



Ministry of Labour, Social Affairs and Family of the Slovak Republic

Status of working pensioners in the pension scheme of the Slovak Republic

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Content of presentation

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2. Early old age pension – recent changes
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4. Pension formula
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Pension system in the SR

☐ **Universal pension system** (covers almost all pensioners in Slovakia):

- **FIRST** pillar
 - Act No. 461/2003 Coll. on social insurance, effective since January 1, 2004
 - PAYG , mandatory, defined benefit pension system (point system)
- **SECOND** pillar
 - Act No. 43/2004 Coll. on the old-age pension saving system, effective since January 1, 2005
 - Fully funded, defined contribution pension system, mandatory from April 1, 2012

☐ **Pension system of armed forces** (covers police officers, soldiers, secret service, etc.) – closed PAYG, mandatory, defined benefit pension system

☐ **Voluntary fully funded THIRD** pillar

- Act No. 650/2004 Coll. on the supplementary pension saving system, effective since January 1, 2005
- No restriction on participation

Social assistance = **0.** pillar, universal benefit, means-tested (minimum income provision)

First pillar

- ❑ Minimum **15 years of insurance**
- ❑ **Unified retirement age 62 years** for men and women (gradually increased)
- ❑ Gradual extension of the contributory period for the computation of the pension (finally **whole period of contributions**)
- ❑ Indexation formula set by law - **swiss formula**
- ❑ **Pension contributions: 28.75%** (18% old age insurance, 6% disability insurance, 4.75% reserve fund of solidarity) - 7% paid by employee + 21.75% paid by employer
- ❑ Administration - Social Insurance Agency (public institution)

Second pillar

- ❑ Minimum **10 years of insurance**
- ❑ **April 1, 2012 mandatory for newcomers** (with the possibility to opt-out of the system within 2 years)
- ❑ **Pension contributions: 9%** from old age insurance (9% SIA + 9% PFMC)
- ❑ Administration – Pension Fund Management Companies (private joint stock companies)
- ❑ **Pension funds:** conservative (bonds), balanced (mix), growth (equity) and none (index)

Universal pension system and working possibilities

Types of pensions:

Old-age pension

Disability pension

- with a decrease in earning capacity by more than 70%
- with a decrease in earning capacity from 41% to 70%

Survivors' pensions

possibility to work without any restrictions and simultaneously receive pension

Early old age pension

restrictions: generally it is not possible to work and simultaneously receive pension (exceptions: agreements, self-employment)

Early old age pension - recent changes

Conditions of entitlement:

- at least 15 years of pension contributions
- 2 years before reaching statutory retirement age at the earliest
- the amount of pension must be 1.2x higher than minimum subsistence level for one adult (0.6x in case of participants of II. pillar)

Early old age pension is **reduced by 0.5% for every started 30 day period** before the statutory retirement age.

Since **January 1, 2011** it is not possible to receive early old age pension while working (affected all early old age pensioners – 2 months for decision)

Comparison between „classical“ employee and employee with pension

| Social insurance rate (employee + employer) | „Classical“ employee | Employee with pension |
|---|----------------------|-----------------------|
| Sickness Insurance Fund | 2.80% | 2.80% |
| Old-age Insurance Fund | 18.00% | 18.00% |
| Disability Insurance Fund* | 6.00% | - |
| Accident Insurance Fund | 0.80% | 0.80% |
| Guarantee Insurance Fund | 0.25% | 0.25% |
| Unemployment Insurance Fund** | 2.00% | - |
| Reserve Fund of Solidarity | 4.75% | 4.75 % |
| TOTAL | 34.60% | 26.60% |
| * old-age pension, early old-age pension | | |
| ** old-age pension, early old-age pension, disability pension with a decrease in earning capacity by more than 70%, disability pension after reaching pensionable age | | |

Comparison between „classical“ self-employed person and self-employed person with pension

| Social insurance rate | „Classical“ self-employed person | Self-employed person with pension |
|----------------------------|----------------------------------|-----------------------------------|
| Sickness Insurance Fund | 4.40% | 4.40% |
| Old-age Insurance Fund | 18.00% | 18.00% |
| Disability Insurance Fund* | 6.00% | - |
| Reserve Fund of Solidarity | 4.75% | 4.75% |
| TOTAL | 33.15% | 27.15% |

*old-age pension, early old-age pension

For the self-employed person obligatory is sickness insurance and pension insurance after reaching certain amount of revenues in previous year (from July 1, 2012 the amount is more than 4 078.68 €)

Old age pension formula

$$OP = APWP \times T \times CPPV;$$

$$PWP = \text{individual earnings} / \text{average earnings}$$

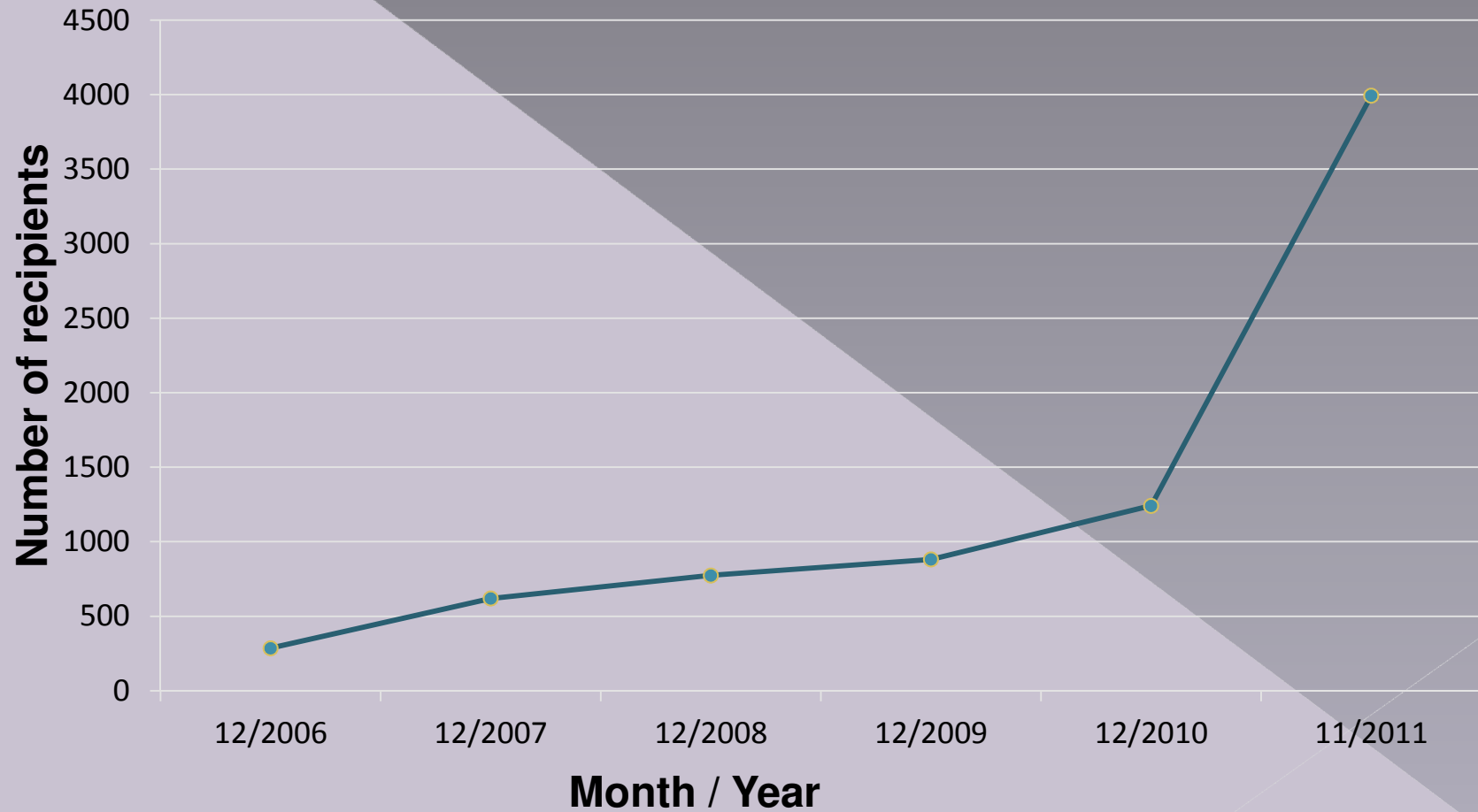
OP = old age pension benefit (monthly); APWP = average personal wage point;
T = number of years of the working career; CPPV = current pension point values

Deferred old age pension

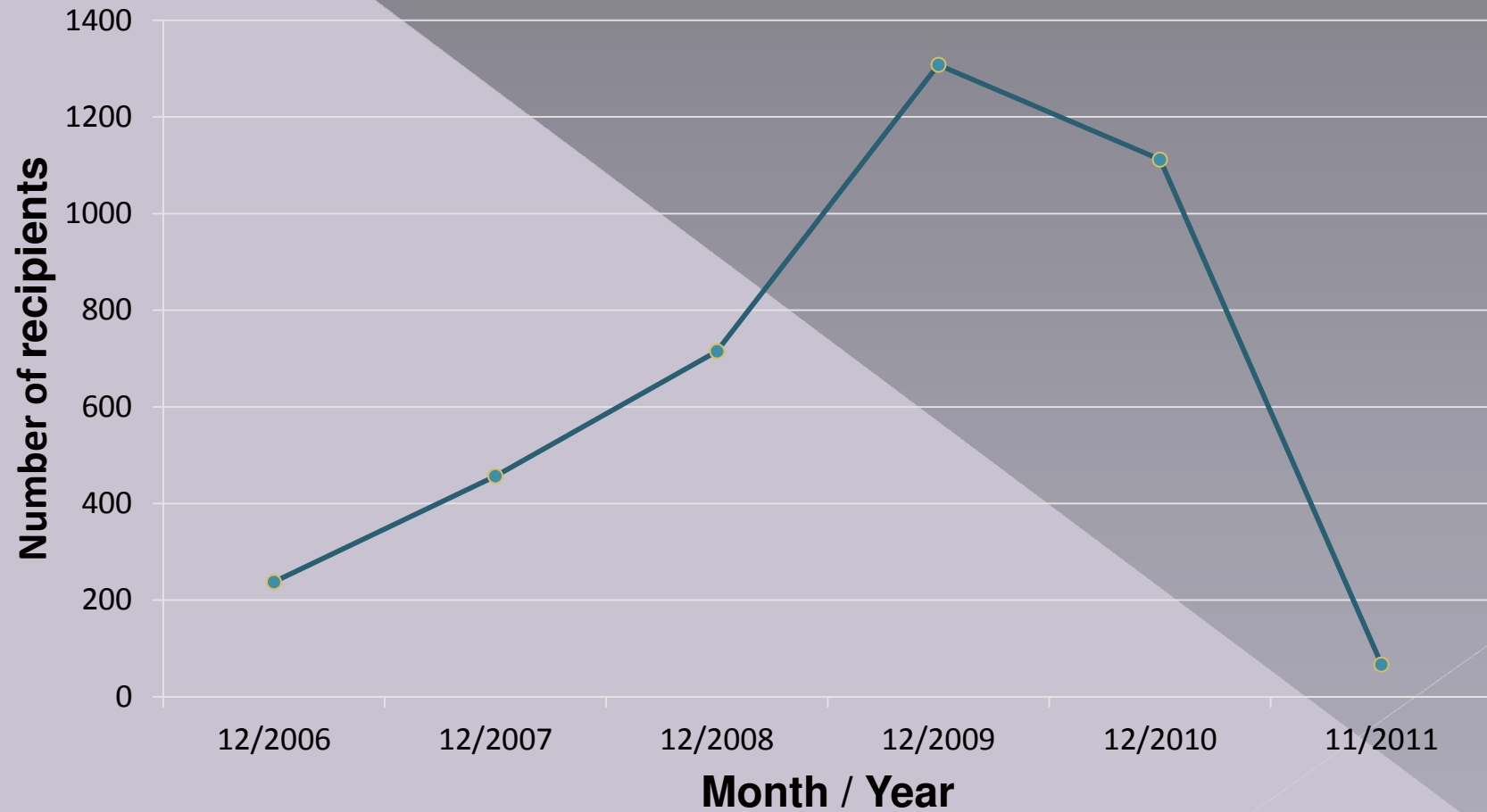
$$OP' = (OP + OP_1) \times (1 + \%);$$
$$OP_1 = PWP \times CPPV$$

OP' = total sum of the pension; OP = the amount of pension acquired at the date of reaching the retirement age; OP₁ = the amount of the pension acquired by the economic activity after the date of reaching the retirement age; % = 0.5% for every 30 days of the economic activity after reaching the retirement age

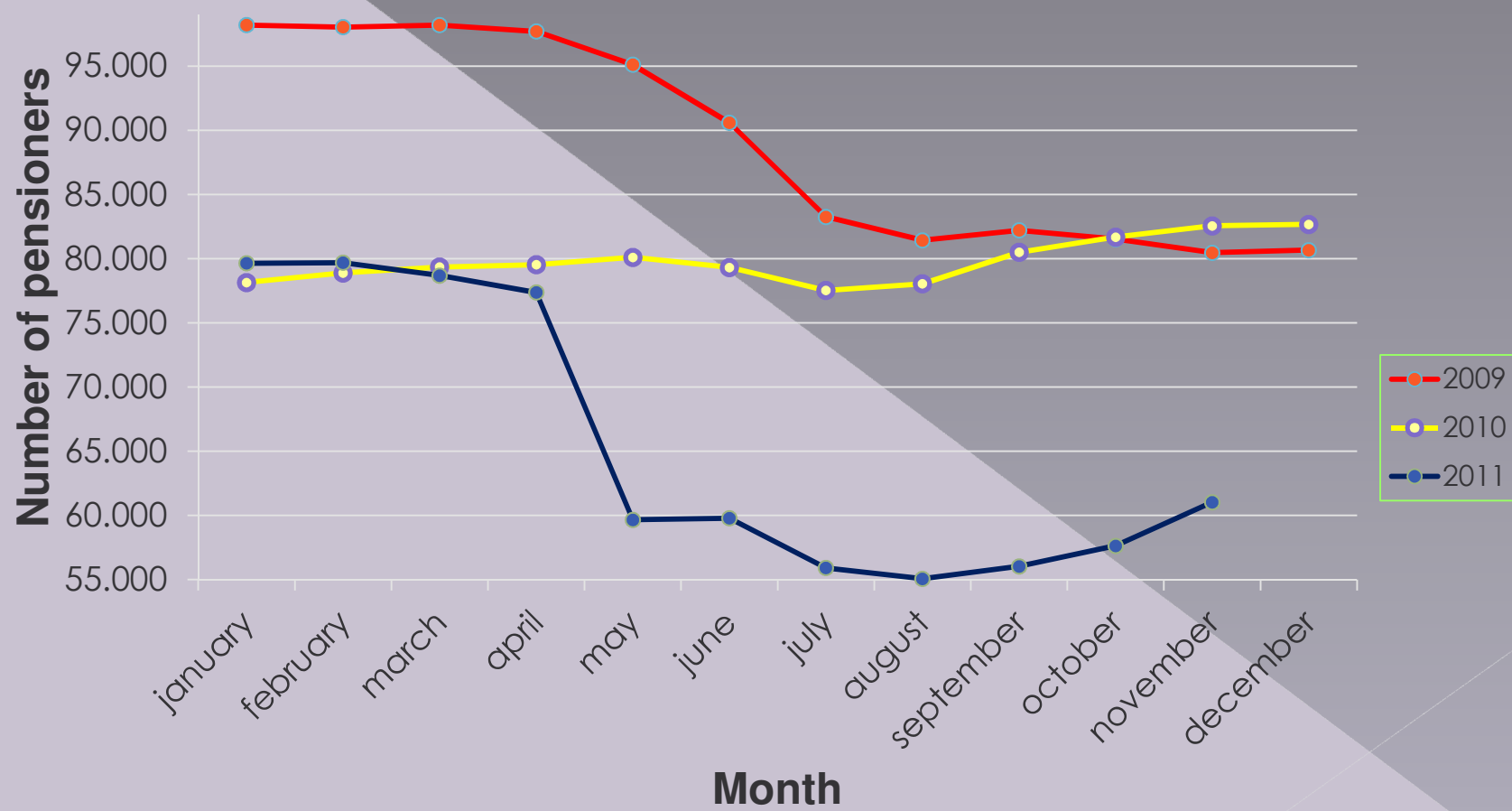
Early old age pensioners (only agreement)



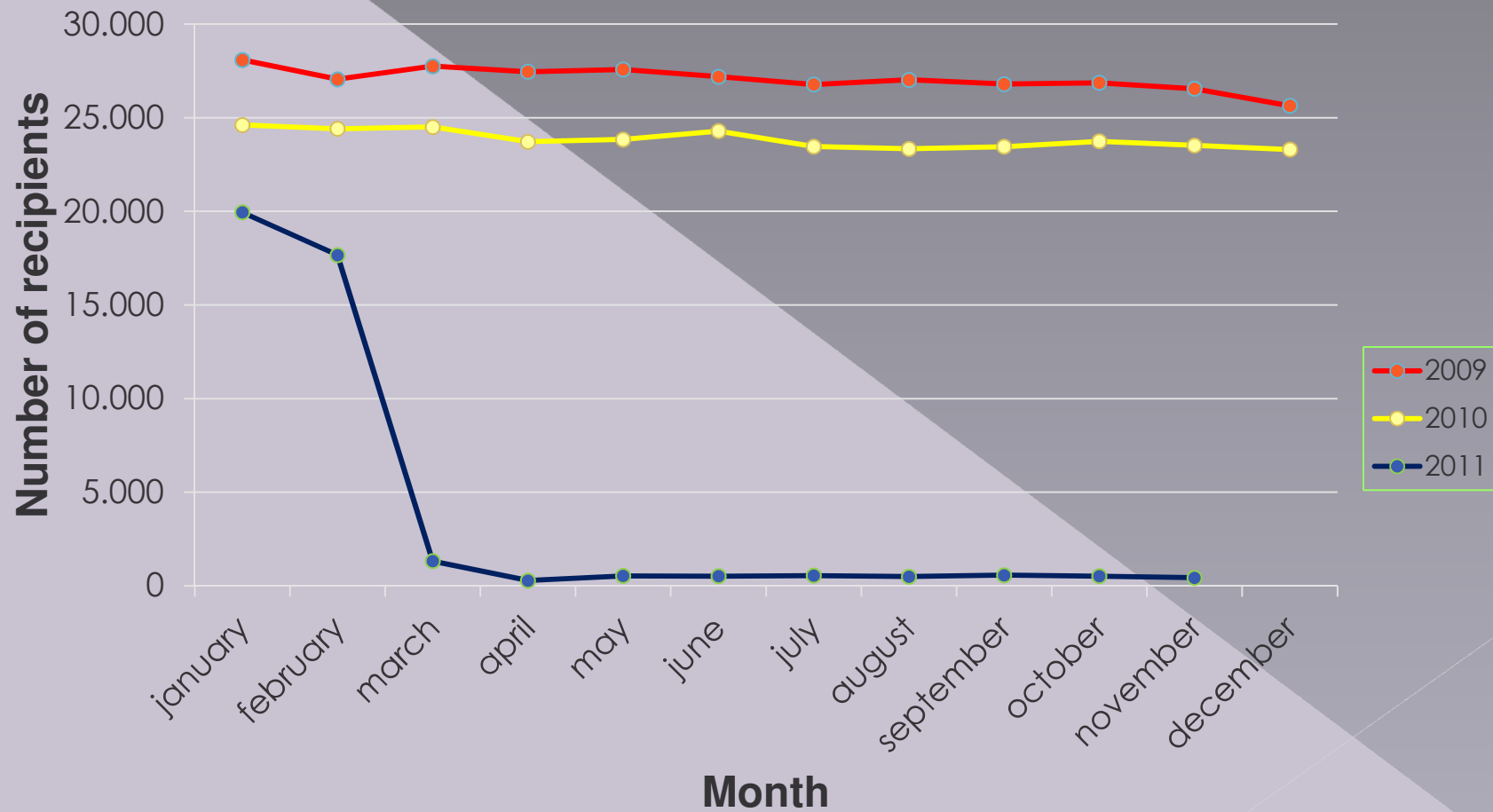
Early old age pensioners (only agreement with other labour relation)



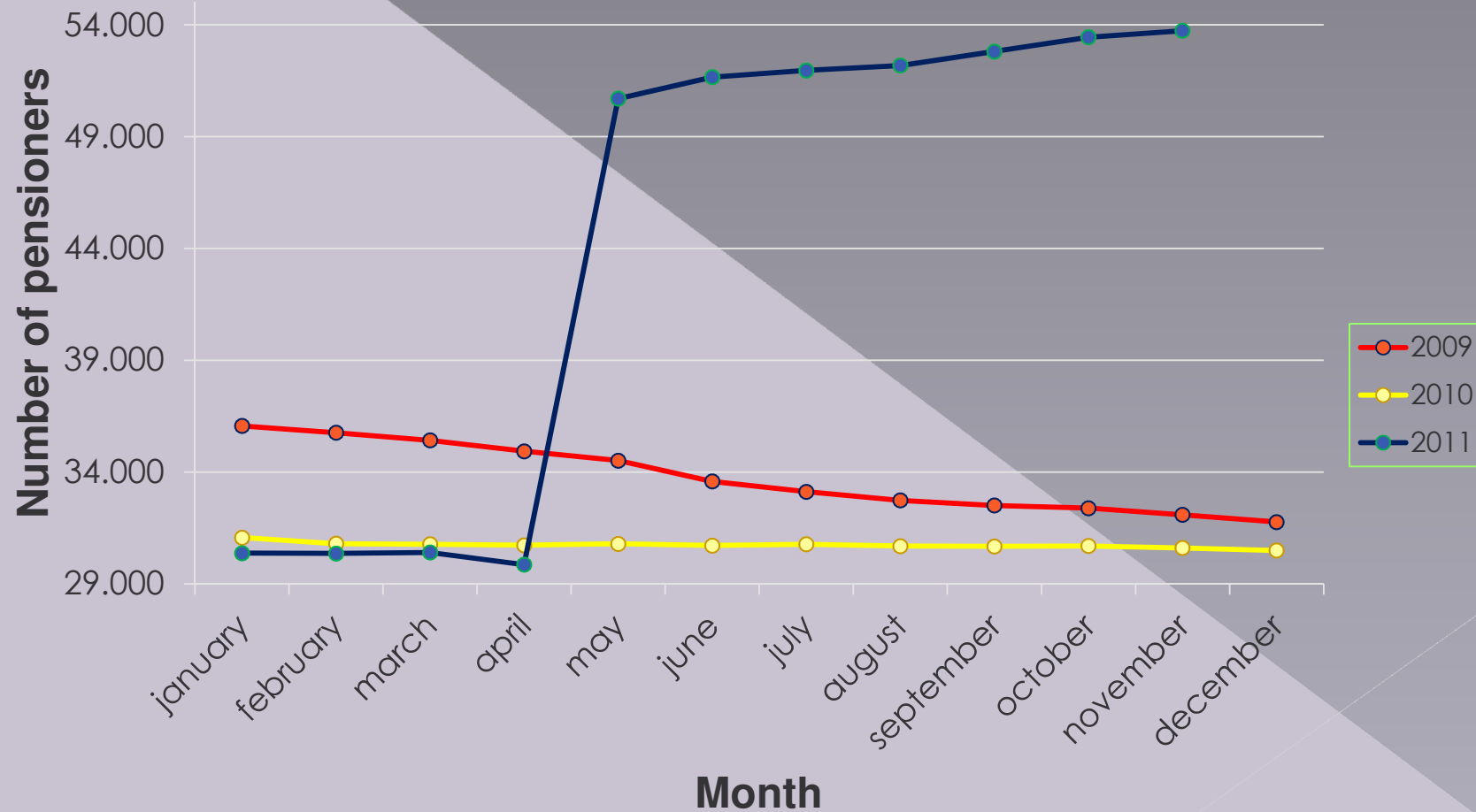
Economically active old age pensioners



Economically active early old age pensioners



Economically active disability pensioners





Thank you for your attention!