



TURKEY

Turkey: pension system in 2006

An earnings-related public scheme with an income-tested safety net and a flat-rate supplementary pension.

		Key indicators	
		Turkey	OECD
Average earnings	TRY	18 800	52 700
	USD	14 500	40 600
Public pension spending	% of GDP	6.1	7.0
Life expectancy	at birth	71.8	78.9
	at age 65	79.0	83.1
Population over age 65	% of working-age population	10.1	23.6

Qualifying conditions

Entrants into the system between September 1999 – October 2008 can draw a pension from age 60 (men) or 58 (women) with 7 000 days of contributions. An alternative eligibility condition is 25 years of insurance coverage with 4 500 days of contributions. Entrants into the system after October 2008 can draw a pension from age 60-65 for men (retirement age will gradually increase) and 58-65 for women (retirement age will gradually increase) with 7200 days of contributions. After October 2008 an alternative eligibility condition is 25 years of insurance coverage with 5 400 days of contributions.

The means-tested pension is payable only to those with no other social security rights who are disabled or those aged 65 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 nominal 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 10 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

The pension under the new scheme is based on average lifetime earnings revalued in line with nominal GDP growth and the change of CPI $[(1+\text{CPI} + \%30 \text{ GDP})]$. The pension's formula is a pension of 2% for one year coverage and it cannot exceed 90% of pension.

There is a floor above which contributions are required. This is TRY 693 for the second half of 2009.

There is a ceiling to pensionable earnings; its value was TRY 4 504.50.

According to the law acted in 1999 pensions are monthly indexed by consumer price index. But 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. For 2009 pensions are increased 3.84 % in January and 1.83 % in July.

Minimum

There is a minimum pension, which in 2009 varied between TRY 590.7 and TRY 608.3.

Targeted

The means-tested pension is paid quarterly. For the first half of 2009 the pension was TRY 90.7 per month, for the second, pension is TRY 94.8 per month.

Variant careers

Early retirement

Workers in specific industries (e.g. mining) and people with disability 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.

Childcare

There is no credit for periods spent out of paid work caring for children.

Unemployment

There is no credit 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

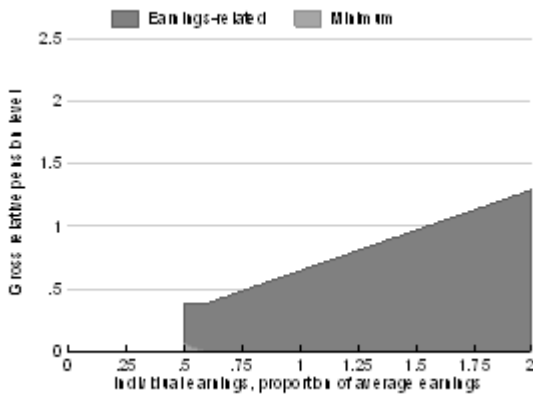
Pension income is not taxed.

Social security contributions paid by pensioners

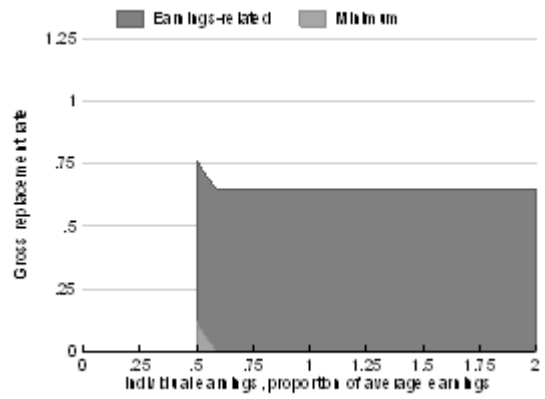
Pension income is not subject to social security contributions.

Pension modelling results: Turkey

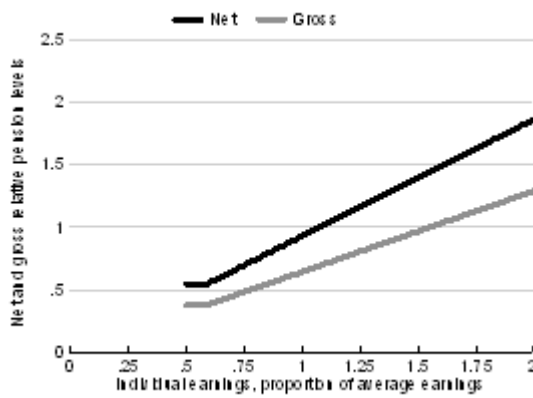
Gross relative pension level



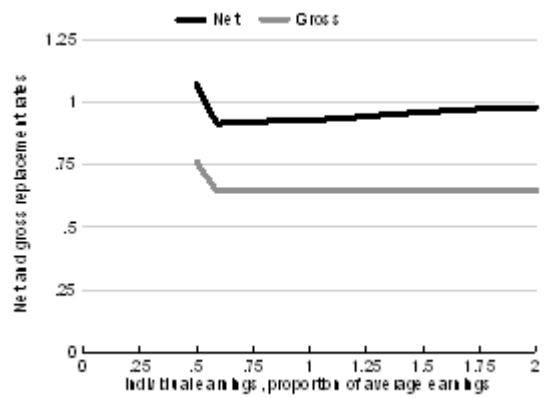
Gross replacement rate



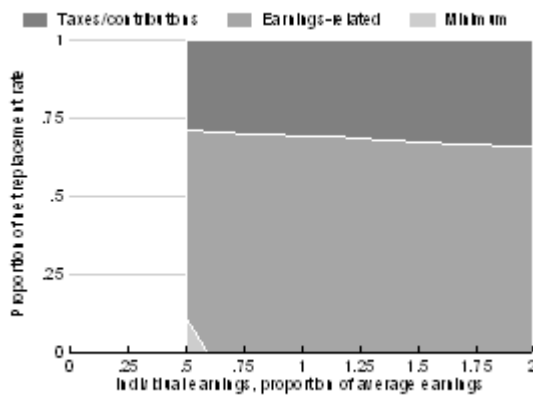
Net and gross relative pension levels



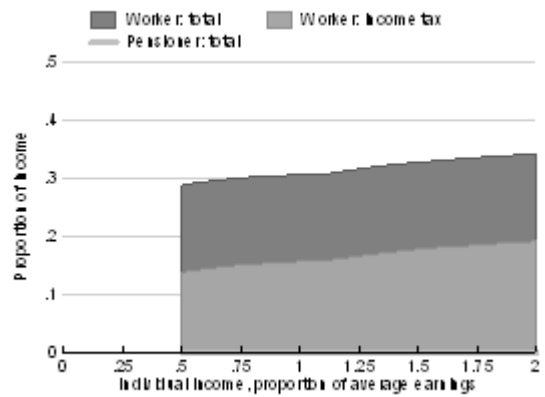
Net and gross replacement rates



Sources of net replacement rate



Taxes paid by pensioners and workers



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)	38.2	38.2	48.4	64.5	96.8	129.1
Net relative pension level (% net average earnings)	55.1	55.1	69.8	93.1	139.6	186.1
Gross replacement rate (% individual gross earnings)	69.5	76.4	64.5	64.5	64.5	64.5
Net replacement rate (% individual net earnings)	98.0	107.3	92.2	93.1	96.0	98.1
Gross pension wealth (multiple of average gross earnings)	9.2 10.9	10.1 12.0	8.5 10.2	8.5 10.2	8.5 10.2	8.5 10.2
Net pension wealth (multiple of average net earnings)	9.2 10.9	10.1 12.0	8.5 10.2	8.5 10.2	8.5 10.2	8.5 10.2