


# Slovenia

## Slovenia: Pension system in 2018

The system combines an earnings-related public pension with a minimum pension.

### Key indicators: Slovenia

		Slovenia	OECD
Average worker earnings (AW)	EUR	19 671	35 230
	USD	23 220	41 584
Public pension spending	% of GDP	11.1	8.0
Life expectancy	at birth	81.0	80.7
	at age 65	19.5	19.7
Population over age 65	% of working- age population	34.7	31.2

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

## Qualifying conditions

From 2013 and until 2019 individuals need 20 years of contributions for receiving a pension benefit from age 65. From 2020, 15 years of insurance will be sufficient.

With 40 years of contributions, the qualifying age for an unreduced pension is 60 years for men and 59 years and 8 months for women in 2018. These age and contribution year requirements for women are gradually increasing and will reach 60 and 40 respectively in 2020.

Men (2018+)	Contribution years	20	40
	Pension age	65y	60y
Women (2018-19)	Contribution years	20	40
	Pension age	65y	59y8m
Women (2020+)	Contribution years	15	40
	Pension age	65y	60y

## 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 updated with the growth of nominal net wages and the period of assessment has been extended since 2013 reaching 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 2018 the Minimum Pension Rating Base equalled EUR 830.35 net. There is also a ceiling for pensionable earnings set at four times the minimum pension rating base equal to EUR 3 321.40 per month in December 2018. Pension benefits in payment are indexed with 60% of gross average wage growth and 40% of consumer prices. Pensions were indexed in January 2018 by 2.2% and additionally in April 2018 (irregular indexation) by 1.1%.

## ***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. As of 2017 a guaranteed pension has been introduced in the amount of EUR 500 (EUR 516 in 2018) in case the old-age or disability pension for legally prescribed full pensionable service fails to reach the relevant amount.

## **Variant careers**

### ***Early retirement***

An insured person may acquire the right to early pension at the age of 60, provided that they attain at least 40 years of the pension qualifying period. Due to the renewed system of permanent deductions, early retirement will affect the amount of pension received. A pension, with regard to the pension qualifying period achieved will be lowered by 0.3% for each month of the difference in meeting the conditions for old-age retirement (max 18% which equals five years of a missing age). The upper limit for calculating the reduction of the pension benefit is set to 65 years.

### ***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), after that period regular accrual rate applies (1.25% for men and 1.38% for women).

If a person postpones claiming old-age pension at the minimum pension age currently – in 2018 – 60 years of age with 40 years of pension qualifying period (without purchased periods) for men and 59 years and 8 months of age with 40 years 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.

### ***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 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. 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*

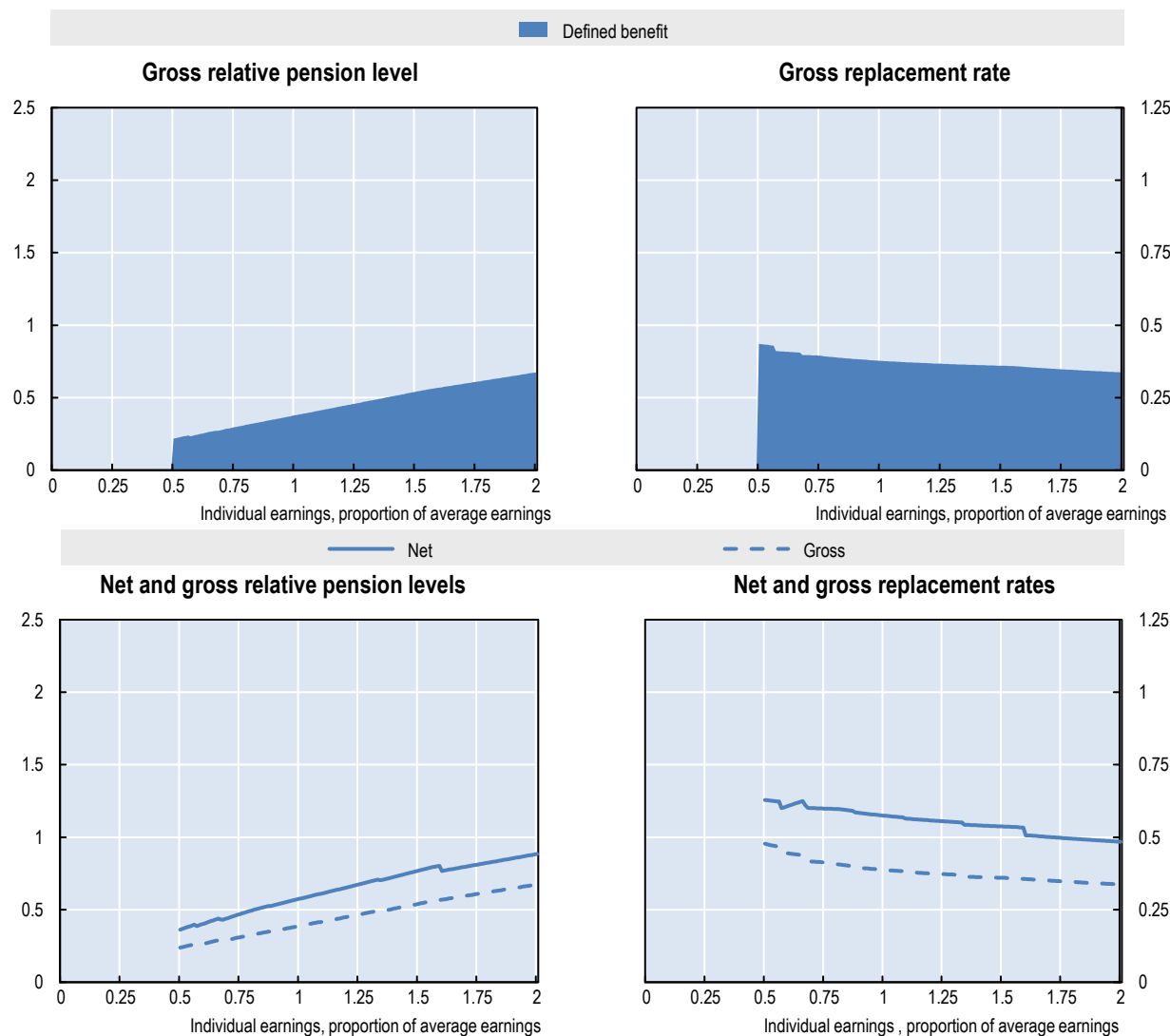
Individual residents are taxed on their world-wide income. The taxable income includes all income in the form of the pension received (from the compulsory social insurance, pensions from the supplementary voluntary insurance for age, pensions from abroad). Residents are granted a general tax relief - as a deduction from the tax base - which was in 2018 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 11 166.37 and of EUR 3 302.70 when taxable income was between EUR 11 166.37 and EUR 13 316.83. 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 2058 retirement at age 62 (men)



Men	Individual earnings, multiple of average					
<i>Women (where different)</i>	0.5	0.75	1	1.5	2	3
Gross relative pension level	23.9	30.9	38.8	54.0	67.4	63.3
(% average gross earnings)	25.0	32.5	40.7	56.8	71.0	66.6
Net relative pension level	36.2	47.0	57.5	76.9	88.4	83.8
(% net average earnings)	38.0	49.3	60.0	76.5	98.5	87.5
Gross replacement rate	47.8	41.2	38.8	36.0	33.7	21.1
(% individual gross earnings)	50.0	43.3	40.7	37.9	35.5	22.2
Net replacement rate	62.8	59.9	57.5	53.7	48.4	32.2
(% individual net earnings)	65.8	62.9	60.0	53.5	54.0	33.6
Gross pension wealth	10.9	9.4	8.9	8.2	7.7	4.8
(multiple of individual gross earnings)	12.9	11.2	10.5	9.8	9.2	5.7
Net pension wealth	14.4	13.7	13.2	12.3	11.1	7.4
(multiple of individual net earnings)	17.0	16.2	15.5	13.8	13.9	8.7

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 22 in 2018. Tax system latest available: 2018.

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