


Israel

Israel: Pension system in 2012

The state pension comprises a universal insurance pension combined with means-tested income support. Until 2008 second-pillar pensions were common, but voluntary. As of January 2008 mandatory contributions to defined-contribution pension funds have been introduced.

Key indicators

		Israel	OECD
Average worker earnings (AW)	ILS	119 900	159 400
	USD	32 100	42 700
Public pension spending	% of GDP	5.0	7.8
Life expectancy	At birth	81.7	79.9
	At age 65	19.9	19.1
Population over age 65	% of working-age population	19.4	25.5

StatLink  <http://dx.doi.org/10.1787/888932909048>

Qualifying conditions

A schedule gradually increasing the ages of entitlement to the state pension began in 2004 with increases from 65 to 67 years for men and from 60 to 62 for women. Men's retirement age reached 67 years in 2010 while women's is 62 and not due to reach 64 years, subject to legislation, until 2017. There are limits on the earnings from work for entitlement to the pension until age 70 for men and as of 2009, age 67 for women (this is being increased to 70 years).

Benefit calculation

Old-age pension

For those covered under the system they contribute 0.22% of earnings below, plus 3.85% of earnings above, 60% of the national average wage, which was ILS 8 619 in January 2012.

The minimum earnings for contribution purposes are ILS 4 100, equal to the minimum wage. Anyone earning less than this amount pays contributions as if earning the minimum.

The maximum earnings for contribution purposes are five times the national average wage in 1 January 2012.

Social insurance

A single pensioner receives 17.7% of the old-age basic amount a month, with a couple receiving 26.6%. The old-age basic amount is ILS 8 370.

There is a seniority increment where the pension is increased by 2% for each year of insurance coverage exceeding ten years, up to a maximum equal to 50% of the pension.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

The income supplement is paid if income, including the pension, is less than the minimum level for subsistence. Rates vary between 28.8% and 62.9% of the old-age basic amount a month, depending on marital status and the number of children. The resulting amount is increased by an additional 7%.

Income support is withdrawn at a rate of 60% in the presence of income from defined-contribution pensions.

Defined contribution

Mandatory contributions have applied to earnings up to the average wage for all employees since January 2008. Initially the rates were modest with a total contribution of 2.5% but are scheduled to increase to 15% (5% from employees and 10% from employers) by 2013. Half of the employers' contribution also provides severance insurance which, if utilised, diminishes the pension.

Minimum

The minimum is covered within the social insurance referenced above.

Variant careers

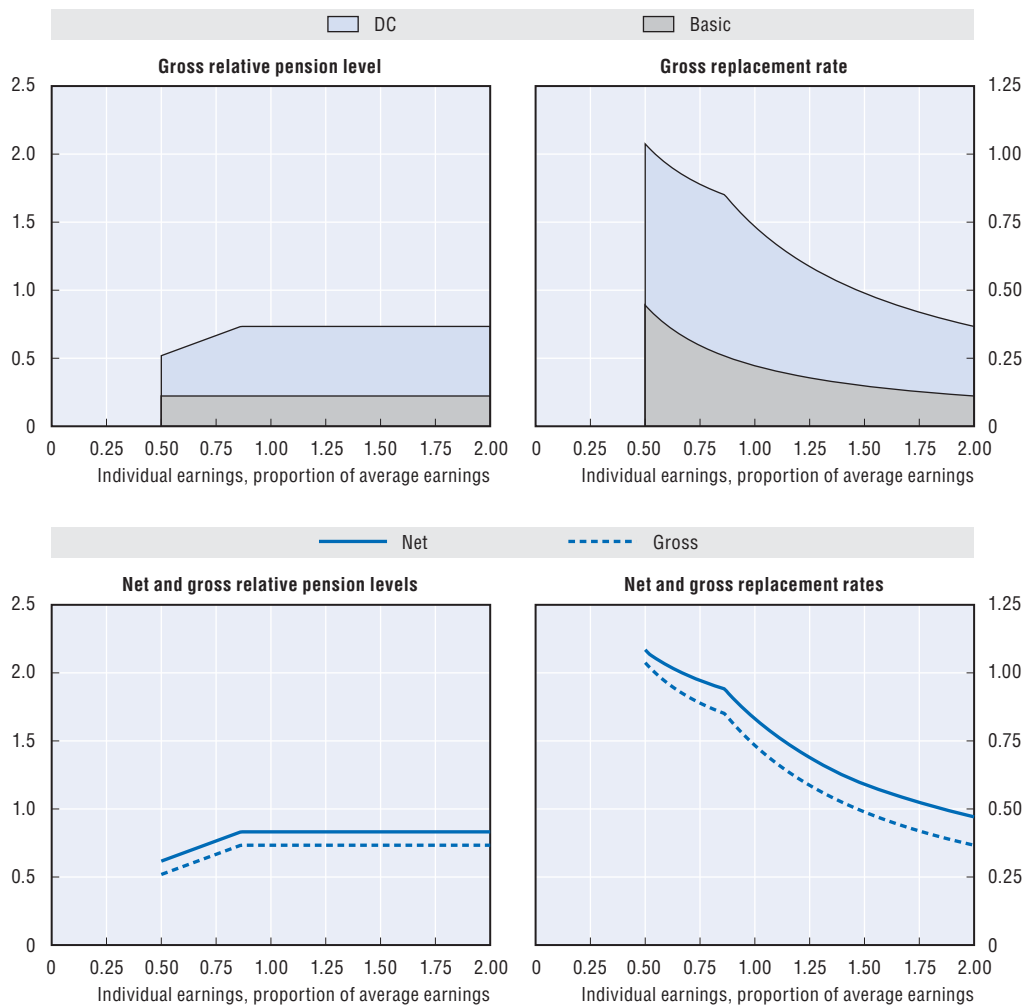
Early retirement

It is not possible to receive a pension prior to the normal pension age.

Late retirement

The pension is increased by 5% for each year of deferred retirement.

Pension modelling results: Israel



Men Women (where different)	Median earner	Individual earnings, multiple of average				
		0.5	0.75	1	1.5	2
Gross relative pension level	70.2	51.9	66.7	73.4	73.4	73.4
(% average gross earnings)	62.2	46.9	59.3	64.8	64.8	64.8
Net relative pension level	80.1	61.7	76.5	83.2	83.2	83.2
(% net average earnings)	72.0	56.2	69.1	74.7	74.7	74.7
Gross replacement rate	86.7	103.7	88.9	73.4	48.9	36.7
(% individual gross earnings)	76.8	93.9	79.0	64.8	43.2	32.4
Net replacement rate	95.5	108.5	97.2	83.2	59.1	47.1
(% individual net earnings)	85.9	98.8	87.8	74.7	53.0	42.3
Gross pension wealth	14.3	17.1	14.7	12.1	8.1	6.1
(multiple of individual gross earnings)	15.2	18.6	15.7	12.9	8.6	6.4
Net pension wealth	13.2	16.5	13.6	11.1	7.4	5.6
(multiple of individual gross earnings)	14.3	18.0	14.8	12.0	8.0	6.0

StatLink  <http://dx.doi.org/10.1787/888932909067>