

SLOVENIA

		Key indicators		
		Slovenia	OECD	
<p>Slovenia: pension system in 2008</p> <p>There is an earnings-related pension with a minimum pension. There is a social-assistance scheme for low-income pensioners.</p>	Average earnings	EUR	15 800	27 800
		USD	23 100	40 600
	Public pension spending	% of GDP	9.6	7.0
	Life expectancy	at birth	78.3	78.9
		at age 65	82.3	83.1
	Population over age 65	% of working-age population	24.8	23.6

Qualifying conditions

The main qualifying conditions are shown in the table. For women, the number of years' contributions needed to retire at the minimum age is increasing at 3 months per year to reach 38 years from 2013. At the same time, the minimum pension age is increasing by 4 months per year to reach 58 from 2014. The pension ages for women with shorter contribution histories are also increasing.

Men	Contribution years	15	20	40
	Pension age	65y	63y	58y
Women (2008)	Contribution years	15	20	36y9m
	Pension age	63y	61y	56y
Women (2014)	Contribution years	15	20	38
	Pension age	63y	61y	58y

A 'full pension age' has recently been introduced, and this will reach 63 for men from 2009 and 61 for women from 2023.

Benefit calculation

Earnings-related

The earnings-related scheme pays 35% of earnings for men and 38% for women once the minimum qualifying condition (15 years' contributions) has been met. Thereafter, the accrual rate is 1.5% per year. This means that the replacement rate with the full contribution condition (40 years for men, 38 for women) is 72.5% for both sexes.

The earnings measure is based on a period of best consecutive years since 1970. The period of assessment has been extended since 2000 and reached 18 years from 2008. The pension is calculated on the basis of individual net earnings.

The adjustment of earlier years' earnings to reflect changes in costs and standards of living is currently very complex. First, earlier years' earnings are valorised in line with the growth in economy-wide average earnings. Then, to equalise the value of pensions between retirees in different years, benefits of new retirees are reduced by a factor relating to earnings growth in the last few years. For example, valorised earnings for an individual retiring in 2007 were cut to 76.3% of their full value. For an individual retiring in 2008, the reduction factor was 74.9%.

There is a minimum pension rating base that applies to pensionable earnings. The minimum base had three different values during calendar 2008, averaging EUR 517.40 per month.

There is also a maximum to pensionable earnings, set at 4 times the minimum pension rating base. This averaged EUR 2 069.60 per month in 2008.

Pensions in payment are increased broadly in line with the growth in average gross earnings two times per year (February and November). The measure of pension increase is the growth of the minimum pension rating base, which must not exceed (with indexations in February and November) the estimated growth of average gross earnings in that year. The increase of average pension is lower according to the adjustment of a majority of pensions each February than to changes in the value of each qualifying year since 2000.

Minimum

The minimum pension is defined as 35% of the minimum pension rating base.

Targeted

There is a means-tested social-security allowance for low-income pensioners. Its value depends on the number of years of contributions. People with 15 years' contributions receive 60% of the difference between the limit amount for the assessment of social-security allowance (the target minimum level of income) and their pension entitlement. Those with 20 years' contribution receive 70% and those with a full career receive 100%.

The limit amount for the assessment of social-security allowance was EUR 422.20 from 1 February 2008 and is the same for all regardless of contribution years. The indexation rule for targeted pension is the same as for other pensions.

From 1 February 2008, a pensioner on a pension lower than the social-security allowance limit amount was entitled to this allowance if his/her income, together with income of his/her family members who he/she was living with in the same household, in 2007, did not exceed EUR 388.86 per member per month, and if the property of all family members did not exceed EUR 22 407.55.

Variant careers

Early retirement

For retirement before the full pension age, the pension is reduced as follows:

Age (lower limit)	58	59	60	61	62
Reduction (monthly)	0.3%	0.25%	0.2%	0.15%	0.1%
Reduction (annual)	3.6%	3%	2.4%	1.8%	1.2%

The maximum possible reduction of old age pension for men amounts to 18.0 per cent and for women to 10.8 per cent.

Late retirement

If a person postpones claiming old-age pension at the minimum pension age (currently – in 2008 - 58 for men and 56 for women, equalised at 58 from 2014), additional years of insurance up until full pension age attract a higher accrual rate.

Contribution years (lower limit)					
Men	41	42	43	44	after
Women	39	40	41	42	after
Accrual rate	3%	2.6%	2.2%	1.8%	1.5%

There is also an adjustment to benefits for people who defer their pension claim after the full pension age. In the first year (age 63 to 64 for men and age 61 to 62 for women), the increment is 0.3% per month. It falls to 0.2% per month in the second year and 0.1% in the third. The maximum possible increment is therefore 7.2%.

Childcare

Maternity periods of up to a year are covered by the pension system. Contributions based on the value of the minimum wage are paid by the state. The benefits for this period are calculated on the basis of earnings when the mother was working.

In addition, one of the parents who switch to part-time work when the child is 3 or under is treated as if he or she worked full time.

There is also the possibility of paying voluntary contributions for periods out of the labour market caring for children up to age 7.

Unemployment

Recipients of unemployment insurance benefits are covered by the pension system, with the Employment Agency paying the contributions. People over 50 with 25 years' insurance can receive unemployment benefits for 18 months and older workers (over 55) with 25 years' insurance can receive unemployment benefits for 24 months. For people with longer periods of unemployment who have exhausted their entitlement to unemployment insurance, the state pays the contribution and credits up to 3 years required to meet the qualifying conditions.

The value of unemployment benefits (both insurance and assistance payments) is taken into account when calculating pension benefits.

Personal income tax and social security contributions

Taxation of pensioners

Individuals-residents of Slovenia are taxed on their world wide income. The taxable income includes all income in the form of the pension received (from the compulsory social insurance, pensions from the supplementary voluntary insurance for age, pensions from abroad...). Residents are given a general (basic) allowance as a deduction from the tax base which was in 2008 equal to EUR 2 959.60. In 2008 an additional general allowance of EUR 2 000 was introduced when taxable income was lower than EUR 8300 and of EUR 1000 when taxable income was between EUR 8 300 and EUR 9 600. Residents are entitled to the family allowances as well. Residents older than 65 years are entitled to the seniority allowance which in 2008 was equal to EUR 1723.60.

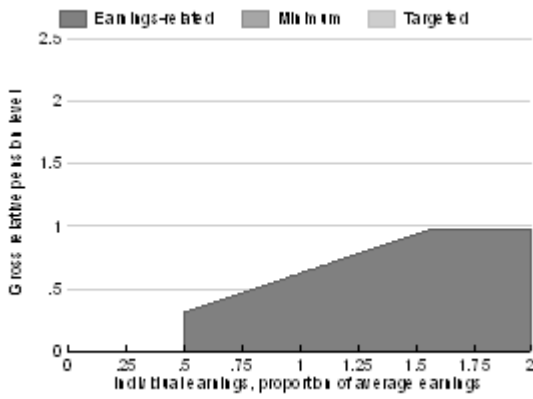
Resident pensioners are additionally granted a credit equal to 13.5% of the pension received out of the compulsory pension and disability insurance; the same credit is granted to residents who receive compensation for occupational disability from the same insurance.

Social security contributions paid by pensioners

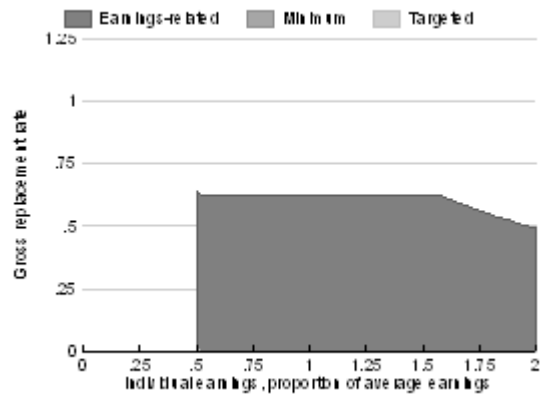
The pensioners are covered by the compulsory health insurance and pensioners do not pay the contributions. Instead, Pension and Disability Fund pays contribution (5.96% of gross pension).

Pension modelling results: Slovenia

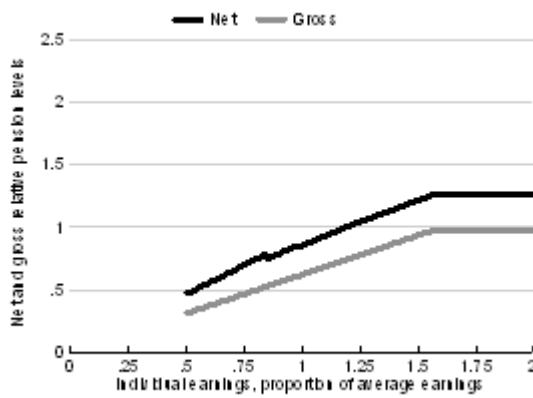
Gross relative pension level



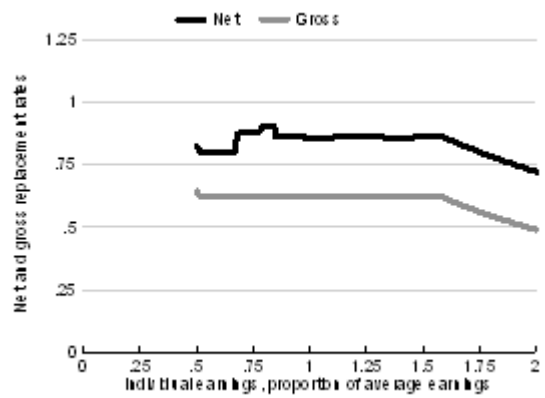
Gross replacement rate



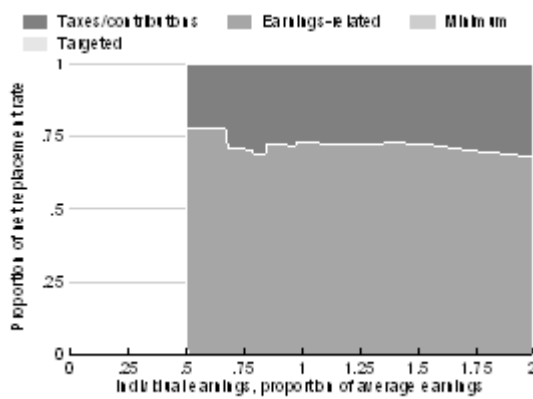
Net and gross relative pension levels



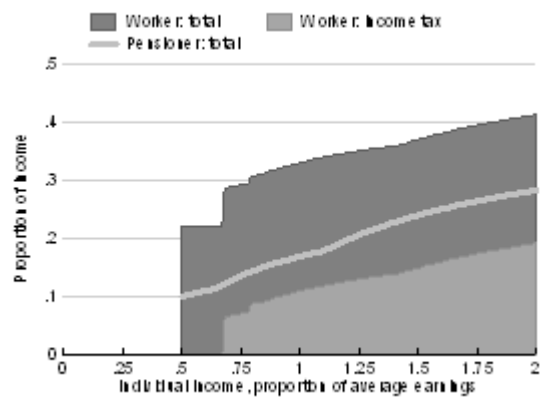
Net and gross replacement rates



Sources of net replacement rate



Taxes paid by pensioners and workers



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)	50.5	32.1	46.8	62.4	93.6	98.3
Net relative pension level (% net average earnings)	75.5	48.0	69.9	85.4	121.5	126.6
Gross replacement rate (% individual gross earnings)	62.4	64.3	62.4	62.4	62.4	49.1
Net replacement rate (% individual net earnings)	90.2	82.5	88.1	85.4	86.2	72.2
Gross pension wealth (multiple of average gross earnings)	12.6 16.9	13.0 17.4	12.6 16.9	12.6 16.9	12.6 16.9	9.9 13.3
Net pension wealth (multiple of average net earnings)	12.6 16.9	13.0 17.4	12.6 16.9	11.5 15.5	10.9 14.7	8.5 11.5