



AUSTRIA

<p>Austria: pension system in 2008</p> <p>The pension system consists of a defined-benefit public scheme with an income-tested top-up for low-income pensioners.</p>

		Key indicators	
		Austria	OECD
Average earnings	EUR	38 800	27 800
	USD	56 800	40 600
Public pension spending	% of GDP	12.3	7.0
Life expectancy	at birth	79.9	78.9
	at age 65	83.5	83.1
Population over age 65	% of working-age population	27.6	23.6

Qualifying conditions

Normal pension age is 65 for men. For women, retirement age is currently 60 years but will be increased to 65 between 2024 and 2033. There is a coverage condition: 180 months (15 years) in the last 30 years or 300 months (25 years) during the full lifetime. Alternatively, 180 months of contributions actually paid (as opposed to coverage alone) are sufficient. Insured months are either contributory months (from employment or voluntary contributions) or supplementary (i.e., credited months, known as *Ersatzzeiten*) for which only limited contributions are paid. Within the pension reform 2005 the number of contribution years due to gainful employment required for old-age-pension has been reduced from 15 to 7 years. The remaining minimum insurance period of 8 years can be reached e.g. by child raising periods.

Benefit calculation

Earnings-related

The pension benefit currently accrues at 1.80% of earnings for each year of contributions but this will fall gradually, reaching 1.78% by 2009.

The earnings measure is currently the best 20 years' earnings. The valorisation procedure is complex although in practice adjustments have been closer to price inflation than to earnings growth. The averaging period is being extended; it will reach 40 years from 2028. Valorisation under this new procedure is still under discussion. The modelling takes this full-career measure and assumes that earlier years' earnings are revalued in line with earnings growth, though the final year is not adjusted.

Contributions are payable up to a ceiling of EUR 55 020 a year, corresponding to 142% of average earnings.

In 2008, pensions in payment were adjusted in four steps depending on the monthly pension amount. Pensions up to EUR 747 by 1.7%, pensions in between EUR 747 and EUR 1 050 by an amount of EUR 21, pensions in between EUR 1050 and EUR 1 700 by 2.0%, pensions in between EUR 1 700 and EUR 2 161.50 digressive from 2.0% to 1.7% and pensions above EUR 2 161.50 by an amount of EUR 36.75.

Targeted

There is a means-tested top-up (*Ausgleichszulage*) that ensures a minimum retirement income of EUR 747 per month for single people and EUR 1 120 for a couple. There are fourteen annual payments. Again, adjustment of the safety-net income is discretionary; the modelling implicitly assumes that it will rise in line with average earnings.

Variant careers

Early retirement

Retirement is currently possible from 62 for men and from 57 for women, subject to 37.5 years of contributions or credits. From 2017 on, the earliest retirement age for women will be 60. Pensions taken before the age of 65 are reduced by 4.2 % for each year that the pension is claimed early.

Late retirement

For retirement between the ages of 65 and 68 the pension is increased by 4.2% per year and there is no such increment after 68. Workers who defer their pension continue to pay contributions thereby increasing their pension entitlements.

Combining work and pensions is possible but there is an earnings limit. If pensioners below the age of 65 earn more than EUR 349.01, the pension is fully withdrawn. After age 65, unlimited earnings from work and pension receipt are permitted.

Childcare

Periods spent out of paid work for childcare are taken into account in two different ways. Childcare periods of up to 4 years per child are credited on the basis of a fictitious pensionable salary of EUR 1 350 per month. But only 2 years per child are covered years and count towards the qualifying period for pension entitlement.

Unemployment

Periods of receiving unemployment insurance benefits and unemployment assistance (at 70% of the assessment basis) count as contribution years.

Personal income tax and social security contributions

Taxation of pensioners

There are no special rules for pensioners. Pensioners are unable to claim work expenses if their only income is a pension.

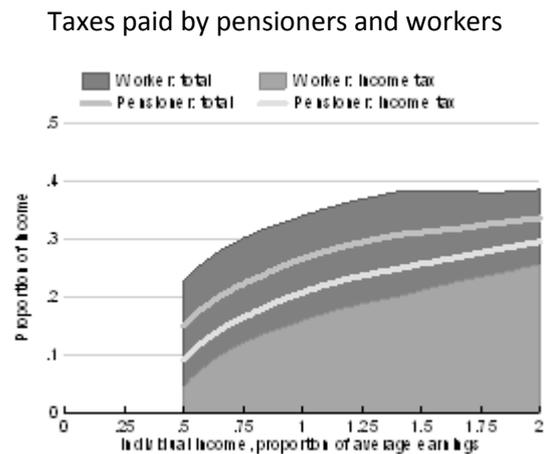
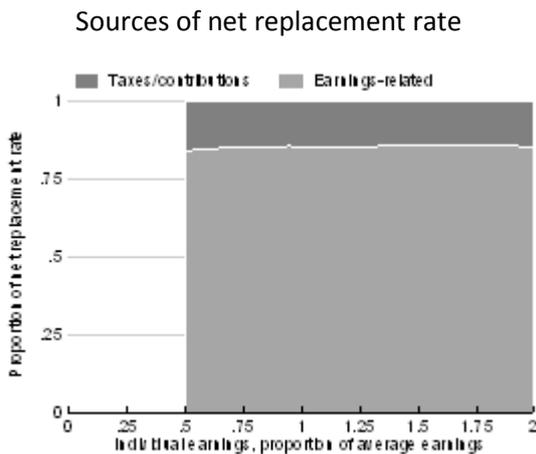
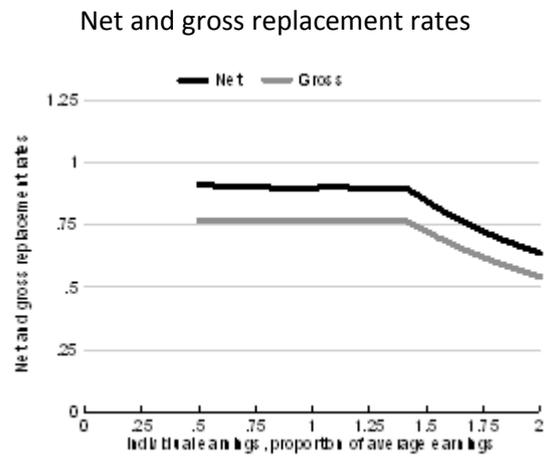
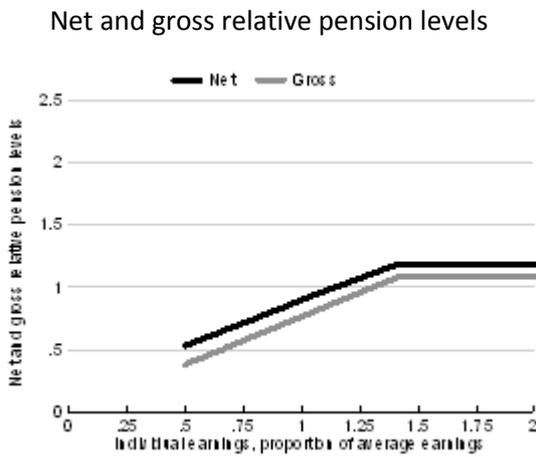
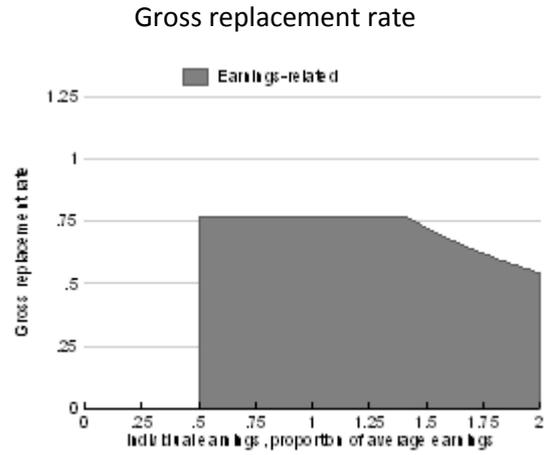
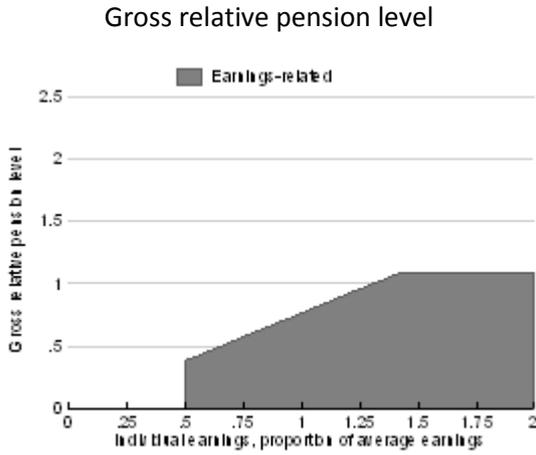
Taxation of pension income

There is no special relief for pension income.

Social security contributions paid by pensioners

Pensioners do not pay most social security contributions but do pay for sickness insurance.

Pension modelling results: Austria



Men Women (where different)	Median earner	Individual earnings, multiple of average				
		0.5	0.75	1	1.5	2
Gross relative pension level (% average gross earnings)	63.6	38.3	57.5	76.6	108.5	108.5
Net relative pension level (% net average earnings)	77.4	53.5	71.5	89.9	118.8	118.8
Gross replacement rate (% individual gross earnings)	76.6	76.6	76.6	76.6	72.3	54.3
Net replacement rate (% individual net earnings)	89.9	91.3	90.1	89.9	84.6	63.7
Gross pension wealth (multiple of average gross earnings)	10.2 11.2	10.2 11.1	10.2 11.1	10.1 11.1	9.5 10.4	7.1 7.8
Net pension wealth (multiple of average net earnings)	8.2 9.0	9.4 10.3	8.3 9.2	7.8 8.6	6.9 7.5	5.2 5.7