing the legal profession and/or age criteria.
- If the financial conditions of the Fund permit so, the pensioners may be granted a 13th and 14th pension payment.

Factors for benefit calculation

- The amount of the monthly pension is calculated via formulas decided by the Council of the Cyprus Bar Association.
- The current formula is as follows: basic monthly pension plus 30% of the basic monthly pension.
- The basic monthly pension is calculated as follows: the number of months of practiced law multiplied by 9350 and divided by 5760.

Taxation and social security contributions

- Benefits may be subject to taxation, in accordance with the Income Tax Law (Law 118(I)/2002) in the event that total pension amount exceeds EUR 19,500.
- Contributions to public health insurance are mandatory (2.65% of pension benefit for the Cypriot General Health System).

F. Legal Basis

- Advocates (Pensions and Allowances) Regulations of 1966-2018 (*Οι περί Δικηγόρων (Συντάξεις και Χορηγήματα) Κανονισμοί του 1966-2018*); Advocates Law (Cap. 2) (*Ο περί Δικηγόρων Νόμος (Κεφ. 2)*).

Pension Scheme for Physicians and Dentists

Ταμείο Συντάξεων Ιατρών και Οδοντιάτρων

A. Coverage

Mandatory insurance

- Every physician registered under the provisions of the relevant legislation and who is practicing medicine in the Republic of Cyprus as a freelancer or an employee (with the exception of physicians working for the public, wider public, or local authority).

Voluntary insurance

- Dentists who are registered under the provisions of the relevant law and who are practicing dentists in the Republic as freelancers or as employees (with the exception of dentists working for the public, or wider public or local authority).
- Potentially pharmacists who are registered under the provisions of the relevant law and who are practicing the profession in the Republic as freelancers or as employees (with the exception of those pharmacists working for the public, wider public, or local authority). (*No pharmacists participate in the scheme thus far.*)

B. Financing

General finances

- PAYG-financed through registration fees and contributions from its members.
- Donations.
- Investments of the fund's assets.

Contribution rates

- One-time registration fee: EUR 51.26.
- Fixed monthly contribution payments independent of declared income (EUR 88); lower payments for first 24 months (EUR 44).
- Additional voluntary contribution payments are allowed (up to 5 times of the fixed monthly payment).

Taxation of contribution payments

- Contributions are tax-deductible.

C. Administration

- The Supervisory Committee of the 'Doctors and Dentists Pension Fund'.

D. Qualifying Conditions

Qualifying conditions

- Retirement age is 65 with minimum contribution period of 60 months.

Early retirement

- Available at age 60, with minimum contribution period of 120 months without actuarial adjustments.

E. Benefits

Pension benefits

- Amount based on contribution payments.
- The beneficiary may choose to receive monthly or yearly pension payments or a mix of the two.
- Lump sum amount for contributors who do not qualify for full pension benefits: contributors who have reached the age of 65 and who have paid contributions of at least 6 months, but who are not entitled to receive a pension, are entitled to a lump sum retirement payment.

Pension calculation

- The annual amount of the pension is equal to 1/360 of the 'maximum amount of pension' for each month of paid contributions.

- The 'maximum amount of pension' for persons that have paid the basic contribution fee of EUR 88 per month is EUR 1,408; the 'maximum amount of pension' for persons contributing a larger amount is accordingly 1/2, 3/4, 1½, 2 times higher than the above amount.
- Lump sum amount: it is calculated by the Board of Directors, following consultations with the actuary of the 'Doctors and Dentists Fund', and taking into consideration the amount of contributions made by that person, the administrative costs of the Fund and the interest on the investments of the Fund.

Taxation and social security contributions

- Benefits may be subject to taxation, in accordance with the Income Tax Law (Law 118(I)/2002) in the event that total pension amount exceeds EUR 19,500.
- Contributions to public health insurance are mandatory (2.65% of pension benefit for the Cypriot General Health System).

F. Legal Basis

- Law on the Registration of Doctors (Cap. 250) (*Ο περί Εγγραφής Ιατρών Νόμος (Κεφ. 250)*); Law on the Registration of Dentists (Cap. 249) (*Ο περί Εγγραφής Οδοντιάτρων Νόμος (Κεφ. 249)*); Doctors (Associations, Discipline and Pension Fund) Law of 1967 (*Ο περί Ιατρών (Σύλλογοι, Πειθαρχία και Ταμείον Συντάξεων) Νόμος του 1967 (16/1967)*); Doctors (Associations, Discipline and Pension Fund) Regulations by Virtue of Articles 15 and 15A (Regulations 295/1999 and 157/2011) (*Ο περι Ιατρών (Σύλλογοι, Πειθαρχία Και Ταμείο Συντάξεων) Κανονισμοί δυνάμει των άρθρων 15 και 15Α, (ΚΔΠ 295/1999 και ΚΔΠ 157/2011)*); Dentists (Associations, Discipline and Pension Fund) Law of 1968 (*Ο περί Οδοντιάτρων (Σύλλογοι, Πειθαρχία και Ταμείον Συντάξεων) Νόμος του 1968 (29/1968)*); Pharmacists (Associations, Discipline and Pension Fund) Law of 1972 (*Ο Περί Φαρμακοποιών (Σύλλογοι, Πειθαρχία και Ταμείον Συντάξεων) Νόμος του 1972] (39/1972)*).

Government Employees Pension Scheme (GEPS) (Closed Scheme)

Κυβερνητικό Σχέδιο Συντάξεων

A. Coverage

Mandatory insurance

- All civil servants of the public service, in the Audit Office, in the Treasury of the Republic, members of the educational service, the security forces, the armed forces, as well as members of the judiciary service of the Republic, the Attorney-General and the Deputy Attorney-General.
- The scheme has been closed for new appointees in the civil service since 1 October 2011.[8]

B. Financing

General finances

- Mainly tax-financed out of the state budget.
- Following the financial crisis, partly financed on a PAYG basis through contributions of civil servants and employees in the wider public sector (e.g. independent service or authority or office of an independent official, any public sector entity) (3% of salary).

C. Administration

- Treasury of the Republic of Cyprus.

D. Qualifying Conditions

Qualifying conditions

- Old age benefits are payable to a beneficiary upon reaching the statutory pensionable age.
- Statutory retirement age increases to 65 for beneficiaries (exception: medical officers) born after 1952; minimum service period: 5 years; retirement age is adjusted every 5 years from 2018 onwards by law, based on changes in life expectancy at statutory retirement age.

Early retirement

- Elementary and high school teachers can retire earlier (ranging from 62 years and 6 months to 65 years of age) if specific prerequisites are met.
- Members of the armed forces can retire earlier (ranging from 55 to 57 years of age) if specific prerequisites relating to their rank and years of service are met.
- Members of the police can also retire earlier if specific prerequisites relating to their rank and years of service are met, in accordance with relevant regulations.

E. Benefits

Pension benefits

- The scheme provides supplementary pensions to its beneficiaries, and a lump sum amount/gratuity.
- Maximum amount: The annual pension paid cannot exceed 1/2 of the pensioner's annual earnings.

Pension calculation

- For service prior to 1 January 2013: (a) the annual pension is based on the annual retirement earnings and the number of months of service, i.e. the annual pension corresponds to the annual retirement earnings multiplied by the number of months of service and divided by 800; (b) the lump sum pension equals the annual pension multiplied by 14 and divided by three.
- For service from 1 January 2013: (a) the annual pension is based on the average gross pensionable earnings of all months of pensionable service up to the date of the retirement, adjusted to the value of one insurance point of the 'Social Insurance Fund' for every completed month of pensionable service; i.e. the annual pension is equal to the average gross pensionable earnings multiplied by the number of months of service since 2013 and divided by 800; (b) the lump sum pension equals the annual pension multiplied by 14 and divided by three.

Taxation and social security contributions

- Pension benefits may be subject to taxation, in accordance with the Income Tax Law (Law 118(I)/2002) in the event that total annual pension amount exceeds EUR 19,500.

- Any lump sum or gratuity received for service prior to 2013 is not subject to income tax.
- Any lump sum or benefit received for service from 01/01/2013 onwards is subject to income tax.
- Contributions to public health insurance are mandatory (2.65% of pension benefit for the Cypriot General Health System).

F. Legal Basis

- Pensions Law (Law 97(I) of 1997) (*Ο περί Συντάξεως Νόμος του 1997 (N. 97(I)/1997)*); Retirement Benefits of State Employees and of Employees of the Broader Public Sector, including Authorities of Local Government (Provisions of General Application) Law of 2012 (Law 216(I) of 2012) (*Ο Περί Συνταξιοδοτικών Ωφελημάτων Κρατικών Υπαλλήλων και Υπαλλήλων του Ευρύτερου Δημόσιου Τομέα περιλαμβανομένων και των Αρχών Τοπικής Αυτοδιοίκησης (Διατάξεις Γενικής Εφαρμογής) Νόμος του 2012 (N. 216(I)/2012)*); Members of the Armed Forces of the Republic (Retirement and Related Matters) (General Provisions) Law (Law 215(I) of 2012) (*Ο Περί των Μελών του Στρατού της Δημοκρατίας (Αφυπηρέτηση και Συναφή Θέματα) (Διατάξεις Γενικής Εφαρμογής) Νόμος του 2012 (N.215(I)/2012)*); Police Law (Law 73(I)/2004) (*Ο Περί Αστυνομίας Νόμος του 2004 (N. 73(I)/2004)*), Armed Forces of the Republic Law (Law 36(I)/2016) (*Ο περί Στρατού της Δημοκρατίας Νόμος (N. 36(I)/2016)*).

Private Pension Plans

Ιδιωτικά Συνταξιοδοτικά Σχέδια

A. Coverage

Voluntary insurance

- Persons can voluntarily participate in private pension plans (usually offered by banks and/or insurance companies).

B. Financing

General finances

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

Contribution rates

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

State support & incentivising strategies

- Contributions to pension plans which are certified by the Tax Commissioner are tax-deductible.

C. Administration

- Pension plan providers (banks, insurance companies, or investment funds) manage pension funds and pay benefits directly to the entitled person.

D. Qualifying Conditions

- Qualifying conditions depend on the specifics of the pension plan.

E. Benefits

Pension payments

- Depend on the terms of pension payment (lump sum payment, fixed-term or lifelong pension) and the general terms of the pension plan.

Taxation and social security contributions

- Benefits may be subject to taxation, in accordance with the Income Tax Law (Law 118(I)/2002) in the event that total pension amount exceeds EUR 19,500.
- Contributions to public health insurance are mandatory (2.65% of pension benefit for the Cypriot General Health System).

F. Legal Basis

- Insurance and Reinsurance Services and Other Related Issues Law of 2016 (Law 38(I) 2016) (*Ο περί Ασφαλιστικών και Αντασφαλιστικών Εργασιών και Άλλων Συναφών Θεμάτων Νόμος του 2016 (Ν. 38(Ι)/2016)*).

Footnotes

1 The weekly amount of the 'basic pension' equals 60% of the weekly value of the annual average insurance points which have been credited to the insured person's basic insurance during the reference period, and is increased to 80%, 90% or 100% if the beneficiary has one, two or three dependants, respectively. The weekly 'supplementary pension' equals 1.5% of the weekly value of the total number of insurance points in the insured person's supplementary insurance.

2 As the *government employees pension scheme* (GEPS) is closed for new entrants, the scheme is not pictured in the pension map for Cyprus.

3 The institution of a 'minimum pension' was initially adopted on 01/11/1985 (equalling 50% of the full basic pension) with the aim to ensure a minimum amount of pension to all pensioners. This amount was increased on 01/07/1989 to 70% of the full basic pension. Since 01/01/1999 it has increased further with 10% being covered by the Consolidated Fund of the Republic (equalling 77% of the full basic pension). Since 01/07/2000 it has increased further with an additional 10% being covered by the Consolidated Fund of the Republic (equalling 85% of the full basic pension).

4 This contribution is a type of tax, and is not exclusively related to old age pension benefits. Contributions cover all social insurance benefits (e.g. employment injury, pensions, sickness, unemployment etc.).

5 'Insurable earnings' refers to the amount of earnings on which the insured person pays contributions. The Council of Ministers determines each year the amount of 'basic insurable earnings'. For 2020, the amount is EUR 9,147.

6 In order to determine how many insurance points an insured person has gained, an insured person must divide his/her annual insurable earnings, plus any assimilated insurable earnings (i.e. earnings for any period of full-time education after their 16th year of age; for the periods of National Guard service; for periods they receive sickness, unemployment, maternity or injury benefit, or invalidity pension from the Social Insurance Fund; for any period of absence from their work on grounds of parental leave, for which no contribution is paid) by the amount of 'basic insurable earnings'. For instance, if an insured person's insurable earnings for 2020 are EUR 30,000, and he/she also receives EUR 1,500 as unemployment benefit (i.e. assimilated insurable earnings), the total amount of actual and assimilated insurable earnings is EUR 31,500. Thus, the insured person will earn 3.44 insurance points (i.e. 31,500 divided by EUR 9,147). There is a maximum of six insurance points per one year.

7 The relevant 'reference period' begins on the first day of the contribution year in which the person reaches the age of 16 and ends the last week before the week in which he/she becomes entitled to a pension.

8 The GEPS was heavily affected by the financial crisis and was extensively reformed for the purpose of preserving fiscal sustainability.

CZECH REPUBLIC

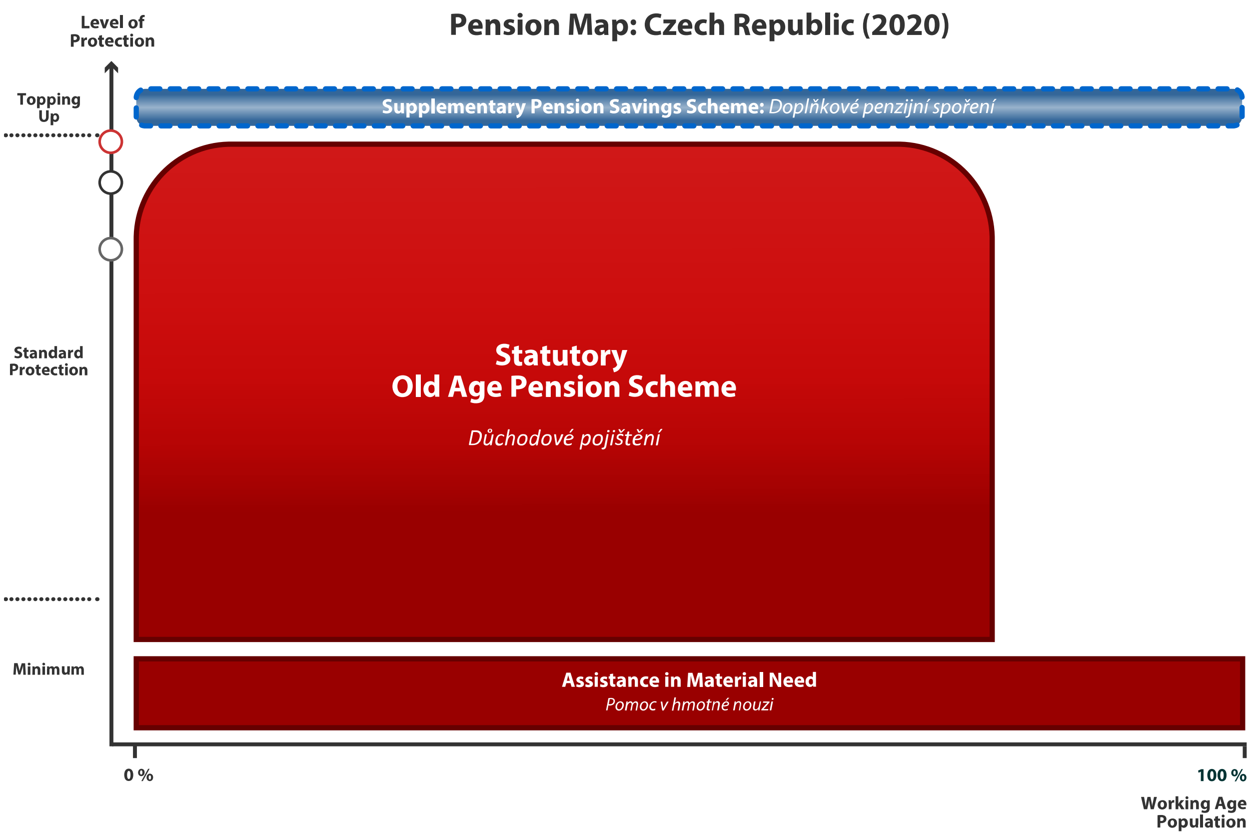
THE CZECH OLD AGE SECURITY SYSTEM IN 2020

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 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 to increase income through one's 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 solutions, e.g. if 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 to 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.

DENMARK

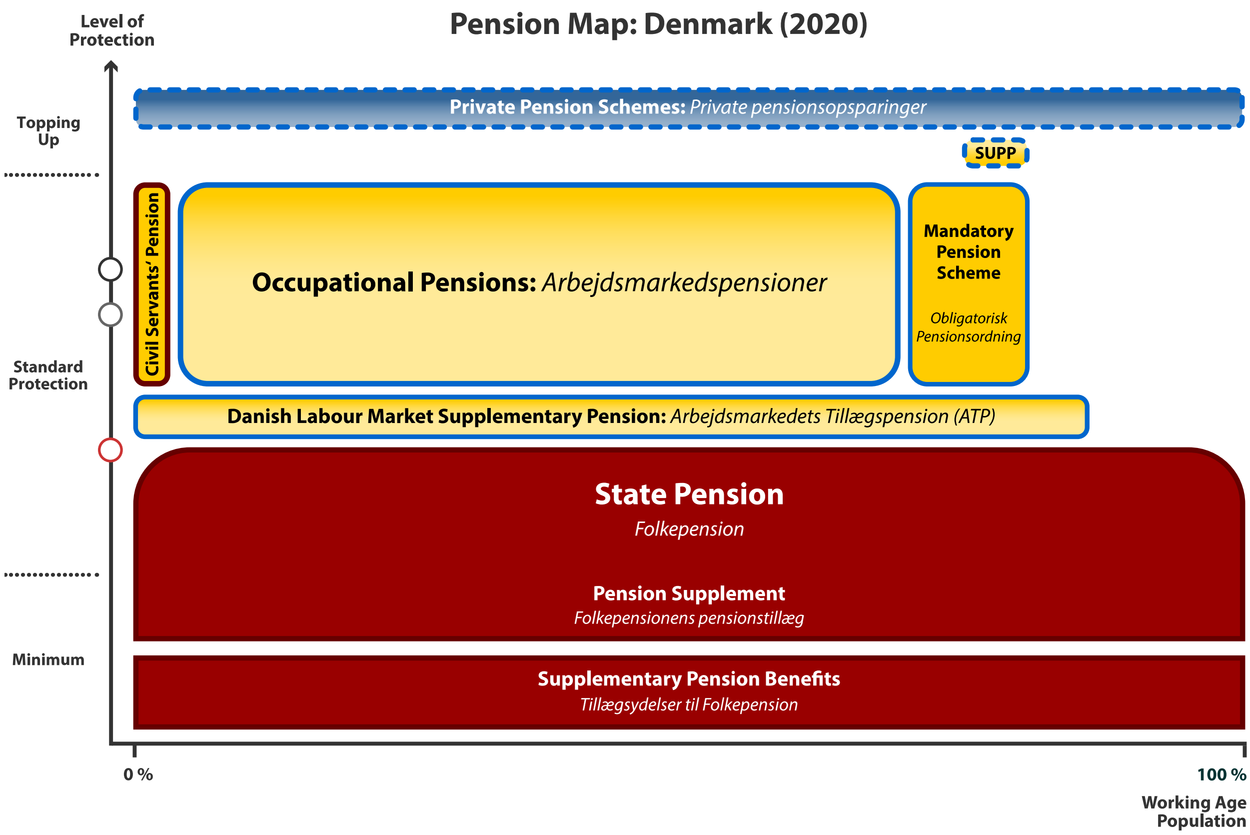
THE DANISH OLD AGE SECURITY SYSTEM IN 2020

Martine Stagelund Hvidt

The cornerstones of the Danish statutory state pension that exists today were laid in 1891 with the law on old age support for elderly persons in need. The first old age pension was tax-financed and was subject to many reforms. In 1922, the pension became contribution-based and a means test was introduced to receive old age pension benefits. The means test was abolished in 1933, but the obligation to contribute was preserved. The pension reform of 1956 introduced a universal contribution-financed but means-tested public pension. In 1964, a universal tax-financed public pension was re-introduced and this reform was fully implemented in 1970. This structure remains in force today. In parallel with the abovementioned reforms that led to the current public pension scheme, supplementary occupational pensions gained importance for guaranteeing a 'standard level of protection'. Occupational pension schemes are rooted in 1849, and were initially intended for Danish government officials. During the 1960s and 1970s, the scope was primarily reserved for public sector employees, but a joint declaration from 1987 between the government and the social partners enabled occupational pension schemes to flourish throughout the public and private labour market. Pension benefits can be 'topped up' through voluntary participation in private pension schemes, which have existed and developed concurrently throughout history. A 'minimum' level of protection is guaranteed through a pension supplement of the public pension scheme. Other social assistance supplements are available for pensioners in need.

Standard Protection

The public Danish pension scheme, the so-called *state pension* (*Folkepension*), provides a statutory universal pension which is tax-financed out of the state budget. The *state pension* benefit consists of two components: the so-called *state pension basic amount* (*Folkepensionens grundbeløb*) and the means-tested *state pension supplement* (*Folkepensionens pensionstillæg*) for the financially most disadvantaged. The *state pension* covers all Danish citizens and persons with legal residence in Denmark who have resided in Denmark for at least three years between the age of 15 and the statutory retirement age. To accrue a full basic pension amount, persons must have accumulated at least 40 years of residence in Denmark (for persons who reach the retirement age before 30 June 2025) or



must have resided in Denmark for at least 9/10 of the time (for persons who reach the retirement age after 30 June 2025) between the age of 15 and the statutory retirement age. Persons who do not meet these requirements might be entitled to a prorated pension. The *state pension* provides a lifelong flat-rate old age pension benefit.

In addition to the state pension, a *Danish labour market supplementary pension* (*Arbejdsmarkedets Tillægspension, ATP Livslang Pension*) was introduced in 1964 as a statutory, fully funded, collective insurance-based, defined-contribution pension scheme. All employees between 16 and 66 years of age who work at least nine hours per week are mandatorily insured in this scheme. The contributions are usually paid by the employer and the employee and are a fixed amount regulated by law based on the number of hours worked. The pension scheme also covers individuals on social security benefits with contributions being paid by the benefit recipient and the state. Contributions qualify for full tax deduction, but benefits are taxed as income at the time of payout.

Occupational pensions (*Arbejdsmarkedspensioner*) play another important part for the financial protection in old age. In the Danish public sector and in large parts of the private labour market occupational pensions are based on collective agreements between the social partners which make participation mandatory for the employee. Occupational pensions also include insurances against other risks as they provide, for example, a spouse and child pension in the event of death of the insured person and insurance benefits to the insured person in the event of disability before retirement. The pension schemes are contribution-based with contributions being paid by the employer and the employee. The self-employed can join occupational schemes on a voluntary basis. Civil servants are protected by a special occupational scheme, the *civil servants' pension* (*Tjenestemandspension*), which provides a statutory lifelong supplementary pension. Benefits are based on the civil servant's seniority and salary level at the time of retirement. The maximum pension amount is achieved after 37 years of employment. Civil servants earn the right to a pension only if the termination of employment is due to age, infirmity or any other cause that is not attributable to the civil servant.

In 2020, the *mandatory pension scheme* (*Obligatorisk Pensionsordning*) was introduced for individuals receiving social security benefits with the objective of strengthening savings-based pensions also for persons not mandatorily insured in occupational pension schemes. Contributions are paid by the Danish state and the amount depends on the social security benefit. The contribution will increase yearly from 0.3% of the social security benefit in 2020 to 3.3% in 2030.

Top-Ups

To top up benefits of the *state pension* and *occupational pension schemes*, individuals have the option of joining one or more voluntary *private pension schemes* (*private pensionsopsparinger*). Top-ups from different schemes can be combined. In 2012, new types of old age pension savings and insurance plans were introduced with effect from the income year 2013. The savings can be paid out as one-off payments, as partial payments, as an instalment pension or as an annuity. The schemes can be set up either as a privately subscribed scheme or as an employer-administered scheme in an employment relationship. The schemes are called 'old age savings' (*Aldersopsparing*) if the pension plan is set up in a financial institution, and 'old age insurance' (*Aldersforsikring*) if the plan is set up in a pension company. There is no tax deduction on contributions; however, pension benefits are not taxed at the time of payout.

The *supplementary labour market pension scheme for disability pensioners* (*Supplerende Arbejdsmarkedspension, SUPP*) was introduced in 2003 and is a voluntary top-up pension for individuals who receive a health-related early retirement pension. It is contribution-based with the contributors being both the individual and the Danish state. Contributions are subject to tax deductions until retirement age has been reached.

Minimum

The *state pension supplement* (*Folkepensionens pensionstillæg*) guarantees, together with the *state pension basic amount*, a minimum pension income for the financially most disadvantaged pensioners. It is a means-tested benefit determined on the basis of all sources of personal income and the spouse's/cohabitant's income. Benefits of the *state pension* (incl. the *state pension supplement*) can be further supplemented by various means-tested social assistance measures, so-called *supplementary pension benefits* (*Tillægsydelser til folkepension*), such as the *elderly cheque* (*Ældrecheck*), *media cheque* (*Mediecheck*), *heating supplement* (*Varmetillæg*), *health supplement* (*Helbredstillæg*), *housing supplement* (*Husholdningstillæg*) and *personal supplement* (*Personligt tillæg*). Benefits are provided upon application. Persons must have reached the statutory retirement age and have to fulfil other financial and/or health-related requirements. The social assistance supplements are statutory and fully tax-funded.

Supplementary Pension Benefits

Tillægsydelser til folkepension

A. Coverage

- Persons residing legally in Denmark who have reached the statutory retirement age for the *state pension* and cannot sufficiently cover their necessary subsistence.

B. Financing

- The scheme is tax-financed from the general budget.

C. Administration

- Payment Denmark (*Udbetaling Danmark*) handles the tasks related to fixed flat-rate benefits.
- Payment Denmark (*Udbetaling Danmark*) decides on the size of the personal supplement percentage (*Personlig tillægsprocent*), which depends on liquid assets (such as cash, money market instruments and payments from occupational and private pension schemes).
- The city council (*Kommunalbestyrelsen*) and the municipality (*Kommunen*) handle the tasks concerning benefits dependent on the personal supplement percentage.

D. Qualifying Conditions

- The person must have reached the statutory retirement age for the *state pension*.
- The person must legally reside in Denmark.
- The person must apply for supplement benefits.
- The benefits are means-tested and target the poorest pensioners without significant liquid assets.
- The income basis for pension supplements, heating supplement, health supplement and media cheque are calculated on the basis of the pensioner's and any spouse's or cohabitant's total income (excluding assets such as personal property).
- The elderly cheque is conditional on entitlement to the *state pension*, the personal supplement percentage and liquid assets.

E. Benefits

- Fixed, flat-rate benefits include the personal supplement (*Personligt tillæg*), the heating supplement (*Varmetillæg*), the petroleum supplement (*Petroliumstillæg*), the media cheque (*Mediecheck*), and the elderly cheque (*Ældrecheck*). Benefits are paid out monthly together with the *state pension*, with the exception of the media and the elderly cheque, which are paid yearly as a lump sum.
- The following benefits are provided as a subsidy or reimbursement and the amount depends on the personal supplement percentage: health supplement (*Helbredstillæg*), extended health supplement (*Udvidet Helbredstillæg*), dental treatment (*tilbud på tandbehandling*), reimbursements in connection with treatment costs upon request (*anmodning om refusion i forbindelse med udgifter til behandling*), optician/ophthalmologist (*specificeret overslag fra optiker/øjenlæge*), dental prosthetic treatment (*overslag til tandprotetisk behandling*).
- The size of the personal supplement percentage depends on earnings-related income after reaching the retirement age. There are different rates for singles and couples. The personal supplement percentage determines the size of supplementary benefits.
- Most benefits are not subject to income tax, with the exception of the elderly cheque, which is taxed as personal income.

F. Legal Basis

- Social Pensions Act (*Bekendtgørelse af lov om social pension*).

State Pension

Folkepension

A. Coverage

- Danish citizens[1] with permanent residence in Denmark who have reached the statutory retirement age.

B. Financing

- The scheme is tax-financed from the general budget.

C. Administration

- Payment Denmark (*Udbetaling Danmark*) handles all tasks related to the state pension.

D. Qualifying Conditions

Qualifying conditions

- For Danish citizens the minimum requirement is 3 years of residence in Denmark between the age of 15 and the retirement age. For EU citizens this vesting period is reduced to 1 year of residence in Denmark as the minimum residence requirement of 3 years can be met by merging it with periods of residence in other EEA countries. For third country nationals the residual requirement is increased to 10 years of residence in Denmark, of which at least 5 years of residence must have been spent in Denmark just before reaching the retirement age.[2]
- The statutory retirement age ranges between 65 (for persons born before 01/01/1954) and 69 (for persons born after 31/12/1966); it is based on an indexation mechanism and increases in relation to life expectancy at the time when the person reaches the age of 60.

<u>*Basic amount*</u>

- For individuals reaching the retirement age before 30/06/2025: the right to a full basic pension is accrued after 40 years of residence in Denmark, during the period from age 15 to retirement age.
- For individuals who reach the statutory retirement age after 30/06/2025: the period of required residence in Denmark for a full basic pension is at least 9/10 of the time from age 15 to public retirement age.[3]
- If the individual is not entitled to a full basic old age *state pension*, (s)he might be entitled to a prorated pension.[4]

<u>*Pension supplement*</u>

- The pension supplement is tested against sources of personal income and spouse's/cohabiting partner's income, including earnings-related income (salary), interest, occupational pension, instalment pension, annuity, *ATP Livslang Pension*, etc. Assets (*formue*) are not considered as such, but the interest returns on the assets are counted in.

Early retirement

- No options for early retirement available.

Deferred retirement

- Individuals can defer retirement up to 10 years. During this time, the pensioner earns a supplement called the waiting percentage (*Venteprocent*).

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 *state pension*.
- Pension benefits will be reduced or waived if income from work exceeds certain earnings limits.

E. Benefits

Pension benefits

- The state pension consists of a 'basic amount' and a 'pension supplement'.
- Maximum amount: the full total amount of the state pension (combination of the full basic amount

and the full pension supplement) is DKK 13,853 per month before tax for single pensioners and DKK 10,225 per month before tax for married/cohabiting pensioners.

Basic pension

- The full amount is DKK 6,518 per month before tax as a flat-rate benefit for all pensioners.
- The basic amount will be reduced if the pensioner earns more than DKK 344,600 (2021) per year through personal work and payment is discontinued completely if the pensioner earns more than DKK 599,200 (2021).
- Wealth or other income has no bearing on the calculation of the basic amount.

Pension supplement

- Means-tested, flat-rate pension benefit for those with insufficient levels of (pension) income.
- The full amount is DKK 7,335 per month for single pensioners and DKK 3,707 per month per person for married or cohabiting pensioners.
- The pension supplement is reduced by 30.9% if earnings-related income exceeds an annual amount of DKK 89,700 for single pensioners and DKK 179,700 for married or cohabiting pensioners.
- The supplement lapses completely if the annual income exceeds DKK 374,600 for single pensioners, DKK 457,700 for married or cohabiting pensioners (if both are pensioners), and DKK 318,700 for married or cohabiting couples with one being a non-pensioner.
- The first DKK 122,004 earned from personal work is disregarded in calculating the pension supplement.

Taxation and social security contributions

- Pensioners do not pay social security contributions.
- The total *state pension* (basic amount and pension supplement) is taxed as personal income.
- A recipient of the *state pension* can earn up to DKK 11,700 tax-free per year on work in private homes.

F. Legal Basis

- Social Pensions Act (*Bekendtgørelse af lov om social pension*).

Danish Labour Market Supplementary Pension

Arbejdsmarkedets Tillægpension, ATP Livslang Pension

A. Coverage

Mandatory insurance

- All employees between the age of 16 and 66 who work at least nine hours per week.
- The pension scheme also covers almost all individuals on social security benefits (e.g. benefits for maternity leave and sick leave, unemployment benefits, early retirement pension).

Voluntary insurance

- Membership is voluntary for the self-employed.
- The following persons may, at their own request pay contributions to ATP for periods during which they receive the said benefits: individuals who are members of an unemployment fund and who receive *transitional allowance* (*Overgangsydelse*) or *voluntary early retirement pension* (*Efterløn*) benefits under the Unemployment Insurance Act; individuals receiving *Early retirement allowance for beneficiaries of the subsidised flexible employment scheme* (*Fleksydelse*); individuals receiving *voluntary early retirement pension* (*Efterløn*) without being a member of a Danish unemployment fund.

B. Financing

General finances

- Fully funded personal pension plans based on contribution payments and capital revenues (i.e. ATP's return on investments and return on savings).

Contribution rates

- The contribution is a fixed amount based on the number of hours worked.
- Contributions are shared between the employer (2/3) and the employee (1/3).
- For almost all individuals on social security benefits, the contributions are divided between the individual (1/3) and Payment Denmark (*Udbetaling Danmark*) (2/3).

Taxation of contribution payments

- Contributions qualify for full tax deduction, but benefits are taxed as income at the time of payout.

C. Administration

- ATP is a self-governing institution established by law in 1964.

D. Qualifying Conditions

- The payment is based on reaching the statutory retirement age of the *state pension*.
- The payment may be deferred (not beyond the age of 75). The *ATP Livslang Pension* is increased for each month of deferral. While deferring the pension, the pensioner earns a supplement called the waiting percentage (*Venteprocent*).

E. Benefits

Pension payments

- It is a lifelong supplement to the *state pension*.
- It also contains a survivors' lump sum benefit for surviving spouses or cohabitants and for each of the member's children under 21 years of age.

Taxation and social security contributions

- Pension payments are subject to income tax. Lump sums are taxed at 40%.
- The social security contribution is a public tax of 8%.

F. Legal Basis

- Act on Danish Labour Market Supplementary Pension (*Bekendtgørelse af lov om Arbejdsmarkedets Tillægspension*).

Occupational Pensions

Arbejdsmarkedspensioner

A. Coverage

Mandatory insurance

- All public sector workers (excluding civil servants) are enrolled in a collectively agreed fully funded defined contribution scheme.
- Private sector workers are enrolled, if specified in collective agreement.

Opting in

- The self-employed are not mandatorily enrolled, but can opt in if they meet the qualifying conditions for the specific pension fund.
- Employees can request to continue payments on an individual basis after leaving the company.[5]

B. Financing

General finances

- Fully funded personal pension plans based on contribution payments.

Contribution payments

- Contribution rates are bound by collective agreements and are similar for all workers under the agreement.
- Contributions are shared between the employer (2/3) and the employee (1/3).
- Currently, contribution rates range between 12% and 18% of the salary.

Taxation of contribution payments

- Employees will receive full tax relief on their contributions if pension plans guarantee lifelong payments.
- Tax reliefs are received for contributions up to DKK 57,200 (in 2020) for annuities.

C. Administration

- Dependent on pension plan; examples are: PensionDanmark, Industriens Pension, PenSam, PFA, P+, SAMPENSION.
- The Danish Financial Supervisory Authority (*Finanstilsynet*) supervises providers who administer pension plans.

D. Qualifying Conditions

- Dependent on pension plan.

E. Benefits

Pension benefits/payments

- Pensions are typically paid as annuity, instalment, old age insurance (*Aldersforsikring*)/old age savings (*Aldersopsparing*), or capital pension (deposit is no longer possible as it has been replaced by old age insurance/savings).
- Benefits are mostly defined contribution based.
- Occupational pension schemes will often cover a variety of social risks and provide a range of benefits, including old age benefits, disability benefits, survivors' benefits, child benefits and critical illness benefits.

Taxation and social security contributions

- Dependent on pension plan.
- Pension payments are not subject to social security contributions.

F. Legal Basis

- Regulated by collective agreements (*Overenskomstbaseret*).

Civil Servants' Pension

Tjenestemandspension

A. Coverage

- Civil servants (please note that employment as a civil servant is limited to certain positions in the Danish central government).

B. Financing

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

C. Administration

- Payment Denmark (*Udbetaling Danmark*) calculates and pays pension benefits.

D. Qualifying Conditions

- No general compulsory retirement age (exception: special groups with assigned retirement ages).
- Civil servants are entitled to *civil servants' pension* only if their termination of gainful activity is due to age, infirmity or any other cause that is not attributable to the civil servant.
- A civil servant is entitled to dismissal due to age from the end of the month in which the civil servant reaches the age for payment of pension.
- A maximum of 37 retirement years is considered in the pension calculation, even if the civil servant works longer. Part-time employment counts proportionally.
- Civil servants who have performed at least 10 years of service and who are dismissed for a reason other than age or infirmity, and which is not attributable to any fault of their own will receive a pension (*'Aktuel Pension'*) calculated on the basis of the pensionable service accumulated on the date of dismissal.
- If a civil servant leaves the position before having attained the age of entitlement to pension, the person in question will receive a deferred pension (*'Opsat Pension'*), which is calculated on the basis of the pensionable service accumulated on the date of resignation.

E. Benefits

Pension benefits

- It is a lifelong supplement to the *state pension*.
- It is calculated based on the civil servant's seniority and salary on the date of retirement.
- The maximum pension amount is achieved after 37 years.
- One year of full-time employment as a civil servant equals one calculated retirement year. For officials employed before 01/01/2012 the calculation starts after the age of 25. For officials employed after 01/01/2012, the calculation is based on the retirement years earned starting with the date of employment regardless of age.
- The civil servant's spouse and children under the age of 21 are secured a pension if the civil servant dies.

Taxation and social security contributions

- Pension benefits are subject to income tax.
- Benefits are not subject to social security contributions.

F. Legal Basis

- The Civil Servants' Pension Act (*Bekendtgørelse af lov om Tjenestemandspension*).

Mandatory Pension Scheme

Obligatorisk Pensionsordning

A. Coverage

Mandatory insurance

- Individuals receiving the following social security benefits: unemployment benefit (*Arbejdsløshedsdagpenge*); maternity/paternity benefits (*Barselsdagpenge*); voluntary early retirement pension (*Efterløn*); holiday benefit (*Feriedagpenge*); Flexjob contribution (*Flekslønstilskud*); early retirement allowance for beneficiaries of the subsidised flexible employment scheme (*Fleksydelse*); disability pension (*Førtidspension*); welfare benefits (*Kontanthjælp*); unemployment benefit for persons accepted onto a subsidised flexible employment scheme (*Ledighedsydelse*); resource course grant (*Ressourceforløbsydelse*); rehabilitation benefits (*Revalideringsydelse*); senior pension (*Seniorpension*); state adult education grants (*Statens Voksenuddannelsesstøtte*); supplement for fractional pension (*Supplement til Brøkpension*); sickness benefits (*Sygedagpenge*); supplement to self-employed people with a reduced ability to work (*tilskud til selvstændigt erhvervsdrivende med nedsat arbejdsevne*); education benefit (*Uddannelseshjælp*).

B. Financing

General finances

- Fully funded scheme financed from contributions paid by the state.

Contribution rates

- Contributions are paid by the Danish State to ATP and will become part of the individual's *Danish Labour Market Supplementary Pension* (*ATP Livslang Pension*).
- In 2020, the state will contribute an amount equivalent to 0.3 % of the individual's benefit. The contribution will increase each year up to 2030, where the state will be contributing 3.3%.

C. Administration

- ATP is a self-governing institution established by law in 1964.

D. Qualifying Conditions

- The payout starts when reaching the statutory retirement age of the *state pension*.
- No options for early retirement available.

E. Benefits

Pension benefits

- It is a lifelong supplement to the *state pension*.
- The size of the pension depends on the type of social security benefit the individual receives.

Taxation and social security contributions

- The pension payment is taxed as personal income.
- Benefits are not subject to social security contributions.

F. Legal Basis

- Act on Danish Labour Market Supplementary Pension (*Bekendtgørelse af lov om Arbejdsmarkedets Tillægspension*).

Supplementary Labour Market Pension Scheme for Disability Pensioners

Supplerende Arbejdsmarkedspension, SUPP

A. Coverage

Voluntary insurance

- Individuals who receive health-related early retirement pensions such as senior pension (*Seniorpension*) or disability pension (*Førtidspension*).[6]

B. Financing

General finances

- Fully funded personal pension plans based on contribution payments.

Contribution payments

- Contributions are shared between the Danish state (2/3) and the member (1/3).

C. Administration

- ATP is a self-governing institution established by law in 1964.
- The individual can choose to pay contributions to the ATP institution, a life insurance company, or a pension fund.

D. Qualifying Conditions

- The payout starts when the member reaches the statutory retirement age of the *state pension*.

E. Benefits

Pension payments

- It is a lifelong supplement to the *state pension*.
- The size of the pension depends on the contributions and investment returns.

Taxation and social security contributions

- The pension payment is taxed as personal income.
- The social security contribution is a public tax of 8%.

F. Legal Basis

- Act on Danish Labour Market Supplementary Pension (*Bekendtgørelse af lov om Arbejdsmarkedets Tillægspension*).

Private Pension Schemes

Private pensionsopsparinger

A. Coverage

Voluntary insurance

- All individuals.
- Banks often request a Danish social security number (*CPR-nummer*).

B. Financing

General finances

- Fully funded personal pension plans based on personal contribution payments.

Contribution payments

- Individuals provide contribution payments.
- Amounts depend on pension plan.

State support & incentivising strategies

- For old age insurance (*Aldersforsikring*)/old age savings (*Aldersopsparing*): there is no tax deduction on contribution payments; benefits are not taxed at the time of payout.
- For other pension plans: the taxation of contributions depends on the pension plan.
- The bank or pension/insurance company automatically pays 15.3% tax on all pension returns.

C. Administration

- Pension plan providers (banks, insurance companies, or investment funds) manage pension funds and pay benefits directly to the individual.
- The Danish Tax Agency (*Skattestyrelsen*) administrate deductions and taxes.

D. Qualifying Conditions

- Retirement age depends on pension scheme, age and time of pension plan commencement.
- Pension plans commenced before 01/01/2018: earliest retirement age is 5 years before *state pension* retirement age.
- Pension plans established after 01/01/2018: earliest retirement age is 3 years before *state pension* retirement age.

E. Benefits

Pension payments

- Depend on pension plan.
- Pensions are typically paid as a lifelong annuity (paid monthly) or instalment.
- Old age insurance (*Aldersforsikring*)/old age savings (*Aldersopsparing*) can be paid as a lump sum, instalment or lifelong annuity.

Taxation and social security contributions on pension payments

- Payments of old age insurance/old age savings are not taxed at the time of payout; for other plans, taxation of benefits depends on the specific regulations of the plan, but withdrawal before retirement age is taxed at 40%.
- Pension payments are not subject to social security contributions.

F. Legal Basis

- Danish Pension Tax Act (*Pensionsbeskatningsloven*), Danish Act on Taxation of Pension Returns (*Pensionsafkastbeskatningsloven*).

Footnotes

1 The citizenship criteria do not apply to: (a) persons who have had their permanent residence in Denmark for at least 10 years between the age of 15 and the state retirement age, of which at least 5 years immediately before the time from which the pension is granted. If the application is submitted after the national pensionable age, the residence requirements must have been met on the date of reaching the statutory retirement age; (b) foreigners who have been granted a residence permit in Denmark pursuant to Section 7 or Section 8 of the Aliens Act; (c) the Minister of Employment may regulate in which cases deployed personnel at present diplomatic and consular representations and family members of such persons shall have access to benefits under the Act.

2 It is possible to export *state pension* abroad if certain criteria are met.

3 When calculating residence periods, the following is equated with residence in Denmark: rental of a Danish ship, stay abroad as a seconded representative of a Danish public authority, stay abroad as a person employed in the public Danish interest, stay abroad as an employee of a Danish company's branch or subsidiary, and stay abroad for the purpose of education.

4 The basic amount is determined by the number of years spent in Denmark. The calculation of the residence period does not include overlapping periods where pension rights are accrued abroad.

5 *Ceasing of occupational pension*: The pension is part of the salary; therefore, pension savings cease in connection with job change, dismissal or leave. Termination of the pension contribution does not entail termination of the pension scheme. The pension customer will continue to have the right to participate in the pension scheme, but not the insurances. Most often, the pension customer can choose between: (1) continuing the pension as a private scheme where the pension customer pays contribution, (2) switching to a scheme where the insurance coverage continues for a period and is paid by the pension depository, (3) switching to a scheme where the insurance cover lapses but where the pension deposit continues to exist, or (4) to transfer the scheme to another pension scheme under which the pension customer is covered through a new employment relationship.

6 Participation in this scheme is voluntary and persons can register at any time. Deposits can be stopped at any time and, if necessary, payment can be resumed later.

ESTONIA

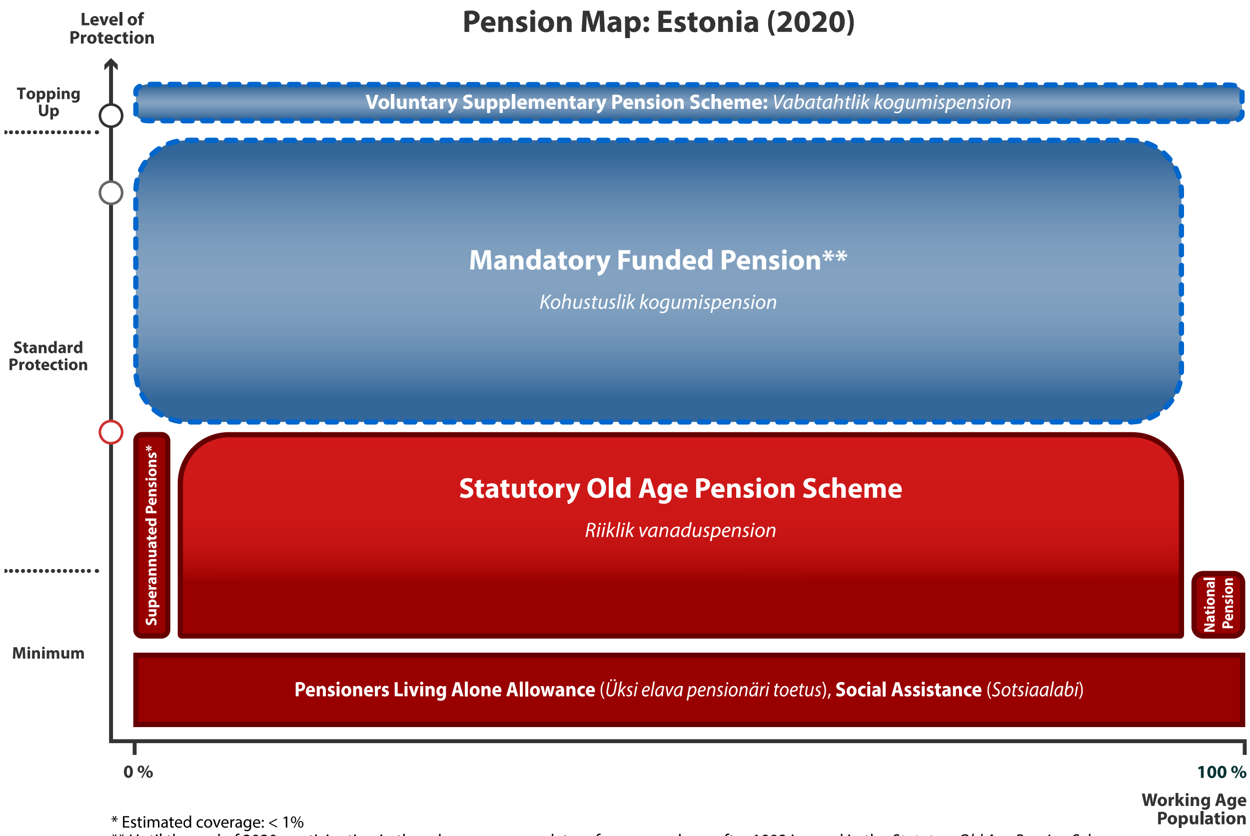
THE ESTONIAN OLD AGE SECURITY SYSTEM IN 2020

Mari-Liis Viirsalu

Historically, taking care of the elderly in Estonia was the responsibility of the local municipalities. In the 1920s, a countrywide state pension was introduced to special occupational groups such as military, state and municipality officials as well as teachers. During the socialist period (1946-1991) a pension system was introduced covering the entire workforce with benefits being granted based on the number of years in employment. In 1999, the pension insurance system of the independent Republic of Estonia set the individual earnings throughout the working career as a novel basis for pension formation. In the early 2000s, following the suggestions of the World Bank, a multi-scheme pension system was introduced consisting of a public pension scheme (also referred to as Pillar I), a mandatory fully funded pension scheme (also referred to as Pillar II), and a voluntary fully funded pension scheme (also referred to as Pillar III). Challenges such as rapid aging and the projected decline of the working age population have started a reform process which continues to this day. In 2020, 'standard protection' in Estonia is primarily provided through mandatory participation in public pension schemes and mandatory or voluntary participation in a private capital-funded pension scheme. The 'topping up' of the standard protection can be achieved by voluntary participation in additional private pension plans and life and/or investment insurance. To guarantee 'minimum' subsistence levels for the elderly, the pension system contains both a minimum statutory pension level for pensioners with low pension income as well as a special pension for those who do not qualify for any other public old age pension. In addition, an annual allowance is provided to the beneficiaries of low pensions who live alone or are care-dependent. Outside the pension system, minimum income is provided through general social assistance measures.

Standard Protection

The pay-as-you-go (PAYG)-financed *statutory old age pension scheme* (*riiklik vanaduspension*) covers the majority of the Estonian workforce, including the self-employed and civil servants, and aims to guarantee a moderate level of pension income in old age. Specific regulations determine the early retirement rights (*soodustingimustel vanaduspension*) of numerous groups of persons engaged in hazardous or arduous work. The list of jobs, production areas,



* Estimated coverage: < 1%
** Until the end of 2020, participation in the scheme was mandatory for persons born after 1982 insured in the *Statutory Old Age Pension Scheme*.

professions and positions considered as hazardous work is determined by government decrees.

The standard protection of the Estonian pension system used to incorporate numerous public pension schemes introduced in the 1990s and 2000s either for responsibility-related public positions or for compensating low wages in high-risk professions. The schemes provided favourable retirement conditions by granting benefits based on earnings received at the end of a person's career but were legally fragmented in terms of qualifying conditions, financing and administration. Several of these schemes have been gradually repealed: the parliament pension (closed in 2003); the judge's pension, the national audit pension, the chancellor of justice's pension (closed in 2012); as well as the prosecutor's pension, the police officer's pension and the military service pension (closed in 2019). Pension supplements for other civil servants were also repealed in 2009. Persons who were still in service at the time of the previous regulation have the right to entitlement to pensions under the old rules.

One special public pension scheme continues to exist to this day as part of the standard protection, namely, the *superannuated pensions scheme* (*väljateenitud aastate pension*). It mandatorily insures persons with professions or positions (e.g. underground workers, artists, and teachers) that cannot be performed professionally after reaching a certain age preceding the standard retirement age of the *statutory old age pension scheme*. Individuals who qualify for the pension from this scheme can opt for the payment of their benefits from the *statutory old age pension scheme* once they meet the standard requirements in terms of standard retirement age and minimum insurance periods and in case this results in a higher pension for the beneficiary. The abolition of the early retirement options provided by both the *statutory old age pension scheme* and the *superannuated pensions scheme* has been in a process of preparation for over a decade. It is argued that the improvement of working conditions in professions with early retirement rights and the rising life expectancy will enable workers in these fields to stay in the labour market longer.

The population insured in the *statutory old age pension scheme* is automatically enrolled in the *mandatory funded pension* (*kohustuslik kogumispension*). Participation in this fully funded private scheme is mandatory for persons born after 1982 and involves a fixed share (2%) of the monthly gross earnings (paid by the employee and transferred by the employer) and an additional fixed share of 4% as part of the 20% mandatory statutory pension insurance contributions[1] (transferred to the scheme by the state institution). In contrast, all those insured in the *superannuated pensions scheme* can enrol in the *mandatory funded pension* voluntarily. A reform adopted in March 2020 turned the *mandatory funded pension* into a voluntary scheme for pension insurance also for the insured in the *statutory old age pension scheme*. The reform introduced a possibility for withdrawal of the accumulated capital as a lump sum. The constitutionality of the reform was heavily debated. The reform took effect on 1 January 2021 after the Constitutional Review Chamber of the Supreme Court had decided that the changes were constitutional.

Top-Ups

The pension income of mandatory public and private schemes can be 'topped up' by participating in the *voluntary supplementary pension scheme* (*vabatahtlik kogumispension*), allowing everyone to make supplementary contributions to pension funds to preserve their accustomed standard of living. The fully funded private scheme is financed from insurance contributions and capital revenues, with participation being incentivised by tax reliefs on pension benefits. The policyholders have flexible options to change the amount of the contribution at any time, or even suspend contributions.

There is no tradition of occupational pension insurance in the private sector.[2] The legislation allows employers to voluntarily increase the old age pensions of their employees by supplementing their participation in the *voluntary supplementary pension scheme*. Until now, this possibility has been relevant for only a small minority of mostly high-income earners. Creating special occupational pension funds for their employees has until now remained a theoretical option, lacking detailed regulation.

Minimum

Minimum income is provided through different measures and schemes. Pension benefits of the *statutory old age pension scheme* cannot fall below the minimum statutory pension level. Those who do not qualify for any public pension but have reached the standard retirement age of the *statutory old age pension scheme* can apply for the *national pension* (*rahvapension*), i.e. a flat-rate benefit which is not means-tested. The provision of minimum income is further targeted through the *pensioners living alone allowance* (*üksi elava pensionäri toetus*) that was introduced in 2018 and is offered to retirees with low pensions who live alone or are care-dependent. The allowance is pension-tested and aims to support pensioners' independence and engagement in economic activities. Minimum income options can be provided outside of the pension system through the general *social assistance* (*sotsiaalabi*) measures.

Social Assistance

Sotsiaalabi

A. Coverage

- Persons residing in Estonia who cannot sufficiently cover their necessary subsistence from income.
- Persons in a socially helpless situation who are in need of emergency social assistance (i.e. provision of food, clothing and temporary accommodation).

B. Financing

- The monthly subsistence benefit is entirely tax-financed from the state budget.
- Further social benefits are financed from the local government budgets and may be paid or delivered as services.

C. Administration

- Local governments manage the subsistence benefits (i.e. review applications, decide on eligibility, and pay out benefits) and provide emergency social assistance.

D. Qualifying Conditions

- Persons permanently residing in Estonia or foreigners residing in Estonia on the basis of a temporary residence permit or a temporary residence right.
- Persons living alone or with family with monthly net income/assets (incl. benefits from other schemes such as *national pension* and *pensioners living alone allowance* and after the deduction of housing expenses) below subsistence level as defined by law.
- Subsistence benefits are means-tested based on the previous month's net income of the person (living alone) or household.
- Subsistence benefits are provided based on local authorities' discretion and may be refused/reduced if: it is established that the property used/owned by the applicant or his or her family or the lease, rental or sale thereof ensures sufficient funds; it is established that the applicant (or a member of a family applying for a benefit) has made no other effort to improve his/her own material situation or the material situation of his/her family.

E. Benefits

- *Subsistence benefit*: monthly benefits based on the sum of the subsistence level amounts and the housing costs minus income; subsistence levels for a person living alone or to the first family member is EUR 150 per month; the subsistence levels for each minor family member is EUR 180 (i.e. 120% of the single rate) per month and EUR 120 per month (i.e. 80% of the single rate) for each subsequent adult family member; beneficiaries with only minor family members are entitled, in addition to the subsistence benefit, to an additional social benefit of EUR 15 in total for their household.
- *Emergency social assistance*: guaranteeing at least food, clothing and temporary accommodation; typically provided until the person is no longer in a socially helpless situation.
- *Further social benefits*: local governments use different social services (e.g. personal assistance in the person's home) and other forms of social assistance to alleviate needs.
- Benefits are not subject to income tax.

F. Legal Basis

- Social Welfare Act (*Sotsiaalhoolekande seadus*).

Pensioners Living Alone Allowance

Üksi elava pensionäri toetus

A. Coverage

- Pensioners residing in Estonia who live alone or are care-dependent and receive a low pension.

B. Financing

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

C. Administration

- The 'Social Insurance Board' manages the scheme (pays out benefits).

D. Qualifying Conditions

- The person must have reached the standard retirement age of the *statutory old age pension scheme* and have qualified for any public pension and live alone or receive 24-hour care service.
- The person must reside in Estonia.
- Allowances are pension-tested; individual must receive pension below threshold as defined by law: pension amount of less than 1.2 times the Estonian average old age pension (EUR 582 in 2020).
- The person must not be imprisoned or in custody pending trial or have received a court order for co-ercive psychiatric treatment.
- Further persons who can qualify: guardian of pensioner or person under guardianship of pensioner; person living together with pensioner who is entitled to receive maintenance from the pensioner.

E. Benefits

- A single annual allowance of EUR 115.
- Annual allowance is not subject to income tax.

F. Legal Basis

- Social Welfare Act (*Sotsiaalhoolekande seadus*).

National Pension

Rahvapension

A. Coverage

- Persons residing in Estonia who have reached the standard statutory retirement age but who do not qualify for any other public old age pension.

B. Financing

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

C. Administration

- The 'Social Insurance Board', which falls under the government of the Ministry of Social Affairs, manages the scheme (i.e. reviews applications, decides on eligibility, and pays out benefits).

D. Qualifying Conditions

- Persons must have reached the standard retirement age of the *statutory old age pension scheme* and must not have the right to receive a pension from the *statutory old age pension scheme* and the *superannuated pensions scheme*.
- Persons must reside in Estonia and must have done so for at least 5 years immediately before making a pension claim.
- Persons cannot be recipients of an old age pension from another country.
- Benefits are <u>not</u> means-tested.

E. Benefits

- The amount of the flat-rate benefit is EUR 221.63 (in 2020).
- Benefits are granted for life.
- Benefits are not subject to income tax.

F. Legal Basis

- State Pension Insurance Act (*Riikliku pensionikindlustuse seadus*).

Statutory Old Age Pension Scheme

Riiklik vanaduspension

A. Coverage

Mandatory insurance

- Employed persons (incl. self-employed, civil servants, and persons in vocational training).
- Specific groups of economically active persons, such as members of the management or controlling bodies of legal persons; sole proprietors (incl. notaries and bailiffs); sole proprietors' spouses participating in the activity of the enterprise; creative persons engaged in a liberal profession to whom the artistic association pays the support for creative activity; persons in the military service.
- 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, unemployment benefits; persons with work incapacity; participants in labour market training or work practice; non-working spouses of some state officials during service abroad.

Exempted

- Students at a vocational or higher educational institution (other than doctoral students).
- Work-specific professional groups covered by the *superannuated pensions scheme*.

B. Financing

General finances

- Mainly PAYG-financed from insurance contributions.[3]
- Partly tax-financed out of the general budget.

Contribution rates

- Persons born after 1982 (as they are also mandatorily insured in the *mandatory funded pension*) and persons who have voluntarily joined the *mandatory funded pension*: fixed share of monthly gross earnings (16%) with no contribution assessment ceiling paid by the employer.
- Persons born before 1982 who have not joined the *mandatory funded pension*: fixed share of monthly gross earnings (20%) with no contribution assessment ceiling paid by the employer.
- Special provisions for contribution payments apply to some groups (e.g. home caregivers, marginally employed persons, creative persons).
- The self-employed contribute the same total rates themselves.

C. Administration

- The 'Social Insurance Board', which falls under the government of the Ministry of Social Affairs, takes administrative responsibility for all affairs related to the scheme.

D. Qualifying Conditions

Qualifying conditions

- *Standard old age pension*: statutory retirement age increases to 65 until 2026 for insured persons born after 1961; minimum insurance period: 15 years.[4]
- As of 2021, the retirement age increases according to life expectancy.
- Special retirement conditions apply to certain groups (described below).
- Persons engaged in hazardous jobs: available 5 years before the standard retirement age, minimum insurance period: 25 years (at least 12 years and 6 months of hazardous work).
- Persons engaged in particularly hazardous jobs with arduous working conditions: available 10 years before the standard retirement age, minimum insurance period: 20 years (at least 10 years of particularly hazardous work).
- Caregivers of many children or children with disability: available 1 up to 5 years before the standard retirement age.
- Persons unlawfully held in a custodial institution or in exile (during and after World War II): available up to 5 years before the standard retirement age.
- Persons suffering from pituitary dwarfism: available at age 45.

Early retirement

- Available up to three years before the standard retirement age with negative (permanent) adjustments to pension benefits (0.4% per month) (this early retirement option is abolished as of 2021).
- Introduction of flexible early retirement as of 2021: available 1 to 5 years before the standard retirement age depending on the number of acquired insurance periods, with varying negative (permanent) adjustments to pension benefits.

Deferred retirement

- Retirement can be deferred with positive (permanent) adjustments to pension benefits (0.9% per month).

Combining employment & retirement

- Termination of employment is not a precondition for claiming standard old age pension benefits.
- After reaching statutory retirement age, employment is permitted without earnings limit.
- Early retirement pensions cannot be combined with employment until the retirement age of standard old age pension has been reached.
- Introduction of flexible conditions for combining employment and retirement as of 2021: possibility for combining early retirement and employment; possibility for receiving half of the pension benefit or halting the receipt of the entire pension amount for a desired period (choice can be changed every month/12 times a year).

E. Benefits

Pension benefits

- Primarily based on the amount of contributory earnings throughout working career, incl. pension-credited periods of e.g. child-raising.
- Minimum amount: pension-tested benefit for persons with a pension below the minimum statutory pension level (EUR 221.63 in 2020).
- Maximum amount: no fixed maximum amount.

Factors for benefit calculation

- Based on the following factors: (a) 'the base amount' (EUR 215.5 in 2020), (b) 'pension qualification period': depends on the number of pension-relevant periods (up to 1998) which is multiplied by a yearly rate,[5] (c) 'insurance part of the pension': depends on the sum of insurance contributions since 1999 paid by employer which are multiplied by a yearly rate, (d) 'joint component' (in force as of 2021): obtained by multiplying the sum of 50% of the insurance part of the pension and 50% of the novel 'solidary component'[6] with the yearly rate.
- Pension supplements: provided in the benefit calculation for participants of wars, persons incapacitated for work as a result of a nuclear disaster, nuclear test, or an accident at a nuclear power station, caregivers for raising children.
- *Adjustments*: yearly adjustment of pension value accounting for changes in personal earnings in the previous year which were subject to social security contributions (recalculation of the insurance part of the pension) and changes in wages and prices (calculation: 80% reflects changes in social insurance revenue and 20% reflects changes in the consumer price index of the previous year); no downward adjustment possible.

Taxation and social security contributions

- Overall tax exemption of total income (combined income from pension benefit and other earnings) of up to EUR 6,000/year (up to EUR 500/month); total income between EUR 500/month and EUR 2,100/month is subject to progressive income tax rate; total income higher than EUR 2,100/month is subject to income tax.
- Pension benefits are not subject to social security contributions.

F. Legal Basis

- State Pension Insurance Act, Chapter 2 (*Riikliku pensionikindlustuse seadus, 2. peatükk*); Old Age Pensions under Favourable Conditions Act (*Soodustingimustel vanaduspensionide seadus*); Persons Repressed by Occupying Powers Act (*Okupatsioonirežiimide poolt represseeritud isiku seadus*); Social Tax Act (*Sotsiaalmaksuseadus*); Income Tax Act (*Tulumaksuseadus*).

Superannuated Pensions Scheme

Väljateenitud aastate pension

A. Coverage

Mandatory insurance

- Persons working in professions that are accompanied by loss or decrease of professional working ability prior to the standard retirement age of the *statutory old age pension scheme*: civil aviation employees and test pilots; underground and opencast miners; seafaring personnel of vessels of marine, river, and fishing fleets; textile industry employees; teachers; artists, certain medical personnel; bus, tram, and trolleybus drivers.

B. Financing

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

C. Administration

- The 'Social Insurance Board', which falls under the government of the Ministry of Social Affairs, manages the scheme.

D. Qualifying Conditions

Qualifying conditions[7]

- Civil aviation test pilots, underground and opencast workers, some groups of teachers in substitute homes and institutions for persons with special needs: minimum service period is 25 years without retirement age conditions.
- Workers in the textile industry: retirement age is 5 years prior to the standard retirement age of the statutory old age pension with a minimum insurance period of 20 years.
- Artists (types specified by the government): minimum insurance period of 20 years without specified retirement age.
- Bus, tram, or trolleybus drivers at urban regular lines: retirement age is 5 years prior to the standard retirement age of the statutory old age pension with a minimum insurance period of 25 years.
- Medical employees who get infected with the human immunodeficiency virus (AIDS) while carrying out their duties of employment: no conditions specified on retirement age and minimum insurance period.

Combining employment & retirement

- Termination of employment is usually a precondition for claiming pension benefits; claiming of pension benefits is compatible with other types of employment.

E. Benefits

Pension benefits

- Primarily based on years of service/length of insurance.
- No specification in law regarding fixed minimum and maximum amount of pension benefits.

Benefit calculation

- *Basis for calculation*: consists of the fixed base amount of the pension (EUR 215.5 in 2020), to which 90.6% of the value of a year of pensionable service are added for each qualifying year.

Taxation and social security contributions

- Overall tax exemption of total income (combined income from pension benefit and other earnings) of up to EUR 6,000/year (up to EUR 500/month); total income between EUR 500/month and EUR 2,100/month is subject to progressive income tax rate; total income higher than EUR 2,100/month is subject to income tax.
- Pension benefits are not subject to social security contributions.

F. Legal Basis

- Superannuated Pensions Act (*Väljateenitud aastate pensionide seadus*).

Mandatory Funded Pension

Kohustuslik kogumispension

A. Coverage

Mandatory insurance[8]

- Until 31/01/2020: all economically active persons born after 1982 (incl. self-employed persons and civil servants) insured in the *statutory old age pension scheme*.

Voluntary insurance

- All economically active persons insured in the *superannuated pensions scheme*.
- Economically active persons born before 1982 insured in the *statutory old age pension scheme*.

B. Financing

General finances

- Fully funded personal pension plans based on contribution payments (incl. state allowances) and capital revenues.
- Persons can choose between different pension funds with different levels of investment risk.

Contribution rates

- Fixed share of monthly gross earnings (2%) paid by the employee (transferred by the employer) and an additional fixed share of 4% as part of the 20% monthly statutory pension contributions (transferred by the Tax Board).[1] Self-employed persons contribute the same rate on the basis of their income tax declaration once a year.

State support

- Additional monthly state contribution for raising a child up to 3 years of age for one of the two parents equalling 4% of the national average wage (max. possible payment period: 3 years) as a subsidy to the parent's individual account.

C. Administration

- The 'Estonian Pension Register', which falls under the authority of the Ministry of Finance, keeps track of the pension accounts, i.e. information on submitted applications, chosen funds, contribution record, acquired shares of pension funds, data on the shares and payments.
- The 'Tax Board' collects the contributions and sends them to the bank account of the 'Estonian Central Securities Depository' in the state treasury; the 'Estonian Central Securities Depository' directs the contributions to the pension fund chosen by the person.
- The 'Financial Supervisory Authority' regulates licenses and oversees the management of the pension assets.
- Licensed banks (fund managers) manage the pension fund assets.
- Pension funds pay benefits directly to the eligible person in case the accrued capital is less than 50 times the rate of the *national pension*.
- In case accrued capital is more than 50 times the rate of the *national pension* (EUR 221.63 in 2020), a pension contract with an insurance company must be concluded and the fund transfers the accrued capital to the company selected by the person.

D. Qualifying Conditions

Qualifying conditions

- Based on reaching the retirement age of the standard old age pension of the *statutory old age pension scheme*.

Early retirement

- No options for early retirement available.

Deferred retirement

- Retirement can be deferred; deferment is compatible with payment of the standard old age pension (and vice versa).

Combining employment & retirement

- Termination of employment is not a precondition for claiming pension benefits.
- Contributions to the scheme must be paid in case of employment activity after reaching the standard retirement age of the *statutory old age pension scheme*.

E. Benefits

Pension benefits

- Accumulated capital through contribution payments (and investment yields, minus administrative costs and costs/fees of pension provider.
- Life-long annuity paid monthly (providing possibility for inheritable rights on the remaining capital); option for fixed-term payments (monthly, quarterly or annually) if the value of the units is small.
- Guarantee that sum of invested capital contribution payments is available during payout phase; no losses in nominal amounts (exception: in cases where parties can agree on no guaranteed nominal amount and higher investment risks borne by the participant).

Taxation and social security contributions

- Overall tax exemption of total income (combined income from pension benefit and other earnings) of up to EUR 6,000/year (up to EUR 500/month); total income between EUR 500/month and EUR 2,100/month is subject to progressive income tax rate; total income higher than EUR 2,100/month is subject to income tax.
- Pension benefits are not subject to social security contributions.

F. Legal Basis

- Funded Pensions Act (*Kogumispensionide seadus*); Taxation Act (*Maksukorralduse seadus*); Income Tax Act (*Tulumaksuseadus*).

Voluntary Supplementary Pension Scheme

Vabatahtlik kogumispension

A. Coverage

Voluntary participation

- Persons with taxable income, residing in Estonia.

B. Financing

General finances

- Funded scheme financed from voluntary insurance contributions and capital revenues.

Contribution payments

- Individual insurance: insured persons can either conclude a pension insurance contract with a life insurance company or provide contribution payments to a voluntary pension fund. Its amount can be decided upon individually.

State support & incentivising strategies

- Participants receiving parental benefits for raising a child get an additional 1% of the amount of the benefit for each child born (after 2013) from the state budget as a subsidy to their individual accounts.
- General income tax exemption for acquisition of shares of voluntary pension funds that do not exceed 15% of the gross earnings of the employee or EUR 6,000 in total.

C. Administration

- The purchased shares of the pension fund are registered to the pension account at the 'Estonian Pension Register'.
- Pension plan providers manage pension funds.
- Companies who deal with life insurance and to whom an activity licence for pension insurance has been issued conclude insurance contracts regarding the mandatory terms set forth in the legislation.
- The 'Financial Supervisory Authority' regulates, licenses and oversees the pension schemes.

D. Qualifying Conditions

- Based on the age provided in the contract but not before age 55.
- Early obtainment of pension benefit: available in case of work incapacity.

E. Benefits

Pension benefits

- Accumulated capital through contribution payments and investment yields, minus administrative costs and costs/fees of pension provider.
- Paid periodically at least once every three months until the death of the policyholder, unless otherwise prescribed in the contract.
- The accumulated capital in the individual accounts is inheritable.

Taxation and social security contributions

- Pension payments are subject to income tax; tax rates vary depending on the age of the person claiming the benefits for the first time and the time passed between the conclusion of the contract and the payout phase.[9]
- Pension benefits are not subject to social security contributions.

F. Legal Basis

- Funded Pensions Act (Kogumispensionide seadus); Income Tax Act (Tulumaksuseadus).

Footnotes

1 Due to the economic downturn caused by COVID-19, as of July 2020 the state has suspended the payment of the 4% of mandatory contributions for 1 year. The suspended payments will resume in 2023 for all participants in the scheme.

2 In order to preserve the vested rights of employees of employers whose residence or seat is in another EEA member state, the legislator has enacted the legal basis for *defined-benefit occupational pension funds* (*määratud väljamaksetega tööandja pensionifond*). The scheme is not pictured in the Pension Map.

3 According to the terminology in the national law, the statutory pension scheme is financed from 'social tax' instead of using the concept of 'insurance contributions' in accordance with the Estonian Social Tax Act.

4 The minimum amount of contributions per year must be equal to or more than the minimum wage for the given year.

5 Yearly rate: the cost of one pension qualifying year or the insurance component determined annually. The yearly rate in 2020 is EUR 7.10.

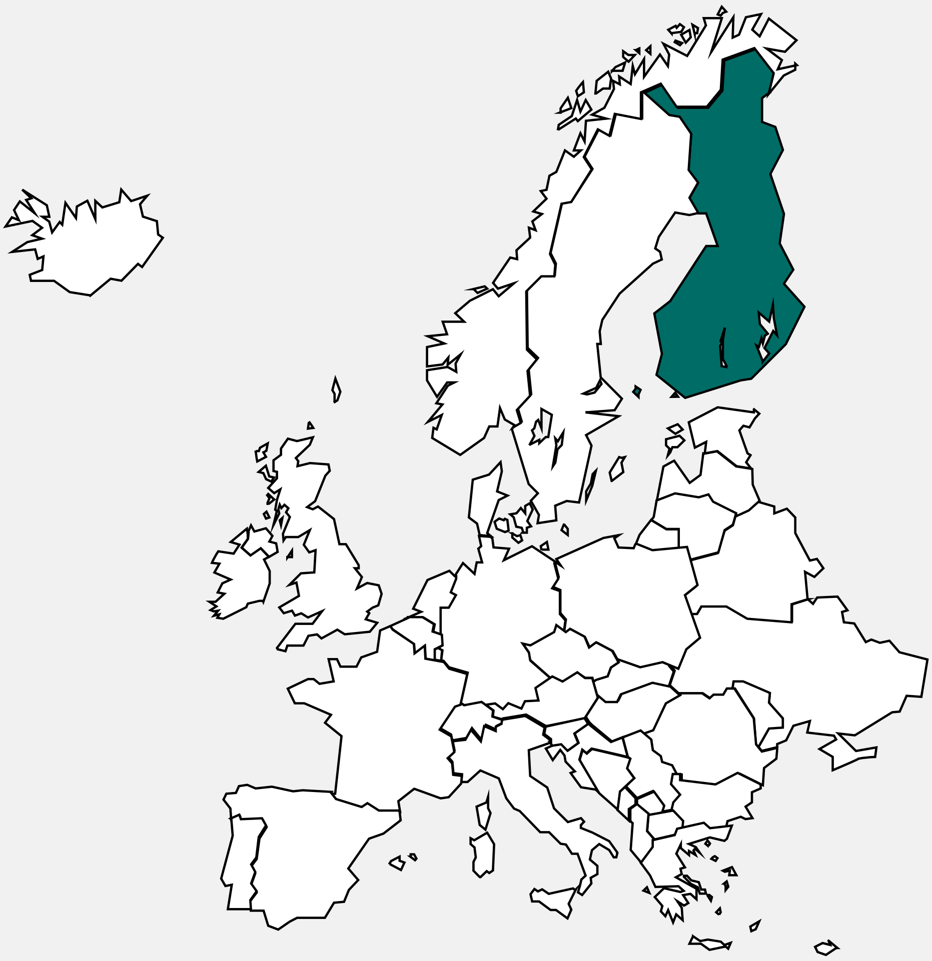
6 The solidary component is 1.0 if the contributions have been paid to the extent of at least 12 times the minimum wage for the country during the year. If the contributions are less than the minimum annual wage, the solidary component shall be calculated proportionally.

7 Part-time insurance periods are not qualifiable for the calculation of minimum insurance periods.

8 As of 01/01/2021, the mandatory participation has been turned into a voluntary participation for all age groups, meaning that persons can stop making contributions to the previously mandatory funded pension scheme and instead pay the whole amount of the mandatory pension contributions (20%) to the *statutory old age pension scheme*. In case people decide to cease their participation, they have three options: (1) leave the accumulated capital in the scheme; (2) transfer the accumulated capital to a pension investment account; (3) withdraw the accumulated capital in total as a lump sum.

9 Before age 55: 20% income tax on payments; 10% income tax on payments if a person has become fully and permanently incapable of work; income tax is not charged on lifetime annuity from an insurance company paid monthly or quarterly if a person has become fully and permanently incapable of work; age 55 or after: 20% income tax on payments if less than 5 years have passed since the conclusion of the contract/first acquisition of redeemable shares; 10% income tax on single and fixed-term payments of tax if more than 5 years have passed since the conclusion of the contract/first acquisition of redeemable shares; lifetime annuities are not subject to tax if more than 5 years have passed since the conclusion of the contract/first acquisition of redeemable shares.

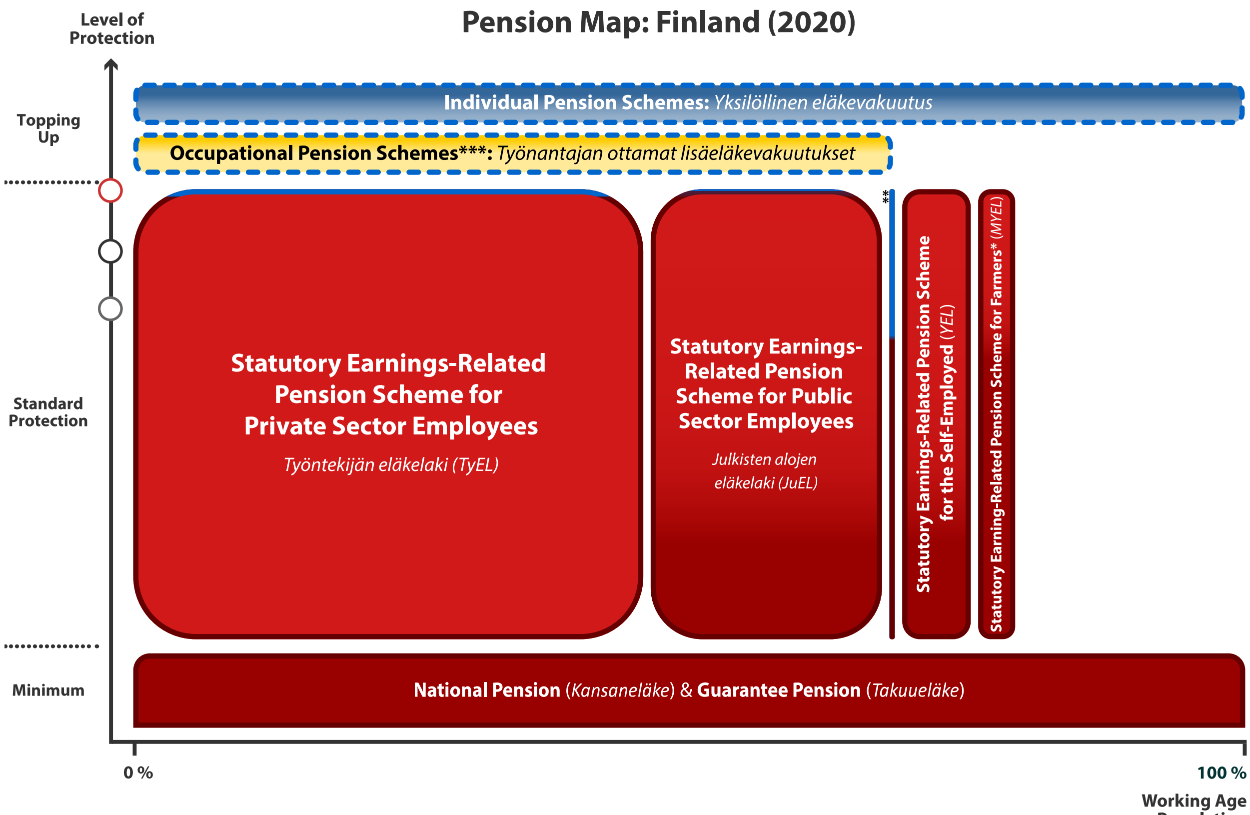
FINLAND



THE FINNISH OLD AGE SECURITY SYSTEM IN 2020

Kati Kuitto, Marjukka Hietaniemi and Mika Vidlund

The first Finnish national pension scheme (*kansaneläke*) was introduced in 1937. Initially, the scheme was based on funding and individual accounts, but was completely reformed in 1956 providing a flat-rate public old age pension for the entire population. The development of the earnings-related pension (*työeläke*) followed at a slower pace and was implemented separately for different employment sectors. In 1962, a comprehensive statutory earnings-related pension scheme for all private sector employees was introduced featuring a unique decentralised scheme in which statutory earnings-related pensions are administered by private insurance companies and pension funds. Public sector employees had had separate schemes already for decades, and these schemes were reformed later in the 1960s to be on par with the one for private sector employees. In 1970, a separate pension scheme for the self-employed was established. The decision-making process in developing the earnings-related pension followed, from the beginning, a corporatist rather than a purely parliamentary approach, as central labour market organisations of employers and employees actively participated in the process. Social partners still participate actively in the ongoing development of the Finnish pension system. Overall, the Finnish pension system has seen several reforms, with the latest having been enacted in 2005 and 2017. These reforms have led to uniform and simplified rules across sectors and different acts and have improved the system's sustainability, while the principles of a pay-as-you-go (PAYG) system have largely been preserved. As of now, the Finnish statutory earnings-related pension system consists of five sector-specific pension schemes which offer 'standard protection' against financial risks in old age. Supplementary occupational and private pension plans are voluntary and only play a modest, nearly negligible role in 'topping up' public pension benefits. This is mainly due to the strengths of the statutory earnings-related pension schemes, which cover practically all types of employment, mainly operate without any ceilings and provide a reasonably high income replacement in old age. A 'minimum' level of protection in old age is ensured by the national pension and the guarantee pension to persons who do not have any other pension income or whose earnings-related pension is too small.



Coverage: * < 2%; ** < 0.2% (*Statutory Earnings-Related Pension Scheme for Seafarers, MEL*)
*** No information is available on the scope of persons that have the right to access the scheme (i.e. intended coverage).

Standard Protection

Statutory earnings-related pension (*työeläke*) consists of five sector-specific schemes which are based on different legal acts. These are the *scheme for private sector employees* (*Työntekijän eläkelaki, TyEL*), the *scheme for public sector employees* (*Julkisten alojen eläkelaki, JuEL*), the *scheme for the self-employed* (*Yrittäjän eläkelaki, YEL*), the *scheme for seafarers* (*Merimieseläkelaki, MEL*), and the *scheme for farmers* (*Maatalousyrittäjän eläkelaki, MYEL*). Despite the different legal bases, differences in pension rights between these acts have mostly been abolished with the pension reforms of the 1990s and the 2000s. Insurance is mandatory for nearly all persons in gainful employment as soon as the income exceeds a certain limit (with EUR 60.57 per month for employees and EUR 7,958.99 per year for the self-employed). Although the earnings-related pension schemes are statutory and guarantee a coordinated public pension provision, they are decentralised in management. They are managed by private pension companies, funds and special pension providers and financed by contributions from both employers and employees. The schemes are mainly financed on a PAYG basis, but some are also partly funded and tax-financed. All pensions are defined benefit (DB).

Top-Ups

To top up public pension benefits, persons can be enrolled in occupational and/or private pension schemes.[1] Possibilities for insurance in *occupational pension schemes* (*työnantajan ottamat lisäeläkevakuutukset*) can be provided by the employer voluntarily either in the form of a group pension insurance – offered to all or specific subgroups of employees – or in the form of individual insurance contracts offered on an individual basis. While group pension insurance can be used to supplement public pension benefits, it may also allow the individual to retire early. Participation in *individual pension schemes* (*yksilöllinen eläkevakuutus*) forms another alternative to supplement public pension benefits. Independent of the employment relationship, individuals can take out voluntary pension insurance or sign a long-term savings contract. Conditional upon the pension plan arrangement, the state supports participation in occupational and private pension schemes by granting tax deductions for insurance contributions.

Minimum

Within the public pension system, the national and guarantee pensions aim at ensuring a minimum level of protection for elderly persons living in Finland who fulfil certain requirements for residence. The *national pension* (*kansaneläke*) directly complements the earnings-related pension. It is pension-tested (against 50% of the total pension income) and granted if any other pension income of the person falls below a certain income threshold (i.e. EUR 1,368.21 per month for singles and EUR 1,226.13 per month for married or cohabiting retirees in 2020). The full *national pension* (EUR 662.86 per month) is granted to persons with a low personal pension income and with 40 years of residence in Finland since the age of 16, with pro-rata adjustments for shorter periods of residence. The *guarantee pension* (*takuueläke*) was introduced in 2011 and guarantees a minimum level of pension income for elderly persons (EUR 834.52 in 2020). As such, the *guarantee pension* aims to fill the holes in coverage of the national and earnings-related pensions, for example for immigrants. The *guarantee pension* is withdrawn against any other pension income of the person in full. The national and the guarantee pensions are tax-financed and are administered by the Social Insurance Institution (Kela) under the supervision of the Parliament.

Guarantee Pension

Takuueläke

A. Coverage

- Persons who have reached the qualifying age, who legally reside in Finland and whose pension income is below the threshold (EUR 827.78 in 2020).

B. Financing

- Entirely tax-financed out of the state budget.

C. Administration

- The 'Social Insurance Institution of Finland' (Kela) manages the scheme and the payments.

D. Qualifying Conditions

- Retirement age is 65 for persons born before 1965; the retirement age of persons born after 1964 will be linked to life expectancy in accordance with benefits of the earnings-related pension.
- Minimum residency in Finland is 3 years (after the age of 16).
- Persons must be residing in Finland at the time of claiming/receiving the benefit.
- Benefits are strictly pension-tested; a person is eligible for the *guarantee pension* if the total gross pension income is below the threshold (EUR 827.78 per month in 2020).
- All other pensions must be claimed before the right to claim a *guarantee pension* can be exercised.
- If persons decide to claim the *national pension* before the standard retirement age of 65, the *guarantee pension* will be also paid early at a reduced rate (reduction of 0.4% per month).

E. Benefits

- Pension-tested, flat-rate benefit.
- Benefits top up difference between the individual's pension income (from any other source, including earnings-related and national pension benefits) and the minimum pension level.
- The full *guarantee pension* equals the minimum pension level, which is set at EUR 834.52 per month/person (in 2020).
- Benefit calculation is <u>not</u> based on marital/household composition of individual. *(As cohabiting persons receive a lower national pension, they may receive a higher guarantee pension to ensure the same minimum pension level per person.)*
- The benefit is not paid if it amounts to less than EUR 6.75 per month/person.
- Benefits are considered as taxable income; due to pension deduction regulations, pensions below EUR 11,575 per year are not taxed.

F. Legal Basis

- Guarantee Pensions Act 703/2010 (*Laki takuueläkkeestä*).

National Pension

Kansaneläke

A. Coverage

- Persons who have reached the qualifying age, who have resided in Finland for a considerable amount of time and whose earnings-related pension income falls below the pension threshold.

B. Financing

- Entirely tax-financed out of the state budget.

C. Administration

- The 'Social Insurance Institution of Finland' (Kela) manages the scheme and the payments.

D. Qualifying Conditions

Qualifying conditions

- Retirement age is 65 for persons born before 1965; the retirement age of persons born after 1964 will be linked to life expectancy in accordance with the earnings-related pension.
- Minimum of 3 years of residence in Finland after the age of 16; 40 years of residence in Finland (between the age of 16 and 65) required for full *national pension*. The *national pension* can be paid out to persons residing abroad.
- Benefits are tested against 50% of the statutory earnings-related pension (*työeläke*) and other Finnish or foreign earnings-related pensions (including survivor's pension). If the total earnings-related pension exceeds EUR 1,368.21 (for singles) or EUR 1,226.13 (for cohabiting persons) per month (in 2020), the *national pension* is no longer available.
- The formula for calculating eligibility for this benefit and the amount of *national pension* is the following: full *national pension* – 0.5*(amount of the person's earnings-related pension – EUR 56.04).

Early retirement

- Available at the age of 63 for persons born before 1958 and at the age of 64 for persons born between 1958 and 1961 (reduction of 0.4% per month).
- Not available for persons born after 1961.

Deferred retirement

- In general, the claiming of a *national pension* can be deferred with positive (permanent) adjustments to pension benefits (0.6% per month after the age of 65) with no upper age limit. Both the age and the percentage differ from the earnings-related pension. For persons born in 1962 or after, the retirement ages for claiming the *national pension* and an earnings-related pension will be the same. The positive (permanent) adjustments will be 0.4% per month.

E. Benefits

- Pension-tested, flat-rate pension benefit for those with insufficient levels of an earnings-related pension.
- The full flat-rate *national pension* for persons with less than EUR 56.04 of other pension income and 40 years of residence (between the age of 16 and 65) is EUR 662.86 per month for persons living alone and EUR 591.79 per month for married or cohabiting persons (in 2020); proportionate shortening of benefits for shorter residence periods (i.e. if years of residence are less than 80% of the time between the age of 16 and 65).
- Benefits are considered as taxable income; due to pension deduction regulations, pensions below EUR 11,575 per year are not taxed.

F. Legal Basis

- National Pensions Act 568/2007 (*Kansaneläkelaki, KEL*).

Statutory Earnings-Related Pension Scheme for Private Sector Employees

Työntekijän eläkelaki, TyEL

A. Coverage

Mandatory insurance

- All employees in gainful employment (age 17 or older) with earnings above the minimum insurance limit.
- Insurance obligation ends at age 70 for persons born after 1961.[2]

Voluntary insurance

- No possibilities for voluntary insurance in this scheme.

B. Financing

General finances

- Mainly PAYG-, partly capital-funded scheme based on pension insurance contributions from employer and employees.

Contribution rates

- Fixed share of monthly gross earnings (24.4%, higher for persons aged 53 to 62 until the end of 2025) without contribution assessment ceiling, but with minimum insurance limit (EUR 60.57 per month in 2020).
- Contributions are shared between the employer (17.25%)[3] and the employee (7.15%, higher for persons aged 53 to 62 until the end of 2025[4]).
- Pension benefits for unpaid (non-contributory) periods are financed jointly by all pension providers (excluding periods of education/studies and child home care allowance, which are financed solely by the state and which are regulated under a separate act); contributions for periods of unemployment are paid by the Employment Fund.

Taxation of contribution payments

- Contributions are tax-deductible.

C. Administration

- The administration is decentralised and run by several authorised pension providers.
- The pension providers are supervised by the 'Financial Supervisory Authority'.
- Certain functions such as coordinating pension claims from abroad and coordinating the cooperation between pension providers are handled centrally by a statutory co-operation body, the 'Finnish Centre for Pensions'.

D. Qualifying Conditions

Qualifying conditions

- Statutory retirement age is currently rising by 3 months per cohort and will reach 65 in 2027 for persons born in 1962; as of 2030, the retirement age for persons born after 1964 will be linked to changes in life expectancy.
- No minimum contribution period is required.
- *Years-of-service pension*: Special conditions apply to persons in hazardous jobs (i.e. persons with mental or physical work requiring great effort): persons with a reduced work capability can apply for a years-of-service pension at age 63 after a minimum qualifying period of 38 years; after reaching the standard retirement age, this pension is turned into an old age pension (*bridging function*).

Early retirement

- Available only when claiming partial old age pension at the age of 61; early retirement age increases to 62 for persons born in 1964; for persons born after 1964 the early retirement age will be linked to cohort-specific changes in life expectancy; with negative (permanent) adjustments to pension benefits (0.4% per month).
- Not available when claiming a full old age pension.

Deferred retirement

- Retirement can be deferred with positive (permanent) adjustments to pension benefits (0.4% per month) with no upper age limit.

Combining employment & retirement

- Termination of employment or change of previous working conditions are a precondition for claiming full old age pension benefits; the retired person can continue employment (without earnings limit) if employment relationship/conditions have changed.
- The partial old age pension offers a flexible way to combine employment and partial retirement (25% or 50%) without restrictions on working hours and income ceilings.

E. Benefits

Pension benefits

- Primarily based on the amount of earnings throughout entire working career. Pensions can be accumulated during unpaid (non-contributory) periods.
- No specification in law regarding fixed minimum and maximum amount of pension benefits.

Benefit calculation

- Pension accrues based on annual earnings and accrual rate. The earnings-related pension accrues at a rate of 1.5% of the annual gross earnings as of age 17 until the age when the insurance obligation ends.
- Pension accrues also for unpaid periods of earnings-related social security benefits. The pension accrues on all earnings that are a basis for the benefits without a ceiling.
- When calculating a new pension, earnings from employment over the entire working career are adjusted to the level of the year when the pension started by an index calculated by applying a weight of 20% to changes in prices and 80% to changes in wages.
- Life expectancy coefficient: adjustment of pension benefits by life expectancy at the time when pensions are first claimed.
- *Adjustments*: yearly adjustment of pension benefits based on pension index (calculated by applying a weight of 80% to changes in prices and 20% to changes in wages).
- Periods of home care of one's own children under the age of three, and studies leading to a degree entitle to a benefit under a separate act.[5]

Taxation and social security contributions

- Pension benefits are subject to taxation; due to pension deduction regulations, pensions below EUR 11,575 per year are not taxed.
- Mandatory contribution for sickness insurance's medical care insurance component.

F. Legal Basis

- Employees' Pensions Act 395/2006 (*Työntekijän eläkelaki, TyEL*).

Statutory Earnings-Related Pension Scheme for Public Sector Employees

Julkisten alojen eläkelaki, JuEL

A. Coverage

Mandatory insurance

- All public sector employees (age 17 or older) without minimum insurance limit.
- Insurance obligation ends at age 70 for persons born after 1961.[2]

Voluntary insurance

- No possibilities for voluntary insurance in this scheme.

B. Financing

General finances

- Mainly PAYG-financed by pension insurance contributions, partly tax-financed and with buffer funds. Financing mechanisms vary by public sector employer types under JuEL.

Contribution rates

- Fixed share of monthly gross earnings (24.4%; higher for persons aged 53 to 62 until the end of 2025) without contribution assessment ceiling and minimum insurance limit.
- Contributions are shared between the employer (17.25%) and the employee (7.15%, higher for persons aged 53 to 62 until the end of 2025[4]).[6]
- Pension benefits for unpaid (non-contributory) periods are financed jointly by all pension providers; contributions for periods of unemployment are paid by the Employment Fund.

Taxation of contribution payments

- Contributions are tax-deductible.

C. Administration

- The administration is centralised and run by one pension provider, Keva.
- Financial matters are taken care of either by Keva, the state or the Church authorities.
- The pension providers are supervised by the 'Financial Supervisory Authority' and the Ministry of Finances.
- Certain functions such as the coordination of pension claims from abroad and the coordination of the cooperation between pension providers are handled centrally by a statutory co-operation body, the 'Finnish Centre for Pensions'.

D. Qualifying Conditions

- Same as for the *statutory earnings-related pension scheme for private sector employees* (TyEL).
- Special conditions apply to military personnel with lower retirement ages.
- Currently, retirement ages are lower for certain occupations; transition is ongoing and retirement age will conform with TyEL in the 2030s.

E. Benefits

- Same as for the *statutory earnings-related pension scheme for private sector employees* (TyEL).
- Currently, accrual rates are higher for some persons employed in the public sector since the beginning of the 1990s than in TyEL; transition towards conformity of the accrual rates is ongoing.

F. Legal Basis

- Public Sector Pensions Act 81/2016 (*Julkisten alojen eläkelaki*).

Statistory Earnings-Related Pension Scheme for Seafarers

Merimieseläkelaki, MEL

A. Coverage

Mandatory insurance

- Seafarers (age 17 or older), without minimum insurance limit.
- Insurance obligation ends at age 70 for persons born after 1961.[2]

Voluntary insurance

- No possibilities for voluntary insurance in this scheme.

B. Financing

General finances

- Mainly PAYG-, partly capital-funded scheme based on pension insurance contributions.
- State subsidies to cover for any deficits of the scheme (about one third of the pension expenditure).

Contribution rates

- Fixed share of monthly gross earnings (19.0%, higher for persons aged 53 to 62 until the end of 2025) without contribution assessment ceiling or minimum insurance limit.
- Contributions are shared between the employer (11.4%) and the employee (7.15%, higher for persons aged 53 to 62 until the end of 2025[4]).
- Pension benefits for unpaid (non-contributory) periods are financed jointly by all pension providers; contributions for periods of unemployment are paid by the Employment Fund.

Taxation of contribution payments

- Contributions are tax-deductible.

C. Administration

- The administration is centralised and run by the 'Seafarers' Pension Fund'.
- The fund is supervised by the 'Financial Supervisory Authority'.
- Certain functions such as the coordination of pension claims from abroad and the coordination of the cooperation between pension providers are handled centrally by a statutory co-operation body, the 'Finnish Centre for Pensions'.

D. Qualifying Conditions

- Same as for the *statutory earnings-related pension scheme for private sector employees* (TyEL).
- Currently, retirement ages are lower (55) than in TyEL; transition is ongoing and retirement age will conform with TyEL in the 2040s.

E. Benefits

- Same as for the *statutory earnings-related pension scheme for private sector employees* (TyEL).
- Currently, accrual rates are higher (1.6% and 2.0%) than in TyEL; transition towards conformity of the accrual rates is ongoing.

F. Legal Basis

- Seafarers' Pensions Act 1290/2006 (*Merimieseläkelaki, MEL*).

Statutory Earnings-Related Pension Scheme for the Self-Employed

Yrittäjän eläkelaki, YEL

A. Coverage

Mandatory insurance

- Self-employed persons (aged 18 or older) who have worked as self-employed persons for at least four months and whose estimated annual confirmed earnings are above the minimum insurance limit.
- Insurance obligation ends at age 70 for persons born after 1961.[2]

Voluntary insurance

- Self-employed persons with earnings below the minimum insurance limit.
- Self-employed persons who receive an old age pension.

B. Financing

General finances

- Mainly PAYG-financed from pension insurance contributions.
- Partly tax-financed, if pension expenditure exceeds incoming contributions (approx. 25% of expenditure in 2020).

Contribution rates

- Fixed share of estimated annual earnings (24.1%; higher for persons aged 53 to 62 until the end of 2025[4]) with contribution assessment ceiling (EUR 180,750 in 2020) and with minimum insurance limit (EUR 7,958.99 per year in 2020); lower contribution rates apply for the first four years of self-employment.
- Contribution base: estimated annual confirmed earnings (based on the salary the self-employed person would pay for an employed person doing the same work as the self-employed).
- The self-employed person can choose to pay higher (10-100%) or lower (10-20%) insurance contributions temporarily.
- Pension benefits for unpaid (non-contributory) periods are financed jointly by all pension providers.

Taxation of contribution payments

- Contributions are tax-deductible.

C. Administration

- Same as for the *statutory earnings-related pension scheme for private sector employees* (TyEL).

D. Qualifying Conditions

- Same as for the *statutory earnings-related pension scheme for private sector employees* (TyEL).

E. Benefits

- Same as for the *statutory earnings-related pension scheme for private sector employees* (TyEL).

F. Legal Basis

- The Self-Employed Persons' Pensions Act 1272/2006 (*Yrittäjän eläkelaki, YEL*).

Statutory Earnings-Related Pension Scheme for Farmers

Maatalousyrittäjän eläkelaki, MYEL

A. Coverage

Mandatory insurance

- Farmers, fishermen, forest property owners and reindeer herders who have worked as such for at least four months and whose estimated annual confirmed earnings are above the minimum insurance limit.
- People with scholarships for at least four months.
- Insurance obligation ends at age 70 for persons born after 1961.[2]

Voluntary insurance

- Abovementioned persons (excluding scholars) with earnings below the minimum insurance threshold.
- Abovementioned persons who receive an old age pension.

B. Financing

General finances

- Mainly tax-financed as state covers for any deficits incurred by the scheme. *(In 2020, the state paid approximately 80% of the pension expenditure)*.
- Partly PAYG-financed from pension insurance contributions.

Contribution rates

- Fixed share of estimated income (24.1%; higher for persons aged 53 to 62 until the end of 2025[4]) without contribution assessment ceiling, but with minimum insurance limit (EUR 3,979.49 in 2020); lower contribution rates apply to estimated annual incomes of up to EUR 44,000; lower rates do not affect the level of pension benefits.[7]
- Contribution base: calculated income based on the area of cultivated land or forest.
- Pension benefits for unpaid (non-contributory) periods are financed jointly by all pension providers.

Taxation of contribution payments

- Contributions are tax-deductible.

C. Administration

- The administration is centralised and run by the 'Farmers' Social Insurance Institution'.
- The fund is supervised by the 'Financial Supervisory Authority'.
- Certain functions such as the coordination of pension claims from abroad and the coordination of the cooperation between pension providers are handled centrally by a statutory co-operation body, the 'Finnish Centre for Pensions'.

D. Qualifying Conditions

- Same as for the *statutory earnings-related pension scheme for private sector employees* (TyEL).

E. Benefits

- Same as for the *statutory earnings-related pension scheme for private sector employees* (TyEL).

F. Legal Basis

- Farmers´ Pensions Act 1280/2006 (*Maatalousyrittäjän eläkelaki, MYEL*).

Occupational Pension Schemes

Työnantajan ottamat lisäeläkevakuutukset

A. Coverage

Voluntary participation

- Group pension insurance can be voluntarily arranged by employers for their employees or specific groups. Tax legislation defines that group pension insurance must cover a collective group of at least two persons. The insured group can be defined on the basis of, for example, the employee's occupational status, profession or line of industry.
- The employer can take out individual pension insurance for an employee.

B. Financing

General finances

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

Contribution rates

- Contributions are paid by the employer and, in some cases, the employee; employee contributions may amount to half of the total annual contribution payment.
- Annual pension contributions have no maximum amount, as long as the purchased occupational pension provision is at a reasonable level according to the tax authorities.

State support

- Contributions are tax-deductible.
- If contributions are shared between employer and employee, contributions are tax-deductible only if pension plans adhere to the qualifying conditions specified in the income tax legislation.

C. Administration

- Group pension insurance may be arranged with an industry-wide or a company pension fund or a life insurance company or as a book reserve.
- The 'Financial Supervisory Authority' supervises pension providers.

D. Qualifying Conditions

- The age for the take-up of occupational pension benefits usually follows the income tax legislation. For tax-deductibility of pension contributions, the retirement age must equal the retirement age of individual pension schemes (i.e. the age at which the cohort's obligation for mandatory insurance in statutory pension schemes ends; it is age 70 for persons born after 1961) if contributions are shared between employee and employer. If the employer pays the entirety of contributions, the retirement age may be lower and there is no earliest retirement age defined for deductibility in the income tax law.

E. Benefits

Pension payments

- Benefits can be defined benefit (DB) or defined contribution (DC); new group pension plans are mostly defined contribution (DC) plans.
- The occupational pension paid from the group pension insurance is typically either a supplemental occupational pension paid out to the employees or a pension with the intention to lower the employees' retirement age. It can also be a combination of the two.

Taxation and social security contributions

- Pension payments are subject to income tax.
- Mandatory contribution for sickness insurance's medical care insurance component.

F. Legal Basis

- The Income Tax Law (30.12.1992/1535).

Individual Pension Schemes

Yksilöllinen eläkevakuutus

A. Coverage

Voluntary participation

- Individual pensions can be arranged for as voluntary pension insurance or by signing a long-term savings contract.
- Individual pension insurance may be taken out by the insured person or by the insured person's spouse or employer; a long-term savings contract can be signed only by a natural person.

B. Financing

General finances

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

Contribution rates

- A person may annually deduct premiums for voluntary pension insurance in the amount of EUR 5,000.

State support

- Contributions are tax-deductible, if pension plans adhere to the qualifying conditions specified in the income tax legislation.

C. Administration

- Life insurance companies and banks provide individual pension savings products.
- The 'Financial Supervisory Authority' supervises providers.

D. Qualifying Conditions

- For pension plans with tax-deductible contribution payments: the retirement age is determined in the income tax legislation for tax deductibility and is the same as the age at which the cohort's obligation for mandatory insurance in the statutory pension schemes ends. It is 70 years of age for persons born after 1961.
- There are transition regulations for contracts signed before 2013 which allow tax deductibility for insurance contributions for retirement at age 60 or 55.
- Individual pension insurance can be drawn early in case of disability or long-term unemployment.

E. Benefits

Pension payments

- The insurance can be agreed to be either a fixed-term or a lifelong insurance. The majority are fixed-term.
- The deductibility of insurance contributions is conditional upon the agreement to pay the pension for at least 10 years or during the life of the beneficiary.
- Individual pension insurance may be interest rate-linked or investment-linked.
- Defined contribution (DC) benefits.
- Usually, the insurance contract also includes life insurance provision for the event of the death of the insured person. In that case, the insurance savings are paid in predetermined parts to the insured person's beneficiaries.

Taxation and social security contributions

- Benefits based on contracts made after 06/05/2004 are taxed as capital income; transitional rules for older contracts.
- Benefits are not subject to social security contributions.

F. Legal Basis

- The Income Tax Law (30.12.1992/1535).

Footnotes

1 The extensive statutory earnings-related pension schemes have crowded out the occupational and private pensions in Finland. The premium income, funds and pension expenditure are very low compared to statutory pensions.

2 The maximum age depends on the year of birth. Insurance obligation ends at age 68 for persons born before 1958, at age 69 for persons born between 1958 and 1961, and at age 70 for persons born after 1961.

3 The share of employer contributions was temporarily reduced by 2.6 percentage points from May 2020 to the end of the year due to the COVID-19 pandemic. The effect of the discount will be recovered during the years 2022-2025 by increasing the share of employer contributions.

4 Persons aged 53-62 pay higher contribution shares (8.65%) than younger cohorts due to higher accrual rates (1.7% compared to 1.5% for younger cohorts). Age-specific accrual rates were implemented by the 2005 reform, but abolished by the pension reform of 2017. Transitional rules still apply until the end of 2025 after which accrual rates and contributions will be the same for all.

5 Act for state-financed compensation of earnings-related pension for the periods of home care of a child under the age of 3 or periods of studies of 27.6.2003/644 (VEKL).

6 An extra expenditure-based contribution applies for some local government employers (due to higher pensions in payment according to old pension rights, corresponding to about 3.95% of local government wage sum; the total contribution revenue is about 28.35% for local government wage sum) and for the Evangelical-Lutheran Church (with higher contribution payments, about 29%).

7 In practice, all insured persons in this scheme pay a lower contribution rate and in 2020, the average contribution under MYEL was approximately 13.8% of the MYEL income.

FRANCE

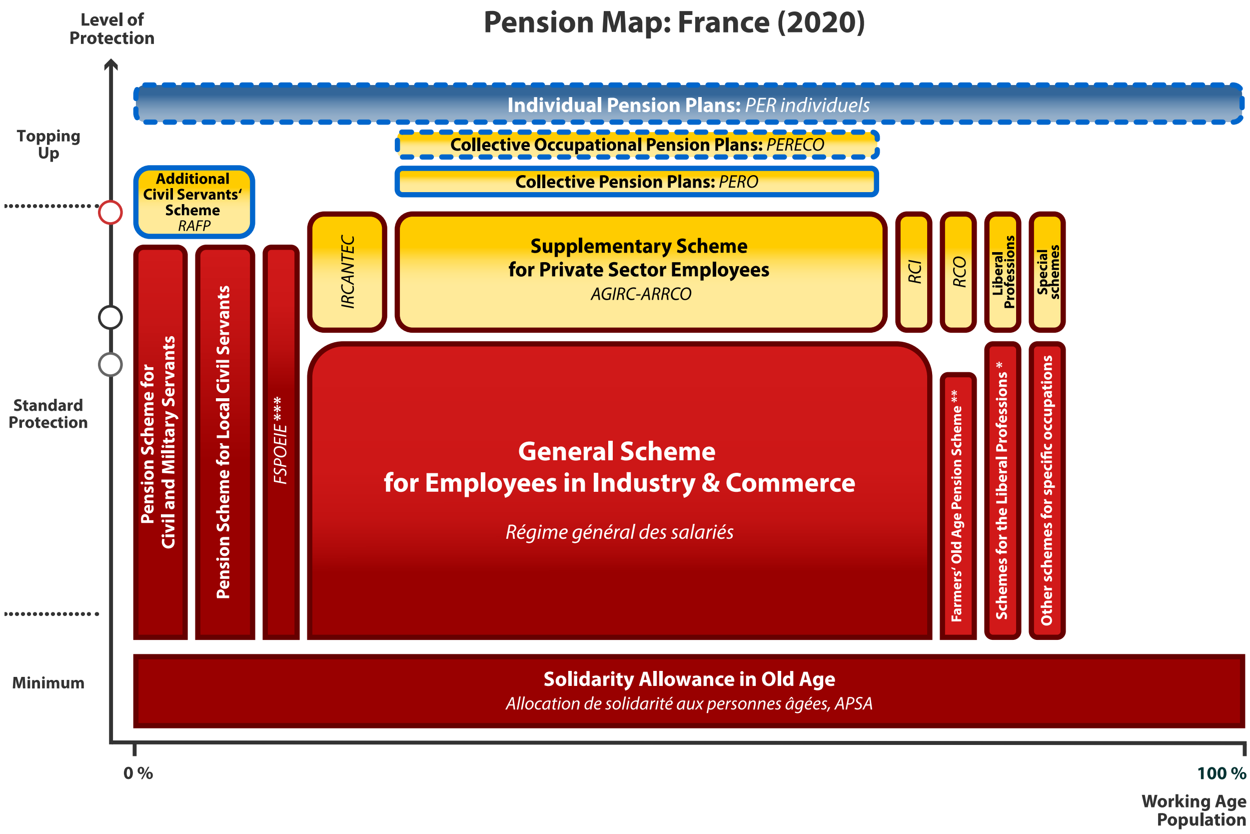
THE FRENCH OLD AGE SECURITY SYSTEM IN 2020

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 risk of professional hazards 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 professionals). Under specific conditions, persons not subject to mandatory insurance can join the



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

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), which were closed for new entrants starting from 1 October 2020. 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 of 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 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 were 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 EUR 10,418.40 for a single person and EUR 16,174.59 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 EUR 900 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 (EUR 3,428).
- Contributions shared between employer (8.55%) and employee (6.9%).
- Special provisions for contribution payments apply to 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 (= 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 EUR 1,200 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 EUR 1,200 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) or 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 EUR 1,200 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 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 EUR 1,200 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 at least 62 years old (if born after 1955) and have a minimum contribution record of 172 quarters (= 43 years; if born after 1972) or 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 EUR 3,400 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 professionals, 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 persons with disabilities (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 EUR 40,524 (in 2019), the rate is 6.20%, shared between the employee (2.48%) and the employer (3.72%); for annual salaries ranging from EUR 40,524 to EUR 324,192 (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 EUR 40,524 (in 2019) the rate is 7%, shared between the employee (2.8%) and the employer (4.2%); for annual salaries above EUR 40,524 (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 EUR 37,960 per year in 2019) will be subject to a contribution at a rate of 7%; the second level (above EUR 37,960 and up to EUR 162,096 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 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) for 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 enrol all its employees or a category of its employees in 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

- 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 enrol all its employees in 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 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; the 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

- Payments within a certain limit (EUR 32,909 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*).

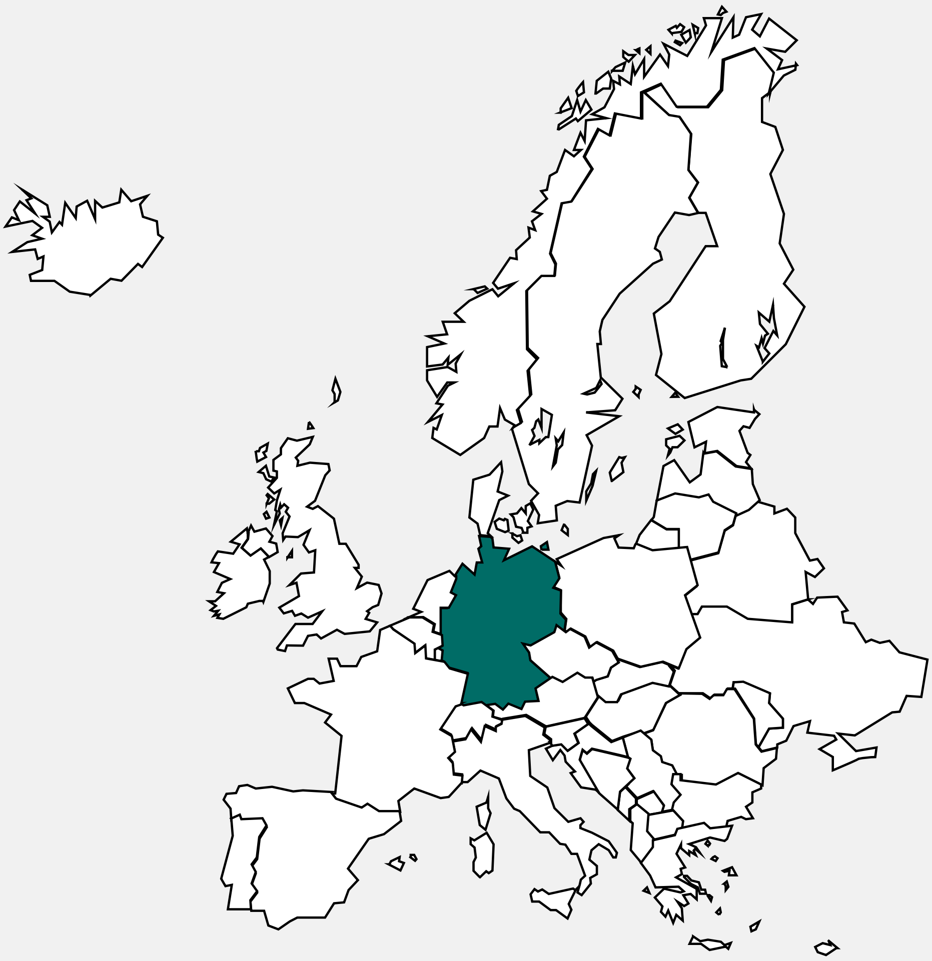
Footnotes

1 French President Emmanuel Macron promised, at the beginning of his term, a pension reform which would create a general pension system, and the reform process in effect started in 2019 and is now reaching 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



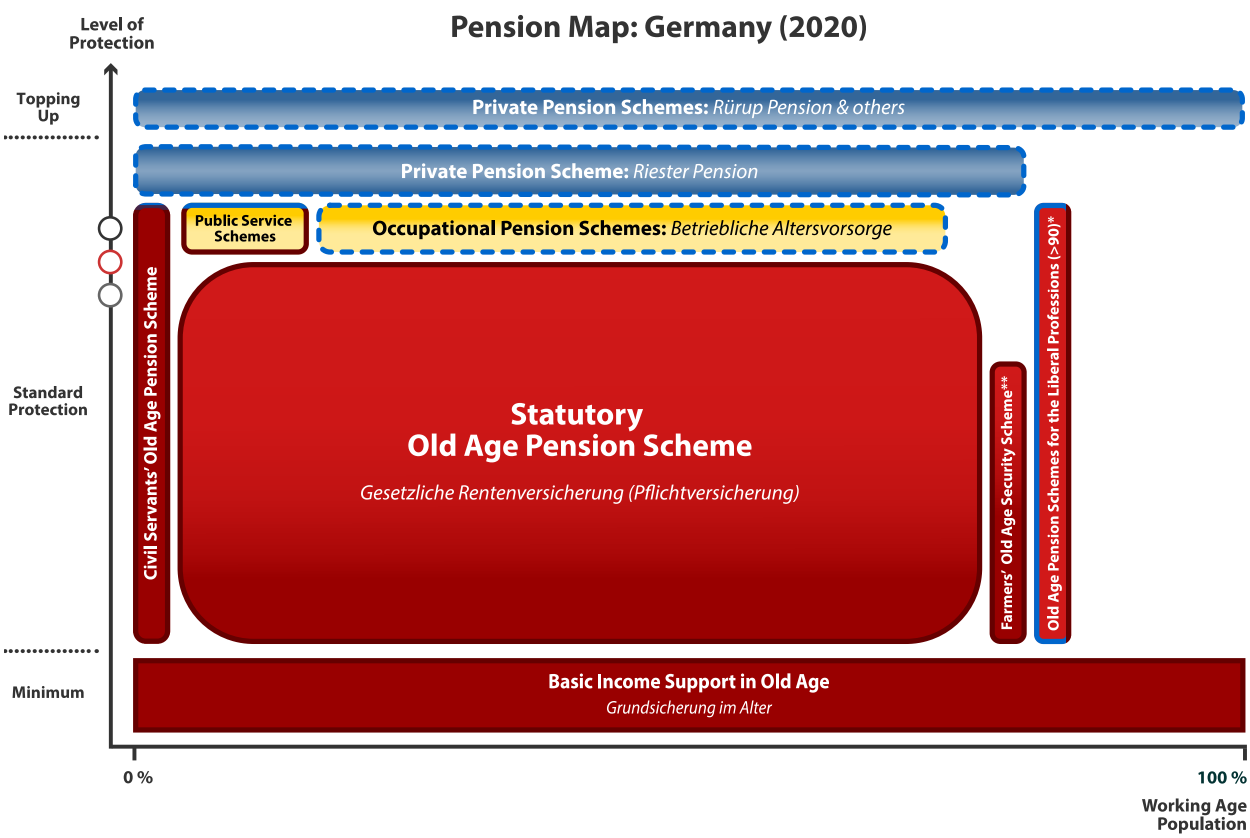
THE GERMAN OLD AGE SECURITY SYSTEM IN 2020

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 was 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 and soldiers. It



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

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 schemes* (*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 pension 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 the *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 EUR 100,000 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/cohabiting partner; excluded from means testing are e.g. assets of EUR 5,000 per person, pension benefits from voluntary occupational/private schemes (EUR 100, 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 EUR 100,000.

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 EUR 1,300; different shares between employer and employee apply to earnings of EUR 1,300 and less.
- Special provisions for contribution payments (rates and/or modalities) apply to 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 for 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 to 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 the 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 to 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 the 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 the 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 < EUR 2,200): federal state allowance of 30% of employer's contributions (of a predefined range), if employer pays annual contributions of at least EUR 240 (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 (> EUR 159.25, 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 (> EUR 159.25, 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 EUR 60 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 EUR 2,100 (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. EUR 175 per person/year), child allowances (EUR 300 per child/year born after 2007, EUR 185 per child/year born before 2008) and one-time bonus for new entries before age 25 (EUR 200).
- Extra tax reductions (claimed as special expenditures) granted only if amount of tax refunds exceeds state allowances; tax-deductible contributions of up to EUR 2,100 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 payout 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 (*Altersvorsorge-verträge-Zertifizierungsgesetz*); Act on the Federal Financial Supervisory Authority (*Finanzdienst-leistungsaufsichtsgesetz*); 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 the 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.

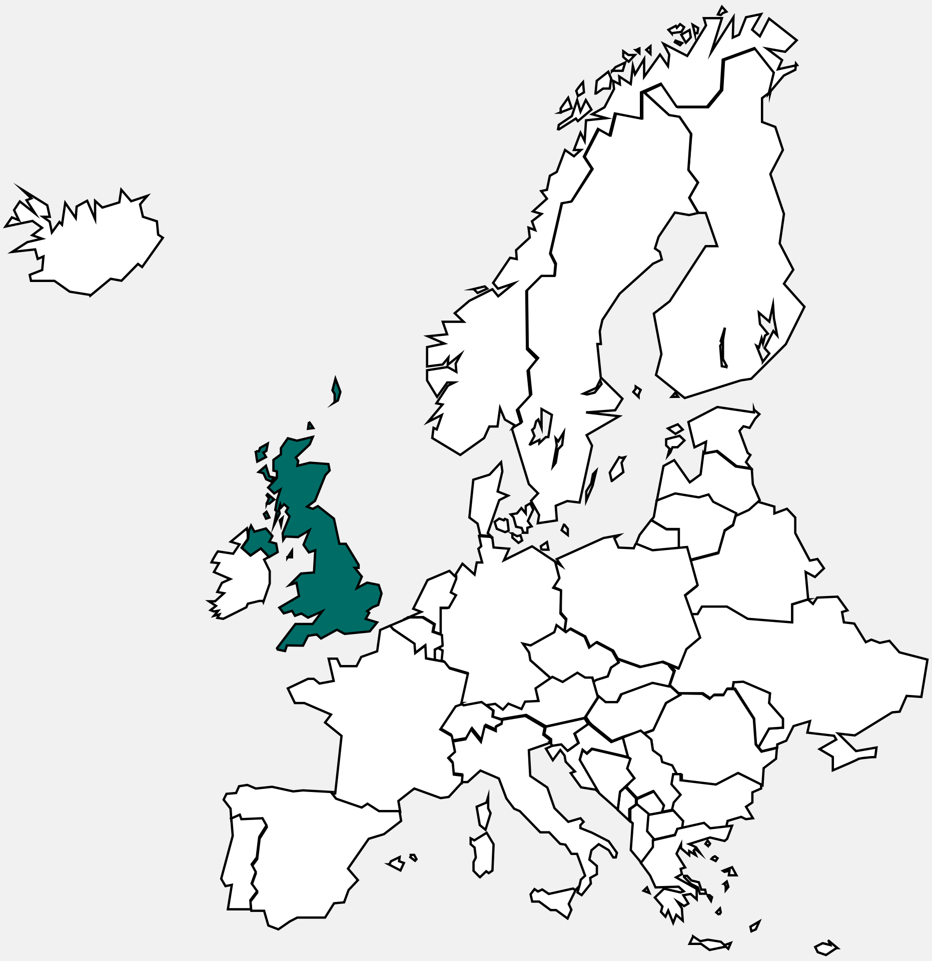
3 Request must be filed within 5 years after taking up self-employed activities.

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



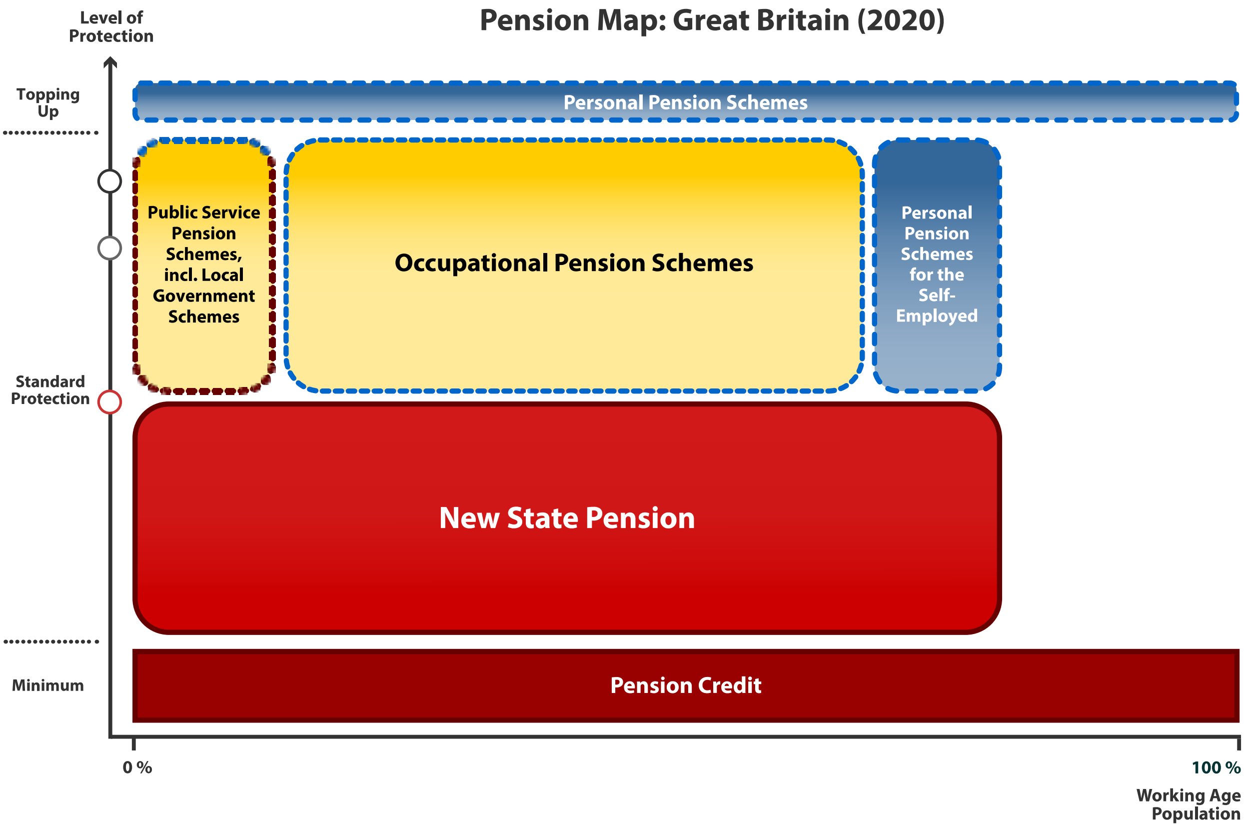
THE BRITISH OLD AGE SECURITY SYSTEM IN 2020

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 GPB 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 (GPB 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 (GPB 169 per week for 2020/2021).
- Self-employed NICs depend on profits made. For 2020/2021, the threshold is an annual profit of GPB 6,475, at which point NICs amounting to GPB 3.05 per week will be due. If the profits are greater than GPB 9,501 but below GPB 50,000, then 9% of this will be due in NICs. 2% of any profits exceeding GPB 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 GPB 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 GPB 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

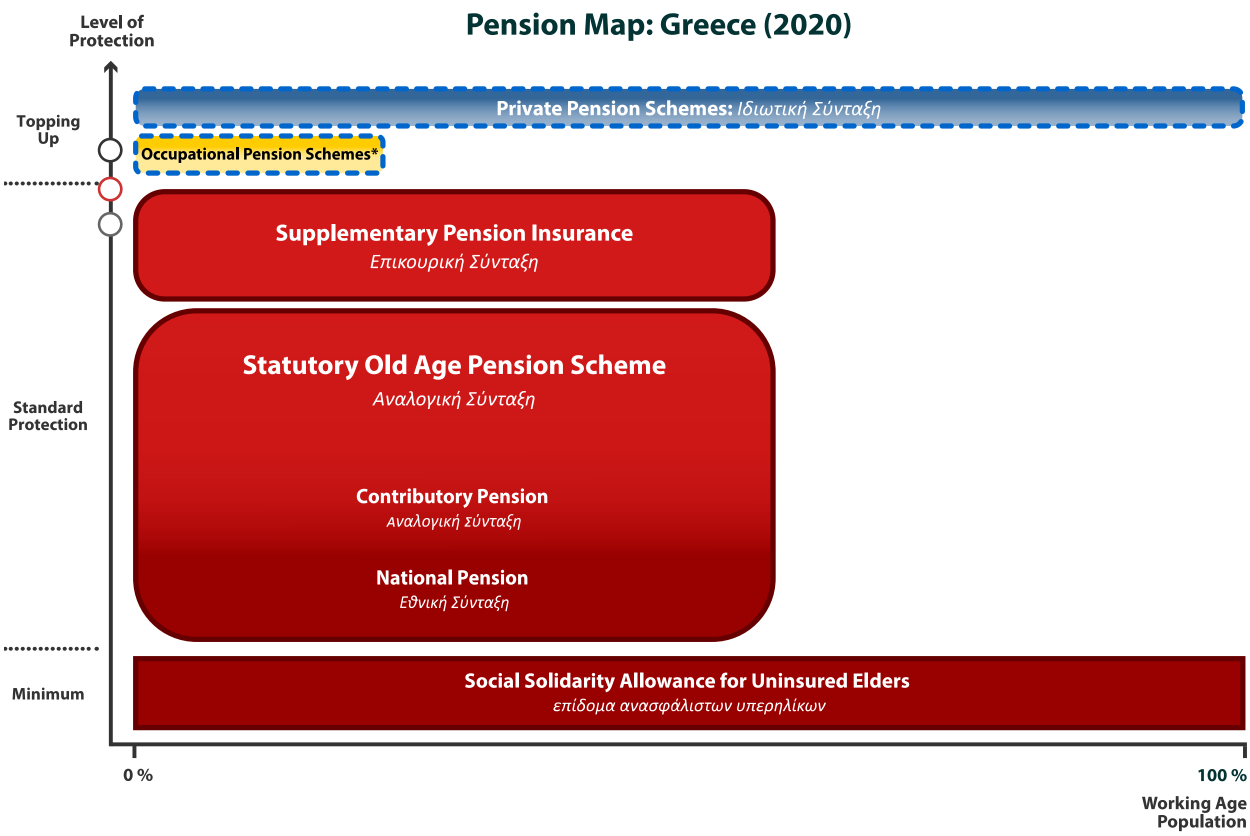
THE GREEK OLD AGE SECURITY SYSTEM IN 2020

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 components: an earnings-related 'contributory pension' (*αναλογική*



* No information is available on the scope of persons that have the right to access the scheme (i.e. intended coverage).

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 EUR 360/ 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: EUR 4,320/year, household income: max. EUR 8,640/year, property assets: max. EUR 9,000 in 2020).

E. Benefits

- Full flat-rate benefit (EUR 360 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 to 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 & 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

National pension

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

Contributory pension

- Primarily based on the amount of contributory earnings throughout working career.
- Maximum amount: EUR 5,900/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 EUR 5,000 per year for pensioners below the age of 65, and EUR 9,000 for pensioners above the age of 65; pensioners receiving more than EUR 750 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 EUR 1,400/per month; an extra solidarity contribution applies to pensioners below the age of 60 with a monthly pension income of more than EUR 1,700.

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 (NDC) system (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 defined 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)*).

HUNGARY

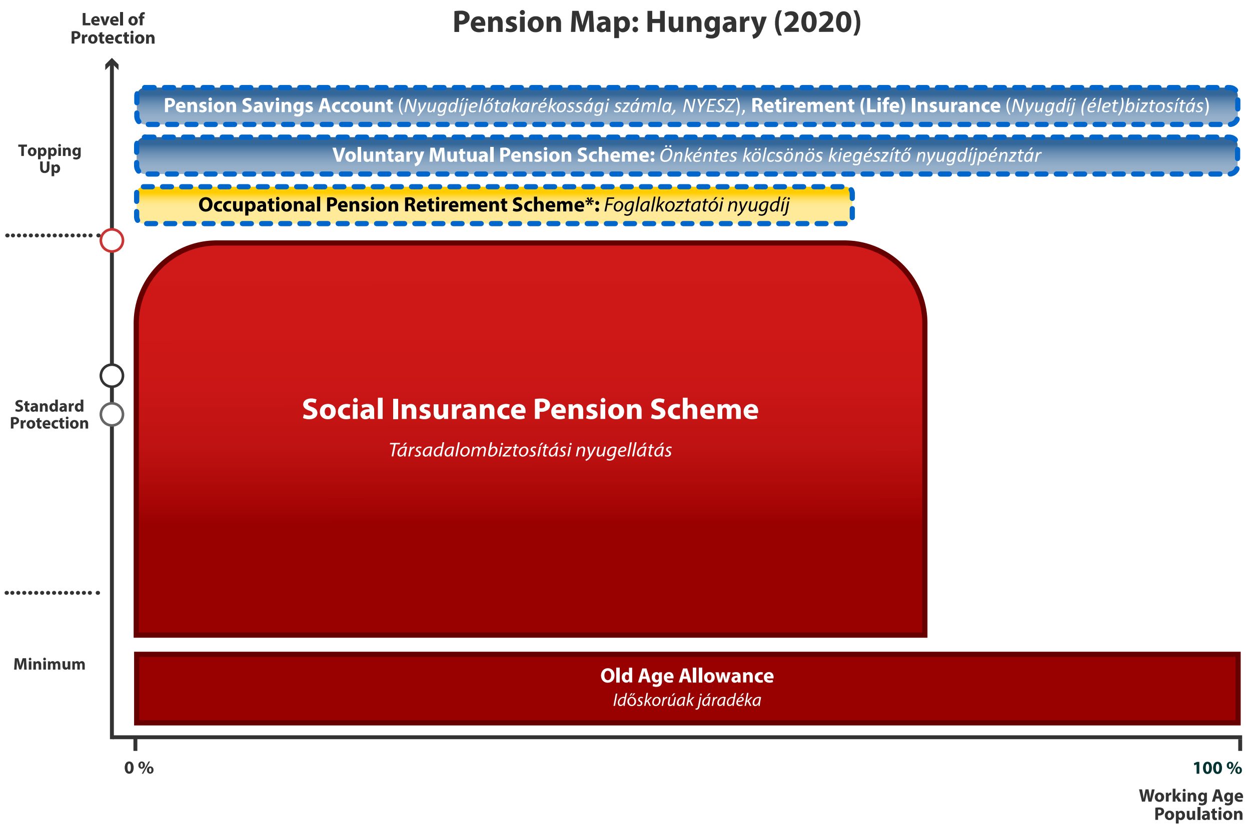
THE HUNGARIAN OLD AGE SECURITY SYSTEM IN 2020

József Hajdú

The Hungarian old age pension insurance dates back to 1928 and the enactment of the Old Age, Disability, Widowship and Orphanship Insurance Act. With several significant pension reforms over the following years (most notably in 1944, 1951 and 1975), the system was fundamentally and progressively reformed in order to provide greater protection against financial risks in old age to the majority of the Hungarian workforce. Back in 1993, the traditional public pension insurance was supplemented by the establishment of voluntary private pension insurance and other private saving options such as pension savings accounts. Following the work of the World Bank in the country, in 1998 a multi-pillar pension system was established consisting of a compulsory statutory pension scheme based on pay-as-you-go (PAYG) social insurance (also referred to as Pillar I), a privately managed and fully funded private compulsory pension fund (also referred to as Pillar II), and the already existing fully funded voluntary pension insurance (also referred to as Pillar III). In 2010, a structural reform took place which closed the private compulsory scheme on 31 January 2011, without providing previous members with the option to continue their membership on a voluntary basis. Unless they declared otherwise, members were mandated to continue their insurance solely in the public scheme and their accumulated capital was transferred automatically. Ultimately, only 3% of the members chose to keep their accumulated capital in the private scheme. The pension system thus returned to the original pension structure, based on a compulsory, PAYG-financed social insurance system. Nowadays, 'standard protection' in the country is provided through insurance in a public, defined benefit scheme. Public pensions can be 'topped up' through insurance in voluntary occupational and private pension schemes. A 'minimum' level of protection is guaranteed by the minimum pension level of the public scheme and means-tested social assistance measures.

Standard Protection in Old Age

The *social insurance pension scheme* (*társadalombiztosítási nyugellátás*) is a PAYG-financed, defined benefit scheme that covers mandatorily all types of employees in the public and private sectors, as well as the self-employed; the scheme also envisions some possibilities for voluntary insurance. The scheme provides earnings-based old age



* No information is available on the scope of persons that have the right to access the scheme (i.e. intended coverage).

pension benefits (*öregségi nyugdíj*). Entitlement to those benefits is based on reaching the statutory retirement age and acquiring the necessary insurance periods (i.e. a minimum of 20 contributory years). Since 2011, a special retirement regulation provides that women who have acquired at least 40 years of eligible insurance periods can retire regardless of their age[1]. Previously, the *social insurance pension scheme* used to contain special regulations also for persons with long service or for certain occupational groups (such as miners and military staff). However, in 2012, reforms which aimed at achieving greater system sustainability considerably limited the rights stemming from these special regulations. Special retirement rights are only available to persons who had qualified for retirement until 2012 under the former retirement rules.

Top-Ups

The public pensions can be topped up by different private and occupational schemes. The *occupational pension retirement scheme* (*foglalkoztatói nyugdíj*) represents a relatively new form of supplementary pension insurance in Hungary. Contributions to the scheme are usually mainly paid by the employer but employees are also able to participate. The scheme offers tax reliefs on benefit payments. The regulation of the *occupational pension retirement scheme* has been modelled according to European Union law requirements on occupational retirement provision. However, for the time being, occupational pension insurance is not very widespread. The *voluntary mutual pension scheme* (*önkéntes kölcsönös kiegészítő nyugdíjpénztár*) is the oldest private voluntary top-up scheme in the country. It offers possibilities for both open-end pension insurance (available for the individual) and closed-end pension insurance (available for employers and their employees). This dual purpose of the *voluntary mutual pension scheme* has resulted in uneven regulation of the scheme. In terms of the overall amounts of paid benefits, the scheme has so far been unable to practically become a funded product that efficiently supplements the public pension. Participation in the scheme is incentivised through certain tax reliefs on benefit payment including the possibility for tax-exempt withdrawal of accumulated capital (subject to certain requirements on longevity of membership or reaching the standard retirement age). In addition, the private *pension savings account* (*nyugdíjelőtakarékossági számla, NYESZ*) provides voluntary possibilities for personal supplementary pension insurance. Participation in the scheme is incentivised by tax reliefs subjected to requirements for membership longevity and reaching the standard retirement age. Old age income can be further supplemented by *retirement (life) insurance* (*nyugdíj (élet)biztosítás*) where payment by the insurance company is activated on the basis of the realisation of different insurance events.

Minimum

The *social insurance pension scheme* contains a minimum statutory pension level for those who meet the minimum qualifying criteria and whose pension falls below this level. The minimum pension amount has remained unchanged since 2009. Those who have reached the standard retirement age, but are not eligible for *social insurance pension* and have no other source of sufficient income can apply for a tax-financed and means-tested *old age allowance* (*időskorúak járadéka*). It is a social assistance allowance for destitute elderly persons.

Old Age Allowance

Időskorúak járadéka

A. Coverage

- Destitute elderly persons who have reached the standard retirement age, but are not eligible for a pension from the *social insurance pension scheme*.
- Certain groups are excluded from coverage.[2]

B. Financing

- The scheme is entirely tax-financed out of the central and local budgets.

C. Administration

- The administration and organisation of the scheme fall under the jurisdiction of the regions (i.e. review applications, decide on eligibility, and payout benefits) and are carried out by the respective Government Office District Unit (*Kormányhivatal Járási Hivatala*).

D. Qualifying Conditions

- Persons who have reached the standard retirement age of the *social insurance pension scheme*.
- Persons must have no right to a pension from the *social insurance pension scheme*.
- Persons residing in Hungary.
- Persons with income/assets below subsistence level as defined by law; benefits are means-tested based on the individual's and household's income and assets: persons who have reached the standard retirement age and who are living with a spouse or cohabiting partner, if the per capita income, including the income of the spouse, is not higher than HUF 25,630 per month; persons living alone who have reached the standard retirement age but are younger than 75 years of age, and whose monthly income does not exceed HUF 30,150; persons living alone who are 75 years of age or older, and whose monthly income is less than HUF 40,700.

E. Benefits

- Benefit rates are determined and differentiated based on the age of the elderly person and whether the elderly individual lives alone or not.
- The amount of monthly benefits is based on the sum of benefits minus income of the elderly person and his/her family.
- Benefits are not subject to income tax.

F. Legal Basis

- Act III of 1993 on the Administration of Social Benefits (*1993. évi III. törvény a szociális igazgatásról és szociális ellátásokról*).

Social Insurance Pension Scheme

Társadalombiztosítási nyugellátás

A. Coverage

Mandatory insurance

- Employees in the private and public sector (incl. self-employed persons) and all other groups that are subject to social insurance contributions.

Voluntary insurance

- Persons not compulsorily insured in the statutory old age pension scheme and of legal age; also available for persons living abroad.

B. Financing

General finances

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

Contribution rates[3]

- *Employee contributions*: included in the payment of the 'social security contribution' (*társadalombiztosítási járulék*) of 18.5% of total gross earnings without contribution assessment ceiling; 54% of the collected amount is allocated to the Pension Insurance Fund.
- *Employer's contributions*: included in the payment of the 'social contribution tax' (*szociális hozzájárulási adó*) of 15.5% of gross earnings without contribution assessment ceiling; 71.63% of the collected amount is allocated to the Pension Insurance Fund.
- Certain groups of people pay a lower pension contribution of total gross income without contribution assessment ceiling: 22% (for those insured voluntarily in the scheme) or 10% (e.g. recipients of job-seeker's support, of certain child-raising benefits, rehabilitation benefit; ecclesiastical persons in church service; members of social cooperatives etc.).

Taxation of contribution payments

- No tax exemptions for employee's/employer's insurance contributions.

C. Administration

- The scheme is supervised by the Prime Minister's Office - Minister for Families (*Miniszterelnökség - Családokért Felelős Tárca Nélküli Miniszter*) and is managed by the Hungarian State Treasury (*Magyar Államkincstár*).
- The Pension Payment Directorate (*Nyugdíjfolyósító Igazgatóság*) is responsible for paying pensions.
- Government offices of the place of residence are responsible for national pension claims, while the Government Office of the Capital City of Budapest is responsible for pension cases when an international legal instrument is applicable.

D. Qualifying Conditions

Qualifying conditions

- Standard old age pension: statutory retirement age increases to 65 until 2022 for those born in 1957 and after; minimum insurance periods: 20 years (minimum insurance periods for 'partial pension': 15 years)[4].
- Pension for women with 40 years of eligibility period: no specified retirement age; minimum insurance period: 40 years (including pension-relevant period pertaining to child care; minimum period of gainful activity: 32 years that could be reduced to 30 years in certain circumstances). The eligibility period is decreased by one year for every child raised in a household with five or more children, with a maximum reduction of 7 years.

Early retirement

- No options for early retirement.

Deferred retirement

- Retirement can be deferred without limit except for certain occupational groups (such as civil servants and judges); retirement can be deferred with positive (permanent) adjustments to pension benefits (0.5% per 30 days); insurance periods above 50 years do not lead to an increase in pension benefits.

Combining employment & retirement

- Termination of employment is not a precondition for claiming pension benefits in the private sector.
- Ceasing of employment is a precondition for claiming pension benefits in the public sector. Those employed in the public sector must choose between pension and employment (these two options are mutually exclusive). Those in receipt of a pension may opt to continue working. However, in this case the pension payment is suspended from the first day of the following month after the date of entering into gainful activity.

E. Benefits

Pension benefits

- Primarily based on the amount of contributory earnings throughout working career, including pension-credited periods.[5]
- Maximum amount: no specification in law regarding fixed maximum pension; maximum pension amount is levelled due to the calculation method.
- Minimum amount: pension-tested benefit for persons with a pension below the minimum statutory pension level (HUF 28,500 in 2020).

Factors for benefit calculation

- Benefit amount depends on the insurance period and is expressed as a percentage of the revalued net average monthly income of the individual earned since 1988: 33% for the first 10 years of the insurance period; the benefit amount for the rest of the insurance periods increases in the following way: 2% for each insurance year between the 11th and the 25th year, 1% for each insurance year between the 26th and the 36th year, 1.5% for each insurance year between the 36th and the 40th year, 2% for each insurance year after the 40th year.
- For persons with an insurance period of 50 years, additional insurance years do not increase the amount of the benefit.
- If the average monthly income is over HUF 372,000: 90% of the amount between HUF 372,001 and HUF 421,000 is taken into account as income, as well as 80% of any amount above HUF 421,000.
- As of 2021, a 13th-month payment is being introduced gradually (from 25% of the monthly benefit amount in 2021 to 100% from 2024 onward).
- *Adjustments*: yearly adjustment of pension value accounting for annual changes in consumer prices and the net average monthly earnings.

Taxation and social security contributions

- Benefits are not subject to taxation.
- Pension benefits are not subject to social security contributions.

F. Legal Basis

- Act LXXXI of 1997 on Social Security Pension Benefits (*1997. évi LXXXI. törvény a társadalombiztosítási nyugellátásról*); Act CXXII of 2019 on the Entitlements to Social Security Benefits and on Funding of these Services (*2019. évi CXXII. törvény a társadalombiztosítás ellátásaira jogosultakról, valamint ezen ellátások fedezetéről*); Act LXXXI of 1997 on Social Insurance Pension (*1997. évi LXXXI. törvény a társadalombiztosítási nyugellátásokról*); Act CLXVII of 2011 on the Termination of Early Retirement Pension, on Benefits Prior to Retirement Age and on Benefits for the Official Members of the Armed Forces (*2011. évi CLXVII. törvény a korhatár előtti öregségi nyugdíjak megszüntetéséről, a korhatár előtti ellátásról és a szolgálati járandóságról*).

Occupational Pension Retirement Scheme

Foglalkoztatói nyugdíj

A. Coverage

Voluntary insurance

- Private and public sector employees; plans provided by employer, often based on collective agreement.

B. Financing

General finances

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

Contributions payments

- Contribution payments are usually split between the employer and the employee (proportions vary).
- Insured persons can voluntarily choose to pay higher contributions; additional voluntary contributions may be made in the form of a lump sum payment or regular instalments; the member may suspend such payments at any time.
- The member shall not be liable to pay additional voluntary contributions for periods when the employer has failed to provide the contribution referred to in the employment contract or collective agreement.

State support & incentivising strategies

- No tax exemptions for employee's/employer's insurance contributions.

C. Administration

- The Ministry for Innovation and Technology (*Innovációs és Technológiai Minisztérium*) and the Central Bank of Hungary (*Magyar Nemzeti Bank*) supervises the investments and provides rules on information and transparency.
- Pension plans are often administered by the 'Institutions for Occupational Retirement Provision' (*Foglalkoztatói Nyugdíjszolgáltató Intézmények*). Such institutions can be established in the form of a private limited company or as a Hungarian branch office of an occupational retirement provision institution registered in an EEA Member State.
- 'Institutions for Occupational Retirement Provision' can be founded and managed by: (a) banks, insurance joint-stock companies, investment firms; (b) an employer or several employers together.

D. Qualifying Conditions

- Often based on reaching the standard retirement age of the *social insurance pension scheme*; possibility for early pension in case of attested disability.
- Pension entitlement is subject to a given 'waiting period', i.e. longevity of membership duration in the scheme ('waiting period' is determined by an agreement between employers and the 'Institutions for Occupational Retirement Provision').

E. Benefits

Pension payments

- Dependent on payment commitment: 'defined benefit' or 'defined contribution'.
- Defined benefit: offering guaranteed retirement benefits for employees.
- Defined contribution: accumulated capital through contribution payments and investment yields, minus administrative costs and costs/fees of pension provider; in case benefits are also based on biometric risks, benefit amount is calculated taking into account the technical interest rate (an interest rate derived from actuarial mathematics, used to discount future benefits in order to determine their present value).
- Pension annuities paid for a defined period, life-long annuity, a lump-sum payment, or a combination of different payment methods.

Taxation and social security contributions

- After 10 years of the 'waiting period' the pension payments are not subject to income tax and social security contributions. Prior to the completion of the 'waiting period', payments are subject to tax and social security contributions.

F. Legal Basis

- Act CXVII of 2007 on Occupational Retirement Pensions and Institutions for Occupational Retirement Provision (*2007. évi CXVII. törvény a foglalkoztatói nyugdíjról és intézményeiről*).

Voluntary Mutual Pension Scheme

Önkéntes Kölcsönös Kiegészítő Nyugdíjpénztár

A. Coverage

Voluntary insurance

- Persons above the age of 16 with taxable income.
- Private and public sector employees through plans provided by employer.

B. Financing

General finances

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

Contributions payments

- *Individual insurance*: insured persons provide contribution payments and decide on the amount individually.
- *Collective insurance*: contribution payments paid by employer and employee (proportions vary).

State support & incentivising strategies

- The fund members can get a tax refund of 20% of their contributions to a pension fund paid from their taxed income as a reimbursement to their pension account (maximum amount of reimbursement: HUF 150,000 per year).
- The investment returns of the funds, which are then placed in the individual accounts, are not subject to tax.

C. Administration

- The Ministry for Innovation and Technology (*Innovációs és Technológiai Minisztérium*) and the Central Bank of Hungary (*Magyar Nemzeti Bank*) supervise the investments and provide rules on information and transparency.
- Pension plan providers manage pension funds and pay benefits directly to the eligible person.

D. Qualifying Conditions

- Pension entitlement is subject to a given 'waiting period', i.e. longevity of membership duration in the scheme; upon reaching the standard retirement age, pension fund members are entitled to pension benefits regardless of the 'waiting period' (set at 10 years).

E. Benefits

Pension payments

- Accumulated capital through contribution payments and investment yields, minus administrative costs/fees of pension plan provider.
- Pension annuities paid for a defined period, life-long annuity, a lump-sum payment, or a combination of different payment methods.

Taxation and social security contributions on pension payments

- Pension payments are not subject to income tax after reaching the standard retirement age of the *social insurance pension scheme* (some special exceptions apply).
- After 10 years of the 'waiting period' and before reaching the standard retirement age, investment yields are tax free, but the capital is subject to tax as it is not used for pension purposes; in each of the following years, 10% of the remaining capital can be withdrawn free of tax and social security contributions; after 20 years of membership, pension payments are not subject to income tax and social security contributions.

F. Legal Basis

- Act XCVI of 1993 on Voluntary Mutual Insurance Funds (*1993. évi XCVI törvény az Önkéntes Kölcsönös Biztosító Pénztárakról*).

Pension Savings Account

Nyugdíjelőtakarékossági Számla, NYESZ

A. Coverage

Voluntary insurance

- All individuals (natural persons) can open a pension savings account if they make an initial deposit of a minimum of HUF 5,000.

B. Financing

General finances

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

Contributions payments

- Insured persons provide contribution payments and decide on the amount and frequency of payments individually.

State support & incentivising strategies

- The person may receive a personal income tax credit of 20% with regard to the annual payments to the pension savings account (maximum amount of the tax credit is HUF 100,000).
- However, a pensioner without any income belonging to the consolidated tax base (e.g. salary) will not be able to redeem the above amount on the deposited money.
- The investment returns of the funds which are then placed in the individual accounts are not subject to tax.

C. Administration

- The Ministry for Innovation and Technology (*Innovációs és Technológiai Minisztérium*) and the Central Bank of Hungary (*Magyar Nemzeti Bank*) supervises the investments and provides rules on information and transparency.
- Banks or investment funds manage pension savings accounts and pay benefits directly to the eligible person.

D. Qualifying Conditions

- To qualify for tax exemption, the payment of pension can start no earlier than the standard retirement age, provided that the 'waiting period' (set at 10 years) has passed.

E. Benefits

Pension payments

- Accumulated capital through contribution payments and investment yields, minus administrative costs/fees of pension savings account provider.
- Lump sum payment, no possibility for annuity payments in several instalments.

Taxation and social security contributions on pension payments

- Pension payments are not subject to income tax and social security contributions after the eligible person has reached the standard retirement age of the *social insurance pension scheme*, provided that the 'waiting period' (10 years) has passed.

F. Legal Basis

- Act CLVII of 2005 on the Pension Savings Account (*2005. évi CLVI. törvény a nyugdíj-előtakarékossági számlákról*).

Retirement (Life) Insurance

Nyugdíj (élet)biztosítás

A. Coverage

Voluntary insurance
- Open to any individual with taxable income below the standard retirement age.

B. Financing

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

Contributions payments
- Persons provide contribution payments and decide on the respective amount individually.

State support & incentivising strategies
- The fund members can get a tax refund of 20% of their contributions to a pension fund paid from their taxed income as reimbursement to their pension account (maximum amount of reimbursement: HUF 130,000 per year).

C. Administration

- Banks, insurance companies, or investment funds manage funds and pay benefits directly to the person.

D. Qualifying Conditions

- Based on the realisation of the given insured event – entitlement to retirement under the *social insurance pension scheme*.
- Other events can also result in payment of the accumulated capital, such as death of the insured person or upon health impairment of a degree of at least 40%.

E. Benefits

Pension payments
- Accumulated capital through contribution payments and investment yields, minus administrative costs/fees of pension savings account provider.
- Life-long annuity paid monthly (using unisex-mortality tables); option for one-time lump sum payment; if the estimated amount of annuity benefits calculated for a period closing at the end of the 10th year reckoned from the date of the contract and payable for one month is less than HUF 5,000, the annuity benefits may be paid in the form of a single payment before the end of the 10th year from the time of conclusion of the contract.

Taxation and social security contributions on pension payments
- Pension (life) insurance payments are not subject to income tax and social security contributions after 10 years of membership and reaching the standard retirement age (or in case of a minimum of 40% of damage incurred to the eligible person's health, i.e. a degree of disability of 40%).

F. Legal Basis

- Act LXXXVIII of 2014 on the Business of Insurance (*2014. évi LXXXVIII. törvény a biztosítási tevékenységről*).

Footnotes

1 This regulation is referred to as *old age pension for women with 40 years of eligibility period* (*nők kedvezményes öregségi nyugdíja*).

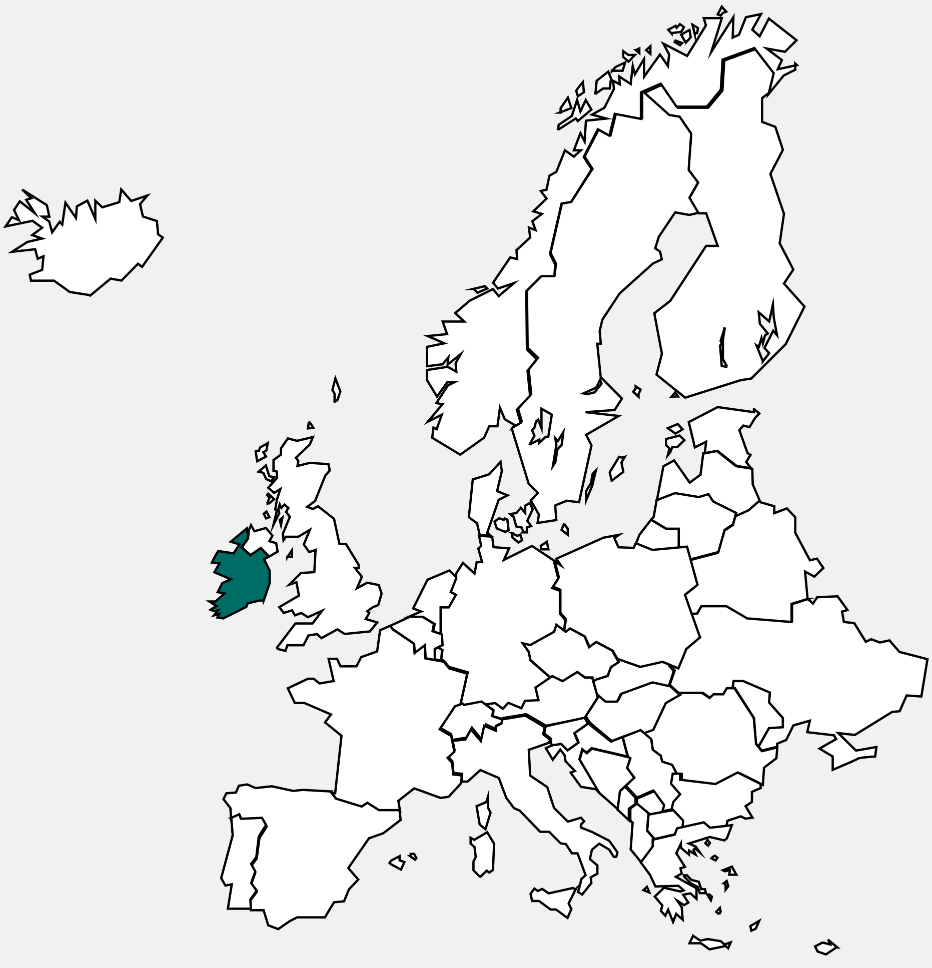
2 The *old age allowance* cannot be granted or paid to a person who is in custody or in prison, resident abroad for more than 3 months, or whose right of residence has ceased or who is not residing in the country anymore.

3 According to the terminology in Hungarian law, employees pay 'social security contributions' while the employers and the self-employed pay 'social contribution tax'.

4 Partial retirement pension shall be granted to a person: a) who has reached the standard retirement age, and b) who has at least fifteen years of insurance periods. The 'partial pension' does not offer a minimum statutory pension level.

5 Pension-credited periods include time served in the national military service, periods of entitlement to infant care allowance (*csecsemőgondozási díj*), sickness benefit (*táppénz*), work accident sick pay (*baleseti táppénz*), child care fee (*gyermekgondozási díj*), child care allowance (*gyermekgondozást segítő ellátás*) and child raising support (*gyermeknevelési támogatás*), and others.

IRELAND



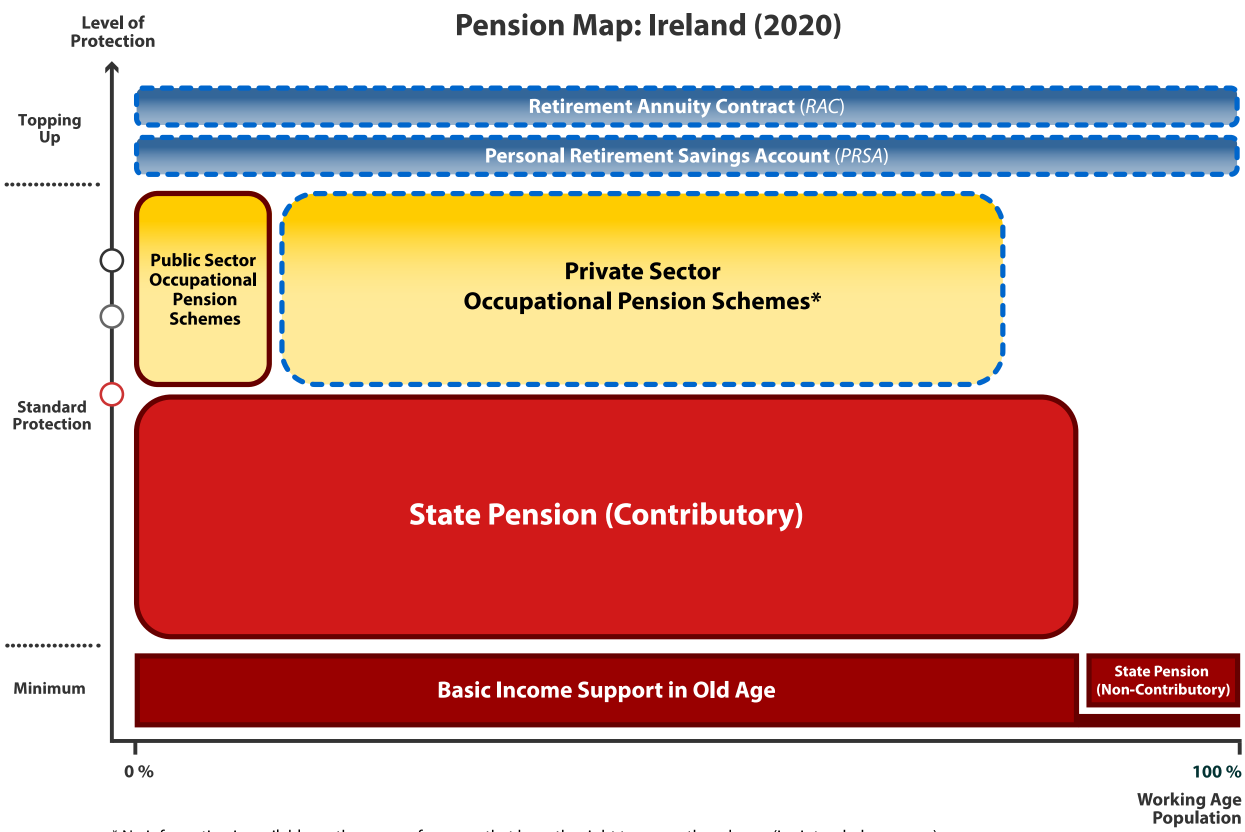
THE IRISH OLD AGE SECURITY SYSTEM IN 2020

Elaine Dewhurst[1]

The evolution of pension provision in Ireland has followed a rather traditional trajectory with original provision of minimum assistance being supplemented over the years by standard state pension provision and finally the promotion and regulation of top-up private pension arrangements. Beginning in 1908, the Old Age Pension Act provided for a means-tested non-contributory state pension aimed at securing basic income for those who could not otherwise afford to provide for their needs. This scheme of minimum assistance has been widened considerably over time. More standard forms of pension provision began to emerge in the 1930s and the Social Welfare Act 1952 finally laid the foundation stone for the existing coordinated scheme of social insurance. The foundations of the contributory state pension as we know it today can be identified in the system of employee and employer contributions established during this time which was given legal status in the Social Welfare (Amendment) Act 1960. While occupational pension schemes (in both the public and private sectors) existed for many years, it was not until the Pensions Act 1990 that provision was made for their regulation. However, fears related to low pension provision in the private sector led to the establishment of the 'Personal Retirement Savings Account' (PRSA) scheme, a form of private pension top-up. While anyone can take out a PRSA, there is a mandatory obligation on employers who do not provide a private sector occupational pension scheme to offer a PRSA scheme to their employees, which employees can voluntarily join. In general, a PRSA is usually a top-up only for those that are covered by other forms of standard protection in old age. 'Retirement Annuity Contract' (RAC) schemes are also available as private top-ups to persons who have or have had some form of relevant earnings. The Irish system of pension provision now comprises 'standard protection' mainly in the form of State Pension (Contributory) and occupational pension schemes in the public and private sector. Benefits can be 'topped up' via private pension schemes. Social welfare provision, which also includes the State Pension (Non-Contributory), aims to provide 'minimum' assistance to those that require it.

Standard Protection in Old Age

Standard pension provision in Ireland comprises State Pension (Contributory) and public and private sector occupational pensions. The entire



* No information is available on the scope of persons that have the right to access the scheme (i.e. intended coverage).

workforce is mandatorily insured by the State Pension (Contributory) which is a pay-as-you-go (PAYG) insurance scheme with benefits linked to the number of Pay Related Social Insurance (PRSI) contributions paid during a person's working life. In principle, the State Pension (Contributory) is available to anyone who reaches State Pension age and has made sufficient PRSI contributions. The scheme has two unusual features: it is a flat-rate benefit, the rate of which is determined by reference to the number of PRSI contributions (as opposed to the size of those contributions) that have been made throughout their working life, i.e. from the age of 16 to the State Pension age. An individual will need ten years' worth of contributions to be eligible for the State Pension. Calculations to determine the level of benefit can be carried out using two alternative methods, the most beneficial calculation being applied in favour of the recipient: (a) an average rule which looks at the number of contributions and the length of time since the date of first entry into the PRSI system with an average of 48 PRSI contributions per year entitling the recipient to a full State Pension or (b) a total contributions rule which calculates the pension benefit by reference to the total contributions made with 40 years of employment entitling a person to a full State Pension. The flat rate is proportionately reduced depending on average or total contributions. Gaps in contributions can be filled through voluntary contributions or through the Home Caring Period Scheme which was introduced to ensure that persons who left work to care for children are not disadvantaged by contribution calculations.

Specific *public sector occupational pension schemes* exist for public sector and civil service employees. These are mandatory occupational pension schemes and are financed in a PAYG manner. All public servants are members of either the 'Single Public Service Pension Scheme' if they joined the public service after 1 January 2013 or a pre-existing sector-specific occupational pension scheme (e.g. teachers' scheme), if they joined the public service prior to 2013. The main difference between the newer and older schemes is that the defined benefit in the single scheme is calculated by reference to a career average model whereas the sector schemes have retained a final salary model. A public or civil servant can claim both State Pension (Contributory) and pension benefits under their sector-specific occupational pension schemes. Other *private sector occupational pension schemes* also exist as standard protection for those in employment. These pension schemes are made available to employees by employers on a voluntary basis and are funded out of member contributions. Private sector occupational pension schemes can be defined benefit, defined contribution or hybrid schemes. Such schemes may be included in collective agreements within the workplace but this is something which would have to be negotiated by the employer and the trade union.

Top-Ups

The main top-up pensions arise from personal private pension schemes namely, PRSAs or RACs. Unlike private sector occupational pension schemes which are linked to economic activity, anyone can pay into a personal pension scheme provided they meet the eligibility criteria. RACs are similar to more traditional personal pensions which are operated like voluntary insurance contracts allowing individuals to claim tax relief on contributions (this means that in order to access an RAC a person must have or have had some form of relevant earnings). PRSAs were introduced in 2002 in an attempt to fill a pension gap with an increasing number of people reaching retirement age with limited or no pension provision. A PRSA is effectively another type of voluntary personal pension plan which operates in a manner similar to an investment account allowing the contributor to save for retirement flexibly. Tax relief is available on contributions. Private employers who do not provide a private sector occupational pension scheme or who have employees who are excluded from the scheme (even temporarily) must offer all employees access to at least one standard PRSA product.

Minimum

In order to guarantee a basic income for persons over the retirement age in Ireland, the State Pension (Non-Contributory) is available. This is a means-tested social assistance payment financed from general taxation. The means test includes an assessment of both cash income and capital (excluding the personal home). A person cannot claim a State Pension (Non-Contributory) in addition to a State Pension (Contributory). Some individuals with limited contributions may decide to take a State Pension (Non-Contributory) where it is more financially lucrative to do so. In addition, to the State Pension (Non-Contributory) or a low-rate State Pension (Contributory) certain social assistance payments are also available which are generally means-tested. This so-called Basic Income Support in Old Age includes payments such as Rent Supplement, Living Alone Increase, Household Benefits Package, Free Travel Pass, Fuel Allowance, Island Increase and Centenarian's Payment.

Basic Income Support in Old Age

A. Coverage

- Special social assistance payments are available to anyone resident in Ireland who passes a means test, and is habitually resident in Ireland.

B. Financing

- These special social assistance payments are financed out of general taxation.

C. Administration

- The Department of Employment Affairs and Social Protection administers the payments as social welfare measures.

D. Qualifying Conditions

- Means test: a person must satisfy a means test to qualify for these payments. The means test differs depending on the payment. This applies to Supplementary Welfare Allowance; Rent Supplement; Household Benefits Package if the person is between 66 and 70 years of age; Fuel Allowance; Island Increase.
- Habitual residence: a person must be legally and habitually resident in the state. There is no definition of habitual residence in Irish law. However, it is generally determined based on a demonstration of a proven link to Ireland and some level of permanence i.e. that the person has been living in Ireland for some time and intends to continue to do so in the future.
- Other qualifying conditions are met, e.g. for Rent Supplement, the individual must be a tenant.
- Have reached a certain age: Living Alone Increase (age 66), Household Benefits Package (age 70), Free Travel Pass (age 66); Centenarians Payment (age 100).
- These payments can be claimed in combination with a State Pension (Non-Contributory) or a low-rate State Pension (Contributory).

E. Benefits

- Supplementary Welfare Allowance: includes a number of payments including Urgent Needs Payment.
- Rent Supplement: a payment to assist with the cost of rent.
- Living Alone Increase: a payment for people getting certain social welfare payments who are living alone.
- Household Benefits Package: a package of benefits that provides help with the cost of certain household utilities e.g. electricity, gas, tv licence.
- Free Travel Pass: for people to access public transport for free.
- Fuel Allowance: payment that provides help with the cost of fuel to people who are dependent on long-term social welfare payments.
- Island Increase: payment for people living on specified islands off the coast of Ireland
- Centenarian's Payment: a payment to all Irish citizens and people habitually resident on reaching 100 years of age.
- Whether benefits are taxable will depend on the benefit itself. While most social assistance payments are taxable some are exempt including: Fuel Allowance, Household Benefits Package, Supplementary Welfare Allowance, Free Travel Pass.

F. Legal Basis

- Social Welfare (Consolidation) Act 2005 as amended.

State Pension (Non-Contributory)

A. Coverage

- This payment is available to anyone resident in Ireland who is of statutory retirement age, passes a means test, and is habitually resident in Ireland.

B. Financing

- The scheme is financed out of general taxation.

C. Administration

- The Department of Employment Affairs and Social Protection administers the scheme as a social welfare measure.

D. Qualifying Conditions

- Age: statutory retirement age is 66 years.
- Means test: a person must satisfy a means test to qualify for this payment. The means test includes an assessment of cash income (incl. income from work), value of capital (excluding a person's own home) and income from personal property. The means determine the value of the pension which can be received.
- Habitual residence: a person must be legally and habitually resident in the state. There is no definition of habitual residence in Irish law. However, it is generally determined based on a demonstration of a proven link to Ireland and some level of permanence i.e. that the person has been living in Ireland for some time and intends to continue to do so in the future.
- Personal public service number: a person claiming State Pension (Non-Contributory) must have a PPS number which is a unique reference number that allows access to social assistance payments and benefits, public services and information in Ireland.
- Early Retirement: the earliest this payment can be received is on reaching the State Pension age of 66 years.
- A person may not claim State Pension (Contributory) and State Pension (Non-Contributory) at the same time.

E. Benefits

- The payment is a flat-rate weekly payment calculated on an individual basis dependent on means, levels of other social assistance payments, and whether the person has dependants, is married etc. It is subject to a statutory maximum (EUR 237 per week for those between the ages of 66 and 80 and EUR 247 for those aged 80+ in 2021).
- The State Pension (Non-Contributory) is taxable but if it is the only income it is unlikely that the individual will pay tax on it.

F. Legal Basis

- Social Welfare (Consolidation) Act 2005; Social Welfare (Consolidated Claims, Payments and Control) Regulations 2007 (S.I. No. 142 of 2007); Social Welfare and Pensions Act 2011.

State Pension (Contributory)

A. Coverage

Mandatory insurance

- All persons over the age of 16 who are working must pay PRSI. This includes all employees, whether full-time or part-time, earning EUR 38 or more per week, and self-employed workers with an income of EUR 5,000 a year or more.

B. Financing

General finances

- This scheme is financed in a PAYG manner by insurance contributions by both employees and employers into the Social Insurance Fund.

Contribution rates

- Employee contributions vary with respect to earnings and the social insurance class the employee is insured under. The class of insurance is determined by the nature of the employment and the weekly earnings. For example, Class A employee PRSI is calculated at 4% of gross weekly earnings. Whereas Class H PRSI is calculated at 3.9% of gross weekly earnings.
- Employers pay 8.8% on earnings under EUR 378 per week and 11.05% on earnings over this amount (for Class A employees). For employees the contribution ceiling is 4% and for employers it is 11.05%.

Taxation of contribution payments

- No tax exemptions for contributions.

C. Administration

- It is administered by the Department of Employment Affairs and Social Protection.

D. Qualifying Conditions

Qualifying conditions

- Statutory retirement age is 66.
- To receive the maximum benefit, a person must have sufficient full-rate PRSI contributions. There are two alternative methods of calculation with the most beneficial scheme being applied to the recipient. To qualify for a maximum State Pension using the Total Contributions Approach, a person will need 2,080 or more PRSI contributions (or 40 years of employment) or 48 contributions per year if using the older average approach to calculation.
- The full-rate contributions must have started to be paid before the person reaches the age of 56.

Early retirement

- The earliest this payment can be received is on reaching the State Pension age of 66 years.

Deferred retirement

- This is not possible.

Combining employment & retirement

- Termination of employment is not a precondition for claiming pension benefit.
- The pension is not affected by continuing employment.

E. Benefits

Pension benefits

- The payment is a weekly flat-rate payment dependent on the contribution record.
- Maximum amount is EUR 248.30 per week in 2021.
- Minimum amount is EUR 99.20 per week in 2021.
- An automatic increase of EUR 10 per week is paid when the person reaches 80 years.

Benefit calculation

- Calculations to determine the level of benefit can be carried out using two alternative methods, the most beneficial calculation being applied in favour of the recipient. The older average rule relies on a rather crude calculation which averages the number of contributions by the length of time the person has been paying PRSI with 48 PRSI contributions per year entitling the recipient to a full State Pension. The newer model (which will eventually replace the average model) called the total contributions approach looks only at the total contributions made with 40 years of employment entitling the recipient to a full State Pension. The flat rate is proportionately reduced where there are more limited average or total contributions.

Taxation and social security contributions

- The payment is subject to tax.
- There are no other social security contributions.

F. Legal Basis

- Social Welfare (Consolidation) Act, 2005; Social Welfare (Consolidated Claims, Payments and Control) Regulations 2007 (S.I. No. 142 of 2007); Social Welfare and Pensions (No. 2) Act 2009; Social Welfare and Pensions Act 2011; Social Welfare (Consolidated Claims, Payments and Control) Regulations 2007 to 2012.

Single Public Service Pension Scheme 'Single Scheme'

A. Coverage

Mandatory insurance

- Any public servant who joined the public service for the first time on or after 01/01/2013 and is working in a pensionable position is covered by this scheme.

Exempted

- Public or civil servants who were already members of the public/civil service prior to 01/01/2013.

B. Financing

General finances

- The scheme is financed in a PAYG manner by employee contributions.

Contribution rates

- The standard employee contribution rates which apply to most members are 3% of pensionable remuneration and 3.5% of net pensionable remuneration (pensionable remuneration less twice the value (at the time) of the Contributory State Pension for a single adult without dependants).

Taxation of contribution payments

- No tax exemptions for contribution payments. Tax relief is provided at source.

C. Administration

- Each public sector employer is responsible for administering the scheme within their employment. Ultimately the scheme is administered by the Department of Employment Affairs and Social Protection.

D. Qualifying Conditions

- In order to qualify for retirement benefits under the Single Scheme the following conditions must be met (as stated below).
- Recruitment date: person must have joined the public service on or after 01/01/2013.
- Vesting period: person must have paid into the scheme for a minimum of 24 months.
- Age: person must have reached the statutory retirement age of 66 year or over.
- Early retirement/ill health: early retirement is possible under the Single Scheme as long as the vesting condition is met from the age of 55 years. This is known as Cost Neutral Early Retirement. The lump sum and pension will be permanently reduced to reflect early retirement depending on the age of retirement and the time remaining to normal retirement. Where early retirement is needed due to ill health there is no age limit applied.

E. Benefits

Pension benefits

- This is a defined benefit scheme.
- Two main benefits arise on retirement: a retirement lump sum and a retirement pension.
- Benefits are calculated based on a career average model. This means that retirement benefits are based on a percentage of pensionable earnings throughout a public service career as a member of the scheme.
- Lump sum benefit: 3.75% x full time gross pensionable remuneration x % work pattern for each payment period.
- Pension benefits: 0.58% x full time gross pensionable remuneration up to a Contributory State Pension threshold* x percentage work pattern plus 1.25% x full time gross pensionable remuneration up to a Contributory State Pension threshold x percentage work pattern for each payment period. Members of the scheme may also be entitled to a State Pension (Contributory).

**Contributory State Pension threshold = 3.74 x current Contributory State Pension rate x person's pay frequency.*

Taxation and social security contributions

- Pension lump sums under EUR 200,000 are tax-free. The next EUR 300,000 of pension lump sum taken from all pension arrangements since 07/12/2005 is taxable at the standard rate of income tax (currently 20%). Any lump sum over the EUR 500,000 limit will have Universal Social Charge deducted and will be taxed at the higher rate (40% in 2021). There is also a cap on the maximum value of retirement benefits that any individual can build up from 07/12/2005 onwards. This is called the Standard Fund Threshold (SFT) and is EUR 2 million.

F. Legal Basis

- Public Service Pensions (Single Scheme and Other Provisions) Act 2012.

Pre-2013 Public Service Occupational Pension Schemes (Closed Scheme)

A. Coverage

Mandatory insurance

- Any public servant who joined the public service for the first time before 01/01/2013 and is working in a pensionable position is covered by one of these schemes (e.g. schemes for teachers, health service, defence forces, local government).

Exempted

- Public or civil servants who join the public or civil service for the first time on or after 01/01/2013.

B. Financing

General finances

- The scheme is financed in a PAYG manner by employee contributions. One exception to this is Commercial State Bodies which manage their own specific pension funds through contributions.

Contribution rates

- The personal contribution is 1.5% of pensionable remuneration plus 3.5% of net pensionable remuneration.

Taxation of contribution payments

- No tax exemptions are available. Tax relief is provided at source.

C. Administration

- Each public sector employer is responsible for administering the scheme within their employment. Ultimately the scheme is administered by the Department of Employment Affairs and Social Protection.

D. Qualifying Conditions

- While differing qualifying conditions will apply depending on the exact public service scheme applied under, the following common conditions must be met (as stated below).
- Recruitment date: employees in pensionable positions will have been recruited prior to 01/01/2013.
- Vesting period: must have paid into the scheme for a minimum of 24 months.
- Age: the minimum pension age varies depending on whether the employee is classed as a 'new entrant' to the public service.[2] If the employee is a 'new entrant' (they joined the public service on or after 01/04/2004) the minimum pension age is 65 years. For all other public servants the minimum retirement age is 60 years.
- Early retirement: early retirement is possible at age 55 for new entrants and age 50 for non-new entrants under the Cost Neutral Early Retirement Scheme. It is based on actuarially-reduced cost-neutral reduction of benefits.
- Ill health: where ill health occurs, immediate retirement can occur with added years of service.
- Remaining in employment: this is possible but there is no reckoning of service beyond age 65 except for post-2004 new entrants.
- Enhancement of pension: there are options available to individuals to enhance pension through the purchase of notional service at full actuarial cost or through additional voluntary contribution schemes (which trade unions may introduce and promote).

E. Benefits

Pension benefits

- These are generally defined benefit schemes.
- Two retirement benefits accrue under these schemes: retirement lump sum and retirement pension.

- The benefits are calculated by reference to pensionable remuneration at the date of retirement (final salary model) and reckonable service. Pensionable remuneration is the aggregate of pensionable salary (the salary on the last day of service) and pensionable allowances (average of the variable pensionable allowances received in the best three consecutive years in the ten years preceding retirement). If the employee has recently been promoted, the average salary over the last three years of service is generally used.
- The maximum number of years of reckonable service allowed for the calculation of benefits is 40 years.
- Retirement lump sum: calculated at the rate of 3/80ths of pensionable remuneration for each year of pensionable service, subject to a maximum of 1.5 times pensionable remuneration.
- Retirement pension: the method of calculation will depend on the employee's PRSI status (i.e. whether or not they are fully insured) and applicable pension terms. Generally, a pension of 1/80th of final earnings is payable for each year of service
- Retirement benefits are coordinated with the State Pension (Contributory) for those who joined the public service on or after 06/04/1995. This means that both the State Pension (Contributory) and the occupational pension can be claimed.

Taxation and social security contributions

- Pension lump sums under EUR 200,000 are tax-free. The next EUR 300,000 of pension lump sum taken from all pension arrangements since 7 December 2005 is taxable at the standard rate of income tax (currently 20%). Any lump sum over the EUR 500,000 limit will have Universal Social Charge deducted and will be taxed at the higher rate (currently 40%). There is also a cap on the maximum value of retirement benefits that any individual can build up from 07/12/2005 onwards. This is called the Standard Fund Threshold (SFT) and is EUR 2 million.

F. Legal Basis

- Public Service Superannuation (Miscellaneous Provisions) Act 2004; Model Pre-Existing Pension Scheme: S.I. No. 582/2014 Rules for Pre-Existing Public Service Pension Scheme Members Regulations 2014.

Private Sector Occupational Pension Schemes

A. Coverage

Voluntary insurance

- Employers are not obligated to offer a private sector occupational pension scheme, and whether membership of the schemes is voluntary or compulsory for the employee depends on the particular scheme.
- It would generally be available to all employees in a particular workplace.

B. Financing

General finances

- Financed by capital funding based on member contributions.

Contribution rates

- Defined benefit schemes: contribution rates are determined by reference to the defined benefit and paid by the employee. Employer contributions are permitted but not compulsory.
- Defined contribution schemes: the level of contribution is set by the scheme. Employer contributions are permitted but are not compulsory.
- Hybrid schemes: are combination schemes, self-annuitising schemes, final salary lump sum schemes, underpin schemes.
- Combination scheme: employer contribution of 5% of earnings in excess of 2 times the State Retirement Pension.
- Self-annuitising scheme: employer contribution of 5% of pensionable earnings for each year of pensionable service.
- Final salary lump sum scheme: no employer contribution.
- Underpin scheme: employer contribution of 15% of pensionable earnings.
- Cash balance scheme: no employer contributions

State support & incentivising strategies

- There is no taxation on contribution payments.
- Tax relief is available on employee contributions and is granted on earnings subject to age-related caps of between 15% to 40% of earnings. Earnings are subject to a further limit of EUR 115,000. The portion of earnings that an employee can claim tax relief on is determined by their age.[3]

C. Administration

- Defined benefit and contribution occupational pension schemes are managed by trusts and administered according to pensions law, revenue requirements, the governing trust documentation and trust law.
- The regulation of private sector occupational pension schemes is overseen by the Pensions Authority. The Revenue Commissioners also monitor compliance of group schemes (large employer with many businesses).
- Hybrid schemes are administered via a closed pension fund, or by an insurance company. Regulated by the Pensions Authority.

D. Qualifying Conditions

- The terms will normally be dependent on the scheme itself but there are some statutory conditions, as well as other conditions which are common to most private sector occupational pension schemes.
- Qualifying service: benefits will vest following the completion of two years of 'qualifying service'. A person who leaves a scheme early will generally (unless the scheme determines otherwise) not have any entitlement to preserved or deferred benefits. Refunds or transfers may be possible in such circumstances.
- Age: most schemes specify a normal retirement age which must be between the ages of 60 and 70 years (unless otherwise agreed with the Revenue Commissioners).

- Early retirement/ill health: in cases of early retirement or ill health, certain benefits will be provided. In the case of ill health, benefits can be provided from any age. Early retirement can be taken from age 50 but in defined benefit schemes an actuarial reduction to reflect early payment may be applied. Where a defined benefit scheme is underfunded, the Pensions Act permits the trustees to refuse early retirement applications.

E. Benefits

Pension payments

- Defined benefit schemes: retirement benefits are defined normally based on earnings (final salary or career average) and are dependent on the scheme design. The benefit accrued is most usually calculated by reference to final salary: a fraction of salary for each year of service (for example, 1/60th or 1/80th of salary for each year of service). Members may be entitled to a retirement pension (or an annuity purchased from an insurance company) with the option to claim part or all of their benefits as a tax-relieved lump sum.
- Defined contribution scheme: the normal retirement benefits include retirement pension from the scheme (or in the form of an annuity purchased from an insurance company) with an option to claim part or all of their benefits as a retirement lump sum. The benefits payable depend on the number of years of service.[4] Generally, a person with 40 or more years of service will receive an amount which does not exceed two thirds of the final remuneration. Those with less than 40 years of service can also receive two thirds of their final remuneration as long as they accrued it over a minimum of ten years to retirement.
- Hybrid schemes: the benefits accruing will normally be dependent on the terms of the scheme. These schemes normally have elements of both defined benefit and defined contribution schemes. Generally, the schemes administer benefits in the manner as described below.
- Combination scheme: benefits are calculated by 1/60th of pensionable earnings up to 2 times the State Retirement Pension x pensionable service, plus defined contribution benefits with 5% employer contribution on earnings in excess of 2 times the State Retirement Pension.
- Self-annuitising scheme: accumulated fund converted to a pension income in accordance with the rules of the scheme.
- Final salary lump sum scheme: 20% of final year pensionable earnings x pensionable service.
- Underpin scheme: 2% of career average earnings (without revaluation) x pensionable service, plus defined contribution benefits with employer contribution of 15% of pensionable earnings.
- Cash balance: 8% of pensionable earnings for each year of pensionable service. Account balance increased by a specified rate of interest each year.

Taxation and social security contributions

- Pension lump sums under EUR 200,000 are tax-free. The next EUR 300,000 of pension lump sum taken from all pension arrangements since 07/12/2005 is taxable at the standard rate of income tax (20% in 2021). Any lump sum over the EUR 500,000 limit will have Universal Social Charge deducted and will be taxed at the higher rate (40% in 2021). There is also a cap on the maximum value of retirement benefits that any individual can build up from 07/12/2005 onwards. This is called the Standard Fund Threshold (SFT) and is EUR 2 million.

F. Legal Basis

- Pensions Act 1990; S.I. No. 325 of 1991 - Occupational Pension Schemes (Registration) Regulations, 1991; S.I. No. 293 of 2006 - Occupational Pension Schemes (Trustee) Regulations 2006; S.I. No. 610 of 2002 - Occupational Pension Schemes (Fees) (Amendment) Regulations, 2002; S.I. No. 301 of 2006 - Occupational Pension Schemes (Disclosure of Information) Regulations, 2006; S.I. No. 294 of 2006 - Occupational Pension Schemes (Investment) Regulations, 2006; S.I. No. 292 of 2006 - Occupational Pension Schemes (Cross-Border) Regulations, 2006; S.I. No. 419 of 1993 - Occupational Pension Schemes (Funding Standard) Regulations, 1993; S.I. No. 175 of 2013 - The Occupational Pension Schemes (Funding Standard Reserve) Regulations 2013; S.I. No. 279 of 2002 - Occupational Pension Schemes (Preservation of Benefits) Regulations, 2002; S.I. No. 277 of 2002 - Occupational Pension Schemes (Preservation of Benefits) (Special Calculations) Regulations, 2002; Annual Occupational Pension Schemes (Revaluation) Regulations; S.I. No. 365 of 1992 - Occupational Benefit Schemes (Equal Treatment) Regulations, 1992; S.I. No. 155 of 2016 - Occupational Pension Schemes (Section 48A) Regulations, 2016; S.I. No. 509 of 2009 - Occupational Pension Schemes (Wind-Up) Regulations, 2009; S.I. No. 392 of 2014 - Occupational Pension Schemes (Sections 50 and 50B) Regulations, 2014; S.I. No. 532 of 2008 - Occupational Pension Schemes (Small Schemes in Wind-Up Exemption from Actuarial Funding Certificate Requirements); S.I. No. 177 of 2009 - Occupational Pension Schemes (Duties of Trustees In Connection With Bulk Transfer) Regulations, 2009; S.I. 137 of 2007 - Occupational Pension Schemes (Review of Actuarial Work) Regulations, 2007; S.I. No. 603 of 2005 - Occupational Pension Schemes (Professional Guidance) Regulations, 2005; S.I. No. 77 of 1997 - Occupational Pension Schemes (Oral Hearing) Regulations, 1997; S.I. No. 107 of 1997 - Pension Schemes (Family Law) Regulations, 1997; S.I. No. 233 of 2004 - Occupational Pension Schemes (Annual Reports) Regulations, 2004.

Personal Retirement Savings Account (PRSA)

A. Coverage

Voluntary insurance

- Anyone can join a PRSA regardless of their employment or other status.
- A PRSA is a scheme which employers must provide mandatorily to all 'excluded employees' from *private sector occupational pension schemes*.[5] For these employees, there must be the option of a PRSA available in their workplace.
- There are two types of PRSA: standard and non-standard. The main differences between the two are related to a cap in charges for standard PRSAs, and the types of investment are restricted in standard PRSAs.

B. Financing

General finances

- It is financed through contributions into a fund maintained by a PRSA provider.

Contribution payments

- Contributions are paid by the employee; no employer contributions are required.
- Contribution rates are freely chosen but PRSA providers cannot impose a minimum contribution greater than: EUR 300 per annum, EUR 10 per electronic transaction, or EUR 50 per transaction for other methods of payment.

State support & incentivising strategies

- Tax relief is available on employee contributions and is granted on earnings subject to age-related caps of between 15% to 40% of earnings. Earnings are subject to a further limit of EUR 115,000. The portion of earnings that an employee can claim tax relief on is determined by their age[6]. This is referred to as the 'age-related earnings percentage limits'. Persons under 30 will get tax relief on contributions of up to 15% of their earnings. This increases with age e.g. 30-39: 20%; 40-49: 25%; 50-54: 30%; 55-59: 35% and 60 or over: 40%.

C. Administration

- Three main bodies are involved in the administration of PRSA products.
- The Pensions Authority authorises PRSA providers, approves PRSA products, supervises activities of PRSA providers and monitors compliance with legislation.
- The Revenue Commissioners approve PRSA products in conjunction with the Pensions Authority.
- The Central Bank of Ireland supervises PRSA providers and sales process of approved PRSA products.

D. Qualifying Conditions

- The terms of the individual PRSA product will determine the qualifying conditions for accessing retirement benefits, but there are some general conditions common to all PRSA products.
- PRSA products are generally more flexible than other standard pensions. Generally, retirement benefits can be taken between the ages of 60 and 75 years. Exceptions for earlier access to retirement benefits can be made where the employee, for example, works in a field where retirement normally occurs before the age of 60 years e.g. sport persons.
- A PRSA certificate and contract, a birth certificate and a Personal Public Service Number will be needed to access a PRSA.
- Early retirement is normally possible from age 50. Where ill health or disability arises, many pension arrangements allow retirement at any age up to age 75.

E. Benefits

Pension payments

- As a defined contribution scheme, a PRSA fund will consist of the total contributions paid and the investment return earned on those contributions (less the PRSA provider's charges).
- Benefits consist of both a retirement lump sum and a remainder which can be used in a variety of ways.

- The lump sum available on retirement may be up to 25% of the PRSA fund value.
- The remainder of the PRSA fund can be used to buy an annuity, or left in the PRSA fund for withdrawal at any time, subject to Revenue requirements (this is called a vested PRSA), or transferred to an approved retirement fund (ARF), subject to Revenue requirements. Where an ARF or time-to-time withdrawal are chosen, a minimum retirement income requirement is imposed. Persons under 75 are required to demonstrate a guaranteed income of EUR 12,700 per annum. This amount can include state pensions. Where this minimum threshold is not met, the person must either transfer EUR 63,500 of their PRSA fund to an Approved Minimum Retirement Fund (AMRF), or purchase an annuity which will bring up the level of guaranteed income to the minimum amount.
- If retirement benefits are not taken before the 75th birthday the PRSA will automatically become a vested PRSA. An individual has 30 days from their 75th birthday to fill in a benefit crystallisation event (BCE) certificate, or else income tax at the higher rate (40% in 2021) will be deducted from the fund and paid to the Revenue Commissioners. From age 75 they will have no access to their vested PRSA.

Taxation and social security contributions

- Pension lump sums under EUR 200,000 are tax-free. The next EUR 300,000 of pension lump sum taken from all pension arrangements since 07/12/2005 is taxable at the standard rate of income tax (20% in 2021). Any lump sum over the EUR 500,000 limit will have Universal Social Charge deducted and will be taxed at the higher rate (40% in 2021). There is also a cap on the maximum value of retirement benefits that any individual can build up from 07/12/2005 onwards. This is called the Standard Fund Threshold (SFT) and is EUR 2 million.

F. Legal Basis

- Pensions (Amendment) Act 2002; S.I. No. 503 of 2002 - Personal Retirement Savings Accounts (Operational Requirements) Regulations, 2002; S.I. No. 506 of 2002 - Personal Retirement Savings Accounts (Fees) Regulations, 2002; S.I. No. 501 of 2002 - Personal Retirement Savings Accounts (Disclosure) Regulations, 2002; S.I. No. 429 of 2003 - Occupational Pension Schemes and Personal Retirement Savings Accounts (Transfer) Regulations, 2003; S.I. No. 716 of 2003 - Occupational Pension Schemes and Personal Retirement Savings Accounts (Overseas Transfer Payments) Regulations, 2003; S.I. No. 386 of 2012 - Personal Retirement Savings Accounts (Exempt Unit Trust Charges) Regulations, 2012; S.I. No. 611 of 2002 - Personal Retirement Savings Accounts (Functions of Pensions Authority) Regulations 2002.

Retirement Annuity Contract (RAC)

A. Coverage

Voluntary insurance

- RACs are generally available to all persons who have or have had, at some stage, 'relevant earnings' including non-pensionable employment, or earnings from self-employment.

B. Financing

General finances

- The RAC is a capital-funded scheme financed through contributions and capital revenues.

Contribution payments

- Contributions are paid by individual.
- Employers may pay a contribution but this is not mandatory.
- Insurance companies may set their own minimum contribution limits in order for a person to take out an RAC.

State support & incentivising strategies

- Tax relief is available on contributions for those who or have 'relevant earnings' defined as: non-pensionable employment, self-employed trade or profession. The tax relief is dependent on age and earnings. This is referred to as the 'age-related earnings percentage limits'. Persons under 30 will get tax relief on contributions of up to 15% of their earnings. This increases with age e.g. 30-39: 20%; 40-49: 25%; 50-54: 30%; 55-59: 35% and 60 or over: 40%.

C. Administration

- RACs are administered by insurance companies who have been approved by the Revenue Commissioners. Pensions are regulated by the Pensions Authority.

D. Qualifying Conditions

- The terms will normally be dependent on the scheme itself but there are some statutory conditions, as well as other conditions which are common to most RACs. As private pension plans, these are generally more flexible than other pension schemes.
- Age: most schemes specify a normal retirement age which must be between the ages of 60 and 75 years.
- Early retirement/ill health: in cases of early retirement or ill health, certain benefits will be provided. In the case of ill health, benefits can be provided from any age. In certain occupations, benefits may be taken before age 60 but in no case before age 50, with the prior approval of the Revenue Commissioners. In cases of serious ill health, benefits may be taken at any age provided the insurance company has received medical evidence to show that the individual is permanently incapable through infirmity of mind or body of carrying on his own occupation or any occupation of a similar nature for which he is trained or fitted (Section 784(3)(b) Taxes (Consolidation) Act 1997).

E. Benefits

Pension payments

- The amount of the benefit received will depend on the level of contributions paid, the investment return earned on those contributions and the cost of buying the pension.
- Retirement lump sum: the person can take 25% of the retirement fund as a tax-free lump sum.
- Balance: the person can either purchase an annuity from an insurance company or set up an ARF/AMRF.
- If retirement benefits are not taken before the 75th birthday, the pension will automatically become a vested RAC. An individual has 30 days from their 75th birthday to fill in a benefit crystallisation event (BCE) certificate, or income tax at the higher rate (currently 40%) will be taken from the fund and paid to the Revenue Commissioners. Once vested, an individual no longer has access to their pension benefits.

Taxation and social security contributions

- Pension lump sums under EUR 200,000 are tax-free. The next EUR 300,000 of pension lump sum taken from all pension arrangements since 07/12/2005 is taxable at the standard rate of income tax (20% in 2021). Any lump sum over the EUR 500,000 limit will have Universal Social Charge deducted and will be taxed at the higher rate (40% in 2021). There is also a cap on the maximum value of retirement benefits that any individual can build up from 07/12/2005 onwards. This is called the Standard Fund Threshold (SFT) and is EUR 2 million.
- All pensions (annuities) in payment are subject to PAYE at source and the health levies.

F. Legal Basis

- Taxes (Consolidation) Act 1997; S.I. No. 187 of 2007 - Trust RACs (Registration) Regulations, 2007; S.I. No. 186 of 2007 Trust RACs (Trustee) Regulations 2007; S.I. No. 768 of 2007 - Trust RACs (Fees) Regulations, 2007; S.I. No. 182 of 2007 - Trust RACs (Disclosure of Information) Regulations, 2007; S.I. No. 185 of 2007 -Trust RACs (Investment) Regulations, 2007; S.I. No. 184 of 2007 - Trust RACs (Cross-Border) Regulations, 2007.

Footnotes

1 Special thanks to Mr. Peter Dewhurst, tax and pension expert, Ireland, for expert comments.

2 Public Service Superannuation (Miscellaneous Provisions) Act 2004.

3 The portion of earnings that an employee can claim tax relief on is determined by their age in accordance with the following table: aged under 30: 15% of earnings; aged 30 to 39: 20% of earnings; aged 40 to 49: 25% of earnings; aged 50 to 54: 30% of earnings; aged 55 to 59: 35% of earnings; aged 60 or over: 40% of earnings.

4 One year: 4/60ths of final remuneration; two years: 8/60ths of final remuneration; three years: 12/60ths of final remuneration; four years: 16/60ths of final remuneration; five years: 20/60ths of final remuneration; six years: 24/60ths of final remuneration; seven years: 28/60ths of final remuneration; eight years: 32/60ths of final remuneration; nine years: 36/60ths of final remuneration; ten years: 40/60ths of final remuneration.

5 These are defined as all employees who: do not have access to a private sector occupational pension scheme; are not included in a private sector occupational pension scheme for death-in-service benefits only; are not eligible to join the company's private sector occupational pension scheme; will not become eligible to join the scheme within six months from the date they began work there; are not included in the private sector occupational pension scheme that does not permit the payment of additional voluntary contributions by the members.

6 The portion of earnings that an employee can claim tax relief on is determined by their age in accordance with the following table: aged under 30: 15% of earnings; aged 30 to 39: 20% of earnings; aged 40 to 49: 25% of earnings; aged 50 to 54: 30% of earnings; aged 55 to 59: 35% of earnings; aged 60 or over: 40% of earnings.

ITALY

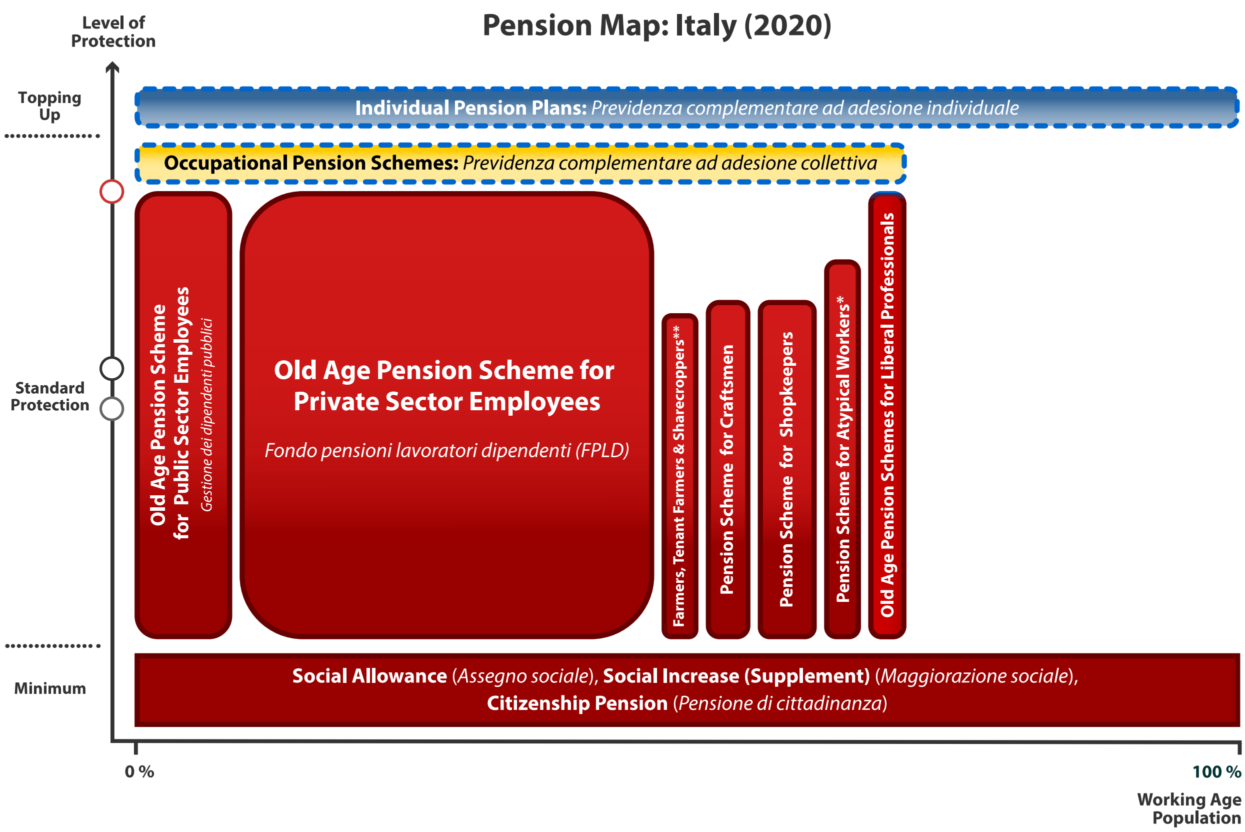
THE ITALIAN OLD AGE SECURITY SYSTEM IN 2020

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 a notional defined contribution (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*



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

sharecroppers (*Gestione coltivatori diretti, coloni e mezzadri, 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 notional defined contribution (NDC) calculation scheme is considered): annual personal income below EUR 5,978 for a single person; below EUR 11,956 for a couple; ceilings are adjusted annually.

E. Benefits

- Flat-rate benefit: monthly amount of up to EUR 460 (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 EUR 5,978 (full benefit) and EUR 8,470 (partial benefit) for a single person; income limits between EUR 11,956 (full) and EUR 14,447 (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 EUR 192.
- For recipients of a public pension: monthly amount (13 instalments) of up to EUR 136 (up to EUR 124 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 EUR 9,360 (in case of rental expenses), to be multiplied by equivalence scale parameters; financial assets (savings) not exceeding EUR 6,000 + EUR 2,000 for any additional member of the family unit, up to a ceiling of EUR 10,000 (higher ceilings in case of family members affected by disability or loss of autonomy); real estate assets not exceeding EUR 30,000 (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 EUR 630/month for a single person (annual amount of up to EUR 7,560) 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 EUR 150/month (up to EUR 1,800/year) as subsidy for rental or mortgage costs; corresponding to a total amount of EUR 780/month for a single person; to EUR 1,032/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 (EUR 103,055 in 2020).
- Contributions shared between employer (23.81%) and employee (9.19%).
- Different contribution rates apply to distinct occupational groups; reduced contributions for domestic workers.
- General statutory daily minimum contribution is EUR 49 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 EUR 47,379 (EUR 3,948 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 EUR 690 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 notional defined contribution (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 EUR 1,289 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 notional defined contribution (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 EUR 10,044, the benefit amounts to a maximum of EUR 437 (with contribution period of 15 years), EUR 546 (with contribution period between 15-25 years), EUR 655 (with contribution period above 25 years); for annual income up to EUR 13,392 the benefit amounts to EUR 336, EUR 420 or EUR 504 depending on the contribution period.
- *Special tax allowance* (*Importo aggiuntivo*): flat-rate bonus of EUR 155 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 (EUR 516 per month in 2020) plus the tax bonus; annual income of single person must not exceed 1.5 times the minimum pension amount (EUR 10,044); annual income of couple must not exceed 3 times the minimum pension (EUR 20,088).

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 (EUR 2,052) 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 EUR 8,000 p.a. for pensioners).
- Temporary solidarity contribution on pensions exceeding EUR 5,000 per month (deductions ranging from 15% to 40% of pension brackets above EUR 100,160 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 EUR 47,379 (EUR 3,948 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 EUR 59 in 2020); additional contribution of EUR 0.68 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 EUR 47,379; 25% on company income above the limit; reduced rates for workers under 21 (21.9% and 22%); annual minimum income is set at EUR 3,836 (EUR 3,501 for persons under 21); annual maximum is set at EUR 78,965.

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 EUR 3,850; annual maximum at EUR 78,965.

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 (EUR 15,953 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 EUR 5,165 p.a. (excluding TFR transfers) are tax exempt; after 5 years of affiliation, an increased ceiling (EUR 7,747 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 notional defined contribution (NDC) system, cf. regulations on pension benefits for deputies; on pension benefits for senators (2012).

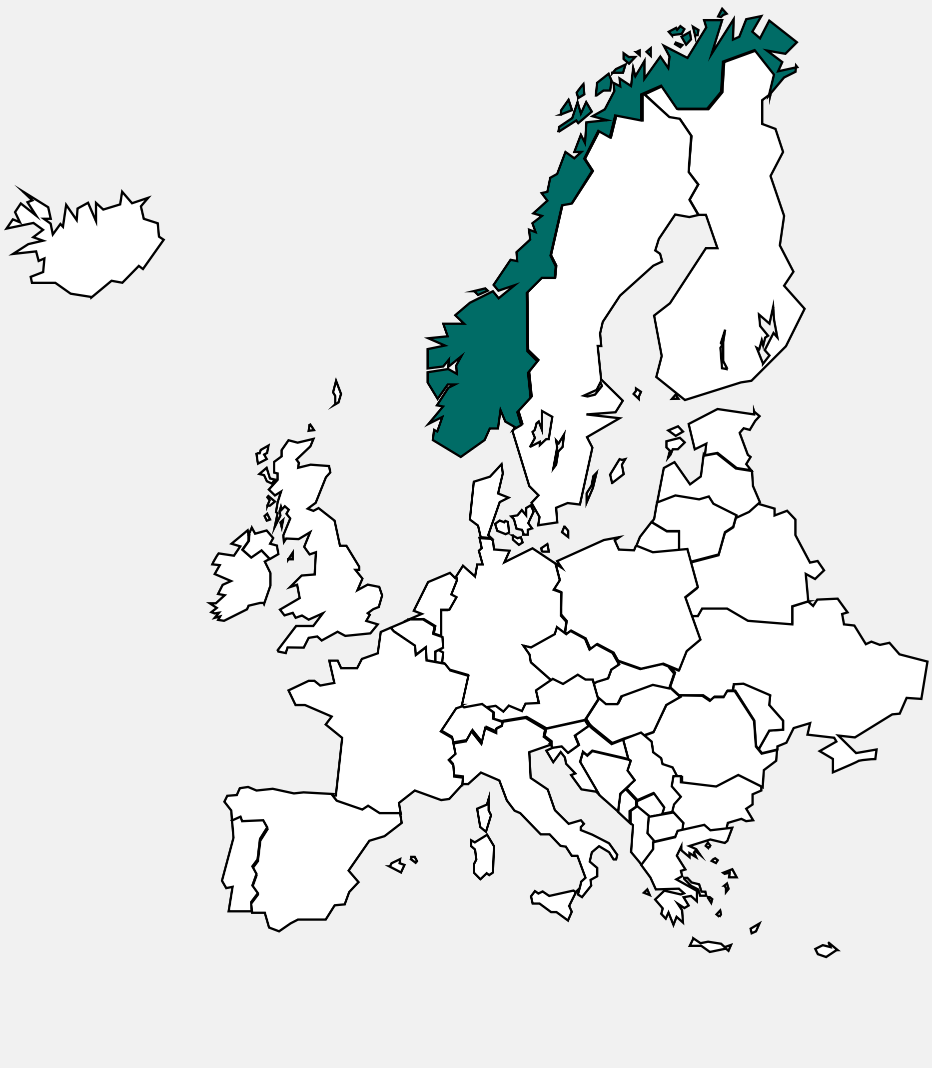
2 For a few occupations mandatory *'integrative' statutory pension schemes* persist to supplement standard pensions, e.g. for tax collectors, dock workers, miners (managed by INPS), while some self-employed professionals enjoy additional protection provided by mandatory supplementary insurance schemes, 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

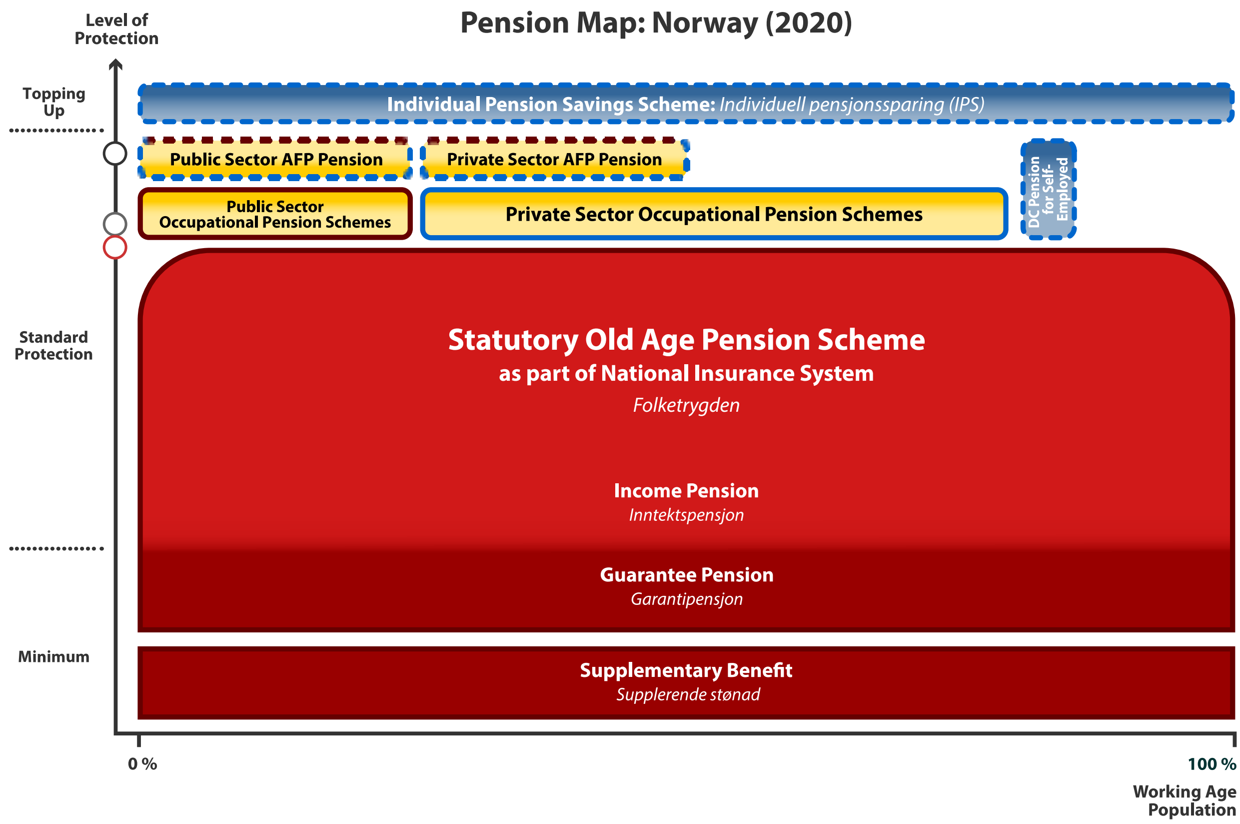
Anika Seemann

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% defined contribution (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 NOK 30,000 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 NOK 54,650.
- 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.

Guarantee pension

- 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 (*levealderjustering*), 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 NOK 30,000 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 defined contribution (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 NOK 30,000 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 NOK 30,000 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 NOK 30,000 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 NOK 30,000 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.
- Defined contribution (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 NOK 30,000 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 NOK 40,000 can be saved per year.

State support

- Tax deferrals available, subject to conditions (currently up to NOK 8,800 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 NOK 30,000 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 (NOK 99,858 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.

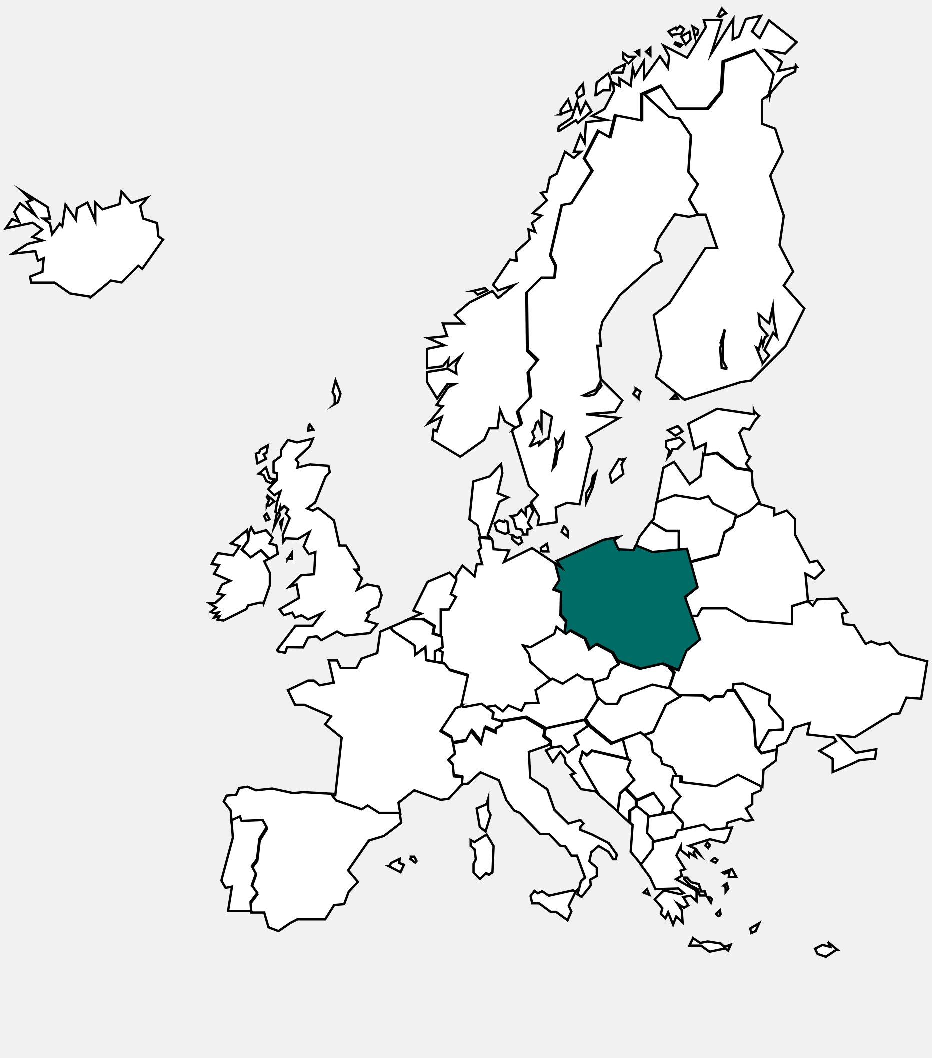
3 This contribution is a type of tax, and is not directly related to the pension benefits. Pension benefits are calculated on the basis of income rather than contributions.

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.

POLAND



THE POLISH OLD AGE SECURITY SYSTEM IN 2020

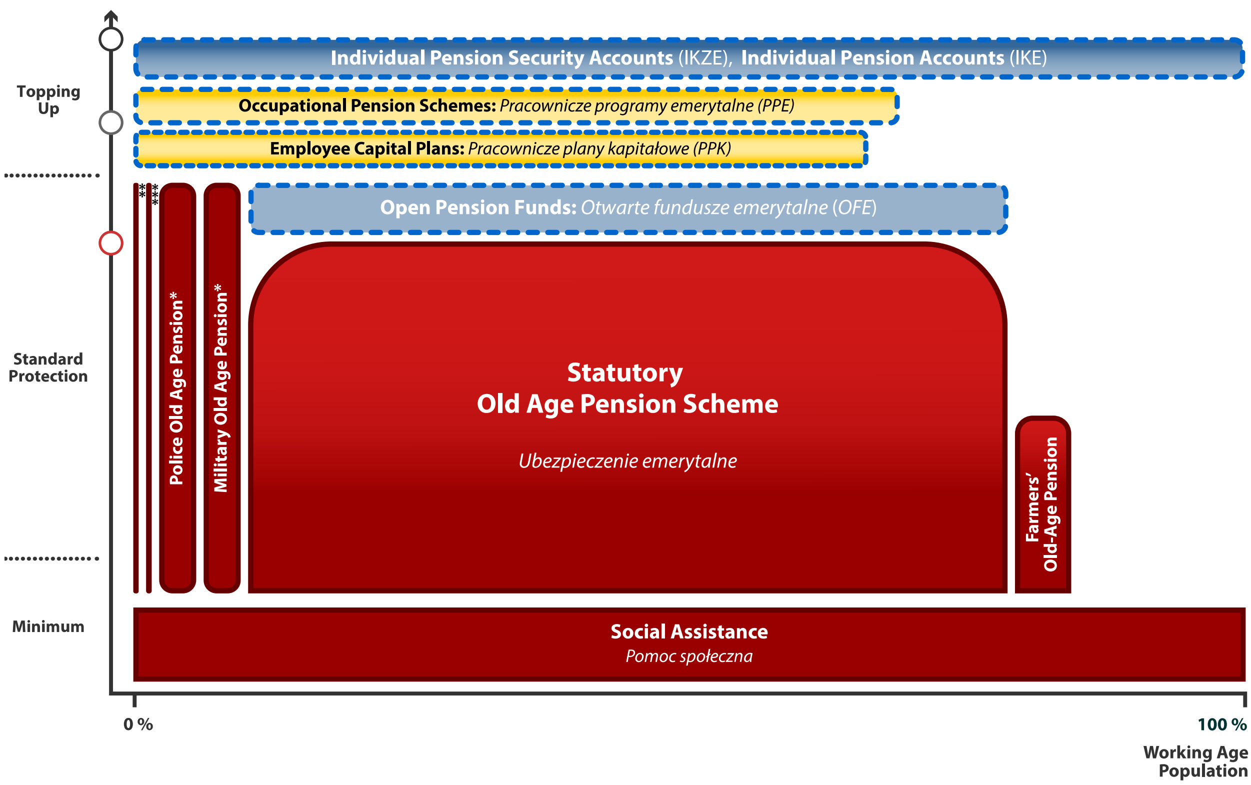
Daniel Eryk Lach

When Poland regained independence in 1918, the pension schemes of the partitioning powers of Germany and Austria stayed in force in the respective parts of the country, while in the territory of the former Russian partition no proper pension regulation existed. The Social Insurance Act of 1933 introduced a unified system of pension insurance throughout the country. Since then the Polish pension system has experienced different structural reforms, especially during and after the period of socialism (1947–1989). The great reform of 1999 established private and occupational pension schemes in addition to the pre-existing public pension schemes. Currently, the legislator intends to provide 'standard protection' against financial risks in old age primarily by mandatory insurance in public pension schemes, including the general statutory scheme and several occupation-specific schemes, as well as capital-funded pension plans where part of the mandatory insurance contributions, determined by law, can be transferred. Further, persons working in hazardous jobs are mandatorily insured in a specific occupational pension scheme providing the former with a fixed-term pension for early retirement. Benefits from private pension plans and occupational pension schemes which are based on voluntary participation can 'top up' pension benefits if used in conjunction with other forms of 'standard protection'. In addition, most of the salaried workers are automatically enrolled in supplementary occupational pension savings schemes (with possibilities for opting out) which were phased in beginning in 2019. Some public pension schemes guarantee a 'minimum' pension for persons who fulfil certain requirements. Outside of the Polish pension system, general social assistance measures provide a minimum subsistence level to persons in need.

Standard Protection in Old Age

The *statutory old age pension scheme* (*ubezpieczenie emerytalne*) covers the majority of the economically active population, including civil servants and the self-employed. Voluntary insurance in the scheme is possible for all persons not mandatorily insured in the scheme. It is the largest public scheme, financed on a pay-as-you-go (PAYG) basis. Apart from the standard old age pension regulations, many specific regulations determine the right to benefits and their amounts concerning selected professional groups, such as miners, railway workers, teachers, selected

Pension Map: Poland (2020)



Coverage: * < 1%; ** < 0.05% (*Pension Scheme for Judges*); *** < 0.03% (*Pension Scheme for Public Prosecutors*) civil servants and persons with disabilities. The reform of 1999 introduced notional defined contribution benefit formation to the system, which used to be based on the defined benefit model.[1] As the amount of the benefit is no longer dependent on the period of employment/insurance, but only on the sum of contributions accumulated on the individual account, the reform of 1999 also introduced the capital-funded *open pension funds* (*otwarte fundusze emerytalne, OFE*) as part of the standard protection to supplement benefits of the *statutory old age pension scheme*. While first participation in the OFEs was mandatory for persons born after 1968, all persons insured in the *statutory old age pension scheme* can nowadays chose freely whether to contribute parts of their mandatory insurance contributions (2.92%) to the OFEs.[2]

Specific public pension schemes exist for distinct occupational groups who are excluded from mandatory insurance in the *statutory old age pension scheme*. The *pension scheme for judges* (*uposażenie dla sędziów w stanie spoczynku*) and the *pension scheme for public prosecutors* (*uposażenie dla prokuratorów w stanie spoczynku*) both provide privileged treatment for the respective professions. Both schemes are fully tax-financed, paid out of the general budget and commonly provide a high level of financial protection in old age, granting benefits based on earnings received at the end of a person's career. Soldiers in the defence and officers in the security sector (i.e. police forces, intelligence agencies, customs and tax services, and others) are also enrolled in separate tax-financed public schemes, i.e. the *military old age pension* (*zaopatrzenie emerytalne żołnierzy zawodowych*) and the *police old age pension* (*zaopatrzenie emerytalne funkcjonariuszy*). Farmers and their families who work in the agricultural sector participate mandatorily in the heavily subsidised *farmers' old age pension* (*ubezpieczenie społeczne rolników*), which provides moderate financial protection in old age.

Professional groups with burdensome professions are also mandatorily part of a distinct public scheme, namely the *old age bridging pension* (*emerytura pomostowa*), which is partly paid from insurance contributions of the employer and is partly financed from the state budget. The scheme provides an early fixed-term pension until the conditions for claiming an old age pension in the *statutory old age pension scheme* are fulfilled.[3]

Top-Ups

The supplementary options for pension insurance consist of voluntary investment in different fully funded *occupational pension schemes* (*pracownicze programy emerytalne, PPE*) or private pension schemes, namely the *individual pension accounts* (*IKE*) and the *individual pension security accounts* (*indywidualne konto zabezpieczenia emerytalnego, IKZE*). Participation in the IKE is incentivised by tax reliefs; further, benefits from both private schemes are exempted from social security contributions. The schemes essentially represent a personalised saving system for old age based on capital investments and are administered by finance institutions chosen by either the employer or saver, such as investment funds companies, pensions funds, and insurance companies.

In 2019, the so called *employee capital plans* (*pracownicze programy kapitałowe, PPK*) were started to be implemented.[4] As an occupational scheme of joint long-term saving, the PPK intends to cover the majority of the employed population between the ages of 18 and 54. An employer is bound to auto-enrol employees of the relevant age at regular intervals, providing the latter with the option to opt out; employed persons between the ages of 55 and 69 can opt in upon request. The state incentivises participation in the scheme by providing tax-deductions on contribution payments and state allowances by the Labour Fund to those who contribute more than the minimum amount to the occupational capital plans. For the employer it is mandatory to provide insurance for their employees in the PPK, if no other options for occupational pension insurance through PPE are provided. PPK plans do not have to be implemented, if at least 25% of the employees in the given enterprise have joined the PPE and the employer contributes at least 3.5% of remuneration to the PPE.

Minimum

The *statutory old pension scheme* and the *farmers' old age pension* provide a 'minimum pension' that represents a minimum statutory level for pension provision for those who have reached the statutory retirement age and have complied with some specific qualifying conditions for minimum insurance periods. Outside of the pension system, means-tested *social assistance* (*pomoc społeczna*) measures aim at guaranteeing a basic subsistence level for destitute elderly persons. Such measures do not specifically target senior citizens but address other population groups as well.

Social Assistance

Pomoc społeczna

A. Coverage

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

B. Financing

- The scheme is entirely tax-financed out of the budget of the local self-governance units.

C. Administration

- The administration and organisation of the scheme fall under the jurisdiction of the local self-governance units.
- Local welfare authorities manage the scheme (i.e. review applications, decide on eligibility, and pay out benefits).

D. Qualifying Conditions

- Persons residing in Poland.
- Persons at risk of 'difficult life situations' 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 or her spouse/cohabiting partner.

E. Benefits

- Benefit types: benefits in cash (mostly flat-rate); benefits in kind; provision of social assistance services.
- Benefits are not subject to income tax.

F. Legal Basis

- Social Assistance Act (*ustawa o pomocy społecznej*).

Statutory Old Age Pension Scheme

Ubezpieczenie emerytalne

A. Coverage

Mandatory insurance

- Employees.
- Specific groups of economically active persons, such as the self-employed and civil servants.
- 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.

Exempted

- Judges, public prosecutors, professional soldiers, officers (police forces, intelligence agencies, customs and tax services, and others).

Voluntary insurance

- All persons not compulsorily insured in the *statutory old age pension scheme*.

B. Financing

General finances

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

Contribution rates to mandatory insurance

- Fixed share of monthly gross earnings (19.52%) with contribution assessment ceiling.
- Contributions shared in parity between employer (9.76%) and employee (9.76%).
- Self-employed: fixed share (19.52%) of fixed contribution base (60% of national average wages).
- The insured person can choose whether to contribute parts of the mandatory insurance contribution (2.92%) to the OFE (see *open pension funds, OFE*).

C. Administration

- The 'Social Insurance Institution' (*Zakład Ubezpieczeń Społecznych, ZUS*) manages the scheme and pays benefits directly to the person.

D. Qualifying Conditions

Qualifying conditions

- *Standard old age pension*: statutory retirement age is 60 for women and 65 for men without a specified minimum insurance period.
- Special conditions apply to miners, railway workers, teachers, some civil servants and persons with disabilities.
- *Minimum pension*: a minimum pension benefit is granted to persons whose income falls below the minimum pension level (100% pension-tested); retirement age is 60 for women and 65 for men; minimum insurance periods: 20 years for women and 25 years for men.

Early retirement

- No possibilities for early retirement for persons born after 31/12/1948.

Deferred retirement

- Retirement can be deferred with positive (permanent) adjustments to pension benefits.

Combining employment & retirement

- Termination of employment (regardless of the amount of income) is a precondition for claiming pension benefits.
- After retirement new employment is permitted with earnings limits: in case income is higher than 130% of the average salary, the right to pension is suspended; in case income is higher than 70% of the average salary, the pension is proportionately reduced.

E. Benefits

Pension benefits

- Notional defined contribution based on the contributions accumulated in the notional account.
- No maximum amount specified; maximum pension benefit levelled due to contribution assessment ceiling[5].
- *Minimum pension*: PLN 1,200 in 2020 (PLN 1,250.88 in 2021); for persons with a calculated pension income below the minimum pension threshold, subject to compliance with specific qualifying conditions.

Benefit calculation

- Sum of contributions after 1998 in addition to the valorisation of the initial funds associated with the older defined-benefit account, divided by average life expectancy in months.
- *Adjustments*: yearly adjustments of benefits according to adjustment ratio based on the annual consumer price index and growth of average earnings.[6]

Taxation and social security contributions

- Pension benefits are subject to income tax.
- Mandatory contributions for health insurance.

F. Legal Basis

- Social Security Pensions Act (*ustawa o emeryturach i rentach z Funduszu Ubezpieczeń Społecznych*).

Pension Scheme for Judges

Uposażenie dla sędziów w stanie spoczynku

A. Coverage

- Judges.

B. Financing

- Fully tax-financed out of the general budget.

C. Administration

- The Ministry of Justice (*Minister Sprawiedliwości*) administers the scheme (incl. verification of pension rights/entitlements, calculation of pension benefits and payment thereof).

D. Qualifying Conditions

Qualifying conditions
- *Standard judges' pension*: retirement age is 65 without minimum service period.

Early retirement
- Available at age 55 for women with minimum service period of 25 years and at age 60 for men with minimum service period of 30 years, without (permanent) adjustments to pension benefits.

Deferred retirement
- Retirement can be deferred up to age 70.

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

E. Benefits

Pension benefits
- Primarily based on last earnings prior to retirement and seniority level.

Benefit calculation
- Defined benefit based on 75% of the basic salary (determined by law, dependent on specific post) and seniority level allowance prior to retirement.
- *Adjustments*: yearly adjustments of benefits directly linked to adjustments of basic salaries for active judges.

Taxation and social security contributions
- Pension benefits are subject to income tax.
- Mandatory contributions for health insurance.

F. Legal Basis

- Law on the Organisation of Common Courts (*prawo o ustroju sądów powszechnych*).

Pension Scheme for Public Prosecutors

Uposażenie dla prokuratorów w stanie spoczynku

A. Coverage

- Public prosecutors.

B. Financing

- Fully tax-financed out of the general budget.

C. Administration

- The Ministry of Justice (*Minister Sprawiedliwości*) administers the scheme (incl. verification of pension rights/entitlements, calculation of pension benefits and payment thereof).

D. Qualifying Conditions

Qualifying conditions
- *Standard public prosecutors' pension*: retirement age is 65 without minimum service period.

Early retirement
- Available at age 55 for women with a minimum service period of 25 years and at age 60 for men with a minimum service period of 30 years without adjustments to pension benefits.

Deferred retirement
- Retirement can be deferred up to age 70.

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

E. Benefits

Pension benefits
- Primarily based on last earnings prior to retirement and seniority level.

Benefit calculation
- Defined benefit based on 75% of the basic salary[7] and seniority level allowance prior to retirement.
- *Adjustments*: yearly adjustments of benefits directly linked to adjustments of basic salaries for active public prosecutors.

Taxation and social security contributions
- Pension benefits are subject to income tax.
- Mandatory contributions for health insurance.

F. Legal Basis

- Act on Public Prosecutors (*prawo o prokuraturze*), Law on the Organisation of Common Courts (*prawo o ustroju sądów powszechnych*).

Military Old Age Pension

Zaopatrzenie emerytalne żołnierzy zawodowych

A. Coverage

- Professional soldiers.

B. Financing

- Fully tax-financed out of the general budget.

C. Administration

- The Ministry of National Defence (*Minister Obrony Narodowej*) administers the scheme (incl. verification of pension rights/entitlements, calculation of pension benefits and payment thereof).

D. Qualifying Conditions

Qualifying conditions
- *Soldiers in service after 2012*: no statutory retirement age, minimum service period: 25 years.
- *Soldiers in service before 2012*: no statutory retirement age, minimum service period: 15 years.
- Exceptions apply in case of service-related disability through special regulations on military disability pensions.

Early retirement
- No possibilities for early retirement.

Deferred retirement
- Retirement can be deferred with positive (permanent) adjustments to pension benefits (various regulations apply).

Combining employment & retirement
- Termination of employment is a precondition for claiming pension benefits.
- After retirement, employment different from the employment that is the basis for the pension qualification is permitted with earnings limits.

E. Benefits

Pension benefits
- Primarily based on earnings of 10 consecutive years of service (prior to 2012: last earnings).

Benefit calculation
- *Soldiers in service after 2012*: defined benefit based on 10 consecutive years chosen by person (if no active selection is made, the last 10 years prior to retirement serve as reference period).
- *Soldiers in service before 2012*: defined benefit based on last earnings prior to retirement in the last official position.
- Adjustments: yearly adjustments of benefits according to adjustment ratio based on the annual consumer price index and growth of average earnings.[6]

Taxation and social security contributions
- Pension benefits are subject to income tax.
- Mandatory contributions for health insurance.

F. Legal Basis

- Act on Pensions for Professional Soldiers and their Families (*ustawa o zaopatrzeniu emerytalnym żołnierzy oraz ich rodzin*).

Police Old Age Pension

Zaopatrzenie emerytalne funkcjonariuszy

A. Coverage

- Officers of the police, the Internal Security Agency, the Foreign Intelligence Agency, the Military Intelligence Service, the Military Counterintelligence Service, the Central Anti-Corruption Bureau, the Border Guard, the Government Protection Bureau, the State Fire Service, the Customs and Tax Service, and the Prison Service.

B. Financing

- Fully tax-financed out of the general budget.

C. Administration

- The Ministry of Internal Affairs (*Minister Spraw Wewnętrznych*) administers the scheme (incl. verification of pension rights/entitlements, calculation of pension benefits and payment thereof).

D. Qualifying Conditions

Qualifying conditions
- *Officers in service after 2012*: statutory retirement age 55; minimum service period: 25 years.
- *Officers in service before 2012*: no statutory retirement age, minimum service period: 15 years.
- Exceptions apply in case of service-related disability through special regulations on officers' disability pensions.

Early retirement
- No possibilities for early retirement.

Deferred retirement
- Retirement can be deferred with positive (permanent) adjustments to pension benefits (various regulations apply).

Combining employment & retirement
- Termination of the specified employment is a precondition for claiming pension benefits.
- After retirement, an employment different from the previous pension-based employment is permitted with earnings limits.

E. Benefits

Pension benefits
- Primarily based on earnings of 10 consecutive years of service (prior to 2012: last earnings).

Benefit calculation
- *Officers in service after 2012*: defined benefit based on 10 consecutive years chosen by person (if no active selection is made, the last 10 years prior to retirement serve as reference period).
- *Officers in service before 2012*: defined benefit based on last earnings prior to retirement in the last official position.
- *Adjustments*: yearly adjustments of benefits according to adjustment ratio based on the annual consumer price index and growth of average earnings.[6]

Taxation and social security contributions
- Pension benefits are subject to income tax.
- Mandatory contributions for health insurance.

F. Legal Basis

- Act on Pensions for Officers of the Uniformed Services and their Families (*ustawa o zaopatrzeniu emerytalnym funkcjonariuszy Policji, Agencji Bezpieczeństwa Wewnętrznego, Agencji Wywiadu, Służby Kontrwywiadu Wojskowego, Służby Wywiadu Wojskowego, Centralnego Biura Antykorupcyjnego, Straży Granicznej, Służby Ochrony Państwa, Państwowej Straży Pożarnej, Służby Celno-Skarbowej i Służby Więziennej oraz ich rodzin*).

Farmers' Old Age Pension

Ubezpieczenie społeczne rolników

A. Coverage

Mandatory insurance

- Self-employed entrepreneurs and spouse/partner working in the agrarian sector (e.g. farmers, foresters, winemakers) who own at least one hectare of land and who are not compulsorily insured in the *statutory old age pension scheme*.

B. Financing

General finances

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

Contribution rates

- Flat-rate monthly contribution payments independent of declared income for insured entrepreneurs and spouse/partner; size of contribution payments is dependent on the size of the cultivated area.

Taxation of contribution payments

- Tax exemptions for insurance contributions excluding state subsidies.

C. Administration

- The 'Farmers' Social Insurance Institution' (*Kasa Rolniczego Ubezpieczenia Społecznego*) manages the scheme and pays benefits directly to the person.

D. Qualifying Conditions

Qualifying conditions

- Statutory retirement age is 60 years for women and 65 for men; minimum insurance period: 20 years for women and 25 years for men.

Early retirement

- No possibilities for early retirement.

Deferred retirement

- Retirement can be deferred.

Combining employment & retirement

- Ceased agricultural activity is a precondition for claiming pension benefits.

E. Benefits

Pension benefits

- Defined benefit; primarily based on the length of insurance/credited period and the minimum amount of the *statutory old age pension scheme*.
- If the amount of the old age pension is lower than the amount of the minimum pension in the *statutory old age pension scheme*, the amount of such benefit is ex officio increased to this amount.

Benefit calculation

- The benefit consists of two parts: (1) the contributory part is 1% of the 'basic pension'[8] for each year of insurance; (2) the supplementary part: if the number of years taken to calculate the contributory part is less than 20, then 95% of the 'basic pension' are added. For each full year over a period of 20 years taken into account for the contributory part, the supplementary part is reduced by 0.5% of the basic pension.
- *Adjustments*: yearly adjustments of benefits according to adjustment ratio based on the annual consumer price index and growth of average earnings.[6]

Taxation and social security contributions

- Pension benefits are subject to income tax.
- Mandatory contributions for health insurance.

F. Legal Basis

- Farmers' Social Security Act (*ustawa o ubezpieczeniu społecznym rolników*).

Old Age Bridging Pension

Emerytura pomostowa

A. Coverage

Mandatory insurance

- People born after 1948 with burdensome and hazardous jobs (job conditions are defined by the law and include people working underground, underwater, in the air, or in a very hot/cold environment).

B. Financing

General finances

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

Contribution rates

- Fixed share of monthly gross earnings (1.5%) paid by the employer.

C. Administration

- The Social Insurance Institution manages the scheme and pays benefits directly to the person.

D. Qualifying Conditions

Qualifying conditions

- Statutory retirement age is 55 for women and 60 for men; minimum insurance period in hazardous jobs: 15 years; total minimum insurance period (incl. periods in *statutory old age pension scheme*): 20 years for women and 25 years for men.

Combining employment & retirement

- Termination of employment (regardless of the amount of income) is a precondition for claiming pension benefits.

E. Benefits

Pension benefits

- Same as *statutory old age pension scheme*.
- Fixed-term benefit paid monthly.

Taxation and social security contributions

- Pension benefits are subject to income tax.
- Mandatory contributions for health insurance.

F. Legal Basis

- Social Security Pensions Act (*ustawa o emeryturach i rentach z Funduszu Ubezpieczeń Społecznych*), Bridging Pensions Act (*ustawa o emeryturach pomostowych*).

Open Pension Funds

Otwarte fundusze emerytalne, OFE

A. Coverage

Voluntary participation

- Persons insured in the *statutory old age pension scheme*.[9]

B. Financing

General finances

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

Contribution payments

- Earnings-related contribution (7.30% are divided as follows: 2.92% are placed in individual's account at OFE and 4.38% are placed in individual's account at ZUS).
- Contributions shared in parity between the insured person and the employer; the self-employed pay 100% of the contribution rate.

State support

- Not available.

C. Administration

- The 'Open Pension Funds' (*Otwarte Fundusze Emerytalne, OFE*) manage the resources.
- The 'Social Insurance Institution' (*Zakład Ubezpieczeń Społecznych, ZUS*) pays benefits directly to the eligible person.

D. Qualifying Conditions

- Based on reaching the standard retirement age of the *statutory old age pension scheme* (60 years for women and 65 for men).

E. Benefits

Pension payments

- Defined contribution (based on the collected contributions).
- Life-long monthly annuity.
- Paid by ZUS together with the benefit from the *statutory old age pension scheme*.
- Benefits are unconditional.

Taxation and social security contributions

- Pension benefits are subject to income tax.
- Mandatory contributions for health insurance.

F. Legal Basis

- Social Security Pensions Act (*Ustawa o emeryturach i rentach z Funduszu Ubezpieczeń Społecznych*), Open Pension Funds Organisation Act (*ustawa o organizacji i funkcjonowaniu funduszy emerytalnych*).

Employee Capital Plans

Pracownicze programy kapitałowe, PPK

A. Coverage

Automatic enrolment
- All employed persons between the ages of 18 and 54.[10]

Opting out
- Participants can opt out from the scheme by written request but are automatically re-enrolled every four years.

Opting in
- All employed persons between the ages of 55 and 69.

B. Financing

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

Contribution rates
- *Minimum basic contribution*: fixed share of monthly gross earnings (3.5%), shared between employer (1.5%) and employee (2%).
- *Additional voluntary contributions*: proportions vary (maximum amount: up to 2.5% paid by employer and 2% by the employee).

State support & incentivising strategies
- State subsidies including a start-off allowance of PLN 250 for each participant; an annual state subsidy of PLN 240 if the amount of paid minimum basic and additional contributions is at least equal to the amount of basic contributions due from 6 minimum salaries.
- Monthly contribution payments of the employer are tax-exempted.
- The incomes from the investment activities of the funds which are then placed in the individual accounts are not taxed.

C. Administration

- Different finance institutions chosen by the employer: general pension societies, investment fund companies, employee pension societies, insurance companies.
- The 'Polish Financial Supervision Authority' (*Komisja Nadzoru Finansowego*) regulates licenses, oversees and sanctions the pension schemes.

D. Qualifying Conditions

- Employee entitled to occupational pension benefits at a minimum age of 60 years.
- Employee is entitled to occupational pension benefits before age 60 in case of serious illness in the family (household member, spouse or child).

E. Benefits

Pension payments
- Defined contribution, primarily based on the amount of contributory earnings, length of contribution period and capital revenues.
- Monthly annuity or one-time lump sum payment.

Taxation and social security contributions
- Payments are not subject to income tax if paid at age 60 or after in the amount of: 120 monthly instalments; one-off withdrawal of up to 25% of accumulated funds and subsequent payments of the remaining 75% over 120 monthly instalments (other payment arrangements are subject to capital gains tax).
- Pension payments are not subject to social security contributions.

F. Legal Basis

- Occupational Capital Plans Act (*ustawa o pracowniczych planach kapitałowych*).

Occupational Pension Schemes

Pracownicze programy emerytalne, PPE

A. Coverage

Voluntary participation

- All employed persons, if employer choses to provide such plans; the provision of plans is sometimes based on collective agreement.
- A natural person running a business (entrepreneur) is entitled to participate in the plan, if he or she provides the PPE for his or her employees.

B. Financing

General finances

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

Contribution rates

- Contributions paid by employer (minimum amount: 3.5% of monthly gross earnings, maximum amount: 7%).
- Employee can contribute voluntarily (capped by maximum amount, 4.5 times the national average wage).

State support

- Monthly contribution payments of the employer are tax-exempted.
- The incomes from the investment activities of the funds which are then placed in the individual accounts are not taxed.

C. Administration

- Investment funds companies chosen by the employer.
- The 'Polish Financial Supervision Authority' (*Komisja Nadzoru Finansowego*) regulates licenses, oversees and sanctions the pension schemes.

D. Qualifying Conditions

- Employee is entitled to occupational pension benefits at a minimum age of 60 years.

E. Benefits

Pension payments

- Defined contribution, primarily based on the amount of contributory earnings, length of contribution period and capital revenues.
- Monthly annuity or one-time lump sum payment.

Taxation and social security contributions

- Payments are not subject to income tax if paid at age 60 or after (other payment arrangements are subject to capital gains tax).
- Pension payments are not subject to social security contributions.

F. Legal Basis

- Act on Occupational Pension Schemes (*ustawa o pracowniczych programach emerytalnych*).

Individual Pension Security Accounts

Indywidualne konto zabezpieczenia emerytalnego, IKZE

A. Coverage

Voluntary participation

- Persons residing in Poland with taxable income and of at least 16 years of age.

B. Financing

General finances

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

Contribution payments

- Insured persons provide contribution payments and decide upon its amount individually (capped by maximum amount).

State support

- Tax-deductible contribution payments (up to a defined limit).

C. Administration

- Different finance institutions chosen by participant: general pension societies, investment fund companies, employee pension societies, insurance companies.
- The 'Polish Financial Supervision Authority' (*Komisja Nadzoru Finansowego*) regulates licenses, oversees and sanctions the pension schemes.

D. Qualifying Conditions

- Minimum age 65; minimum contributory period: 5 years.

E. Benefits

Pension payments

- Defined contribution, primarily based on the amount of contributory earnings, length of contributory period and capital revenues.
- Monthly annuity or one-time lump sum payment.

Taxation and social security contributions

- Payments are subject to lower income tax (flat 10%), if paid at age 65 or after.
- Pension payments are not subject to social security contributions.

F. Legal Basis

- Individual Pension Accounts and Individual Pension Security Accounts Act (*ustawa o indywidualnych kontach emerytalnych oraz indywidualnych kontach zabezpieczenia emerytalnego*).

Individual Pension Accounts

indywidualne konto emerytalne, IKE

A. Coverage

- Persons residing in Poland with taxable income and of at least 16 years of age.

B. Financing

General finances

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

Contribution payments

- Insured persons provide contribution payments and decide upon its amount individually (capped by maximum amount).

State support

- Not available for contribution payments (pension payments are tax-free).

C. Administration

- Different finance institutions chosen by participant: general pension societies, investment fund companies, employee pension societies, insurance companies.
- The 'Polish Financial Supervision Authority' (*Komisja Nadzoru Finansowego*) regulates licenses, oversees and sanctions the pension schemes.

D. Qualifying Conditions

- Minimum age is 60; minimum contributory period: 5 years.

E. Benefits

Pension payments

- Defined contribution, primarily based on the amount of contributory earnings, length of contributory period and capital revenues.
- Monthly annuity or one-time lump sum payment.

Taxation and social security contributions

- Payments are not subject to income tax if paid at age 60 or after (other payment arrangements are subject to capital gains tax).
- Pension payments are not subject to social security contributions.

F. Legal Basis

- Individual Pension Accounts and Individual Pension Security Accounts Act (*ustawa o indywidualnych kontach emerytalnych oraz indywidualnych kontach zabezpieczenia emerytalnego*).

Footnotes

1 The following is intended to provide an overview of the most up-to-date system only concerning those born after 31/12/1948.

2 At the beginning, participation in the OFEs was mandatory for those born after 1968 and voluntary for persons born after 1947 and prior to 1969. Since 2014, participation in the OFEs has become voluntary and contributions were lowered from 7.3% to 2.92% effective as of 2014. As of summer 2021, the funds are planned to be officially liquidated and insured individuals are provided with the default option of transferring their accumulated capital to *voluntary individual pension accounts* (*indywidualne konto emerytalne, IKE*) against a 15% tax and a subsequent possibility for tax-free benefits, or of choosing the tax-free possibility of relocating their savings to the *statutory old age pension scheme*, thereby increasing their public old age pension benefits, which however are subject to taxation.

3 As the main function of the *old age bridging pension* 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 Poland.

4 Regulations are phased in gradually beginning in 2019 with PPK pension regulations being mandatorily provided by companies employing at least 250 people (as per 1 July 2019), companies employing at least 50 people (as per 1 January 2020), companies employing at least 20 people (as per 1 July 2020), and other companies and the public sector (as per 1 January 2021).

5 Due to the contribution assessment ceiling being limited to income up to 30 times the average salary, any income exceeding this amount is not subject to further insurance contributions.

6 The adjustment ratio is the average annual consumer price index in the previous calendar year increased by at least 20% of the real growth of the average wage in the previous calendar year.

7 The basic salaries for public prosecutors are determined by law and vary in relation to the concretely occupied post.

8 The 'basic pension' for the *farmers' old age pension scheme* is defined in the act; as of 1 March 2020 it amounts to PLN 972.40 (PLN 1,013.63 in 2021).

9 From 1999 to 2014 participation was mandatory for persons (born after 31/12/1968) insured in the *statutory old age pension scheme*.

10 For the employer it is mandatory to provide insurance for their employees in the PPK, if no other options for occupational pension insurance (i.e. PPE) are provided. PPK plans do not have to be implemented, if at least 25% of the employees in the given enterprise have joined the PPE and the employer contributes at least 3.5% of remuneration to the PPE.

PORTUGAL

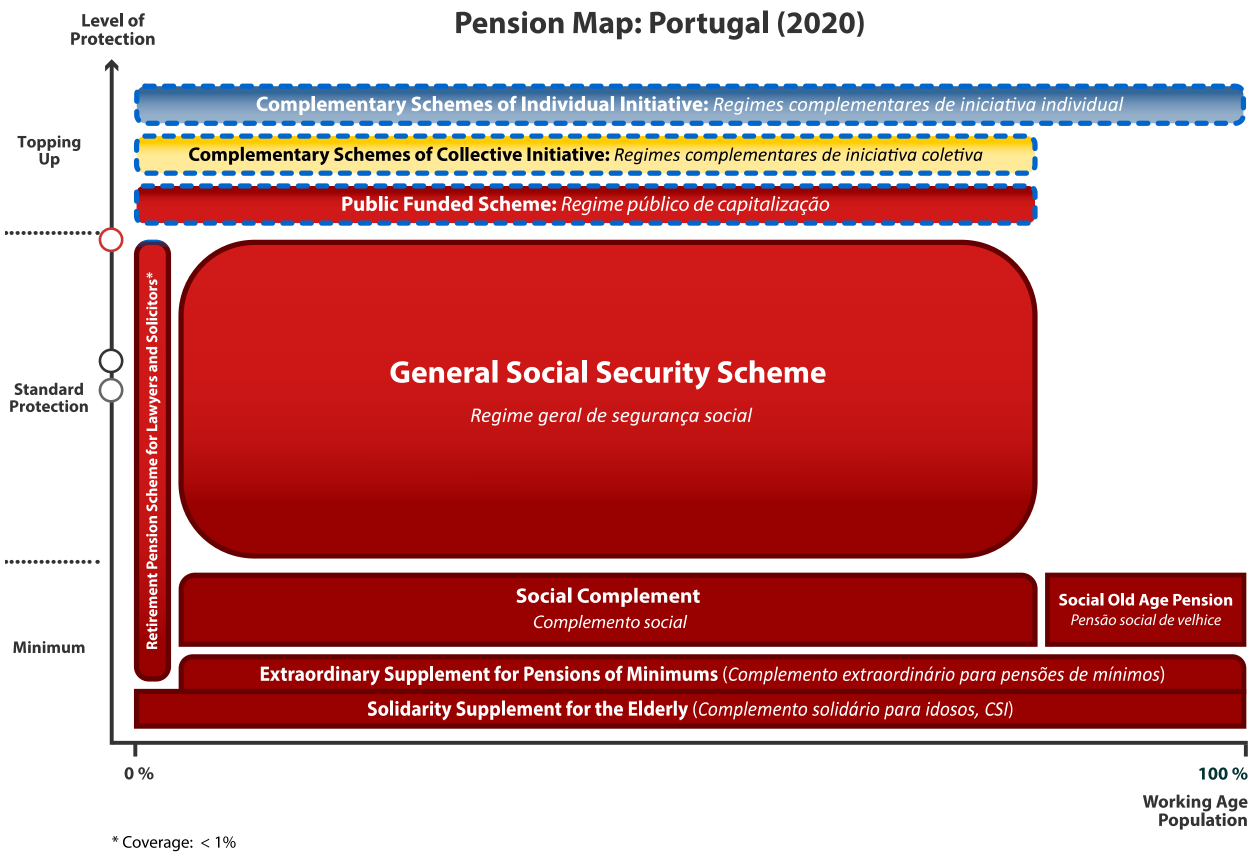
THE PORTUGUESE OLD AGE SECURITY SYSTEM IN 2020

João Carlos Loureiro

Despite the important 1919 legal framework on mandatory social insurance pensions (which provided a theoretical basis that, however, only saw little implementation in practice), it was not until the military dictatorship and the New State (*Estado Novo*) that the legal bases of a new social protection system were laid down in Portugal. With the establishment of democracy, the Constitution of 1976 (CRP) set forth a right to social security (Art. 63), and established the right to economic security in old age (Art. 72/1). Since the beginning of the 21st century, and as a result of demographic change and financial constraints, different reforms have been implemented to ensure the financial sustainability of the Portuguese old age pension system. For example, a sustainability factor was introduced, with important implications for the benefit calculation; access to early retirement pension was restricted and penalties for early retirement were tightened; a voluntary capital-funded public pension scheme was created. In recent years, however, adjustments easing access to old age pensions for long contributory careers were made and a personal retirement age was introduced. Currently, 'standard protection' in old age is provided through pension benefits of the general public *contributory social insurance system* (*Previdência*) and a special *public scheme for lawyers and solicitors* which has been in operation for a long time. Public pension benefits can be 'topped up' by voluntary participation in the *complementary system* (*sistema complementar*) which comprehends public, occupational, and private[1] pension schemes for which tax incentives are granted. A 'minimum' level of protection is guaranteed by various social assistance measures of the *solidarity subsystem* (*subsistema de solidariedade*), which is part of the *citizenship social protection system* (*sistema de proteção social de cidadania*)[2].

Standard Protection in Old Age

The *general social security scheme* (*regime geral de segurança social*), as part of the *contributory social security system* (*Previdência*), is a mainly pay-as-you-go (PAYG)-financed public pension scheme managed by the 'Institute of Social Security' (*Instituto de Segurança Social, I.P.*)[3]. It covers the majority of the economically active Portuguese population, including employees, self-employed workers[4], persons with activities considered equal to those of employees for the purposes of social security (such



as members of statutory boards) and civil servants who entered the system from 2006 onwards. Persons not protected by mandatory insurance can join the *contributory social security system* on a voluntary basis (*seguro social voluntário*)[5].

In the past, several special social protection institutions (*caixas de previdência*) and schemes existed for specific occupational groups. These schemes have been gradually integrated into the general social security scheme[6], in light of the constitutional requirement of building a unitary system of social security. Throughout this process, the *convergent social protection scheme* (*regime de proteção social convergente*) for civil servants managed by the Civil Servants' Pension Agency (*Caixa Geral de Aposentações, CGA*) has been closed for new entries since 01 January 2006. As a result, new public sector employees are now part of the general social security scheme. Other schemes, such as the *special social security scheme for agriculture* (*regime especial de segurança social das atividades agrícolas*), have been closed. Notwithstanding, the *retirement pension scheme for lawyers and solicitors from the Lawyers' and Solicitors' Pension Fund* (*pensão de reforma da Caixa de Previdência dos Advogados e Solicitadores, CPAS*) is still in place.

Top-Ups

Public pension benefits can be topped up by participating in fully funded public, occupational, and private pension schemes of the *complementary system* (*sistema complementar*). Participation is voluntary but fiscally incentivised by the state. Three different types exist: the *public funded scheme* (*regime público de capitalização*) is managed by a social security institution (Institute of Management of Capitalisation Funds of Social Security/*Instituto de Gestão de Fundos de Capitalização da Segurança Social*); the *complementary schemes of collective initiative* (*regimes complementares de iniciativa coletiva*), which include occupational pension plans that are often based on collective agreements, are usually financed by the employer only; the *complementary schemes of individual initiative* (*regimes complementares de iniciativa individual*) include personal pension plans, such as retirement savings plans.

Minimum

A minimum level of protection is guaranteed through various tax-financed social assistance measures that fall within the *subsystem of solidarity* (*subsistema de solidariedade*). The *social complement* (*complemento social*) is a supplement to the earnings-related pension of the *general social security scheme* and guarantees a minimum pension level (dependent on the number of contributory years) for persons with low contributory old age pensions. With this measure, the subsystem builds the bridge to the *contributory social security system* (*Previdência*). For elderly persons who do not qualify for any contributory old age pension[7] or who are entitled to contributory survivors'/old age pensions lower than the amount of social pension, the subsystem contains the so-called *social old age pension* (*pensão social de velhice*), which is a tax-financed, non-contributory, and means-tested pension scheme. People who receive a *social old age pension* also qualify (automatically) for the *extraordinary solidarity supplement* (*complemento extraordinário de solidariedade, CES*), which is a small supplement granted on top of the *social old age pension*. Additionally, recipients of an old age pension (incl. the social pension) may also be eligible for a tax-financed *solidarity supplement for the elderly* (*complemento solidário para idosos, CSI*). This benefit is strictly means-tested, also taking into account the income of children, and requires persons to have resided in Portugal for the six consecutive years before claiming the benefit. Recently, a new supplementary benefit has been created, the *extraordinary supplement for pensions of minimums*[8] (*complemento extraordinário para pensões de mínimos*), which is provided to persons with pensions equal to or less than 1.5 times the Social Support Index (*Indexante de Apoios Sociais, IAS*) for pensions awarded as of 2017 and later[9].

Solidarity Supplement for the Elderly

Complemento solidário para idosos, CSI

A. Coverage

- Persons having resided in Portugal for at least 6 years who have reached the standard statutory retirement age, and who cannot sufficiently cover their necessary subsistence from (pension) income.

B. Financing

- The supplement is part of the *subsystem of solidarity* (social aid or assistance), which is entirely tax-financed through transfers from the state budget (*Orçamento do Estado*) and by the earmarking (*consignação*) of tax revenues.

C. Administration

- The 'Institute of Social Security' (*Instituto da Segurança Social*, *I.P.*) manages this supplement; the payment of the benefits is managed by one of its services, i.e. the 'National Pensions Centre' (*Centro Nacional de Pensões*).
- The 'Institute of Financial Management of Social Security' (*Instituto de Gestão Financeira da Segurança Social*, *I.P.*) is in charge of the management of financial resources.

D. Qualifying Conditions

- Persons must have reached the standard statutory retirement age (i.e. 66 years and 5 months in 2020).
- Persons must have lived in Portugal for at least 6 consecutive years prior to application.
- Benefits are strictly means-tested: the household's income from all sources shall not exceed EUR 5,258.63 per year for singles and EUR 9,202.60 per year for couples (i.e. the 'value of reference'). A percentage of the value of assets is also considered. The means testing also takes into account the incomes of children (family solidarity component/*componente de solidariedade familiar*). However, the impact of a descendant's income in the evaluation of means (*recursos*) is disregarded up to a certain ceiling.
- Persons who do not fulfil the means testing conditions for the *social old age pension* can still be eligible for this supplement.
- Benefits can be combined with other social benefits, such as the *social old age pension* and the old age pension from the *general social security scheme* (incl. the *social complement* and the *extraordinary supplement for pensions of minimums*).

E. Benefits

- Benefits top up the difference between an individual's financial resources (incl. resources of the household and descendants) and the individual value of reference.
- The maximum yearly amount is equal to the individual value of reference: EUR 5,258.63 per year in 2020. The individual value of reference is 12 times the Social Support Index (*Indexante de Apoios Sociais*, IAS), which is EUR 438.81 in 2020.
- Benefits are granted for 12 calendar months per year.
- Persons entitled to the supplementary benefit are also entitled to other social benefits (such as social health-related benefits).
- Benefits are not subject to income tax (taxable income must exceed the minimum level of subsistence/1.5 IAS x 14).

F. Legal Basis

- Decree-Law No. 232/2005, 29 December (Solidarity Supplement for the Elderly/*Complemento Solidário para Idosos*; last amendment: Decree-Law No. 94/2020, 3 November); Decree-Regulation No. 3/2006, 6 February (last amendment: Decree-Law No. 94/2020, 3 November).

Extraordinary Supplement for Pensions of Minimums

Complemento extraordinário para pensões de mínimos

A. Coverage

- Beneficiaries of an old age 'pension of minimums'.

B. Financing

- The supplement is part of the *subsystem of solidarity* (social aid or assistance), which is entirely tax-financed through transfers from the state budget (*Orçamento do Estado*) and by the earmarking (*consignação*) of tax revenues.
- For those covered by the *convergent social protection scheme*, the supplement is integrally financed by the budget of the 'Civil Servants' Pension Agency' (*Caixa Geral de Aposentações*, CGA).

C. Administration

- The 'Institute of Social Security' (*Instituto da Segurança Social, I.P.*) manages this supplement.
- The payment of the benefits is managed by one of its services (*Centro Nacional de Pensões*).
- The 'Institute of Financial Management of Social Security' (*Instituto de Gestão Financeira da Segurança Social, I.P.*) is in charge of the management of financial resources.
- For the beneficiaries of the *convergent social protection scheme*, the 'Civil Servants' Pension Agency' (*Caixa Geral de Aposentações*, CGA) manages the benefit.
- Pensions paid by Social Security (e.g. *general social security scheme*; *social old age pension*) or by CGA (*convergent social protection scheme*).

D. Qualifying Conditions

- Pensions awarded as of 01/01/2017 with low values (equal to or less than 1.5 times the Social Support Index (IAS), named 'pensions of minimums' (*pensões de mínimos*)).
- In case of beneficiaries combining different pensions, the reference is the total amount (sum of the different pensions), not the individual one.

E. Benefits

- Amounts of the benefit vary with the schemes they supplement and year of application (rules refer to pensions awarded as of 01/01/2019; there are different amounts for pensions started in 2017 and in 2018).
- Regarding the *general social security scheme*, the supplement varies with contribution period: EUR 7.66 for up to 15 years; EUR 19.24 for 15 to 20 years; EUR 18.12 for 21 to 30 years; EUR 15.09 for 31 years and more.
- As regards the *social old age scheme* (and also other equivalent schemes[10]), the supplement amount is EUR 10.09.
- Concerning the *convergent social protection scheme*, the supplement amount depends on the years of service: EUR 8.36 (between 5 and 12 years of service), EUR 7.96 (more than 12 and up to 18 years of service), EUR 19.33 (more than 18 and up to 24 years of service), EUR 18.04 (more than 24 and up to 30 years of service), EUR 14.07 (more than 30 years of service).

F. Legal Basis

- Decree-Law No. 118/2018, 27 December; Regulation (*Portaria*) No. 29/2020, 31 January.

Social Old Age Pension

Pensão social de velhice

A. Coverage

- Elderly persons who have reached the standard statutory retirement age, who fulfil the requirements for residence and citizenship, and who cannot sufficiently cover their subsistence from income.

B. Financing

- The scheme is part of the *subsystem of solidarity* (social aid or assistance) which is entirely tax-financed through transfers from the state budget (*Orçamento do Estado*) and by the earmarking (*consignação*) of tax revenues.

C. Administration

- The 'Institute of Social Security' (*Instituto da Segurança Social*, *I.P.*) manages the scheme; the payment of the benefits is managed by one of its services, i.e. the 'National Pensions Centre' (*Centro Nacional de Pensões*).
- The 'Institute of Financial Management of Social Security' (*Instituto de Gestão Financeira da Segurança Social*, I.P.) is in charge of the management of financial resources.

D. Qualifying Conditions

- Persons must have reached the standard statutory retirement age.
- Persons must reside in Portugal.
- Persons must hold citizenship of one of the following countries: Portugal, the European Union Member States, Iceland Liechtenstein, Norway, Switzerland, Australia, Brazil, Canada, Cape Verde.
- Persons must not be eligible/do not qualify for any contributory old age pension or receive old age/survivor's pension benefits from a *contributory scheme* that fall below the social pension amount.
- Benefits are means-tested: persons with a monthly income of less than 40% (for singles; EUR 175.52) or 60% (for couples; EUR 263.29) of the Social Support Index (*Indexante de Apoios Sociais*, IAS); IAS in 2020 is EUR 438.81.[11] The means testing is based on income (e.g. from pensions, work or real estate). A percentage of the value of assets is also considered.
- Benefits can be combined with other social benefits, such as the *solidarity supplement for the elderly* (CSI).
- Benefits cannot be combined with old age pension benefits from the *general social security scheme*. Pension benefits of the *general social security scheme* cannot fall below the social pension level due to the social complement.

E. Benefits

- Fixed flat-rate monthly benefit (EUR 219.79 in 2020).
- Benefits are granted for 14 calendar months per year.
- The benefit is adjusted yearly following adjustments of the Social Support Index (IAS).
- Persons who receive the *social old age pension* are also automatically entitled to the *extraordinary solidarity supplement* (*complemento extraordinário de solidariedade*, CES) which is a flat-rate monthly top-up to the *social old age pension*. In 2020, the supplement is EUR 18.44 (for persons below the age of 70) and EUR 36.86 (for persons aged 70 and older) per month.
- Persons may also be entitled to other social benefits (such as social tariffs for electricity and natural gas).
- Benefits are not subject to income tax (taxable income must exceed the minimum level of subsistence/1.5 IAS x 14).

F. Legal Basis

- Decree-Law No. 464/80, 13 October (Social Pension/*Pensão Social*; last amendment: Decree-Law No. 136/2019, 6 September); Decree-Law No. 208/2001, 27 July (Solidarity Supplement for the Elderly/ *Complemento Extraordinário de Solidariedade*; last amendment: Decree-Law No. 126-A/2017, 6 October).

Social Complement

Complemento social

A. Coverage

- Persons who qualify for an old age pension of the *general social security scheme* are provided with a supplement, the *social complement*, to ensure a minimum pension level.

B. Financing

- The *social complement* is part of the *subsystem of solidarity* (social aid or assistance), which is entirely tax-financed through transfers from the state budget (*Orçamento do Estado*) and by the earmarking (*consignação*) of tax revenues.

C. Administration

- The 'Institute of Social Security' (*Instituto da Segurança Social*, *I.P.*) manages this scheme; the payment of the benefits is managed by one of its services, i.e. the 'National Pensions Centre' (*Centro Nacional de Pensões*).
- The 'Institute of Financial Management of Social Security' (*Instituto de Gestão Financeira da Segurança Social*, *I.P.*) is in charge of the management of financial resources.

D. Qualifying Conditions

- The minimum requirements for an old age pension of the *general social security scheme* have to be fulfilled.

E. Benefits

- Benefit ensures a minimum pension level of the old age pension of the *general social security scheme*.
- It is a non-contributory benefit.
- Benefits top up the difference between an individual's pension benefits received from the mentioned old age pension schemes and the minimum pension level.
- Minimum pension levels vary with contribution period. These are for 2020: EUR 275.30 (for up to 15 years); EUR 288.79 (for 15 to 20 years); EUR 318.67 (for 21 to 30 years); and EUR 398.34 (for 31 years and more).

F. Legal Basis

- Decree-Law No. 187/2007, 10 May (Articles 44-47; 55/3/4/5); Regulation (*Portaria*) No. 28/2020, 31 January.

General Social Security Scheme

Regime geral da segurança social

A. Coverage

Mandatory insurance

- Employees and persons carrying out activities considered equal to those of employees for the purposes of social security (such as members of statutory boards).
- Self-employed workers.
- Civil servants (only new entrants to civil service since 01/01/2006).

Voluntary insurance

- Persons of at least 18 years of age, who are able to work but who are not covered by any other mandatory social protection scheme (an additional requirement for foreigners or stateless persons is residency in Portugal for more than one year).
- Persons covered by mandatory social protection schemes which are irrelevant to the Portuguese social security system.
- Portuguese citizens carrying out a professional activity in a foreign territory and who are not covered by international social security instruments to which Portugal is bound.
- Social voluntary insurance is also pertinent to some persons in special situations (*situações especiais abrangidas*): social volunteers (*voluntários sociais*) performing unpaid activities in favour of private social welfare institutions; research fellows (*bolseiros de investigação*), if they are not covered by a mandatory social protection system; Portuguese mariners and watchmen who exercise an activity on ships of foreign companies; Portuguese mariners who exercise an activity on ships of common (i.e. with foreign partners) fisheries companies; volunteer firefighters; crewmen of ships registered with the International Registry of Madeira; agents of cooperation; high performance athletes (*praticantes desportivos de alto rendimento*); informal main caregivers.

B. Financing

General finances

- Mainly PAYG-financed from insurance contributions.
- A special pension reserve fund was created to increase sustainability; the 'Social Security Financial Stabilisation Fund' (*Fundo de Estabilização Financeira da Segurança Social*) is financed by surpluses of the insurance system and 2% to 4% of paid contributions (by employees) until the fund has the equivalent size to be able to make pension payments for at least 2 years. This fund is partly tax-financed by the earmarking (*consignação*) of tax revenues from an additional to the municipal property tax (*Adicional ao Imposto Municipal sobre Imóveis*, AIMI) and from a share from tax revenues on the Income of Collective Persons (*Imposto sobre o Rendimento das Pessoas Coletivas*, IRC). In 2020, a new additional solidarity (tax) on the banking sector (*Adicional de Solidariedade sobre o Setor Bancário*) was created, and the revenues were entirely earmarked to this fund.

Contribution rates to mandatory insurance

- Fixed share of monthly gross earnings (total of 34.75%, of which 20.21% are assigned to old age pensions), without contribution assessment ceiling.
- Contributions are shared between the employer (23.75%) and the employee (11%). Special provisions for contribution payments (rates and/or modalities) apply to distinct occupational groups (e.g. favourable conditions for non-profit institutions or weak economic sectors).
- Additional rates may be payable to special funds created prior to the establishment of the unified social system (e.g. wool industry workers, *Fundo Especial de Segurança Social do Pessoal da Indústria de Lanifícios*).
- For self-employed workers, the contribution rate is 21.4% (or 25.2%, which is applicable to individual entrepreneurs and holders of a single-member limited liability company and respective spouses). Contracting entities are required to pay contributions for economically dependent self-employed workers: 7%, if the self-employed person received from the same source more than 50% to 80% of his/her income during the same calendar year (i.e. situation of economic dependency); 10%, if the self-employed worker received from one contracting entity more than 80% of his/her income.

- There are two different situations for self-employed workers as regards the definition of income defined as relevant for contribution payments: (a) for self-employed workers with organised accounting the relevant income is the amount of taxable profit calculated in the immediately preceding calendar year; (b) for self-employed workers without organised accounting (simplified regime) the relevant income is determined according to the income earned in the three months immediately preceding the month of the quarterly earnings statement submission; this is 70% of the total value of services provision; 20% of the income from the production and sale of goods; 20% of the total value of service provision regarding guest accommodation and similar activities, catering and sale of beverages. The monthly contribution base corresponds to 1/3 of the relevant income calculated in each earnings statement submission period.

Contribution rates for voluntary insurance

- As a rule, 26.9% of the contribution base (covering old age, invalidity and death); informal main caregivers pay 21.4%.
- Special contribution rates guarantee enlarged coverage: 27.4% (covering old age, invalidity, death and occupational diseases) e.g. for social volunteers; and 29.6% (covering old age, invalidity, death, sickness, occupational diseases, and parenthood) e.g. for research fellows.
- As a rule, the contribution base can be chosen freely within a predefined range (of 10 brackets: with the first bracket being 100% IAS and the last being 800% of IAS. The Social Support Index (*Indexante de Apoios Sociais*, IAS) is EUR 438.81 in 2020.

Taxation of contribution payments

- Contributions for social security are deductible for employers (*IRC*) and employees (*CIRS*).
- For self-employed workers, contributions are of limited deductibility (CIRS – simplified regime): the deduction amount corresponds to the portion of contributions that exceed 10% of the gross income stemming from the activities included therein. For the self-employed with organised accounting, likewise to employers and employees, contributions for social security are deductible.

C. Administration

- The 'Institute of Social Security' (*Instituto de Segurança Social, I.P.*) manages this scheme; the payment of the benefits is managed by one of its services (*Centro Nacional de Pensões*).
- The 'Institute of Financial Management of Social Security (*Instituto de Gestão Financeira da Segurança Social, I.P.*) is in charge of the management of financial resources, incl. the contribution payments.
- The 'Social Security Financial Stabilisation Fund' (*Fundo de Estabilização Financeira da Segurança Social*) is managed by the 'Institute of Management of Capitalisation Funds of Social Security' (*Instituto de Gestão de Fundos de Capitalização Financeira da Segurança Social*).

D. Qualifying Conditions

Qualifying conditions

- Minimum contribution period (*prazo de garantia*): 15 years (incl. assimilated, non-working periods, such as maternity or paid unemployment); one year of contribution record is at least 120 days of contribution payments per year (years with less than 120 days can be aggregated); for persons with voluntary insurance, the minimum contribution period is 144 months.
- The statutory retirement age (*idade normal de acesso à pensão de velhice*, INAPV) is dependent on the average life expectancy. In 2020, the retirement age is 66 years and 5 months and increases by 1 month in 2021.
- The standard retirement age remains 65 years for specific occupational groups (e.g. civil aviation pilots), if the law forbids to continue the activity beyond this age and the person has worked in this capacity at least for the five calendar years (*anos civis*) immediately before the year of the beginning of the pension.
- The standard retirement age is flexible and can be reduced (*idade pessoal de acesso à pensão de velhice*, IPAPV) dependent on the years of registered earnings, without negative adjustments; for persons with 40 years of registered earnings, every additional year of contributory record reduces the statutory retirement age by 4 months (minimum retirement age: 60).
- Special retirement ages apply for persons carrying out strenuous activities (such as air-traffic controllers: age 58; embroiderers from the Island of Madeira: age 60; sea fishermen: age 55).

Early retirement

- Early retirement is available for persons with long contributory careers (it is age 60 for persons with 48 years of contribution payments; it is age 60 for persons with 46 years of contribution payments, if he/she has entered the scheme before age 17) without negative (permanent) adjustments to the pension benefit.
- Early retirement is available in case of long-term unemployment for persons who have exhausted unemployment benefits and who were involuntarily unemployed, and who were at the date of unemployment: (1) at least 52 years old with 22 years of registered earnings (earliest age of retirement is 57), with negative (permanent) adjustments to pension benefits (0.5% per each month of early retirement before age 62 plus application of the sustainability factor, i.e. 0.8480, which equals 15.2% in 2020); (2) at least 57 years old with 15 years of registered earnings (earliest age of retirement is age 62, with application of the sustainability factor, i.e. 0.8480, which equals 15.2% in 2020, but without other negative adjustments to pension benefits); if the unemployment has been agreed to by the person, benefits will be temporarily reduced only until the normal retirement age is reached.
- Early retirement with higher negative (permanent) adjustments to pension benefits (0.5% per each month of early retirement) is available for person who are: (1) 60 years old and, despite that age, have completed at least 40 years of registered earnings; (2) at least 61 years old and who have at least 40 years of registered earnings, entailing in this case also the application of the sustainability factor (i.e. 0.8485, which equals 15.2% in 2020).

Deferred retirement (pension bonus)

- Retirement can be deferred with positive (permanent) adjustments to pension benefits in the form of a so-called 'pension bonus' (maximum of 92% of the remuneration of reference); positive adjustments vary with contribution record with a maximum of 1% per month for persons with a 40-year contribution period (0.33% per month for 15 to 24 years of contributions; 0.5% for 25 to 34 years of contributions; and 0.65% for 35 to 39 years of contributions).

Combining employment & retirement

- Termination of employment is not a precondition for claiming pension benefits.
- Employment is permitted without earnings limit after retirement.
- It is forbidden to have been granted early retirement and to continue employment at the same company and enterprise for the subsequent 3 years after accessing the pension benefit.
- Retired persons who continue to work and pay contributions can increase their future pension benefit (the social security system previews an accrual of the amount of the pension).

E. Benefits

Pension benefits

- Earnings-related benefits, paid 14 times per year (incl. 12 monthly payments, one holiday payment, and one Christmas payment).
- Earnings-related benefits are based on whole working career (maximum: 40 years).
- Maximum amount: no specification in law regarding fixed maximum amount of pension benefits; the amount is levelled due to rules regarding the benefit calculation, which incorporates a maximum of 92% of the remuneration of reference.
- Minimum amount: a minimum pension amount is guaranteed by the *social complement* (*complemento social*).

Benefit calculation

- For persons enrolled in the scheme since 01/01/2002, the pension amount is based on the multiplication of the following factors: the reference earning, the pension accrual rate (*taxa global de formação da pensão*), and the sustainability factor (applicable if persons chose to retire early).[12]
- *Reference earning (RR)*: TR/(n x 14); with TR representing the uprated yearly earnings over the entire contributory career (*total das remunerações anuais revalorizadas de toda a carreira contributiva*); n is the number of years with registered earnings (maximum: 40 years).
- *Pension accrual rate*: number of calendar years with a record of relevant remunerations for the calculation.
- *Sustainability Factor*: 0.8480 (15.2% in 2020).

- The pension benefit calculation formula depends on the years of contributions: (a) up to 20 years of contributions (hypothesis 1): P (pension amount) = RR x (2% x N); (b) *more than* 20 years of contributions (hypothesis 2): The pension accrual rate is variable (between 2% and 2.3%), taking into account reference earnings brackets; it is indexed to the reference Social Support Index (between 1.1 and 8 times or more this amount).
- This latter regime (hypothesis 2) considers the full-career average earnings, *rectius*, the best 40 years, contrasting with the traditional regime (the best 10 years of the last 15 years). One should note that the rule still applies in part to those who signed up to social security until 31/12/2001.
- For the benefit calculation, the past reference earnings are uprated.
- *Indexation*: adjustments of pension benefits are based on the real GDP growth, prices measured by the consumer price index (without housing), and the amount of pensions using IAS (*Indexante de Apoios Sociais*) as reference.

Taxation and social security contributions

- Pension benefits are subject to income tax according to general tax rules (income category: H).
- Pension benefits are not subject to social security contributions.

F. Legal Basis

- Decree-Law No. 187/2007, 10 May (last amendment: Decree-Law No. 79/2019, 14 June); Law No. 53-B/2006, 29 December (last amendment: Decree-Law No. 42/2016, 28 December); Decree-Law No. 70/2020, 16 September; Decree-Law No. 40/89, 1 February (last amendment: Law No. 110/2009, 16 September); Contributory Code (*Código dos Regimes Contributivos do Sistema Previdencial de Segurança Social*); Corporate Income Tax Code (*CIRC – Imposto sobre o Rendimento das Pessoas Coletivas*); Personal Income Tax Code (*CIRS – Código do Imposto sobre o Rendimento das Pessoas Singulares*).

Retirement Pension Scheme for Lawyers and Solicitors from the Lawyers' and Solicitors' Pension Fund

Pensão de reforma da Caixa de Previdência dos Advogados e Solicitadores, CPAS

A. Coverage

Mandatory insurance

- *Ordinary beneficiaries*: lawyers and solicitors, incl. trainees of both professions.

Voluntary insurance

- *Extraordinary beneficiaries*: lawyers and solicitors who have their judicial inscriptions suspended or cancelled; foreign lawyers/solicitors of any nationality and national or foreign members of other juridical professions.

B. Financing

General finances

- Mainly PAYG-financed (*repartição*) from insurance contributions.
- Partly funded scheme based on the surplus of contributions, a 'guarantee fund' (*Fundo de Garantia*) was established that manages financial assets in order to ensure the sustainability of the scheme.

Contribution rates

- Contribution rate is 24% (as of 2020).
- The contributory income is divided into 26 contributory brackets (*escalões contributivos*): the reference is the so-called contributory index (*Indexante Contributivo*, IC), which is EUR 581.90 in 2020, with a correction factor of -10%. The contributory brackets vary between 25% (one quarter) of the contributory index and 17 times the contributory index.
- Contributions are paid by the insured person in full.

C. Administration

- The scheme is managed by the 'Lawyers' and Solicitors' Pension Fund' (*Caixa de Previdência dos Advogados e Solicitadores*, CPAS).

D. Qualifying Conditions

Qualifying conditions

- The standard retirement age is 65, with a minimum contribution period of 15 years (in some cases, 10 years); one year equals 12 months with contribution payments; there is no contributory debt (i.e. all contributions should be paid in order to be eligible for pension benefits).

Early retirement

- Options for early retirement are not available.

Deferred retirement

- Retirement can be deferred. In that case, the sustainability factor applied will be more favourable, as it refers to the corresponding year in which the person could have retired.

Combining employment & retirement

- Termination of practicing the profession is not a precondition for claiming pension benefits.
- If retirement is combined with practicing the profession, pension entitlements will increase subsequently, as contribution payments will be mandatory until age 70.

E. Benefits

Pension payments

- Monthly pension benefits (paid 14 times a year) primarily dependent on the total amount of individual contribution payments and contribution period.

Benefit calculation

- The monthly amount of the retirement pension (PR) is based on following factors: years of affiliation (T), conventional earnings considering the entire contribution period (R), and the sustainability factor.
- The calculation formula is as follows: PR = (2% x T) x R (14 x T).

Taxation and social security contributions

- Pension benefits are subject to income tax according to the general tax rules (income category: H).
- Pension benefits are not subject to social security contributions.

F. Legal Basis

- Decree-Law No. 119/2015, 29 June (New Regulation of CPAS/*Novo Regulamento da Caixa de Previdência dos Advogados e Solicitadores*; last amendment: Decree-Law No. 116/2018, 21 December); Personal Income Tax Code (*CIRS – Código do Imposto sobre o Rendimento das Pessoas Singulares*).

Convergent Social Protection Scheme (Closed Scheme)

Regime de proteção social convergente

A. Coverage

Mandatory insurance

- Civil servants and public sector agents.
- Teachers from private and cooperative schools.
- Workers of some public (or state-owned, though private) companies.
- Participation is optional for Members of the Parliament (*Deputados*), if they have been covered by the 'Civil Servants' Pension Agency' (*Caixa Geral de Aposentações*, CGA) before and they choose to continue participating in this scheme.
- The scheme has been closed for new entrants in the civil service since 01/01/2006.

B. Financing

General finances

- Mainly tax-financed and only partly PAYG-financed from insurance contributions. (As the scheme is closed for new entries, there are more retired persons than active contributors in this scheme; the weight of fiscal transfers from the state budget represents more than half of the funding.)

Contribution rates

- Fixed share (34.75%) of the monthly pensionable remuneration, without contribution assessment ceiling.
- Contributions are shared between the employer (23.75%) and the civil servant (11%, of which 8% are assigned to old age pensions).

C. Administration

- The 'Civil Servants' Pension Agency' (*Caixa Geral de Aposentações*, CGA) administers the scheme.

D. Qualifying Conditions

Qualifying conditions

- *Normal retirement age* (*idade normal de acesso à pensão de velhice*, INAPV) is 66 years and 5 months (2020) with a minimum of 15 years of service; it increases to 66 years and 6 months in 2021, in accordance with the average life expectancy.
- *Personal retirement age* (*idade pessoal de acesso à pensão de velhice*, IPAPV) for persons aged at least 60 and over and with at least 40 years of registered earnings: every additional year in the contributory record reduces the normal retirement age by 4 months.

Early retirement

- Early retirement is available, without penalties, for persons with a long-term service record (age 60 after 48 years of service; age 60 after 46 years of service, if the scheme affiliation occurred before the age of 17).
- Early retirement with higher negative (permanent) adjustments to pension benefits (0.5% per each month of early retirement) is available for persons who are: (1) 60 years old and, despite that age, have completed at least 40 years of registered earnings; (2) at least 61 years old and who have at least 40 years of registered earnings, entailing in this case also the application of the sustainability factor (i.e. 0.8485, which equals 15.2% in 2020).

Deferred retirement

- Retirement can be deferred until age 70 with positive (permanent) adjustments to pension benefits in the form of a pension bonus (maximum of 90% of the last salary; 92%, if the social security rules apply).

Combining employment & retirement

- Termination of employment is a precondition for claiming pension benefits.
- Employment in the private sector is permitted after retirement without earnings limit, but there are important restrictions concerning the public sector.

E. Benefits

Pension benefits

- Earnings-related benefits, paid 14 times per year (incl. 12 monthly payments, one holiday payment, and one Christmas payment).
- Earnings-related benefits are based on whole working career (maximum: 40 years).
- Maximum amount: 92% of the remuneration of reference (if the social security rules apply).
- Minimum amount: depends on the years of service; it is EUR 257.28 for 5 to 12 years of service, EUR 268.16 for 12 to 18 years of service, EUR 286.66 for 18 to 24 years of service, EUR 320.79 for 24 to 30 years of service, and EUR 425.04 for more than 30 years of service.

Benefit calculation

- For civil servants and other persons covered by the scheme who joined the scheme since 01/09/1993: same rules as for *general social security scheme* apply.

Taxation and social security contributions

- Pension benefits are subject to income tax according to general tax rules (income category: H).
- Pension benefits are not subject to social security contributions.

F. Legal Basis

- Decree-Law No. 498/72, 9 December (Statute of Retirement/*Estatuto da Aposentação*; last amendment: Law No. 2/2020, 3 March); Decree-Law No. 361/98, 18 November (Unified Pension/*Pensão Unificada*); Law No. 4/2009, 29 January (regarding social protection for workers carrying out public functions/*sobre a proteção social dos trabalhadores que exercem funções públicas*; last amendment: Law No. 10/2009, 10 March); Personal Income Tax Code (*CIRS – Código do Imposto sobre o Rendimento das Pessoas Singulares*).

Public Funded Scheme

Regime público de capitalização

A. Coverage

Voluntary participation

- Persons covered under a mandatory social security scheme such as the *general social security scheme* and the *retirement pension scheme for lawyers and solicitors from the Lawyers' and Solicitors' Pension Fund* can voluntarily join this scheme.
- Since 2018, persons with *voluntary social insurance* (*seguro social voluntário*) can also voluntarily join the scheme.
- Annual renewal is automatic; suspension of obligatory contributions is automatic in some cases (e.g. upon termination of employment); there is also the possibility for voluntary suspension (opting out).

B. Financing

General finances

- Fully funded scheme based on monthly contribution payments. The revenues of the investments of the fund assets are part of the funding. It includes also the amounts of the alienation and reimbursement of investments of the assets.

Contribution payments

- Participants provide contribution payments and decide upon the respective amount within the defined range: as a rule, contributions are 2% or 4% of a base amount equivalent to the average remuneration used to calculate social security contributions in the first 12 months of the last 14 months, counting immediately from the month of affiliation (with annual adjustments). Persons aged 50 and above can pay up to 6%.
- Contribution payments will be converted into units of participation after their payment.
- As of 2018, employers can pay contributions for the individual accounts of their employees.

State support & incentivising strategies

- *For contributions made by individuals*: tax-deductions on contribution payments (20%) capped by maximum amounts depending on the person's age: EUR 400 for persons under 35; EUR 350 for persons over 35. For tax benefits (*benefícios fiscais*), there is a global limit concerning the deductions (*deduções à coleta*), depending on the income brackets of IRS.

C. Administration

- The 'Institute of Management of Capitalisation Funds of Social Security' (*Instituto de Gestão de Fundos de Capitalização da Segurança Social, I.P.*) manages the scheme. This institution is allowed to make contractual arrangements with private entities to manage part of the assets.
- The contribution payments are made by direct debit to the 'Institute of Financial Management of Social Security' (*Instituto de Gestão Financeira da Segurança Social, I.P.*).
- The 'Institute of Social Security' (*Instituto da Segurança Social, I.P.*), has the task of ensuring affiliation to the scheme and of informing interested persons.
- There is a 'Fund of Retirement Certificates' (*Fundo de Certificados de Reforma*, FCR). The Fund comprehends two portfolios to manage the assets: one concerned with the accumulation phase (FCR –A), another related to the payment phase (FCR –U).
- The 'Civil Servants' Pension Agency' (*Caixa Geral de Aposentações*, CGA) is in charge of the payment of benefits to its beneficiaries.

D. Qualifying Conditions

- Based on entitlement to old age pension from different schemes, incl. the *general social security scheme*, the *convergent social protection scheme* and the *retirement pension scheme for lawyers and solicitors from the Lawyers' and Solicitors' Pension Fund*.

E. Benefits

Pension payments

- Pension benefits can be paid as one-time lump sums or monthly pension payments (if the monthly amount is, at least, equal to 2.5% of the Social Support Index (IAS).
- The total amount of benefits can also be transferred to pension plans of family members (spouse and/or children).
- Persons can choose a mix: a) benefits partly paid as capital lump sum payments and the remainder as a monthly pension (if monthly amount is not lower than 10% of the Social Support Index (IAS)); b) transfer part of the amount to pension plans of family members (spouse and/or children) and the remainder will be paid as monthly annuity (if monthly amount is not lower than 10% of the Social Support Index (IAS)).

Taxation and social security contributions on pension payments

- Same as for *complementary schemes of collective initiative*.
- Pension payments are not subject to social security contributions.

F. Legal Basis

- Framework Law on Social Security (*Lei de Bases da Segurança Social*), Art. 82; Decree-Law No. 26/2008, 22 February as amended and republished by Decree-Law No. 82/2018, 16 October; Tax Benefits Code (*Estatuto dos Benefícios Fiscais*).

Complementary Schemes of Collective Initiative

Regimes complementares de iniciativa coletiva

A. Coverage

Voluntary participation

- Employees and members of statutory boards, in some cases based on collective agreement.
- Self-employed workers (*trabalhadores independentes*).

B. Financing

General finances

- Fully funded pension plans (as the rule) financed by contribution payments and capital revenues.
- Other sources of funding exist (e.g. corporation endowments).

Contribution rates

- Contributions can be paid by the employer, employees, and self-employed workers. Normally, contributions are paid entirely by the employers for occupational pension plans. There are also the so-called *regimes profissionais complementares*[13]. These comprehend complementary benefits to the *general social security scheme* funded by both the employees and the employers, or they are based on self-contributions.
- Contributions are not uniform and depend on the conditions of the pension funds.

State support & incentivising strategies

- *For contributions by employees/self-employed workers*: tax-deductions on contribution payments (20%) capped by maximum amounts depending on the person's age: EUR 400 for persons under 35; EUR 350 for persons aged 35-50; EUR 300 for persons over 50; for tax benefits (*benefícios fiscais*), there is a global limit concerning the deductions (*deduções à coleta*), depending on the income brackets of IRS.
- *For contributions by the employer*: contribution payments are considered as workers' revenues according to CIRS; if certain conditions are met (e.g. vested pension rights; payment as annuities), employers' contributions to *complementary schemes of collective initiative* are exempt from Personal Income Tax.
- For corporations, contribution payments for pension funds are considered as costs capped by maximum limit (i.e. the amount paid cannot exceed 15% of the salary mass).

C. Administration

- Closed (*fechados*) and open (*abertos*) pension funds exist.
- In order to guarantee entitlements of the beneficiaries, the administration is managed by external institutions: insurance companies, mutualist associations, social solidarity foundations (*fundações de solidariedade social*), pension fund management companies.
- Pension plans are supervised by the 'Insurance and Pension Funds Supervisory Authority' (*Autoridade de Supervisão de Seguros e Fundos de Pensões*).

D. Qualifying Conditions

- Conditions are regulated in pension regulations at company or collective level.
- There are rules protecting outgoing workers concerning the 'conditions governing the acquisition of rights under supplementary pension schemes'.

E. Benefits

Pension payments

- Monthly life-long annuities or one-time lump sum payment (only possible for part of the capital).
- Pension plans can be defined benefit or defined contribution; defined benefit plans are still dominant.

Taxation and social security contributions

- *Benefits resulting from contributions of the beneficiaries* (and from the employer, if contributions did not fall under favorable tax treatment): (1) for lump sum payments the part resulting from contributions (capital component) is tax-exempted; gains and other returns on investment are taxed: 4% (effective rate) for contributions made before 1/1/2006, 8% (effective rate) for contributions made thereafter (20% of 2/5); (2) for annuities the part that results from contributions (capital component) is tax-exempted; gains and other returns are taxed (if it is not possible to distinguish between capital and gains, the law prescribes 15% of the annuity to be taxed at the person's margin rate of income tax (IRS)).
- *Benefits resulting from employer's contributions*: (1) for annuities, taxation depends on the person's margin rate of income tax (IRS); there is a fiscal deduction on the total pension income; (2) for lump sum payments, 1/3 of the capital is exempted (limit: EUR 11,704.70); the remainder is taxed at the person's margin rate of income tax (IRS); gains and other returns on investment are taxed: 4%, (effective rate) for contributions that were made before 1/1/2006; 8%, (effective rate) for contributions made thereafter.

F. Legal Basis

- Framework Law on Social Security (*Lei de Bases da Segurança Social*), Arts. 83, 85 and 86; Decree-Law No. 225/89, 6 July; Decree-Law No. 12/2006, 20 January; Decree-Law No. 95/2017, 10 August; Decree-Law No. 40/2018, 11 June (transposition into national law of Directive 2014/50/EU); Mutualist Associations Code (*Código das Associações Mutualistas* – Decree-Law No. 59/2018, 2 August); Tax Benefits Code (*Estatuto dos Benefícios Fiscais*); Corporate Income Tax Code (*CIRC – Código do Imposto sobre o Rendimento das Pessoas Coletivas*); Personal Income Tax Code (*CIRS – Código do Imposto sobre o Rendimento das Pessoas Singulares*).

Complementary Schemes of Individual Initiative

Regimes complementares de iniciativa individual

A. Coverage

Voluntary participation

- All persons are eligible, depending on the acceptance by the management entity.

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 & incentivising strategies

- Tax-deductions on contribution payments (20%) capped by maximum amounts depending on the person's age: EUR 400 for persons under 35; EUR 350 for persons aged 35-50; EUR 300 for persons over 50. For tax benefits (*benefícios fiscais*), there is a global limit concerning the deductions (*deduções à coleta*), depending on the income brackets of IRS.
- For corporations, contribution payments are considered as costs (cannot exceed 15% of the salary mass).

C. Administration

- Different kinds of entities: pension fund management entities, life insurance companies, investment fund management entities; mutualist entities also play a role at this level.
- Pension funds and insurance contracts are regulated and supervised by the 'Insurance and Pension Funds Supervisory Authority' (*Autoridade de Supervisão de Seguros e Fundos de Pensões*, ASF).
- Investment funds are regulated and supervised by the 'Portuguese Securities Market Commission' (*Comissão do Mercado de Valores Mobiliários*).

D. Qualifying Conditions

- Conditions vary with the stipulated conditions in the plans.
- For retirement savings plans (PPR's), a legal framework exists, setting clear conditions with regard to the withdrawal of pensions; if conditions are disregarded penalties apply; one requirement is usually to have reached age 60. Early withdrawals without penalties are possible in certain circumstances, such as long-term unemployment, serious illness or permanent incapacity for work of the participant (or of members of the household).

E. Benefits

Pension payments

- Only defined contribution plans.
- Benefits are paid as periodical and regular annuities or as lump sum payment (same as for *complementary schemes of collective initiative*).

Taxation and social security contributions on pension payments

- Same as for *complementary schemes of collective initiative*.

F. Legal Basis

- Framework Law on Social Security (*Lei de Bases da Segurança Social*), Art. 84; Decree-Law No. 12/2006, 20 January, amended and republished by Law No. 147/2015, 9 September (last amendment: Decree-Law No. 84/2020, 12 October); Decree-Law No. 158/2002, 2 July; Corporate Income Tax Code (*CIRC – Código do Imposto sobre o Rendimento das Pessoas Coletivas*); Personal Income Tax Code (*CIRS – Código do Imposto sobre o Rendimento das Pessoas Singulares*); Tax Benefits Code (*Estatuto dos Benefícios Fiscais*).

Footnotes

1 Mutualist associations (*associações mutualistas*) that are part of the social sector also play a role in the complementary system, both in the schemes of collective and individual initiative.

2 Framework Law on Social Security (*Lei de Bases da Segurança Social* – Law No. 4/2007, 16 January, as amended by Law No. 83-A/2013, 30 December).

3 Although Portugal is a unitary state, there are two autonomous regions: the Azores and Madeira Archipelagos. This has implications for the organisation of social security. Putting aside some regional particularities, the benefits are managed in the two regions, respectively, by the Azores Institute of Social Security (*Instituto de Segurança Social dos Açores*, IPRA), and the Madeira Institute of Social Security (*Instituto de Segurança Social da Madeira*, IP-RAM).

4 In accordance with the Framework Law on Social Security (Article 53), which lays down a 'general social security scheme applicable to the generality of employees and self-employed workers´, and with Decree-Law No. 187/2007, 10 May, which is the main statute regulating old age contributory pensions, self-employed workers are part of the general statutory scheme. Another perspective could be taken, as other statutes mention a 'self-employed workers' scheme': e.g. the Contributive Code, which privileges the contributory particularities and treats separately (as a scheme) the special norms regarding the self-employed.

5 Voluntary social insurance will be addressed in connection with the *general social security scheme* as – despite differences in some aspects (e.g. coverage and contribution rates) – the material legal framework is basically the same (e.g. benefits).

6 The integration process, in order to safeguard acquired rights, has led to the survival of special social security schemes for some categories of workers.

7 Persons who receive an old age pension of the *general social security scheme* cannot qualify for a social old age pension, as old age pension benefits of the *general social security scheme* cannot fall below the *social old age pension* level due to the social complement. However, survivors' pensions (incl. those of the *general social security scheme*) and contributory old age pensions of one of *special schemes* (i.e. schemes which are no longer open to new entrants in 2020) can be lower than the *social old age pension level*. In this case, entitlement to *social old age pension* is possible if the sum of the *social old age pension* plus the amount of the other public pension does not exceed the minimum pension level of the *general social security scheme* (EUR 275.30 in 2020). In these cases, the so-called *social replacement pension* (*pensão social de substituição*) is paid out.

8 These pensions of minimums should not be confused with the minimal amounts of pensions, often called 'minimum pensions' (*pensões mínimas*).

9 In 2017 (for pensions awarded until the end of 2016) and 2018 (for pensions awarded until the end of 2017), there was an extraordinary update of pensions with the aim to offset losses incurred in the context of the financial crisis. Thereby, a differentiation was generated between the new recipients (with *pensions of minimums* awarded as of 2017, and recipients having not or only partially benefited from these extraordinary increases) and the other pensioners, which led to the creation of this new supplement.

10 There are still some other (closed) schemes in the *subsystem of solidarity*: the *special social security scheme for agriculture* (*regime especial de segurança social das atividades agrícolas*) – in this case, the *extraordinary supplement for pensions of minimums* is lower (EUR 8.49 in 2020) –, *transitional schemes of agricultural workers* (*regimes transitórios dos trabalhadores agrícolas*), and other schemes formally considered non-contributory.

11 The 'Social Support Index' (*Indexante de Apoios Sociais*, IAS) is of high importance for determining the eligibility and the amount of social benefits. The IAS is the result of delinking social security benefits from the 'guaranteed monthly minimum remuneration' (*Remuneração Mensal Mínima Garantida*, RMMG) also known as 'minimum wage' (*salário mínimo*). The amount of the Social Support Index (EUR 438.81 in 2020) is lower than the 'minimum wage' (EUR 635 in 2020). It is adjusted yearly based on the consumer price index (*Índice de Preços ao Consumidor*, IPC), excluding housing, and on the GDP growth rate.

12 The sustainability factor functions as a penalty factor for early retirement.

13 See Decree-Law No. 225/89, 6 July.

ROMANIA

THE ROMANIAN OLD AGE SECURITY SYSTEM IN 2020

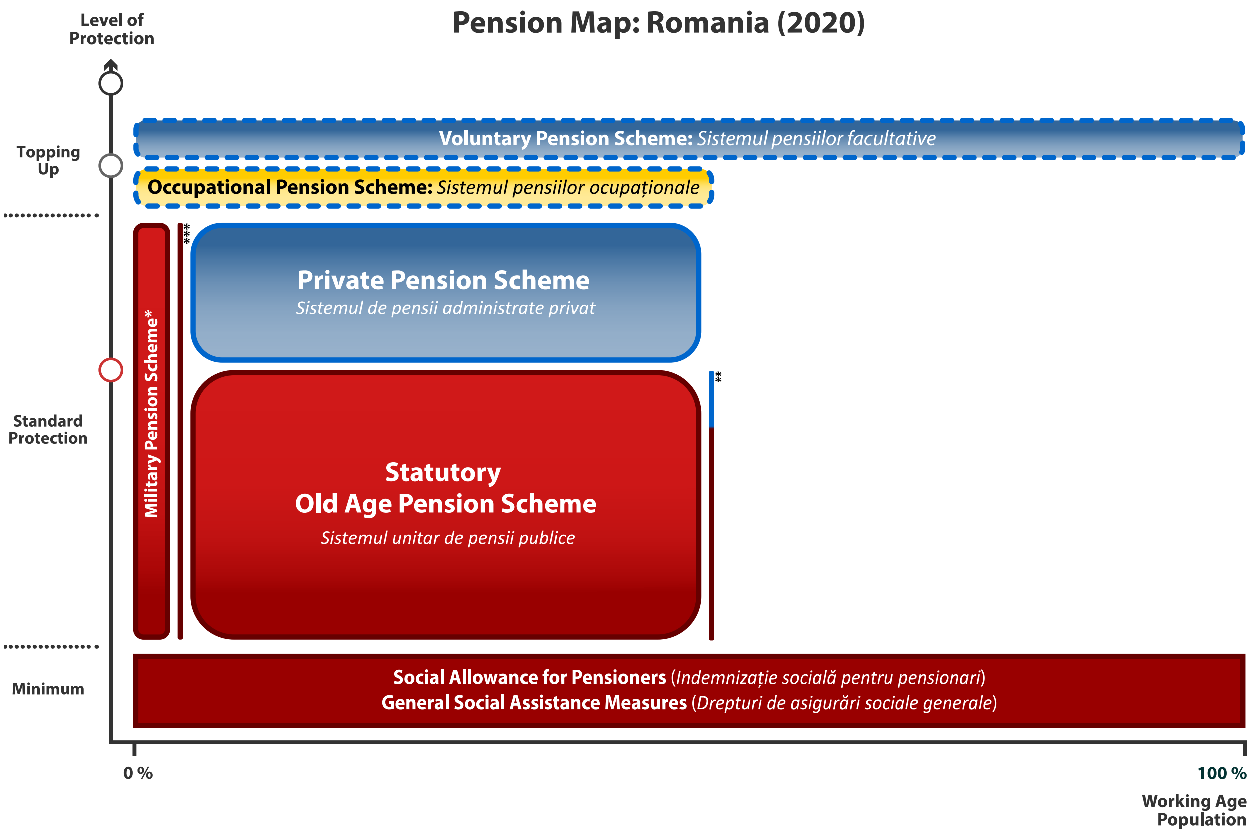
Elena-Luminiţa Dima and Alexandra Georgiana Vâlcelaru

The history of the Romanian old age pension system dates back to 1912, when the Law on Workers' Insurance – which introduced the old age pension – was adopted. During the period between the First and the Second World War, the first profession-specific pensions came into existence, such as the schemes for lawyers as part of the lawyers' social security system. The general public pension system underwent several overall structural changes during and after the period of socialism (1946–1989). The post-socialist period was characterised by the diversification of retirement provisions through the enactment of pension schemes with a private legal form, supplementing the traditional public ones. Starting 2020, occupational pensions have also been introduced on a voluntary basis. As of now, the legislator intends to provide 'standard protection' against financial risks in old age through an interplay of mandatory insurance in general and occupation-specific public pension schemes, as well as through a supplementary private pension scheme. Other supplementary private and occupational pension plans may 'top up' pension benefits if used in conjunction with other forms of 'standard protection'. Outside the pension system, a 'minimum' subsistence level is provided through a social allowance which ensures that old age income does not fall below a certain threshold set by the law. Minimum levels of protection are further targeted through the provision of general social assistance measures.

Standard Protection in Old Age

The *statutory old age pension scheme* (*sistemul unitar de pensii publice*) is the largest scheme of the Romanian pension system and is financed though a pay-as-you-go (PAYG) mechanism. The majority of the working population is compulsorily insured in the scheme. Due to a reform of the fiscal legislation in 2018, the burden of social contributions has been moved to the employee with the exception of some hazardous professions where the employer needs to provide an additional contribution.

Other specific public pension schemes exist for distinct occupational groups. The police, military personnel and some civil servants with special status are not compulsorily insured in the *statutory old age pension scheme*[1] and have a separate public old age scheme of their own, namely the *military pension scheme* (*sistemul de pensii militare*). Judges



Coverage: * < 1%; ** < 0.2% (*Lawyers' Pension Scheme*); *** < 0.1% (*Judges' and Prosecutors' Service Pension Scheme*) and prosecutors are insured in the *statutory old age pension scheme*, but can benefit from a service pension from the *judges' and prosecutors' service pension scheme* (*sistemul de pensii de serviciu ale judecătorilor și procurorilor*) upon retirement if this is more advantageous[2]. Judges and prosecutors, as well as the military personnel are granted privileged treatment through a high level of financial protection in old age and the granting of service pension benefits based on earnings received at the end of their career. Lawyers are mandatorily enrolled in the *lawyers' pension scheme* (*sistemul de pensii al avocaților*) but can chose to be simultaneously enrolled in the *statutory old age pension scheme*.

Since 2006, persons born after 1971 (or who are younger than 35 years of age at the time of starting insurance) and insured in the *statutory old age pension scheme* are additionally mandatorily insured in the capital-funded *private pension scheme* (*sistemul de pensii administrate privat*), where part of the mandatory pension insurance contribution is transferred to. Those born after 1961 (or who are between 35 and 45 years of age at the time of starting insurance) can opt into the *private pension scheme*, yet with no rights for a subsequent opt-out. This fully funded system is managed by private institutions and no guarantees are offered from the state budget.

Top-Ups

The possibilities for the topping up of the pension income include private and occupational schemes, respectively the *voluntary pension scheme* (*sistemul pensiilor facultative*) and the *occupational pension scheme* (*sistemul pensiilor ocupaționale*). The organisation and functioning of the *voluntary pension system* are similar to those of the *private pension scheme* that is part of the standard protection, but participation is voluntary for all categories of individuals. The *occupational pension scheme* is a system usually provided to employees of a given enterprise on the basis of insurance contributions provided by the employer. The optional participation in these two schemes is incentivised by some tax relief measures.

Minimum

Those entitled to a public pension from the *statutory old age pension scheme* and the *military pension scheme* are guaranteed a basic subsistence level, the so-called *social allowance for pensioners* (*indemnizație socială pentru pensionari*) which was introduced in 2009. This pension-tested social assistance scheme explicitly targets the provision of a minimum safety net among elderly persons through the securing of a minimum threshold for pension benefits and is financed out of the general state budget. *General social assistance measures* (*drepturi de asigurări sociale generale*) for the elderly include the provision of hot meal vouchers (means-tested), a monthly allowance for the surviving spouse (not means-tested) and a discount for train rides (not means-tested). In addition, the elderly can rely on the so-called *guaranteed minimum income* (*venit minim garantat*), if their net monthly income and assets are below the guaranteed minimum income subsistence level as defined by law. The *guaranteed minimum income* is not specific for the elderly but is a general means-tested social assistance measure that aims to provide a minimum subsistence level for every person who fulfils the requirements. In general, the *social allowance for pensioners* can be received together with the guaranteed minimum income, hot meal vouchers, train discounts and the monthly allowance for surviving spouses, as long as their cumulative value does not exceed the threshold for the given benefit.

General Social Assistance Measures

Drepturi de asigurări sociale generale

A. Coverage

- Elderly persons with insufficient financial means residing in Romania.

B. Financing

- Tax-financed out of the general budget.
- Exception: hot meal vouchers are financed through the Operational Program for Helping Disadvantaged People 2014-2020, funded by the European Aid Fund.

C. Administration

- The regional social benefit agencies pay the guaranteed minimum income.
- The National House of Pensions through the Territorial Houses of Pensions keep record of the pensioners that receive train ride discounts.
- The Territorial Houses of Pensions pay the monthly allowance for the surviving spouse.
- The Ministry of European Funds, through the specialised structure responsible for the implementation of the program and the local authorities, manages the distribution of hot meal vouchers.

D. Qualifying Conditions

- Persons residing in Romania.
- *Specific conditions for guaranteed minimum income*: persons with net monthly income below the guaranteed minimum income level as defined by law; benefits are means-tested based on the individual's or the family's income and assets, as determined by the law.
- *Specific conditions for hot meal vouchers*: persons who have reached the age of 75 or over and are beneficiaries of the *social allowance for pensioners* or other rights granted by special laws concerning specific groups (persons persecuted for political reasons, military invalids, war widows, and others).
- *Specific conditions for the monthly allowance for the surviving spouse*: pensioners; must not have married again after the death of the spouse; the marriage with the deceased spouse must have lasted at least 5 years; the amount of the surviving individual's pension is less than RON 364.

E. Benefits

- *Guaranteed minimum income*: the amount of benefits is based on the guaranteed minimum income level provided by the law; it is calculated based on an apportionment of the 'social reference indicator' (SRI), which is RON 500, and the family size; the calculation is as follows: 0.283 SRI for a single person; 0.510 SRI for families of 2 persons; 0.714 SRI for families of 3 persons; 0.844 SRI for families of 4 persons; 1.054 SRI for families of 5 persons; 0.073 SRI for every further person who is part of a family with more than 5 family members minus the net monthly income; renewable as long as qualifying conditions persist.
- *Hot meal vouchers*: flat-rate allowance is RON 180/month.
- *Monthly allowance for surviving spouse*: flat-rate monthly allowance is a maximum of RON 90 if the marriage lasted at least 10 years (negative adjustments to the benefit if the marriage lasted less than 10 years).
- *Train rides discount*: pensioneers benefit annually from a 50% discount for 6 national train rides.
- Benefits are not subject to income tax.

F. Legal Basis

- Emergency Ordinance No. 115/2020 regarding some measures for the support of the most disadvantaged categories of people which receive hot meals based on electronic vouchers, granted from non-reimbursable external funds, as well as some measures for their distribution (*Ordonanța de urgență nr. 115/2020 privind unele măsuri pentru sprijinirea categoriilor de persoane cele mai defavorizate care beneficiază de mese calde pe bază de tichete sociale pe suport electronic* *pentru mese calde, acordate din fonduri externe nerambursabile, precum și unele măsuri de distribuire a acestora*); Law No. 147/2000 regarding the discounts granted to pensioners for internal transportation (*Legea nr. 147/2000 privind reducerile acordate pensionarilor pentru transportul intern*); Methodological Norm for the application of Law No. 147/2000 on the discounts granted to pensioners for internal transport, with subsequent amendments, and of the Government Emergency Ordinance No. 71/2004 regarding the granting of some facilities to the families of pensioners of 21/12/2004 (*Norma metodologică pentru aplicarea Legii nr. 147/2000 privind reducerile acordate pensionarilor pentru transportul intern, cu modificările ulterioare, și a Ordonanței de urgență a Guvernului nr. 71/2004 privind acordarea unor facilități familiilor de pensionari din 21.12.2004*); Law No. 578/2004 on granting a monthly allowance for the surviving spouse (*Legea nr. 578/2004 privind acordarea unui ajutor lunar pentru soțul supraviețuitor*); Law No. 416/2001 regarding the guaranteed minimum income (*Legea nr. 416/2001 privind venitul minim garantat*); Methodological Norm for applying the Provisions of Law No. 416/2001 regarding the minimum guaranteed income of 19/01/2011 (*Norma metodologică de aplicare a prevederilor Legii nr. 416/2001 privind venitul minim garantat din 19.01.2011*); Law No. 76/2002 regarding the unemployment insurance system and employment stimulation (*Legea nr. 76/2002 privind sistemul asigurărilor pentru șomaj și stimularea ocupării forței de muncă*).

Social Allowance for Pensioners

Indemnizație socială pentru pensionari

A. Coverage

- Pensioners who are eligible to a pension of the *statutory old age pension scheme* or the *military pension scheme*, who reside in Romania, and whose public pension benefits are below the level of the *social allowance for pensioners*.

B. Financing

- The scheme is entirely tax-financed out of the general budget, through the budget of the Ministry of Labour, the Ministry of National Defence, the Ministry of Internal Affairs and the Romanian Intelligence Service.

C. Administration

- The 'National House of Pensions' through the 'Territorial Houses of Pensions' administers the scheme (i.e. reviews applications, decides on eligibility, and pays out benefits).

D. Qualifying Conditions

- Persons who have reached the standard retirement age of the *statutory old age pension scheme* or the *military pension scheme*.
- Persons must reside in Romania.
- Persons with the right to pension benefits from the *statutory old age pension scheme* or the *military pension scheme*.
- Pensions must be below the social allowance level as defined by law.
- Benefits are pension-tested: solely based on the level of the amount of the public pension, due or in payment.

E. Benefits

- The amount of benefit is based on the reference social allowance level determined annually by the law (RON 704 in 2020, and RON 800 in 2021) minus the amount of the person's pension.
- The benefit is paid as long as qualifying conditions persist.
- Benefits are not subject to income tax.

F. Legal Basis

- Emergency Ordinance No. 6/2009 regarding the social allowance for pensioners (*Ordonanța de urgență nr. 6/2009 privind instituirea indemnizației sociale pentru pensionari*); annual laws on the state budget (*legile anuale privind bugetul de stat*).

Statutory Old Age Pension Scheme

Sistemul unitar de pensii publice

A. Coverage

Mandatory insurance

- Employees.
- Specific groups of economically active persons, such as civil servants; individuals working in elective functions or appointed within the executive, legislative or judicial authority during their term of office; cooperative members of a craft cooperation organisation; self-employed persons; individuals that have the obligation to pay social security contributions on their income, incl. from intellectual property rights.
- 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 and disability benefits, unemployment benefits; university students who have attended and graduated with diploma from day courses during the regular university period; persons in military service or mobilisation periods.

Voluntary insurance

- Lawyers.
- Any person who is not compulsorily insured can join the scheme on a voluntary basis by concluding a social security contract with the Territorial Houses of Pensions (*in case of termination of the social security contract, the paid social security contributions are not refunded and the completed contribution period is used in determining the pension entitlement*).

B. Financing

General finances

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

Contribution rates

- For persons only enrolled in the *statutory old age pension scheme*: fixed share of monthly gross earnings (25%) with contribution assessment ceiling.
- For persons also enrolled in the *private pension scheme*: fixed share of monthly gross earnings (21.25%) with contribution assessment ceiling.
- Contributions are entirely paid by the employee.
- *Hazardous and burdensome work*: additional fixed share of monthly gross earnings (4% or 8%) entirely covered by the employer.

Taxation of contribution payments

- The contributions are not subject to taxation.

C. Administration

- The National House of Pensions manages the scheme and pays the benefits, through the Territorial Houses of Pensions, directly to the eligible person.

D. Qualifying Conditions

Qualifying conditions

- Standard old age pension: statutory retirement age is 65 for men and 63 for women; minimum insurance period: 15 years (full pension insurance period: 35 years); achieving the full pension insurance period prior to the statutory retirement age can lead to earlier entitlement to retirement.
- Special conditions apply to miners (retirement age 20 years lower than the statutory retirement age with lowest possible age: 45 years of age, minimum insurance period: 20 years), individuals exposed to radiation (minimum insurance period of 15 years for continuous radiation area exposure and 17 years for discontinuous radiation area exposure), blind persons (minimum insurance period of 1/3 of the full insurance period for working blind persons, without a specified retirement age).

Early retirement

- Available at the latest 5 years before the statutory retirement age without adjustments to pension benefits, with cumulated minimum insurance period: at least 8 years more than the full pension insurance period of the standard pension (at the date of fulfilling the standard old age pension conditions, the early retirement pension is converted to old age pension and recalculated).
- *Partial early retirement*: available at the latest 5 years before the statutory retirement age in case of acquiring the full pension insurance period or in case of exceeding the full pension insurance period with up to 8 years.
- *Work in burdensome conditions*: special early retirement regulations apply to individuals who have acquired the full insurance periods.

Deferred retirement

- Retirement can be deferred with indirect adjustments to pension benefits due to the increase in the annual scores and the average annual score.
- Contributing to the scheme after reaching the standard retirement age and the minimum contribution period leads to an additional increase in pension benefits (0.5% per deferred month); the given increase does not apply for claimed pension benefits.

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 of e.g. child-raising.
- No specification in law regarding fixed minimum and maximum amount of pension benefits.

Factors for benefit calculation

- Based on the following factors: the monthly score, the annual score, the average annual score and the pension points.
- *Monthly score*: calculated on the basis of reported individual monthly earnings subject to social security contributions divided by the average gross earnings for that month, as reported by the National Statistical Institute.
- *Annual score*: determined by dividing the sum of the monthly scores achieved in the given calendar year by 12.
- *Average annual score*: determined by dividing the number of points resulting from the sum of the annual scores by the number of years corresponding to the full pension insurance period.
- *Pension point*: starting 01/09/2020, the amount of one pension point is RON 1,442 (in 2021).
- The amount of the benefit equals the sum of the multiplication of the pension point and the average score.
- *Adjustments*: indirect adjustment through determing the value of the pension point annually.
- *Partial early retirement*: based on the amount of the standard old age pension reduced by the number of years exceeding the full insurance period and the number of months missing in order to reach the standard retirement age.

Taxation and social security contributions

- Taxable pension income is subject to 10% income tax (the taxable pension income is determined by deducting the monthly non-taxable amount of RON 2,000 from the pension income).
- Pension benefits are not subject to social security contributions.

F. Legal Basis

- Law No. 263/2010 regarding the public pension system (*Legea nr. 263/2010 privind sistemul unitar de pensii publice*); Law No. 227/2015 regarding the Fiscal Code (*Legea nr. 227/2015 privind Codul fiscal*); Rules of Application of the Provisions of Law No. 263/2010 on the unitary public pension system of 20/03/2011 (*Norma de aplicare a prevederilor Legii nr. 263/2010 privind sistemul unitar de pensii publice din 20.03.2011*).

Judges' and Prosecutors' Service Pension Scheme

Sistemul de pensii de serviciu ale judecătorilor și procurorilor

A. Coverage

- Judges, prosecutors, assistant magistrates of the High Court of Cassation and Justice and of the Constitutional Court, and legal specialists assimilated to judges and prosecutors.
- This is not a social insurance scheme and persons do not pay additional contributions; persons covered by this scheme are formally insured in the *statutory old age pension scheme* and the *private pension scheme*; they receive a service pension from the *judges' and prosecutors' service pension scheme* if it is more advantageous than the insurance pension from the *statutory old age pension scheme*.

B. Financing

General finances

- The difference between the insurance pension of the *statutory old age pension scheme* and the *service pension of the judges' and prosecutors' service pension scheme* is tax-financed out of the general budget, through the budget of the Ministry of Labour, Social Solidarity and Family.

Contribution rates

- Judges and prosecutors do not pay additional contributions into this scheme; they are formally insured in the *statutory old age pension scheme*. For contribution rates see *statutory old age pension scheme*.

C. Administration

- The Territorial Houses of Pensions manage the scheme and pay benefits directly to the eligible person.

D. Qualifying Conditions

Qualifying conditions

- *Standard old age pension*: statutory retirement age is 60; minimum full seniority insurance period of service: 20 to 25 years (depending on position occupied); if minimum condition is not fulfilled, negative (permanent) adjustments to pension benefits of 1% of the calculation base are to apply for every year missing in order to qualify for full seniority in the magistracy.

Early retirement

- Available up to 5 years before the statutory retirement age, with minimum insurance period of service of 5 years more than the full seniority insurance period, with negative (permanent) adjustments to pension benefits (1% of the calculation base for every year missing in order to qualify for full seniority in the magistracy).
- Early pension upon request: judges, prosecutors, assistant magistrates of the High Court of Cassation and Justice and of the Constitutional Court may retire early upon request with a minimum insurance period of service of at least 25 years; only applicable to persons in the abovementioned functions or working as lawyers, legal specialists in former state arbitrations, legal advisers or jurisconsults.

Deferred retirement

- Retirement can be deferred up to age 70; deferment of retirement after age 65 is only possible with the approval of the Judges'/Prosecutors' Section.

Combining employment & retirement

- Termination of employment is <u>not</u> a precondition for claiming pension benefits.
- After reaching the statutory retirement age employment is permitted without earnings limit.
- Early pension cannot be combined with an income from a professional activity (regardless of the amount of income) until age 60.

E. Benefits

Pension benefits

- Service pension: primarily based on last earnings prior to retirement and years of service. The Territorial Houses of Pensions calculate both the pension from the *statutory old age pension scheme* and the service pension from the *judges' and prosecutors' service pension scheme*. The pension paid is the one that is most advantageous for the pensioner.[3]
- No specification in law regarding fixed minimum and maximum amount of pension benefits.

Factors for benefit calculation

- *Calculation base*: 80% of the average gross income (incl. monthly gross emolument and increases of a permanent/non-permanent nature) achieved in the last 12 months of activity before the date of retirement; the 80% of the average gross income from the last 12 months is about 58% higher than the net salary received during the overall professional career.
- *Adjustments*: the benefit is adjusted in case of an increase of the monthly gross income of an active judge and prosecutor working under identical conditions of function, seniority and degree; in case the adjustment results in lowering of the benefit, the higher benefit amount is retained.

Taxation and social security contributions

- Taxable pension income is subject to 10% income tax (the taxable pension income is determined by deducting the monthly non-taxable amount of RON 2,000 from the pension income).
- Pension benefits are not subject to social security contributions.

F. Legal Basis

- Law No. 303/2004 regarding the statute of judges and prosecutors (*Legea nr. 303/2004 privind statutul judecătorilor și procurorilor*); Methodological Rules for the Application of the Provisions of Law No. 303/2004 on the status of judges and prosecutors, and of Law No. 47/1992 on the organisation and functioning of the Constitutional Court on service pensions and on the granting of parental allowances up to 2 years of age from 18/10/2005 (*Norma metodologică de aplicare a prevederilor Legii nr. 303/2004 privind statutul judecătorilor și procurorilor, republicată, și ale Legii nr. 47/1992 privind organizarea și funcționarea Curții Constituționale, republicată, referitoare la pensiile de serviciu și la acordarea indemnizațiilor pentru creșterea copilului în vârstă de până la 2 ani din 18.10.2005*); Law No. 227/2015 regarding the Fiscal Code (*Legea nr. 227/2015 privind Codul fiscal*).

Military Pension Scheme

Sistemul de pensii militare

A. Coverage

Mandatory insurance

- Military personnel, police officers and civil servants with special status.

B. Financing

General finances

- Partially PAYG-financed from insurance contributions of the currently insured persons.
- Partially financed by the general budget.

Contribution rates

- Fixed share of monthly gross earnings (25%) with contribution assessment limit.
- Contributions are entirely covered by the employee.

Taxation of contribution payments

- Contributions are not subject to taxation.

C. Administration

- The Sectorial Houses of Pensions manage the scheme and pay benefits directly to the eligible person.
- The Ministry of National Defence, the Ministry of Internal Affairs and the Romanian Intelligence Service ensure the application of the relevant regulations and exercise control over their application.
- Contributions are paid into the general budget; the payment of benefits is provided from the general budget through the budgets of the responsible institutions (Ministry of National Defence, Ministry of Internal Affairs, Romanian Intelligence Service).

D. Qualifying Conditions

Qualifying conditions

- *Standard old age pension*: statutory retirement age is 60; minimum insurance period: 25 years of effective service[4] (incl. at least 15 years of actual service).
- *For persons working in burdensome conditions*: one year's insurance period of actual service can be equal to either: 1 year and 3 months (in the case of difficult working conditions), 1 year and 6 months (in the case of special working conditions), or 2 years (in the case of other specific burdensome conditions).

Early retirement

- Available up to 5 years before the statutory retirement age, with minimum insurance period: 25 years of effective service (at least 15 years of actual service) if the following conditions are fulfilled: (a) retirement/ceasing of service as a result of the reorganisation of establishments and the reduction of some functions, as well as for other reasons of institutions in the field of national defence, security and public order; (b) retirement/ceasing of service as a result of (limited) work disability for military service recognised by the medical-military expertise committees (*at the date of fulfilling the standard old age pension conditions, the early retirement pension is converted to old-age pension and recalculated*).
- No requirement for retirement age; minimum insurance periods: 20 years of effective service (at least 10 years of actual service) if the following conditions are fulfilled: (a) retirement/ceasing of service as a result of the reorganisation of establishments and the reduction of some functions, as well as for other reasons of institutions in the field of national defence, security and public order; (b) retirement/ceasing of service as a result of (limited) work disability for military service recognised by the medical-military expertise committees.
- *Work in burdensome conditions*: special early retirement regulations apply; pensions can be claimed up to 13 years (maximum) before the statutory retirement age (lowest possible retirement age is 45 years).

Deferred retirement

- Retirement can be deferred with positive (permanent) adjustments to pension benefits (1% of the calculation base per year).

Combining employment & retirement

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

E. Benefits

Pension benefits

- Primarily based on last earnings prior to retirement and years of service.
- Maximum amount: 85% of the calculation base, including recalculated and indexed benefits.
- No specification in law regarding fixed minimum amount of pension benefits.
- *Partial early retirement benefit*: primarily based on the number of years of service.

Factors for benefit calculation

- *Calculation base*: the average gross monthly salary for the basic function in 6 consecutive months, of the last 5 years of activity (as chosen by the participant).
- *Persons with a cumulated seniority in service of at least 25 years*: a service pension amounting to 65% of the calculation base; in addition, for each year that exceeds this seniority, 1% of the calculation base is added to the amount of the pension.
- *Adjustments*: the amount of the benefit paid on 31 December of the previous year is indexed, ex officio, starting with 1 January of the current year, with the last average annual inflation rate.

Taxation and social security contributions

- Taxable pension income is subject to 10% income tax (the taxable pension income is determined by deducting the monthly non-taxable amount of RON 2,000 from the pension income).
- Pension benefits are not subject to social security contributions.

F. Legal Basis

- Law No. 223/2015 regarding military pension (*Legea nr. 223/2015 privind pensiile militare*); Law No. 227/2015 regarding the Fiscal Code (*Legea nr. 227/2015 privind Codul fiscal*).

Lawyers’ Pension Scheme

Sistemul de pensii al avocaților

A. Coverage

Mandatory insurance

- Lawyers registered with a Bar (all Romanian and foreign lawyers registered in the Lawyer’s Registry and having the right to practise their profession, incl. retired lawyers who continue to exercise their profession).

B. Financing

General finances

- PAYG-financed insurance contributions, capital revenues, donations, grants and other income provided for by law.

Contribution rates

- Fixed share of monthly gross earnings (11%) paid by the insured person with contribution assessment ceiling.
- *Minimum mandatory contribution rate*: RON 300 (RON 312 in 2021) on the basis of a gross income of a maximum of RON 2,723 (RON 2,836 in 2021); for trainee lawyers: RON 80 for a gross income of a maximum of RON 2,723.
- *Maximum mandatory contribution rate*: RON 1,452 (RON 1,562 in 2021) on the basis of a gross income of RON 13,200 (RON 14,200 in 2021).

Taxation of contribution payments

- Contributions are not subject to taxation.

C. Administration

- The Lawyers' Insurance House and its subsidiaries manage the scheme and pay benefits directly to the eligible person.

D. Qualifying Conditions

Qualifying conditions

- *Standard old age pension*: statutory retirement age is 65; minimum insurance period: 15 years (full pension insurance period: 35 years).
- *Individuals who have completed the full pension insurance period and have raised at least one child up to the age of 10*: reduction of the statutory retirement age by 6 months (one child), one year (2 children), 18 months (3 children), 2 years (4 or more children); no negative adjustment to pension benefits.

Early retirement

- Available up to 5 years before the statutory retirement age; with a minimum insurance period as a lawyer of at least 5 years more than required for the full pension insurance period of the standard old age pension; no negative adjustment to pension benefits.
- At the date of fulfilling the standard old age pension conditions, upon request; the early retirement pension can be recalculated and converted into a permanent retirement pension; the early retirement pension can be received until age 70 when it is *ex officio* converted into a permanent retirement pension; no negative adjustment to pension benefits.

Deferred retirement

- Retirement can be deferred until the individual requests permanent retirement;[5] positive (permanent) adjustments to pension benefits calculated by taking into account the additional average annual score for the contribution periods after the standard retirement age (or date of *standard old age pension* entitlement) up until the date of the permanent retirement entitlement;[6] after requesting permanent retirement pension, the person may no longer return to the profession.

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 (who have not requested permanent retirement) may continue to practice as lawyers by providing contribution payments to the scheme with positive (permanent) adjustments to the permanent pension benefit: score increases by 0.3% for each month and 3.6% for each additional year added to the contribution period.

E. Benefits

Pension benefits

- Dependent on total amount of individual contribution payments and contribution period.
- No specification in law regarding fixed minimum and maximum amount of pension benefits.
- Pension benefits can be combined with benefits of the *statutory old age pension scheme* and act as a supplement (if insured person chose to be insured in both schemes).

Factors for benefit calculation

- Based on the following factors: the monthly score, the reference income, the annual score, the average annual score and the pension points.
- *Monthly score*: determined by dividing the individual gross monthly income by the reference income
- *The reference income*: the average gross income for the legal profession, established annually by the Bar's decision, is used to calculate all social insurance benefits and other social insurance rights of lawyers (RON 2,428).
- *Annual score*: determined by dividing the sum of the monthly scores achieved in the given calendar year by 12.
- *Average annual score*: determined by dividing the number of points resulting from the sum of the annual scores by the number of years corresponding to the full pension insurance period.
- *Pension point*: starting 01/09/2020, the amount of one pension point is RON 1,388 (in 2021).
- The amount of the benefit equals the sum of the multiplication of the pension point in the month of retirement and the average annual score.
- *Adjustments*: annual adjustment of the pension value taking into account inflation coefficient and financial situation of the scheme.

Taxation and social security contributions

- Taxable pension income is subject to 10% income tax (the taxable pension income is determined by deducting the monthly non-taxable amount of RON 2,000 from the pension income).
- Pension benefits are not subject to social security contributions.

F. Legal Basis

- Law No. 72/2016 regarding the lawyers' system of pensions and other socal rights (*Legea nr. 72/2016 privind sistemul de pensii și alte drepturi de asigurări sociale ale avocaților*); Law No. 227/2015 regarding the Fiscal Code (*Legea nr. 227/2015 privind Codul fiscal*).

Private Pension Scheme

Sistemul de pensii administrate privat

A. Coverage

Mandatory participation

- Persons insured in the *statutory old age pension scheme* (exception: persons above the age of 35 in 2006 or at the time of acquiring insuree status).
- Persons can choose the pension fund; persons who have not joined a pension fund within 4 months of the specified date are randomly allocated; persons can switch between different private pension funds by notifying the manager of their current pension fund.

Opting in

- Persons insured in the *statutory old age pension scheme* who are between the age of 35 and 45 in 2006 or at the time of acquiring insuree status; persons have the option of opting into the scheme by signing an individual act of accession and can either choose a pension fund or are allocated randomly.
- Once a person chooses to opt in, they have no right to opt out of the scheme until qualifying for the old age pension; participation can only be 'paused' for periods when no social security contributions are due.

B. Financing

General finances

- Fully funded based on contribution payments (incl. interest and late contribution payment penalties) and capital revenues.

Contribution payments

- Fixed share of monthly gross earnings (3.75%) as part of the statutory pension contributions (in relation to the contributions for the *statutory old age pension scheme*).
- Contributions are entirely covered by employee; the amount of the contribution is determined on the basis for calculating the individual social security contribution mentioned in the declaration of insurance to the public pension system.

State support

- Contribution payments are deductible from the basis for the calculation of the statutory social security contributions (in relation to the contributions owed for the *statutory old age pension scheme*, the *military pension scheme*, and the *judges' and prosecutors' service pension scheme*).

C. Administration

- Pension plan providers (i.e. joint stock companies that have as only activity the administration of pension funds) manage pension funds and pay benefits directly to the eligible person.
- The 'Supervisory Commission of the Private Pension System' licenses, oversees and sanctions the pension plan providers.
- The 'Private Pension Guarantee Fund' compensates losses of persons and beneficiaries, both during the period of capital accumulation and after the pension entitlement, caused by the inability of managers or pension providers to meet their obligations; fund managers and private pension providers pay contributions[7] to the Private Pension Guarantee Fund.

D. Qualifying Conditions

- Based on entitlement to old age pensions from 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.
- Guarantee of no losses in nominal amounts.

Taxation and social security contributions on pension payments

- Taxable pension income is subject to 10% income tax (the taxable pension income is determined by deducting the monthly non-taxable amount of RON 2,000 from the pension income).
- Pension benefits are not subject to social security contributions.

F. Legal Basis

- Law No. 411/2004 regarding private pension funds (*Legea nr. 411/2004 privind fondurile de pensii administrate privat*); Law No. 187/2011 on the establishment, organisation and operation of the Private Pension Guarantee Fund (*Legea nr. 187/2011 privind înființarea, organizarea și funcționarea Fondului de garantare a drepturilor din sistemul de pensii private*); Law No. 227/2015 regarding the Fiscal Code (*Legea nr. 227/2015 privind Codul fiscal*).

Occupational Pension Scheme

Sistemul pensiilor ocupaționale

A. Coverage

Voluntary participation

- Employees, civil servants, appointed or elected individuals, members of cooperative companies and others that derive income-related earnings, persons acting as their own employers (incl. self-employed); plans provided mostly by employer, often based on collective agreement or individual employment contracts.

B. Financing

General finances

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

Contribution payments

- Contributions can be paid by employer or shared between employee and employer (proportions vary depending on scheme's provisions, the contract concluded between the employer and the administrator and the individual act of accession).
- Employees' contributions depend on concrete pension plan (maximum amount of contribution payments): no more than 1/3 of monthly gross earnings; the total amount of social security deductions may not exceed 50% of the monthly salary.
- Employees can cease contribution payments and retain their rights in accordance with the pension plan conditions (unless transfer of accumulated capital to another fund has been requested).
- Employer may determine differentiated amounts of contribution payments based on employees' seniority, function or salary entitlements.

State support

- Contribution payments are recognised as expense deductible from the tax base.

C. Administration

- Pension plan providers (pension companies, investment management companies, life insurance companies) manage pension funds and pay benefits directly to the eligible person.
- The 'Supervisory Commission of the Private Pension System' licenses, oversees and sanctions the pension plan providers.
- The 'Private Pension Guarantee Fund' compensates losses to persons and beneficiaries, both during the period of capital accumulation and after the pension entitlement, if caused by the inability of managers or pension providers to meet their obligations.
- Employer collects and transfers contributions; employer's responsibility is limited to the payment of the agreed contribution amount.

D. Qualifying Conditions

- Participants are entitled to occupational pension benefits in accordance with the pension plan conditions and the legislation on the payment of private pensions.
- Exceptionally, upon the participant`s request, entitlement to pension benefits may start at the time the participant reaches the standard retirement age of the *statutory old age pension scheme*.

E. Benefits

Pension payments

- Primarily based on the amount of contributory earnings, length of contribution period and capital revenues.
- Monthly life-long annuity; if monthly payments are below threshold: one-time lump-sum payment of 100% possible, or instalment payments for a maximum period of 5 years, upon request.

Taxation and social security contributions on pension payments

- Taxable pension income is subject to 10% income tax (the taxable pension income is determined by deducting the monthly non-taxable amount of RON 2,000 from the pension income).
- Pension benefits are not subject to social security contributions.

F. Legal Basis

- Law No. 1/2020 regarding occupational pensions (*Legea nr. 1/2020 privind pensiile ocupaționale*); Law No. 227/2015 regarding the Fiscal Code (*Legea nr. 227/2015 privind Codul fiscal*).

Voluntary Pension Scheme

Sistemul pensiilor facultative

A. Coverage

Voluntary participation

- Persons with taxable income, residing in Romania on the basis of an individual act of accession[8] (employees, civil servants, self-employed persons, appointed or elected individuals, members of co-operative companies and others that derive income-related earnings).
- Pension plan providers may not refuse the individual act of accession to any person possessing the right to participate in the scheme.

B. Financing

General finances

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

Contribution payments

- Contribution payments are determined in accordance with the rules of the respective scheme (maximum amount of contribution payments: 15% of the monthly gross salary of the insured person).
- Persons are entitled to modify, suspend or cease their contributions at any time.
- Contributions can be paid by employer or shared between employee and employer (depending on scheme's provisions and individual act of accession).

State support

- Contribution payments of up to EUR 200 per fiscal year can be deducted from the monthly personal income tax base.
- Contribution payments paid by employer per employee of up to EUR 200 per fiscal year are recognised as expense deductible from the tax base.

C. Administration

- Pension plan providers (pension companies, investment management companies, life insurance companies) manage pension funds and pay benefits directly to the eligible person.
- The 'Supervisory Commission of the Private Pension System' licenses, oversees and sanctions the pension plan providers.
- The 'Private Pension Guarantee Fund' compensates losses to persons and beneficiaries, both during the period of capital accumulation and after the pension entitlement, caused by the inability of managers or pension providers to meet their obligations; fund managers and private pension providers pay contribution[7] to the 'Private Pension Guarantee Fund'.

D. Qualifying Conditions

- Minimum age is 60.
- A minimum of 90 paid monthly contributions and accumulation of sufficient capital is required for the payment of the minimum benefit as determined by the 'Supervisory Commission' of the *private pension scheme*.

E. Benefits

Pension payments

- Accumulated capital through contribution payments and investment yields, minus administration costs/fees of pension plan provider.
- Monthly life-long annuity in case of sufficient accumulated capital; option for one-time lump sum payment in case of benefits below minimum threshold.

Taxation and social security contributions on pension payments

- Taxable pension income is subject to 10% income tax (the taxable pension income is determined by deducting the monthly non-taxable amount of RON 2,000 from the pension income).
- Pension benefits are not subject to social security contributions.

F. Legal Basis

- Law No. 204/2006 regarding optional pensions (*Legea nr. 204/2006 privind pensiile facultative*); Law No. 187/2011 on the establishment, organisation and operation of the Private Pension Guarantee Fund (*Legea nr. 187/2011 privind înființarea, organizarea și funcționarea Fondului de garantare a drepturilor din sistemul de pensii private*).

Footnotes

1 The police, military personnel and some civil servants with special status can join the *statutory old age pension scheme* on a voluntary basis by concluding a social security contract.

2 Upon retirement, the territorial pension house calculates both the insurance pension from the *statutory old age pension scheme* and the service pension from the *judges' and prosecutors' service pension*. The pension paid is the one that is the most advantageous for the pensioner.

3 The Territorial Houses of Pension issue a single pension decision in which the amounts of the two categories of pensions are entered separately; the difference between the two pensions is borne by the state budget.

4 Effective service: periods of time recognised as actual service, contribution periods or similar pension-relevant periods, not including additional periods granted for work performed in special or difficult working conditions.

5 When permanent retirement is requested, the standard old age pension is transformed into a permanent retirement pension.

6 The standard old age pension can no longer be recalculated by taking into account the period in which the profession was exercised after retirement except by transforming it into a permanent retirement pension.

7 The contribution is based on the pension fund's own assets and does not interfere with the persons' accumulated capital.

8 Individual act of accession: a written contract concluded between the person and the administrator of the fund, containing the person's agreement to the partnership contract and the prospectus of the optional pension scheme.

SERBIA

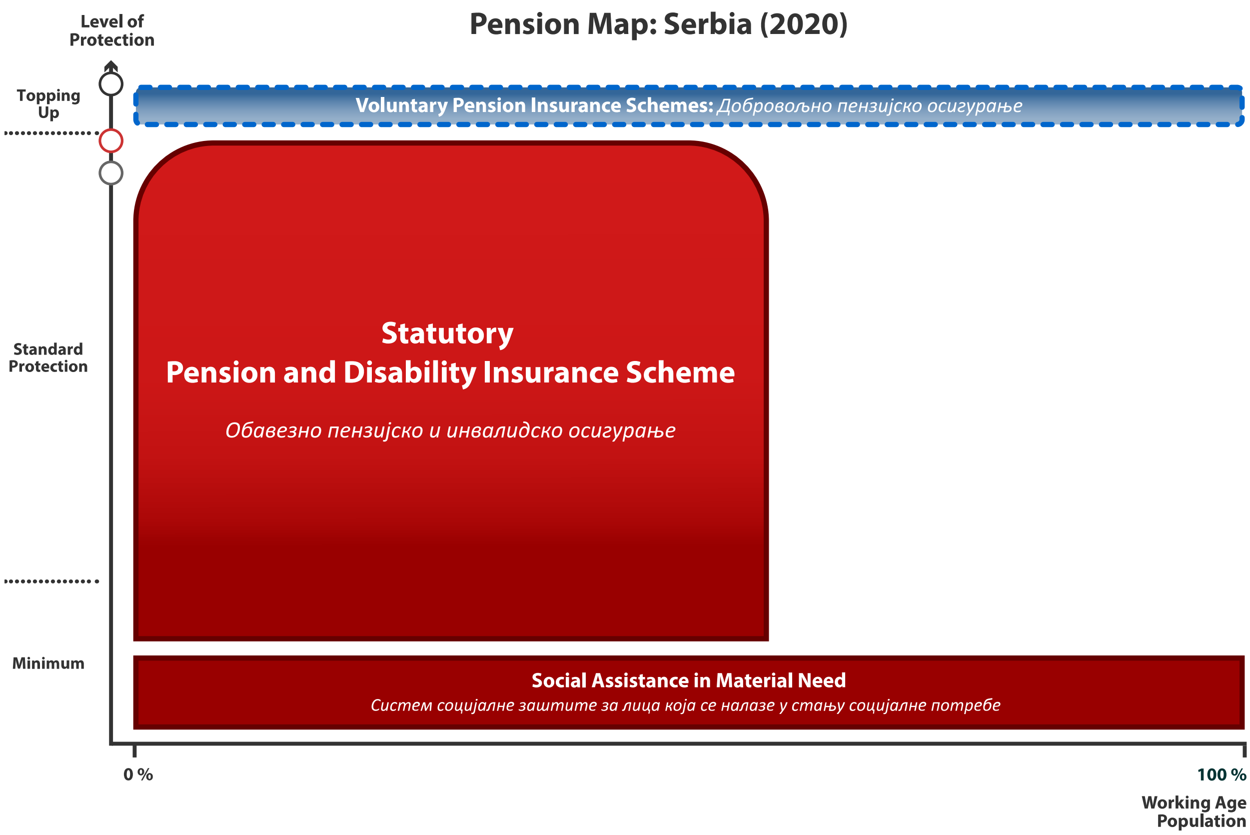
THE SERBIAN OLD AGE SECURITY SYSTEM IN 2020

Filip Bojić

The development of the Serbian old age pension system dates back to the 19th century when the country regained its independence. Originally, at the discretion of the ruler, pension beneficiaries were distinguished individuals only, as well as participants in the First and Second Serbian Uprising. On the basis of the first constitution of Serbia, the Sretenje Constitution adopted in 1835, the right to old age pension was extended to civil servants. Since the mid-1860s, the right to old age pension had been provided to members of the military. After the First World War, Serbia became part of the Kingdom of Serbs, Croats and Slovenians. In 1937, old age pension rights were extended to enterprise employees. After the Second World War, special regulations on pension insurance were implemented in socialist Yugoslavia. During the 1990s and after the dissolution of the Social Federal Republic of Yugoslavia, the rights for pension and disability insurance were regulated by the laws of the Republic of Serbia. In 2003, the Law on Pension and Disability Insurance (*Закон о пензијском и инвалидском осигурању*) was adopted and remains in force until today, albeit with a large number of amendments implemented in the last 10 years. It is important to note that the World Bank three-pillar pension system has not been implemented in the Serbian pension insurance system. Nowadays, 'standard protection' of old age security is provided through mandatory insurance in a single public pension scheme. In addition, benefits of the public pension can be 'topped up' by voluntary insurance in private pension schemes. A 'minimum' level of protection is guaranteed by the minimum pension level of the public scheme and means-tested social assistance measures.

Standard Protection in Old Age

The majority of the economically active population is mandatorily insured in the *statutory pension and disability insurance scheme* (*обавезно пензијско и инвалидско осигурање*) that is financed on a pay-as-you-go (PAYG) basis. The acquiring and exercising of pension rights depends on the length of insurance and the contribution base, combined with the application of the principle of solidarity. These rights are exercised in a special procedure administered by the Pension and Disability Insurance Fund of the Republic (*Републички фонд за пензијско и инвалидско осигурање*). Contrary to the practice in socialist Yugoslavia, there are no more special



pension schemes for farmers, the self-employed and military personnel. The unification into a single pension scheme took place in 2008 and 2011. Apart from the standard retirement conditions, special rules apply to insured persons who work in particularly difficult and hazardous jobs who have the right to retire at an earlier age. Among others, these are police officers, members of the Security Information Agency, members of the Military Security Agency, some employees of the Directorate for the Execution of Criminal Sanctions, and professional military personnel. For these groups, insurance periods are re-evaluated depending on the weight, danger and harmfulness of the work. The increase in insurance periods for the purposes of pension entitlements can amount to up to a maximum of 50% (for instance, 12 months of work in hazardous jobs can be calculated as if the employee had worked for 18 months).

Top-Ups

Public pension benefits can be topped up by private pension insurance in *voluntary pension insurance schemes* (*добровољно пензијско осигурање*), established by the Law on Voluntary Pension Funds and Pension Plans (*Закон о добровољним пензијским фондовима и пензијским плановима*) enacted in 2005. Employers can also voluntarily pay contributions for their employees into these schemes based on employee plans or collective insurance agreements. However, these are not separate occupational pension schemes such as they exist in a number of countries. This private type of insurance is available to all persons residing in the Republic of Serbia – also to those who are not mandatorily covered by statutory pension insurance. The *voluntary pension insurance schemes* are based on the capitalisation of funds, with invested funds being allocated to individual accounts managed by private pension plan providers. There are currently four management companies operating in Serbia that manage the assets of seven voluntary pension funds. Participation in the schemes is incentivised by tax exemptions on the employer's contributions (up to a certain threshold).

Minimum

The *statutory pension and disability insurance scheme* provides minimum benefit levels to those who are entitled to a public pension but whose pension is lower than the thresholds determined by law. There are different minimum pension amounts set for, on one hand, employees and the self-employed, and, on the other hand, the insured farmers. At the end of 2020, almost a third of the total number of public pension beneficiaries were entitled to a minimum old age pension. Outside of the pension system, persons who do not meet the conditions for old age pension can apply for minimum income provided by the means-tested *social assistance in material need* (*систем социјалне заштите за лица која се налазе у стању социјалне потребе*).

Social Assistance in Material Need

Систем социјалне заштите за лица која се налазе у стању социјалне потребе

A. Coverage

- Persons residing in the Republic of Serbia who cannot sufficiently cover their necessary subsistence from income or from assets.

B. Financing

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

C. Administration

- The administration and organisation of the social protection fall under the jurisdiction of the Ministry of Labour, Employment, Veterans and Social Affairs, as well as under the jurisdiction of autonomous provinces and local self-government units.
- Local Centres for Social Welfare (*Центар за социјални рад*) manage the scheme and take administrative responsibility for all affairs related to the scheme; benefits are granted and provided by the Local Centres.

D. Qualifying Conditions

- Persons residing in the Republic of Serbia.
- Persons with income/assets below subsistence level as defined by the Law on Social Protection.
- Benefits are means-tested based on the individual's and the household's income and revenues from the last three months preceding the month in which the request for social assistance was submitted; the monthly incomes and revenues taken into account include different sources.[1] The beneficiary of the right to financial social assistance has the duty to report to the competent Local Centre for Social Welfare any changes which can impact the recognised right within 15 days from the day when the change occurred. Further conditions apply.[2]
- Excluded from means-testing are certain incomes and revenues provided in the respective regulation.

E. Benefits

- *Monthly social assistance*: the amount of benefit is based on the reference social assistance amount (RSD 6,050 in 2020; RSD 8,781 in 2021) minus the amount of average monthly income/assets of an individual or family received during the three months preceding the month in which the request for cash social assistance was submitted; the basis for determining the social assistance amount is adjusted twice a year (on 1st April and 1st October) to the consumer price index in the previous six months based on statistical data.
- *Increased social assistance*: provided for certain categories of persons that are incapable of work, and which include both women and men who have reached the standard retirement age. Amount of benefit is determined by increasing the corresponding amount of monthly social assistance for an individual or family by 20%.
- Benefits are not subject to income tax.

F. Legal Basis

- Law on Social Protection (*Закон о социјалној заштити*) 'Official Gazette of the Republic of Serbia', No. 24/2011; Regulation on Income and Revenues that Affect the Exercise of the Right to Financial Social Assistance (*Уредба о примањима и приходима који су од утицаја на остваривање права на новчану социјалну помоћ*), 'Official Gazette of the Republic of Serbia', No. 36/2011.

Statutory Pension and Disability Insurance Scheme

Обавезно пензијско и инвалидско осигурање

A. Coverage

Mandatory insurance

- Employees in the private and public sector (persons employed in a business organisation, other legal entity, state body, unit of local government or with a private individual; civilian persons serving in the Serbian Army; professional military personnel, elected or appointed persons, if entitled to wage for the performed functions; employed persons sent to work abroad; foreign citizens and persons without citizenship employed with foreign legal entities and private individuals in the territory of the Republic of Serbia unless specified differently in the international agreement, i.e. unless insured according to the regulations of another country; persons who, in accordance with the law, perform temporary and occasional jobs if they are not insured on another basis).
- Self-employed persons (persons that in compliance with the law shall perform independently a commercial or other activity, unless mandatorily insured based on employment; persons that perform jobs based on civil contract, as well as jobs based on other contracts, for the performance of which they are entitled to a compensation, and are not insured on any other basis; priests and clergymen unless they are insured on another basis).
- Farmers (persons dealing with agricultural activities as the only or main profession, such as farmers, members of farmers' households and members of mixed households; such persons must not be insured as employees or self-employed persons, must not be pension beneficiaries or persons at school).

Voluntary insurance

- Non-compulsorily insured persons (for example: persons who earn income on the basis of property).

B. Financing

General finances

- This scheme is financed on a PAYG basis from insurance contributions.
- The state finances annual deficits (approximately 13% of GDP per year).

Contribution rates

- Contribution shared between employer (11%) and employee (14.5%) with income assessment ceiling.
- The self-employed and farmers contribute the total rate themselves (25.5%).

Taxation of contribution payments

- Contribution payments do not represent a separate category of taxable income.

C. Administration

- The Fund for Pension and Disability Insurance of the Republic of Serbia administers the scheme.

D. Qualifying Conditions

Qualifying conditions

- *Standard old age pension*: statutory retirement age is 65 for men and 63 for women; minimum insurance period: 15 years. Retirement age for women increases to 65 until 2032 when equalisation of conditions for men and women will be reached (women born after 01/01/1967).
- Special conditions apply for old age pensions for *long service* (45 years; no specified retirement age); *persons with hazardous jobs* (minimum retirement age is 55; minimum insurance period increases until 2022 to 25 years, of which at least 15 years must be effectively spent in especially arduous jobs, jobs where the length of insurance is calculated with increased duration in the pension calculation); persons in special occupations who work in particularly complex, specific, or operational jobs, such as police officers, members of special police units, members of the Security Information Agency, members of the Military Security Agency and the Military Intelligence Agency, (minimum retirement age 53 years; minimum service periods: 20 years effectively on the respective jobs).

Early retirement

- Early retirement age increases to 60 years until 2024 for men and women (born after 01/01/1964) with minimum insurance period of 40 years with negative (permanent) adjustments to pension benefits (0.34% per month). In 2020, the minimum early retirement age for men is 58 years of age and 4 months after an insurance period of 40 years; for women, minimum early retirement age in 2020 is 57 years and eight months after an insurance period of 39 years.

Deferred retirement

- Retirement can be deferred without limit.
- Individuals who stay in work continue to increase their pension based on the principle of actuarial neutrality.

Combining employment & retirement

- Termination of employment is a precondition for claiming pension benefits.
- After retirement new employment is permitted without restrictions: there is a possibility for the beneficiary of the old age pension to engage in employment activity or to be engaged on the basis of one of the contracts which do not establish employment.

E. Benefits

Pension benefits

- Primarily based on the amount of contributory earnings throughout working career.
- Minimum amount: pension-tested benefit for persons with a pension below the minimum statutory pension level (the amount of the minimum pension cannot be less than the amount of 27% of the average monthly salary in the country).
- Maximum amount: the maximum amount of pension is levelled so that the personal coefficient cannot exceed 3.8.

Benefit calculation

- Based on the multiplication of the following factors: personal points are multiplied by the value of the general point on the day of exercising the right.
- Personal points: determined by multiplying the personal coefficient of the insured and his/her pension length of service.
- Personal coefficient: determined by dividing the sum of annual personal coefficients by the period for which they were calculated, and the pension length of service can amount to a maximum of 45 years.
- General point: nominal amount which represents the quotient of the calculated sum of pensions and the sum of personal points of all beneficiaries of old age and disability pensions who exercised the right to a pension in the period from 01/01/2001 to 30/06/2002.
- Bonus qualification periods: a special bonus insurance period of two years for women who gave birth to three children or more.
- To determine the amount of the old age pension of the insured woman, the completed length of service is increased by 6%.
- *Adjustments:* yearly adjustment of pension value by a percentage representing the sum of half the percentage change in consumer prices and half the percentage change in the average salary without taxes and contributions.

Taxation and social security contributions

- Pension benefits are not subject to income tax.
- Pension payments are not subject to social security contributions.

F. Legal Basis

- Law on Pension and Disability Insurance (*Закон о пензијском и инвалидском осигурању*), 'Official Gazette of the Republic of Serbia', No. 34/2003, 64/2004 – decision of the CC, 84/2004 – other law, 85/2005, 101/2005 – other law, 63/2006 – decision of the CC, 5/2009, 107/2009, 101/2010, 93/2012, 62/2013, 108/2013, 75/2014, 142/2014, 73/2018, 46/2019 – decision of the CC, 86/2019 and 62/2021.

Voluntary Pension Insurance Schemes

Добровољно пензијско осигурање

A. Coverage

Voluntary insurance

- All persons can participate voluntarily in the schemes without restriction.
- Persons covered by employee plans or collective insurance agreements.

B. Financing

General finances

- Fully funded scheme with individual retirement accounts financed by contributions and capital revenues (investment returns).

Contribution payments

- *Individual insurance*: natural persons or another natural or legal person on behalf of a natural person can provide contribution payments and decide upon the respective amount individually.
- *Collective insurance*: contribution payments paid by employer/plan organiser and/or employee (proportions vary), in accordance with the membership agreement between the individual of the voluntary pension fund and the management company.

State support & incentivising strategies

- Employers' contributions of up to RSD 6,062 per employee are exempted from payroll taxes and contributions for compulsory social insurance.
- Individual contributions of up to RSD 6,062 are exempted from payroll tax (10%).

C. Administration

- Pension plan providers manage the pension funds and pay benefits directly to the person. The Law on Voluntary Pension Funds and Pension Plans specifically regulates the activities of management companies (closed joint stock companies) that may be established by domestic and foreign natural and legal persons.
- The 'National Bank of the Republic of Serbia' regulates licenses, supervises business operations and investments, and sanctions pension plan providers.
- Participation in a voluntary pension fund is based on a membership agreement, enabling the management company to invest funds collected on the basis of a pension contribution on behalf of the fund member.

D. Qualifying Conditions

- Minimum age is 58; the maximum age for a payout of funds accumulated in the individual account is 70.

E. Benefits

Pension payments

- Accumulated capital through contribution payments and investment yields, minus administrative costs/fees of pension plan provider.
- Funds can be withdrawn in several ways: one-time (lump sum) payment, programmed payment (life time annuity), purchase of annuities or on the basis of a combination of the above methods. In the case of a lump sum payment, a maximum of 30% of the accumulated funds can be withdrawn at a single time.

Taxation and social security contributions

- Pension payments are subject to income tax according to general tax rules.
- Pension payments are not subject to social security contributions.

F. Legal Basis

- Law on Voluntary Pension Funds and Pension Plans (*Закон о добровољним пензијским фондовима и пензијским плановима*), 'Official Gazette of the Republic of Serbia', No. 85/2005 and 31/2011; Law on Pension and Disability Insurance (*Закон о пензијском и инвалидском осигурању*), 'Official Gazette of the Republic of Serbia', No. 34/2003, 64/2004 – decision of the CC, 84/2004 – other law, 85/2005, 101/2005 – other law, 63/2006 – decision of the CC, 5/2009, 107/2009, 101/2010, 93/2012, 62/2013, 108/2013, 75/2014, 142/2014, 73/2018, 46/2019 – decision of the CC, 86/2019 and 62/2021.

Footnotes

1 Income on the basis of employment, i.e. salaries, or wage compensations, occasional and temporary jobs and employment contracts; pensions; disability benefits and other incomes according to the regulations on the rights from veteran disability protection; income from agricultural activities; income from self-employment; unemployment benefit; severance pay in case of termination of the need for work of employees due to technological, economic or organisational changes; income from leasing real estate; income from property rights on which tax is paid; deposits given in savings and cash.

2 An individual will be entitled to financial social assistance if there is no other real estate, except for housing that meets the needs of the individual or his/her family, i.e. land in an area of up to 0.5 hectares; if the individual or family member has not sold or donated immovable property or waived the right to inherit immovable property; if an individual, i.e. a family member, does not own movable property, the use or alienation of which, without endangering basic living needs, may provide funds in the amount of six times the amount of financial social assistance that would be determined at the time of applying for financial social assistance; if the individual, i.e. the family member, has not concluded a contract on lifelong support.

SLOVAKIA

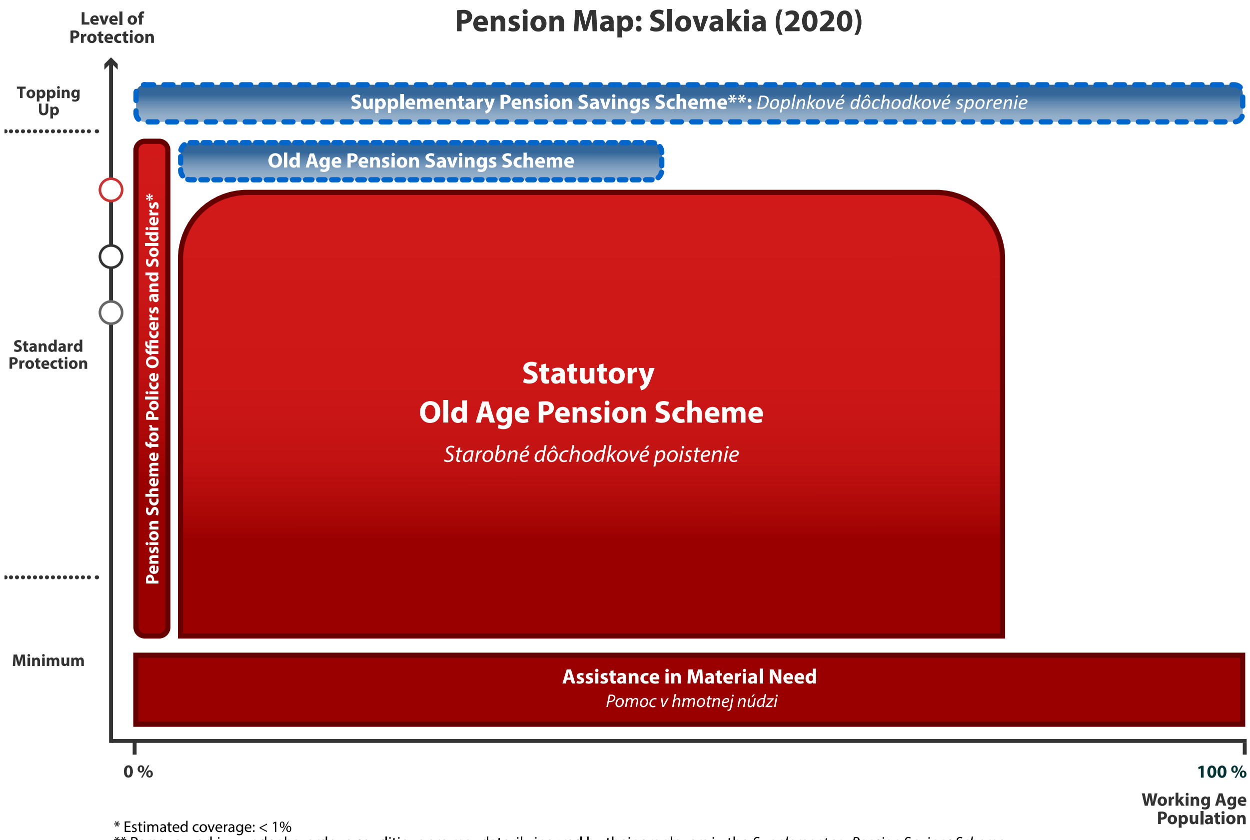
THE SLOVAK OLD AGE SECURITY SYSTEM IN 2020

Viktor Križan

Until 1993, the Slovak old age security was part of the Czechoslovak Republic's system. The Czechoslovak Republic relied on the Austrian and Hungarian laws on compulsory old age insurance, which targeted only selected occupational groups. After 1993, Slovakia became an independent state and began developing its own pension system. Alongside the traditional public pension, in 1996, the country introduced voluntary supplementary pension insurance. In contrast to the Czech Republic, where the coverage of such pension insurance was not limited, in Slovakia, this voluntary retirement savings scheme could only be accessed by employees and employers. In 2004, a structural reform followed and turned the Slovakian pension system into a multi-scheme system (also referred to as a three-pillar system) that introduced a fully funded scheme as part of the mandatory pension insurance alongside the mandatory public and voluntary private schemes. Later reforms affected the mandatory character of the fully funded scheme by turning it into an opting-in possibility for pension insurance where part of the mandatory contributions could be allocated. Nowadays, 'standard protection' in old age is achieved through an interconnected public-private mix of mandatory insurance in public schemes and an opting-in possibility in a private, fully funded scheme. Old age pensions can be 'topped up' with voluntary insurance in a private pension savings scheme. For some professional groups with hazardous jobs saving in this scheme is mandatory providing them with an old age pension supplement as part of their standard protection. 'Minimum' protection in old age is ensured by a minimum pension of the public scheme and through social assistance minimum income measures.

Standard Protection in Old Age

The *statutory old age pension scheme* (*starobné dôchodkové poistenie*) is the biggest public pension scheme. The earnings-related and defined benefit scheme is financed on a pay-as-you-go (PAYG) basis and is administered by the Social Insurance Agency. The scheme mandatorily covers the majority of the economically active population engaged in gainful employment but also foresees some voluntary pension insurance options for those not mandatorily covered. Individuals who are insured in the *statutory old age pension scheme* and younger than 35 years of age can also opt into the fully funded private *old*



* Estimated coverage: < 1%
** Persons working under hazardous conditions are mandatorily insured by their employers in the *Supplementary Pension Savings Scheme*.

age pension savings scheme (*dôchodkové starobné sporenie*) and transfer part of their mandatory pension contributions to this scheme. Once individuals have decided to enrol in the scheme, they may no longer opt out. The defined contribution scheme is based on individual accounts and is administered by single-purpose private pension management companies.

The professional group of armed forces staff is exempted from insurance in the *statutory old age pension scheme* and is instead mandatorily insured in an occupation-specific scheme of its own, the so-called *pension scheme for police officers and soldiers* (*výsluhové zabezpečenie policajtov a vojakov*). Retirement benefits provided by the scheme depend on the length of service and the amount of the salary police officers and professional soldiers have obtained in the established period before benefit entitlement.

Apart from being covered by the *statutory old age pension scheme*, those working under hazardous conditions are further mandatorily insured for a lifetime pension supplement in the fully funded private scheme, the so-called *supplementary pension savings scheme* (*doplnkové dôchodkové sporenie*). The contributions for the scheme are mandatorily covered by the employer and employees may voluntarily provide further contributions themselves. The scheme covers occupations that, by decision of the responsible health authority, are classified into 3 or 4 labour categories (different degrees of hazardousness that concern the increased probability of occupational disease, poisoning or other work-related health damage). In addition, the scheme covers dance performers or music performers practising wind instruments. Supplementary benefits of this scheme can be regarded as part of standard protection for persons working under hazardous conditions as participation in the scheme is mandatory and as supplements compensate for lower public pension benefits due to the applicable early retirement conditions of this group.

Top-Ups

For the majority of the Slovakian workforce, supplementary pension benefits of the private and fully funded *supplementary pension savings scheme* (*doplnkové dôchodkové sporenie*) serve as a 'top-up' to public pension benefits. Participation is voluntary and the scheme can be accessed by all citizens over the age of 18. In addition, employers can also voluntarily provide contribution payments for their employees. The individual accounts of the participants in the scheme are managed by private pension companies that invest the scheme's funds in the financial markets to increase their value. Participation in the scheme is incentivised by some tax relief measures.

Minimum

The *statutory old age pension scheme* provides a 'minimum pension' (*minimálny dôchodok*) for individuals with insufficient contribution-based public pension benefits who have at least 30 years of minimum insurance periods. The purpose of the 'minimum pension' is to provide beneficiaries with a minimum level of pension income, in order for them not to become dependent on social assistance measures. Persons with an income (incl. pensions) below the minimum subsistence level can apply for *assistance in material need* (*pomoc v hmotnej núdzi*). *Assistance in material need* is provided in the form of a financial 'material need allowance' (*dávka v hmotnej núdzi*) that guarantees a certain minimum income level, and in the form of specific allowances (*príspevky ku dávke v hmotnej núdzi*) targeting more concrete needs. The *assistance in material need* measures are strictly means-tested and do not specifically target senior citizens but address other population groups as well. If a recipient of a 'minimum pension' of the public scheme lives alone, then he or she will not be able to qualify for the 'material need allowance' as the amount of the 'minimum pension' is higher than the subsistence minimum level as defined by law. However, if the recipient of the 'minimum pension' is part of a household that includes individuals who qualify for *assistance in material need*, then the household can be eligible for the 'material need allowance'.

Assistance in Material Need

Pomoc v hmotnej núdzi

A. Coverage

- Persons residing in the Slovak Republic who cannot sufficiently cover their subsistence minimum from income/assets.
- Certain social groups are excluded from the scheme's coverage.[1]

B. Financing

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

C. Administration

- The regional 'Labour, Social Affairs and Family Office' manages the scheme (i.e. reviews applications, decides on eligibility, and pays out benefits).

D. Qualifying Conditions

- Persons residing in the Slovak Republic.
- Persons/households with income/assets below the 'minimum subsistence level' (*Životné minimum*) as defined by law; as of 01/07/2020, the subsistence minimum is: EUR 214.83 per month for a single person, EUR 149.87 per month for each additional adult person who is part of the household, EUR 98.08 per month for a dependent child or minor.
- Benefits are means-tested based on the individual's and the household's income and assets.

E. Benefits

- *Material Need Allowance* (*Dávka v hmotnej núdzi*): the amount of the allowance is determined as the difference between the amount of entitlement to benefits and the income of an individual or a household.
- *Specific allowances* (*Príspevky k dávke*): flat-rate allowances related to specific needs (protective allowance that targets certain personal expenses for individuals who do not have the opportunity to secure an income or increase their income through their own work (*Ochranný príspevok*), housing benefit (*Príspevok na bývanie*) and allowance for a dependent child (*Príspevok na nezaopatrené dieťa*).
- Benefits are not subject to income tax.

F. Legal Basis

- Act No. 417/2013 Coll. on Assistance in Material Need and on Amendments to Certain Acts (*Zákon o pomoci v hmotnej núdzi*); Act No. 601/2003 Coll. on Subsistence Minimum and Amendments to Certain Acts (*Zákon o životnom minime*).

Statutory Old Age Pension Scheme

Starobné dôchodkové poistenie

A. Coverage

Mandatory insurance

- Employees in the private and public sector (a natural person in a legal relationship that entitles him/her to a regular monthly income from the dependent activity; certain exceptions apply).
- Specific groups of self-employed persons whose annual income exceeds 50% of the national average wage from the previous two years.

Opting in

- Specific groups of non-compulsorily insured persons, such as: a natural person (parent or adopter of a child, or his/her spouse, person to whom the child has been entrusted to care replacing the care of the parents based on a decision of the competent authority), who properly cares for the child up to the latter's sixth year of age; a natural person who takes proper care of a child with a long-term unfavourable health condition after reaching the age of six, up to the age of 18 at the latest; a natural person to whom a care allowance is provided; a natural person who, according to the contract on the performance of personal assistance, is to provide personal assistance to a natural person with a severe disability for at least 140 hours per month; a soldier of voluntary military training according to a special regulation; a natural person who has been granted a compensatory allowance.

Exempted

- Police officers and soldiers insured in the *pension scheme for police officers and soldiers*.
- Self-employed persons with an annual income of less than 50% of the national average wage from the previous two years.
- Recipients of old age pension and early pension with monthly income not exceeding EUR 200.
- Students pursuing minor work activities with monthly income not exceeding EUR 200.
- High school students, or college students in apprenticeship or traineeship.
- Employees in the least-developed districts whose monthly income is no more than 67% of the average monthly wage.

Voluntary insurance

- Persons of at least 16 years of age who are permanent or temporary residents and have not been entitled to early pension and are not mandatorily covered by the scheme, such as students or persons during unemployment.

B. Financing

General finances

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

Contribution rates

- For persons only enrolled in the *statutory old age pension scheme*: fixed share of monthly gross earnings (18%) shared between the employer (14%) and employee (4%) with contribution assessment ceiling; the self-employed contribute the same total rate themselves; the state covers the same total rate for the recipients of certain social benefits (such as maternity benefits).
- For persons also enrolled in the *old age pension savings scheme*: fixed share of monthly gross earnings (13%) shared between the employer (9%) and employee (4%) with contribution assessment ceiling; the self-employed contribute the same total rate themselves; the state covers the same total rate for the recipients of certain social benefits (such as maternity benefits).
- The contribution assessment ceiling is 7 times the average monthly wage for the calendar year from the two years before the calendar year in which contributions are paid (EUR 7,091 in 2020).

Taxation of contribution payments

- Contributions are tax-exempted.

C. Administration

- The Social Insurance Agency administers the scheme.

D. Qualifying Conditions

Qualifying conditions

- *Standard old age pension*: retirement age is flexible and depends on the year of birth, sex and number of raised children[2]; the maximum of the flexible retirement age is 64 years for childless men and women born in 1966 or after; minimum insurance period: 15 years.
- *Minimum pension*: a minimum pension benefit is granted to persons whose income falls below the 'minimum pension level' (100% pension-tested on the base of all pensions paid by the Social Insurance Agency) with a minimum insurance period of 30 years[3]; individuals must have exhausted all available options for potential pension entitlement.

Early retirement

- Available up to 2 years before reaching the retirement age of the standard old age pension for persons with a minimum insurance period of 15 years; available only if the minimum amount of the early pension is more than 1.2 times the 'minimum subsistence level' as defined by law; negative (permanent) adjustments to pension benefits (0.5% per every 30 days).
- Entitlement to early retirement is possible for persons not engaged in regular employment if the maximum amount of earnings that are subject to social security contributions does not exceed EUR 2,400 per year.

Deferred retirement

- Retirement can be deferred without limit with positive (permanent) pension adjustments to the pension benefit.

Combining employment & retirement

- Termination of employment is not a precondition for claiming the standard old age pension.
- Termination of gainful employment based on employment relationship is a precondition for claiming the early retirement pension; the recipient of an early retirement pension can perform work based on work agreements performed outside the employment relationship (if the maximum amount of earnings that are subject to social security contributions does not exceed EUR 2,400 per year).

E. Benefits

Pension benefits

- The *old age pension* (*Starobný dôchodok*) is a monthly benefit primarily based on the length of the insurance period and the amount of contributory earnings throughout the working career.
- Maximum amount: no specification in the law regarding a fixed maximum amount of pension benefits; maximum pension benefits levelled due to contribution assessment ceiling and the limiting of the average personal earnings point value (APEP) to a maximum of 3 points.
- Minimum amount: pension-tested *minimum pension* benefit for persons with a pension below the minimum statutory pension level; benefit amount dependent on years of insurance (minimum: 30 years). The minimum amount for the minimum insurance period of 30 years is 33% of the average monthly nominal wage for the calendar year from the two years before the year of pension entitlement. Benefit increases by 2% per year (31 to 39 years of insurance periods) and 3% per year (40 years or more of insurance periods) of the amount of the 'minimum subsistence level' established by law.

Factors for benefit calculation

- Based on the multiplication of the following factors: APEP x PPI x CPV.
- APEP: Average Personal Earnings Point (*Priemerný osobný mzdový bod*) determined as a proportion of the multiplication of personal points achieved during particular calendar years (during the decisive period) by the periods of pension insurance. The personal earnings point is determined as a proportion of the gross yearly income of the insured to the national average yearly wage (maximum value of the APEP: 3 points).
- PPI: Period of Pension Insurance (*Obdobie dôchodkového poistenia*) = number of insurance years.
- CPV: Current Pension Value (*Aktuálna dôchodková hodnota*). The CPV is declared each year by Social Insurance Agency. For calculating the benefits in 2020 the CPV is EUR 13.6361.

- *Adjustments*: yearly adjustment of pensions, based on changes in the consumer price index for pensioners' households reported by the statistical office for the first half of the calendar year preceding the relevant calendar year; no downward adjustment possible. In 2020, pension benefits increased by 2.9%, with a minimum nominal increase of 2% of the average amount of paid pensions.

Taxation and social security contributions

- Pension benefits are not subject to income tax.
- Pension benefits are not subject to social security contributions.

F. Legal Basis

- Act No. 461/2003. Coll. on Social Insurance (*Zákon o sociálnom poistení*).

Old Age Pension Savings Scheme

Dôchodkové starobné sporenie

A. Coverage

Opting in

- Any natural person who is or has been insured in the *statutory old age pension scheme* and who has not reached the age of 35 can opt in (exception: people who are currently insured in the *pension scheme for police officers and soldiers*).
- After enrolling in the *old age pension savings scheme* participants can no longer exit the scheme.

Voluntary insurance

- Persons during unemployment can pay voluntary contributions.

B. Financing

General finances

- Fully funded scheme with individual retirement accounts financed by contributions and capital revenues (investment returns).

Contribution rates

- Fixed share of monthly gross earnings (5%) with a contribution assessment ceiling (EUR 7,091 in 2020) entirely covered by the employer.

Taxation of contribution payments

- Contribution payments are tax-exempt.

C. Administration

- The 'Social Insurance Agency' is responsible for the approval and acceptance of contracts concluded between the individuals and the pension asset management companies which administer the scheme.
- The 'Social Insurance Agency' collects contributions and sends them to pension asset management companies.
- Pension asset management companies are management companies whose object of activity is old age pension savings. They create and manage pension funds for the implementation of old age pension savings, according to Act 43/2004 Coll. on Old Age Pension Savings.[4]

D. Qualifying Conditions

- Based on reaching the standard retirement age of the *statutory old age pension scheme*.
- Entitlement to early retirement pension is possible, based on the fulfilment of qualifying conditions and the entitlement to early pension benefits from the *statutory old age pension scheme*; in addition, the sum of the early pension from the *statutory old age pension scheme* and the *old age pension savings scheme* must be more than 1.2 times the minimum subsistence level as defined by law.

E. Benefits

Pension payments

- Accumulated capital through contribution payments and investment yields, minus administrative costs/fees of the pension plan provider.
- Life-long annuity (*Doživotný dôchodok*) paid monthly (using unisex-mortality tables); possibility for yearly instead of monthly benefit payments; option for one-time lump sum payment if the amount of the received pensions from the *statutory old age pension scheme* and the *old age pension savings scheme* is lower than the reference amount of EUR 464,60 in 2020; if monthly payments are below threshold, one-time lump sum payment of 100% possible.
- Pension payments 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 to determine their present value).

Taxation and social security contributions

- Pension payments are not subject to income tax.
- Pension payments are not subject to social security contributions.

F. Legal Basis

- Act No. 43/2004 on Old Age Pension Savings (*Zákon o starobnom dôchodkovom sporení*).

Pension Scheme for Police Officers and Soldiers

Výsluhové zabezpečenie policajtov a vojakov

A. Coverage

Mandatory insurance

- Police officers and soldiers.[5]

B. Financing

General finances

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

Contribution payments

- Fixed share of monthly gross earnings shared between the employer (20%) and the police officer/soldier (7%) without contribution assessment ceiling.

Taxation of contribution payments

- Contributions are tax-exempted.

C. Administration

- The 'Institution of Service' administers the scheme (incl. verification of pension rights/entitlements, calculation of pension benefits and payment thereof): for the police officers - the social security department of the given ministry (Ministry of the Interior; the Police Corps or the Fire and Rescue Corps; the Mountain Rescue Service; the Ministry of Justice of the Slovak Republic, the Prison and Judicial Guard Corps; the Slovak Information Service; the National Security Office; Ministry of Finance; Slovak Financial Directorate; Ministry of Defence); for the professional soldiers - the Military Social Security Office.

D. Qualifying Conditions

- Minimum service period of 25 years without a specified retirement age.
- If a soldier/police officer does not meet the minimum period of service required for retirement, the obtained insurance period will be credited towards pension entitlement in the *statutory old age pension scheme*.

E. Benefits

Pension benefits

- Primarily based on earnings from last ten years before retirement and years of service.
- Minimum amount: no specification in the law regarding the fixed minimum amount.
- Maximum amount: no specification in the law regarding the fixed maximum amount of pension benefits.

Factors for benefit calculation

- The base for calculating the retirement pension is determined from the average monthly salary obtained during the last ten calendar years before the date of termination of service: for 25 years of service the benefit amount is 37.5% of the base; for the 26th completed year of service and each subsequent year of service up to and including the 30th year of service, the benefit amount is increased by 2% of the base; for the 31st year of service and each additional year of service up to and including the 35th year of service, the benefit amount is increased by 3% of the base; for the 36th completed year of service and each subsequent year of service, the benefit amount is increased by 0.5% of the established base (up to a maximum of 65% of the base).

Taxation and social security contributions

- Pension payments are not subject to tax.
- Pension payments are not subject to social security contributions.

F. Legal Basis

- Act No. 328/2002 on the Social Security of Police Officers and Soldiers and the amendment of certain laws (*Zákon o sociálnom zabezpečení policajtov a vojakov*).

Supplementary Pension Savings Scheme

Doplnkové dôchodkové sporenie

A. Coverage

Mandatory insurance
- Employees classified within labour categories 3 or 4.
- Players of wind instruments and dancers.

Voluntary insurance
- It is open to any individual to take out an individual contract with a private pension scheme provider.

B. Financing

General finances
- Fully funded scheme with individual retirement accounts financed by contributions and capital revenues (investment returns).

Contribution payments
- *Employees classified within labour categories 3 and 4 and players of wind instruments and dancers*: contribution payments are paid by the employer (at least 2% of the monthly gross earnings; the given collective agreement may envision greater contributions). Employees can voluntarily provide further contribution payments and decide upon the amount individually.
- *Voluntary insurance*: persons provide contribution payments and decide upon their amount individually. Contribution payments can be paid by the employer (in whole or part) as an employee benefit.

State support & incentivising strategies
- Employees' contribution payments are tax-deductible from the tax base in the amount in which they were demonstrably paid in the tax period, up to a total of EUR 180 per year.
- Employer contributions of up to 6% of the gross salary of the employee are tax-deductible.

C. Administration

- The 'Supplementary Pension Company' is a joint-stock company with its registered office in the territory of the Slovak Republic; companies create and administer pension funds.[6]
- The 'National Bank of Slovakia' regulates licences, supervises business operations and investments, and sanctions pension companies.

D. Qualifying Conditions

- *Employees classified within labour categories 3 and 4 and players of wind instruments and dancers*: retirement age 55; minimum insurance periods 10 years.
- *Voluntary insurance*: minimum age 62; often starting with standard or early retirement in the *statutory old age pension scheme*.

E. Benefits

Pension payments
- Accumulated capital through contribution payments and investment yields, minus administrative costs/fees of the pension plan provider.
- The life-long annuity is paid monthly.

Taxation and social security contributions
- Pension payments are not subject to tax.
- Pension payments are not subject to social security contributions.

F. Legal Basis

- Act No. 650/2004 Coll. on Supplementary Pension Savings (*Zákon o doplnkovom dôchodkovom sporení*); Act No. 355/2007 on the Protection, Support and Development of Public Health (*Zákon o ochrane, podpore a rozvoji verejného zdravia*).

Footnotes

1 Persons are not covered by the scheme if: they are in custody, in the execution of a custodial sentence, in the execution of detention or if placed in a facility based on a decision on detention; if they are members of a community, order, society or similar community founded by a church or religious society, if, according to their internal regulations, they have basic living conditions (i.e. one hot meal a day, the necessary clothing and shelter); if they participate in a foreign study program or study stay provided through a scholarship or grant if they have obtained a second-cycle university degree and have basic living conditions under the conditions of the foreign study program or the study stay.

2 The retirement age for mothers is lowered based on the number of children; if the mother is unable to take advantage of the lower retirement age, the right to a lower retirement age can be transferred to the father.

3 As of 2021, new rules regarding the minimum insurance periods enter into force that introduce various stricter requirements on whether the insurance periods can qualify for the minimum pension depending on the years when the periods were acquired. The stricter requirements include various assessment aspects such as the income on the basis of which contributions were paid for periods acquired after 1993 (certain exceptions apply).

4 The following 5 pension management companies operate in Slovakia: Allianz - Slovenská dôchodková správcovská spoločnosť, a.s.; AXA d.s.s., a.s.; DSS Poštovej banky d.s.s., a.s.; NN dôchodková správcovská spoločnosť, a.s.; VÚB Generali d.s.s., a.s.

5 The term 'police officer' refers to the members of the Police Force, the Slovak Information Service, the National Security Authority, the Corps and Prison Court Guard, the Railroad Police, the Fire and Rescue Brigade, the Mountain Infantry Service, and the armed customs officers.

6 The following supplementary pension companies offer their services: AXA d.d.s., a.s.; NN Tatry-Sympatia, d.d.s., a.s.; Stabilita, d.d.s., a.s.; Doplnková dôchodková spoločnosť Tatra banky, a.s.

SLOVENIA

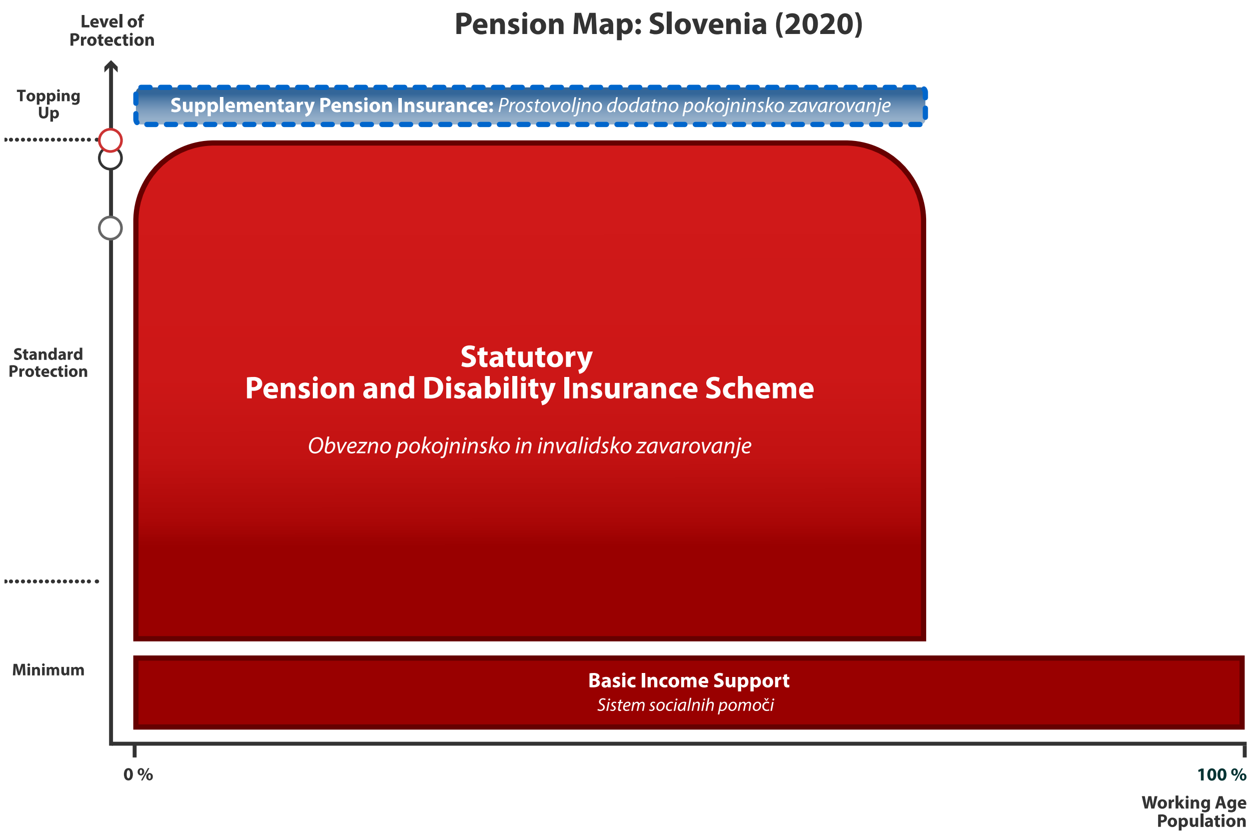
THE SLOVENIAN OLD AGE SECURITY SYSTEM IN 2020

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 (EUR 402.18 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 child-care, 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 paid in advance as a bonus but shortened 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 between 10% and 17.5% (of the 40% of the standard old age pension).[2]

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 (EUR 241.62 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 2025).
- *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 2025).
- *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 (EUR 1,173 in 2020).
- Contributions for health insurance are covered by the Pension and Disability Insurance Institute of Slovenia.

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 and 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 EUR 289 per month and EUR 2,819 per year) are deducted from the personal income tax base and are subsequently returned in the amount of up to EUR 1,410 (*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.

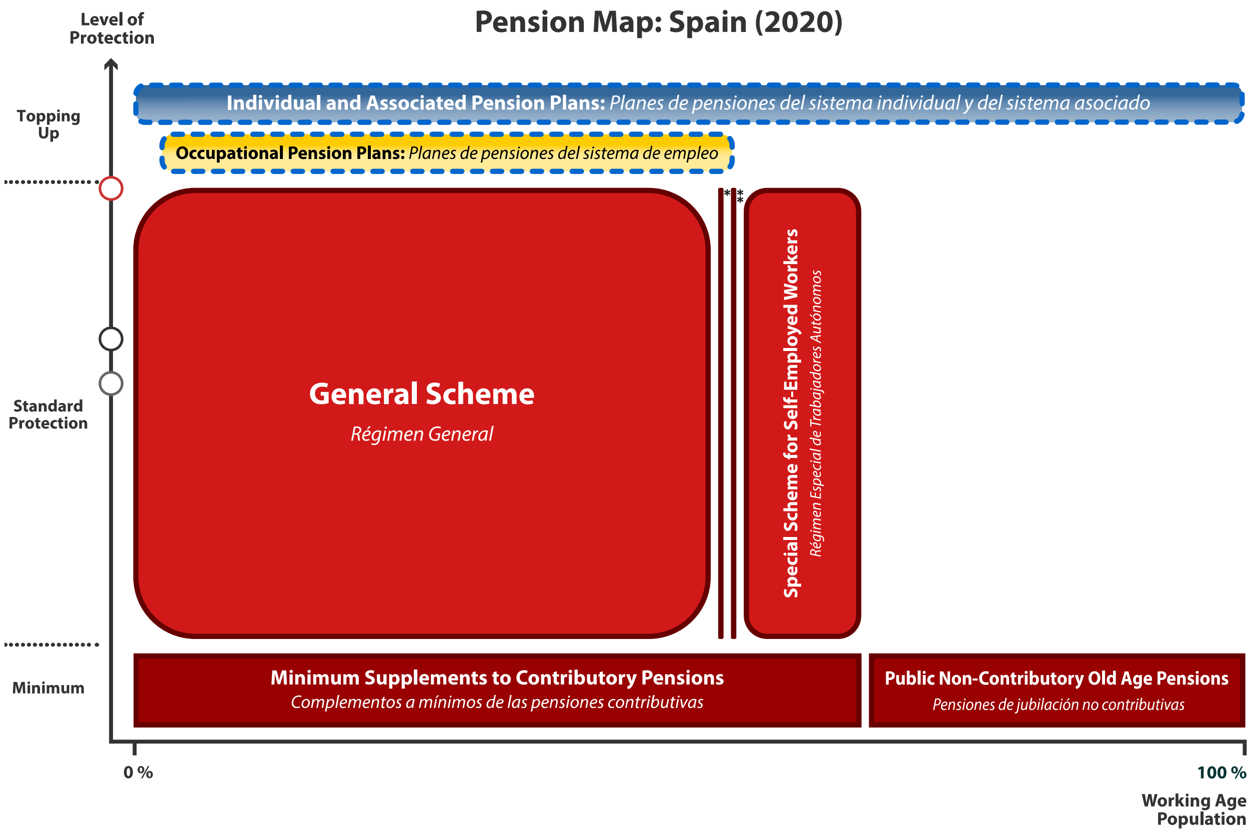
2 The same added bonus rules apply to persons partially re-entering the labour market, who are entitled to 12.5% to 75% of their pension benefit (percentage depends on number of working hours).

SPAIN

THE SPANISH OLD AGE SECURITY SYSTEM IN 2020

Thais Guerrero Padrón and Cristina Sanchez Rodas

Although it was an ancient practice of the Spanish monarchy to grant the mercy of an economic income when the loyal servants left their offices due to old age, the historical background of the current old age pension system in Spain dates back to the beginning of the 20th century, when social insurances were introduced. In 1908, the state regulated by law a voluntary retirement pension for workers.[1] In 1919, the *compulsory workers' retirement scheme* (*Retiro Obrero Obligatorio*) was created intended for employees whose remuneration did not exceed a certain limit.[2] In 1947, the *old age and disability insurance* (*Seguro Obligatorio de Vejez e Invalidez, SOVI*) was established.[3] Public social insurances such as old age insurance offered only minimal, even insufficient, protection to workers, which led to the emergence of the *mutual society* (*Mutualismo Laboral*) in 1954, a form of complementary and public protection on a company-professional basis.[4] Under Franco´s dictatorship the *Social Security Law* (*Ley de Seguridad Social*) was enacted in 1966. One of its pillars was the compulsory old age pension established for employees and the self-employed.[5] After the establishing of democratic order, the management of old age pensions was assigned to the *National Institute of Social Security* (*Instituto Nacional de Seguridad Social*). In the decades that followed, the rules and conditions for the eligibility and calculation of public pension benefits were subject to many reforms.[6] The legislator aims to provide a 'standard level of protection' in old age through mandatory insurance in the general contributory public pension scheme and special public schemes for specific occupational groups. Persons can decide to 'top up' public benefits of the compulsory system by voluntary participation in occupational and private pension schemes which are complementary to the public and compulsory system. Until today, these schemes have not taken root or developed in Spain in the way intended. However, they are expected to gain importance in the near future, as the public pension system is currently undergoing a major reform process to address new (and old) social and economic challenges, which will likely result in a decline in the protection level of the public system. A minimum subsistence level of protection for elderly persons is guaranteed by the pension system via minimum supplements (of a non-contributory nature) to contributory pensions for persons with low (pension) income and means-tested non-contributory old age pensions for elderly persons in need.



Coverage: * < 0.01% (*Special Scheme for Coal Mining Workers*); ** < 0.2% (*Special Scheme for Sea Workers*)

Standard Protection in Old Age

Statutory old age pension insurance is mandatory for the entire workforce in Spain. All employed and self-employed workers are mandatorily insured in a contributory public pension scheme of the social security system, organised into a general scheme and several special schemes for specific occupational groups. The *general scheme* (*Régimen General*) serves currently as the reference model throughout the social security system and covers the vast majority of employed and assimilated workers in industry, agriculture and services. The *special scheme for self-employed workers* (*Régimen Especial de Trabajadores Autónomos*) protects persons who habitually, personally and directly perform a profit-driven activity without an employment contract. As such, it covers all self-employed persons, with the exception of self-employed sea workers. The *special scheme for sea workers* (*Régimen Especial de Trabajadores del Mar*) insures employees and self-employed workers engaged in maritime and fishing activities. As a peculiarity for the purposes of setting the contribution base, this scheme classifies workers into different groups according to the activity carried out, their professional category and the maritime area in which they operate. The *special scheme for coal mining workers* (*Régimen Especial de la Minería del Carbón*) has the lowest number of insured workers and covers employed workers engaged in activities related to coal mining. All public schemes are pay-as-you-go (PAYG)-financed with lifelong benefits being linked to contribution payments.[7] All schemes are managed by the *National Social Security Institute* (*Instituto Nacional de la Seguridad Social, INSS*) with the exception of the *special scheme for sea workers* which is administered by the *Marine Social Institute* (*Instituto Social de la Marina, ISM*).

Originally, the *civil servants´ pension scheme* (*Régimen de Clases Pasivas*) insured all career civil servants of the State Administration, the Administration of Justice and career members of the Armed Forces and the Navy. As of 1 January 2011, the pension scheme was closed for new appointees and new civil servants of the state have joined the *general scheme*, maintaining special pension rights when it comes to the standard retirement age.[8] In the past, other groups had already been integrated into the *general scheme* or the *scheme for self-employed workers*, such as persons working in the agricultural sector. The current structure of public pension insurance is expected to disappear in the medium or long term, resulting into a two-regime structure with one scheme for the employed and another for the self-employed population.

Top-Ups

Public pension benefits can be topped up through participation in fully funded occupational or private pension plans. Benefits are complementary to public pensions, but in no case do they replace them. Participation is voluntary but incentivised by tax deductions on contribution payments. Three types of pension plans exist: *occupational pension plans* (*planes de pensiones del sistema de empleo*) promoted by any company or entity with the aim to provide supplementary insurance to their employees; private *associated pension plans* (*planes de pensiones del sistema asociado*) promoted by any association or trade union providing insurance for their members; and private *individual pension plans* (*planes de pensiones del sistema individual*) which can be contracted by any person with one or more financial institutions such as banks, insurance companies or pension fund managers.

Minimum

To guarantee a minimum pension level, pensioners with contributory pensions below the minimum pension amount fixed annually by law will receive a supplement if they fulfil certain requirements. These *minimum supplements to contributory pensions* (*complementos a mínimos de las pensiones contributivas*) are non-contributory in nature and are financed from the general state budget. For elderly persons who do not qualify for contributory pensions (including the minimum supplements), the pension system guarantees a minimum income level through *public non-contributory old age pensions* (*pensiones de jubilación no contributivas*). These benefits are means-tested and provided to citizens over 65 years of age and in a state of need. They include a financial benefit, free medical-pharmaceutical assistance and complementary social services. Outside the pension system, the Autonomous Communities are competent to regulate old age assistance allowances. They can also legislate supplements to non-contributory pensions of social security for those who have the status of beneficiaries of such pensions. These supplements are characterised by being extraordinary in nature and paid out in a single payment from the budgets of the Autonomous Communities themselves.

Public Non-Contributory Old Age Pensions

Pensiones de jubilación no contributivas

A. Coverage

- Persons legally residing in Spain who have reached the age of 65 and cannot sufficiently cover their necessary subsistence from income and assets and are not eligible to any contributory pension benefits (incl. *minimum supplements to contributory pensions*).
- Under certain conditions, the scheme also covers Spaniards born in Spain who have established their residence abroad; Spaniards not born in Spain who have resided in Spain 8 years prior to the date of the application as far as they held Spanish citizenship during this period; Spaniards living abroad who have returned to the national territory.

B. Financing

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

C. Administration

- The scheme is managed by the 'Institute for the Elderly and Social Services' (*Instituto de Mayores y Servicios Sociales, IMSERSO*).
- In the case of Spaniards living abroad and returnees, the scheme is managed by the 'Directorate General for Migration' (*Dirección General de Migraciones*).

D. Qualifying Conditions

- Persons must be at least 65 years old.
- Persons must have resided legally in Spanish territory and have done so for a period of 10 years (8 years for Spaniards living abroad and returnees) between the age of 16 and the accrual of the pension, two of which must be consecutive and immediately prior to the date of the application.
- Persons must not be eligible to any contributory pension benefits (incl. *minimum supplements to contributory pensions*).
- Benefits are means-tested: the person's incomes and assets must be below the defined 'minimum amount' (set annually by the General State Budget Law).
- If the beneficiary lives together with family members, the lack of sufficient resources requirement is only fulfilled when the sum of the annual income or income of all the members of their economic unit of coexistence is less than the legally established amounts.

E. Benefits

- The amount of the flat-rate benefit is based on the annually defined 'minimum amount' (EUR 5,538.40 per year in 2020) minus the person's/household's income and assets.
- The payment will be divided into 14 payments, corresponding to each of the months of the year and two extraordinary payments (12 monthly payments for Spaniards living abroad and returnees).
- Citizens over 65 years of age and in a state of need are provided with free medical-pharmaceutical assistance and complementary social services.
- Beneficiaries who prove that they do not own property and have a rented house as their habitual residence will receive an economic supplement.
- Benefits are considered as income from work and are subject to income tax.
- Yet, benefits fall below the minimum threshold of income tax set at EUR 22,000, unless the beneficiary receives income from other sources.

F. Legal Basis

- Royal Legislative Decree 8/2015 of 30 October approving the consolidated text of the General Social Security Act (*Real Decreto Legislativo 8/2015, de 30 de octubre, por el que se aprueba el texto refundido de la Ley General de la Seguridad Social*); Royal Decree 357/1991 of 15 March implementing, as regards non-contributory pensions, Law 26/1990 of 20 December establishing non-contributory social security benefits (*Real Decreto 357/1991, de 15 de marzo, por el que se desarrolla, en materia de pensiones no contributivas, la Ley 26/1990, de 20 de diciembre, por la que se establecen en la Seguridad Social prestaciones no contributivas*); Royal Decree 8/2008 of 11 January, which regulates the benefit for reasons of need in favour of Spaniards living abroad and returnees (*Real Decreto 8/2008, de 11 de enero, por el que se regula la prestación por razón de necesidad a favor de los españoles residentes en el exterior y retornados*).

Minimum Supplements to Contributory Pensions

Complementos a mínimos de las pensiones contributivas

A. Coverage

- Pensioners of contributory retirement pensions who legally reside in Spain and whose income (incl. pension) does not reach a legally established minimum amount.

B. Financing

- Minimum supplements are non-contributory in nature. The scheme is entirely tax-financed out of the general budget.

C. Administration

- The minimum supplements to social security pensions are managed by the 'National Social Security Institute' (*Instituto Nacional de la Seguridad Social, INSS*).

D. Qualifying Conditions

- The person must have habitual residence in Spain, even if he/she has stayed abroad, provided that these periods do not exceed 90 calendar days per calendar year, or when the absence from Spanish territory is due to duly justified illness.
- The person must be a beneficiary of a contributory pension.
- Benefits are income-tested (incl. pension): the person must receive a low contributory pension and must not receive income from work, capital or economic activities and capital gains during 2020 (in accordance with the concept established for such income in the Personal Income Tax), or receives such income (excluding expenses deductible in accordance with tax legislation) without exceeding the amount established annually by the corresponding General State Budget Law.

E. Benefits

- The amount of the minimum supplements is the difference between the following two amounts: a) the sum of the beneficiary's income (income from work, capital or economic activities and capital gains during 2020) and the contributory pension on an annual basis, and b) the sum of the income limit (EUR 7,638 per year in 2020) and the amount of the minimum contributory pension (EUR 683.50 per month in 2020).
- The amount of these supplements may not exceed the amount established annually for *non-contributory retirement pensions* (EUR 5,538.40 per year in 2020).
- The amount shall be adjusted if there is a dependent spouse (i.e. who is living with the pensioner and is financially dependent on him/her).
- Supplements are not subject to income tax.

F. Legal Basis

- Royal Legislative Decree 8/2015 of 30 October approving the consolidated text of the General Social Security Act (*Real Decreto Legislativo 8/2015, de 30 de octubre, por el que se aprueba el texto refundido de la Ley General de la Seguridad Social*); General State Budget Law (*Ley de Presupuestos Generales del Estado*).

General Scheme

Régimen General

A. Coverage

Mandatory insurance

- Workers over the age of 16 employed in industry and services and those assimilated as such who normally carry out their activity in national territory.
- Specifically included are, among others, domestic servants and employed agricultural workers.
- Civil and military officials who have entered service as of 01/01/2011 are included (only applicable to pensions, not applicable to other social benefits/social risks).

Exempted

- Employed workers included in any other special social security scheme.

Voluntary insurance

- No possibilities for voluntary insurance in this scheme.

B. Financing

General finances

- It is PAYG-financed from social security contributions paid by employers and employees.
- There is no specific contribution for old age pensions. Retirement falls within the legal concept of common contingencies together with other social risks.

Contribution rates

- Fixed share of monthly gross earnings (28.3%) with minimum (EUR 1,050 per month in 2020) and maximum contribution base ceilings (EUR 4,070.10 per month in 2020), depending on the professional category.
- Contributions are shared between employer (23.6%) and employees (4.7%).

Taxation of contribution payments

- Social contributions are deductible expenses from the Personal Income Tax.

C. Administration

- The 'National Social Security Institute' (*Instituto Nacional de la Seguridad Social, INSS*) manages the scheme.

D. Qualifying Conditions

Qualifying conditions

- *Standard old age pension*: The statutory retirement age increases to 67 in 2027. In 2020, the standard statutory retirement age is 65 years and 10 months, provided that at least 15 years of contribution are credited. For beneficiaries who reach or exceed 37 years of contribution, the retirement age remains at age 65.
- Minimum contribution period: 15 years, of which two years must fall within the 15 years immediately preceding the time of the qualifying event or the date on which the contribution ceased to be compulsory.
- The statutory compulsory retirement age is 65 for civil and military officials. Exceptions apply to professors of universities, magistrates, judges and lawyers of the administration of justice: statutory compulsory retirement age is 70.

Early retirement

- Available for occupational groups whose jobs are exceptionally arduous, dangerous, toxic or unhealthy and involve high mortality or morbidity rates and for workers with a major degree of disability (not before the age of 52).
- Early retirement due to membership in a mutual society (*Mutualismo Laboral*) from the age of 60 possible with negative (permanent) adjustments to pension benefits (max. 8% per year).

- Early retirement without being affiliated to a mutual society (*Mutualismo Laboral*) at age 61 is possible when the person has completed a minimum period of effective contributions of 30 years, two years of which must be within the 15 years immediately preceding the qualifying event, when the person is registered with the employment office as a jobseeker and has involuntarily had to cease work; with negative (permanent) adjustments to pension benefits (between 6 and 7.5% before the worker reaches the age of 65).
- Early retirement due to involuntary termination of work caused by restructuring of the business (no more than four years before reaching the standard retirement age) possible if person is registered with the employment office as a jobseeker, has completed a minimum period of effective contributions of 33 years, two years of which must be within the 15 years immediately preceding the qualifying event; with negative (permanent) adjustments to pension benefits for each quarter/3 months that the worker lacks to reach the legal retirement age (between 1.875% per quarter if the accredited contribution period is less than 38 years and 6 months, and 1.500% per quarter if the accredited contribution period is equal to or more than 44 years and 6 months).
- Voluntary early retirement (no more than two years before the standard retirement age) possible if person has completed a minimum period of effective contributions of 35 years, two years of which must be within the 15 years immediately preceding the qualifying event; with negative (permanent) adjustments to pension benefits for each quarter that the worker lacks to reach the legal retirement age (between 2% per quarter if the accredited contribution period is less than 38 years and 6 months, and 1.265% per quarter if the accredited contribution period is equal to or more than 44 years and 6 months).

Deferred retirement

- Retirement can be voluntarily deferred beyond the standard retirement age, on a full-time or part-time basis, after a minimum contribution period (37 years or more for persons aged 65, or less than 37 years of contribution for persons aged 65 and 10 months) has been completed, with special contribution considerations for specific groups (i.e. for occupational risks and for temporary incapacity to work); with positive (permanent) adjustments to pension benefits (2% per year for persons with up to 25 years of contribution, 2.75% per year for persons with 25 to 37 years of contribution, and 4% per year for persons with at least 37 years of contribution).

Combining employment & retirement

- Termination of employment is not a precondition for claiming pension benefits.
- Partial retirement is possible and can be started before or after reaching the standard retirement age.
- Flexible retirement is possible and implies the option to make the retirement pension compatible, once in effect, with a part-time contract (reduction in working hours between 25% and 75%/85%), with the resulting reduction of the pension being inversely proportional to the reduction applicable to the pensioner's working hours, in relation to that of a comparable full-time worker.
- In cases of compatibility of pension and work, there is a special solidarity contribution of 9% of the contribution base for common contingencies shared between the employer (7%) and the employee (2%).

E. Benefits

Pension benefits

- Pension is primarily based on the amount of contributory earnings over the last 23 years and the amount of pension-credited periods (min. of 15 years; max. of 36 years).
- A minimum amount is legally guaranteed to all pensioners in the form of the *minimum supplements to contributory pensions*.
- Maximum amount: pension benefits can never exceed the amount of the maximum pension set for each year (EUR 2,683.34 per month in 2020).
- A supplement for the reduction of the gender gap is applied to the contributory pensions of those beneficiaries who have had one or more children.

Benefit calculation

- The amount of the pension is determined by applying a variable percentage to the regulatory base, which is the average of contributions paid by the worker in a given time period.
- When retirement occurs at a higher age than the standard retirement age, an additional percentage for the prolongation of working life is applied.

- In 2020, the pension amount is calculated on the basis of the last 23 years of contribution. The regulatory base is calculated by dividing the contribution bases during the 276 months immediately preceding the month of the qualifying event by 322.
- In 2020, the percentage applicable to the regulatory base is 50% for the first 15 years of contribution; for each additional month between months 1 and 106: 0.21%; and for the following 146 months: 0.19%. These percentages are applied on a transitional basis. From 2027 onwards the number of additional months and the applicable percentages will change.
- In 2020, 36 years of contribution will be necessary to reach 100% of the pension. From 2027 onwards it will be 37 years.
- *Adjustments*: yearly adjustment of pension benefits based on the revaluation index provided for in the corresponding General State Budget Act (in 2020, 0.9%).

Taxation and social security contributions
- Pension benefits are subject to tax according to the rules applicable to income from work.
- Pension benefits are not subject to social contributions.

F. Legal Basis

- Royal Legislative Decree 8/2015 of 30 October approving the consolidated text of the General Social Security Act (*Real Decreto Legislativo 8/2015, de 30 de octubre, por el que se aprueba el texto refundido de la Ley General de la Seguridad Social*); Royal Decree 1131/2002 of 31 October on social security for part-time workers and partial retirement (*Real Decreto 1131/2002, de 31 de octubre, por el que se regula la Seguridad Social de los trabajadores contratados a tiempo parcial, así como la jubilación parcial*); Royal Decree-Law 5/2013 of 15 March on measures to encourage older workers to continue working and promote active ageing (*Real Decreto-ley 5/2013, de 15 de marzo, de medidas para favorecer la continuidad de la vida laboral de los trabajadores de mayor edad y promover el envejecimiento activo*).

Special Scheme for Self-Employed Workers

Régimen Especial de Trabajadores Autónomos

A. Coverage

Mandatory insurance

- Self-employed workers who are at least 18 years of age and who habitually, personally and directly perform a profit-driven activity, without an employment contract.
- Specifically included are, among others, self-employed agricultural workers.

Exempted

- Self-employed workers included in any other special social security scheme.

Voluntary insurance

- No possibilities for voluntary insurance in this scheme.

B. Financing

General finances

- It is PAYG-financed from social security contributions paid by the self-employed.
- There is no specific contribution for old age pensions. Retirement falls within the legal concept of common contingencies together with other social risks.

Contribution rates

- Fixed share contribution base (28.3%).
- The self-employed can chose the contribution base within the defined range of a minimum (EUR 944.40 per month in 2020) and a maximum contribution base ceiling (EUR 4,070.10 per month in 2020).

Taxation of contribution payments

- Social contributions are deductible expenses from the Personal Income Tax.

C. Administration

- The 'National Social Security Institute' (*Instituto Nacional de la Seguridad Social, INSS*) manages the scheme.

D. Qualifying Conditions

Qualifying conditions

- The statutory retirement age increases to 67 in 2027. In 2020, the standard statutory retirement age is 65 years and 10 months, provided that at least 15 years of contribution are credited. For beneficiaries who reach or exceed 37 years of contribution, the retirement age remains at age 65.
- Minimum contribution period: 15 years, of which two years must fall within the 15 years immediately preceding the time of the qualifying event or the date on which the contribution ceased to be compulsory.

Early retirement

- Early retirement is not possible in this scheme.
- However, it is possible to retire at a lower age than the standard age if the worker has paid contributions to another scheme that recognises early retirement.

Deferred retirement

- Retirement can be voluntarily deferred beyond the standard retirement age, on a full-time or part-time basis, after a minimum contribution period (37 years or more for persons age 65, or less than 37 years of contribution for persons aged 65 and 10 months) has been completed and with special contribution considerations (contribution only for occupational risks and for temporary incapacity to work); with positive (permanent) adjustments to pension benefits (additional percentage for each full year of contributions: 2% up to 25 years of contribution, 2.75% between 25 and 37 years, and 4% as of 37 years).

Combining employment & retirement

- Termination of employment is not a precondition for claiming pension benefits.
- The payment of the retirement pension is compatible with self-employment.
- Partial retirement: pending development of regulations.

E. Benefits

Pension benefits

- The benefit is recognised under the same terms and conditions as in the *general scheme*.

Benefit calculation

- The amount of the retirement pension will be determined by applying the corresponding percentage to the regulatory base according to the scale established for the *general scheme*, based exclusively on the beneficiary's actual years of contribution. However, as a particularity, there is no integration of gaps in the calculation of the regulatory base.
- 100% of the amount of the retirement pension is compatible with independent work, when it involves the hiring of at least one employee.

Taxation and social security contributions

- Pension benefits are subject to tax according to the rules applicable to income from work.
- Pension benefits are not subject to social contributions.
- In cases of compatibility of pension and work, there is a special solidarity contribution of 9% of the contribution base for common contingencies.

F. Legal Basis

- Royal Legislative Decree 8/2015 of 30 October approving the consolidated text of the General Social Security Act (*Real Decreto Legislativo 8/2015, de 30 de octubre, por el que se aprueba el texto refundido de la Ley General de la Seguridad Social*); Law 6/2017 of 24 October on urgent reforms to self-employment (*Ley 6/2017, de 24 de octubre, de Reformas Urgentes del Trabajo Autónomo*); Royal Decree-Law 28/2018 of 28 December on the revaluation of public pensions and other urgent measures in social, labour and employment matters (*Real Decreto-ley 28/2018, de 28 de diciembre, para la revalorización de las pensiones públicas y otras medidas urgentes en materia social, laboral y de empleo*).

Special Scheme for Sea Workers

Régimen Especial de Trabajadores del Mar

A. Coverage

Mandatory insurance

- Paid workers and self-employed workers who perform maritime/fishing activities.

Voluntary insurance

- No possibilities for voluntary insurance in this scheme.

B. Financing

General finances

- It is PAYG-financed from social security contributions paid by the self-employed or employers and employees.
- There is no specific contribution for old age pensions. Retirement falls within the legal concept of common contingencies together with other social risks.

Contribution rates

- Fixed share of monthly gross earnings (28.3%) with minimum and maximum contribution base ceilings.
- Contributions are shared between the employer (23.6%) and employees (4.7%). Self-employed workers pay full rate themselves.

Taxation of contribution payments

- Social contributions are deductible expenses from the Personal Income Tax.

C. Administration

- The 'Social Marine Institute' (*Instituto Social de la Marina, ISM*) manages the scheme.

D. Qualifying Conditions

Qualifying conditions

- The statutory retirement age is the same as for the *general scheme*.
- Retirement ages can be lower in certain jobs due to hardness, difficult conditions, remoteness, etc. in which work is carried out at sea, and which make it possible to reduce the retirement age by up to a maximum of 10 years compared to the standard retirement age.
- The period of time in which the worker's retirement age is lowered will be computed as a period of contributions in order to increase the percentage of the pension benefit for years of contribution.
- Both the reduction in age and the computation of that period for the purposes of the percentage will apply even if the person is granted a pension from any other special or general social security scheme.

Early retirement

- Early retirement due to membership in a mutual society (*Mutualismo Laboral*)[9] from the age of 60 is possible with negative (permanent) adjustments to pension benefits (same conditions as in the *general scheme*).
- Early retirement without being affiliated to a mutual society (*Mutualismo Laboral*) at age 61 is possible only for employees (not self-employed workers) under the same conditions as in the general scheme.

Deferred retirement

- Retirement can be voluntarily deferred beyond the standard retirement age, on a full-time or part-time basis, after a minimum contribution period (37 years or more for persons aged 65, or less than 37 years of contribution for persons aged 65 and 10 months) has been completed and with special contribution considerations (contribution only for occupational risks and for temporary incapacity to work); with positive (permanent) adjustments to pension benefits (additional percentage for each full year of contributions: 2% up to 25 years of contribution, 2.75% between 25 and 37 years, and 4% as of 37 years).

Combining employment & retirement

- Termination of employment is not a precondition for claiming pension benefits.
- Partial retirement and flexible retirement are possible only for employees (not self-employed workers) under the same conditions as in the *general scheme*.

E. Benefits

Pension benefits

- Employed persons and workers will be entitled to their pensions under the same conditions as in the *general scheme*.
- Self-employed workers´ pension will be recognised according the current regulation of the *special scheme for self-employed workers*.

Benefit calculation

- For workers: same as for the *general scheme*.
- For self-employed workers: same as for the *special scheme for self-employed workers*.

Taxation and social security contributions

- Pension benefits are subject to tax according to the rules applicable to income from work.
- Pension benefits are not subject to social contributions.
- In cases of compatibility of pension and work, there is a special solidarity contribution of 9% of the contribution base for common contingencies.

F. Legal Basis

- Law 47/2015 of 21 October on Social Protection for Maritime/Fishing Sector Workers (*Ley 47/2015, de 21 de octubre, reguladora de la protección social de las personas trabajadoras del sector marítimo-pesquero*).

Special Scheme for Coal Mining Workers

Régimen Especial de la Minería del Carbón

A. Coverage

Mandatory insurance

- Employed persons engaged in activities related to coal mining.

Voluntary insurance

- No possibilities for voluntary insurance in this scheme.

B. Financing

General finances

- It is PAYG-financed from social security contributions paid by employers and employees.
- There is no specific contribution for old age pensions. Retirement falls within the legal concept of common contingencies together with other social risks.

Contribution rates

- Fixed share of monthly gross earnings (28.3%) with minimum and maximum contribution base ceilings.
- Contributions are shared between employer (23.6%) and employees (4.7%).
- The contribution bases for common contingencies are standardised by calendar year for each category, occupational group and occupational speciality within the territorial limit of the mining areas.

Taxation of contribution payments

- Social contributions are deductible expenses from the Personal Income Tax.

C. Administration

- The 'National Social Security Institute' (*Instituto Nacional de la Seguridad Social, INSS*) manages the scheme.

D. Qualifying Conditions

Qualifying conditions

- The standard retirement age for the *general scheme* is reduced by applying a reduction coefficient (a scale ranging from 0.50 to 0.05) depending on the danger and toxicity of the specific activity carried out, the worker´s occupational category and the length of time he/she has worked in it.
- The period of time in which the worker's retirement age is lowered will be computed as a period of contributions in order to increase the percentage of pension benefits for years of contribution.

Early retirement

- Early retirement due to membership in a mutual society (*Mutualismo Laboral*) from the age of 60 is possible with negative (permanent) adjustments to pension benefits (same conditions as in the *general scheme*).

Deferred retirement

- Retirement can be voluntarily deferred beyond the standard retirement age, on a full-time or part-time basis, after a minimum contribution period (37 years or more for persons aged 65, or less than 37 years of contribution for persons aged 65 and 10 months) has been completed and with special contribution considerations (contribution only for occupational risks and for temporary incapacity to work); with positive (permanent) adjustments to pension benefits (additional percentage for each full year of contributions: 2% up to 25 years of contribution, 2.75% between 25 and 37 years, and 4% as of 37 years).

Combining employment & retirement

- Termination of employment is <u>not</u> a precondition for claiming pension benefits.
- Partial retirement and flexible retirement are possible under the same conditions as in the *general scheme*.

E. Benefits

Pension benefits

- Benefits are based on the same conditions as specified in the *general scheme*.

Benefit calculation

- Same as in the *general scheme*.

Taxation and social security contributions

- Pension benefits are subject to tax according to the rules applicable to income from work.
- Pension benefits are not subject to social contributions.
- In cases of compatibility of pension and work, there is a special solidarity contribution of 9% of the contribution base for common contingencies.

F. Legal Basis

- Decree 298/1973 of 8 February on updating the Special Social Security Scheme for Coal Mining Workers (*Decreto 298/1973, de 8 de febrero, sobre actualización del Régimen Especial de la Seguridad Social para la Minería del Carbón*).

Civil Servants' Pension Scheme (Closed Scheme)

Régimen de Clases Pasivas

A. Coverage

Mandatory insurance

- Career civil servants of the State Administration, the Administration of Justice and career members of the Armed Forces and the Navy.
- **The pension scheme has been closed for new appointees in the civil service since 1 January 2011.**

B. Financing

General finances

- Mainly tax-financed out of the state budget.
- Partly PAYG-financed from social security contributions.
- There is no specific contribution for retirement. The contribution is the same for all pensions in this scheme.

Contribution rates

- Fixed share of monthly regulatory bases (*haberes reguladores*), with minimum and maximum contribution base ceilings.
- Contributions are shared between the state (6.72%) and the civil servant (3.86 % to the regulatory credit established in the General State Budget Act corresponding to the civil servant according to the respective corps, rank, post or category).

Taxation of contribution payments

- Social contributions are deductible expenses from the Personal Income Tax.

C. Administration

- The 'Directorate General for the Organisation of Social Security' (*Dirección General de Ordenación de la Seguridad Social*) manages the scheme.

D. Qualifying Conditions

Qualifying conditions

- The statutory compulsory retirement age is 65. Exceptions apply to professors of universities, magistrates, judges and lawyers of the administration of justice: statutory compulsory retirement age is 70.
- Minimum period of service: 15 years of effective service to the state must have been completed.

Early retirement

- Voluntary early retirement is possible at age 61, provided that the civil servant has provided 30 years of service to the state. Partial early retirement: pending development of regulations.
- Early retirement due to permanent disability/incapacity for service (declared ex officio or at the request of a party) that prevents the individual entirely from performing the tasks of his/her corps, rank, post or category is possible as an exception if it occurs while the civil servant is in active service or in an assimilated situation; in such a case, the years remaining until reaching the standard retirement age are also considered as effective service, in addition to the years of service completed up to that point. Some adjustments have been made to this rule since 2009.
- Early retirement for non-members of mutual societies (*Mutualismo Laboral*) is not possible.
- Early retirement due to non-voluntary termination of employment is not possible.

Deferred retirement

- Deferring retirement is possible in exceptional cases: professors of universities, magistrates, judges and lawyers of the administration of justice can opt to remain in service up to the age of 70.

Combining employment & retirement

- Termination of service relationship is a precondition for claiming pension benefits. Termination of the service relationship at the statutory retirement age (65 or 70 for specific groups upon requested deferral) is automatic. Pensioners cannot be re-employed by public administrations.

- In general, retirement pension is incompatible with employment or self-employment and therefore with registration in a public social security scheme. As an exception, the pensioner may combine the pension with employment or self-employment if he/she has only 12 years of actual state service and not the required minimum of 15 years by the time he/she reaches the compulsory retirement age. In this case, the amount of the pension compatible with work is 50%. However, if he/she is a self-employed and has at least one employee, the amount of the pension compatible with work is 100%.
- Flexible retirement is not possible.

E. Benefits

Pension benefits

- The amount of benefits is based on the number of years of effective state service, starting from a minimum of 15 years.
- A minimum amount is legally guaranteed to all pensioners in the form of the *minimum supplements to contributory pensions*.
- Maximum amount: pension benefits can never exceed the amount of the maximum pension set for each year (EUR 2,683.34 per month in 2020).
- A supplement for the reduction of the gender gap is applied to the contributory pensions of those beneficiaries who have had one or more children.

Benefit calculation

- A variable percentage is applied to the regulatory bases (established annually in the General State Budget Act) depending on the number of full years of effective state service recognised (e.g. 26.92% for 15 years and 100% for 35 years or more); depending on the Corps or category of the civil servant.
- Retirement pensions accrued as from 01/01/2015: when the person concerned reaches an age above the standard of 65 (having completed the minimum contribution period), an additional percentage will be recognised for each full year of contributions paid between the date on which he/she has reached that age and the date of the qualifying event for the pension (up to 25 years of effective service to the state, 2%; between 25 and 37 years, 2.75 % and after 37 years, 4%).
- *Adjustments*: yearly adjustment of pension benefits based on the revaluation index provided for in the corresponding General State Budget Act (in 2020, 0.9%).

Taxation and social security contributions

- Pension benefits are subject to tax.
- Pension benefits are not subject to social contributions.
- In cases of compatibility of pension and work, there is a special solidarity contribution of 9% of the contribution base for common contingencies shared between the employer (7%) and the employee (2%).

F. Legal Basis

- Royal Legislative Decree 670/1987 of 30 April approving the consolidated text of the Act on State Passive Classes (*Real Decreto Legislativo 670/1987, de 30 de abril, por el que se aprueba el texto refundido de Ley de Clases Pasivas del Estado*).

Occupational Pension Plans

Planes de pensiones del sistema de empleo

A. Coverage

Voluntary participation

- The provider can be any entity, corporation, society or company. Participants are their employees.
- Pension plans are based on collective or individual agreements.
- The constitution of these plans is voluntary. However, if the collective agreement provides for employees to join the pension scheme directly, they shall be deemed to have joined the scheme unless they expressly state that they do not wish to be included in it.
- Discrimination in coverage is prohibited, but differences in the contribution and benefit structure for different categories of employees are allowed, provided that they are based on objective criteria.

B. Financing

General finances

- Fully funded pension plans implemented through financial and actuarial capitalisation systems.

Contribution payments

- Contributions can be shared between employer and employees.
- Defined benefit plans are usually solely funded by the employer.
- Defined contribution plans are usually funded by the employer and the employee. The employer bears most of the total cost of the plan and the employees pay the rest.

State support & incentivising strategies

- The contributions made by the company in the name and on behalf of the workers must be imputed as income from work and therefore are subject to social security contributions and personal income tax (*IRPF*).
- Contributions paid to the pension plans by the worker generate a right to apply for reductions in the Personal Income Tax subject to certain limits: annual contributions up to a maximum of EUR 8,000 or 30% of the sum of net income from work and economic activities for the year are deductible.

C. Administration

- Fund management companies must meet minimum capital requirements and must be authorised by the Ministry of Economy.

D. Qualifying Conditions

- The retirement age required by the corresponding social security scheme will apply (*general scheme* or a special scheme), whether it is the age for ordinary, early or deferred retirement.
- When a participant's access to retirement in the corresponding social security scheme is not possible, the contingency will be understood to have occurred at 65 if the participant does not work and is not paying contributions for the contingency of retirement into any social security scheme.
- Pension plans may provide for the payment of the retirement benefit in the event that the participant, whatever their age, terminates their employment relationship and becomes legally unemployed.

E. Benefits

Pension payments

- Depend on the term of pension payment (lump sum payment, fixed-term or lifelong pension), 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 benefits are taxed as income in the Income Tax Law.
- Pension payments are not subject to social security contributions.

F. Legal Basis

- Royal Legislative Decree 1/2002 of 29 November approving the consolidated text of the Plans and Funds Regulation Act (*Real Decreto Legislativo 1/2002, de 29 de noviembre, por el que se aprueba el texto refundido de la Ley de Regulación de los Planes y Fondos de Pensiones*).

Associated Pension Plans

Planes de pensiones del sistema asociado

A. Coverage

Voluntary participation

- The promoters are any association or trade union. Participants are their members.
- Discrimination in coverage is prohibited. All members of associations/trade unions can access the plan on equal terms and rights.

B. Financing

General finances

- Fully funded pension plans implemented through financial and actuarial capitalisation systems.

Contribution payments

- Contributions are provided by each participant.
- Promoters do not pay any contribution.

State support & incentivising strategies

- The contributions paid to the pension plans generate a right to apply for a series of reductions in the personal income tax subject to certain limits: annual contributions up to a maximum of EUR 8,000 or 30% of the sum of net income from work and economic activities for the year are deductible.
- The maximum tax-deductible limit applies to the total contribution from pension plans.

C. Administration

- Fund management entities must accomplish certain minimum capital requirements and must be authorised by the Ministry of Economy.

D. Qualifying Conditions

- The retirement age required by the corresponding social security scheme will apply (*general scheme* or a special scheme), whether it is the age for ordinary, early or deferred retirement.
- When a participant's access to retirement in the corresponding social security scheme is not possible, the contingency will be understood to have occurred at 65 if the participant does not work and is not paying contributions for the contingency of retirement into any social security scheme.
- Pension plans may provide for the payment of the retirement benefit in the event that the participant, whatever their age, terminates their employment relationship and becomes legally unemployed.

E. Benefits

Pension payments

- Benefits depend on the term of pension payment (lump sum payment, fixed-term or lifelong pension), the biometrical tables, and the technical interest rate.
- Pension plans are defined benefit.

Taxation and social security contributions

- Pensions are subject to tax.
- The same tax regulations governing *occupational pension plans* and *individual pension plans* apply to *associated pension plans*.
- Pension payments are not subject to social security contributions.

F. Legal Basis

- Royal Legislative Decree 1/2002 of 29 November approving the consolidated text of the Pension Plans and Funds Regulation Act (*Real Decreto Legislativo 1/2002, de 29 de noviembre, por el que se aprueba el texto refundido de la Ley de Regulación de los Planes y Fondos de Pensiones*).

Individual Pension Plans

Planes de pensiones del sistema individual

A. Coverage

Voluntary participation

- Any person who expresses the will to join the plan and has the legal capacity to do so.
- The promoters must be financial institutions: banks, insurance companies, pension fund management companies.

B. Financing

General finances

- Fully funded pension plans implemented through financial and actuarial capitalisation systems.

Contribution payments

- Persons provide contributions themselves and decide on the amount individually.
- The payment of contributions is flexible, and may be periodic (monthly, quarterly, annual, etc.).

State support & incentivising strategies

- The contributions paid to the pension plans generate a right to apply for a series of reductions in the personal income tax subject to certain limits: annual contributions up to a maximum of EUR 8,000 or 30% of the sum of net income from work and economic activities for the year are deductible.
- The maximum tax-deductible limit applies to the total contribution from pension plans.

C. Administration

- Fund management entities must accomplish certain minimum capital requirements and must be authorised by the Ministry of Economy.

D. Qualifying Conditions

- The retirement age required by the corresponding social security scheme will apply (*general scheme* or a special scheme), whether it is the age for ordinary, early or deferred retirement.
- When a participant's access to retirement in the corresponding social security scheme is not possible, the contingency will be understood to have occurred at 65 if the participant does not work and is not paying contributions for the contingency of retirement into any social security scheme.
- Pension plans may provide for the payment of the retirement benefit in the event that the participant, whatever their age, terminates their employment relationship and becomes legally unemployed.

E. Benefits

Pension payments

- Benefits depend on the term of pension payment (lump sum payment, fixed-term or lifelong pension), the biometrical tables, and the technical interest rate.
- Pension plans are defined benefit.

Taxation and social security contributions

- Pensions are subject to tax.
- The same tax regulations governing *occupational pension plans* apply to *individual pension plans*.
- Pension payments are not subject to social security contributions.

F. Legal Basis

- Royal Legislative Decree 1/2002 of 29 November approving the consolidated text of the Pension Plans and Funds Regulation Act (*Real Decreto Legislativo 1/2002, de 29 de noviembre, por el que se aprueba el texto refundido de la Ley de Regulación de los Planes y Fondos de Pensiones*).

Footnotes

1 These pensions were managed by the *Institute of Social Welfare* (*Instituto Nacional de Previsión*) and financed with contributions from the beneficiaries.

2 It guaranteed a retirement pension at the age of 65 financed by companies and the state, until it was transformed into an old age subsidy in 1939.

3 The pensionable age was 65 years and it was managed by the *Institute of Social Welfare*.

4 This residual form of protection is still mentioned today when referring to the old age pension because of the existence of workers who have been contributors to one of the mutual insurance companies.

5 Pensioners were required to accredit a prior contribution period of 10 years. The retirement age was not modified.

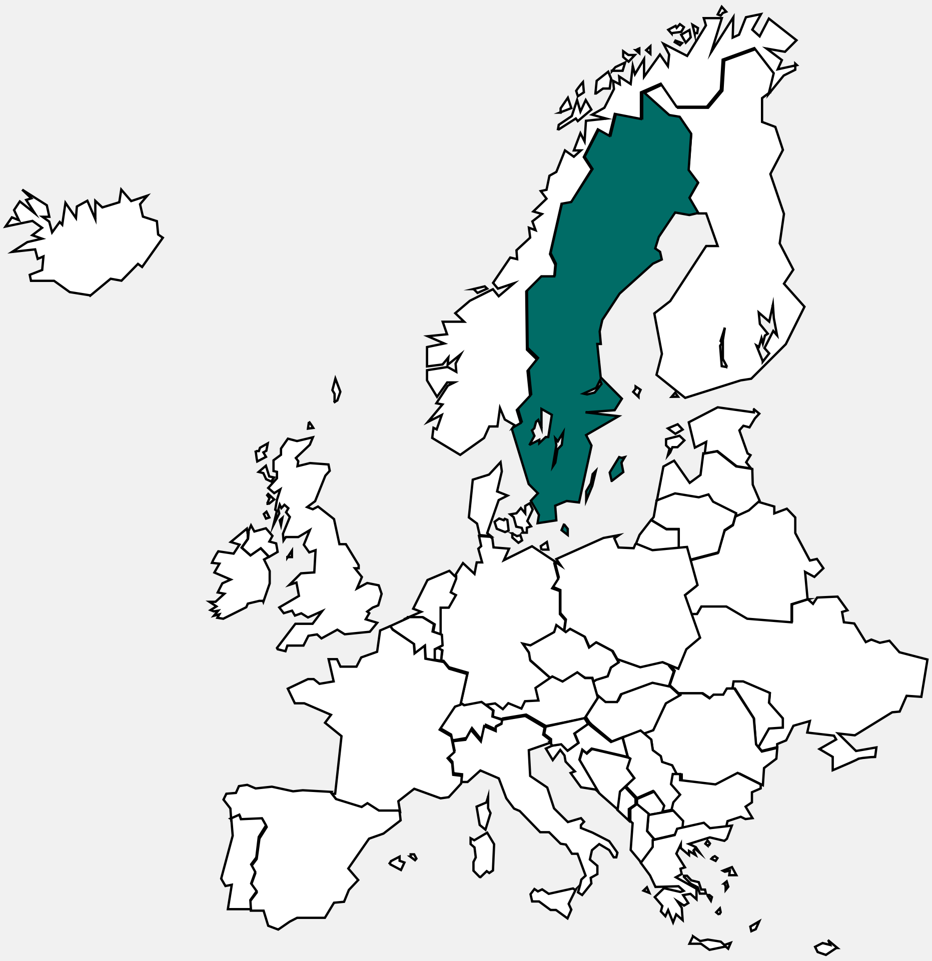
6 In 1985, the contribution period necessary to access the retirement pension was extended from 10 to 15 years. In 1990, a non-contributory level of social security was implemented and a non-contributory old age pension was created. For a long period, legislation stabilised, partly due to the incipient development of pension plans and funds. As a consequence of the economic crisis of 2008, important reforms were adopted: Law 27/2011 increased the age of access to the retirement pension from 65 to 67 years as of 2027. It was the first time since 1919 that the retirement age has been increased. The determination of the years quoted for the calculation of the regulatory base also increased from 15 to 25 years. And to obtain 100% of the regulatory base it now takes 37 years instead of 35. The sustainability factor was introduced by Law 23/2013, but its entry into force was suspended.

7 There is no specific contribution for retirement pension. Retirement falls under the legal concept of common contingencies along with other social risks (common illness, non-occupational accidents, etc.). The contributory retirement benefit will be unique for each beneficiary and will consist of a lifelong pension granted by the general or special social security scheme to which the beneficiary is affiliated when the social risk materialises, provided that the legal requirements of age, minimum contribution periods and causal event are met. Pension is eligible under the last scheme to which he/she was affiliated, provided that all the requirements for obtaining the pension are met by the beneficiary. If the beneficiary does not qualify for a retirement pension under any social security scheme, the competent scheme is the one under which she/he has the highest number of social security contributions.

8 As the *civil servants' scheme* is closed for new entrants, the scheme is not pictured in the Pension Map for Spain.

9 Historically, public social insurances provided insufficient minimum protection for workers, which led to the emergence of a complementary and public protection on a corporate-professional basis called mutual society (*Mutualismo Laboral*) in 1954. This residual form of protection is still mentioned today due to the existence of workers who have been contributors to one of these mutual insurance companies.

SWEDEN



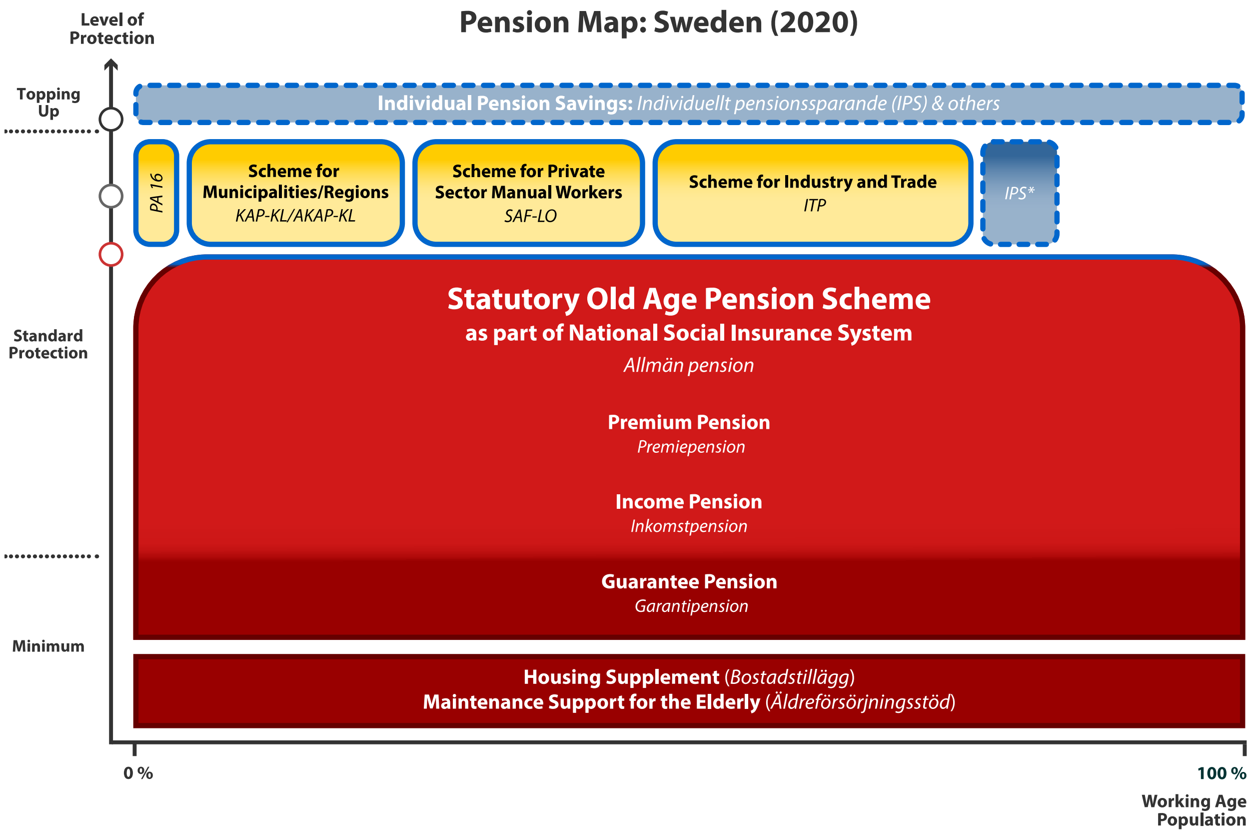
THE SWEDISH OLD AGE SECURITY SYSTEM IN 2020

Thomas Erhag

Sweden introduced a universal invalidity and old age pension in 1913. This first system, later reformed in 1935, was a combination of a contribution-based pension and a universal supplement in the form of a nominal basic pension. In the 1950s and 1960s, the debate on the public (state) responsibility for ensuring a sufficient pension level laid ground for new reforms. The reformed public system combined a flat-rate universal benefit (*folkpension*) with an earnings-related defined benefit supplement (*ATP*). In the 1990s, concerns about the financial sustainability of the pension system led to major reforms and a new system was phased in from 2001. The current public old age pension system is a defined contribution system. The calculation of income-related old age pension shall be based on the so-called life income principle. Pensions will largely come from a distribution system and to a lesser extent from a premium pension system. In the premium pension system, paid-in funds must be funded, and the balance is reported on individual premium pension accounts. The individual decides with which trustee the funds are to be placed. In addition to the universal old age pension scheme, a 'standard' level of protection is to be ensured through supplementary benefits provided by mandatory insurance in occupational pension schemes based on collective agreement. Those not covered by collective agreement can be voluntarily insured in occupational schemes or opt for private pension schemes, for which tax benefits are available. Generally, options for private pension savings are available to all persons who want to 'top up' their public and occupational pension benefits, but tax benefits are no longer provided. A tax-financed 'minimum' level of protection for persons with low or no income-based pension is provided by the *guarantee pension* and other public support measures.

Standard Protection in Old Age

The basis for belonging to the *statutory old age pension scheme* (*allmän pension*) is that persons are covered by Swedish social insurance. Persons are insured either through working or residing in Sweden. Everyone in gainful employment in Sweden earns pension entitlements for two types of income-related pensions (*inkomstrelaterad pension*): the *income pension* (*inkomstpension*) and the *premium pension* (*premiepension*). The *income pension* is pay-as-you-go (PAYG)-financed based on pension benefits being earned in relation to the contributions



* *IPS* for self-employed and employees outside collective agreement

paid (notional defined contribution). This part of the public pension scheme is kept apart from the rest of the state budget. The contributions to the *premium pension* are deposited in individual pension accounts and invested in the private funds of choice of the insured person; a passive fund solution is also provided. Pension rights are awarded for each year of work and payment of contributions. These rights are based on an individual's specific pensionable income; 16% of this income is allocated to the *income pension* and 2.5% to the *premium pension*. Retirement age is flexible from the age of 62, however pension rights increase if the person stays in employment. A tax-financed *guarantee pension* (*garantipension*) based on residence criteria is provided for those over 65 years with an insufficient income-related pension.

Occupational pension schemes are mandatory in both the public and the private sector and are based on collective agreements. Collective agreements are divided into four sectors, and as a result thereof four different occupational pension schemes exist: the *scheme for private sector manual workers* (*SAF-LO*), the *scheme for industry and trade* (*ITP*), the *scheme for government employees* (*PA 16*), and the *scheme for persons employed by municipalities or regions* (*KAP-KL* and *IKAP-KL*). All sector agreements are defined contribution schemes offering either investment in a premium reserve account or a defined contribution scheme with a guaranteed benefit level. However, there are varieties both with respect to contribution levels and the extent to which premium reserve investments are offered. There are, for example, no upper limits on the earning of pension rights. State employees, depending on age, can also have the right to pension from a defined benefit scheme.

The self-employed and employees without an occupational pension based on collective agreement can participate in occupational schemes on a voluntary basis. They can choose voluntarily to pay contributions into private schemes; they can also opt for so-called *individual pension savings* (*individuellt pensionssparande, IPS*), which are incentivised by tax deductions on premiums.

Top-Ups

Individual pension savings (*individuellt pensionssparande, IPS*) serve as a 'top up' to public and occupational pension benefits for persons who are covered by other forms of 'standard protection' in old age. However, incentives for joining private pension schemes changed in 2016, when the right to tax deductions on premiums of the IPS were abolished. Therefore, individuals commonly opt for voluntary extra payments to the available occupational pension schemes to top up public and occupational pension benefits. For tax reasons, this option is particularly beneficial for persons with incomes above the income assessment ceiling. Another alternative for private savings, also for old age, is the *investment savings account* (*investeringssparkonto, ISK*) that functions as a deposit for different kinds of financial instruments. This type of saving is not limited to old age protection and not tied to a specific retirement age.[1] Persons can exchange savings forms, capitalise and make withdrawals without this triggering a tax. However, the savings are subject to a yearly standard tax.

Minimum

The *guarantee pension* (*garantipension*) is a tax-financed pension, intended to secure a minimum pension level for persons over the age of 65 who have no or an insufficient *income and premium pension*. It is a pension-tested and inflation-indexed supplement or top up to the total benefit provided by the income-related public pensions. Persons must have lived in Sweden for a minimum of three years with 40 years of residence being required for a full *guarantee pension*. The pension is reduced proportionally for those with shorter residence periods. As a consequence, some persons, having lived in other countries for several years and with no other income, have difficulties to support themselves. Under normal circumstances, these persons would need to apply for municipal social assistance to reach a minimum subsistence level. In order to not put pressure on the municipalities, two state-financed support measures are targeted on low-income pensioners: the *housing supplement* (*bostadstillägg*) and the *maintenance support for the elderly* (*äldreförsörjningsstöd*). The income-tested *housing supplement* is also a part of the public pension system. Together with the residence-based and pension-tested *guarantee pension*, it is supposed to be sufficient to meet at least the minimum subsistence norm as expressed in social assistance legislation. The income-tested *maintenance support for the elderly*, being a part of the social security and pension system, guarantees a decent standard of living for persons who receive little or no pension or other means of income. All other benefits to which the person is entitled must be claimed before qualifying for maintenance support; such benefits include *income pension*, *premium pension* and *guarantee pension*, as well as the *housing supplement for pensioners*.

Maintenance Support for the Elderly

Äldreförsörjningsstöd

A. Coverage

- Every individual resident in Sweden is insured for residence-based benefits. Habitual residence is defined as having intended residence for more than 12 months. The *maintenance support for the elderly* is residence-based.
- Persons residing in Sweden who cannot sufficiently cover their necessary subsistence from income and who have not qualified for the full *guarantee pension*.

B. Financing

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

C. Administration

- The 'Pension Agency' (*Pensionsmyndigheten*) administers the scheme.

D. Qualifying Conditions

- Persons residing in Sweden.
- Persons who have reached the age of 65, which is the retirement age for the *guarantee pension*.
- Persons with income below subsistence level as defined by law can receive *maintenance support*.
- *Maintenance support* is income-tested: individual must receive a pension and total income of below SEK 5,894 (or SEK 4,802 if person lives with a spouse), i.e. the minimum threshold as defined by law to be awarded the benefit.

E. Benefits

- *Maintenance support* is paid to persons with a low or no pension and is aimed at securing a reasonable standard of living.
- A pension for a reasonable standard of living, as defined by law, is SEK 5,894 for an individual in a single household, and SEK 4,802 for an individual living with a spouse.
- The level of the *maintenance support* is based on the total income after tax and deduction of reasonable housing costs (up to a ceiling of SEK 7,000/3,500).
- *Maintenance support* is typically granted for 12 calendar months; renewable if qualifying conditions persist; benefit payments can be suspended if the beneficiary leaves Sweden for a period exceeding three months.
- The benefit is not subject to tax.

F. Legal Basis

- Social Insurance Code (*Socialförsäkringsbalken, 2010:110*).

Housing Supplement

Bostadstillägg

A. Coverage

- Every individual resident in Sweden is insured for residence-based benefits. Habitual residence is defined as having intended residence for more than 12 months. The *housing supplement* is residence-based.
- Persons residing in Sweden who cannot sufficiently cover their necessary subsistence from income and who have not qualified for the full *guarantee pension*.

B. Financing

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

C. Administration

- The 'Pension Agency' (*Pensionsmyndigheten*) administers the scheme.

D. Qualifying Conditions

- Persons residing in Sweden.
- Persons who have reached the age of 65, which is the retirement age for the *guarantee pension*, and who take out a pension (if the person is eligible for income pension and premium pension).
- The benefit is income-tested: based on the person's/household's income from pension benefits (incl. public, occupational, and private pensions), income from work, capital income and other income; assets will also affect the benefit.
- A maximum amount is typically awarded if a person's total income (incl. pensions and capital income) is below 2,181 'price base amounts' (SEK 103,161) for single and 1.951 'price base amounts' (SEK 92,282) for married persons, i.e. 'free amount' (*fribelopp*).
- If the income is higher than the 'free amount' it will affect the level of the benefit.

E. Benefits

- The supplement is aimed at persons with a low pension who need support for covering housing costs.
- The supplement is typically granted without a time limit and is renewed as long as qualifying conditions persist.
- The supplement is calculated with reference to housing costs, income and family situation.
- The supplement is not subject to tax.

F. Legal Basis

- Social Insurance Code (*Socialförsäkringsbalken, 2010:110*).

Statutory Old Age Pension Scheme

Allmän pension

A. Coverage

Mandatory insurance

- Every resident in Sweden is insured for residence-based benefits. Habitual residence is defined as having intended residence for more than 12 months. The *guarantee pension* is residence-based.
- Individuals working in Sweden and individuals employed by the Swedish state and posted in another country are insured for work-based benefits. The *income and premium pensions* are work-based.

B. Financing

General finances

- The *guarantee pension* is entirely tax-financed out of the general budget.
- The *income pension* is mainly PAYG-financed from employer contributions. The scheme operates under a PAYG-financed notional defined contribution system based on insurance contributions and property investments. The self-employed pay an equivalent contribution.
- The *premium pension* is a premium reserve system, funded from employer contributions and capital revenues.

Contribution rates

- Contributions are formally shared between the employer and the employee.
- The contribution rate for employers is a fixed share of the monthly payroll (10.21%); without contribution assessment ceiling; the self-employed pay this contribution as a fixed share (10.21%) on their net business income.
- Employees and also self-employed persons pay a 'general pension contribution' on a fixed share of income (7%), with contribution assessment ceiling (approximately SEK 550,000 annually).

Taxation of contribution payments

- The 'general pension contribution' of employees and the self-employed is fully compensated by tax reduction.

C. Administration

- The 'Pension Agency' (*Pensionsmyndigheten*) administers the public pension scheme.

D. Qualifying Conditions

Qualifying conditions

<u>Income pension and premium pension</u>

- Retirement is flexible from age 62. The so-called target age (*riktålder*) will increase to 64 in 2026 and be indexed to life expectancy.

<u>Guarantee pension</u>

- Retirement age is 65 but will increase to 67 in 2026.
- Three years of residence in Sweden (between age 16 and 65); 40 years' residence in Sweden required for receiving a full *guarantee pension*.
- Benefit is pension-tested: only paid to persons with a pension below the minimum pension level (2,181 'price base amounts' / SEK 103,812 for unmarried persons; 1,951 'price base amounts' / SEK 92,868 for married persons).

Early retirement

- No options for early retirement available before the age of 62.

Deferred retirement

- Retirement age is flexible, and pensions can be accessed from the age of 62.
- Individuals who stay at work will continue to earn pension rights and thus increase their pension based on the principle of actuarial neutrality.

Combining employment & retirement

- Termination of employment is <u>not</u> a precondition for claiming pension benefits.
- It is possible to work at the same time as receiving a pension.
- Old age pension can be drawn at levels of 25, 50, 75 and 100%.

E. Benefits

Pension benefits

<u>*Income pension and premium pension*</u>

- Pension rights are based on the amount of contributory earnings throughout working career, including pension-credited periods of e.g. child-caring, studies at university with student grants, earnings related to invalidity insurance, military service.
- Maximum amount: pension rights are annually calculated based on 18.5% of the 'pensionable income'. The pensionable income is subject to a ceiling of 7.5 times the 'income base amount' yearly (the income base amount is SEK 66,800 in 2020).
- Minimum amount: an *income pension supplement* is paid to persons that worked for many years with a low salary and have a taxable *income pension* between SEK 9,000 and SEK 17,000. The supplement ranges from SEK 0 to 600.

<u>*Guarantee pension*</u>

- The guarantee pension is a pension-tested, flat-rate benefit (as determined by statutory minimum pension level) with insufficient levels of income-related pension benefits.

Benefit calculation

<u>*Income pension and premium pension*</u>

- Pension rights are annually calculated based on 18.5% of the 'pensionable income'; 16% of pensionable income is allocated to the *income pension* and 2.5% to the *premium pension*; incomes below 42.3% of the 'income base amount' do not generate pension rights.
- Accrued pension rights for *income pension* are recalculated annually with reference to a balance index aiming to secure the financial sustainability of the income pension. The index considers lifetime earnings, age of retirement, life expectancy of relevant cohort and development of the incomes of the system. Downward adjustment is possible.
- The *premium pension* applies a conventional insurance principle with the granting of a life annuity. The pensioner can choose between placing the capital in an insurance with guaranteed yearly payments or keep it in the chosen fund. If the latter is chosen, the capital is recalculated annually.

<u>*Guarantee pension*</u>

- The full flat-rate *guarantee pension* (SEK 103,812 for singles and SEK 92,868 for married persons) is paid to those with 40 years of residence in Sweden; proportionate shortening for shorter residence periods.

Taxation and social security contributions

- Pension benefits are subject to income tax (incl. financing of health insurance).

F. Legal Basis

- Social Insurance Code (*Socialförsäkringsbalken, 2010:110*).

Occupational Pension Scheme for Industry and Trade

Industrins och handelns tilläggspension, ITP

A. Coverage

Mandatory insurance
- White-collar workers in the private sector from the age of 25.
- ITP consists of different pension plans: ITP 1 for white-collar workers in the private sector born in 1979 or later; ITP 2 for white-collar workers in the private sector born in 1978 or earlier; ITPK is a supplement for ITP 2 for white-collar workers in the private sector born in 1978 or earlier.

Opting in
- Employers not bound by general collective agreement can choose to directly sign an agreement with a trade union and get access to the occupational pension scheme for their employees.
- Self-employed persons in the relevant sector.

B. Financing

General finances
- ITP 1 is a fully funded personal pension plan based on contribution payments and capital revenues.
- ITP 2 is a defined benefit pension scheme financed by premiums to an insurance company (Alecta) or the employer in combination with buying credit insurance with a mutual insurance company; reserves funds on the balance sheet or transfers funds to a pension trust.

Mandatory contribution payments

ITP 1
- Employer pays 4.5% of salary not exceeding 7.5 times the 'income base amount' yearly (SEK 501,000), and 30% on gross salary above this level.

ITP 2 & ITPK
- Financed or secured by the employer.
- Can be complemented with ITPK, a defined contribution premium reserve plan where the employer contributes an additional 2% of the gross salary.
- If a flex solution is applicable, the employer pays an additional premium of 0.7% both for ITP 2 and ITPK.

Voluntary contribution payments
- In addition, it is possible for employees to change part of the gross salary into pension savings and thus top up the premiums paid mandatorily by the employer to the insurance.

Taxation of contribution payments
- Contribution payments, reservation on the balance sheet and transactions to a pension fund are subject to a specific wage tax of 24.26%.
- Wage taxes on pension deposits are lower than ordinary wage taxes on salaries (employer contribution is 31.42%); therefore, pension premiums can be increased by this difference (5.8%) without this constituting an extra cost for the employer.

C. Administration

- ITP 1 is administered by Collectum, a company owned by the social partners.
- ITP 2 is administered by Alecta, a mutual insurance company.

D. Qualifying Conditions

- ITP can be drawn from the age of 55 but cannot be combined with work.
- A full pension from ITP 2 requires 30 years of insurance (360 months).

E. Benefits

Pension payments

ITP 1

- Benefit is normally a life-long annuity paid out monthly but can be paid as a fixed-period annuity (minimum 5 years).
- Benefit is primarily based on the amount of contributory earnings, length of contribution period and capital revenues.

ITP 2 & ITPK

- ITP 2 is a defined benefit plan.
- Benefit is normally a life-long annuity paid out monthly but can be paid as a fixed-period annuity (minimum 5 years).
- Benefit is paid in relation to the number of insurance years and as a share of the final salary, 10% up to a ceiling of 7.5 times the 'income base amount' yearly, 65% of the salary between 7.5 and 20 'income base amounts', 32.5% of the salary between 20 and 30 times the 'income base amount'.
- ITPK is primarily based on the amount of contributory earnings, length of contribution period and capital revenues.

Taxation and social security contributions

- Pension benefits are subject to income tax.
- Pension benefits are not subject to social security contributions.
- There is a standard tax on the yearly return on capital: approximately 0.5% of the pension capital is taxed with 15%, paid by the trustee.

F. Legal Basis

- Collective agreement (*kollektivavtal*).

Occupational Pension Scheme for Private Sector Manual Workers

Avtalspension, SAF-LO

A. Coverage

Mandatory insurance

- Manual workers, from the age of 25 to 65, in the private sector working for an employer bound by collective agreement.

Opting in

- Employers not bound by general collective agreement can choose to directly sign an agreement with a trade union and get access to the occupational pension scheme for their employees.
- Self-employed persons in the relevant sector.

Exempted

- There is no insurance after the age of 65 if not agreed upon otherwise.

B. Financing

General finances

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

Mandatory contribution payments

- Employer pays 4.5% of salary not exceeding 7.5 times the 'income base amount' yearly (SEK 501,000), and 30% on gross salary above this level.
- No payments of premiums are made after the age of 65.

Voluntary contribution payments

- Some sectors provide complementary pension premiums for part-time pension or extra savings.
- In addition, it is possible for employees to change part of the gross salary to pension savings and thus top up the premiums paid mandatorily to the insurance. Wage taxes on pension deposits are lower than ordinary wage tax on salaries (employer contributions).

Taxation of contribution payments

- Contribution payments, reservation on the balance sheet and transactions to a pension fund are subject to a specific wage tax of 24.26%.
- Wage taxes on pension deposits are lower than ordinary wage taxes on salaries (employer contribution is 31.42%); therefore, pension premiums can be increased by this difference (5.8%) without this constituting an extra cost for the employer.

C. Administration

- The insurance is administered by Fora, a company owned by the social partners.
- Pension capital is managed by a company of the insuree's own choice. If no choice is made, pension capital is by default managed as traditional pension insurance by an insurance company owned by the social partners.
- The insured person can opt for investing premium payments directly into a fund through a variety of banks and fund managers.

D. Qualifying Conditions

- The default age for drawing the pension benefit is 65, earlier or later payment is possible; there is no legally defined pension age.
- Part-time payment of the accumulated capital is possible if there is an actual decrease in working time.

E. Benefits

Pension benefits

- Primarily a defined contribution scheme based on the amount of contributory earnings, length of contribution period and capital revenues.

- By default, the accumulated pension capital is paid as a life-long annuity.
- If no investment choice is made payments will be made with a minimum guarantee.
- If an option has been made to invest in a fund no guarantee is available. Payments are then solely dependent on the value of the accumulated capital.

Taxation and social security contributions

- Pension benefits are subject to income tax.
- Pension benefits are not subject to social security contributions.
- There is a standard tax on the yearly return on capital: approximately 0.5% of the pension capital is taxed with 15%, paid by the trustee.

F. Legal Basis

- Collective agreement (*kollektivavtal*).

Occupational Pension Scheme for Persons Employed by Municipalities or Regions

Kollektivavtalsbaserad tjänstepension för anställda i kommuner och regioner, KAP-KL eller AKAP-KL

A. Coverage

Mandatory insurance[2]

- Persons employed by a municipality or a region from the age of 21.
- The scheme contains different pension plans: KAP-KL is applicable to employed persons born 1985 or earlier; AKAP-KL is applicable to persons born 1986 or later.

B. Financing

General finances

KAP-KL

- It is partly a defined contribution scheme, i.e. a fully funded personal pension scheme based on contribution payments and capital revenues and partly a defined benefit scheme.
- It is partly a defined benefit scheme financed by premiums to an insurance company or by debt finance through reservations on the balance sheet, a financial guarantee or by setting up a pension trust. The defined benefit scheme is applicable to persons with a salary over one income base amount per month.

AKAP-KL

- AKAP-KL is a fully funded personal pension scheme based on contribution payments and capital revenues.

Mandatory contribution payments

- Employer pays 4.5% of salary not exceeding 7.5 times the 'income base amount' yearly (SEK 501,000) and 30% on gross monthly salary above this level up to a ceiling of 30 'income base amounts' yearly.

Voluntary contribution payments

- It is possible for employees to change part of the gross salary to pension savings and thus top up the premiums paid to the insurance.

Taxation of contribution payments

- Contribution payments, reservation on the balance sheet and transactions to a pension fund are subject to a specific wage tax of 24.26%.
- Wage taxes on pension deposits are lower than ordinary wage taxes on salaries (employer contribution is 31.42%); therefore, pension premiums can be increased by this difference (5.8%) without this constituting an extra cost for the employer.

C. Administration

- The administration of elective parts of the relevant collective agreement is carried out by Pensionsvalet, part of the insurance company KPA Pensionsservice AB. This company is owned jointly by Folksam (coop insurance company) and the relevant employer organisation.

D. Qualifying Conditions

KAP-KL

- The defined contribution pension can be claimed at the age of 69.
- There is a possibility to start payments at 55.
- Qualification for the defined benefit pension starts from the age of 28; for a full pension it is required to have worked for 30 years.
- The defined benefit pension can be drawn from the age of 61, and at the latest from 67. If a person exits the labour market before 61 the pension is transformed to an annuity.

AKAP-KL

- The defined contribution pension can be claimed at the age of 69.
- There is a possibility to start payments at 55.

E. Benefits

Pension benefits

- Primarily a defined contribution scheme based on the amount of contributory earnings, length of contribution period and capital revenues.
- By default, the accumulated pension capital is paid as a life-long annuity (traditional insurance).
- If no investment choice is made payments will be made with a minimum guarantee.
- If an option has been made to invest in a fund no guarantee is available. Payments are then solely dependent on the value of the accumulated capital.
- The shortest period for defined contribution pension payments (in KAP-KL and AKAP-KL) is five years.

Taxation and social security contributions

- Pension benefits are subject to income tax.
- Pension benefits are not subject to social security contributions.
- There is a standard tax on the yearly return on capital: approximately 0.5% of the pension capital is taxed with 15%, paid by the trustee.

F. Legal Basis

- Collective agreement (*kollektivavtal*).

Occupational Pension Scheme for Government Employees

Kollektivavtalsbaserad tjänstepension för statligt anställda, PA 16

A. Coverage

Mandatory insurance

- Persons employed by the government.
- PA 16-1 is a defined contribution scheme applicable to employees born 1988 and after. No lower age limit is applicable and earning of pension rights until the age of 68 is possible. It consists of three parts, an obligatory traditional insurance, a selectable part where the insured chooses the investment form, and a flexible part that can be used e.g. for part-time retirement from the age of 62.
- PA 16-2 is a combined defined benefit and defined contribution scheme applicable to employees born before 1988, available from the age of 23. It consists of three parts, an obligatory traditional insurance, a selectable part where the insured chooses the investment form, and a defined benefit part.

B. Financing

General finances

- PA 16-1 is a fully funded defined contribution personal pension plan based on contribution payments and interest rate.
- PA 16-2 is partly a fully funded defined contribution personal pension plan based on contribution payments and interest rate.
- PA 16-2 is partly a defined benefit pension plan financed by premiums to an insurance company or by reservations on the balance sheet (debt).

Mandatory contribution payments

- Contributions are paid fully by the employer.

PA 16-1

- Employer pays 6% of gross earnings not exceeding 7.5 times the 'income base amount' yearly (SEK 501,000) and 31.5% on gross earnings above this level.
- Contributions are distributed to investment in obligatory insurance, selectable insurance and flex insurance.

PA 16-2

- Employer pays 4.5% of gross earnings with contribution assessment ceiling (7.5 times the 'income base amount' yearly (SEK 501,000).
- Contributions are distributed to obligatory and selectable insurance.

Voluntary insurance

- In addition, it is possible for employees to change part of the gross salary to pension savings and thus top up the premiums paid mandatorily to the insurance.

Taxation of contribution payments

- Contribution payments, reservation on the balance sheet and transactions to a pension fund are subject to a specific wage tax of 24.26%.
- Wage taxes on pension deposits are lower than ordinary wage taxes on salaries (employer contribution is 31.42%); therefore, pension premiums can be increased by this difference (5.8%) without this constituting an extra cost for the employer.

C. Administration

- The scheme is administered by the 'National Government Employee Pensions Board' (*Statens pensionsverk*, SPV).
- The obligatory traditional insurance and the flex insurance is managed by a pension association (Kåpan).
- The selectable part of the insurance and fund can be managed by other financial actors (not necessarily Kåpan).

D. Qualifying Conditions

- There is no minimum qualifying period.

PA 16-1

- PA 16-1 (traditional insurance and defined contribution selectable pension) can be paid from the same age onward as the public pension (today 62) or from the age of 72 at the latest.

PA 16-2

- PA 16-2 (traditional insurance and selectable defined contribution pension) can be paid from the age of 61. The default age for payments is 65, later payment is possible.
- Persons born between 1943 and 1972 also qualify for the defined benefit scheme. The older the person, the larger is the part of the occupational pension which is to be paid out from the defined benefit scheme.
- To receive a full defined benefit pension, the person must have worked for 30 years (360 months) within the state. If the person has worked for less than 30 years, the pension is reduced (by 1/360th for each missing month).

E. Benefits

Pension payments

PA 16-1

- PA 16-1 consists of two parts: obligatory traditional insurance, and a selectable scheme where a choice is made between additional pension insurance or fund investments.
- By default, PA 16-1 (obligatory, selectable and flex) is paid out as a life-long annuity. A shorter period can be chosen: the shortest time available is ten years for obligatory, five years for selectable and one year for flex insurance.

PA 16-2

- The obligatory and the selectable traditional insurance have a guaranteed interest rate on investments made. This pension is by default paid as a life-long annuity but can also be paid as an annual pension for between 5 and 20 years.
- The guaranteed pension payment consists of 80% of paid contributions plus an interest rate.
- If fund insurance is selected, payments are dependent on the return on capital investments.

Taxation and social security contributions

- Pension benefits are subject to income tax.
- Pension benefits are not subject to social security contributions.
- There is a standard tax on the yearly return on capital: approximately 0.5% of the pension capital is taxed with 15%, paid by the trustee.

F. Legal Basis

- Collective agreement (*kollektivavtal*).

Individual Pension Savings

Individuellt pensionssparande, IPS

A. Coverage

Voluntary insurance

- Persons without collectively bargained pensions, either employed, owning an incorporated company, or in private business can save for pensions in either traditional pension insurance or in individual pension savings (IPS).
- IPS is open to all persons but it is only the mentioned groups that are allowed to claim tax reductions on savings.

B. Financing

General finances

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

Contribution payments

- Persons can provide contributions and decide upon the respective amount individually.
- For self-employed persons and employees without a pension through employment: the deduction for individual pension savings cannot exceed 35% of the wage nor a ceiling of ten times the 'price base amount' (SEK 473,000 in 2020).

State support & incentivising strategies

- Tax-deductions on contribution payments are only available for persons not covered by any occupational pension based on collective agreement.

C. Administration

- Private pension plan providers manage the funds and pay benefits directly to the person upon agreement.

D. Qualifying Conditions

- Pension payments are available from the age of 55.

E. Benefits

Pension payments

- Accumulated capital through contribution payments and investment yields, minus administrative costs/fees of pension plan provider.
- Pension payments must be paid for at least five years.

Taxation and social security contributions on pension payments

- Pension payments from IPS are subject to income tax.
- Pension payments are not subject to social security contributions.
- There is a standard tax on the yearly return on capital: approximately 0.5% of the pension capital is taxed with 15%, paid by the trustee.

F. Legal Basis

- Individual Pension Savings Act (*lag (1993:331) om individuellt pensionssparande*).

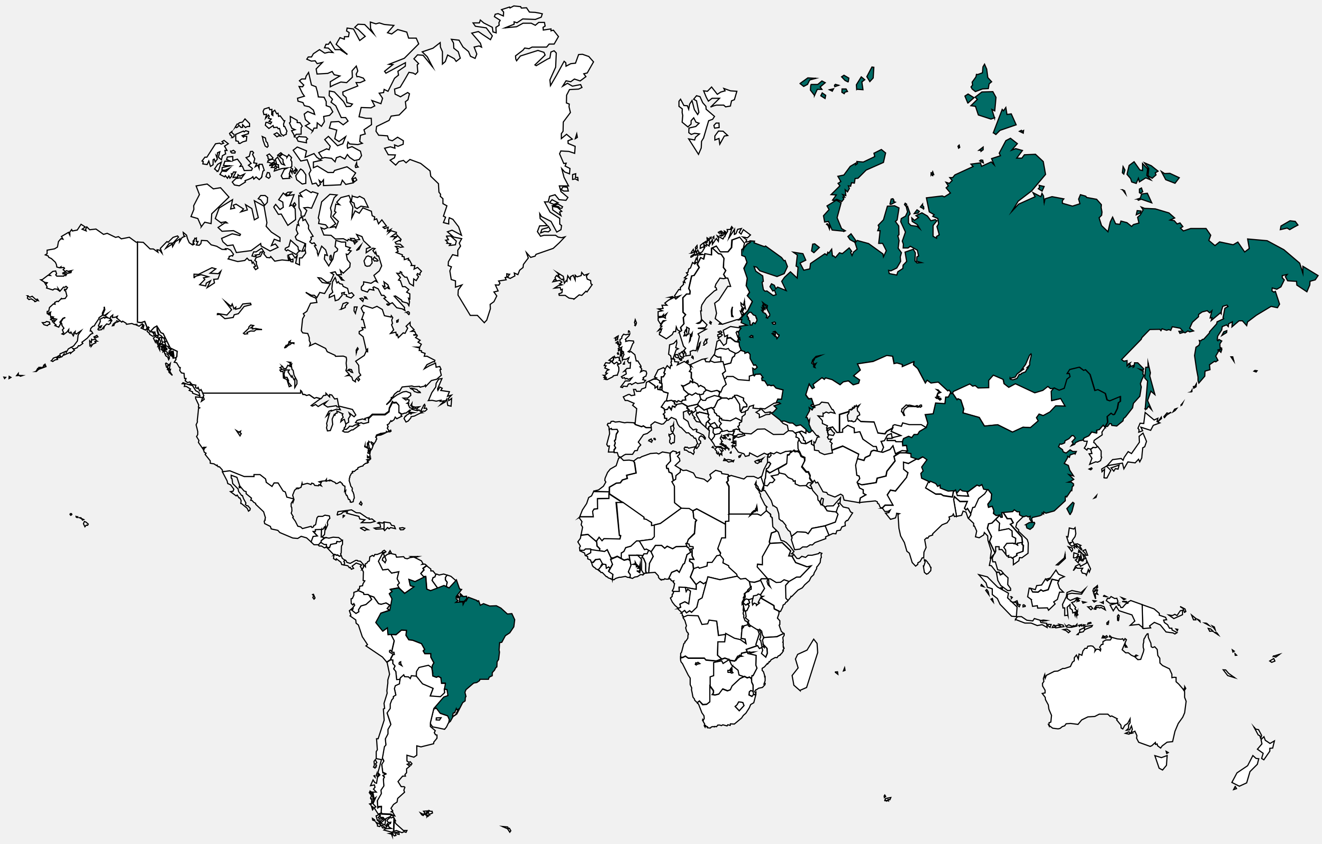
Footnotes

1 As the *investment savings account* (*investeringssparkonto, ISK*) does not solely target financial protection in old age, the scheme is not pictured in the Pension Map for Sweden.

2 This table does not provide information on specific collective agreements for persons employed by coop organisations and other specific sub-groups.

PART III

OLD AGE SECURITY AROUND THE WORLD



BRAZIL

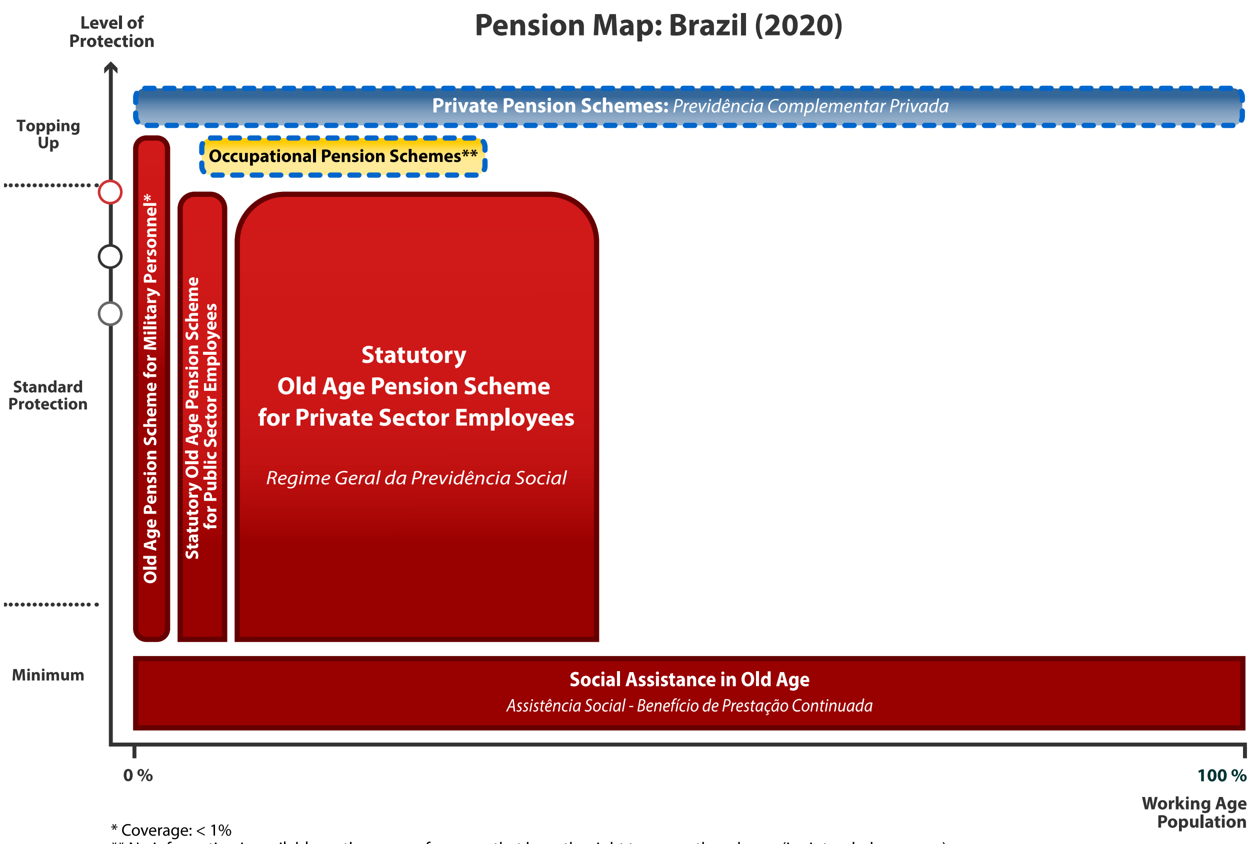
THE BRAZILIAN OLD AGE SECURITY SYSTEM IN 2020

Sergio Mittlaender

The origins of the Brazilian old age pension system go back to the late XIX[th] century and the creation of pension schemes for certain groups working in the public sector. In 1923, the system started to also cover private sector employees, with a more encompassing system being created only in 1966. Throughout its history, the Brazilian old age pension system has been marked by a stark discrepancy in the treatment of public and private sector employees, granting certain privileges (such as higher pension benefits) only to the former. These discrepancies were partly reduced in 1998 with a constitutional amendment that introduced the possibility for public entities to limit the pensions of new entrants in the public sector to the same ceiling as for private sector employees. However, even after the last major reform of 2019, differentiated treatment for several types of workers still persists, including the onerous pension scheme for military personnel. This last reform, moreover, introduced a statutory retirement age. As of now, 'standard protection' in old age is guaranteed by the statutory old age pension schemes for private and public sector employees. Public pension benefits can be 'topped up' through voluntary insurance in complementary pension schemes, which can be either occupational or private and are incentivised through tax reliefs. A minimum level of income protection is guaranteed through the statutory pension schemes, as public pension benefits cannot fall beneath the minimum wage. Those who have no right to a pension benefit are protected through social assistance measures.

Standard Protection in Old Age

All persons working in the private sector, including the self-employed, are mandatorily insured in the *statutory old age pension scheme for private sector employees* (*Regime Geral da Previdência Social*) and must pay contributions proportional to their earnings. This pay-as-you-go (PAYG)-financed insurance scheme is by far the largest scheme and covers almost 90% of all insured individuals. In general, benefits are tied to contributions paid throughout a person's career with a specified level of minimum and maximum pension benefits. Since 2019 and the introduction of a statutory retirement age (Constitutional Amendment 103/2019), insured persons cannot retire before the statutory retirement age. However, persons working in hazardous jobs still have the right to retire 5, 10, or even 15 years



* Coverage: < 1%
** No information is available on the scope of persons that have the right to access the scheme (i.e. intended coverage).

earlier, depending on the degree of hazardousness of the job. Individuals not mandatorily insured in any public scheme, such as housewives or students, can join the scheme on a voluntary basis (*Segurado Facultativo*).

Most public sector employees are mandatorily insured in a separate scheme, the *statutory old age pension scheme for public sector employees* (*Regime Próprio da Previdência Social*). Since 1998, historical discrepancies between private and public sector employees have been gradually reduced, aligning the statutory retirement age and the calculation of pension benefits to those in the private sector, with some remaining exceptions (such as for public sector employees who started their service before 1998). Furthermore, and due to the federal structure of the state, each federative entity can institute and maintain its own system with different rules. Lastly, privileges in old age remain for police officers, firefighters, and military personnel who are insured in the *old age pension scheme for military personnel* (*Previdência dos Militares*). The scheme provides exceptionally high pension benefits equal to the last salary before retirement, and therefore imposes a substantial burden on the state's expenses.

Top-Ups

Public pension benefits can be 'topped up' by voluntary participation in *occupational pension schemes* (*Previdência Complementar Coletiva*), so-called 'closed pension funds' and *private pension schemes* (*Previdência Complementar Privada*), so called 'open pension funds'. The former are usually provided to employees of a given enterprise, or of a given federative entity, as a result of negotiations with the employer and on the basis of insurance contributions provided by the enterprise or public entity. The exact circle of participants in the scheme is usually determined in a collective agreement (concluded between the employer and the trade union) or labour contract (between the employees and the employer). For public sector employees, each federative entity can institute complementary *occupational pension schemes* for some or all of its employees, usually doubling the amount invested by the employee. In the case of *private pension schemes*, individuals have the option of creating their own personal savings accounts, where they can choose between different conditions. Participation in occupational and private pension schemes is incentivised by tax reliefs if the respective pension plans have been approved by the state.

Minimum

As pension benefits of the statutory old age pension schemes cannot fall below a specified minimum level equal to the minimum wage, public pension schemes guarantee a minimum level of financial protection in old age for persons who fulfil the qualifying conditions for the standard old age public pension. Those who do not qualify for any pension and suffer from material deprivation can apply for benefits from *social assistance in old age* (*Assistência Social - Benefício de Prestação Continuada*) at the minimum age of 65. The scheme is means-tested and takes into account the monthly income of the applicant and his or her family members. It is a social assistance benefit intended for elderly or invalid individuals. It is distinct from other social assistance measures as it guarantees the monthly payment of a benefit equal to the minimum wage.

Social Assistance in Old Age

Assistência Social - Benefício de Prestação Continuada

A. Coverage

- Destitute elderly persons aged 65 or older.

B. Financing

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

C. Administration

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

D. Qualifying Conditions

- The person must be at least 65 years old and his or her family cannot provide for him or her.
- Benefits are means-tested: monthly per capita income of the household has to be less than one fourth of the minimum wage.
- The benefit cannot be received together with other social assistance or social security measures except for those concerning health insurance.

E. Benefits

- The flat-rate amount equals the monthly minimum wage (BRL 1,045 in 2020).
- Benefits not subject to tax.

F. Legal Basis

- Organic Law of Social Assistance – Law 8.742/93 (*Lei Orgânica da Assistência Social – Lei 8.742/93*).

Statutory Old Age Pension Scheme for Private Sector Employees

Regime Geral da Previdência Social

A. Coverage

Mandatory insurance

- Economically active part of the population, including private sector employees and the self-employed.
- Public sector employees, if the public entity for which the person works stipulates so (otherwise: see *old age pension scheme for public sector employees*).

Voluntary insurance (Segurado Facultativo)

- Individuals who do not fall under the mandatory system, including housewives, students, unemployed persons, inmates, and students with scholarships.

B. Financing

General finances

- Mainly PAYG-financed from insurance contributions, with federal transfers financing the deficits of the system.

Contribution rates to mandatory insurance

- Varying shares of monthly gross incomes with contribution assessment ceiling (BRL 6,101 in 2020).
- Contributions shared between employee and employer.
- Employees' contribution rates determined by income brackets (marginal increase): 7.5% up to BRL 1,045; 9% for BRL 1,045 to BRL 2,089; 12% for BRL 2,089 to BRL 3,134; 14% for BRL 3,134 to BRL 6,101.
- Employer must pay contributions equal to 20% of monthly payroll, 7.6% of monthly gross income, and 9% of monthly net profits (*three distinct contributions intended for financing the social security system*).
- Self-employed persons: 20% of earnings (= contributory earnings are used to calculate the pension benefit).

Contribution rates to voluntary insurance

- No fixed share/contribution rate; contribution can be chosen freely within predefined range (between 20% of the minimal wage (BRL 1,045) up to 20% of the contribution assessment ceiling (BRL 6,101).

C. Administration

- The 'National Social Security Institute' (INPS) manages the system.

D. Qualifying Conditions

Qualifying conditions

- *Standard old age pension*: statutory retirement age is 65 for men and 62 for women; minimum insurance period: 20 years (15 years for men already insured before the Constitutional Amendment 103/2019).
- Special conditions apply for rural workers, native Brazilians, and fishermen (age 60 for men, age 55 for women; 15 years); teachers (age 60 for men, 57 for women; 25 years); persons working in hazardous job (depending on the degree of the hazard, retirement ages are 55, 58, or 60 years, with a minimal insurance period of 15, 20, or 25 years).

Early retirement

- Since 2019, no possibility to retire before the statutory retirement age (since Constitutional Amendment 103/2019).

Deferred retirement

- Retirement can be deferred to increase pension benefits (general benefit calculation rules: 2% per year); no additional positive adjustments apply.

Combining employment & retirement

- Termination of employment is not a precondition for claiming pension benefits.
- When claiming pension benefits, continuous employment is permitted without a specified earnings limit; persons can increase pension benefits.

E. Benefits

Pension benefits

- Primarily based on the amount of contributory earnings throughout working career.
- Maximum amount: BRL 6,101 (in 2020).
- Minimum amount: equal to the minimum wage (BRL 1,045 in 2020).

Benefit calculation

- Pension benefits equal 60% of the mean of all contributory earnings for the minimum insurance period (20 years for men, 15 for women) plus 2% for each additional year of contribution payments (i.e. pension benefits equal 100% of the mean of all contributory earnings for men who contributed for 40 years, and for women who contributed for 35 years).
- *Adjustments*: new adjustment rule for 2020 yet to be specified and implemented.

Taxation and social security contributions

- Pension benefits are subject to income tax; benefits up to BRL 1,903 are exempted from income tax for retired persons older than age 65.
- Retired persons do not have to pay social security contributions on pensions received.

F. Legal Basis

- Law 8.213/91 (*Lei 8.213/91*), Constitutional Amendment 103/2019 (*Emenda Constitucional 103/2019*).

Statutory Old Age Pension Scheme for Public Sector Employees

Regime Próprio da Previdência Social

A. Coverage

Mandatory insurance

- Public sector employees employed by public entities at the federal, state, and municipal level, unless stipulated otherwise by the respective public entity (see *statutory old age pension scheme for private sector employees*).

B. Financing

General finances

- Mainly PAYG-financed from contributions, with transfers from the respective entity of the federation financing the deficits of the system.

Contribution rates

- Varying shares of monthly gross incomes (without contribution assessment ceiling) paid by employee (only deficits covered by public entity).
- Contribution rates determined by income brackets (marginal increase): 7.5% up to BRL 1,045; 9% for BRL 1,045 to BRL 2,089; 12% for BRL 2,089 to BRL 3,134; 14% for BRL 3,134 to BRL 6,101; 14.5% for BRL 6,101 and BRL 10,448; 16.5% for BRL 10,448 and BRL 25,896; 19% for BRL 25,896 and BRL 40,747; 22% for more than BRL 40,747.

C. Administration

- Organised and administered by the respective federative entity.

D. Qualifying Conditions

Qualifying conditions

- *Standard old age pension*: statutory retirement age is 65 for men and 62 for women; minimum insurance period: 25 years (of which at least 10 years in the public service, and 5 years in the position in which the person will retire).

Early retirement

- Since 2019, no possibility to retire before statutory retirement age (since Constitutional Amendment 103/2019).

Deferred retirement

- Retirement can be deferred to increase pension benefits (general benefit calculation rules: 2% per year); no additional positive adjustments apply.

Combining employment & retirement

- Termination of previous employment relationship with public entity is a precondition for claiming pension benefits.
- When claiming pension benefits, employment in private sector (or in public sector at different public entity) is permitted without a specified earnings limit; persons can increase pension benefits.

E. Benefits

Pension benefits

- Primarily based on the amount of contributory earnings throughout working career.
- Maximum amount: BRL 6,101 (in 2020); only applies to persons who entered the scheme in 2004 and after.
- Minimum amount: equal to the minimum wage (BRL 1,045).

Benefit calculation

- Pension benefits of public sector employees (who started working for the federal government in 2004 and after) equal 60% of the mean of all contributory earnings for the minimum insurance period (20 years for men, 15 for women) plus 2% for each additional year of contribution payments (i.e., pension

benefits equal 100% of the mean of all contributory earnings for men who contributed for 40 years, and women who contributed for 35 years).
- Pension benefits of public sector employees who started working for the federal government before 2004: pension benefits equal to the last salary before retirement.

Taxation and social security contributions

- Pension benefits are subject to income tax; benefits up to BRL 1,903 are exempt from income tax for retired persons older than age 65.
- Retired persons do not have to pay social security contributions on pensions received of up to BRL 6,101. Pensioners who receive higher pensions must pay a contribution share determined by income brackets.

F. Legal Basis

- Law 9.717/98 (*Lei 9.717/98*).

Old Age Pension Scheme for Military Personnel

Previdência dos Militares

A. Coverage

Mandatory insurance

- Police, firefighters, and military personnel.

B. Financing

General finances

- Partly PAYG-financed from insurance contributions of the active personnel.
- Partly tax-financed by public transfers of public entity (at local/state level).

Contribution rate

- Fixed share of monthly gross earnings (10.5%) of the active personnel paid by employee; without contribution assessment ceiling.

C. Administration

- Organised and administered by the respective federative entity.

D. Qualifying Conditions

- There is no minimum retirement age.
- Minimum insurance period of 35 years (with at least 25 years of service).
- Compulsory retirement between 50 and 70 years of age, depending on the rank inside the military.

E. Benefits

Pension benefits

- Full benefit equal to the last salary before retirement.
- One-time supplement: upon retirement, the person receives a single payment equal to 8 times the last salary.

Taxation and social security contributions

- Pension benefits are subject to income tax; benefits up to BRL 1,903 are exempt from income tax for retired persons older than age 65.
- Retired persons do not have to pay social security contributions on pensions received.

F. Legal Basis

- Statute of the Military Personnel – Law 6.880/80 (*Estatuto dos Militares - Lei 6.880/80*), Law of Military Personnel Compensation – MP 2.215-10/01 (*Lei de Remuneração dos Militares - MP 2.215-10/01*) with the recent changes implemented by Law 13.954/19 (*Lei 13.954/19*).

Occupational Pension Schemes

Previdência Complementar Coletiva

A. Coverage

Voluntary participation

- Employed population, with participation being based on collective or individual agreements.
- Possibilities for voluntary enrolment vary in relation to the different conditions offered by the employer or public entity.
- Public entities, either at the federal, state, or municipal level can create a complementary pension fund for some or all of their employees.

B. Financing

General finances

- Fully funded personal pension plans based on contribution payments and capital revenues.
- For schemes offered by public entities to public sector employees, transfers from the state budget may finance deficits (dependent on the specific legislatures).

Contribution rates

- Contribution payments are usually split between the employer and the employee (proportions vary).
- For public sector employees, the public entity for which the employee works provides a contribution equal to the one chosen by the employee, up to the maximum of 8.5% of the contribution assessment ceiling of the *statutory old age pension scheme for private sector employees*.

State support

- Contribution payments of the employee (up to 12% of the monthly income) can be deducted from the personal income tax base.
- The investment returns from the funds are not taxed.

C. Administration

- Pension plan providers manage pension funds and pay benefits directly to the eligible person.
- 'Superintendência Nacional de Previdência Complementar' and 'Comissão de Valores Mobiliários' oversee the schemes.

D. Qualifying Conditions

- Employee entitled to occupational pension benefits, with no minimum retirement age specified by law.
- Conditions are regulated in pension regulations at company or collective level.

E. Benefits

Pension payments

- Dependent on the terms of pension payment (lump sum payment, fixed-term or lifelong pension), primarily based on the amount of contributory earnings, length of contribution period and capital revenues.

Taxation and social security contributions

- Pension payments are subject to income tax (see *statutory old age pension scheme for private sector employees*).
- Pension payments are not subject to social security contributions.

F. Legal Basis

- Complementary Laws 108/01 and 109/01 (*Lei Complementar 108/01 and 109/01*).

Private Pension Schemes

Previdência Complementar Privada

A. Coverage

Voluntary participation

- Anyone can participate voluntarily in the scheme.

B. Financing

General finances

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

Contribution rates

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

State support

- Contribution payments (up to 12% of the monthly income) can be deducted from the personal income tax base.
- The investment returns from the funds are not taxed.

C. Administration

- Pension plan providers manage pension funds and pay benefits directly to the eligible person.
- 'Superintendência de Seguros Privados' oversees and sanctions the pension schemes, imposing further restrictions to how the funds are to be invested (including a maximum of 49% of the money invested in the stock exchange).

D. Qualifying Conditions

- Conditions are regulated by contract between the provider of the scheme and the insured individual.

E. Benefits

Pension payments

- Depend on the term of pension payment (lump-sum payment, fixed-term or lifelong pension) 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 subject to income tax; either in a progressive manner (as for any other income) or in a regressive manner (with decreasing marginal tax rates in proportion to the length of the investment). The individual can choose the applicable system.
- Pension payments are not subject to social security contributions.

F. Legal Basis

- Complementary Law 109/01 (*Lei Complementar 109/01*).

PEOPLE'S REPUBLIC OF CHINA

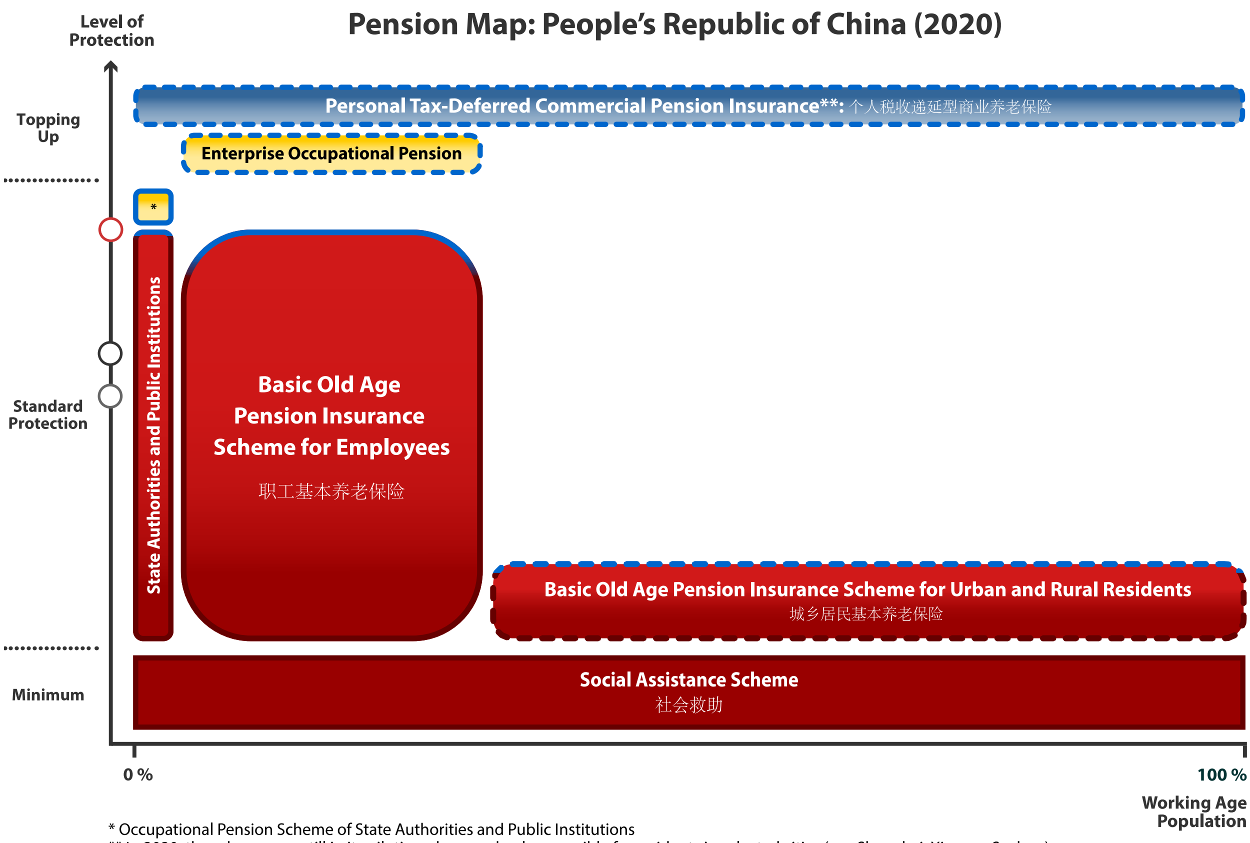
THE CHINESE OLD AGE SECURITY SYSTEM IN 2020

Yifei Wang

In the history of the People's Republic of China, the expansion of the coverage of social protection and discussions on the responsibilities for the financing of social insurance have played a crucial role. The Chinese old age pension insurance system dates back to 1951 when the Labour Insurance Regulations were enacted. Back then, following the Soviet Union model, enterprises alone provided insurance contributions, and labour unions organised the labour insurance, including old age insurance. After the Cultural Revolution, the institutional structure of the labour insurance was destroyed and the payment of old age pension benefits became the responsibility of each enterprise at its own expense. Since 1980, many local governments have introduced public old age pension insurance schemes. Since 1986, local public pension funds have been built and contribution payments by both employers and employees have been introduced on a nationwide basis. As of today, financial protection in old age is organised differently for various population groups. For the majority of the population, a 'standard' level of protection is guaranteed by mandatory or voluntary insurance in public pension schemes, which have all implemented a financing strategy that combines resources of a so-called 'social pooling fund' with notional individual accounts following the recommendations of the World Bank. Specific groups of public sector employees enjoy the privilege of being mandatorily insured in a supplementary occupational pension scheme. If available, public pension benefits can be 'topped up' through voluntary enrolment in occupational and private pension plans. Outside the pension system, a 'minimum' income is provided through general social assistance measures.

Standard Protection in Old Age

For employees in enterprises, standard protection consists of mandatory insurance in a public pension scheme, the so called *basic old age pension insurance scheme for employees* (*职工基本养老保险*). Persons in flexible employment[1] can voluntarily participate in this scheme. The scheme was established in 1997 and became operational in 2005. Insurance contributions are partly transferred to a pay-as-you-go (PAYG) 'social pooling fund' and partly to capital-funded individual accounts. In case of budget deficiencies, the local governments provide subsidies to ensure the payment of benefits.



* Occupational Pension Scheme of State Authorities and Public Institutions
** In 2020, the scheme was still in its piloting phase and only accessible for residents in selected cities (e.g. Shanghai, Xiamen, Suzhou).

Access to the public *old age pension insurance scheme of state authorities and public institutions* (*机关事业单位养老保险*) is restricted to a selective group of public employees working for state authorities and public institutions. Originally, those employees were covered by a separate public and fully tax-financed pension scheme that provided a comparatively high level of old age benefits. In 2015, the scheme was reformed into a mandatory insurance scheme that equals in its financing, administration, qualifying conditions and benefits the public pension scheme for enterprise employees. Persons insured in this scheme also benefit from supplementary mandatory insurance in a special (fully/partly) capital-funded occupational pension scheme, namely the *occupational pension scheme of state authorities and public institutions* (*机关事业单位职业年金*), where contributions are jointly paid by employees and employers.

For a long time, persons not mandatorily insured in either of the two public schemes had no right to any old age pension benefit. Since 2009, some pilot programs for uninsured rural and urban residents have been launched and in 2014, the public *basic old age pension insurance scheme for urban and rural residents* (*城乡居民基本养老保险*) was established. Participation in the scheme is voluntary. The scheme is also open to workers in flexible employment who do not choose to enrol in the *basic old age pension insurance scheme for employees*. Insured persons receive a flat-rate, 'basic pension' from the tax-financed pooling fund and a 'contributory pension' from the capital-funded individual account. The scheme relies heavily on financial subsidies from the state and rural collective economic organisations. Overall, the level of benefits is very low – close to the level of the minimum living allowance.

Top-Ups

The pension income can be topped up by voluntary participation in private pension plans provided by commercial insurance companies. The pilot program of *personal tax-deferred commercial pension insurance* (*个人税收递延型商业养老保险*) was introduced in some cities (e.g. Shanghai, Xiamen, Suzhou) in 2018 providing some tax relief measures according to the EET Model[2]. A separate topping-up option exists for those insured in the *basic old age pension insurance scheme for employees* who can voluntary participate in the *enterprise occupational pension scheme* (*企业年金*). Options for participation are provided to employees of a given enterprise based on collective agreements with insurance contributions being provided by the employer and the employees. The schemes are subsidised by some tax relief measures according to the EET model.

Minimum

The means-tested *social assistance scheme* (*社会救助*) falls outside the remit of the pension system and does not specifically target senior citizens but addresses other population groups as well. It provides a monthly minimum income through a minimum living allowance. In addition, the scheme offers further benefits addressing the basic living needs of persons in extreme poverty and by providing temporary and targeted one-time benefits for specific needs.

Social Assistance Scheme

社会救助

A. Coverage

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

B. Financing

- The scheme is tax-financed out of the budget of local governments.

C. Administration

- The subsistence level and the methods for determining the income/assets status are decided by the governments of the provinces, autonomous regions, municipalities directly under the central government or municipalities divided into districts.
- The standard of *benefits for persons in extreme poverty* are decided by the governments of the provinces, autonomous regions, municipalities directly under the central government or municipalities divided into districts.
- The governments of the township and the subdistrict offices review applications, investigate and verify the income/assets status of the applicant's family and provide preliminary opinions on eligibility.
- The civil affairs department of the governments of the county decide on eligibility.
- The civil affairs department of the governments of the county pays out the benefits for members living in the family eligible for *minimum living allowance*.
- The governments of the township and the subdistrict offices provide *benefits for persons in extreme poverty*.

D. Qualifying Conditions

- Persons residing in China.
- Qualifying conditions vary for different social assistance measures.
- *Minimum living allowance*: members living in the family, of which the per capita income/assets is below the subsistence level as defined by the governments.
- *Benefits for persons in extreme poverty*: elderly or disabled persons, and minors under the age of 16 who are incapable of working and have no other source of income; the applicant must not be able to receive (sufficient) maintenance from other family members who are legally obliged to provide financial support.
- *Benefits for specific one-time needs*: members living in the family eligible for minimum living allowance or persons in extreme poverty.
- *Benefits for temporary needs*: families that temporarily suffer serious difficulties in basic life due to accidents (fires, traffic accidents, sudden serious illnesses of family members) or a sudden increase in basic living expenses beyond the family's ability to afford.

E. Benefits

- *Minimum living allowance*: monthly benefits equal to the amounts of the subsistence level (decided by the governments) minus the per capita income of the family; benefits are granted as long as qualifying conditions persist.
- *Benefits for persons in extreme poverty*: benefits providing basic living conditions, taking care of those who cannot take care of themselves, providing treatment against diseases, handling funeral matters; benefit amounts, duration and type (monetary or in-kind) are decided by the governments.
- *Benefits for specific one-time needs* (needs related to healthcare, education, housing or job hunting): amounts decided by the governments.
- *Benefits for temporary needs*: amounts decided by the governments.
- Benefits are not subject to income tax.

F. Legal Basis

- Interim Measures for Social Assistance (*社会救助暂行办法*); Individual Income Tax Law of the People's Republic of China (*中华人民共和国个人所得税法*).

Basic Old Age Pension Insurance Scheme for Employees

职工基本养老保险

A. Coverage

Mandatory insurance

- Enterprise employees (*职工*).[3]

Voluntary insurance

- Self-employed persons registered as 'individual industrial and commercial households'[4] without employees, part-time employees not participating in the scheme through their employers, and other persons in flexible employment (*灵活就业人员*).

B. Financing

General finances

- Combined financing mechanism consisting of tax- and PAYG-financed 'social pooling fund' and capital-funded individual accounts.
- *Social pooling fund*: mainly PAYG-financed from insurance contributions of employers/persons in flexible employment; partly tax-financed out of the general budget.
- *Notional individual accounts*: capital-funded based on contribution payments of employees/persons in flexible employment (incl. capital revenues).

Contribution rates to mandatory insurance

- Employers' contribution: a maximum of 20% of the total sum of wages paid by employers to their employees are credited to the 'social pooling fund' (exception: in provinces with large number of retirees, the employers' contribution rate can exceed 20%).[5]
- Employees' contribution: fixed share of monthly wage (8%) credited to individual accounts with contribution assessment floor and ceiling (60% and 300% of the average monthly wage of the local employees).

Contribution rates to voluntary insurance

- Fixed share of the average wage of the local employees in the previous year (20%, of which 8% are credited to individual account).

Taxation of contribution payments

- All contributions are 100% tax-exempt.

C. Administration

- The local social insurance authorities and their executive bodies, i.e. 'the Local Social Insurance Enforcement Agencies' (*社会保险经办机构*) manage the scheme.
- The provincial governments determine the contribution rate for the employer. In some provinces with a large number of retirees and high pension insurance burdens, the contribution rate for the employer can exceed 20%; in this case, the provincial governments shall report to the 'Ministry of Labour' and the 'Ministry of Finance' for approval.

D. Qualifying Conditions

Qualifying conditions

- Statutory retirement age is 60 for men, 50 for female workers, and 55 for female cadres[6]; minimum insurance periods: 15 years (in case of missing insurance periods, persons can retire at a later age once the 15 years of insurance have been achieved).[7]
- Special conditions apply to: *employees working in burdensome and hazardous conditions* (e.g. underground, in high altitude, in high temperatures; statutory retirement age is 55 for men and 45 for women); *employees with total work incapacity* (statutory retirement age is 55 for men and 45 for women); *cadres who have completely lost the ability to work* (statutory retirement age is 50 for men and 45 for women).

Early retirement

- No option of early retirement.

Deferred retirement

- No option of deferring retirement.

Combining employment & retirement

- Receiving pension benefits requires termination of employment.

E. Benefits

Pension benefits

- The pension benefits consist of two components: the earnings-related pension of the social pooling fund and the individual account pension.
- *Social pooling fund pension*: primarily based on the amount of contributory earnings throughout working career and the local average wage.
- *Individual account pension*: primarily based on the accumulated capital through contribution payments and investment yields and expected payment period.
- No specification in law regarding fixed minimum and maximum amount of pension benefits.

Factors for benefit calculation

<u>Social pooling fund pension</u>

- Based on the average of the average monthly wage of the local employees in the previous year and the 'indexed average monthly wage' of the insured person, 1% of this amount is paid for each year of the employee's contribution payment.
- *Pension formula*: (average monthly wage of local employees in the previous year + indexed average monthly wage of the insured employee) / 2 × the number of years of contribution payment × 1%.
- *Indexed average monthly wage of the insured employee*: average monthly wage of local employees in the previous year × average monthly wage index.
- Average monthly wage index: (a1 / A1 + a2 / A2 + ... + an / An) / N. ('a' representing the amount of the employee's monthly wages in the year 'n' before retirement; 'A' representing the amount of the average wage of local employees in the year 'n' before retirement; 'N' is the total number of years of contribution payment).

<u>Individual account pension</u>

- Monthly life-long annuity based on dividing the capital accumulated via contribution payments and investment yields by the 'number of months of payments', determined by factors such as the average life expectancy of the urban population at the time of retirement, the retirement age of the insured person and the interest.[8]

<u>Adjustments</u>

- Adjustment of old age pension value for both pension components accounts for changes in the average wages of employees and price increases.

Taxation and social security contributions

- Pension benefits are not subject to income tax.
- Information on social security contributions is currently not available.

F. Legal Basis

- Social Insurance Law of the People's Republic of China (*中华人民共和国社会保险法*); Individual Income Tax Law of the People's Republic of China (*中华人民共和国个人所得税法*); Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (*中华人民共和国企业所得税法实施条例*); Several Provisions on Implementing the Social Insurance Law of the People's Republic of China (*实施《中华人民共和国社会保险法》若干规定*); Decision of the State Council on Establishing a Unified Basic Old Age Pension Insurance System for Enterprise Employees (*国务院关于建立统一的企业职工基本养老保险制度的决定*), *国发*[1997]26*号*; Decision of the State Council on Improving the Basic Old Age Pension Insurance System for Enterprise Employees (*国务院关于完善企业职工基本养老保险制度的决定*), *国发*[2005]38*号*; Notice of the General Office of the Ministry of Labour on Printing and Distributing the 'Interim Measures for the Administration of Individual Accounts for Basic Old Age Pension Insurance for Employees' (*劳动部办公厅关于印发《职工基本养老保险个人帐户管理暂行办法》的通知*), *劳办发*[1997]116*号*; Notice of the General Office of the State Council on Issuing the Comprehensive Plan of Reducing Social Insurance Contribution Rates

(*国务院办公厅关于印发降低社会保险费率综合方案的通知*), *国办发*[2019]13*号*; Interim Measures of the State Council on the Retirement and Resignation of Workers (*国务院关于工人退休、退职的暂行办法*), *国发*[1978]104*号*; Interim Measures of the State Council on the Placement of Old, Weak, Sick and Disabled Cadres (*国务院关于安置老弱病残干部的暂行办法*), 24/05/1978.

Old Age Pension Insurance Scheme of State Authorities and Public Institutions

机关事业单位养老保险

A. Coverage

Mandatory insurance
- Public employees working for state authorities and public institutions.

B. Financing

General finances
- Combined financing mechanism consisting of tax- and PAYG-financed 'social pooling fund' and capital-funded individual accounts.
- Social pooling fund: PAYG-financed from insurance contributions of employers, partly tax-financed out of the general budget.
- Notional individual accounts: capital-funded based on contribution payments in individual accounts of employees (incl. capital revenues).

Contribution rates
- Employer contribution: 20% of the total sum of wages paid by employers to their public employees.[9]
- Employee contribution: fixed share of monthly wage (8%) credited to individual account with contribution assessment floor and ceiling (respectively 60% and 300% of the average monthly wage of the local employees).

Taxation of contribution payments
- All contributions are 100% tax-exempt.

C. Administration

- The local social insurance authorities and their executive bodies, i.e. 'the Local Social Insurance Enforcement Agencies' (*社会保险经办机构*) manage the scheme.
- The 'Ministry of Human Resources and Social Security' manages the scheme for the central state authorities and their affiliated public institutions.

D. Qualifying Conditions

Qualifying conditions
- Statutory retirement age is 60 for men and 55 for women; minimum insurance periods: 15 years.[10]
- Employees with total work incapacity: retirement age is 50 for men and 45 for women.

Early retirement
- No option of early retirement.

Deferred retirement
- Retirement can be deferred if approval is received (based on relevant national policies and the cadre management authority); after reaching the age of 70 the person can choose whether to pay contributions or not.

Combining employment & retirement
- Receiving pension benefits requires termination of employment.

E. Benefits

Pension benefits
- See *basic old age pension insurance scheme for employees* for pension benefits of persons entering employment after 01/10/2014.
- No specification in law regarding fixed minimum and maximum amount of pension benefits.

Factors for benefit calculation

- See *basic old age pension insurance scheme for employees*.
- Adjustment of pension value accounts for changes in average wages of employees and price increases.

Taxation and social security contributions

- Pension benefits are not subject to income tax.
- Information on social security contributions is currently not available.

F. Legal Basis

- Social Insurance Law of the People's Republic of China (*中华人民共和国社会保险法*); Individual Income Tax Law of the People's Republic of China (*中华人民共和国个人所得税法*); Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (*中华人民共和国企业所得税法实施条例*); Several Provisions on Implementing the Social Insurance Law of the People's Republic of China (*实施《中华人民共和国社会保险法》若干规定*); Decision of the State Council on the Reform of the Old Age Pension Insurance System for Staff Members of State Authorities and Public Institutions (*国务院关于机关事业单位工作人员养老保险制度改革的决定*), *国发*[2015]2*号*; Notice of the Ministry of Human Resources and Social Security and the Ministry of Finance on Implementing the Decision of the State Council on the Reform of the Old Age Pension System for Staff Members of State Authorities and Public Institutions (*人力资源社会保障部、财政部关于贯彻落实《国务院关于机关事业单位工作人员养老保险制度改革的决定》的通知*), *人社部发*[2015]28*号*; Notice of the General Office of the State Council on Issuing the Comprehensive Plan of Reducing Social Insurance Contribution Rates (*国务院办公厅关于印发降低社会保险费率综合方案的通知*), *国办发*[2019]13*号*.

Basic Old Age Pension Insurance Scheme for Urban and Rural Residents

城乡居民基本养老保险

A. Coverage

Voluntary insurance

- Persons above the age of 16 who are not insured in any other public pension scheme, such as farmers, unemployed urban and rural residents, workers in flexible employment.

Excluded (from voluntary insurance)

- Students in school; persons enrolled in the *basic old age pension insurance scheme for employees* or the *old age pension insurance scheme of state authorities and public institutions*.

B. Financing

General finances

- Partly tax-financed (via social pooling fund) and partly capital-funded based on insurance contributions (via notional individual accounts).
- *Social pooling fund*: tax-financed out of the state budget.
- *Notional individual accounts*: capital-funded based on contribution payments (incl. allowances paid by the rural collective economic organisations and the state) in individual accounts and capital revenues.

Contribution payments

- Person can choose freely between 12 levels of fixed (lump sum) contribution payments per year: CNY 100, CNY 200, CNY 300, CNY 400, CNY 500, CNY 600, CNY 700, CNY 800, CNY 900, CNY 1,000, CNY 1,500 and CNY 2,000 (further contribution payments can be set by the provincial (regional, municipal) governments depending on the concrete situation).
- *Contribution ceiling*: the maximum contribution payment is set by the provincial (regional, municipal) governments; the maximum contribution shall not exceed the annual contribution of local persons in flexible employment who chose to participate in the *basic old age pension insurance scheme for employees*.

Subsidies and state support

- Rural collective economic organisations can provide subsidies on top of the individual contributions (the amount of the subsidy is determined democratically by the villagers' committee).
- The local governments subsidise the contribution payments of the insured person (the amount of the subsidy is determined by the provincial (regional/municipal) governments); min. amount of subsidy: CNY 30 per person/year in case of the lowest contribution level (the amount of subsidy increases accordingly, when higher contribution levels are chosen); in case of a contribution level of CNY 500 or above, the subsidy must not be less than CNY 60 per person/year.
- The local governments subsidise annually (partially or entirely) the lowest contribution level for severely disabled persons and other persons with difficulties in paying contributions.
- The central government provides subsidies based on its estimate of the minimum amount for the 'basic pension' to the local governments in central and western regions and provides 50% of that amount to the local governments in eastern regions.
- Contributions are 100% tax-exempt.

C. Administration

- The local social insurance authorities and their executive bodies, i.e. 'the Local Social Insurance Enforcement Agencies' (*社会保险经办机构*) manage the scheme.
- The provincial (regional, municipal) governments set up additional contribution levels and report them to 'the Ministry of Human Resources and Social Security'; they also determine and pay subsidies to the contributions of the insured person, increase the amount for the 'basic pension' and report this (including the local measures to determine the basic pension) to 'the Ministry of Human Resources and Social Security'.
- The central government determines and adjusts the minimum amount for the 'basic pension'.

D. Qualifying Conditions

- Retirement age is 60; minimum insurance period: 15 years; person must not be eligible to benefits from any other public old age pension.[11]

E. Benefits

Pension benefits

- The pension benefits consist of a flat-rate 'basic pension' from the 'social pooling fund' and a contributory pension from the notional individual account.
- No specification in law regarding fixed minimum and maximum amounts of pension benefits; minimum pension benefits levelled due to minimum amount for the basic pension, minimum annual contribution regulations and a minimum amount of subsidy provided by the local government.

Factors for benefit calculation

Basic pension

- The central government determines the minimum amount for the 'basic pension' (since 01/01/2018: CNY 88).
- Local governments can decide the amount for the 'basic pension' and can increase the 'basic pension' for those with long contribution periods.
- *Adjustments*: are based on economic development, price changes and other factors.

Contributory pension

- Notional defined contribution, based on the contributions accumulated in the notional account.
- Monthly life-long annuity (possibility of inheritable rights on the remaining capital) based on the result of dividing the total amount of the accumulated capital by 139 (in 2020).

Taxation and social security contributions

- No nationwide regulations on taxation (regulations vary between provinces, regions and municipalities).
- Pension benefits are not subject to income tax and social security contributions in some local regulations (for example: City of Zhuhai[12]).

F. Legal Basis

- Social Insurance Law of the People's Republic of China (*中华人民共和国社会保险法*); Individual Income Tax Law of the People's Republic of China (*中华人民共和国个人所得税法*); Opinions of the State Council on Establishing a Unified Basic Old Age Pension Insurance System for Urban and Rural Residents (*国务院关于建立统一的城乡居民基本养老保险制度的意见*), *国发*[2014]8*号*.

Occupational Pension Scheme of State Authorities and Public Institutions

机关事业单位职业年金

A. Coverage

Mandatory participation

- All persons insured in the *old age pension insurance scheme of state authorities and public institutions*.

B. Financing

General finances

- Partially funded notional defined contribution (NDC) system (incl. state subsidies and capital revenues) for public sector institutions which are not fully financed by the state, or fully funded (DC) (incl. capital revenues) individual accounts.
- Interest on the employees' contribution payments shall be calculated according to the market interest rate.
- Interest on the employers' contribution payments (for those who are not fully subsidised by the state) shall be calculated according to the market interest rate; interest on the employers' contribution payments (for those who are fully covered by the state) shall be calculated on a yearly basis according to the bookkeeping interest rate as uniformly published by the state.

Contribution rates

- Contributions shared between employer (8% of the total wage) and the employee (4% of the personal wage).

State support

- Contribution payments of the employee are deducted from the individual income tax base.
- Contribution payments of the employer are deducted from the individual income tax base.
- The capital revenues distributed in the individual accounts are deducted from the individual income tax base.

C. Administration

- The local social insurance authorities and finance authorities are responsible for supervising the implementation of the scheme.
- The 'Local Social Insurance Enforcement Agencies' (*社会保险经办机构*) are responsible for managing the scheme.

D. Qualifying Conditions

- Based on entitlement to standard or early old age pension benefits from the *old age pension insurance of state authorities and public institutions*.

E. Benefits

- Either defined contribution (DC) or notional defined contribution (NDC); primarily based on the amount of contributory earnings, length of contribution period and capital revenues.
- Option for monthly annuity (until the accumulated capital is completely paid and possibility of inheritable rights on the remaining capital) based on dividing the accumulated capital by the 'number of months of payment' (see *basic old age pension insurance scheme for employees*) determined by factors such as the average life expectancy of the urban population at the time of retirement, the retirement age of the insured person and the interest;[13] in case of death of the participant, possibility of inheritance of the accumulated amount in the individual account; possibility of lump sum payment of the accumulated capital if the employee is being relocated abroad.
- Option for one-time payment used for purchasing commercial pension insurance products.

Taxation on pension payments

- Pension payments are subject to income tax.
- Information on social security contributions is currently not available.

F. Legal Basis

- Regulation on the Implementation of the Individual Income Tax Law of the People's Republic of China (*中华人民共和国个人所得税法实施条例*); Notice of the General Office of the State Council on Issuing the Measures for the Occupational Pension of State Authorities and Public Institutions (*国务院办公厅关于印发机关事业单位职业年金办法的通知*), *国办发*[2015]18*号*; Notice of the Ministry of Finance, the Ministry of Human Resources and Social Security and the State Administration of Taxation on Issues concerning Individual Income Tax on Enterprise Occupational Pension or Occupational Pension (*财政部、人力资源社会保障部、国家税务总局关于企业年金、职业年金个人所得税有关问题的通知*), *财税*[2013]103*号*; Notice of the Ministry of Finance and the State Administration of Taxation on Issues Concerning the Connection of Preferential Policies after the Individual Income Tax Law Is Amended (*财政部、国家税务总局关于个人所得税法修改后有关优惠政策衔接问题的通知*), *财税*[2018]164*号*.

Enterprise Occupational Pension Scheme

企业年金

A. Coverage

Voluntary participation

- Enterprise employees (who have passed their probation period).
- Plans are determined through collective agreements; plans are submitted to the employee congress or to all employees for discussion and approval.

B. Financing

General finances

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

Contribution rates

- Contribution payments are usually split between the employer and the employee (proportions vary).
- Employer contributions: maximum 8% of the total sum of wages paid by employers to their employees.
- The sum of the contributions of employer and employees shall not exceed 12% of the total sum of wages paid by the employer to his/her employees.

State support

- Contribution payments of the employee are deducted from the individual income tax base.
- Contribution payments of the employer which are placed in the individual accounts are deducted from the individual income tax base.
- Contribution payments of the employer which are not placed in the individual accounts (up to 5% of the total wage) are deducted from the enterprise income tax base.
- Capital revenues distributed in the individual accounts are deducted from the individual income tax base.

C. Administration

- Employer signs a trust contract on behalf of the client with the trustee to implement plans; pension plans either organised internally by the 'Enterprise Occupational Pension Council' (企业年金理事会) or implemented by external institutions.
- Enterprise Occupational Pension Council: is composed of representatives of the employer and the employees and sometimes external professionals; employee representatives shall be no less than one third of the members.
- The 'Local Social Security Authorities' supervise the implementation of the schemes.
- Plans shall be submitted to the 'Social Security Authorities'; if the authorities have not raised any objection within 15 days after receiving the plans, the plans will come into effect.

D. Qualifying Conditions

- The employee is entitled to occupational pension benefits after reaching the statutory retirement age of the *basic old age pension insurance scheme for employees* or on grounds of work incapacity.
- The accumulated capital based on employer contributions and its capital revenues belongs to the employee after a period defined in the collective agreement (no more than 8 years) or in case of: reaching the respective statutory retirement age of the *basic old age pension insurance scheme for employees*, work incapacity or death; termination of occupational pension plan; employer's termination of the labour contract not due to the employee's fault or employee's termination of labour contract due to the employer's violation of law; expiration of labour contract and no renewal due to employer's reasons; fulfilment of other conditions regulated by the enterprise occupational pension plans.

E. Benefits

- Primarily based on the amount of contributory earnings, length of contribution period and capital revenues.

- Option for monthly annuity (until the accumulated capital is completely paid), or lump sum payments (possibility of inheritable rights on the remaining capital); option for one-time payment (of all or part of the accumulated capital in the individual account) if it is used for purchasing commercial pension insurance products; in case of death of the participant, possibility of inheritance of the accumulated amount in the individual account; possibility of lump sum payment of the accumulated capital if the employee is being relocated abroad.

Taxation on pension payments

- Pension payments are subject to income tax.
- Information on social security contributions is currently not available.

F. Legal Basis

- Regulation on the Implementation of the Individual Income Tax Law of the People's Republic of China (*中华人民共和国个人所得税法实施条例*); Measures for Enterprise Occupational Pension (*企业年金办法*), 01/02/2018; Notice of the Ministry of Finance, the Ministry of Human Resources and Social Security and the State Administration of Taxation on Issues concerning Individual Income Tax on Enterprise Occupational Pension or Occupational Pension (*财政部、人力资源社会保障部、国家税务总局关于企业年金、职业年金个人所得税有关问题的通知*), *财税*[2013]103*号*; Notice of the Ministry of Finance and the State Administration of Taxation on Issues Concerning the Connection of Preferential Policies after the Individual Income Tax Law Is Amended (*财政部、国家税务总局关于个人所得税法修改后有关优惠政策衔接问题的通知*), *财税*[2018]164*号*; Notice of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Enterprise Income Tax Policies for Supplementary Pension Insurance Contributions and Supplementary Medical Insurance Contributions (*财政部、国家税务总局关于补充养老保险费、补充医疗保险费有关企业所得税政策问题的通知*), *财税*[2009]27*号*.

Personal Tax-Deferred Commercial Pension Insurance (Pilot Program)[14]

个人税收递延型商业养老保险

A. Coverage

Voluntary participation

- Taxpayers to which the pilot tax policies in this scheme apply, who have turned 16 and have not reached the statutory retirement age.

B. Financing

General finances

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

Contribution payments

- Persons provide contributions themselves and decide freely on the amount of contribution payments.
- Contributions paid monthly or annually until insured person reaches the statutory retirement age.

State support

- Contribution payments of persons who obtain income from wages or obtain continuous income from remuneration for their personal services (up to 6% of the monthly income – or CNY 1,000, if this is considered lower) are not subject to tax.
- Contribution payments of other persons (up to 6% of the taxable annual income – or CNY 12,000, if this is considered lower) 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 'China Banking and Insurance Regulatory Commission' regulates licenses, oversees the pension plan providers together with the 'China Securities Regulatory Commission', the 'Ministry of Finance', the 'Ministry of Human Resources and Social Security' and the 'State Administration of Taxation'.

D. Qualifying Conditions

- Pension benefits can be claimed when reaching the statutory retirement age or the contractual age for pension claiming (not earlier than the statutory retirement age of the *basic old age pension insurance scheme for employees*).
- The person has the right to change products before claiming the pension, including product change within the same insurance company or between different insurance companies.

E. Benefits

Pension payments

- Pension provider should guarantee the option of life-long annuity paid monthly or yearly; if the sum of pension paid is less than the accumulated capital (through contribution payments and investment yields minus administrative costs and costs/fees of pension provider) at the time when the insured person dies, the difference is paid as a lump sum.
- Option for fixed-term (15 or 20 years) pension payment on monthly or yearly basis; if the sum of pension paid is less than the accumulated capital (through contribution payments and investment yields minus administrative costs and costs/fees of pension provider) at the time when the insured person dies, the difference is paid as a lump sum.
- The interval between two consecutive pension payments shall not exceed one year.

Taxation on pension payments

- 25% of the pension is not subject to tax; the remaining 75% is subject to income tax at a proportional tax rate of 10%.
- Information on social security contributions is currently not available.

F. Legal Basis

- Notice of the Ministry of Finance, the State Administration of Taxation, and the Ministry of Human Resources and Social Security, et al. on Conducting the Pilot Program of Personal Tax-Deferred Commercial Pension Insurance (*财政部、税务总局、人力资源社会保障部等关于开展个人税收递延型商业养老保险试点的通知*), *财税*[2018]22*号*; Announcement of the State Administration of Taxation on Issues concerning the Administration of Tax Collection in the Pilot Program of Personal Tax-Deferred Commercial Pension Insurance (*国家税务总局关于开展个人税收递延型商业养老保险试点有关征管问题的公告*), *国家税务总局公告*2018*年第*21*号*; Notice of the China Banking and Insurance Regulatory Commission, the Ministry of Finance, the Ministry of Human Resources and Social Security, and the State Administration of Taxation on Issuing the Guidelines on Developing Individual Tax-Deferred Commercial Pension Products (*中国银行保险监督管理委员会、财政部、人力资源和社会保障部、国家税务总局关于印发《个人税收递延型商业养老保险产品开发指引》的通知*), *银保监发*[2018]20*号*; Notice by the China Banking and Insurance Regulatory Commission on Issuing the Interim Measures for the Administration of the Individual Tax-Deferred Commercial Pension Insurance Business (*中国银行保险监督管理委员会关于印发《个人税收递延型商业养老保险业务管理暂行办法》的通知*), *银保监发*[2018]23*号*.

Footnotes

1 According to the social insurance law of the People's Republic of China, persons in flexible employment (*灵活就业人员*) are self-employed person registered as 'individual industrial and commercial households' without employees, part-time employees not participating in the scheme through their employers, and other persons in this catalogue.

2 According to the EET model, contribution payments, investment income and capital gains of the pension fund are tax-exempt, while pension benefits are taxed.

3 An enterprise employee is not legally defined in Chinese social law. In practice, it refers to any person who has a 'labour relationship' (*劳动关系*) with an employer.

4 According to the legal definition of § 54 Para. 1 Civil Code PRC, an individual industrial and commercial household is a natural person conducting industrial and commercial operations upon registration in accordance with the law.

5 Since 01/05/2019 the contribution rate of the employer can be reduced to 16%; provinces with employers' contribution rates below 16% must also propose transitional measures to reduce the financial burden of the employer. The adjustment of the contribution rate or the transition plan shall be reported to the Ministry of Human Resources and Social Security and the Ministry of Finance for record.

6 The division of cadres (*干部*) and workers (*工人*) was initially used for the internal management of the Communist Party of China (CPC) and continues to be used in some public institutions in China. At present, there are three main ways to obtain cadre status: (1) passing the entrance examinations of secondary or higher educational institutions, (2) passing public examinations of all levels of government to be hired, or (3) being promoted in the army to a position above platoon leader.

7 Persons who had participated in the scheme before the entry-into-force of the Social Insurance Law (01/07/2011) may pay contributions on a lump sum basis to attain 15 years insurance if they have been continuously paying contributions for 5 years after reaching the statutory retirement age.

8 The 'number of months of payment' for different retirement ages is now specified in a table formulated by the State Council.

9 Since 01/05/2019, the contribution rate of the employer can be reduced to 16%; provinces with employer's contribution rates below 16% must also propose transitional measures to reduce the financial burden on the employer. The adjustment of the contribution rate or the transition plan shall be reported to the Ministry of Human Resources and Social Security and the Ministry of Finance for record.

10 Participants may pay contributions on a lump sum basis to attain 15 years of insurance if they have been continuously paying contributions for 5 years after reaching the statutory retirement age.

11 Preceding the establishment of the *basic old age pension insurance scheme for urban and rural residents* in 2014, programs of old age pension insurance for rural and urban residents had been launched in many cities (since 2009). Special transition rules applied to older individuals. For example, persons of age 60 at the time of the scheme's establishment had the right to a 'basic pension' from the scheme without having to meet the minimum contribution requirements.

12 Notice of Zhuhai People's Government on Printing and Distributing the Measures for the Implementation of Basic Old Age Pension Insurance Scheme for Urban and Rural Residents (*珠海市人民政府关于印发珠海市城乡居民基本养老保险实施办法的通知*), *珠府*[2014]88*号*.

13 The 'number of months of payment' for different retirement ages is now specified in a table defined by the 'State Council'.

14 At present, the personal tax-deferred commercial pension insurance scheme is implemented as a pilot program in Shanghai, Fujian Province (including Xiamen City) and the Suzhou Industrial Park.

RUSSIAN FEDERATION

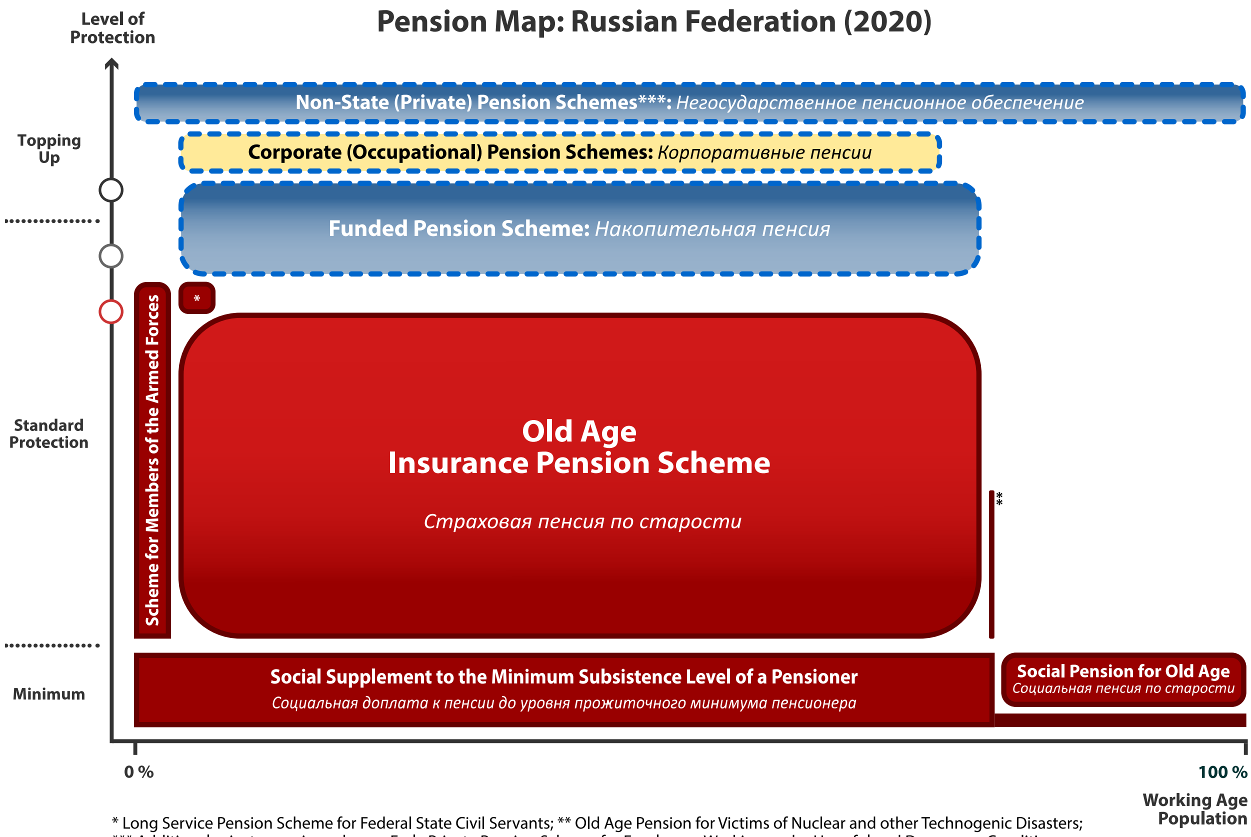
THE RUSSIAN OLD AGE SECURITY SYSTEM IN 2020

Olga Chesalina

The first attempts at setting up old age insurance in Russia date back to the beginning of the 20th century, when the Russian Empire still existed. In the USSR, a state social insurance existed only formally since social security expenses were part of the USSR state budget. Contributions were paid by enterprises for their employees without individual assignment and were thus similar to taxes. The Russian pension system of today developed after the downfall of the USSR. As a result of the pension reform of 2002, the public pension system was divided into the system of tax-funded 'state pension' provision financed by the state budget on the one side, and contribution-based 'labour pensions' on the other. The reform of 2002 also introduced a capital-funded part to labour pensions. In 2015, the old age 'labour pension' was transformed into the *old age insurance pension* and the funded part of the labour pension was transformed into the *funded pension*. Currently, a 'standard level of protection' is achieved by mandatory insurance in public insurance-based pension schemes or tax-funded state pensions for specific population/occupational groups. The funded pension scheme, which had originally been introduced as part of the mandatory pension insurance system and as part of standard protection, has been suspended until 2023, but is accessible on a voluntary basis for persons who wish to 'top up' their pension level (income). It is also possible to 'top up' public old age pension benefits through voluntary participation in capital-funded occupational and private pension schemes. The pension system provides a 'minimum' protection through a last-resort social pension for elderly persons who do not qualify for an old age insurance pension. Outside of the pension system, social assistance measures address different population groups with insufficient income, but also target pensioners whose pension falls below the amount of the pensioners' minimum subsistence level.

Standard Protection in Old Age

The statutory *old age insurance pension scheme* (*страховая пенсия по старости*) covers a large part of the economically active population in the country. Salaried employed persons in the private and public sector as well as the majority of self-employed persons are mandatorily enrolled in this scheme. Further, persons not compulsorily insured, persons working abroad, self-employed persons who fall



* Long Service Pension Scheme for Federal State Civil Servants; ** Old Age Pension for Victims of Nuclear and other Technogenic Disasters;
*** Additional private pension scheme: Early Private Pension Scheme for Employees Working under Harmful and Dangerous Conditions

under the special tax regime of 'tax on professional income' (*налог на профессиональный доход*) and some other categories of persons can be voluntarily insured in this pension plan. Insurance contributions for employees are entirely paid by the employer. Employees who work under harmful and dangerous conditions are entitled to an insurance pension at an earlier age; for this category, employers have been obliged to pay additional (higher) insurance contributions since 2013.

Specific population groups are protected through 'state pensions' financed out of the general budget: Servicemen are protected by the tax-financed *long service pension scheme for members of the armed forces* (*пенсия за выслугу лет военнослужащим*). Individuals suffering from diseases caused by radiation or other man-made accidents are provided old age benefits from the tax-financed scheme of *old age pension for victims of nuclear and other technogenic disasters* (*пенсия по старости гражданам, пострадавшим в результате радиационных или техногенных катастроф*). Once these persons fulfil the qualifying conditions for the *old age insurance pension*, they can decide whether to opt out of this tax-financed pension in favour of the *old age insurance pension*. Federal civil servants are entitled to the *long service pension scheme for federal state civil servants* (*пенсия за выслугу лет федеральным государственным гражданским служащим*), which is paid as a supplement to the statutory old age insurance pension.

As of today, all persons mandatorily or voluntarily insured in the mandatory pension insurance scheme can also participate voluntarily in the *funded pension scheme* (*накопительная пенсия*), which is managed by private pension funds or the Pension Fund of the Russian Federation through management companies. Benefits gathered on a voluntary basis can be regarded de facto as a top-up. However, this scheme was originally introduced as part of the mandatory pension insurance system and as part of standard protection. Persons born after 1967 had the possibility to opt into the scheme and to allocate parts of the mandatory pension contributions (6% out of 22%) to personal pension saving accounts. Since 2014, this possibility has been suspended (and presumably will be until 2023), with the result that the entire amount of mandatory pension contributions is (re)directed to the financing of the pension insurance scheme.

Top-Ups

Since 1992, it has been possible for insured persons to top up their pension income voluntarily in the *non-state (private) pension schemes* (*негосударственное пенсионное обеспечение*) and in the *corporate (occupational) pension schemes* (*корпоративные пенсии*). In the case of *private pension schemes*, persons can create their own individual pension saving account based on a pension contract. Payers of additional (voluntary) contributions to the *private pension schemes* are entitled to a social tax deduction on income tax on natural persons. In addition to the statutory pension insurance, which provides special entitlements to workers in hazardous jobs, employers can decide whether to enrol their employees in the private and fully funded supplementary *early private pension scheme for employees working under harmful and dangerous conditions* (*досрочное негосударственное пенсионное обеспечение работников, занятых во вредных и (или) опасных условиях труда*).

Minimum

Elderly persons who do not qualify for the *old age insurance pension* are entitled to a *social pension for old age* (*социальная пенсия по старости*). This pension scheme is not means-tested. The *social supplement to the minimum subsistence level of a pensioner* (*социальная доплата к пенсии до уровня прожиточного минимума пенсионера*), in the form of a special means-tested *social assistance* supplement, targets pensioners with a low pension income. In addition, pensioners can apply for general social assistance benefits such as cash benefits, subsidies, and social services (e.g. sanatorium treatment vouchers).

Social Supplement to the Minimum Subsistence Level of a Pensioner

Социальная доплата к пенсии до уровня прожиточного минимума пенсионера

A. Coverage

- Destitute non-working pensioners residing in the Russian Federation.

B. Financing

- The scheme is entirely tax-financed by federal and regional authorities.
- Federal level: inter-budgetary transfers from the federal budget provided to the budget of the Pension Fund of the Russian Federation.
- Regional level: budget of the subject of the Russian Federation and subsidies from the federal budget.

C. Administration

- Federal level: territorial authorities of the Pension Fund of the Russian Federation.
- Regional level: authorised executive authority of the subject of the Russian Federation.

D. Qualifying Conditions

- Pensioners residing in the Russian Federation.
- Benefits are means-tested: persons must have income/assets (including all pension and social assistance benefits) below pensioner subsistence level as defined by law.
- Persons must not carry out any employment activity which is subject to pension contributions.

E. Benefits

- Cash benefit covering the difference between the total amount of social security provisions of a pensioner and the amount of the federal and/or minimum subsistence level of a pensioner determined yearly.
- Benefits are not subject to income tax.

F. Legal Basis

- Federal Law No. 178-FZ of 17/07/1999 (as amended by Federal Law No. 473-FZ of 29/12/2020) 'On State Social Assistance' (*Федеральный закон «О государственной социальной помощи»*).

Social Pension for Old Age

Социальная пенсия по старости

A. Coverage

- Persons permanently residing in the Russian Federation who are unemployable (*нетрудоспособные*) due to old age.

B. Financing

- The scheme is entirely tax-financed out of the general federal budget through inter-budgetary transfers.

C. Administration

- Territorial authorities of the Pension Fund of the Russian Federation.

D. Qualifying Conditions

- As of 2019 and until 2028, the required age increases from 60 to 65 for women and from 65 to 70 for men. In 2020, men born in 1965 and women born in 1970 could claim a *social pension* after reaching the age of 65 years and 6 months (men) or 60 years and 6 months (women).
- Special age conditions apply to citizens of the Russian Federation belonging to the small minorities permanently residing in the Far North (in 2019-2020): the required age is 50 years and 6 months for women and 55 years and 6 months for men.
- Foreign citizens and stateless persons permanently residing in the territory of the Russian Federation for at least 15 years.
- Persons with insufficient insurance periods for entitlement to an *old age insurance pension*.
- The person must not carry out any employment activity which is subject to pension contributions.
- Benefits are <u>not</u> means-tested.

E. Benefits

- It is a flat-rate benefit. The amount is determined by law (amount in 2020: RUB 5,034.25).
- For citizens of the Russian Federation permanently residing in the Far North the amount of the benefit is increased by the appropriate regional coefficient.
- Monthly benefits are typically granted for as long as qualifying conditions exist.
- Benefits are not subject to income tax.

F. Legal Basis

- Federal Law No. 166-FZ of 15 December 2001 (as amended by Federal Law No. 431-FZ of 22/12/2020) ‘On State Pension Provision in the Russian Federation’ (*Федеральный закон «О государственном пенсионном обеспечении в Российской Федерации»*).

Old Age Insurance Pension Scheme

Страховая пенсия по старости

A. Coverage

Mandatory insurance

- Persons working under an employment contract or under a civil law contract for the provision of services or the performance of work and under other specific types of civil law contracts.
- Civil servants.
- Self-employed persons, including specific groups such as advocates, private detectives, notaries, farmers.

Voluntary insurance

- Non-employed persons; persons working abroad; self-employed persons who fall under a special tax regime, i.e. 'a tax on professional income' (*налог на профессиональный доход*).

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 for mandatory insurance

- The contribution rate is 22% for incomes up to a defined threshold (RUB 1,292,000 in 2020); the contribution rate for the amount of earnings exceeding the threshold is fixed at 10%.
- Contributions are paid fully by the employer.
- If persons opted into the *funded pension scheme*, they can pay 6% of the total contribution towards its financing (this option is suspended from 2014 until 2023).
- The self-employed pay the total contribution themselves once per year in the form of a lump sum amount.
- Since 2013, additional contributions for employees who work under harmful and dangerous conditions have had to be paid by employers; contribution rates range from 2% to 8% of monthly gross earnings depending on the degree of hazard of the working conditions.[1]

Contribution rates for voluntary insurance

- If the yearly income is not more than RUB 300,000: a lump sum amount of RUB 32,448; if the yearly income is more than RUB 300,000: a lump sum amount of RUB 32,448 and 1% of the payer's income above RUB 300,000.

C. Administration

- The Pension Fund of the Russian Federation manages the scheme.
- The Federal Tax Service collects contributions, observes the correctness and timeliness of contribution payments.

D. Qualifying Conditions

Qualifying conditions

- *Standard old age pension*: statutory retirement age increases to 60 until 2034 for women (born after 1974) and to 65 until 2028 for men (born after 1962); minimum insurance period in the mandatory pension insurance: not less than 11 years in 2020; increases to 15 years in 2024; individual pension coefficient: not less than 18.6 in 2020; it increases by 2.4 every year until it reaches 30.

Early retirement

- Available up to 24 months prior to reaching the statutory retirement age but no earlier than age 55 for women and age 60 for men; required insurance period in the mandatory pension insurance: 42 years for men and 37 for women, without permanent adjustments to pension benefits.

- Special early retirement regulations apply to: employees working under hazardous conditions (dangerous, harmful and arduous work); test pilots; persons who have worked in the regions of the Far North; mothers of three or more children (or two or more children if she has worked in the regions of the Far North); parents of children with congenital disability.

Deferred retirement
- Retirement can be deferred with positive pension adjustments (as gradual increases in pension coefficient and in the fixed flat-rate pension payments 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; benefits of working pensioners are not subject to indexation adjustments.

E. Benefits

Pension benefits
- Primarily based on the amount of contributory earnings throughout working career, including pension-credited periods of e.g. child-raising. Each old age insurance pension includes a fixed flat-rate payment.
- No specification in law regarding fixed minimum and maximum amount of pension benefits.

Benefit calculation
- Based on the multiplication of the individual pension coefficient and the value of one pension point in the year of assignment of the insurance pension plus the fixed flat-rate payment which is equal to RUB 4,982.90 per month in 2020.
- *Individual pension coefficient*: a parameter that reflects pension rights of the insured person taking into account: the insurance contributions accrued and paid to the 'Pension Fund of the Russian Federation', the duration of the insurance period, and potentially the period for pension deferral.
- *Adjustments*: yearly adjustment of pension value accounting for changes in the inflation rate.

Taxation and social security contributions
- Pension benefits are not subject to taxation.
- *For non-working pensioners*: contributions to health insurance are covered by the executive bodies of the subjects of the Russian Federation from the state budget.
- *For working pensioners*: contributions to health insurance, pension insurance and insurance against work accidents and occupational diseases are mandatory.

F. Legal Basis

- Federal Law No. 167-FZ of 15 December 2001 (as amended by Federal Law No. 429-FZ of 08/12/2020) 'On Mandatory Pension Insurance in the Russian Federation' (*Федеральный закон «Об обязательном пенсионном страховании в Российской Федерации»*); Federal Law No. 400-FZ of 28 December 2013 (as amended by Federal Law No. 429-FZ of 08/12/2020) 'On Insurance Pensions' (*Федеральный закон «О страховых пенсиях»*), Section 11 'Insurance Contributions in the Russian Federation' of the Second Part of the Tax Code of the Russian Federation of 05/08/2000 as amended by Federal Law No. 470-FZ of 29/12/2020 (*раздел 11 «Страховые взносы в Российской Федерации» Налогового кодекса Российской Федерации (часть вторая)*).

Long Service Pension Scheme for Members of the Armed Forces

Пенсия за выслугу лет военнослужащим

A. Coverage

- Persons who have served in the military, internal affairs agencies, the State Fire Service, the authorities for monitoring the traffic of narcotic drugs and psychotropic substances, institutions and agencies of the penitentiary system, troops of the National Guard of the Russian Federation and institutions of the Russian Federation competent in forcible implementation.

B. Financing

- Fully tax-financed out of the federal budget through transfers to the budget of the Pension Fund of the Russian Federation.

C. Administration

- The institution of service administers the scheme (incl. verification of pension rights/entitlements, calculation of pension benefits and payment thereof): the Ministry of Defence, the Ministry of Internal Affairs, the Federal Security Service, the Federal Penitentiary Service, the General Prosecutor's Office, the Investigation Committee.

D. Qualifying Conditions

Qualifying conditions
- At least 20 years of service without minimum age requirement.
- *Pension in case of termination of service* (reaching the age limit for the given service, health reasons, organisational/staffing reasons): age 45 must be reached on the day of dismissal; at least 12 years and 6 months of military service and 25 years of salaried employment in total are required.

Early retirement
- There are no options for early retirement.

Deferred retirement
- There is no option for deferred retirement.

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

E. Benefits

Pension benefits
- Primarily based on the years of service and last salaries.
- Maximum amount for persons with at least 20 years of service: not more than 85% of the average individual monthly salary.
- Minimum amount: same as *social pension for old age*.
- If persons also fulfil the conditions for the *old age insurance pension*, they can receive both pensions.

Factors for benefit calculation
- For persons who have completed at least 20 years of service: based on 50% of the individual's average service salary plus 3% for each additional year exceeding the 20 years of service.
- For persons who have completed at least 25 years of salaried employment: based on 50% of the individual's average service plus 1% for each additional year exceeding the 25 years of employment.
- In 2021, the maximum amount of the individual salary that is taken into account for the pension calculation is 73.68%.
- *Adjustments*: in the case of an increase in salaries of members of the armed forces.

Taxation and social security contributions
- Pension benefits are not subject to taxation.
- *For working pensioners*: contributions to health insurance, pension insurance, and insurance against work accidents and occupational diseases are mandatory.

F. Legal Basis

- Federal Law No. 4468-1 of 12 February 1993 (as amended by Federal Law No. 431-FZ of 22/12/2020) 'On Pension Provision for Persons who have Served in the Military, in Internal Affairs Agencies, in the State Fire Service, the Authorities for Monitoring the Traffic of Narcotic Drugs and Psychotropic Substances, in Institutions and Agencies of the Penitentiary System, in Troops of the National Guard of the Russian Federation, Institutions of the Russian Federation Competent for Forcible Implementation, and Their Families' (*Федеральный закон «О пенсионном обеспечении лиц, проходивших военную службу, службу в органах внутренних дел, Государственной противопожарной службе, органах по контролю за оборотом наркотических средств и психотропных веществ, учреждениях и органах уголовно-исполнительной системы, войсках национальной гвардии Российской Федерации, органах принудительного исполнения Российской Федерации, и их семей»*); Federal Law No. 166-FZ of 15 December 2001 (as amended by Federal Law No. 431-FZ of 22/12/2020) 'On State Pension Provision in the Russian Federation' (*Федеральный закон «О государственном пенсионном обеспечении в Российской Федерации»*).

Old Age Pension for Victims of Nuclear and other Technogenic Disasters

Пенсия по старости гражданам, пострадавшим в результате радиационных или техногенных катастроф

A. Coverage

- Citizens who have fallen ill or suffered from radiation sickness and other sicknesses caused by radiation exposure during the Chernobyl disaster or due to work related to the elimination of the consequences of the disaster; citizens who became disabled as a result of the Chernobyl disaster; citizens who took part in the elimination of the consequences of the disaster in the exclusion zone; citizens who became disabled as a result of other radiation or man-made disasters.
- Persons can opt for an old age insurance pension once they fulfil the qualifying conditions.

B. Financing

- Fully tax-financed out of the federal budget through transfers to the budget of the Pension Fund of the Russian Federation.

C. Administration

- The 'Pension Fund of the Russian Federation' manages the scheme.

D. Qualifying Conditions

- For persons who became disabled due to the Chernobyl disaster: retirement age is 50 for men and 45 for women, with a minimum period of service of 5 years.
- For persons who have fallen ill with radiation sickness and other sicknesses caused by radiation exposure at the Chernobyl nuclear power plant or due to work related to the elimination of the consequences of the disaster, as well as citizens who have worked at the Chernobyl nuclear power plant or in the exclusion zone: retirement age is 55 for men and 50 for women, with a minimum period of service of 5 years.
- For citizens who took part in the elimination of the consequences of the disaster in the exclusion zone, citizens who were evacuated from the exclusion zone or who were removed from the resettlement zone, citizens who voluntarily moved from the exclusion zone and were entitled to relocation: minimum length of service: 5 years; with a decrease in the statutory retirement age in relation to the duration of working/living in the appropriate zone in accordance with Law No. 1244-I.

E. Benefits

- *Chernobyl disaster pension*: 250% of the amount of the social pension for old age.
- *Other pensions*: 200% of the amount of the social pension for citizens residing or working in a zone of radioactive contamination.
- For citizens with dependent family members who are not able to work: 200% of the amount of the social pension increased by RUB 1,208 and 90 kopecks per month for each family member (increase available for up to three family members).
- Monthly life-long payments.

Taxation and social security contributions

- Pension benefits are not subject to taxation.
- For working pensioners: contributions to health insurance, pension insurance and insurance against work accidents and occupational diseases are mandatory.

F. Legal Basis

- Federal Law No. 166-FZ of 15 December 2001 (as amended by Federal Law No. 431-FZ of 22/12/2020) 'On State Pension Provision in the Russian Federation' (*Федеральный закон «О государственном пенсионном обеспечении в Российской Федерации»*); Law of the Russian Federation No. 1244-1 (as amended by Federal Law No. 147-FZ of 24/04/2020) 'On Social Protection of Citizens who Suffered from the Consequences of the Chernobyl Catastrophe' (*Закон Российской Федерации «О* *социальной защите граждан, подвергшихся воздействию радиации вследствие катастрофы на Чернобыльской АЭС»*); Federal Law No. 400-FZ of 28 December 2013 (as amended by Federal Law No. 429-FZ of 08/12/2020) 'On Insurance Pensions' (*Федеральный закон «О страховых пенсиях»*).

Long Service Pension Scheme for Federal State Civil Servants

Пенсия за выслугу лет федеральным государственным гражданским служащим

A. Coverage

- Federal state civil servants.[2]

B. Financing

- Fully tax-financed out of the federal budget through transfers to the budget of the Pension Fund of the Russian Federation.

C. Administration

- The territorial authority of the federal executive body in which the civil servant held a position before the termination of the federal state civil service administers the scheme (incl. verification of pension rights/entitlements, calculation of pension benefits and payment thereof).

D. Qualifying Conditions

Qualifying conditions

- Statutory retirement age increases to 63 for women (born after 1963) and 65 for men (born after 1961) until 2026; minimum period of service can vary with kind of service and/or other categories.
- *Pension in case of termination of federal civil service on certain grounds*: minimum period of service: 17 years of state civil service in 2020 (increases to 20 years until 2026) and at least 12 months of federal state civil service prior to termination of service.
- *Pension in case of termination of federal civil service prior to qualifying for the old age insurance pension*: minimum period of service: 25 years of state civil service and 7 years of federal civil service prior to termination of the federal civil service.

Deferred retirement

- There is no option for deferred retirement.

Combining employment & retirement

- Termination of civil service is a precondition for claiming pension benefits.

E. Benefits

Pension benefits

- The benefit is paid as a supplement to the *old age insurance pension* and is paid simultaneously with the latter.
- Primarily based on the amount of contributory earnings throughout working career and the average civil servant's monthly salary.
- Maximum amount together with the *old age insurance pension*: 75% of the civil servant's average monthly salary.

Factors for benefit calculation

- Based on 45% of the civil servant's individual average monthly salary (minus the *old age insurance pension*) plus 3% for each additional year exceeding the 17 years of state civil service.
- *Benefit calculation basis*: individual average monthly salary (i.e. the salary received for the last 12 full months of service preceding either the date of contract termination or the day of reaching the statutory retirement age).
- *Adjustments*: in the case of an increase in salaries of federal state civil servants, pensions increase on grounds of the index of increasement or of the average index of increasement.

Taxation and social security contributions

- Pension benefits are not subject to taxation.
- For working pensioners: contributions to health insurance, pension insurance and insurance against work accidents and occupational diseases are mandatory.

F. Legal Basis

- Federal Law No. 166-FZ of 15 December 2001 (as amended by Federal Law No. 431-FZ of 22/12/2020) 'On State Pension Provision in the Russian Federation' (*Федеральный закон «О государственном пенсионном обеспечении в Российской Федерации»*); Federal Law No. 400-FZ of 28 December 2013 (as amended by Federal Law No. 429-FZ of 08/12/2020) 'On Insurance Pensions' (*Федеральный закон «О страховых пенсиях»*).

Funded Pension Scheme

Накопительная пенсия

A. Coverage

Voluntary participation

- Citizens of the Russian Federation as well as foreign citizens and stateless persons residing permanently in the Russian Federation enrolled in the mandatory pension insurance.

Opting in (suspended: 2014 – 2023)

- Persons born after 1967 who are enrolled in the mandatory pension insurance can decide to opt into the funded pension scheme and pay parts of their mandatory insurance contributions into this individual accounts scheme. This option has been suspended until 2023.

B. Financing

General finances

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

Contribution rates

- Insured persons provide contribution payments voluntarily and decide upon the amounts individually; contribution payments can also be paid by employer; means of maternity (family) capital (for the formation of the funded pension of the mother) can be contributed entirely or partly to the scheme.
- In case of opting in: fixed share of monthly gross earnings (6%) as part of the mandatory insurance contributions (total 22%) covered by the employer (option suspended from 2014 until 2023).

State support & incentivising strategies[3]

- Payers of additional contributions are entitled to a social tax deduction on income tax on natural persons.

C. Administration

- The Pension Fund of the Russian Federation through management companies.
- Private pension funds operating in the field of mandatory pension insurance.
- The Ministry of Finance of the Russian Federation controls and oversees the formation and investment of pension savings.

D. Qualifying Conditions

- Persons must have reached the age of 55 (women) or 60 (men).
- Persons must fulfil the qualifying conditions for the standard or early retirement pension of the *old age insurance pension scheme*.
- The person must have accumulated capital means.
- *Options for the deferring of pension payment*: for every deferred year, the expected payment period decreases by 12 months (payment period cannot be less than 168 months).

E. Benefits

Pension payments

- Accumulated capital through contribution payments (incl. state subsidies and additional contributions), means of maternity/family capital and investment yields.
- Life-long annuity paid monthly if pension savings are more than 5% of the total amount of the old age insurance pension; if monthly payments are below threshold: option for one-time lump sum payment of pension savings.
- Fixed-term benefits (*срочная пенсионная выплата*) are paid only if additional contributions, state subsidies and means of maternity/family capital were paid to the scheme.
- The payment period should not be shorter than 10 years.

Factors for payment calculation

- *Monthly benefit payment*: based on the amount of pension savings and the expected payment period (in 2021 this period is 264 months).
- *Calculation of fixed term benefits*: based on the amount of pension savings, formed through additional contributions, other means, investment yields; the expected payment period should be not less than 10 years.
- *Adjustments*: pension payments shall be adjusted every year in accordance with the amount of newly paid contributions or other means in the individual account.

Taxation and social security contributions

- Pension payments are not subject to income tax or social security contributions.

F. Legal Basis

- Federal Law No. 423-FZ of 28/12/2013 (as amended by Federal Law No. 429-FZ of 08/12/2020) 'On Funded Pension' (*Федеральный закон «О накопительной пенсии»*), Federal Law No. 75-FZ of 07/05/1998 (as amended by Federal Law No. 409-FZ of 08/12/2020) 'On Private Pension Funds' (*Федеральный закон «О негосударственных пенсионных фондах»*), Federal Law No. 56- FZ of 30/04/2008 (as amended by Federal Law No. 328-FZ of 01/10/2019) 'On Additional Insurance Contributions for a Funded Pension and State Support for the Formation of Pension Reserves' (*Федеральный закон «О дополнительных страховых взносах на накопительную пенсию и государственной поддержке формирования пенсионных накоплений»*), Federal Law No. 167-FZ of 15 December 2001 (as amended by Federal Law No. 429-FZ of 08/12/2020) 'On Mandatory Pension Insurance in the Russian Federation' (*Федеральный закон «Об обязательном пенсионном страховании в Российской Федерации»*) Federal Law No. 360-FZ of 30/11/2011 (as amended by Federal Law No. 350-FZ of 03/10/2018) 'On the Procedure for Financing the Payments from Pension Savings" (*Федеральный закон «О порядке финансирования выплат за счет средств пенсионных накоплений»*), Federal Law No. 256-FZ of 29/12/2006 (as amended by Federal Law No. 451-FZ of 22/12/2020) 'On Additional Measures of State Support for Families with Children' (*Федеральный закон «О дополнительных мерах государственной поддержки семей, имеющих детей»*), Federal Law No. 111-FZ of 24/07/2002 (as amended by Federal Law No. 429-FZ of 08/12/2020) 'On Investing in the Funded Pension in the Russian Federation' (*Федеральный закон «Об инвестировании средств для финансирования накопительной пенсии в Российской Федерации»*); Federal Law No. 389-FZ of 08/12/2020 (*Федеральный закон «Об ожидаемом периоде выплаты накопительной пенсии на 2021 год»*), Second Part of the Tax Code of the Russian Federation of 05/08/2000 as amended by Federal Law No. 470-FZ of 29/12/2020 (*Налоговый кодекс Российской Федерации (часть вторая)*).

Corporate (Occupational) Pension Schemes

Корпоративные пенсии

A. Coverage

Voluntary insurance

- Employees, including state civil servants, based on collective agreement and corporate pension schemes.

B. Financing

General finances

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

Contribution payments

- Contributions can be paid by employer or shared between employee and employer.

State support & incentivising strategies

- Contribution payments are not tax-deductible.

C. Administration

- Different types of pension plans can be offered by employer or private pension funds.
- The Ministry of Finance of the Russian Federation controls and oversees the formation and investment of pension savings.

D. Qualifying Conditions

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

E. Benefits

Pension payments

- Mostly one-time lump sum payment or monthly payments (as specified in collective agreements).
- Corporate pension agreement can provide the right for lump sum withdraw of the accumulated capital after 3 to 5 years.

Taxation and social security contributions on pension payments

- Pension payments are subject to income tax but not subject to social security contributions.

F. Legal Basis

- Art. 41 of the Labour Code of the Russian Federation (*ст. 41 Трудового кодекса Российской Федерации*), Federal Law No. 75-FZ of 07/05/1998 (as amended by Federal Law No. 409-FZ of 08/12/2020) 'On Private Pension Funds' (*Федеральный закон «О негосударственных пенсионных фондах»*).

Non-State (Private) Pension Schemes

Негосударственное пенсионное обеспечение

A. Coverage

Voluntary participation

- Persons with taxable income, residing in the Russian Federation.

B. Financing

General finances

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

Contribution payments

- Persons provide contribution payments; the amounts are determined in accordance with the pension contract based on an individual retirement plan.
- Contribution payments can be paid by employer (in whole or in part) as an employee benefit.[4]

State support & incentivising strategies

- Persons are entitled to a social tax deduction in the amount of the pension contributions to a non-state pension fund paid by the taxpayer during the tax period.

C. Administration

- Pension plan providers manage private pension funds and pay benefits directly to person.
- The authorised federal bodies (Ministry of Labour and Social Protection, Ministry of Finance of the Russian Federation) and Central Bank of the Russian Federation regulate, control and oversee the activities of private pension funds.

D. Qualifying Conditions

- Persons who have reached the age of 55 (women) or 60 (men).
- Other qualifying conditions (including other retirement ages) may be provided in the pension plan with the following restrictions: (1) the retirement age cannot be higher than the standard retirement age of the *statutory old age insurance pension*; (2) a person can receive pension benefits at an earlier age if he/she has the right to early retirement from the *statutory old age insurance pension*, the right to a disability insurance pension, survivors' insurance pension or another pension in accordance with the Federal Law 'On State Pension Provision'.

E. Benefits

Pension payments

- Monthly life-long payments or monthly payments for a certain number of years; often pension plans provide the right for lump sum withdrawal of the accumulated capital after 5 years.

Taxation and social security contributions

- Pension payments are <u>not</u> subject to income tax (if a person has paid contributions himself) or social security contributions.

F. Legal Basis

- Federal Law No. 75-FZ of 07/05/1998 (as amended by Federal Law No. 409-FZ of 08/12/2020) 'On Private Pension Funds' (*Федеральный закон «О негосударственных пенсионных фондах»*), Second Part of the Tax Code of the Russian Federation of 05/08/2000 as amended by Federal Law No. 470-FZ of 29/12/2020 (*Налоговый кодекс Российской Федерации (часть вторая)*).

Early Private Pension Scheme for Employees Working under Harmful and Dangerous Conditions

Досрочное негосударственное пенсионное обеспечение работников, занятых во вредных и (или) опасных условиях труда

A. Coverage

Voluntary insurance

- Employers can voluntarily insure employees who work under harmful and/or dangerous conditions (i.e. groups of workers are determined according to the results of a special assessment on working conditions) with the consent of the employee (as stipulated in the employment contract and in the agreement with the employer concerning the early private pension provision).

B. Financing

General finances

- Fully funded schemes financed by contribution payments.

Contribution payments

- Contributions are paid by employer and depend on pension contract, minimum amounts: 2% or 4% (depending on degree of hazard) of monthly gross earnings of employee working under hazardous conditions.
- Additional contributions of employees are voluntary if the pension programme of the employer provides such a possibility.

State support & incentivising strategies

- Persons are entitled to a social tax deduction in the amount of the pension contributions in a non-state pension fund paid by the taxpayer during the tax period.

C. Administration

- Private pension funds which are entitled to carry out such activity (concerning early private pension provision) and which registered its rules with the Central Bank of the Russian Federation.
- The authorised federal bodies (Ministry of Labour and Social Protection, Ministry of Finance of the Russian Federation) and the Central Bank of the RF regulate, control and oversee the activity of private pension funds.

D. Qualifying Conditions

- Based on entitlement to the early retirement for hazardous working conditions of the *statutory old age insurance pension*.
- Conditions are regulated in pension regulations provided in a pension contract.

E. Benefits

Pension payments

- Primarily based on the amount of contributory earnings, length of contribution period and conditions of the pension contract.

Taxation and social security contributions on pension payments

- Pension payments are subject to income tax; they are not subject to social security contributions.

F. Legal Basis

- Federal Law No. 75-FZ of 07/05/1998 (as amended by Federal Law No. 409-FZ of 08/12/2020); 'On Private Pension Funds' (*Федеральный закон «О негосударственных пенсионных фондах»*), Second Part of the Tax Code of the Russian Federation of 05/08/2000 as amended by Federal Law No. 470-FZ of 29/12/2020 (*Налоговый кодекс Российской Федерации (часть вторая)*). The relationship between the employer and employees concerning this pension scheme is regulated not only via this

Federal Law but also through collective agreements at the level of enterprises and at the sectoral (inter-industry) level, as well as in the pension regulations of the appropriate pension fund, in the pension programme of the employer and in pension agreements.

Footnotes

1 Since 2014, the additional insurance contributions have been paid on the basis of the assessment of the working conditions. If the employer does not conduct such special assessment, additional default contributions have to be paid at a rate of 6% or 9%.

2 Information presented in this table refers to regulations for civil servants at federal level. Regulations for civil servants at municipal level can differ and fall within the jurisdiction of the subjects of the Russian Federation. Nevertheless, municipal servants (*миниципальные служащие*) have the same pension rights as federal state civil servants provided for in the federal legislation and laws of the subjects of the Russian Federation.

3 State support for additional voluntary contributions to the funded pension (from 01/10/2008 to 31/12/2014): State subsidies provided to persons who paid additional voluntary contributions between 01/10/2008 and 31/12/2014 and started paying such contributions in the time until 31/01/2015 (requirement: minimum contribution amount is RUB 2,000). State subsidies of a maximum of RUB 12,000 per year (unless a person already receives a pension) is provided for 10 years since commencement of participation in the scheme. Employers have to pay insurance contributions and income tax on the additional contributions, which are co-financed by the state if the contributions are higher than RUB 12,000 per year and per employee.

4 Pension contributions paid by the employer in a private pension fund for employees are considered as personal income and the usual income tax has to be paid.

ANNEX

FACT SHEETS

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 the 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: BELGIUM

Background Information

General statistics on population & employment*	Value	Year	Source
Working age population (age 15-64)	7,307	2019	Eurostat[1]
Active population, labour force (age 15-64)	5,044	2019	Eurostat[1]
Inactive population, outside labour force (age 15-64)	2,263	2019	Eurostat[1]
Elderly population (age 65+)	2,080	2019	Eurostat[1]
Total population (all ages)	11,485	2019	Eurostat[2]

** number of persons reported (in thousands)*

Coverage

Number of persons potentially insured in mandatory pension schemes*	Value	Year	Source
Old age pension scheme for employees (*Werknemerspensioen*)	4,086	2020	National[3]
Old age pension scheme for the self-employed (*Zelfstandigenpensioen*)	1,144	2019	National[4]
Old age pension scheme for the public sector (*Ambtenarenpensioen*)	545	2019	National[5]

** number of persons reported (in thousands)*

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 (*here: for employees/supplementary pensions for the self-employed*)	50.6	2017	OECD[6]
Voluntary: private pension plans (*here: retirement savings/long-term savings*)	n.a. ~38.3	2019 2020	OECD[6] National[7]
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)	72.4	2018	OECD[8]
Net mandatory public and private	66.2	2018	OECD[8]
Net mandatory public	66.2	2018	OECD[8]

** % 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[8]
EU: net mandatory public and private	63.5	2018	OECD[8]
EU: net mandatory public	55.5	2018	OECD[9]
OECD: total net (with voluntary)	65.4	2018	OECD[8]
OECD: net mandatory public and private	58.6	2018	OECD[8]
OECD: net mandatory public	47.3	2018	OECD[9]

** % 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: Rijksdienst voor Sociale Zekerheid (RSZ), Cijfers/Tewerkstellingsbarometerr: May 2021, accessed on 28/06/2021. Please note that the number of persons refers to the number of employed persons in 2020. Additional information on benefit recipients is provided by the OECD Social Benefit Recipients Database (SOCR).

[4] Source: Rijksdienst voor de Sociale Verzekeringen der Zelfstandigen (RSVZ), Basisstatistiken en Detailtabellen Zelfstandigen, accessed on 28/06/2021. Please note that the number of persons refers to the number of self-employed persons in 2019.

[5] Source: Rijksdienst voor Sociale Zekerheid (RSZ), Verdeling van de arbeidsplaatsen naar plaats van tewerkstelling, vierde kwartaal 2019, dataset: 'Indeling van de werknemers op 31 december 2019 naar plaats van tewerkstelling en naar dimensieklasse van de vestigingseenheden, Overheidssector, Ambtenaren, Tabel 29', accessed on 28/06/2021. Please note that the number of persons refers to the number of civil servants employed for the federal, regional and local authorities, army, police and public companies in 2019.

[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). 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] Assuralia (Beroepsvereniging van verzekeringsondernemingen) (2020). Assuralia vult het huiswerk van de Pensioencommissie aan met eigen voorstellen. According to the Belgian Insurance Association (Assuralia), 2.8 million persons participated in a privately funded retirement savings and long-term savings plan (Pensioensparen en langetermijnsparen) in 2020 in Belgium. This number corresponds to approximately 38.3% of the working age population in 2019.

[8] 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.

[9] 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 the 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: BRAZIL

Background Information

General statistics on population & employment*	Value	Year	Source
Working age population (age 15-64)	147,184	2019	ILO[1]
Active population, labour force (age 15-64)	103,602	2019	ILO[1]
Inactive population, outside labour force (age 15-64)	43,582	2019	ILO[1]
Elderly population (age 65+)	19,526	2019	ILO[1]
Total population (all ages)	211,050	2019	ILO[1]

** number of persons reported (in thousands)*

Coverage

Number of persons insured in mandatory pension schemes*	Value	Year	Source
Statutory old age pension scheme for private sector employees (*Regime Geral da Previdência Social*)	48,250	2017	National[2]
Statutory old age pension scheme for public sector employees (*Regime Próprio da Previdência Social*)	6,566	2017	National[2]
Old age pension scheme for military personnel (*Previdência dos Militares*)	847	2017	National[2]

** number of persons reported (in thousands)*

Coverage of funded and private pension plans*	Value	Year	Source
Mandatory/quasi-mandatory pension plans	x	2018	OECD[3]
Auto-enrolment	x	2018	OECD[3]
Voluntary: occupational pension plans (*here: closed pension funds*)	1.9	2018	OECD[3]
Voluntary: private pension plans (*here: PGBL and VGBL*)	10.7	2018	OECD[3]
Voluntary: total	n.a.	2018	OECD[3]

** % 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[4]
Net mandatory public and private	64.8	2018	OECD[4]
Net mandatory public	64.8	2018	OECD[4]

** % 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[4]
EU: net mandatory public and private	63.5	2018	OECD[4]
EU: net mandatory public	55.5	2018	OECD[5]
OECD: total net (with voluntary)	65.4	2018	OECD[4]
OECD: net mandatory public and private	58.6	2018	OECD[4]
OECD: net mandatory public	47.3	2018	OECD[5]

** % of individual pre-retirement earnings*

References

[1] Source: ILO – Modelled Estimates, available at ILO; dataset: ILO Modelled Estimates and Projections (ILOEST), accessed on 13/11/2020; 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 based on UN estimates and projections; 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 based on UN estimates and projections; 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 based on ILO modelled estimates; the 'elderly population (age 65+)' includes all persons of 65 years of age or older based on UN estimates and projections; the 'total population (all ages)' includes persons of all ages based on UN estimates and projections.

[2] Source: Pesquisa Nacional por Amostra de Domicílios Contínua (PNAD), available at Instituto Brasileiro de Geografia e Estatística (IBGE), accessed on 26/12/2020; see also report: Ministério da Fazenda (2018). Informe de Previdência Social, Volume 30, Edition 6. MF: Brasília-DF.

[3] 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.

[4] 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.

[5] 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 the 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 who are not retired yet. They may be actively contributing or may be holding rights in a plan. For more information see: OECD (2020), Pension 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 the 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: CROATIA

Background Information

General statistics on population & employment*	Value	Year	Source
Working age population (age 15-64)	2,658	2019	Eurostat[1]
Active population, labour force (age 15-64)	1,768	2019	Eurostat[1]
Inactive population, outside labour force (age 15-64)	890	2019	Eurostat[1]
Elderly population (age 65+)	861	2019	Eurostat[1]
Total population (all ages)	4,067	2019	Eurostat[2]

** number of persons reported (in thousands)*

Coverage

Number of persons insured in mandatory pension schemes*	Value	Year	Source
Mandatory pension insurance based on generational solidarity (*obvezno mirovinsko osiguranje na temelju generacijske solidarnosti*)	1,536	2020	National[3]
Mandatory pension insurance based on individual capitalised savings (*obvezno mirovinsko osiguranje na temelju individualne kapitalizirane štednje*)	2,058	2020	National[4]

** number of persons reported (in thousands)*

Coverage of funded and private pension plans*	Value	Year	Source
Mandatory/quasi-mandatory pension plans	76.5	2019	OECD[5]
Voluntary: occupational pension plans	1.7	2019	OECD[5]
Voluntary: private pension plans	12.2	2019	OECD[5]
Voluntary: total	n.a.	2019	OECD[5]

** % 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)	53.8	2018	OECD[6]
Net mandatory public and private	53.8	2018	OECD[6]
Net mandatory public	25.0	2018	OECD[7]

** % 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] Hrvatski zavod za mirovinsko osiguranje (HZMO) (2021). Statističke informacije Hrvatskog zavoda za mirovinsko osiguranje, godina XVIII, broj 12/2020. HZMO: Zagreb.

[4] Source: Croatian Financial Services Supervisory Agency (HANFA), Monthly Reports, Monthly Report for December 2020, Table 1.1., accessed on 27/06/2021. This number reports all (active and inactive) individual accounts. It is therefore higher than the number of insured persons in the mandatory public pension insurance scheme. For example, it includes accounts of unemployed persons who are not registered as actively insured persons within the mandatory public pension insurance scheme during their period of unemployment.

[5] 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 who are not retired yet. They may be actively contributing or may be holding rights in a plan. For more information see: OECD (2020), Pension Markets in Focus 2020.

[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 the 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: CYPRUS

Background Information

General statistics on population & employment*	Value	Year	Source
Working age population (age 15-64)	572	2019	Eurostat[1]
Active population, labour force (age 15-64)	435	2019	Eurostat[1]
Inactive population, outside labour force (age 15-64)	137	2019	Eurostat[1]
Elderly population (age 65+)	140	2019	Eurostat[1]
Total population (all ages)	880	2019	Eurostat[2]

** number of persons reported (in thousands)*

Coverage

Number of persons insured in mandatory pension schemes*	Value	Year	Source
Statutory pension scheme (*θεσμοθετημένη σύνταξη*)	518	2019	National[3]
Government employees pension scheme (GEPS) (*Κυβερνητικό σχέδιο συντάξεων*)	54	2019	National[3]
Pension scheme for physicians and dentists (*Ταμείο Συντάξεων Ιατρών και Οδοντιάτρων*)	5	2019	Eurostat[4]
Pension scheme for lawyers (*Σχέδιο Συνταξιοδότησης Δικηγόρων*)	4	2018	CEPEJ[5]

** number of persons reported (in thousands)*

Coverage of funded and private pension plans	Value	Year	Source
Voluntary: occupational pension plans	n.a.	n.a.	OECD[6]
Voluntary: private pension plans	n.a.	n.a.	OECD[6]
Voluntary: total	n.a.	n.a.	OECD[6]

'n.a.' = information not available

Financial Protection in Old Age

National net pension replacement rates*	Value	Year	Source
Total net (with voluntary)	82.8	2018	OECD[7]
Net mandatory public and private	82.8	2018	OECD[7]
Net mandatory public	82.8	2018	OECD[7]

** % 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[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] Source: Republic of Cyprus, Department of Social Insurance Services of the Ministry of Labour, Welfare and Social Insurance; Statistical Data, dataset: 'General Statistical Data (January 2021)', accessed on 05/07/2021. The government employees pension scheme (GEPS) is closed for new entries since 1 October 2011. Additional information on benefit recipients is provided by the OECD Social Benefit Recipients Database (SOCR).

[4] Source: Eurostat; dataset: 'Health Personnel (Excluding Nursing and Caring Professionals), ID: HLTH_RS_PRS1, accessed on 08/07/2021. Please note that the number of persons refers to the actual number of doctors and dentists in 2019. National data on the number of doctors and dentists is provided by the Statistical Service of Cyprus for 2018, with 3,557 doctors and 965 dentists registered in Cyprus; see Statistical Service of Cyprus – CYSTAT (2020). Health and Hospital Statistics 2018. CYSTAT: Nicosia.

[5] Source: Council of Europe, European Commission for the Efficiency of Justice – CEPEJ; dataset: 'European Judicial Systems', accessed on 08/07/2021. Please note that the number of persons refers to the actual number of lawyers in 2018. National data on the number of lawyers is provided by the Cyprus Bar Association for June 2021, with 4,022 lawyers registered in Cyprus; source: Cyprus Bar Association, Advocates Members, accessed on 05/07/2021.

[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). 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 the 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 scheme*	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 the 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: DENMARK

Background Information

General statistics on population & employment*	Value	Year	Source
Working age population (age 15-64)	3,704	2019	Eurostat[1]
Active population, labour force (age 15-64)	2,930	2019	Eurostat[1]
Inactive population, outside labour force (age 15-64)	775	2019	Eurostat[1]
Elderly population (age 65+)	1,153	2019	Eurostat[1]
Total population (all ages)	5,817	2019	Eurostat[2]

** number of persons reported (in thousands)*

Coverage

Number of persons insured in mandatory pension schemes*	Value	Year	Source
State pension (*Folkepension*) (age 15-64)	3,721	2019	National[3]
Danish labour market supplementary pension (*Arbejdsmarkedets Tillægspension, ATP*) (age 18-64)	2,967	2017	National[4]
Occupational pensions (*Arbejdsmarkedspensioner*) (age 18-64)	2,271	2017	National[4]
Mandatory pension scheme (*Obligatorisk Pensionsordning*)	932	2020	National[5]
Civil servants' pension (*Tjenestemandspension*)	49	2019	National[6]

** number of persons reported (in thousands)*

Coverage of funded and private pension plans*	Value	Year	Source
Mandatory pension plans (*here: ATP*)	86.2	2019	OECD[7]
Quasi-mandatory pension plans	65.0	2018	OECD[7]
Voluntary: occupational pension plans	n.a.	2018	OECD[7]
Voluntary: private pension plans	18.3	2018	OECD[7]
Voluntary: total	n.a.	2018	OECD[7]

** % 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)	n.a.	2018	OECD[8]
Net mandatory public and private	70.9	2018	OECD[8]
Net mandatory public	22.6	2018	OECD[8]

** % 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[8]
EU: net mandatory public and private	63.5	2018	OECD[8]
EU: net mandatory public	55.5	2018	OECD[9]
OECD: total net (with voluntary)	65.4	2018	OECD[8]
OECD: net mandatory public and private	58.6	2018	OECD[8]
OECD: net mandatory public	47.3	2018	OECD[9]

** % 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: StatBank Denmark, available at Statistics Denmark, People, dataset: 'Population at the First Day of the Quarter by Region, Sex, Age and Marital Status', accessed on 06/08/2021. Please note that the number of persons refers to residents in Denmark aged 15 to 64 potentially covered by the state pension. Additional information on benefit recipients is provided by the OECD Social Benefit Recipients Database (SOCR).

[4] ATP (2020). Pension i tal 2019. Indsigt i det danske pensionssystem. ATP: Hillerød.

[5] ATP (2021). Obligatorisk Pensionsordning (Mandatory Pension Scheme). ATP: Hillerød. Please note that the number of persons refers to members below the retirement age who were covered by this pension scheme during 2020 (including persons temporarily covered by the scheme); 98% of OP members are also members of the ATP Livslang Pension.

[6] Source: StatBank Denmark, available at Statistics Denmark, Labour and Income, dataset: 'Accrued Civil Servant Pension for Active Civil Servants by Sector, Unit, Sex and Profession, Ages Groups [sic]', accessed on 06/08/2021.

[7] 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 who are not retired yet. They may be actively contributing or may be holding rights in a plan. For more information see: OECD (2020), Pension Markets in Focus 2020.

[8] 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.

[9] 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 the 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: ESTONIA

Background Information

General statistics on population & employment*	Value	Year	Source
Working age population (age 15-64)	842	2019	Eurostat[1]
Active population, labour force (age 15-64)	665	2019	Eurostat[1]
Inactive population, outside labour force (age 15-64)	178	2019	Eurostat[1]
Elderly population (age 65+)	262	2019	Eurostat[1]
Total population (all ages)	1,325	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 (*riiklik vanaduspension*)	762	2020	National[3]
Superannuated pensions scheme (*väljateenitud aastate pension*)	n.a.	n.a.	–
Mandatory funded pension (*kohustuslik kogumispension*)	765	2020	National[4]

** 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	85.8	2018	OECD[5]
Auto-enrolment	x	2018	OECD[5]
Voluntary: occupational pension plans	x	2018	OECD[5]
Voluntary: private pension plans	11.2	2018	OECD[5]
Voluntary: total	11.2	2018	OECD[5]

** % 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[6]
Net mandatory public and private	53.1	2018	OECD[6]
Net mandatory public	21.9	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[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: National Social Security Board (Sotsiaalkindlustusamet), Estonia; table reports number of persons insured in the statutory old age pension scheme in 2020 (based on personal communication, 24/10/2021). Additional information on benefit recipients is provided by the OECD Social Benefit Recipients Database (SOCR).

[4] Source: Pensionikeskus (Pension Centre), Pillar II, dataset: 'No. of open pension accounts', accessed on 25/10/2021. Please note that the number of persons refers to the number of opened pension accounts for the mandatory funded pension in December 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. 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 the 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: FINLAND

Background Information

General statistics on population & employment*	Value	Year	Source
Working age population (age 15-64)	3,410	2019	Eurostat[1]
Active population, labour force (age 15-64)	2,669	2019	Eurostat[1]
Inactive population, outside labour force (age 15-64)	740	2019	Eurostat[1]
Elderly population (age 65+)	1,218	2019	Eurostat[1]
Total population (all ages)	5,522	2019	Eurostat[2]

** number of persons reported (in thousands)*

Coverage

Number of persons insured in mandatory pension schemes*	Value	Year	Source
Statutory earnings-related pension scheme for private sector employees (Työntekijän eläkelaki, TyEL)	1,564	2019	National[3]
Statutory earnings-related pension scheme for public sector employees (Julkisten alojen eläkelaki, JuEL)	709	2019	National[3]
Statutory earnings-related pension scheme for the self-employed (Yrittäjän eläkelaki, YEL)	210	2019	National[3]
Statutory earnings-related pension scheme for farmers (Maatalousyrittäjän eläkelaki, MYEL)	59	2019	National[3]
Statutory earnings-related pension scheme for seafarers (Merimieseläkelaki, MEL)	6	2019	National[3]

** number of persons reported (in thousands)*

Coverage of funded and private pension plans*	Value	Year	Source
Mandatory/quasi-mandatory pension plans	93.0	2018	OECD[4]
Auto-enrolment	x	2018	OECD[4]
Voluntary: occupational pension plans	7.0	2018	OECD[4]
Voluntary: private pension plans	18.0	2018	OECD[4]
Voluntary: total	25.0	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	64.2	2018	OECD[5]
Net mandatory public	64.2	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] Finnish Centre for Pensions (2020). Persons insured for an earnings-related pension in Finland 2019. Finnish Centre for Pensions: Helsinki. Please note that the number of persons refers to insured persons aged 17 to 68 years. A person can also be insured in multiple pension schemes at the same time. 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 the 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). 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 the 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 the 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 scheme*	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 the 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 the 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: HUNGARY

Background Information

General statistics on population & employment*	Value	Year	Source
Working age population (age 15-64)	6,327	2019	Eurostat[1]
Active population, labour force (age 15-64)	4,595	2019	Eurostat[1]
Inactive population, outside labour force (age 15-64)	1,732	2019	Eurostat[1]
Elderly population (age 65+)	1,855	2019	Eurostat[1]
Total population (all ages)	9,771	2019	Eurostat[2]

** number of persons reported (in thousands)*

Coverage

Number of persons insured in mandatory pension scheme*	Value	Year	Source
Social insurance pension scheme (*társadalombiztosítási nyugellátás*)	4,538	2020	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	n.a.	2018	OECD[4]
Voluntary: private pension plans	18.7	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	84.3	2018	OECD[5]
Net mandatory public	84.3	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: Központi Statisztikai Hivatal (KSH), Munkaerőpiac, database: 'A 15–64 éves népesség gazdasági aktivitása nemenként, havi adatok', accessed on 03/12/2021). Please note that the number of persons refers to the employed population aged 15-64 in 2020. 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. 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. Please note that the number of persons participating in an occupational pension plan is very low. It is estimated at 518,000 persons in 2018; source: STATISTA, dataset: 'Total Number of Active Members in the Occupational Pension Fund Sector in Hungary from 2013 to 2018 (in 1,000s)', accessed on 28/11/20121.

[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 the 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: IRELAND

Background Information

General statistics on population & employment*	Value	Year	Source
Working age population (age 15-64)	3,219	2019	Eurostat[1]
Active population, labour force (age 15-64)	2,358	2019	Eurostat[1]
Inactive population, outside labour force (age 15-64)	861	2019	Eurostat[1]
Elderly population (age 65+)	700	2019	Eurostat[1]
Total population (all ages)	4,927	2019	Eurostat[2]

** number of persons reported (in thousands)*

Coverage

Number of persons insured in mandatory pension schemes*	Value	Year	Source
State Pension (Contributory) (age 16-64)	2,748	2019	National[3]
Single Public Service Pension Scheme	140	2019	National[4]
Pre-2013 public service occupational pension schemes	261	2018	National[5]

** number of persons reported (in thousands)*

Coverage of funded and private pension plans*	Value	Year	Source
Mandatory/quasi-mandatory pension plans	x	2015	OECD[6]
Auto-enrolment	x	2015	OECD[6]
Voluntary: occupational pension plans	38.3/50.8	2015/2019	OECD[6,7]
Voluntary: private pension plans	12.6/23.0	2015/2019	OECD[6,7]
Voluntary: total	46.7	2015	OECD[6]

** % of workers aged 20-69; 'x' = not applicable*

Financial Protection in Old Age

National net pension replacement rates*	Value	Year	Source
Total net (with voluntary)	81.1	2018	OECD[8]
Net mandatory public and private	35.9	2018	OECD[8]
Net mandatory public	35.9	2018	OECD[8]

** % 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[8]
EU: net mandatory public and private	63.5	2018	OECD[8]
EU: net mandatory public	55.5	2018	OECD[9]
OECD: total net (with voluntary)	65.4	2018	OECD[8]
OECD: net mandatory public and private	58.6	2018	OECD[8]
OECD: net mandatory public	47.3	2018	OECD[9]

** % 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] Department of Social Protection (2021). Statistical Information on Social Welfare Services. Annual Report 2020. Department of Social Welfare: Dublin. Additional information on benefit recipients is provided by the OECD Social Benefit Recipients Database (SOCR).

[4] Owens, S. and J. Kinsella (2020). Spending Review 2020. The Single Scheme – Improving the Sustainability of Public Service Pensions. Government of Ireland: Dublin.

[5] Pender, J. and A. Chambers (2018). Spending Review 2018. Public Service Occupational Pensions in Ireland - Cash Flow Analysis. Department of Public Expenditure and Reform: Dublin. Please note that the number of persons refers to the actual number of active employees across pension schemes of the public services in 2018.

[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 workers aged 20-69; definition: coverage rates for Ireland are provided with respect to workers aged 20-69. 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 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 workers aged 20-69; definition: coverage rates for Ireland are provided with respect to workers aged 20-69. 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 (2020), Pension Markets in Focus 2020.

[8] 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.

[9] 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 the 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 the 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 the 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: PEOPLE'S REPUBLIC OF CHINA

Background Information

General statistics on population & employment*	Value	Year	Source
Working age population (age 15-64)	1,014,019	2019	ILO[1]
Active population, labour force (age 15-64)	766,731	2019	ILO[1]
Inactive population, outside labour force (age 15-64)	247,288	2019	ILO[1]
Elderly population (age 65+)	164,487	2019	ILO[1]
Total population (all ages)	1,433,784	2019	ILO[1]

** number of persons reported (in thousands)*

Coverage

Number of persons insured in mandatory pension schemes*	Value	Year	Source
Basic old age pension insurance scheme for employees (*职工基本养老保险*)	275,087	2019	National[2]
Old age pension insurance scheme of state authorities and public institutions (*机关事业单位养老保险*)	36,688	2019	National[2]
Occupational pension scheme of state authorities and public institutions (*机关事业单位职业年金*)	~29,700	2019	National[3]

** number of persons reported (in thousands)*

Coverage of voluntary funded and private pension plans*	Value	Year	Source
Enterprise occupational pension scheme (*企业年金*)	27,175	2020	National[4]
Personal tax-deferred commercial pension insurance (pilot program) (*个人税收递延型商业养老保险*)	45	2019	National[5]

** 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[6]
Net mandatory public and private	79.4	2018	OECD[6]
Net mandatory public	79.4	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: ILO – Modelled Estimates, available at ILO; dataset: ILO Modelled Estimates and Projections (ILOEST), accessed on 13/11/2020; 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 based on UN estimates and projections; 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 based on UN estimates and projections; 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 based on ILO modelled estimates; the 'elderly population (age 65+)' includes all persons of 65 years of age or older based on UN estimates and projections; the 'total population (all ages)' includes persons of all ages based on UN estimates and projections.

[2] Department of Population and Employment Statistics of the National Bureau of Statistics of China (2020). China Labour Statistical Yearbook 2020 (*中国劳动统计年鉴*2020), Table 9-6 and Table 9-7. China Statistics Press: Beijing. Please note that the number of persons insured in the Primary Pension Insurance for Urban and Rural Residents is estimated at 372,341 (contribution payers, number reported in thousands), see Table 9-10 of same source.

[3] Information was provided by Xiaoyi Hu (*胡晓义*), former Vice Minister of the Ministry of Human Resources and Social Security, at the Shanghai Summit of the Ageing Finance Forum 50 (CAFF50) held on 27 July 2019 (accessed on 09/04/2021). Estimates refer to the number of persons enrolled in the Occupational Pension Scheme of State Authorities and Public Institutions in 2019.

[4] Ministry of Human Resources and Social Security of the People's Republic of China Statistics, available at Summary of Statistics of National Enterprise Occupational Pension Funds 2020 (*全国企业年金基金业务数据摘要*2020)(accessed on 09/04/2021).

[5] Information was provided at the press conference held by the State Council Information Office on 21 October 2019 of the China Banking and Insurance Regulatory Commission (accessed on 09/04/2021).

[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 the 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: POLAND

Background Information

General statistics on population & employment*	Value	Year	Source
Working age population (age 15-64)	23,596	2019	Eurostat[1]
Active population, labour force (age 15-64)	16,650	2019	Eurostat[1]
Inactive population, outside labour force (age 15-64)	6,947	2019	Eurostat[1]
Elderly population (age 65+)	6,686	2019	Eurostat[1]
Total population (all ages)	38,390	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 (*ubezpieczenie emerytalne*)	16,111	2019	National[3]
Farmers' old age pension (*ubezpieczenie społeczne rolników*)	1,199	2019	National[3]
Old age bridging pension (*emerytura pomostowa*)	462	2018	National[4]
Police old age pension (*zaopatrzenie emerytalne funkcjonariuszy*)	152	2018	National[5]
Military old age pension (*zaopatrzenie emerytalne żołnierzy zawodowych*)	105	2018	National[5]
Pension scheme for judges (*uposażenie dla sędziów w stanie spoczynku*)	10	2018	National[5]
Pension scheme for public prosecutors (*uposażenie dla prokuratorów w stanie spoczynku*)	6	2018	National[5]

** number of persons reported (in thousands)*

Coverage of funded and private pension plans*	Value	Year	Source
Mandatory/quasi-mandatory pension plans	x	2018	OECD[6]
Auto-enrolment	x	2018	OECD[6]
Voluntary: occupational pension plans (*here: PPE only*)	1.8	2018	OECD[6]
Voluntary: private pension plans (*here: OFE only*)	66.4	2018	OECD[6]
Voluntary: total	n.a.	2018	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	35.1	2018	OECD[7]
Net mandatory public	35.1	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] Statistics Poland (2020). Concise Statistical Yearbook of Poland 2020. Statistical Publishing Establishment: Warsaw. Additional information on benefit recipients is provided by the OECD Social Benefit Recipients Database (SOCR).

[4] Statistics Poland (2019). Yearbook of Labour Statistics 2019. Statistical Publishing Establishment: Warsaw. Please note that the number of persons insured in the old age bridging pension scheme is estimated based on the number of employees exposed to risk factors at work.

[5] Statistics Poland (2019). Statistical Yearbook of the Republic of Poland 2019. Statistical Publishing Establishment: Warsaw. Please note that the number of persons refers to the number of officers working in the respective occupation (i.e. judges, prosecutors, military, and police officers) potentially covered by the respective scheme.

[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). 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 the 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: PORTUGAL

Background Information

General statistics on population & employment*	Value	Year	Source
Working age population (age 15-64)	6,603	2019	Eurostat[1]
Active population, labour force (age 15-64)	4,987	2019	Eurostat[1]
Inactive population, outside labour force (age 15-64)	1,616	2019	Eurostat[1]
Elderly population (age 65+)	2,260	2019	Eurostat[1]
Total population (all ages)	10,286	2019	Eurostat[2]

** number of persons reported (in thousands)*

Coverage

Number of persons insured in mandatory pension schemes*	Value	Year	Source
General social security scheme (*regime geral de segurança social*)	4,669	2020	National[3]
Convergent social protection scheme (*regime de proteção social convergente*)	431	2019	National[4]
Retirement pension scheme for lawyers and solicitors from the Lawyers' and Solicitors' Pension Fund (*pensão de reforma da Caixa de Previdência dos Advogados e Solicitadores, CPAS*)	35	2020	National[5]

** number of persons reported (in thousands)*

Coverage of funded and private pension plans*	Value	Year	Source
Mandatory/quasi-mandatory pension plans	x	2018	OECD[6]
Auto-enrolment	x	2018	OECD[6]
Voluntary: occupational pension plans	3.8	2018	OECD[6]
Voluntary: private pension plans	≤17.2	2018	OECD[6]
Voluntary: total	17.2	2018	OECD[6]

** % 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[7]
Net mandatory public and private	89.6	2018	OECD[7]
Net mandatory public	89.6	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[8]
EU: net mandatory public and private	63.5	2018	OECD[8]
EU: net mandatory public	55.5	2018	OECD[9]
OECD: total net (with voluntary)	65.4	2018	OECD[8]
OECD: net mandatory public and private	58.6	2018	OECD[8]
OECD: net mandatory public	47.3	2018	OECD[9]

** % 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] Ministério das Finanças (2021). OE 2022 Orçamento do Estado XXII Governo Constitucional Elementos Informativos e Complementares. Ministério das Finanças: Lisboa. Please note that the number of persons refers to individuals aged 20 and over with paid social security contributions. This includes not only persons covered by the general social security scheme, but also those with voluntary social insurance and persons covered by special social security schemes that in 2020 were already closed to new entrants. Additional information on benefit recipients is provided by the OECD Social Benefit Recipients Database (SOCR).

[4] Caixa Geral de Aposentações (2020). Relatório e Contas da Caixa Geral de Aposentações – 2019. Ministério do Trabalho, Solidariedade e Segurança Social – Caixa Geral de Aposentações, I.P.: Lisboa. The convergent social protection scheme has been closed for new entries since 1 January 2006.

[5] AON (2020). Relatório de Sustentabilidade CPAS - 31 de Dezembro de 2020. AON: Lisboa.

[6] Source: Council of Europe, European Commission for the Efficiency of Justice (CEPEJ), dataset: 'European Judicial Systems', accessed on 03/08/2021. Please note that the number of persons refers to the actual number of judges and prosecutors in 2018.

[7] Source: Casa Naţională de Pensii Publice, Indicatori statistici pilon II, dataset: '2020.12 – Decembrie', accessed on 17/07/2021.

[8] 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.

[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 the 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: ROMANIA

Background Information

General statistics on population & employment*	Value	Year	Source
Working age population (age 15-64)	12,774	2019	Eurostat[1]
Active population, labour force (age 15-64)	8,761	2019	Eurostat[1]
Inactive population, outside labour force (age 15-64)	4,014	2019	Eurostat[1]
Elderly population (age 65+)	3,609	2019	Eurostat[1]
Total population (all ages)	19,370	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 (*sistemul unitar de pensii publice*)	5,868	2020	National[3]
Military pension scheme (*sistemul de pensii militare*)	115	2019	International[4]
Lawyers' pension scheme (*sistemul de pensii al avocaților*)	23	2020	National[5]
Judges' and prosecutors' service pension scheme (*sistemul de pensii de serviciu ale judecătorilor și procurorilor*)	7	2018	CEPEJ[6]
Private pension scheme (*sistemul de pensii administrate privat*)	7,649	2020	National[7]

** number of persons reported (in thousands)*

Coverage of funded and private pension plans*	Value	Year	Source
Mandatory/quasi-mandatory pension plans	58.7	2019	OECD[8]
Voluntary: occupational pension plans	n.a.	2019	OECD[8]
Voluntary: private pension plans	3.9	2019	OECD[8]
Voluntary: total	n.a.	2019	OECD[8]

** % 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)	41.6	2018	OECD[9]
Net mandatory public and private	41.6	2018	OECD[9]
Net mandatory public	26.9	2018	OECD[10]

** % 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[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: Casa Națională de Pensii Publice, Indicatori statistici pilon I, dataset: '2020.12 - Decembrie Asigurați', accessed on 17/07/2021. Additional information on benefit recipients is provided by the OECD Social Benefit Recipients Database (SOCR).

[4] The number of persons in the military pension scheme refers to the actual number of military personnel and police officers in 2019. The number of military personnel is 64,500 in 2019 (see North Atlantic Treaty Organization (NATO) (2021). The Secretary General's Annual Report 2020. NATO: Brussels). The number of police officers is 49,905 in 2019 (source: Crime and Criminal Justice, available at Eurostat; dataset: 'Personnel in the Criminal Justice System by Sex - Number and Rate for the relevant Sex Group', ID: CRIM_JUST_JOB, accessed on 23/11/2021). Please note that the number is an underestimate of the actual number of persons covered by the military pension scheme, not accounting for those employed as civil servants with special status.

[5] Source: Casa de Asigurări a Avocaţilor din România, Evoluţii istorice, Număr avocaţi anual, accessed on 17/07/2021. Please note that the number of persons refers to the actual number of active lawyers in 2020.

[6] Source: Council of Europe, European Commission for the Efficiency of Justice (CEPEJ), dataset: 'European Judicial Systems', accessed on 03/08/2021. Please note that the number of persons refers to the actual number of judges and prosecutors in 2018.

[7] Source: Casa Națională de Pensii Publice, Indicatori statistici pilon II, dataset: '2020.12 – Decembrie', accessed on 17/07/2021.

[8] 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 who are not retired yet. They may be actively contributing or may be holding rights in a plan. For more information see: OECD (2020), Pension Markets in Focus 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 the 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: RUSSIAN FEDERATION

Background Information

General statistics on population & employment*	Value	Year	Source
Working age population (age 15-64)	99,620	2019	OECD[1]
Active population, labour force (age 15-64)	73,943	2019	OECD[2]
Inactive population, outside labour force (age 15-64)	25,677	2019	OECD[2]
Elderly population (age 65+)	21,443	2019	OECD[1]
Total population (all ages)	143,910	2019	OECD[3]

** number of persons reported (in thousands)*

Coverage

Number of persons potentially insured in/covered by mandatory pension schemes*	Value	Year	Source
Old age insurance pension scheme (*страховая пенсия по старости*)	~71,933	2019	National[4]
Long service pension scheme for federal state civil servants (*пенсия за выслугу лет федеральным государственным гражданским служащим*)	~728	2019	National[5]
Old age pensions for victims of nuclear and other technogenic disasters (*пенсия по старости гражданам, пострадавшим в результате радиационных или техногенных катастроф*)	n.a.	2019	National[6]
Long service pension scheme for members of the armed forces (*пенсия за выслугу лет военнослужащим*)	n.a.	–	–

** number of persons reported (in thousands)*

Coverage of funded and private pension plans*	Value	Year	Source
Mandatory/quasi-mandatory pension plans	78.7	2018	OECD[7]
Auto-enrolment	x	2018	OECD[7]
Voluntary: occupational pension plans	n.a.	2018	OECD[7]
Voluntary: private pension plans	n.a.	2018	OECD[7]
Voluntary: total	4.7	2018	OECD[7]

** % 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[8]
Net mandatory public and private	57.0	2018	OECD[8]
Net mandatory public	40.4	2018	OECD[9]

** % 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[8]
EU: net mandatory public and private	63.5	2018	OECD[8]
EU: net mandatory public	55.5	2018	OECD[9]
OECD: total net (with voluntary)	65.4	2018	OECD[8]
OECD: net mandatory public and private	58.6	2018	OECD[8]
OECD: net mandatory public	47.3	2018	OECD[9]

** % of individual pre-retirement earnings*

References

[1] Source: Labour Force Statistics, available at OECD.Stat; dataset: 'LFS by Sex and Age', accessed on 15/06/2021; 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 and it is the sum of the active and inactive population; the 'elderly population (age 65+)' includes all persons of 65 years of age or older.

[2] Source: Labour Force Statistics, available at OECD.Stat; dataset: 'Short-Term Labour Market Statistics', accessed on 15/06/2021; unit of measure: number of persons (in thousands); definitions: 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.

[3] Source: Population Statistics, available at OECD.Stat; dataset: 'Population Projections', accessed on 30/07/2021. Please note that the number of persons refers to the population projections for 2019. In 2018, the total population was estimated at 144,491 thousand persons by the OECD (see Population Statistics, available at OECD.Stat, dataset: 'Historical Population Data', accessed on 30/07/2021). The Federal State Statistics Service (Rosstat) estimates the total population at 146,749 thousand persons in 2019 (see Federal State Statistics Service (Rosstat) (2020). Russian Statistical Yearbook 2020. Rosstat: Moscow.

[4] Federal State Statistics Service (Rosstat) (2020). Russian Statistical Yearbook 2020. Rosstat: Moscow. Please note that the number of persons refers to the actual number of employed persons (incl. employers, the self-employed, members of production cooperatives and helping family members) in 2019 (same number reported by Labour Force Statistics, available at OECD.Stat; dataset: 'ALFS Summary Tables'). In 2018, the Russian Pension Fund recorded 155.3 million active pension accounts of persons insured in the old age pension insurance scheme; this number is higher than the actual number of persons in the working age population as persons can hold multiple pension accounts; see Russian Pension Fund (PFR) (2019). 2018 Annual Report. PFR: Moscow.

[5] Федеральная служба государственной статистики (Росстат) (2020). О кадрах государственной гражданской и муниципальной службы в 2019 году, accessed on 14/07/2021. Please note that the number refers to the civil servants in state bodies of the Russian Federation (federal and constituent entities of the Russian Federation) in 2019.

[6] No estimates are currently available on the number of persons of working age who will potentially be covered by/eligible for the old age pension for victims of nuclear and other technogenic disasters. The number of pensioners who received a pension for victims of nuclear and other technogenic disasters was 459,000 in 2020 and 443,000 in 2019. For further information, see Federal State Statistics Service (Rosstat) (2020). Russian Statistical Yearbook 2020. Rosstat: Moscow.

[7] 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.

[8] 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.

[9] 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 the 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: SERBIA

Background Information

General statistics on population & employment*	Value	Year	Source
Working age population (age 15-64)	4,503	2019	Eurostat[1]
Active population, labour force (age 15-64)	3,068	2019	Eurostat[1]
Inactive population, outside labour force (age 15-64)	1,435	2019	Eurostat[1]
Elderly population (age 65+)	1,420	2019	Eurostat[1]
Total population (all ages)	6,945	2019	Eurostat[2]

** number of persons reported (in thousands)*

Coverage

Number of persons insured in mandatory pension scheme*	Value	Year	Source
Statutory pension and disability insurance scheme (*обавезно пензијско и инвалидско осигурање*)	2,574	2020	National[3]

** number of persons reported (in thousands)*

Coverage of funded and private pension plans*	Value	Year	Source
Voluntary: occupational pension plans	n.a.	2019	OECD[4]
Voluntary: private pension plans	n.a.	2019	OECD[4]
Voluntary: total	4.4	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)	n.a.	n.a.	–
Net mandatory public and private	n.a.	n.a.	–
Net mandatory public	49.4	2020	National[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[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: Central Registry of Compulsory Social Insurance (Centralni registar obaveznog socijalnog osiguranja), Serbia; table reports number of persons insured in the statutory pension and disability insurance scheme in 2020 (based on personal communication, 25/10/2021).

[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 who are not retired yet. They may be actively contributing or may be holding rights in a plan. For more information see: OECD (2020), Pension Markets in Focus 2020.

[5] Republički fond za penzijsko i invalidsko osiguranje Republike Srbije (2021). Statistički godišnji bilten 2020. Republički fond za penzisko i invalidsko osiguranje Republike Srbije: Beograd.

[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 the 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: SLOVAKIA

Background Information

General statistics on population & employment*	Value	Year	Source
Working age population (age 15-64)	3,718	2019	Eurostat[1]
Active population, labour force (age 15-64)	2,702	2019	Eurostat[1]
Inactive population, outside labour force (age 15-64)	1,017	2019	Eurostat[1]
Elderly population (age 65+)	874	2019	Eurostat[1]
Total population (all ages)	5,453	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 (*starobné dôchodkové poistenie*)	2,766	2019	National[3]
Old age pension savings scheme (*dôchodkové starobné sporenie*)	1,626	2020	National[4]
Pension scheme for police officers and soldiers (*výsluhové zabezpečenie policajtov a vojakov*)	n.a.	n.a.	–

** 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	2018	OECD[5]
Auto-enrolment	x	2018	OECD[5]
Voluntary: occupational pension plans	x	2018	OECD[5]
Voluntary: private pension plans	39.7	2018	OECD[5]
Voluntary: total	39.7	2018	OECD[5]

** % 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[6]
Net mandatory public and private	65.1	2018	OECD[6]
Net mandatory public	65.1	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] Statistical Office of the Slovak Republic (2020). Statistical Yearbook 2020. Statistical Office of the SR: Bratislava. Additional information on benefit recipients is provided by the OECD Social Benefit Recipients Database (SOCR).

[4] Source: Ministerstvo práce, sociálnych vecí a rodiny Slovenskej republiky, Sociálne poistenie a dôchodkový system, dataset: 'II. pilier v číslach', accessed on 15/10/2021. Please note that individuals who are insured in the *statutory old age pension scheme* and are younger than 35 years of age can opt into the *old age pension savings scheme* and transfer part of their mandatory pension contributions to this scheme.

[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 the 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 the 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: SPAIN

Background Information

General statistics on population & employment*	Value	Year	Source
Working age population (age 15-64)	30,909	2019	Eurostat[1]
Active population, labour force (age 15-64)	22,804	2019	Eurostat[1]
Inactive population, outside labour force (age 15-64)	8,106	2019	Eurostat[1]
Elderly population (age 65+)	8,850	2019	Eurostat[1]
Total population (all ages)	47,104	2019	Eurostat[2]

** number of persons reported (in thousands)*

Coverage

Number of persons insured in mandatory pension schemes*	Value	Year	Source
General scheme (*Régimen General*)	15,691	2020	National[3]
Special scheme for self-employed workers (*Régimen Especial de Trabajadores Autónomos*)	3,268	2020	National[3]
Civil servants' pension scheme (*Régimen de Clases Pasivas*)	360	2020	National[3]
Special scheme for sea workers (*Régimen Especial de Trabajadores del Mar*)	62	2020	National[3]
Special scheme for coal mining workers (*Régimen Especial de la Minería del Carbón*)	1	2020	National[3]

** number of persons reported (in thousands)*

Coverage of funded and private pension plans*	Value	Year	Source
Mandatory/quasi-mandatory pension plans	x	2014	OECD[4]
Auto-enrolment	x	2014	OECD[4]
Voluntary: occupational pension plans	n.a.	2014	OECD[4]
Voluntary: private pension plans	n.a./16.2	2014/2018	OECD[4]/ National[5]
Voluntary: total	26.1	2014	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[6]
Net mandatory public and private	83.4	2018	OECD[6]
Net mandatory public	83.4	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] Secretaría de Estado de la Seguridad Social y Pensiones (2020). Afiliación a la Seguridad Social, Noviembre 2020. Ministerio de Inclusión, Seguridad Social y Migraciones, Gobierno de España: Madrid. The civil servants' pension scheme has been closed for new entries since 1 January 2011. 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. Please note that according to data, the coverage rate of voluntary (total) pension plans was 26.8% of the working age population (age 15-64) in Spain for 2017; see OECD Pension Markets in Focus.

[5] Observatorio Inverco (2019). Distribución de Planes de Pensiones Individuales por Comunidades Autónomas y Provincias (2018). Observatorio Inverco: Madrid.

[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 the 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: SWEDEN

Background Information

General statistics on population & employment*	Value	Year	Source
Working age population (age 15-64)	6,404	2019	Eurostat[1]
Active population, labour force (age 15-64)	5,310	2019	Eurostat[1]
Inactive population, outside labour force (age 15-64)	1,093	2019	Eurostat[1]
Elderly population (age 65+)	1,908	2019	Eurostat[1]
Total population (all ages)	10,279	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 (*Allmän pension*) (age 16-64)	5,596	2019	National[3]
Occupational pension scheme for industry and trade (*ITP*)	n.a.	n.a.	National[4]
Occupational pension scheme for private sector manual workers (*SAF-LO*)	n.a.	n.a.	National[4]
Occupational pension scheme for persons employed by municipalities or regions (*KAP-KL/AKAP-KL*)	1,258	2020	National[5]
Occupational pension scheme for government employees (*PA 16*)	264	2020	National[5]

** number of persons reported (in thousands); 'n.a.' = information not available*

Coverage of funded and private pension plans*	Value	Year	Source
Mandatory pension plans (*here: premium pension system*)	~100	2018	OECD[6]
Quasi-mandatory pension plans	~90	2018	OECD[6]
Auto-enrolment	x	2018	OECD[6]
Voluntary: occupational pension plans	x	2018	OECD[6]
Voluntary: private pension plans	24.2	2015	OECD[6]
Voluntary: total	24.2	2015	OECD[6]

** % 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[7]
Net mandatory public and private	53.4	2018	OECD[7]
Net mandatory public	41.1	2018	OECD[8]

** % 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] Source: Pensions Myndigheten, Intjänande till allmän pension, dataset: 'Pensionsunderlag', accessed on 15/11/2021. Please note that the number of persons refers to those earning pension rights by pensionable income or pensionable amounts in 2019. Potentially all persons who are residents in Sweden and of working age (age 16-64) are covered by the public pension system. Additional information on benefit recipients is provided by the OECD Social Benefit Recipients Database (SOCR).

[4] Data on how many persons are covered by the respective collective agreements is not easily available. Estimates show that approximately 90% of the labour force was covered by collective agreement in 2019 (see also OECD, reference 6). This number refers to all persons (100%) employed in the public sector and 83% in the private sector; see Kjellberg, A. (2019). Kollektivavtalens täckningsgrad samt organisationsgraden hos arbetsgivarförbund och fackförbund. Department of Sociology, Lund University, Studies in Social Policy, Industrial Relations, Working Life and Mobility, Research Reports 2021:1.

[5] Statistiska centralbyrån (SCB) (2020). Kortperiodisk sysselsättningsstatistik. 1:a kvartalet 2020. SCB: Örebro. Please note that the number of persons reported for the *occupational pension scheme for persons employed by municipalities or regions* (*KAP-KL/AKAP-KL*) refers to the actual number of persons employed by municipalities or regions in 2020. The number of persons reported for the *occupational pension scheme for government employees* (*PA 16*) refers to the actual number of persons employed by the government in 2020.

[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). 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 the 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.