KOREA

The Korean public pension scheme was introduced relatively recently. It is an earnings-related scheme with a progressive formula, since benefits are based on both individual earnings and the economy-wide average of earnings.

Qualifying conditions

The pension is available from age 60 provided the individual has contributed for ten years or more. An actuarially reduced early pension can be drawn from age 55.

Benefit calculation

Earnings-related

The scheme is earnings-related. Benefits accrue at the rate of 1.5% of earnings per year of membership up to a maximum replacement rate of 100%. Earlier years' earnings are valorised in line with average earnings. The earnings measure used in the formula is the average of individual lifetime average earnings and economy-wide average pay (measured over the previous three years). The component of pension based on individual earnings and the part based on average earnings are shown separately in the charts. There is a ceiling to pensionable pay of KRW 3.6 million per month, which is equivalent to double average earnings

The benefit is indexed to prices after retirement.

Personal income tax and social security contributions

Taxation of pensioners

Older people (above age 65) receive an additional tax allowance of KRW 1 million on top of the standard tax allowance (KRW 1 million).

Taxation of pension income

Pension income is taxable. There is a pension income deduction the thresholds of which are half of those that apply to workers. Below KRW 2.5m, all income is deductible. Above that level, the marginal rate of deduction falls to 40%, 20% and, finally, to 10%.
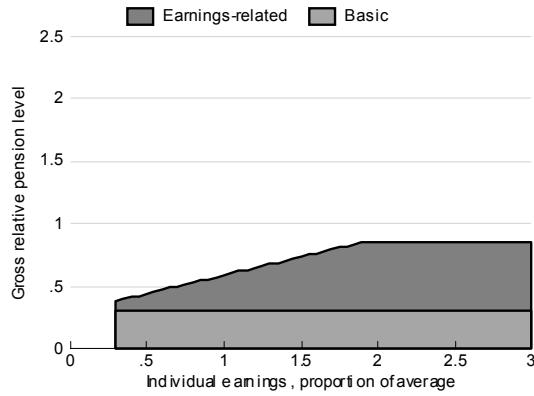
Lower limit (KRW)	0	2.5m	5m	9m
Deduction (KRW)	total amount	2.5m	3.5m	4.3m
Marginal deduction	100%	40%	20%	10%

Social security contributions paid by pensioners
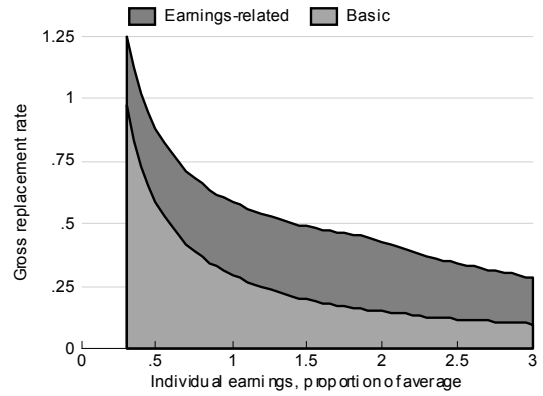
Pensioners do not pay social security contributions.
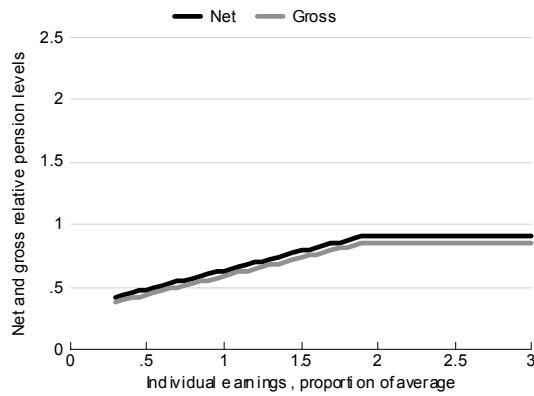
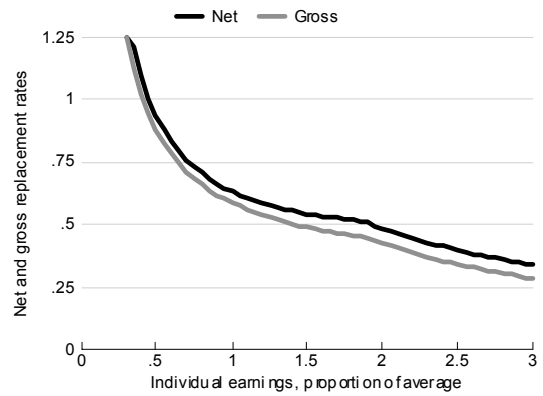# Pension modelling results: Korea

Gross relative pension level

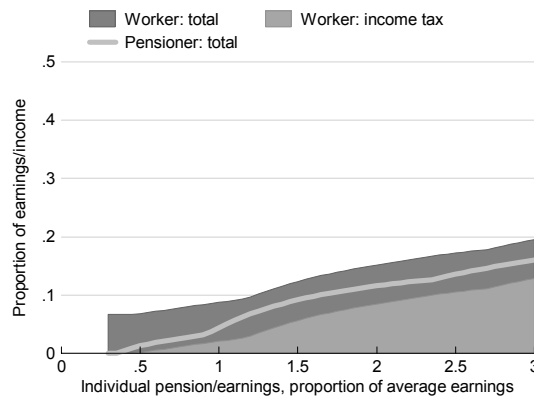## Gross replacement rate

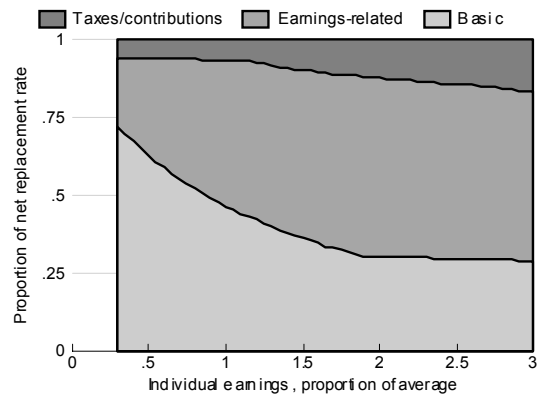## Net and gross relative pension levels

Net and gross replacement rates

Taxes paid by pensioners and workers

Sources of net replacement rate

Pension modelling results: Korea

Men Women (where different)	Individual earnings, multiple of average					
	0.5	0.75	1	1.5	2	2.5
Gross pension level (% of average earnings)	43.9	51.2	58.5	73.1	84.5	84.5
Net pension level (% of average net earnings)	47.7	55.3	63.0	78.2	89.8	89.8
Gross replacement rate (% of individual earnings)	87.8	68.3	58.5	48.8	42.2	33.8
Net replacement rate (% of individual net earnings)	93.4	73.0	63.0	54.2	48.3	39.6
Gross pension wealth (multiple of average earnings)	7.2 *8.5*	8.4 *9.9*	9.6 *11.3*	12.0 *14.2*	13.9 *16.4*	13.9 *16.4*
Net pension wealth (multiple of average net earnings)	7.9 *9.2*	9.1 *10.7*	10.4 *12.2*	12.9 *15.1*	14.8 *17.4*	14.8 *17.4*