


# Austria

## Austria: Pension system in 2014

The pension system consists of a defined-benefit public scheme with an income-tested top-up for low-income pensioners.

## Key indicators: Austria

		Austria	OECD
Average worker earnings (AW)	EUR	42 573	33 036
	USD	51 557	40 007
Public pension spending	% of GDP	13.2	7.9
Life expectancy	At birth	81.0	80.0
	At age 65	19.8	19.3
Population over age 65	% of population	18.7	16.2

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## Qualifying conditions

The normal pension age is currently 65 for men and 60 years for women. The retirement age for women will increase from 60 to 65 between 2024 and 2033. There is a coverage condition: 180 months (15 years) in the last 30 years or 300 months (25 years) during the full lifetime. Alternatively, 180 months of contributions actually paid (as opposed to coverage alone) are sufficient. Insured months are either contributory months (from employment or voluntary contributions) or supplementary (i.e. credited months, known as *Teilversicherungszeiten*) for which only limited contributions are paid. Within the 2005 pension reform the number of contribution years due to gainful employment required for old-age-pension was reduced from 15 to 7 years. The remaining minimum insurance period of eight years can be reached, e.g. by child raising periods.

## Benefit calculation

### Earnings-related

The pension benefit currently accrues at 1.78%. The earnings measure is currently the best 26 years' of revalued earnings. The averaging period is being extended and it will reach 40 years in 2028. Past earnings are valorised in line with earnings growth except for the last two years before retirement. Contributions are payable up to a ceiling of EUR 63 420 in 2014. The yearly adjustment for pensions in payment is basically in line with CPI. In 2014, pensions were valorised at 1.6%. This is 0.8% below the consumer price index.

### Targeted

Retirees with low earning-related benefits also receive a means-tested top-up (*Ausgleichszulage*) equal to EUR 857.73 per month for a single person household (EUR 1 286.03 for couples). There are 14 annual payments and adjustment of the safety-net income is discretionary.

### Means tested minimum income scheme (*bedarfsorientierte Mindestsicherung*)

The means-tested minimum income scheme (*bedarfsorientierte Mindestsicherung*) is the modernised version of the former social assistance scheme (*Sozialhilfe*) which was reformed in 2011. The aim of the means-tested minimum income scheme is to provide a decent standard of living for individuals who are not able to meet their daily living costs or those of their dependant family members. The assistance scheme is not specifically designed for older people. However older people may apply only when there are no other resources (i.e. pension, etc.) available. The means-tested minimum income scheme is a general residency based non-contributory system. Several groups are assimilated to Austrian citizens,

including EEA citizens, third-country nationals with specific residence permits (notably “permanent resident – EU”) and recognised refugees. The *Länder* (*Landesgesetzgebung*) are responsible for the means-tested minimum income scheme.

The monthly threshold is EUR 814 for single persons (EUR 1 221 for couples). Before applying for any means-tested minimum income scheme all individual resources have to be used up to a threshold of EUR 4 069.95 in 2014. House or flat ownership is possible, but the authorities might include it in the deeds (*Grundbuch*) after some time.

### **Additional benefit**

Any additional needs which are not covered by the minimum standard (for instance expenses for appropriate accommodation and heating) can be covered by an additional supplementary benefit.

These benefits are very diverse and vary between a flat-rate allowance and the coverage of the actual appropriate costs for dwelling. The additional benefits are provided by the *Länder*, who may grant housing allowances (*Wohnbeihilfe*) as a supplement to guaranteed minimum resources or as an independent benefit. Any person who does not have sickness insurance and receives means-tested minimum income scheme, is registered by the competent institutions with the statutory sickness insurance.

## **Variant careers**

### **Early retirement**

Early retirement is currently possible on the grounds of:

1. *Long-term insurance periods* (*Vorzeitige Alterspension bei langer Versicherungsdauer*), currently an insurance period of at least 38.5 insurance years or at least 36 contribution years is necessary. This pension is being phased out in 2017: retirement age in July 2014: 64 years and three months for men, 59 years and three months for women, and rising further to 65 for men and 60 for women in 2017.
2. *Long-term insurance contributions* (*Langzeitversichertenpension – Hacklerregelung*), currently a contribution period of 40 (women)/45 (men) contributory years or more is required (with increasingly aggravated access as from 2014; current retirement age: 60 for men, 55 for women; as from 2014: 62 for men, 57 for women, stepwise to 62 (deduction per year: 4.2%).
3. *Physically hard work* (*Schwerarbeitspension*) a contribution period of 45 insurance years or more is required, additionally within the last 20 years there have to be at least 10 years of physically hard work.
4. *Physically hard work combined with long-term insurance periods* of 45 insurance years or more (*Langzeitversicherungspension mit Schwerarbeit*), retirement age: 60 for men, 55 for women (deduction per year: 1.8%). Only possible for men born after 31 December 1953 and before 1 January 1959 and women born after 31 December 1958 and before 1 December 1964.
5. *Corridor-pension* (*Korridorpension*) at the age of 62 for both sexes, when having 38.5 insurance years or more (deduction per year: 5.1%).
6. *Disability*: Reform of the disability pension scheme on the basis of the philosophy “Rehabilitation and Prevention before Pension”; for those who were born 1964 or later; medical or occupational rehabilitation instead of a temporary disability pension from 2014 onwards.

### **Late retirement**

For retirement between the ages of 65 and 68 the pension is increased by 4.2% per year and there is no such increment after 68. Workers who defer their pension continue to pay contributions thereby increasing their pension entitlements.

Combining work and pensions is possible but there is an earnings limit. If pensioners below the age of 65 earn more than EUR 386.80 (2014) the pension is fully withdrawn. After age 65, unlimited earnings from work and pension receipt are permitted.

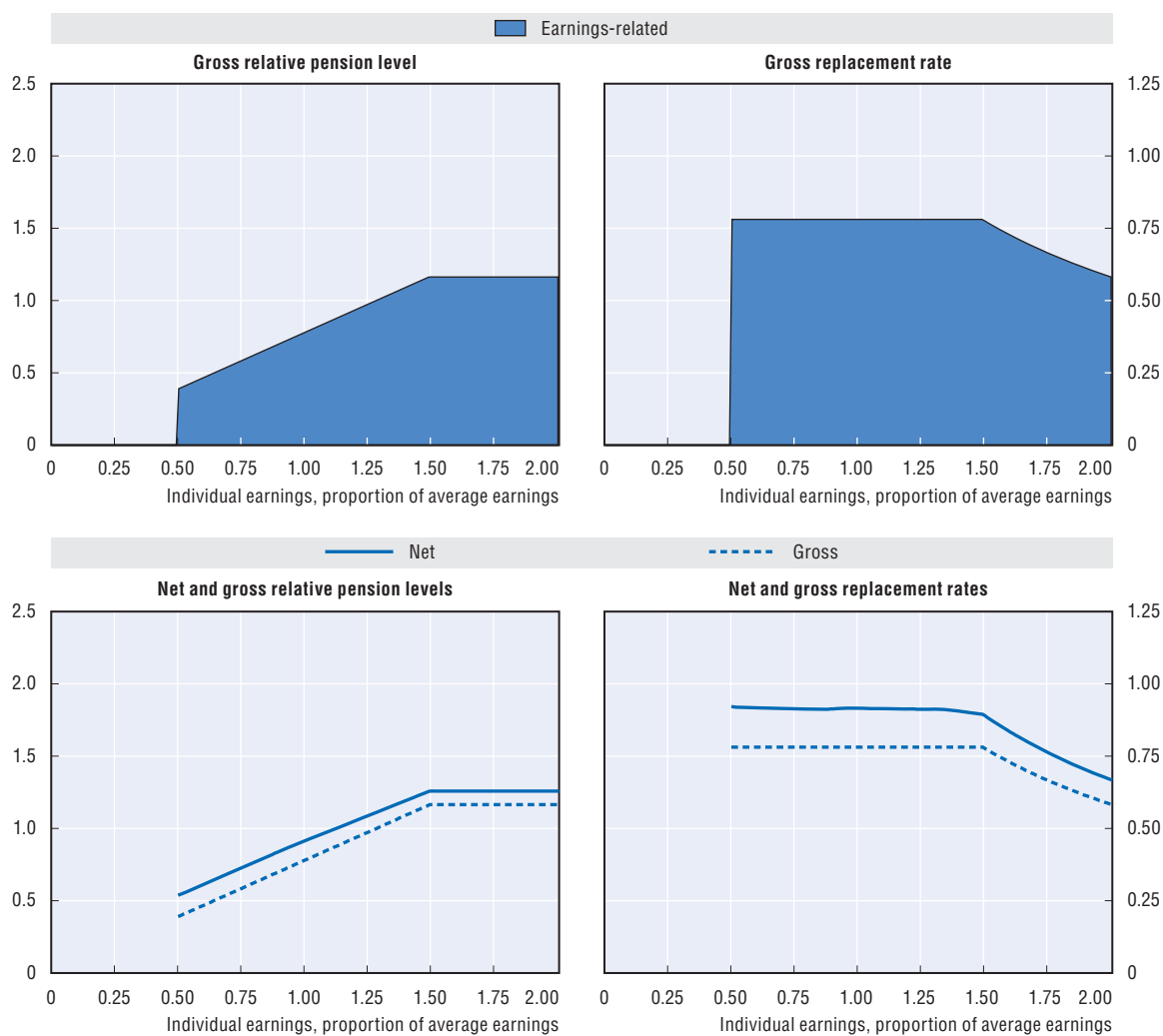
**Childcare**

Periods spent out of paid work for childcare are taken into account in two different ways. Childcare periods of up to four years per child are credited on the basis of a fictitious pensionable salary of EUR 1 649.84 (2014) per month. But only two years per child are covered years and count towards the qualifying period for pension entitlement (four years for those who were born after 1955 – see above, section “Qualifying conditions”).

**Unemployment**

Periods of receiving unemployment insurance benefits and unemployment assistance (at 70% of the assessment basis) count as contribution years.

### Pension modelling results: Austria in 2059, retirement at age 65



#### Baseline scenario: Legislation scenario (current policy indexation of safety-nets schemes)

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)	39.0	58.6	78.1	116.3	116.3	116.3
Net relative pension level (% net average earnings)	53.8	72.8	91.6	125.8	125.8	125.8
Gross replacement rate (% individual gross earnings)	78.1	78.1	78.1	77.6	58.2	38.8
Net replacement rate (% individual net earnings)	92.1	91.4	91.6	88.9	66.7	45.8
Gross pension wealth (multiple of individual gross earnings)	13.8	13.8	13.8	13.7	10.3	6.9
Net pension wealth (multiple of individual gross earnings)	12.6	11.4	10.7	9.8	7.4	4.9
	14.4	13.0	12.3	11.3	8.4	5.6

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 85%. Labour market entry occurs at age 20 in 2014. Tax system latest available: 2013.

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