Annex 9 – EUROFRAME-EFN Autumn 2007 Report

CROSS-COUNTRY ANALYSIS OF THE PENSION SYSTEMS IN THE NEW MEMBER STATES

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Table 1. Details of the pension systems .... **Erreur ! Signet non défini.**

1. Introduction

The following report discusses old-age pension systems in the new EU Member States that joined the European Union in 2004 and 2007: Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovak Republic, and Slovenia.

Majority of these countries had in the past centrally planned economy, dominating state ownership and the socialist type social safety net provisions. All of these centrally planned economies were transformed to the free market economies in the course of 1990s. Economic transition made many workers from sectors undergoing restructuring redundant. Some portion of the employment reduction was absorbed by pension system, as policy-makers decided to let more people retire earlier to smoothen social burden of the transition. Such a policy resulted in the unfavourable ratio of active to non-active population. Additionally, a rapid ageing due to sharp declines in fertility would place additional burden for the old-type social security system in future.

The report presents recent reforms in field of pension systems and their possible impact on future situation in the countries in focus.

2. Pension system description and recent reforms

Generally, all 12 countries in the past had PAYG defined benefit pension systems, covering almost entire working population and providing early retirement rights to various professional groups, or – if a person had long enough insurance period – in case of unemployment or disability at advanced age. Replacement rates were relatively high and voluntary savings for the old age were almost non-existent due to lack of the proper financial markets.

The old age and disability pensions accounted for the biggest share of social security expenditures. Changes in the labour market (open unemployment, decrease in labour force participation rate, changing work patterns and more flexible labour market) and demographic change similar to that in Western Europe (declining fertility and increasing life expectancy after initial decrease at the beginning of transition) made many old-type pension systems financially unstable in the medium to longer perspective, especially when the after-war-baby-boomers would become pensioners in the second decade of 21st century. According to Eurostat public spending on old-age pension in EU-15 equalled in 2002 on average 9.6% of GDP, when in EU-10 it was slightly smaller, from 5.4% for Estonia to 8.5% for Poland.

New Member States – similarly to Old Member States – started discussions on how to achieve financial sustainability of public pension systems and at the same time how to provide incentives for labour market participants to retire later. Incentives for longer work should be especially important because economic activity of older people in the countries in focus is still much lower than the average in the whole EU, with some favourable exceptions (Table 1).

Table 1. Activity rates in the European Union in 2006

	Activity rates 15-64	Activity rate: age group 55-64
Bulgaria	64,5	43,0
Cyprus	73,0	55,4
Czech Republic	70,3	47,7
Estonia 1)	72,4	61,0

Hungary	62,0	34,9
Latvia	71,3	57,1
Lithuania	67,4	52,9
Malta	59,2	30,8
Poland	63,4	30,7
Romania 1)	63,6	42,8
Slovakia	68,6	36,7
Slovenia	70,9	33,4
EU27	*70,2*	*46,3*
EU15	*71,6*	*48,3*
NMS12	*65,0*	*38,8*

1) Data for 2005.

Sources: Eurostat "Labour market indicators at a glance"

Eventually, majority of the countries considerably reformed their old-age provisions. The reforms of social protection system were twofold:

- either parametric changes in the existing systems, sometimes supplemented by broader possibility for additional retirement savings,
- or withdrawal of single state-managed pension provision and replacing it by a two or three pillar system (as defined e.g. in the World Bank, 1998).

The first pillar is usually state managed and pay-as-you-go (PAYG) type, based either on defined benefit (DB) or defined contribution (DC) principle. The second pillar is funded, publicly or privately managed, with DC calculation rules. So called "third pillar" consists of complementary voluntary pension savings in different forms, introduced very recently and sometimes (e.g. in Lithuania, Slovakia, Poland) including tax incentives for additional saving for the old age. If the second pillar is managed privately it is supervised by the state to secure old-age benefits.

Main reforms were introduced in the late 1990s or in the first years of the 21st century. The countries that have reformed their pension systems are: Hungary (reformed system implemented in 1998), Poland (1999), Slovenia (2001), Latvia (2001), Estonia (2002), Bulgaria (2002), Croatia (2002), Lithuania (2004), Slovak Republic and Romania (2005).

Most of these countries switched to the PAYG pension system with defined benefits in the first pillar, only Poland, and Latvia chose DC schemes in the first pillar. Obligatory 2nd pillar is either managed by private or by state companies and sometimes (as e.g. in Bulgaria) there are separate DC pension funds for certain occupational groups.

Some countries do not have a mandatory 2nd pillar. For example in Slovenia it is obligatory for certain professions, the Czech Republic, Malta, and Cyprus (obligatory only in the public sector). Slovenia, Malta and the Czech Republic have done only 'parametric' changes to their pension systems, in these countries broader reforms have not won political consensus yet.

The pension reforms in some countries had been introduced already a couple of years ago, but the new rules covered either only younger participants of the labour market or only new entrants. Long transition periods and possibilities to opt out were additional solutions implemented to make societies get used to the new retirement rules.

2.1 Cross-country analysis of the pension system in NMS

Table 1. at the end of this text presents detailed information on old-age pension rules in twelve countries in focus. Below we summarise main characteristics that are more or less common for them.

As we can see, retirement age varies between men and women in some countries, as well as the qualifying insurance period. In the Slovak Republic and the Czech Republic, female retirement age depends on the number of children. Bulgaria uses "the point system" which is the sum of the age and the length of insurance. Reforms undertaken foresee gradual equalising of male and female retirement ages and in some cases increase in this age.

Early retirement was widely granted and used in the past which resulted in the very low participation rate of older people in many countries (e.g. Hungary, Poland, Slovakia). So one of the aims of policy makers was to introduce disincentives to retire early. Increase in the legal retirement age was one of the solutions. Another is actuarial deduction for early retirement and an increase in benefit for the deferred retirement. In defined contribution systems, in which pension benefit depends on the life expectancy at retirement, such an adjustment is done automatically, penalising early withdrawal from the labour market with a lower benefit.

3. Future of the pension systems and pensioners

One of the main issues underlined in the pre-reform debates in many countries was how to make pension systems sustainable under demographic developments and changing nature of employment. Below, we show that the reformed schemes are indeed more sustainable and affordable, and discuss if they are likely to provide adequate benefits for the old age.

3.1 Impact of the recent reforms on the future pension system stability

Transition to the multi-pillar system and introduction of a DC rule to a large extent transformed implicit pension liabilities to explicit debt. In the short run there are transition costs to finance additional contribution to private pillars or splitting contributions between two pillars, and at the same time ensuring pension payments to current pensioners. However, in the medium and longer run, pension reforms introduced in many New Member States improve future pension system stability.

DG ECFIN (2006) projections (made on the basis of legislation enacted by mid 2005) show that public pension spending would increase in future in the EU due to ageing populations, but much smaller increases or even some decreases in spending will be observed in countries that strengthen the (notional) defined contribution part of the system, i.e. in Italy, Sweden, Poland, Estonia, Latvia, Lithuania, and Slovakia.

Challenges are much bigger for the countries that implemented only parametric reforms or remained PAYG DB public pension schemes as the main part of old-age pension: Cyprus, Slovenia, Hungary, and the Czech Republic.

Recent pension reforms in Eastern Europe introduced a closer link between contributions and pensions. More actuarially neutral pension systems are believed to create incentives to extend active life (e.g. Gruber and Wise, 2002), which would result in lower system dependency ratio, i.e. number of non-active to active people. That could help to decrease social security contributions and at the same time tax wedge and labour costs.

Despite favourable changes in recent years in some countries there are still some parts of the system that should be changed. Generally, some groups were exempted from the reform. These are mainly uniformed services (army) but also e.g. in Bulgaria, Lithuania or Poland farmers are still exempted from the reformed social security system, which should be dealt with in future. Additionally, in some countries the problem of the age at retirement in certain

professions or for women (Cyprus, Bulgaria or Poland) is still not resolved and an open debate and complementary solutions (e.g. in field of institutional long term care provision) is needed to overcome strong disapproval of rise in women retirement age.

3.2 Prospects for pensioners

In the old type pension systems pensioners were relatively well protected against poverty in relation to other groups, even when they retired early. Described changes in the pension systems almost in all New Member States will provide lower replacement rates at lower ages in comparison to pre-reform systems. Indicators Sub-Group of the Social Protection Committee in its recent report says that "theoretical replacement rates calculations for the base case indicate that reforms of statutory schemes will often lead to a decrease of replacement rates at given retirement ages, which also reflects the trend towards an increase of life expectancy at 60 or 65." (ISG and SPC, 2006)

The open question is whether it will result in rising employment rates of older pensioners or also in higher at-risk-of-poverty rate among older cohorts. The second is more possible for groups with specific histories of working paths, like atypical work, low earners, with many unemployment or non-activity spells. It requires careful monitoring in future and creating solutions that do not penalize certain decisions made in life, e.g. persons for taking care of dependants.

4. Conclusions

The Lisbon European Council of 2000 set out the objective that the European social model must be part of an active welfare state and – among others – to ensure that work pays and to secure long-term sustainability in face of an ageing population. Many EU New Member States are changing their pension systems in the direction to fulfill this objective. Statutory EU-15 pension schemes are more often of a DB type but voluntary private pension funds are much more developed e.g. in the United Kingdom, the Netherlands, Germany, Denmark, Belgium, Italy, than in the New Member States.

Since 1998 many of the EU New Member States implemented major reforms to their old-age pension systems. Most of these countries have PAYG pension system with defined benefits in the first pillar, supplemented by obligatory funded defined contribution pillar. Two countries, Poland and Latvia, chose DC scheme also in the first pillar. Some countries do not have a mandatory 2nd pillar or made it obligatory only for certain professional groups.

At the same time in Europe we could observe that several countries belonging to different types of social models chose the same way of changing their mandatory pension systems. Reforms implemented in Latvia and Poland are similar to these chosen by decision makers in Sweden and Italy.

So, should pension systems in the EU converge or should they be different – as different are preferences of Europeans? Despite there is no one ideal European pension system some solutions ensure lowest possible burden for working and contributing population and better portability of pension rights.

5. Literature

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World Bank (1994), *Averting the Old Age Crisis*

http://europa.eu.int/comm/employment_social/social_protection/missoc_info_en.htm

http://europa.eu.int/comm/employment_social/social_protection/pensions_en.htm

	Bulgaria	Czech Republic	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Romania	Slovenia	Slovakia
Basic principles of the pension systems												
	1st pillar: Mandatory public PAYG pension system. 2nd pillar: Compulsory pension insurance based on a DC fully funded principle. There are two types of them: - Universal pension fund covering persons born after year 1959. - Professional pension fund covering persons working under the first or the second labour category.	Compulsory PAYG social insurance scheme.	1sr pillar: universal old-age pension scheme financed by contributions. National Pension: Tax-financed scheme for persons not entitled to an Old-age Pension. Supplementary Pension (2nd pillar): fully funded pension DC pensions. Compulsory for persons born after 1983, voluntary membership possible for those born before.	Compulsory social insurance scheme financed by contributions covering the active population (employees and self-employed) providing earnings-related pensions.	1st pillar: NDC PAYG scheme. 2nd pillar: funded scheme (run by state) providing benefits linked to the accrued pension capital.	1st pillar: Compulsory social insurance scheme financed by contributions covering the active population, pension with a flat-rate and an earnings-related element. 2nd pillar started in 2004, since 2007 part of social security contribution is paid into privately managed pension funds.	(1): mandatory PAYG scheme. (2): a mixed scheme with a pay-as-you-go and a funded pillar. 1st pillar: state pension scheme financed by contributions (PAYG) with earnings-related benefits depending on contributions and the duration of affiliation; 2nd pillar: fully funded DC scheme run by private pension funds.	Compulsory social insurance scheme financed by contributions covering the active population and providing earnings-related pensions depending on contributions and the duration of affiliation.	1st pillar: NDC PAYG scheme. 2nd pillar: funded scheme (run by private open pension funds) providing benefits linked to the accrued pension capital. Special schemes for policemen, soldiers, prosecutors, judges. For farmers: separate PAYG DB scheme financed from small contributions and taxes.	General social insurance scheme, compulsory, partially-contributory, PAYG DB, providing mainly earnings-related benefits.	1st pillar: Compulsory social insurance scheme financed by contributions covering the active population providing earnings-related pensions depending on contributions and the duration of affiliation. 2nd pillar: compulsory supplementary pension insurance for people performing hard work and work harmful to health.	1st pillar: Compulsory social insurance scheme providing earnings-related pensions depending on contributions and the duration of affiliation. Special scheme for policemen, soldiers and customs officers. 2nd pillar: Funded scheme (compulsory for young persons entering the labour market; voluntary for other persons) with benefits linked to the accrued pension capital.

	Bulgaria	Czech Republic	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Romania	Slovenia	Slovakia
Minimum period of membership/ contributing												
	A minimum age and a fixed sum of years of insurance and age (the so called "points").	25 years of insurance at retirement age or at least 15 years at the age of 65 years.	1st pillar: 15 years of contribution-period in Estonia. 2nd pillar: 5 contribution years.	Entitlement depends on periods of affiliation and contributions paid. Liability for contributions ceases upon reaching retirement age (65 years). A lump-sum is paid at the age of 68 to persons who do not meet contribution conditions. Basic Pension: Average paid or credited insurable earnings from 5 October 1964 or 7 January 1957 until the retirement age equal to 52 times the weekly Basic Insurable Earnings	10 years insurance record.	15 years of insurance. Full pension: 30 years of insurance.	1st pillar: 15 years. 2nd pillar: No minimum period.	15 weekly contributions per year from either 1956 or 1965 or from age 19, and completed at least 10 years of employment or self-occupation prior to retirement. Full pension: The claimant must have an average of 50 or more weekly contributions per year from 1956, 1965 or from claimant's age 19.	For the guaranteed minimum pension: men 25 years, women 20 years of insurance periods. Without a guaranteed minimum: - Persons born before 1949: men 20 years, women 15 years of insurance periods. - Persons born after 1948 no minimum period is required.	Both man and woman have similar minimum contribution period: 11 years in the first quarter of 2007, increasing to 15 years in 2014. Full pension: Man: 31 years in the first quarter of 2007, increasing to 35 years in 2014. Woman: 26 years in the first quarter of 2007, increasing to 30 years in 2014.	15 years of insurance. 65 years (men) and 63 years (women) after an insurance period of 15 years; 63 years (men) and 61 years (women) after a qualifying period of 20 years; 58 years after a qualifying period of 40 (men) or 38 (women) years.	10 years of insurance.

	Bulgaria	Czech Republic	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Romania	Slovenia	Slovakia
Retirement age												

	Bulgaria	Czech Republic	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Romania	Slovenia	Slovakia
	1st pillar: Number of points = age + years of insurance. Men: 63 years of age and 100 points. Women: 59 years of age and 93 points. Increasing for women until they reach by 2009: 60 years and 94 points. OR: 15 years completed period of insurance after reaching age 65 years.	Men: 61 years and 8 months. Women: depends upon the number of children raised: no children 60 years, 1 child 59 years, 2 children 58 years, 3 or 4 children 57 years, 5 or more children 56 years. The retirement age shall be gradually increased until it reaches 63 years for men and women without children and 59 - 62 years for women with children.	Men: 63 years Women: 60 years Gradually increasing for women until 2016 up to 63 years.	65 years for men and women. 63 years for miners.	Men: 62 years. Women: 61 years, gradually increasing up to 62 years.	Men: 62.5 years Women: 60 years	62 years	For persons born before 1st January 1952: men: 61 years, women: 60 years. For persons born between 1952 and 1955: 62 years. For persons born between 1956 and 1958:63 years. For persons born between 1959 and 1961: 64 years. For persons born on or after 1st January 1962: 65 years.	Women: 60 years Men: 65 years	Man: 63 in the first quarter of 2007, increasing to 65 in 2014. Woman: 58 in the first quarter of 2007, increasing to 60 in 2014.	In 2007: 60 years and 8 months for women and 62 years for men. Gradually increasing to Women: 61 years in 2008. Men: 63 years in 2009.	62 years. This level of retirement age will be reached in 2014 for all population groups.

	Bulgaria	Czech Republic	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Romania	Slovenia	Slovakia
Early pension												
	Two separate schemes for early retirement: - Teachers pension fund. - A private scheme for supplementary compulsory pension for early retirement of persons working under hard labour conditions.	Available up to 3 years prior to the normal retirement age, with insurance record of at least 25 years.	Available up to 3 years before the legal retirement age. One of the parents, the carer or the guardian who raised a child with a moderate, severe or profound disability or raised 3 or more children for at least 8 years, Persons involved in the clean-up of the Chernobyl nuclear power station, Persons unlawfully imprisoned or in exile. Available at 45 years of age for sufferers of pituitary dwarfism.	63 years for men and women provided that the insured person: Satisfies the relevant contribution conditions and has weekly average insurable earnings equal to 70% of the weekly amount of Basic Insurable Earnings. Miners with at least 5 years of employment in a mine are entitled to old-age pension at lower ages but in no case they can draw pension before the age of 58.	Until 1st July, 2008, men and women with an insurance period of not less than 30 years may claim for a pre-retirement pension two years before the standard retirement age. Some people that would be entitled to invalidity pension.	If the insured have an insurance period of 30 years; they are registered as unemployed for at least 12 months; the age is less than 5 years to retirement age	2 years before retirement age for those who have worked in selected activities for at least 10 years (men) or 8 years (women), lower by 1 year for every additional period of 5 years (men) or 4 years (women). Advanced Pension: paid no earlier than 5 years before the retirement age to women who were: born after 1945 and have a service period of at least 38 years, born between 1945 and 1943 and have a service period of at least between 37 and 35 years, born before 1943 and have a service period of at least 34 years.	For persons born before 1st January 1952: No early pension. For persons born between 1952 to 1961: Can retire at age 61 if they have 35 years of social security contributions. For persons born on or after 1st January 1962: Can retire at age 61 if they have 40 years of social security contributions.	Persons born before 1949: Women aged 55 and over, with a 30-year qualifying period; Totally incapacitated persons 5 years early if they have fulfilled the qualifying period requirements; Persons working in unhealthy or special conditions (official list) - 5, 10, or 15 years early.	Among others: Persons working under special or difficult working conditions, Persons who had a handicap prior to obtaining the insured person status, Persons persecuted for political reasons, deported abroad or taken prisoners of war, Women with multiple births. Early Retirement Pension and Partial Early Retirement Pension: granted maximum 5 years before the standard retirement age.	No special early pension. Possibility of exceptions (no malus) in the case of retirement at the age of 58 provided that a person has completed 40 years (men) or 38 (women) years of service.	Possible if the minimum duration of membership (10 years) and the minimum amount of benefit (1.2-times of the subsistence minimum) have been reached. No age limit. 2nd Pillar: Early pension is possible if the early pension of the 1st pillar is received and the minimum amount of benefit (0.6-times of the subsistence minimum) has been reached.

	Bulgaria	Czech Republic	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Romania	Slovenia	Slovakia
							Available before pensionable age but from the age of 60 the latest for men who were: born before 1939 and have a service period of at least 37 years, born after 1938 and have a service period of at least 38 years.					

	Bulgaria	Czech Republic	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Romania	Slovenia	Slovakia
	Also Possible for persons who have worked 10 years under the first category of labour and have reached 47 years of age for women and 52 years of age for men or 15 years under the second category of labour and 52 years of age for women and 57 years of age for men. This regime is in force until 2009. Supplementary Compulsory Insurance Fund can grant a pension to the insured person 5 years before official retirement age provided the amount saved is sufficient to provide a benefit equal to the minimum pension.		Old-age Pensions Under Favourable Conditions (5 or 10 years earlier) are also paid to workers in occupations that are considered hard or hazardous, if they have fulfilled qualification requirements foreseen by the law (from 15 to 25 years of contribution period of which at least half in the given profession). Early retirement available for certain professional groups whose professional abilities have declined before the normal retirement age, provided they have the required pensionable service (from 15 to 25 depending on the profession). 2nd pillar: No early pension.									
Determining factors for benefits												

	Bulgaria	Czech Republic	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Romania	Slovenia	Slovakia
	1st pillar: Reference earnings, period of insurance, monthly average contributory income for the country, the individual coefficient of the claimant. 2nd pillar: the accumulated sum in the individual account, and life at retirement age.	Amount of earnings and number of insured years.	1st pillar: Years of pensionable service acquired before 31.12.1998. Registered Social Tax payments after 1.1.1999. 2nd pillar: Registered Social Tax payments.	Amount of earnings and number of insured years.	Insurance record until 1996, amount of contributions paid since 1996, age of insured person.	Insured income and number of insured years.	1st pillar: Average monthly income and insurance period. 2nd pillar: Accumulated income plus returns of accumulation minus costs (operating, investments etc.) of fund selected by insured person.	Earnings from work and number of contributions paid.	Persons born before 1.1.1949: amount of reference wage, number of insurance years, basic amount. Persons born since 1.1.1949: amount of remuneration subject to contributions throughout the insurance period, life expectancy at age of retirement.	Length of contribution period, level of earnings.	Previous earnings, number of insurance years, gender of the recipient, age at retirement.	Amount of employment income insured through contributions during the entire insured life.
Early pension – level of benefits												

	Bulgaria	Czech Republic	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Romania	Slovenia	Slovakia
		The pension is permanently reduced by 0.9% for every (even incomplete) 90 day period preceding normal retirement age.	The pension is permanently reduced by 0.4% for every month of earlier retirement. No reduction in pension amount in case of pensions paid under State Pension Insurance Act. Superannuated Pension: Reduction of the value of a year of pensionable service by 9.6% until attaining the general pensionable age.	Same as standard pensions and calculated according to the general pension formula.	80% of normal pension (the full pension restored after normal retirement age).	Pensions are decreased by 0.4 percent per each early retirement month.	No early pension.	Persons born before 1st January 1952: No early pension.	People born before 1949 – no decrease in the benefit in case of early retirement. People born after 1948: No early pension.	Calculation based on the Old-Age Pension formula. Calculation based on the Old-Age Pension formula. Partial Early Retirement Pension is reduced based on the contribution period achieved over the full contribution period, as well on the number of months of early retirement.	No special early pension. Possibility of exceptions (no malus) in the case of retirement before the full retirement age (63 for men; 61 for women) provided that a person has completed 40 years (men) or 38 (women) years of service. Reduced for each missing month of age by the completed full age.	Early Pension: Reduction of 0.5% per 30 days missing to retirement age.
Deferment												
	If a person works beyond normal pensionable age the pension is calculated in the same way and the periods of insurance beyond pensionable age are taken into consideration without limitation.	For every 90 days of economic activity during which the claim for an old-age pension is postponed, an increase of 1.5% of the calculation basis is provided.	1st pillar: The amount of the Old-age Pension is increased by 0.9% for every month of deferred retirement. 2nd pillar: No special provisions.	The Old-age Pension is increased by 0.5% per month of deferment.	Working beyond pensionable age is reflected in the pension calculation formula.	Pension increased by 8% of the amount calculated at the moment of application for each full year of deferment.	1st pillar: The Old-age Pension increase is equal to 0.5% of the pension for each 30 days of additional service time. 2nd pillar: No special provisions.	Deferment of pension may yield a higher pension indirectly (through payment of extra contributions and earning higher salaries).	Additional periods of employment reflected in pension calculation.	Number of Points obtained during the deferred retirement period is increased by 0.3% for each additional month (3.6% for each supplementary year). Deferred pension is calculated based on the Old-Age Pension formula.	The pension of the person with full qualifying period working after full retirement age, is increased by from 3% in the first year after retirement age to 1.5% in the fifth and next years. There is also an increase if a person had shorter qualifying period.	Deferred Old-age Pension: Increase of 0.5% per 30 days of deferment.

	Bulgaria	Czech Republic	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Romania	Slovenia	Slovakia
Adjustment												

	Bulgaria	Czech Republic	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Romania	Slovenia	Slovakia
	Pensions granted before 31 December of the preceding year shall be adjusted annually from 1 January by a decision of the Supervisory Board of the National Social Insurance Institute by sum of 50% of the increase of the contributory income and 50% of the index of the consumer prices during the previous calendar year	Annually by at least 100% of the CPI and by at least one third of the increase of average real wages. Further adjustments are realized when the price index exceeds 10%.	1st pillar: Annually on 1 April. The index depends in equal shares on the increase of CPI and the increase of Social Tax revenues. 2nd pillar: Pensions are calculated as life time annuities. No adjustment.	Basic Pensions are adjusted at the beginning of each year in accordance with the percentage of revision of the Basic Insurable Earnings. Supplementary Pensions are adjusted the same day, in accordance with the increase of the cost of living index. Both pensions are also adjusted every July by the increase of the cost of living index, if the latter is at least 1%.	Annual adjustment according to increases in the level of prices and of social insurance contribution earnings. Pensions not exceeding 3 times the State Social Security Benefit are adjusted on 1 April according to increases in the level of prices and on 1 October according the increases in the level of prices and of social insurance earnings. Pensions exceeding 3 times the State Social Security Benefit are adjusted according increases in the level of prices. Adjustment does not apply to pensions exceeding 5 times the State Social Security Benefit.	Basic part of a pension is increased upon decision of the Government. Supplementary part of a pension is adjusted according to current year's average insured income.	1st pillar: Annual adjustment in January according to 50% of the predicted increase in the consumer price for that year and 50% of the predicted increase in net average monthly earnings. 2nd pillar: Pensions are adjusted according to a decision of the Pension Fund, taking into account an actuarial assessment.	Persons born before 1st January 1962: Annual adjustments based on the highest of the cost of living increase or the increase in wages awarded to the present occupant of last post occupied by pensioner. Persons born on or after 1st January 1962: Annual adjustments - 70% based on the percentage increase in the National Average Wage and 30% based on the rate of inflation.	Periodical adjustment following the calendar year in which the index of prices of consumer goods and services is at least 105% in comparison to the calendar year of the last adjustment.	Adjustment is done by at least the inflation rate estimated for the following budgetary year. Nonetheless, the Pension Point Value may not be less than 30% of the projected average gross wage and more than 50% of the projected average gross wage.	Pensions are adjusted twice a year (in February and November) in accordance with the development of the average monthly salary.	Annual adjustment (1st January) of the current pension value according to the average development of gross earnings. Annual adjustment (1st July) of benefits according to the increase of consumer prices and of the average wage.
Taxation of benefits												

	Bulgaria	Czech Republic	Estonia	Cyprus	Latvia	Lithuania	Hungary	Malta	Poland	Romania	Slovenia	Slovakia
	Pensions are not subject to taxation.	Pensions are subject to taxation.	1st pillar: Pensions less than a threshold are not subject to taxation. 2nd pillar: Pensions are subject to taxation.	Old-age Pension is subject to taxation.	Pensions granted before 01.01.1996 are not subject to taxation. Pensions granted or recalculated after 01.01.1996 are subject to taxation.	Pensions are not subject to taxation.	Pensions are not subject to taxation.	Pensions are subject to taxation.	Subject to taxation.	Pensions are subject to taxation.	Pensions are subject to taxation.	Pensions are not subject to taxation.

Source: MISSOC database, http://europa.eu.int/comm/employment_social/social_protection/missoc_info_en.htm