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

Qualifying conditions

The normal pension age is currently 65 for men and 60 for women. The retirement age for women will increase from 60 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 Ersatzeiten (before 2005) or Teilversicherungszeiten (after 2004)) for which only limited contributions are paid. Within the 2005 pension reform the number of contribution years due to gainful employment required for old-age pension was 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%. For those born before 1955 the earnings measure is currently the best 28 years’ of revalued earnings. The averaging period is being extended and it will reach 40 years in 2028. For those born in 1955 and after the contribution base are the lifetime earnings.

Past earnings are valorised in line with earnings growth except for the year of retirement and the year before retirement. Contributions are payable up to a ceiling of EUR 68 040 (2016). The yearly adjustment for pensions in payment is basically in line with CPI. In 2016 pensions were valorised by 1.2%.

Targeted

Retirees with low earning-related benefits also receive a means-tested top-up (Ausgleichszulage) equal to EUR 882.78 per month for a single person household (EUR 1 323.58 for couples). There are 14 annual payments and adjustment of the safety-net income is discretionary.

Means tested minimum income scheme (bedarfsorientierte Mindestsicherung)

The means-tested minimum income scheme (bedarfsorientierte Mindestsicherung) is the modernised version of the former social assistance scheme (Sozialhilfe) which was reformed in 2011. The aim of the means-tested minimum income scheme is to provide a decent standard of living for individuals who are not able to meet their daily living costs or those of their dependant family members. The assistance scheme is not specifically designed for older people. However older people may apply only when there are no other resources (i.e. pension etc.) available. The means-tested minimum income scheme is a general residency
based non-contributory system. Several groups are assimilated to Austrian citizens, including EEA citizens, third-country nationals with specific residence permits (notably “permanent resident - EU”) and – in principle – recognised refugees. The Länder (Landesgesetzgebung) are responsible for the means-tested minimum income scheme.

The monthly threshold in 2016 was EUR 837.76 for single persons (EUR 1 256.64 for couples). Before applying for any means-tested minimum income scheme all individual resources have to be used up to a threshold of EUR 4 188.79 in 2016. House or flat ownership is possible, but the authorities might include it in the deeds (Grundbuch) after some time.

**Additional benefit**

Any additional needs which are not covered by the minimum standard (for instance expenses for appropriate accommodation and heating) can be covered by an additional supplementary benefit.

These benefits are very diverse and vary between a flat-rate allowance and the coverage of the actual appropriate costs for dwelling. The additional benefits are provided by the Länder, who may grant housing allowances (Wohnbeihilfe) as a supplement to guaranteed minimum resources or as an independent benefit. Any person who does not have sickness insurance and receives a means-tested minimum income scheme is registered by the competent institutions with the statutory sickness insurance.

**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 39.5 insurance years or at least 37.0 contribution years is necessary. This pension is being phased out in 2017: retirement age in July 2016: 64 years and 11 months for men, 59 years and 11 months for women, and rising further to 65 for men and 60 for women in 2017.

2. *Long-term insurance contributions* (“Langzeitversichertenpension - Hacklerregelung”), currently 42 (women)/45 (men) contributory years or more is required. From 2014 the retirement age is 62 years for men and 57 years for women, stepwise to 62 years (deduction per year: 4.2%). For men born before 1954 und women born before 1959 other rules apply.

3. *Physically hard work* (Schwerarbeitspension), a contribution period of 45 insurance years or more is required. Additionally within the last 20 years there have to be at least 10 years of physically hard work. The retirement age is 60 years. The deduction is 0.35% per year for those born before 1955 und 1.8% per year for those born in 1955 and later.

4. *Physically hard work combined with long-term insurance periods* of at least 40 (women)/45 (men) contribution years or more (“Langzeitversicherungspension mit Schwerarbeit”), retirement age: 60 for men, 55 for women. (deduction per year: 1.8%). Only possible for men born after 31 December 1953 and before 1 January 1959 and women born after 31 December 1958 and before 1 December 1964.

5. *Corridor-pension* (“Korridorpension”), at the age of 62 for both sexes, when having 39.5 insurance years or more. (deduction per year: 5.1%).
Late retirement

For retirement between the ages of 65 and 68 for men and between 60 and 63 for women the pension is increased by 4.2% per year. 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 in early retirement earn more than EUR 415.72 (2016) per month the pension is fully withdrawn. After age 60 (women)/65 (men), 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 1,735.06 (2016) per month.

Unemployment

Periods of receiving unemployment insurance benefits and unemployment assistance count as contribution years.

Personal income tax and social security contributions

Taxation of pensioners

There are no special rules for pensioners. Pensioners are unable to claim work expenses if their only income is a pension.

Taxation of pension income

There is no special relief for pension income.

Social security contributions paid by pensioners

Pensioners do not pay most social security contributions but do pay for sickness insurance (5.1%).
Pension modelling results: Austria in 2061 retirement at age 65

<table>
<thead>
<tr>
<th>Gross relative pension level</th>
<th>Gross replacement rate</th>
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<tbody>
<tr>
<td><img src="image1" alt="Gross relative pension level graph" /></td>
<td><img src="image2" alt="Gross replacement rate graph" /></td>
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<table>
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<tr>
<th>Net and gross relative pension levels</th>
<th>Net and gross replacement rates</th>
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<tbody>
<tr>
<td><img src="image3" alt="Net and gross relative pension levels graph" /></td>
<td><img src="image4" alt="Net and gross replacement rates graph" /></td>
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<table>
<thead>
<tr>
<th>Men</th>
<th>Individual earnings, multiple of average</th>
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<tr>
<td>Women (where different)</td>
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<tr>
<td>Gross relative pension level (% average gross earnings)</td>
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<tr>
<td>Net relative pension level (% net average earnings)</td>
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<td>Gross replacement rate (% individual gross earnings)</td>
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<td>Net replacement rate (% individual net earnings)</td>
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<tr>
<td>Gross pension wealth (multiple of individual gross earnings)</td>
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<tr>
<td>Net pension wealth (multiple of individual net earnings)</td>
<td>16.2</td>
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<tr>
<td>Net pension wealth (multiple of individual net earnings)</td>
<td>17.4</td>
</tr>
</tbody>
</table>

Assumptions: Real rate of return 3%, real earnings growth 1.25%, inflation 2%, and real discount rate 2%. All systems are modelled and indexed according to what is legislated. Transitional rules apply where relevant. DC conversion rate equal 90%. Labour market entry occurs at age 20 in 2016. Tax system latest available: 2015.