



ISRAEL

Israel: pension system in 2008

The state pension comprises a universal insurance pension combined with means-tested income support. Until 2008 second-pillar pensions were common, but voluntary. As of January 2008 mandatory contributions to defined-contribution pension funds have been introduced.

		Key indicators	
		Israel	OECD
Average earnings	ILS	112 400	145 700
	USD	31 300	40 600
Public pension spending	% of GDP	4.8	7.0
Life expectancy	at birth	80.7	78.9
	at age 65	84.0	83.1
Population over age 65	% of working-age population	18.5	23.6

Qualifying conditions

A schedule increasing the ages of entitlement to the NII pension retirement began in 2004 with increases from 65 to 67 years for men and from 60 to 64 years for women. Men's retirement age reached 67 years in 2009 while women's is 62 years and not due to reach 64 years until 2017. There are limits on the earnings from work for entitlement to the pension until age 70 for men and as of 2009, age 67 for women (this is being increased to 70 years).

Benefit calculation

Old-age pension

For those covered under the system they contribute 3.5% of earnings below, plus 12% of earnings above, 60% of the national average wage, which was ILS 7 663 from January 2008.

The minimum earnings for contribution purposes are ILS 3 585, equal to the minimum wage. Anyone earning less than this amount pays contributions as if earning the minimum.

The maximum earnings for contribution purposes are five times the national average wage as of January 1 each year.

Social insurance:

A single pensioner receives 16.5% of the old-age basic amount a month, with a couple receiving 24.8%. The old-age basic amount is ILS 7 352.

There is a seniority increment where the pension is increased by 2% for each year of insurance coverage exceeding 10 years, up to a maximum equal to 50% of the pension.

The income supplement is paid if income, including the pension, is less than the minimum level for subsistence. Rates vary between 28.8% and 62.9% of the old-age basic amount a month, depending on marital status and the number of children. The resulting amount is increased by an additional 7%.

Income Support is withdrawn at a rate of 60% in the presence of income from defined contribution pensions.

Defined Contribution

Mandatory contributions have applied to earnings up to the average wage for all employees since January 2008. Initially the rates were modest with a total contribution of 2.5% but are scheduled to increase to 15% (5% from employees and 10% from employers) by 2013. Half of the employers' contribution also provides severance insurance which, if utilised, diminishes the pension.

Minimum

The minimum is covered within the social insurance referenced above.

Variant careers

Early retirement

It is not possible to receive a pension prior to the normal pension age.

Late retirement

The pension is increased by 5% for each year of deferred retirement.

Personal income tax and social security contributions

Taxation of pensioners

We have assumed that the same rules apply to pensioners as to workers.

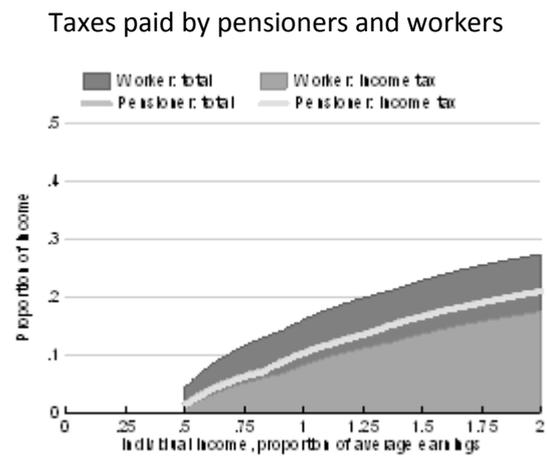
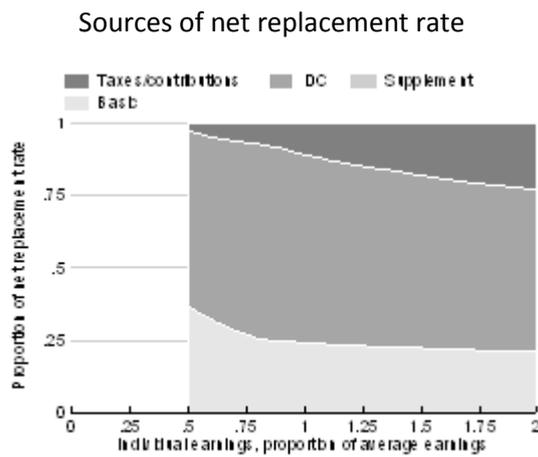
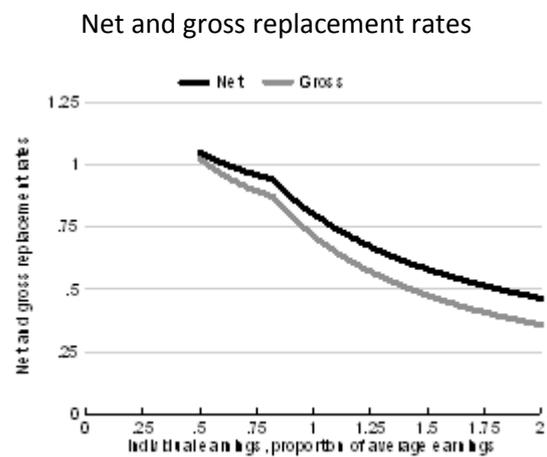
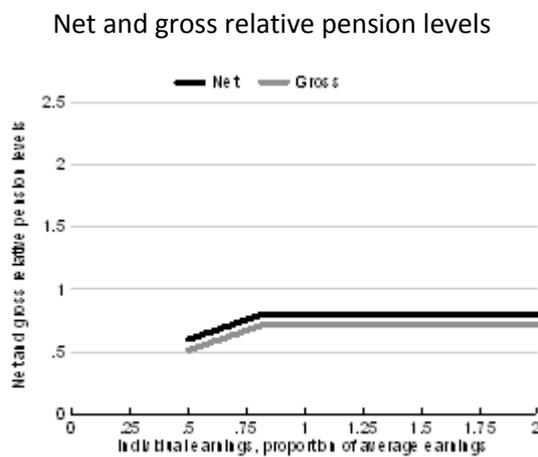
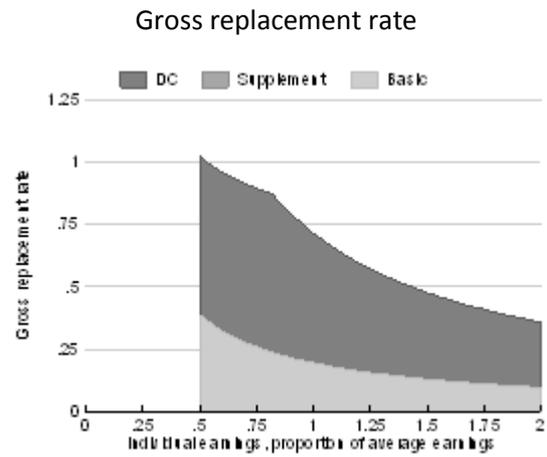
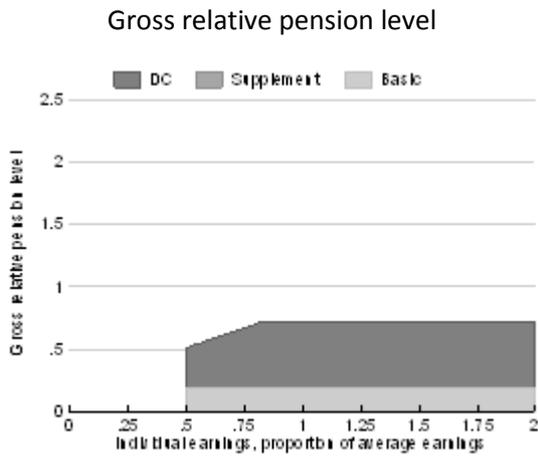
Taxation of pension income

We have assumed that the same rules apply to pensioners as to workers.

Social security contributions paid by pensioners

Health insurance contributions are deducted from your old-age pension at the rate of NIS 173 (as of 1 January 2009) for an individual and NIS 251 (as of 1 January 2009) for a couple. If you are entitled to an income supplement, the health insurance deduction is NIS 92 (as of 1 January 2009) for both an individual and a couple.

Pension modelling results: Israel



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)	69.1 60.7	50.1 44.9	65.4 57.7	69.6 61.2	69.6 61.2	69.6 61.2
Net relative pension level (% net average earnings)	77.7 69.4	58.7 53.4	74.1 66.3	78.2 69.8	78.2 69.8	78.2 69.8
Gross replacement rate (% individual gross earnings)	85.3 75.0	100.1 89.9	87.2 76.9	69.6 61.2	46.4 40.8	34.8 30.6
Net replacement rate (% individual net earnings)	92.2 82.3	103.0 93.6	93.7 83.9	78.2 69.8	56.7 50.6	45.2 40.4
Gross pension wealth (multiple of average gross earnings)	13.5 14.5	15.9 17.4	13.8 14.9	11.0 11.8	7.4 7.9	5.5 5.9
Net pension wealth (multiple of average net earnings)	12.8 13.9	15.6 17.3	13.1 14.3	10.4 11.3	6.9 7.5	5.2 5.7