

# Turkey

## Turkey: Pension system in 2016

An earnings-related public scheme with an income-tested safety net and a flat-rate supplementary pension.

## Key indicators: Turkey

		Turkey	OECD
Average worker earnings (AW)	TRY	46 921	200 785
	USD	9 718	41 584
Public pension spending	% of GDP	7.1	8.0
Life expectancy	at birth	77.3	80.7
	at age 65	17.9	19.7
Population over age 65	% of working- age population	15.2	31.2

StatLink  <http://dx.doi.org/10.1787/888934044176>

## Qualifying conditions

The retirement age depends on date of birth, date of labour market entry and contribution period. For a person who had a full career from age 22, it currently equals 48 years for women and 51 for men with at least about 5 500 days of contributions. New entrants to the pension system between September 1999 and October 2008 can retire at the age of 60 for men and 58 for women with a minimum of 7 000 days of contributions or 25 years of coverage with 4 500 days of contributions. For new entrants after October 2008 the retirement age will gradually rise and reach 65 years of age for men and women who complete 5 400 days of contributions after 2037 and 2041 respectively. The means-tested pension benefit is payable only to those with no other social security rights, the disabled or those aged 65 years or over.

## Benefit calculation

### *Earnings-related*

The pension is based on average lifetime earnings revalued in line with real GDP growth and the change of CPI  $[(1 + \text{CPI} + 30\% \text{ GDP})]$ . The accrual rate is 2% for one year of coverage and it cannot exceed 90% of pension.

There is a floor to contributions of TRY 2 029.50 for 2018, with a ceiling to pensionable earnings of TRY 15 221.40.

Pensions are indexed with CPI of the preceding six months and twice a year, in January and July. For the first half of 2018, pensions were increased by 5.69% and for the second half by 9.17%.

### *Minimum*

The minimum pension for private-sector workers was TRY 1 509.1 for the first half of 2018 and TRY 1 647.5 from July 2018. Self-employed workers have lower rates of TRY 1 063.8 and TRY 1 161.4.

### *Targeted*

The means-tested pension is paid quarterly and was TRY 265.8 per month for the first half of 2018 and TRY 543.27 from July.

### ***Early retirement***

Workers in specific industries (e.g. mining) or people with disabilities can retire early, but other workers cannot claim pensions before the eligibility ages.

### ***Late retirement***

It is possible to defer the pension beyond the normal pension age but the pension just accrues at the normal rate.

### ***Childcare***

Childcare periods up to two years per child and for a maximum of three children are taken into account, provided that the insured pays the contributions.

### ***Unemployment***

According to the number of insurance premium days in the last three years prior to the termination of the service contract, minimum 180 days maximum 300 days unemployment benefit is paid. Unemployment benefits are calculated based on the last gross salary received and the premium days in the last 3 years: the more salary and the premium days, the higher the unemployment benefit.

## **Personal income tax and social security contributions**

### ***Taxation of pensioners***

There are no special rules for the taxation of pensioners.

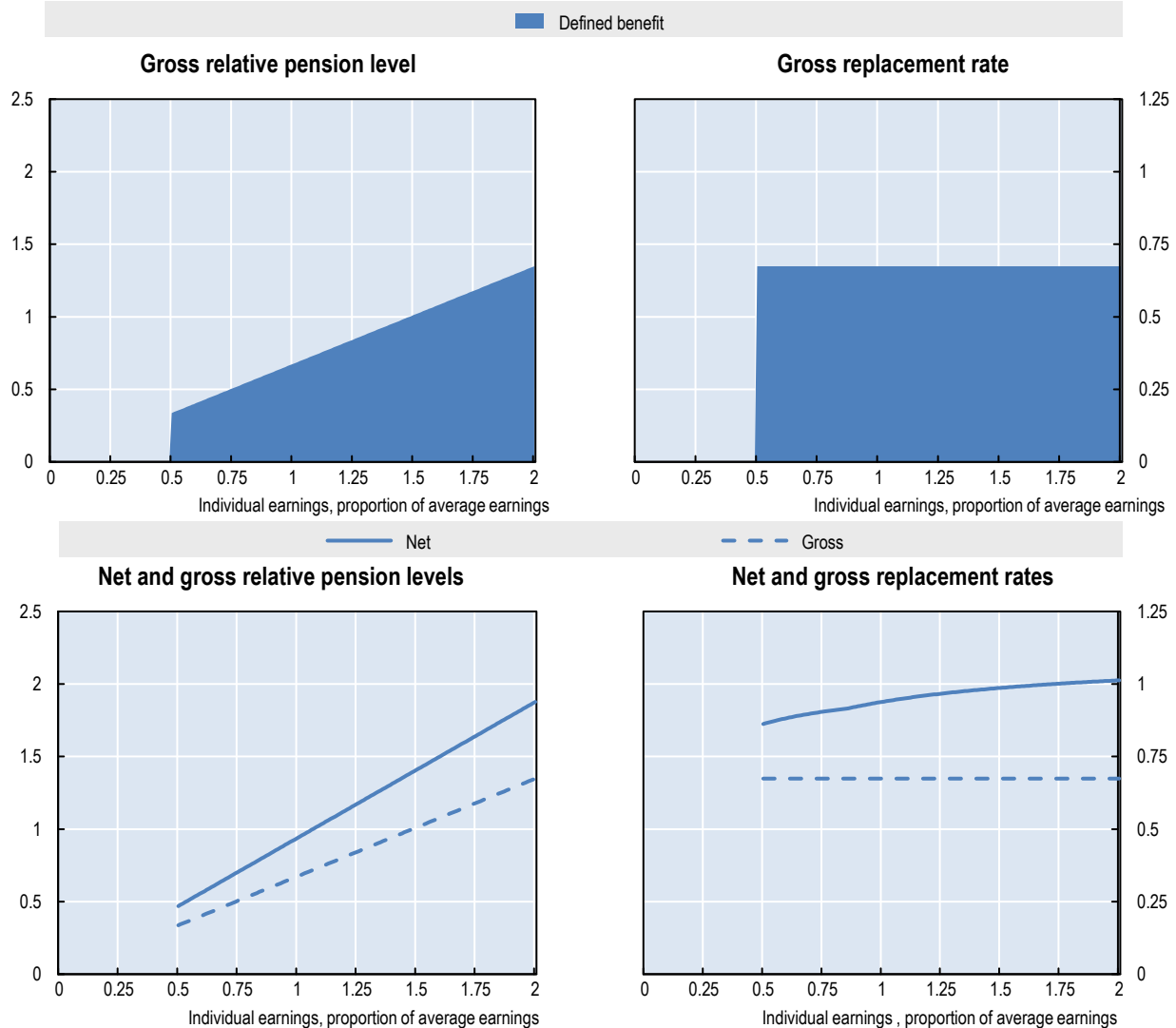
### ***Taxation of pension income***

Pension income is not taxed.

### ***Social security contributions paid by pensioners***

Pension income is not subject to social security contributions.

## Pension modelling results: Turkey in 2058 retirement at age 62 (men)



Men <i>Women (where different)</i>	Individual earnings, multiple of average					
	0.5	0.75	1	1.5	2	3
Gross relative pension level (% average gross earnings)	33.7	50.6	67.4	101.1	134.8	202.2
Net relative pension level (% net average earnings)	46.9	70.4	93.8	140.8	187.7	281.5
Gross replacement rate (% individual gross earnings)	67.4	67.4	67.4	67.4	67.4	67.4
Net replacement rate (% individual net earnings)	86.2	90.4	93.8	98.7	101.3	104.0
Gross pension wealth (multiple of individual gross earnings)	13.0	13.0	13.0	13.0	13.0	13.0
Net pension wealth (multiple of individual net earnings)	16.6	17.5	18.1	19.0	19.5	20.1

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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