

Slovenia

Slovenia: Pension system in 2020¹

The system combines an earnings-related public pension with a minimum pension.

Key indicators: Slovenia

		Slovenia	OECD
Average worker earnings (AW)	EUR	20 424	34 301
	USD	23 329	39 178
Public pension spending	% of GDP	10.4	7.7
Life expectancy	at birth	81.0	80.6
	at age 65	19.5	19.7
Population over age 65	% of working- age population	34.7	30.4

Qualifying conditions

Individuals need 15 years of contributions for receiving a pension benefit from age 65. With 40 years of contributions, the qualifying age for an unreduced pension is 60 years.

Benefit calculation

Earnings-related

The old-age pension benefits are calculated net of taxes. The earnings-related scheme gives 27.5% of the pension rating base for men (in 2021) and 29.5% for women once the minimum qualifying condition (15 years' contributions) has been met. Thereafter, the accrual rate is 1.28% (in 2021) per year for men. For women the accrual rate is 1.36% per year. The accrual rate for men is gradually changing to equalization with percentages for women in 2025. The total accrual rate after 40 years of contributions equals 59.5% for men (in 2021) and 63.5% for women. The pension rating base is calculated using the best 24 consecutive years of net wages (after 1970). Past net earnings are updated with the growth of nominal net wages and the period of assessment has been extended since 2013 reaching 24 years in 2018.

There is a minimum pension rating base that applies to all pensionable earnings. The Minimum Pension Rating Base is established 1 January each year and is equal to 76.5% of the average monthly salary, increased by the percentage of pension adjustment from January 1 of the current year. In December 2020 the Minimum Pension Rating Base equalled EUR 912.78 net. There is also a ceiling for pensionable earnings set at four times the minimum pension rating base equal to EUR 3 651.12 per month in December 2020. Pension benefits in payment are indexed with 60% of gross average wage growth and 40% of consumer prices growth. Pensions were indexed in January 2020 by 3.2% and additionally in December 2020 (irregular indexation) by 2.0%.

Minimum

The minimum pension is defined as 27.5% of the minimum pension rating base for men (in 2021) and 29.5% of the minimum pension rating base for women. As of 2017 a guaranteed pension has been introduced in the amount of EUR 500 (566.88 in December 2020) in case the old-age or disability pension for legally prescribed full pensionable service fails to reach the relevant amount.

Variant careers

Early retirement

An insured person may acquire the right to early pension at the age of 60, provided that they attain at least 40 years of the pension qualifying period. Due to the renewed system of permanent deductions, early retirement will affect the amount of pension received. A pension, with regard to the pension qualifying period achieved will be lowered by 0.3% for each month of the difference to the age of 65 (max 18% which equals five years of a missing age).

Late retirement

Late retirement is possible and pension benefits are adjusted for pension deferral.

Since 2020 the pension benefit bonus to postpone retirement has been changed. For each six months of work after an individual met the age and pension qualifying period conditions for pension benefit withdrawal accrual rate amounts 1.5%. Currently that includes the insured with 60 years of age and 40 years of pension qualifying period (without any purchased periods). The maximum bonus for pension benefit deferral is 9% (three years), after that period regular accrual rates apply.

Childcare

Maternity periods of up to a year are covered by the pension system. The benefits for this period are calculated on the basis of earnings when the mother was working. From 2020 there is a possibility of an additional accrual rate due to childcare (1.36% for one child, max up to 4.08% for three children). It is possible to choose lowering the retirement age or an additional accrual rate.

In addition, one of the parents who switch to part-time work when the child is three or under is treated as if he or she worked full time. The base for the payment of the contributions is the amount of the compensation or benefit to which they are entitled pursuant to. There is also the possibility of paying voluntary contributions for periods out of the labour market (also for periods of caring for children).

Unemployment

Recipients of unemployment insurance benefits are covered by the pension system, with the Employment Agency paying the contributions. Persons over age 53 with 25 years' of insurance can receive unemployment benefits for 19 months, workers over age 58 with 28 years' insurance can receive unemployment benefits for 25 months.

For persons who have exhausted their entitlement to unemployment insurance, the state pays the contribution (Unemployment Extension Contribution) and credits up to one year required until the fulfilment of the conditions for retirement. The value of unemployment benefits (both insurance and assistance payments) is taken into account when calculating pension benefits.

Self-employed

Mandatory contribution rates are aligned between dependent workers and the self-employed: the self-employed pay a contribution rate that corresponds to the total contribution rate of employees, i.e. the sum of employee and employer contributions, which is equal to 24.35%. Benefits are calculated in the same way. The contribution base (and thereby the reference wage) is equal to previous year's profit before taxes increased with social security contributions and multiplied by 75%.

Personal income tax and social security contributions

Taxation of pensioners

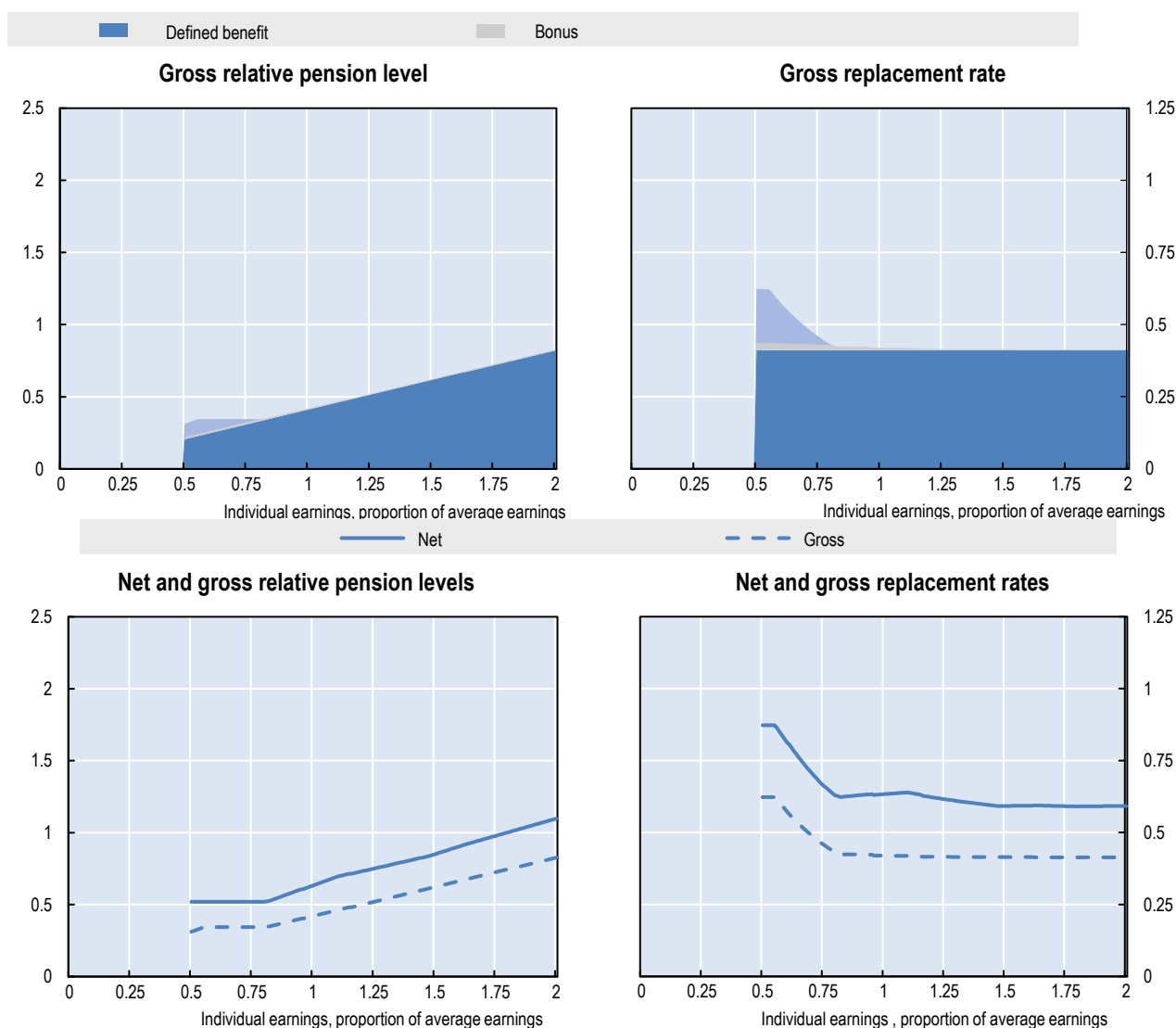
Individual residents are taxed on their world-wide income. The taxable income includes all income in the form of the pension received (from the compulsory social insurance, pensions from the supplementary voluntary insurance for age, pensions from abroad). Residents are granted a general tax relief - as a deduction from the tax base - which was in 2018 equal to EUR 3 302.70. For lower income groups general allowance of EUR 6 519.82 was granted when taxable income was lower than EUR 11 166.37 and of EUR 3 302.70 when taxable income was between EUR 11 166.37 and EUR 13 316.83. Residents are entitled to the family allowances as well.

Resident pensioners are additionally granted a credit equal to 13.5% of the pension received out of the compulsory pension and disability insurance; the same credit is granted to residents who receive compensation for occupational disability from the same insurance and to residents who receive occupational pension from compulsory supplemental retirement insurance.

Social security contributions paid by pensioners

The pensioners are covered by the compulsory health insurance. The pensioners of the compulsory pension and disability insurance scheme do not pay the contributions to social insurance schemes. The Pension and Disability Insurance Institute of Slovenia pays contribution to the Health insurance Institute of Slovenia (5.96% of gross pensions).

Pension modelling results: Slovenia in 2060 retirement at age 62 (men)



Men Women (where different)	Individual earnings, multiple of average					
	0.5	0.75	1	1.5	2	3
Gross relative pension level (% average gross earnings)	31.2	34.4	42.0	62.2	82.7	123.7
Net relative pension level (% net average earnings)	52.0	52.0	63.3	85.0	109.7	157.7
Gross replacement rate (% individual gross earnings)	62.3	45.9	42.0	41.5	41.4	41.2
Net replacement rate (% individual net earnings)	87.3	66.4	63.3	59.2	59.2	59.7
Gross pension wealth (multiple of individual gross earnings)	13.4	9.9	9.0	8.9	8.9	8.9
Net pension wealth (multiple of individual net earnings)	15.0	11.0	10.1	10.0	10.0	9.9
Net pension wealth (multiple of individual net earnings)	18.7	14.3	13.6	12.7	12.7	12.8
Net pension wealth (multiple of individual net earnings)	21.0	16.0	15.2	14.3	14.3	14.4

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 22 in 2020. Tax system latest available: 2020.