

Spain

Spain: Pension system in 2012

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.

Key indicators

		Spain	OECD
Average worker earnings (AW)	EUR	25 600	32 400
	USD	33 700	42 700
Public pension spending	% of GDP	9.3	7.8
Life expectancy	At birth	82.0	79.9
	At age 65	20.4	19.1
Population over age 65	% of working-age population	27.9	25.5

StatLink  <http://dx.doi.org/10.1787/888932909656>

Qualifying conditions

Following the pension reform of 2011, the retirement age for a full benefit has just been increased from 65 years to 67 years for both men and women. 15 years of contributions are necessary to qualify for a pension benefit. It will still be possible to retire at 65 without penalty with 38.5 years of contributions. In the modeling, entry into the labour market occurs at 20 and a full contribution is assumed. These assumptions correspond to a pension age of 65.

Benefit calculation

Earnings-related

Previously, the benefit accrued according to the following 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. Following the reform the accrual is still 50% after 15 years and thereafter it will reach 100% after 37 years increasing linearly.

The earnings base, after the reform, is past earnings over the last 25 years (compared with 15 years previously), 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%.

There is a ceiling to earnings for contributions and benefit purposes of EUR 39 150 corresponding to 153% of average earnings.

Benefits are price-indexed.

Minimum and maximum

There is a minimum pension payable from age 65 amounting to EUR 618.9 per month, or 34% of average earnings, for pensioners without a dependent spouse, and EUR 763.6 per month, or 42% of average earnings, for pensioners with a dependent spouse. There are 14 payments per year. There is also a minimum pension payable to widows amounting EUR 715.6 per month for widows with children in charge and a minimum pension for orphans.

Minimum pensions have increased above the price index in the last years. From 2004 to 2012 price index has increased 22.87% and minimum pensions have increased between 55.6% and 40.5% depending on the type of pension.

The maximum pension is EUR 2 522.89 per month in 2012 with 14 payments per year.

Variant careers

Early retirement

Early retirement is possible from age 63 (involuntary unemployment) and 65 (voluntary unemployment) previously 61 (involuntary unemployment) and 63 (voluntary unemployment), provided they have 33 years or 35 years of contributions (previously 33 years required in both cases). The actuarial reduction on benefits varies from 2% to 1.5% each quarter depending on the length of the period of contributions.

The minimum pension for early retirees is EUR 578.9 or 32% of average earnings for pensioners without a dependent spouse, and EUR 715.6 per month, or 39% of average earnings for pensioners with a dependent spouse, and after 65 they move to the higher level.

Partial retirement is possible from age 63 (with a new employee) or from 65 (without substitution). Both the new and the partially retired employee will contribute fully to the pension system. Prior to the reform, partially retired only contributed proportionally of the working day effectively worked.

Late retirement

It is possible to defer the pension after normal retirement age. For workers who have contributed between 15 and 25 years and continue working after the age of 67, the pension benefit will increase by 2% of the base of calculation per additional year. The increase is 2.75% with 25 to 37 years of contributions and 4% with 37 years of contributions.

From 67 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.

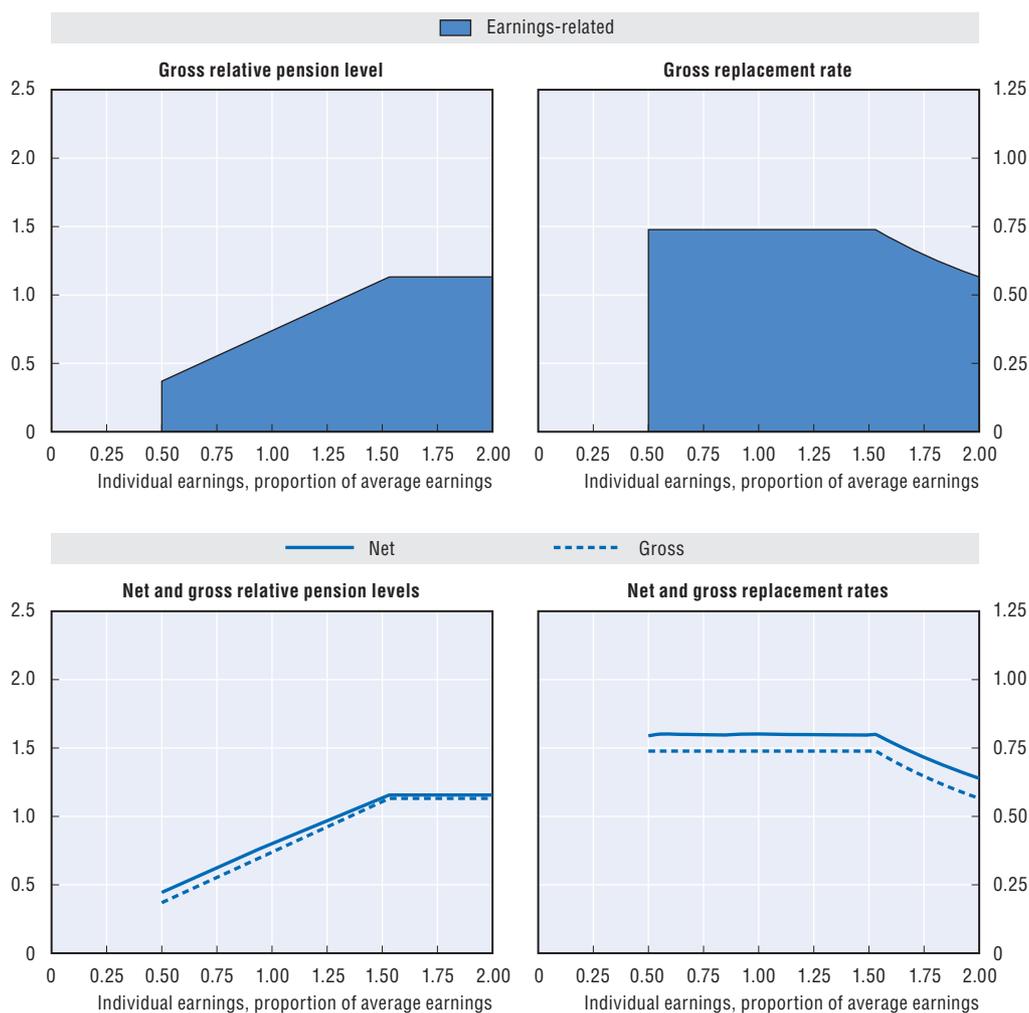
Childcare

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 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 six years, varying between four months and two years. The unemployment assistance which is paid thereafter does not create any pension credits, except for people 55 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 100% of the minimum base of EUR 748.2 per month.

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)	57.6	36.9	55.4	73.9	110.8	113.2
Net relative pension level (% net average earnings)	64.6	44.4	62.4	80.1	113.6	115.7
Gross replacement rate (% individual gross earnings)	73.9	73.9	73.9	73.9	73.9	56.6
Net replacement rate (% individual net earnings)	79.8	79.5	79.9	80.1	79.8	63.9
Gross pension wealth (multiple of individual gross earnings)	12.9	12.9	12.9	12.9	12.9	9.8
Net pension wealth (multiple of individual gross earnings)	11.1	15.0	15.0	15.0	15.0	11.5
	13.0	14.0	13.1	12.6	11.9	7.8
						9.1

StatLink  <http://dx.doi.org/10.1787/888932909675>