

Pensions at a Glance 2023



Lithuania

Lithuania: Pension system in 2023

The new system has a two-tier public scheme, with an earnings-related and a flat-rate benefit. There are also voluntary contributions to second tier funded pensions scheme.

Key Indicators: Lithuania

		Lithuania	OECD
Average worker earnings (AW)	EUR	20 667	39 182
	USD	21 763	41 261
Public pension spending	% of GDP	6.4	7.7
Life expectancy	at birth	74.3	80.7
	at age 65	80.7	84.6
Population over age 65	% of working-age population	35.1	31.3

Qualifying conditions

Pensionable age is 64 years and 6 months for men and 64 years for women in 2023. Pension ages are increasing by four months per year for women and by two months per year for men until they reach age 65 years in 2026. Individuals must have 15 years of coverage to receive a pension. To qualify for a contribution year, contributions at least equivalent to the minimum wage (on average EUR 840 per month in 2023) need to have been made.

Benefit calculation

Basic

The general part of pension is a flat-rate contributory benefit. In 2023, the full rate is earned with 33 years of contributions (increasing by six months each year until reaching 35 in 2027). For those who reach retirement age with at least 15 years of insurance, the general part of the pension is paid full, i. e. equal to the amount of the basic pension (EUR 246.21 in 2023). If the insurance period of the person is longer than the obligatory insurance record effective in the year of the pension entitlement, the general part of pension proportionally increases.

Earnings-related

The earnings-related part is a points-based system. Pension points are calculated as the ratio of individual social security pension contributions to the average social security pension contributions in the country. The ceiling is set at 5 times the average wage. Points are calculated based on income only after 1994 but the service years - on both periods: before and after 1994. All career years after 1994 will be included in the calculation instead of best 25 as applied previously.

For every year before the reform (1994-2017) insured income coefficients will be transformed to a yearly number of points by multiplying them by 0.78. Since 2018, the average wage earner accrues 1 point a year

theoretically though in practice it is 1.1 because of the average wage¹ used for the calculation. Pension point value in 2023 is EUR 5.7.

The basic pension amount and the pension point value are adjusted each year by the growth of the wage fund in the economy, averaged over the past three years, the current year, and the next three years as projected.

Defined contribution

The funded pension scheme is auto-enrolment scheme with all employees below 40 years enrolled with the right to opt-out within the specified period (six months). The auto-enrolment procedure is repeated every three years. From 1 January 2019, the contribution rate is 3% from employee's gross wage, with a 1.5% contribution from the state calculated on the country's average wage. Transfers of social insurance contributions to the second tier are not possible. The second tier of the statutory pension system is quasi-mandatory: employees are free to choose whether to opt-in. Opting-out from the scheme once joined is not allowed before retirement (only a single-time possibility of the opting-out due to the change of legislation related to the participation conditions was offered in 2019).

Variant careers

Childcare

From January 2008 persons taking care of children for three years are insured for the full social insurance pension on the basis of amount of maternity (paternity) allowance or the minimum wage for the periods not covered by the allowance.

A maternity (paternity) allowance shall be paid from the period of a childcare leave after the end of a maternity leave until the child reaches the age of two years.

Since 1 January 2023 a childcare benefit shall be paid for the period of a childcare leave from the end of pregnancy and childbirth leave until the child is 18 or 24 months old. Out of all length there are non-transferable months - 2 months for father (adoptive or a foster father) and 2 months for mother (adoptive or a foster mother) or guardian (total 4 months). For grandparents, childcare benefit for non-transferable months is not paid. If the parent raises the child alone, he or she will not be able to receive the non-transferable months of the other parent but will be able to receive additional months (2 months) which will be paid in the same way as the non-transferable months. There is a list of cases when a child will be raised by one parent.

The amount of childcare benefit depends on chosen receipt duration of the benefit: if the insured person chooses to receive the benefit until the child turns 18 months old, the amount of the benefit is 60 per cent of the beneficiary's compensatory wage; if the person chooses to receive the benefit until the child turns 24 months old – the benefit until the child turns 1 year old is 45 per cent and 30 per cent of the beneficiary's compensatory wage until the child turns 24 months old.

In both the first and the second option, the amount of the childcare benefit of non-transferable months of parental leave is 78 per cent. amount of the beneficiary's compensatory wage. The childcare benefit of the same amount will be paid for the additional 2 months of childcare leave, which is granted in cases where the child is raised by only one parent.

If parents work during non-transferable leave, the benefit will be reduced by the amount of income received. It will be possible to work during other months of childcare leave, but the amount of the benefit and the salary received will not be able exceed the salary from which the benefit was calculated. During the

¹Average wage means the average gross monthly wage in the 3rd and 4th quarters two years before and the 1st and 2nd quarters of the previous year, as published by the Lithuanian Department of Statistics.

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additional two months (paid for lone parents) it is possible to work and receive the full amount (78 percent) of childcare benefit.

In case of a multiple birth, the amount of the benefit depends on the number of children born at the same time, but it cannot be higher than 78 per cent of the beneficiary's compensatory wage.

The maximum duration of childcare leave is three years. However, during the third year, childcare benefit is no longer payable. Nevertheless, the employer is required to maintain the workplace for the person who is on parental leave. The months during which the person is on the childcare leave, are continued to be considered as the periods of social insurance – the person is covered by pension and unemployment social insurance by the State. Important to notice that at the third year of childcare the person, who is taking care of the child has the social insurance calculated on the minimum monthly wage approved by the Government.

Periods of maternity and childcare are covered both by I pillar pension and contributions to the II pillar pension solely from State. From 1 January 2014 the State pays contributions equal to 2% (1.5% since 2019) of the country's average wage of the year before last to the pension accumulation accounts of people that have children up to three years old and receiving maternity benefits or are insured by the State. For persons that have more than one child the State will pay contributions for each child they have to one of the parents.

Unemployment

Unemployment benefit receiving periods are credited for the full pension.

Unemployment insurance benefit consists of two parts: fixed and variable. The fixed component equals 23.27% of the Minimum monthly wage valid in the month for which benefit is paid. Calculation of the variable component considers the insured income received by the person during the previous 30 month (including months with zero income) starting two months preceding the date of the unemployed registration at Employment Service.

Insured income includes all incomes of an individual from which the unemployment insurance contributions were paid or had to be paid (including unemployment insurance and partial work benefits, sickness, maternity, paternity, and childcare benefits and benefit for illness resulting from an occupational accident or an occupational disease).

The variable part of the unemployment insurance benefit is calculated as follows:

- from the 1st to the 3rd months of payment it equals 38.79% of the average monthly insured income.
- from the 4th to the 6th months –31.03%.
- from the 7th to the 9th months –23.27 %. The unemployment benefit cannot exceed 75% (from 1 July 2019 – 58.18%) of the average monthly wage in the national economy (which is published every quarter by the Department of Statistics). The duration of payment is prolonged by 2 months for those within 5 years of pension age.

Self-employed

The rules refer to individuals who perform individual activity under an individual activity certificate. The income base for social insurance pension contributions is 90 per cent of insurable income but the ceiling is no more than 43 times average monthly wage. The overall rate of the state social insurance contributions of individuals who perform individual activity under an individual activity certificate for pension, sickness, maternity social insurance and health insurance – 19.5 percent.

Early retirement

In case of early retirement, the pension is reduced by 0.32% for every full month remaining until the retirement age, with a maximum of five years. It is possible to either receive a lump sum payment from pension funds or buy a pension annuity after choosing early retirement.

Late retirement

It is possible to defer the earnings-related pension after the standard age and the pension is increased by 8% for every year of deferral.

Personal income tax and social security contributions

Taxation of pensioners

The same taxation rules apply to workers and working pensioners.

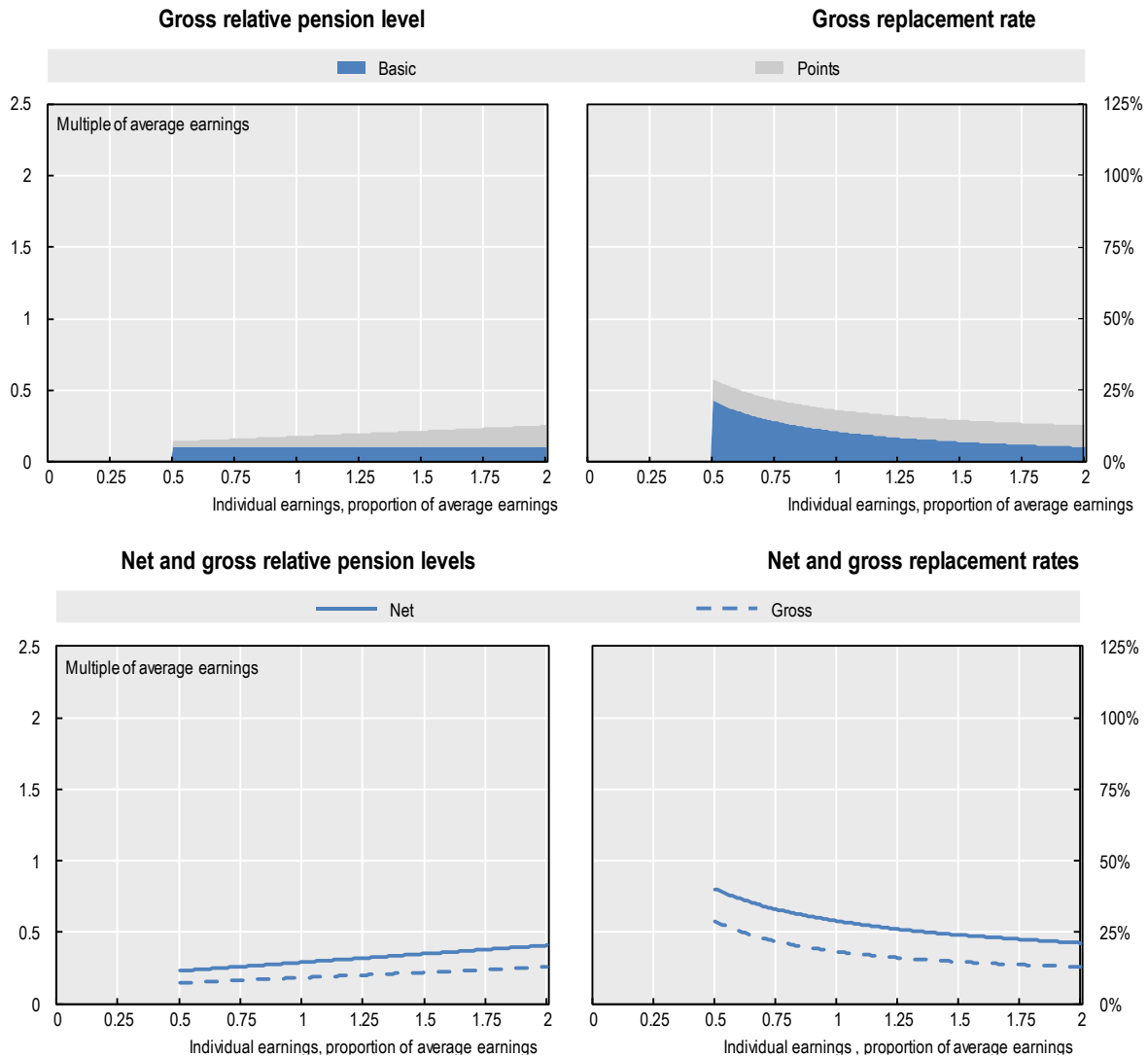
Taxation of pension income

Public pensions are not subject to tax.

Social security contributions paid by pensioners

Public pensions are not subject to social security contributions.

Pension modelling results: Lithuania 2063 retirement at age 65



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)	14.4	16.3	18.2	22.0	25.7	33.2
Net relative pension level (% net average earnings)	23.0	26.0	28.9	34.9	40.9	52.9
Gross replacement rate (% individual gross earnings)	28.9	21.8	18.2	14.6	12.9	11.1
Net replacement rate (% individual net earnings)	40.1	33.0	28.9	24.0	21.3	18.3
Gross pension wealth (multiple of individual gross earnings)	5.2	3.9	3.3	2.6	2.3	2.0
Net pension wealth (multiple of individual net earnings)	7.2	5.9	5.2	4.3	3.8	3.3
	8.2	6.8	5.9	4.9	4.4	3.8

Assumptions: Real rate of return 2.5%, real earnings growth 1.25%, inflation 2%, and real discount rate 1.5%. All systems are modelled and indexed according to what is legislated. Transitional rules apply where relevant. DC conversion rate equals 90%. Labour market entry occurs at age 22 in 2022. Tax system latest available: 2022.