

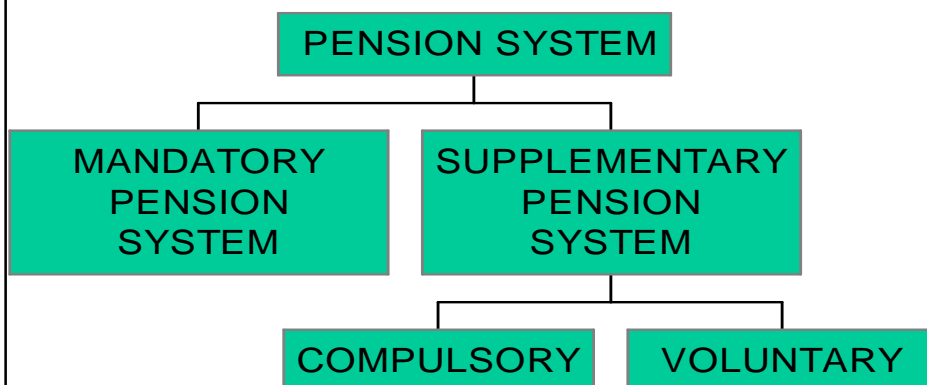
ILO

Pension system in Slovenia

Belgrade
24. - 25. September 2009

Jelena Krčmar

STRUCTURE OF PENSION SYSTEM IN SLOVENIA



KEY FACTS

- **Slovenia is getting old!**

Leto	Skupaj	0 - 14	15 - 59	60+	80+
2008	2.022.644	280.865	1.314.228	427.551	71.176
2020	2.058.003	291.580	1.200.415	566.008	111.320
2030	2.022.872	258.508	1.110.151	654.213	135.110
2040	1.957.942	235.960	1.005.948	716.034	193.333
2050	1.878.003	239.902	898.509	739.592	224.641
2060	1.778.573	227.648	857.263	693.662	246.372

Source: Stability programme, 2008.

- insured person (904.084 in 2008) /pensioner (527.933 in 2008) ratio: **2,3 (1990), 1,7 (2008)**.

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3

KEY FACTS

- **Public spending on pensions will significantly rise!**

SHARE OF ZPIZ'S EXPENSES IN BDP, by years			
year	total expenses	expenses without contributions for pensioners' health insurance	pension expenses
2000	13,27%	12,28%	11,08%
2001	13,24%	12,25%	11,00%
2002	13,22%	12,20%	10,84%
2003	12,98%	11,98%	10,64%
2004	12,77%	11,78%	10,44%
2005	12,75%	11,69%	10,38%
2006	12,42%	11,47%	10,18%
2007	11,79%	10,88%	9,73%
2008	12,07%	11,16%	9,91%

Source: ZPIZ,2008.

Future outlook: 14,8% (2035), 18,7 % (2060)

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KEY FACTS

- **Supplementary pension insurance is not fulfilling its mission to compensate for a loss of over 10% in calculations of old-age pensions!**

First supplementary old-age pensions will be paid out 2011.

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5

I. PILLAR – GENERAL PRINCIPLES

- **PAYG, DB**
- **MINIMUM ELIGIBILITY CRITERIA**

MEN :	A 58, Y 40	WOMEN :	A 58 (53), Y 38 (35)
	A 63, Y 20		A 61 (58), Y 20
	A 65, Y 15		A 63 (60), Y 15
- **MAX. PENSION RATING BASIS** 72,5% (2023), 85 % (until 2000)
- **BONUS - MALUS SYSTEM** (max. bonus 7,2 %, max. malus 18 %)
- **SALARY/PENSION RATIO:** 61,6 % (2008), 68,1 % (2000)

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I. PILLAR - MAIN CHALLENGES

1. FINANCIAL SUSTAINABILITY

2. ADEQUATE PENSIONS

HOW?

- PROLONGING WORKING CONTINUUM (increasing labour participation of elderly),
- POSTPONING RETIREMENT
- INTRODUCING FUNDAMENTAL PENSION REFORM.

Employment rate of elderly (55-64): **SI** : 22,3% (2000), 32,8% (2008)

EU-27: 36,8% (2000), 45,6% (2008))

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7

POSSIBLE WAYS

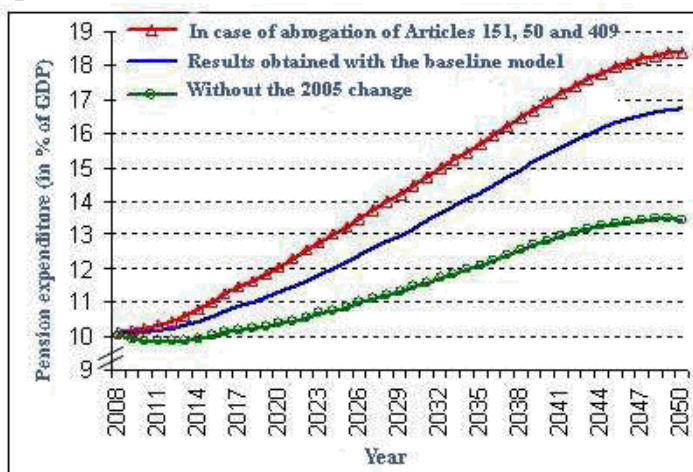
- I. Raising the effective retirement age
- II. Achieving better link between paid-in and gains (replacement rate, solidarity ?)
- III. Adjustment of indexation formula
- IV. Make system more transparent
- V. Establishing new reserve demographic fund

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Figure: Projections of the share of public pension expenditure in GDP



Source: National report, 2008

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9

II. PILLAR – GENERAL PRINCIPLES

- TWO TYPES OF SUPPLEMENTARY INSURANCE
 1. **Occupational pension insurance** – only for people working demanding and hazardous jobs;
 2. **Voluntary supplementary pension insurance** – individual and voluntary;
- FULLY FUNDED DC SYSTEM
- INVESTMENT RISK WITH MINIMUM YIELD GUARANTEE
- PRINCIPLE OF EQUALITY

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10

II. PILLAR - MAIN CHALLENGE

FURTHER PROMOTION OF THE SUPPLEMENTARY PENSION INSURANCE

HOW?

- PROMOTING HIGHER INCLUSION
- RAISING LEVEL OF PREMIUMS
- ACHIEVING FLEXIBLE INVESTMENT POLICY

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11

POSSIBLE WAYS

- I. Introducing system of matching contributions (for low wage earners)**
- II. Introduction of EEE system (tax heaven)**
- III. Establishment of life-cycle funds with possibility of choosing investment policy**

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12

FINANCIAL CRISIS - I. PILLAR

- I. Due to rise in unemployment lower flow-in of payment contributions
- II. Higher expenditures for pensions from state budget (125 mio. EUR) to cover the deficit
- III. ? indexation of pensions

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13

FINANCIAL CRISES - II. PILLAR

- I. Lower impact of financial crisis due to the investments into bonds;
- II. Up to now pension providers are covering loses from reserve funds and own capital;
- III. Adoption of measures for pension and insurance companies (state intervention);
- IV. Yearly yield of mutual pension funds varies from -3% to -11%

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19.10.2009

14

CONCLUSIONS

I. pillar should remain the main pillar with parallel increase of private pillar(s)!

“The relevant question for intergenerational equity is not to achieve an equal burden sharing across generations, but rather a burden sharing, which is perceived as fair».

(Oksanen 2001, Sinn 2000).

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19.10.2009

15

THANK YOU FOR YOUR ATTENTION

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19.10.2009

16