Slovenia

Slovenia: Pension system in 2016

The system combines an earnings-related public pension with minimum and targeted schemes.

Key indicators: Slovenia

		Slovenia	OECD
Average worker earnings (AW)	EUR	18 292	34 803
	USD	19 247	36 622
Public pension spending	% of GDP	11.8	8.2
Life expectancy	at birth	81.1	80.9
	at age 65	19.6	19.7
Population over age 65	% of working- age population	28.8	27.9

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Qualifying conditions

The pension age was 59 years and 4 months with 40 years of contribution for men and 59 years with 39 years and 4 months of contributions for women in 2017. The pension ages and years of necessary contributions are gradually increasing and will reach 60 in 2018 for men and 60 in 2020 for women and require 40 years of contributions. With less than 40 years the pension age will be 65 for both men and women from 2020.

Men (2016)	Contribution years	15	20	40
	Pension age	65y	65y	59y4m
Men (2018)	Contribution years	15	20	40
	Pension age	65y	65y	60y
Women (2016)	Contribution years	15	20	39y8m
	Pension age	65y	63y	59y
Women (2020)	Contribution years	15	20	40
	Pension age	65y	65y	60y

From 2013 and until 2019 individuals need 20 years of contributions for pension benefit receipt. Thereafter 15 years of insurance will be sufficient.

Benefit calculation

Earnings-related

The old-age pension benefits are calculated net of taxes. The earnings-related scheme gives 26% of the pension rating base for men and 29% for women once the minimum qualifying condition (15 years' contributions) has been met. Thereafter, the accrual rate is 1.25% per year for men. For women the accrual rate was 1.38 % per year in 2016. The accrual rate for women is gradually changing until it reaches the target rate of 1.25% in 2023. The total accrual after 40 years of contributions equals 57.25% for men and 63.5% for women in 2016. Subsequently the total accrual rate for each additional year for women will amount to 1.25% and the accrual rate for 40 years of contributions will amount to 60.25%. The pension rating base is calculated using the best 24 years of net wages. Past net earnings are uprated with the growth of nominal net wages. In 2016 the best consecutive 22 years is used to calculate the pension rating base. The earnings measure is based on a period of best consecutive years since 1970. The period of assessment has been extended since 2013 and will reach 24 years in 2018.

There is a minimum pension rating base that applies to all pensionable earnings. The Minimum Pension Rating Base is established 1 January each year and is equal to 76.5% of the average monthly salary. In December 2016 the Minimum Pension Rating Base equalled EUR 775.10 net. There is also a ceiling for pensionable earnings set at four times the minimum pension rating base equal to EUR 3 100.40 per month in December 2016. Pension benefits in payment are indexed with 60% of gross average wage growth and 40% of consumer prices. Pensions were indexed in January 2016 by 0.7% and additionally in October 2016 (irregular indexation) by 0.4%.

Minimum

The minimum pension is defined as 26% of the minimum pension rating base for men and 29% of the minimum pension rating base for women.

Targeted

There was (until 31 December 2011) a means-tested social-security allowance for low-income pensioners. From 1 January 2012 allowance was transferred into social protection legislation.

Variant careers

Early retirement

For early retirement the pension benefit is reduced as follows:

Age (lower limit) **Women 2014**	**59y**	**60**	**61**	**62**	**63 y**		
Reduction (monthly)	0.3%	0.3%	0.3%	0.3%	0%		
Reduction (annual)	3.6%	3.6%	3.6%	3.6%	0%		
Total	14.4%	10.8%	7.2%	3.6%	0%		
Age (lower limit) **Men 2016**	**59y 4m**	**59y 8m**	**60y 6m**	**61y 6m**	**62y 6m**	**64y**	**65y**
Reduction (monthly)	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0%
Reduction (annual)	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	0%
Total	18% (max.)	18% (max)	16.2%	12.6%	9 %	3.6%	0%

The upper limit for calculating the reduction of the pension benefit is set to 65 years. However due to transitional period the upper limit in 2016 for women is set to 63 years and for men 65 years. This limit is gradually being increased by 6 months per year to 65 for women. The maximum possible reduction of old age pension for men and women amounts to 18.0%.

Late retirement

Late retirement is possible and pension benefits are adjusted for pension deferral.

A new pension benefit bonus has been introduced for each three months of work after an individual met the age conditions for pension benefit withdrawal. Currently 60 years of age and with 40 years of pension qualifying period (without any purchased periods). The maximum bonus for pension benefit deferral is 12% (three years).

If a person postpones claiming old-age pension at the minimum pension age currently – in 2016 – 59 year and 8 months of age with 40 years of pension qualifying period (without purchased periods) for men and 59 years and 4 months of age with 39 years and 8 months of pension qualifying period (without purchased periods) for women, equalised to 60 from 2019, additional years of insurance up until full pension age attract a higher accrual rate.

Contribution years without purchased period (lower limit) 2014			
Men	41	42	43
Women	40y8m	41y8m	42y8m
Accrual rate	4%	8%	12%

Childcare

Maternity periods of up to a year are covered by the pension system. 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 three or under is treated as if he or she worked full time. The base for the payment of the contributions is the amount of the compensation or benefit to which they are entitled pursuant to. There is also the possibility of paying voluntary contributions for periods out of the labour market (also for periods of caring for children).

Unemployment

Recipients of unemployment insurance benefits are covered by the pension system, with the Employment Agency paying the contributions. Persons over age 50 with 25 years' of insurance can receive unemployment benefits for 19 months, workers over age 55 with 25 years' insurance can receive unemployment benefits for 25 months.

For persons with longer periods of unemployment who have exhausted their entitlement to unemployment insurance, the state pays the contribution (Unemployment Extension Contribution) and credits up to one year required until the fulfilment of the conditions for retirement. For unemployed persons aged at least 57 or who completed at least 35 years of insurance period, the Unemployment Extension Contribution is extended for up to two years before the fulfilment of conditions for retirement. 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

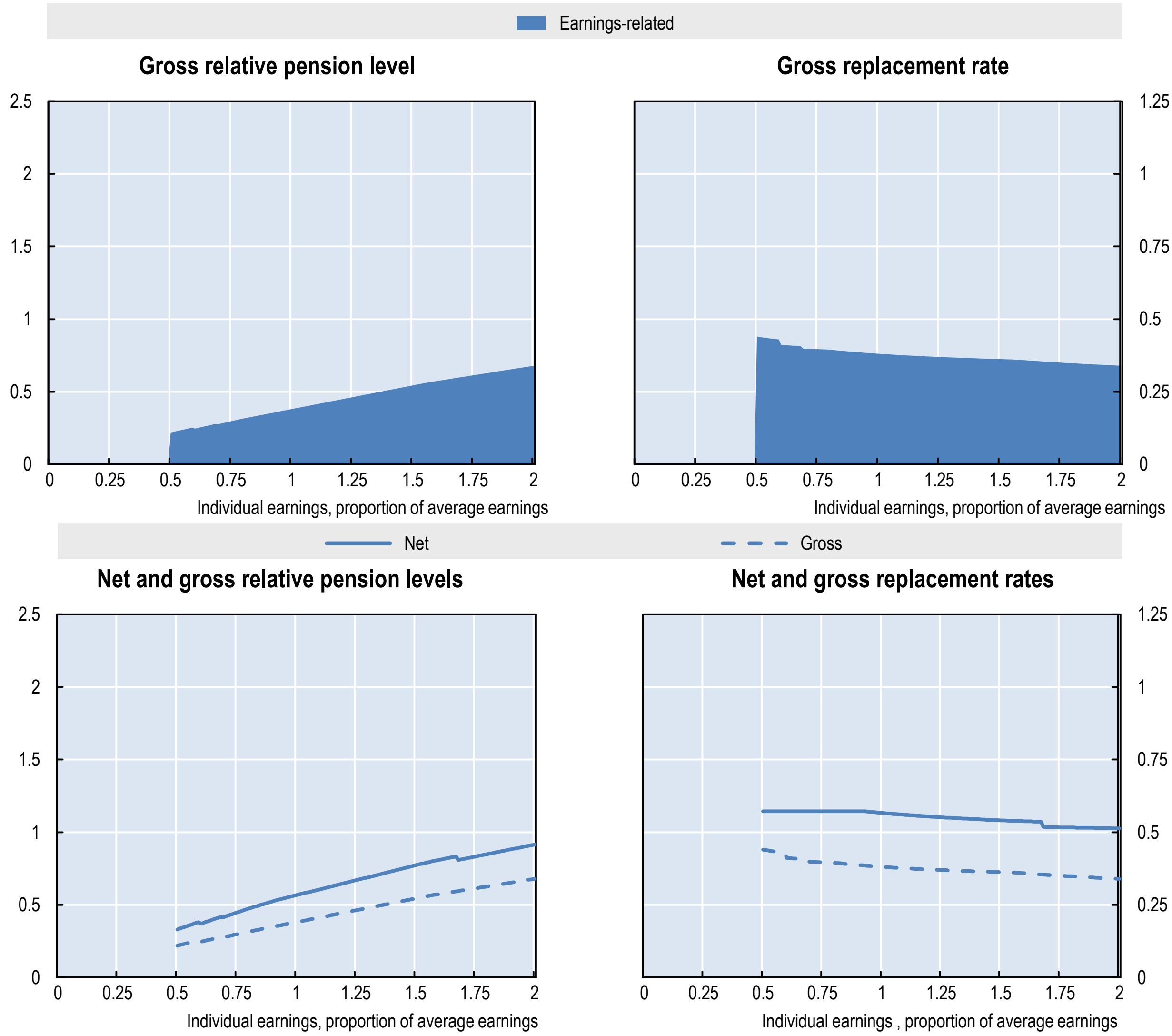
Individual residents are taxed on their world-wide income. The taxable income includes all income in the form of the pension received (from the compulsory social insurance, pensions from the supplementary voluntary insurance for age, pensions from abroad). Residents are granted a general basic allowance - as a deduction from the tax base - which was in 2014 equal to EUR 3 302.70. For lower income groups general allowance of EUR 6 519.82 was granted when taxable income was lower than EUR 10 866.37 and of EUR 4 418.64 when taxable income was between EUR 10 866.37 and EUR 12 570.89. Residents are entitled to the family allowances as well.

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 and to residents who receive occupational pension from compulsory supplemental retirement insurance.

Social security contributions paid by pensioners

The pensioners are covered by the compulsory health insurance. The pensioners of the compulsory pension and disability insurance scheme do not pay the contributions to social insurance schemes. The Pension and Disability Insurance Institute of the Republic of Slovenia pays contribution to the Health insurance Institute of Slovenia (5.96% of gross pensions).

Pension modelling results: Slovenia in 2056 retirement at age 60 (men)



Men	Individual earnings, multiple of average					
Women (where different)	0.5	0.75	1	1.5	2	3
Gross relative pension level	22.0	29.8	38.1	54.4	67.9	72.0
(% average gross earnings)	*23.1*	*31.3*	*40.1*	*57.2*	*71.5*	*75.8*
Net relative pension level	33.0	44.7	56.7	77.2	91.5	93.5
(% net average earnings)	*34.8*	*47.0*	*59.2*	*80.8*	*93.0*	*97.7*
Gross replacement rate	44.0	39.7	38.1	36.3	34.0	24.0
(% individual gross earnings)	*46.3*	*41.7*	*40.1*	*38.2*	*35.7*	*25.3*
Net replacement rate	57.3	57.2	56.7	54.1	51.3	37.8
(% individual net earnings)	*60.3*	*60.3*	*59.2*	*56.6*	*52.2*	*39.5*
Gross pension wealth	10.8	9.7	9.4	8.9	8.3	5.9
(multiple of individual gross earnings)	*12.8*	*11.6*	*11.1*	*10.6*	*9.9*	*7.0*
Net pension wealth	14.1	14.1	13.9	13.3	12.6	9.3
(multiple of individual net earnings)	*16.7*	*16.7*	*16.4*	*15.7*	*14.5*	*10.9*

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.

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