


Austria

Austria: Pension system in 2012

The pension system consists of a defined-benefit public scheme with an income-tested top-up for low-income pensioners.

Key indicators

		Austria	OECD
Average worker earnings (AW)	EUR	40 900	32 400
	USD	53 900	42 700
Public pension spending	% of GDP	13.5	7.8
Life expectancy	At birth	81.0	79.9
	At age 65	19.6	19.1
Population over age 65	% of working-age population	29.7	25.5

StatLink  <http://dx.doi.org/10.1787/888932908364>

Qualifying conditions

Normal pension age is 65 for men. For women, retirement age is currently 60 years but will be increased to 65 between 2024 and 2033. There is a coverage condition: 180 months (15 years) in the last 30 years or 300 months (25 years) during the full lifetime. Alternatively, 180 months of contributions actually paid (as opposed to coverage alone) are sufficient. Insured months are either contributory months (from employment or voluntary contributions) or supplementary (i.e. credited months, known as *Ersatzzeiten*) for which only limited contributions are paid. Within the pension reform 2005 the number of contribution years due to gainful employment required for old-age-pension has been reduced from 15 to 7 years. The remaining minimum insurance period of eight years can be reached, e.g. by child raising periods.

Benefit calculation

Earnings-related

The pension benefit currently accrues at 1.78%. The earnings measure is currently the best 24 years' earnings. The valorisation procedure is complex although in practice adjustments have been closer to price inflation than to earnings growth. The averaging period is being extended; it will reach 40 years from 2028. Valorisation for the new pension account system – since 2005 – is in line with earnings growth. The modelling takes this full-career measure and assumes that earlier years' earnings are revalued in line with earnings growth, though the final year is not adjusted.

Contributions are payable up to a ceiling of EUR 59 220 a year, corresponding to 145% of average earnings.

The yearly adjustment for pensions in payment is basically in line with CPI.

In 2012, most pensions were valorised according to the consumer price index. Only for very high pensions above the level of EUR 3 300 gross per month a reduced indexation applies.

Targeted

There is a means-tested top-up (*Ausgleichszulage*) that ensures a minimum retirement income of EUR 814.82 per month for single people and EUR 1 221.68 for a couple. There are 14 annual payments. Again, adjustment of the safety-net income is discretionary; the modelling implicitly assumes that it will rise in line with average earnings.

Variant careers

Early retirement

Early retirement is currently possible on the grounds of:

1. *Long-term insurance periods* (“Vorzeitige Alterspension bei langer Versicherungsdauer”), currently an insurance period of at least 37.5 insurance years is necessary this pension is phased out in 2017: retirement age in July 2012: 63 years and eight months for men, 58 years and eight months for women, and rising further to 65 for men and 60 for women in 2017 also the eligibility criteria will be stepwise increased from 37.5 to 40 insurance years in the period 2013 until 2017.
2. *Long-term insurance contributions* (“Langzeitversichertenpension – Hacklerregelung”), currently a contribution period of 40 (women)/45 (men) contributory years or more is required (with increasingly aggravated access as from 2014; current retirement age: 60 for men, 55 for women; as from 2014: 62 for men, 57 for women, stepwise to 62 (deduction per year: 4.2%).
3. *Physically hard work combined with long-term insurance periods* of 45 insurance years or more (“Schwerarbeitspension”), retirement age: 60 for men, 55 for women (deduction per year: 1.8%).
4. *Corridor-pension* (“Korridorpension”) at the age of 62 for both sexes, when having 37.5 insurance years or more. The eligibility criteria will be stepwise increased from 37.5 to 40 years in the period 2013 until 2017 (deduction per year: 5.1%).
5. *Disability*: Reform of the disability pension scheme on the basis of the philosophy “Rehabilitation and Prevention before Pension”; for those who were born 1964 or later medical or occupational rehabilitation instead of a temporary disability pension from 2014 onwards.

Late retirement

For retirement between the ages of 65 and 68 the pension is increased by 4.2% per year and there is no such increment after 68. Workers who defer their pension continue to pay contributions thereby increasing their pension entitlements.

Combining work and pensions is possible but there is an earnings limit. If pensioners below the age of 65 earn more than EUR 376.26 the pension is fully withdrawn. After age 65, unlimited earnings from work and pension receipt are permitted.

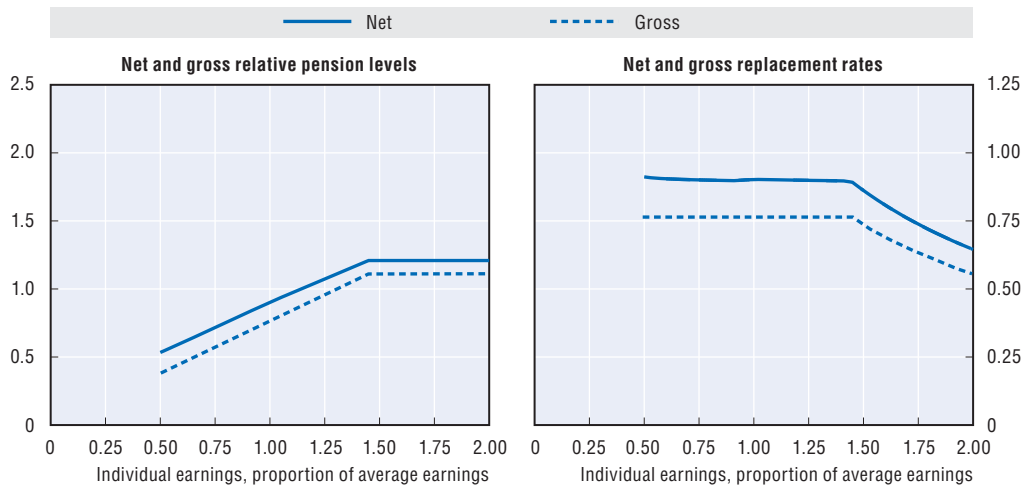
Childcare

Periods spent out of paid work for childcare are taken into account in two different ways. Childcare periods of up to four years per child are credited on the basis of a fictitious pensionable salary of EUR 1 570 per month. But only two years per child are covered years and count towards the qualifying period for pension entitlement (four years for those who were born after 1955 – see above, section “Qualifying conditions”).


Unemployment

Periods of receiving unemployment insurance benefits and unemployment assistance (at 70% of the assessment basis) count as contribution years.

Pension modelling results: Austria



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)	63.6	38.3	57.5	76.6	111.1	111.1
Net relative pension level (% net average earnings)	77.6	53.3	71.7	90.2	120.9	120.9
Gross replacement rate (% individual gross earnings)	76.6	76.6	76.6	76.6	74.0	55.5
Net replacement rate (% individual net earnings)	89.9	91.2	90.1	90.2	86.2	64.5
Gross pension wealth (multiple of individual gross earnings)	10.5	10.5	10.5	10.5	10.1	7.6
Net pension wealth (multiple of individual gross earnings)	8.6	9.8	8.7	8.3	7.4	5.5
	9.5	10.8	9.7	9.1	8.2	6.1

StatLink  <http://dx.doi.org/10.1787/888932908383>