

Turkey

Turkey: Pension system in 2020

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	74 751	274 585
	USD	10 666	39 178
Public pension spending	% of GDP	7.4	7.7
Life expectancy	at birth	77.3	80.6
	at age 65	17.9	19.7
Population over age 65	% of working- age population	15.2	30.4

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 5 500 days of contributions. New entrants to the pension system between September 1999 and October 2008 can retire at age 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 old-age pension shall be granted provided that the entrant is over 58 if the entrant is female or over 60 if the entrant is male and that a minimum of 9 000 days of invalidity, old-age and survivors insurance premiums are notified. However, the number of premium days condition shall be applied as 7 200 premium days for the insurance holders under item workers (4/a). According to the Law, there is no change in the retirement age until the year 2036. After 2036, there will be a gradual increase in the retirement age and it will be 65 for men in 2046 and for women in 2048. 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. For workers starting at age 22 in 2020 the retirement age is 63 for women and 65 for men.

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 2 943 in 2020 and TRY 3 577.50 in 2021, with a ceiling to pensionable earnings of TRY 22 072.50 in 2020 and TRY 26 831.40 in 2021.

Pensions are indexed with CPI of the preceding six months and twice a year, in January and July. For the first half of 2020, pensions were increased by 6.50% for workers and the self-employed and by 5.49% for civil servants and for the second half by 5.75%. For the first half of 2021, pensions were increased by 8.37% for workers and self-employed and by 7.33% for civil servants.

Minimum

The minimum pension for private-sector workers was TRY 2 030.3 for the first half of 2020 and TRY 2 147 from July 2020. Self-employed workers have lower rates of TRY 1 818 and 1 922.50 for 2020. The minimum pension for civil servants was TRY 2 558.7 for the first half of 2020 and TRY 2 705.8 from July 2020.

Targeted

The means-tested pension is paid quarterly and was TRY 672.8 per month for the first half of 2020 and TRY 711.5 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.

Self-employed

The self-employed are mandated to contribute (at least) minimum contribution base set at the monthly minimum wage. Lower limit of the daily earning subject to premium in calculation of premiums to be collected and benefits to be granted by is one thirtieth of the minimum wage and the upper limit is 7.5 times the lower limit of daily earning. (for 2020: lower limit: TRL 2 943, upper limit: TRL 22 072.50) The contribution rate is the same as for employees, but they pay short-term insurance contribution by themselves.

Personal income tax and social security contributions

Taxation of pensioners

There are no special rules for the taxation of pensioners.

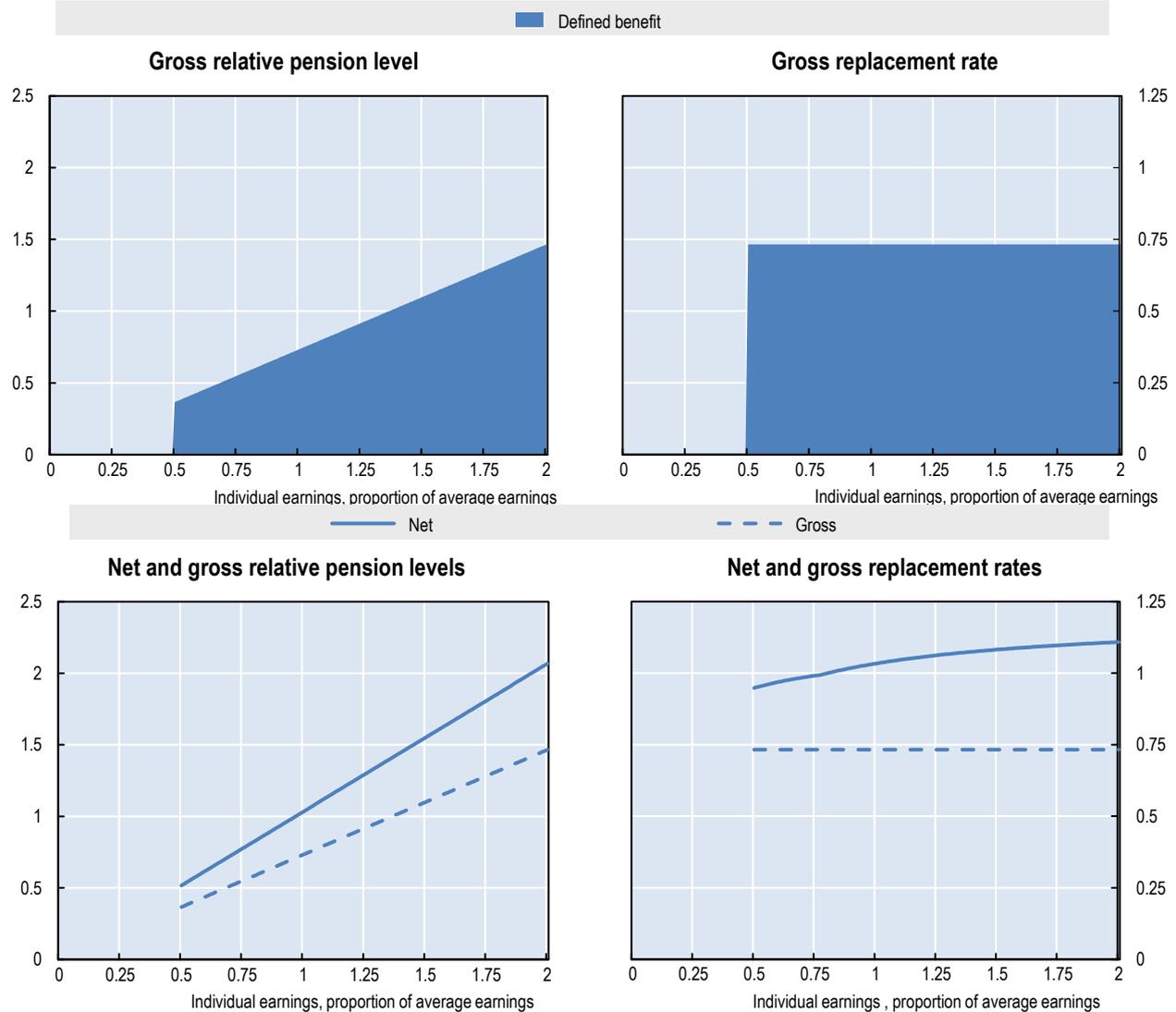
Taxation of pension income

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 2060 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)	36.6	54.9	73.3	109.9	146.5	219.8
Net relative pension level (% net average earnings)	51.7	77.5	103.3	155.0	206.7	310.0
Gross replacement rate (% individual gross earnings)	73.3	73.3	73.3	73.3	73.3	73.3
Net replacement rate (% individual net earnings)	94.8	99.1	103.3	108.2	110.8	114.3
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)	16.8	17.5	18.3	19.2	19.6	20.2

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 2020. Tax system latest available: 2020.