

## SPAIN

		Key indicators		
		Spain	OECD	
<p><b>Spain: pension system in 2008</b></p> <p>The Spanish public pension system consists of a single, earnings-related benefit in the contribution level, with a means-tested minimum pension. There is also a non-contribution means-tested level, which replaces the previous special social assistance scheme.</p>	Average earnings	EUR	23 200	27 800
		USD	33 900	40 600
	Public pension spending	% of GDP	8.0	7.0
	Life expectancy	at birth	80.8	78.9
at age 65		84.3	83.1	
Population over age 65	% of working-age population	26.8	23.6	

### Qualifying conditions

The retirement age for a full benefit is 65 years for men and women. 15 years of contributions are necessary to qualify for a pension benefit.

### Benefit calculation

#### *Earnings-related*

The benefit accrues according to a schedule. After 15 years' contributions, it is 50% of the earnings base. Over the next ten years, an extra 3% is accrued per year, followed by 2% per year thereafter. The maximum accrual is 100%, reached after 35 years' contributions.

The earnings base is pay over the last 15 years, up-rated in line with prices, apart from the last two years. This means that the replacement rate relative to final salary is less than 100%. On the standard assumptions for earnings growth and price inflation, this is calculated to be 81%.

There is a ceiling to earnings for contributions and benefit purposes of EUR 36 889.2 corresponding to 159% of average earnings.

Benefits are price-indexed.

#### *Minimum and maximum*

There is a minimum pension payable from age 65 amounting to EUR 530.63 per month, or 32.0% of average earnings, for pensioners without a dependent spouse, and EUR 661.34 per month, or 39.9% of average earnings, for pensioners with a dependent spouse. There are 14 payments per year. There's also a new minimum pension payable to widows amounting EUR 651.63 per month for widows with children in charge.

Due to specific policy from 2004, minimum pensions have increased above the price index in the last years. From 2004 to 2008 price index has increased 13.1% and minimum pensions have increased in a range between 34.4% and 27.0% depending on the type of pension.

The maximum pension is EUR 2 393.87 per month in 2008 (14 payments per year).

## **Variant careers**

### ***Early retirement***

Early retirement is available from age 61 for people entering the system in 1967 or later who are unemployed, provided they have contributed for at least 30 years. The actuarial reduction depends on the number of years of contributions: 7.5% (30-34 years), 7% (35-37 years), 6.5% (38-39 years), and 6% for more than 40 years of contributions.

For people who entered the system before 1967, early retirement is possible from age 60. If retirement is voluntary the reduction is 8% per year. If it is not voluntary reductions are the same as in the case of people aged 61 or more who entered the system in 1967 or later.

The minimum pension for early retirees is EUR 494.44 or 30% of average earnings for pensioners without a dependent spouse, and EUR 618.08 per month, or 37% of average earnings for pensioners with a dependent spouse, and after 65 they move to the higher level.

Between 61 and 64, it is possible to combine partial pension receipt and a part-time job, if working hours are reduced between 25% and 75%. Another employee must replace the remaining working hours left by the partial pensioner. 15 years of contributions are required. Partially retired workers must have been with the last employer for at least 6 years and contributed 30 years or more in total. For people entering the system after 1967, the possibility for partial pensions starts from 60.

### ***Late retirement***

It is possible to defer the pension after normal retirement age. For workers who have contributed 15 years or more and continue working after 65 years old, the pension will increase their benefit by 2% of the base of calculation per additional year. The increase is 3% with 40 years of contributions. Pensioners entitled of a maximum pension entering retirement with 66 years or more will receive an annual lump sum (2% of the maximum pension per additional year after 65, 3% with 40 years of contributions).

From 65 there is also the possibility of combining partial pension and part-time job. In this case, there is no obligation to replace the remaining working hours.

### ***Childcare***

There is coverage for the maternity and paternity period. Two years out of the labour market looking after children count towards eligibility for a pension benefit.

### ***Unemployment***

During periods of unemployment-benefit receipt, the government pays all of the employers' contribution and 35% of the employee's contribution to the pension insurance scheme. The remaining 65% of the employee's contribution is paid by the worker. The base salary for contributions is the average salary in the six months prior to unemployment. The duration of the benefits depends on the number of contribution days during the prior 6 years, varying between 4 months and 2 years. The unemployment assistance which is paid thereafter does not create any pension credits, except for people 52 or more. For these people, contributions for old age pension are paid by the government up to retirement age. These contributions are levied on the minimum base of EUR 699.9 per month.

## **Personal income tax and social security contributions**

### ***Taxation of pensioners***

Pensions are taxed, except for absolute and permanent disability pensioners who do not have any taxation. One special new rule allows the pensioners with low amount not to pay taxes in advance every month.

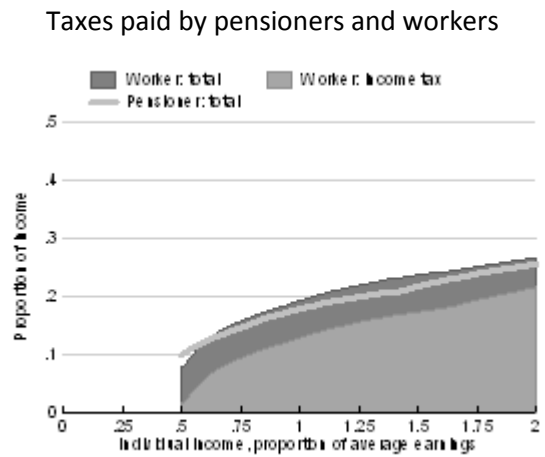
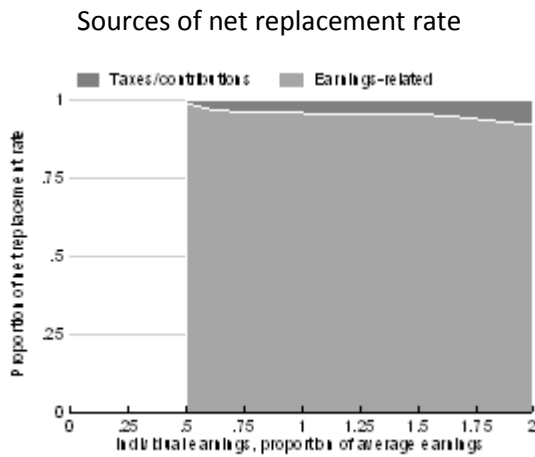
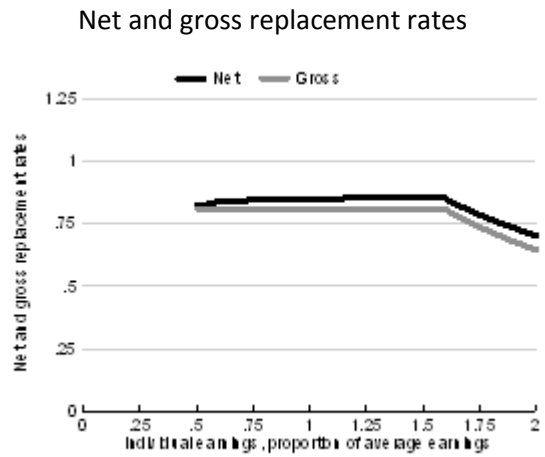
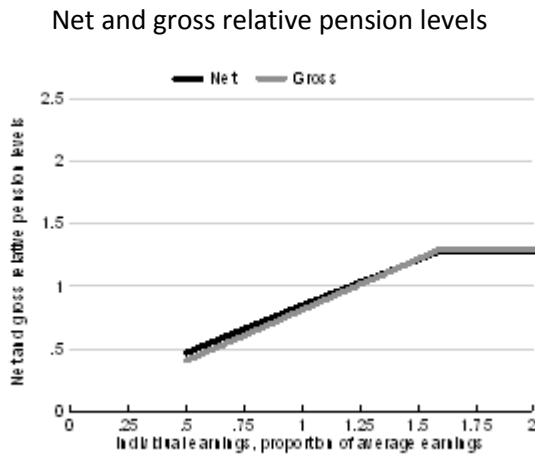
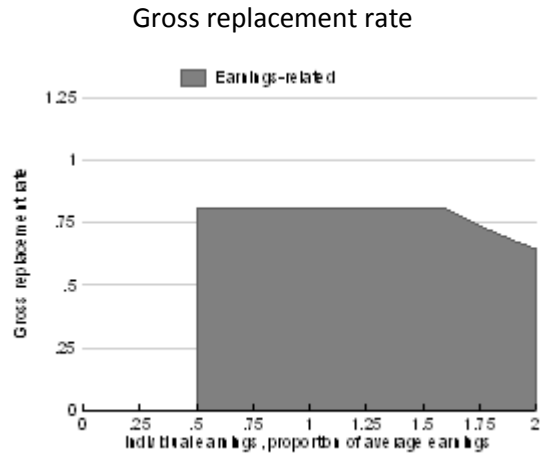
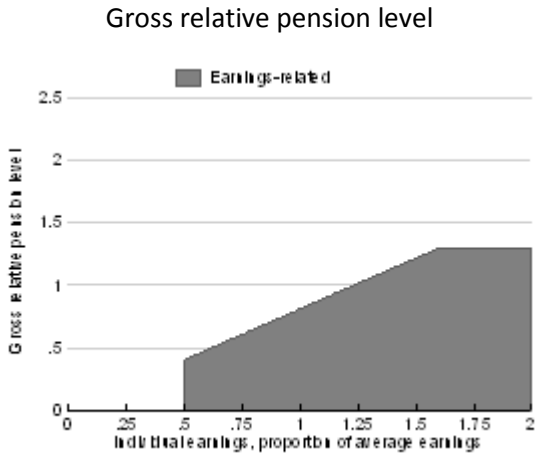
### ***Taxation of pension income***

There are no special allowances for pension income, but there are reductions for people over 65 and 75 years old.

### ***Social security contributions paid by pensioners***

Social security contributions are not levied on pension income.

## Pension modelling results: Spain



Men Women (where different)	Median earner	Individual earnings, multiple of average				
		0.5	0.75	1	1.5	2
Gross relative pension level (% average gross earnings)	63.3	40.6	60.9	81.2	121.8	129.0
Net relative pension level (% net average earnings)	68.3	46.9	66.1	84.9	121.1	127.6
Gross replacement rate (% individual gross earnings)	81.2	81.2	81.2	81.2	81.2	64.5
Net replacement rate (% individual net earnings)	84.5	82.3	84.4	84.9	85.4	70.2
Gross pension wealth (multiple of average gross earnings)	13.7 15.5	13.7 15.5	13.7 15.5	13.7 15.5	13.7 15.5	10.9 12.3
Net pension wealth (multiple of average net earnings)	11.9 13.5	12.8 14.5	12.0 13.6	11.6 13.1	11.0 12.5	8.7 9.8