

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	36 806	129 129
	USD	10 438	36 622
Public pension spending	% of GDP	8.1	8.2
Life expectancy	at birth	76.1	80.9
	at age 65	17.2	19.7
Population over age 65	% of working- age population	13.4	27.9

StatLink  <http://dx.doi.org/10.1787/888933636358>

Qualifying conditions

The current pension age is 60 year for men and 58 for women with at least 7 200 days of contributions. The pension age is gradually rising to 65 for men from 2036 to 2044 and to 65 for women from 2036 to 2044. 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. An alternative condition is 25 years of coverage with 4 500 days of contributions. After October 2008 an alternative eligibility condition is 65 years of age with a minimum of 5 400 days of contributions. 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

Between September 1999 – October 2008

The pension under the scheme is based on average lifetime earnings revalued in line with real GDP growth and the change of CPI $[(1 + \text{GDP}) \times (1 + \text{CPI})]$. The pension has a non-linear formula with years of coverage. The first ten years earn a pension of 35% of pay, with 2% per year extra for the next 15 years and 1.5% per year thereafter.

After October 2008

The pension under the new scheme 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 above which contributions are required. This was TRY 1 647.0 for 2016.

There is a ceiling to pensionable earnings; its value was TRY 10 705.5 for 2016.

Since 2003 indexation of pensions in payment is determined once or twice a year, either by Budget Laws/Other Laws or by Board of Cabinet. With the reform the pensions are indexed with CPI of the preceding six months and twice a year, in January and July. For the first half of 2016, pensions were increased 3.865% and for the second half by 3.632%.

Minimum

The minimum pension level for workers was TRY 1 242.5 for the first half of 2016 and TRY 1 287.6 for the second half, for self-employed was TRY 875.7 and TRY 907.6 and for civil servants was TRY 1 555.9 and TRY 1 633.7.

As a general rule the amount of pensions shall not be less than 35% or 40% if the insurer has dependant spouses or children, of the average monthly earnings in January of the year of request, considering lower limits of earnings subject to a premium determined for each year of service. Thus, the minimum pension varies among insurers.

Targeted

The means-tested pension is paid quarterly. For 2016 the pension was TRY 217.28 per month.

Variant careers

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. For civil servants the statutory retirement age is 65 with some exceptions for specific groups.

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

There are no credits for periods of unemployment.

Personal income tax and social security contributions

Taxation of pensioners

There are no special rules for the taxation of pensioners.

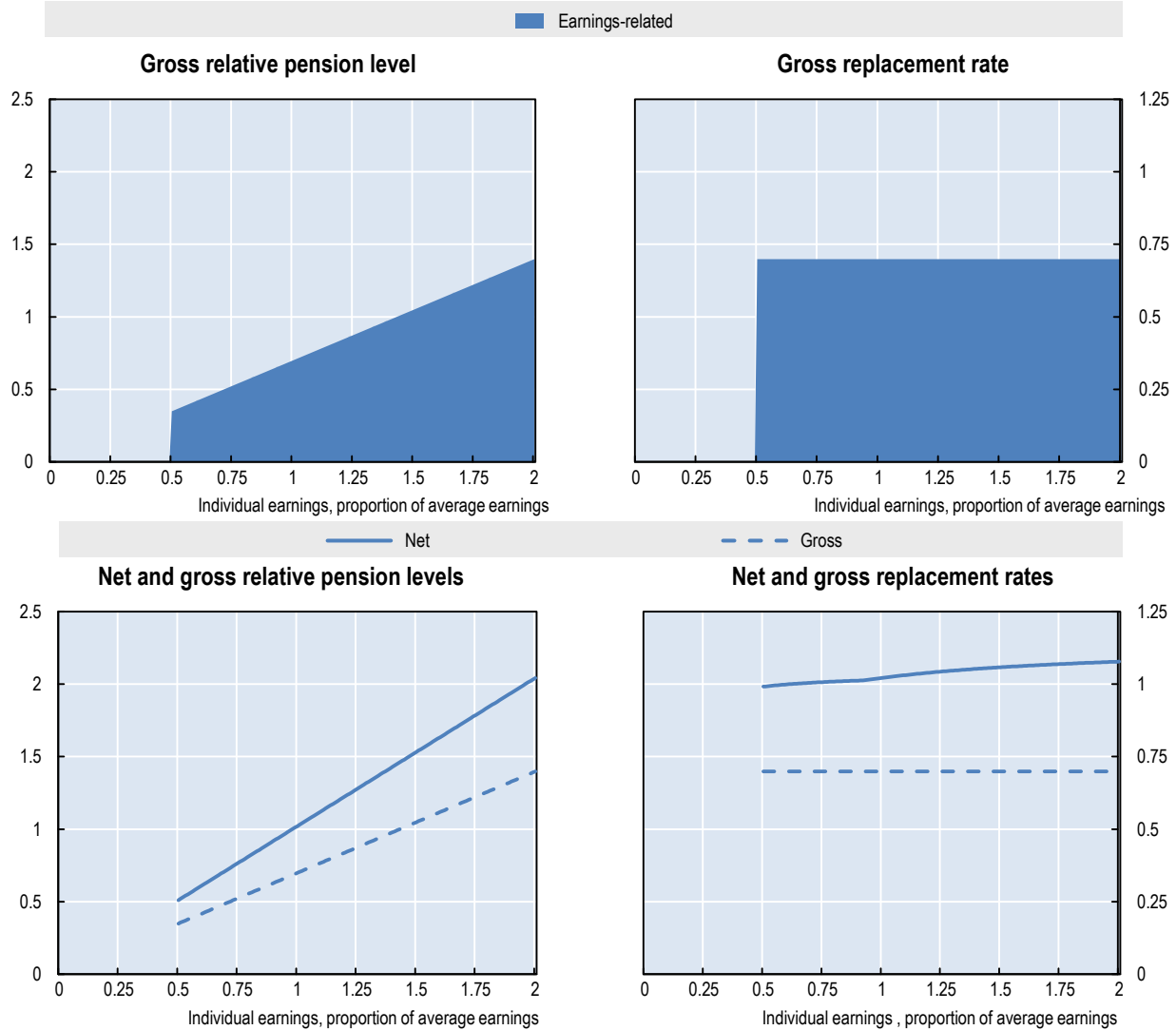
Taxation of pension income

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 2057 retirement at age 61 (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)	34.9	52.4	69.9	104.8	139.8	209.7
Net relative pension level (% net average earnings)	51.1	76.6	102.1	153.2	204.2	306.4
Gross replacement rate (% individual gross earnings)	69.9	69.9	69.9	69.9	69.9	69.9
Net replacement rate (% individual net earnings)	99.1	100.7	102.1	105.8	107.7	107.9
Gross pension wealth (multiple of individual gross earnings)	13.4	13.4	13.4	13.4	13.4	13.4
Net pension wealth (multiple of individual net earnings)	19.1	19.4	19.7	20.4	20.7	20.8

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 20 in 2016. Tax system latest available: 2015.

StatLink  <http://dx.doi.org/10.1787/888933636377>