

<b>Calculation of pension replacement ratios<sup>1)</sup></b>					
<b>Austria</b>		100% of average earnings			
		<b>2005</b>	<b>2010</b>	<b>2030</b>	<b>2050</b>
	Gross earnings €/month	2.335	2.646	3.780	5.400
-	Employee contribution to 1 <sup>st</sup> pillar	239	271	387	554
=	<b>Net income without pension contributions</b>	<b>2.096</b>	<b>2.374</b>	<b>3.392</b>	<b>4.847</b>
-	Other social insurance contributions (health insurance, unemployment insurance)	173	196	280	400
-	Taxes	383	434	620	885
=	<b>Net income</b>	<b>1.540</b>	<b>1.745</b>	<b>2.493</b>	<b>3.562</b>
	<b>Gross pension from 1<sup>st</sup> pillar</b>	<b>1.496</b>	<b>1.707</b>	<b>2.486</b>	<b>3.702</b>
-	Social insurance contributions (health insurance)	56	64	93	139
-	Taxes	198	226	329	491
=	<b>Net pension income</b>	<b>1.241</b>	<b>1.417</b>	<b>2.063</b>	<b>3.073</b>
	<b>Gross replacement ratio (gross pension/gross earnings)</b>	<b>64,1%</b>	<b>64,5%</b>	<b>65,8%</b>	<b>68,5%</b>
	<b>Net replacement ratio (net pension/net income)</b>	<b>80,6%</b>	<b>81,2%</b>	<b>82,8%</b>	<b>86,3%</b>

Table 1

1) Pension level and replacement ratio calculation are based on the new arrangements of the pension reforms 2003 and 2004

Table 2

**Employment ratios in Austria**

	Total	Women	Men	Total	Women	Men
				aged 55 - 64		
<b>2000</b>	68,5	59,6	77,3	28,8	17,2	41,2
<b>2001</b>	68,5	60,7	76,4	28,9	18,4	40,1
<b>2002</b>	69,2	62,5	75,9	29,7	20,4	39,7
<b>2003</b>	69,2	62,8	75,8	30,4	21,5	40,1

Source: Eurostat

**Financial effects of the pension reform 2004 by individual measures**  
(in €m) 1)

Table 3

**A. Measures concerning benefits-related legislation**

	2005	2006	2007	2008	2009	2010
1. New rules on loss limit	-23	-45	-83	-140	-214	-238
2. Changes of pension adjustment (solidarity contribution)	0	6	12	18	18	18
3. "Heavy workers"/long-term insured	-20	-40	-140	-300	-320	-310
<b>Total effects A</b>	-43	-79	-211	-422	-516	-530

**B. Measures concerning contributions-related legislation**

	2005	2006	2007	2008	2009	2010
1. Increasing the contribution rate	0	21	43	59	77	95
2. Decreasing the minimum contribution basis	0	-21	-43	-59	-77	-95
3. Increasing the maximum contribution basis	56	57	59	60	61	63
<b>Total effects B</b>	56	57	59	60	61	63

**C. Measures regarding partial insurance periods (previously "replacement periods")**

	2005	2006	2007	2008	2009	2010
1. Financing of unemployment periods/unemployment assistance periods by the Labour Market Policy Fund	210	215	220	225	230	235
2. Financing of childcare periods by the FLAF	170	178	180	180	180	430
<b>Total effects C</b>	380	393	400	405	410	665

<b>Sum of all measures (A+B+C) of the reform 2004</b>	393	371	248	43	-44	197
<b>Sum of all measures of the pension reform 2003</b>	479	654	843	1.063	1.340	1.558
<b>Sum of all measures of the pension reforms 2003 and 2004</b>	873	1.025	1.091	1.106	1.296	1.755
<b>Percentage of the GDP</b>	0,4%	0,4%	0,4%	0,4%	0,5%	0,6%

1) a minus before a number indicates additional expenditure  
FLAF ... Family Equalisation Fund

Table 4

**Key parameters for estimating the long-term effects  
of the harmonisation of pension systems in 2004**

	Starting point	Long-term projection								Annual change from 2005 to 2050
	2005	2015	2020	2025	2030	2035	2040	2045	2050	
<b>DEMOGRAPHY</b>										
Population at year-end	8.144.546	8.354.890	8.404.734	8.426.632	8.418.712	8.381.329	8.322.885	8.246.333	8.152.803	0,0%
of which										
aged 15 - 64	5.499.360	5.598.949	5.554.912	5.416.702	5.217.195	5.039.103	4.935.714	4.856.202	4.748.987	-0,3%
above 64	1.354.687	1.583.746	1.694.574	1.871.962	2.093.000	2.272.318	2.352.850	2.380.578	2.409.494	1,3%
Old-age dependency ratio	246	283	305	346	401	451	477	490	507	1,6%
Remaining life expectancy at 65	18,5	19,5	20,0	20,5	21,0	21,5	22,0	22,5	22,9	
<b>Labour force participation 1)</b>										
Employment rates total of men	76,7%	76,8%	77,0%	77,2%	78,7%	80,3%	81,2%	81,3%	81,2%	
Employment rates total of women	60,8%	61,5%	61,7%	62,4%	64,7%	67,4%	69,0%	69,7%	70,1%	
Employment rates men aged 55-64	44,0%	50,3%	52,7%	54,8%	56,7%	57,3%	58,2%	57,7%	57,8%	
Employment rates women aged 55-64	18,8%	24,7%	28,4%	32,6%	36,8%	39,6%	42,7%	45,0%	47,5%	
Working-age population (incl. unemplc	3.784.411	3.895.897	3.886.497	3.828.206	3.776.021	3.732.946	3.700.091	3.669.067	3.603.642	-0,1%
<b>ECONOMIC ASSUMPTIONS</b>										
Productivity	-	1,88%	1,84%	1,79%	1,75%	1,75%	1,75%	1,75%	1,75%	
Real wage increase	-	1,88%	1,84%	1,79%	1,75%	1,75%	1,75%	1,75%	1,75%	
Real GDP growth	-	2,05%	2,42%	1,83%	2,04%	1,40%	2,12%	1,43%	1,42%	

1) Labour force participation based on "cost of living concept"  
GDP .... Gross Domestic Product

Table 5

**Long-term financial effects of the pension reform 2004 - comparison of legislation**  
**Comparison of the legislations**

	Starting point	Long-term projection								Annual change from 2005 to 2050
	2005	2015	2020	2025	2030	2035	2040	2045	2050	
<b>BEFORE REFORM 2003 (legislation as of 31 Dec. 2003)</b>										
Expenditure of entire PI in EUR billion	24,9	33,4	38,2	44,1	50,0	56,0	60,3	63,5	66,7	2,2%
Expenditure in % of the GDP	10,2%	10,8%	11,3%	12,1%	12,7%	13,2%	13,1%	12,8%	12,5%	
Federal funds in EUR billion	6,3	9,9	12,6	16,4	20,2	23,9	25,5	25,8	26,2	3,2%
Federal funds in % of the GDP	2,6%	3,2%	3,7%	4,5%	5,1%	5,6%	5,6%	5,2%	4,9%	
<b>REFORM 2003 (legislation 2004)</b>										
Expenditure of entire PI in EUR billion	24,9	32,3	36,4	41,5	46,7	52,0	55,8	58,7	61,6	2,0%
Expenditure in % of the GDP	10,2%	10,4%	10,8%	11,4%	11,9%	12,3%	12,2%	11,8%	11,6%	
Federal funds in EUR billion	6,1	8,6	10,5	13,6	16,6	19,6	20,7	20,7	20,8	2,8%
Federal funds in % of the GDP	2,5%	2,8%	3,1%	3,7%	4,2%	4,6%	4,5%	4,2%	3,9%	
<b>REFORM 2004 (legislation 2005)</b>										
Expenditure of entire PI in EUR billion	24,8	33,1	37,7	42,5	46,8	50,9	53,9	56,2	58,5	1,9%
Expenditure in % of the GDP	10,1%	10,6%	11,1%	11,6%	11,8%	12,0%	11,7%	11,3%	10,9%	
Federal funds in EUR billion	5,5	8,5	10,8	13,5	15,5	17,2	17,5	16,8	16,2	2,4%
Federal funds in % of the GDP	2,2%	2,7%	3,1%	3,7%	3,9%	4,0%	3,8%	3,3%	3,0%	

GDP .... Gross Domestic Product

PI .... Pension insurance

Table 6

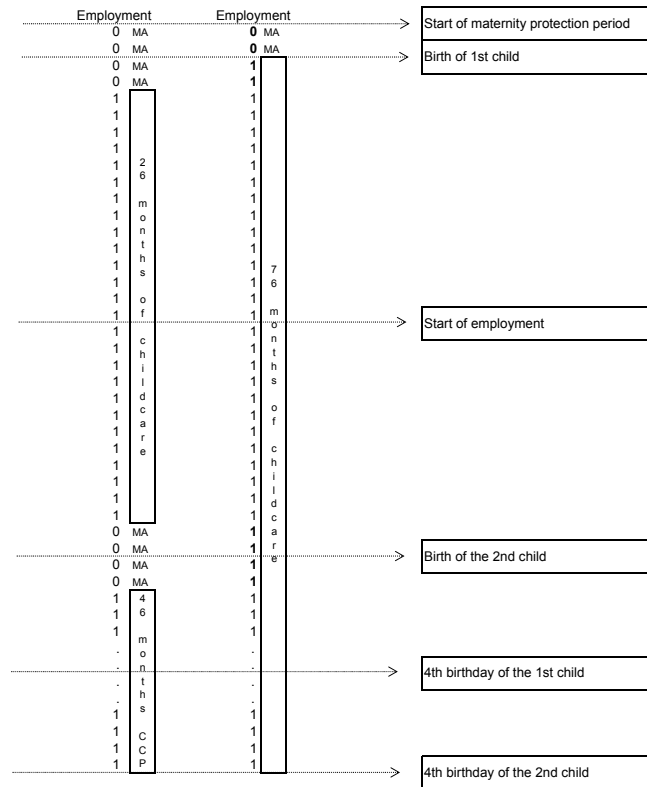
**Long-term financial effects of the pension reform 2004 - results of the long-term forecasts**  
**Results of the long-term prognoses**

	Starting point	Long-term projection								Annual change from 2005 to 2050
	2005	2015	2020	2025	2030	2035	2040	2045	2050	
<b>EXPENDITURE TRENDS</b>										
Expenditure of entire PI in EUR billion	24,8	33,1	37,7	42,5	46,8	50,9	53,9	56,2	58,5	1,9%
Expenditure in % of the GDP	10,1%	10,6%	11,1%	11,6%	11,8%	12,0%	11,7%	11,3%	10,9%	
of which pension expenditure in EUR billion	22,5	30,1	34,4	38,8	42,7	46,6	49,3	51,4	53,5	1,9%
... Pension expenditure - direct pensions	18,4	25,6	29,6	33,8	37,6	41,0	43,7	46,0	48,5	2,2%
... Pension expenditure - survivors' benefits	4,1	4,6	4,8	5,0	5,2	5,5	5,6	5,4	5,0	0,4%
Pension benefits total PI	2.044.432	2.290.823	2.403.343	2.531.093	2.628.820	2.721.121	2.735.674	2.709.627	2.674.140	0,6%
<b>REVENUE TRENDS</b>										
Revenue of the entire PI in EUR billion	19,2	24,5	26,9	29,0	31,2	33,7	36,5	39,5	42,3	1,8%
Revenue in % of the GDP	7,8%	8,0%	7,9%	7,9%	7,9%	7,9%	7,9%	7,9%	7,9%	
of which compulsory contributions in EUR billion	17,9	22,6	24,7	26,6	28,6	30,8	33,4	36,2	38,9	1,7%
Compulsory contributions in % of the GDP	7,3%	7,4%	7,4%	7,4%	7,4%	7,4%	7,4%	7,4%	7,4%	
Insured persons	3.271.991	3.439.907	3.451.684	3.413.781	3.381.281	3.355.342	3.337.738	3.321.802	3.274.028	0,0%
Old-age dependency ratios	62,5%	66,6%	69,6%	74,1%	77,7%	81,1%	82,0%	81,6%	81,7%	0,6%
<b>TRENDS OF THE FEDERAL FUNDS</b>										
Federal funds in EUR billion	5,5	8,5	10,8	13,5	15,5	17,2	17,5	16,8	16,2	2,4%
Federal funds in % of the GDP	2,2%	2,7%	3,1%	3,7%	3,9%	4,0%	3,8%	3,3%	3,0%	
GDP .... Gross Domestic Product PI .... Pension insurance										

Table 7

### Example of crediting and valuation of childcare periods

Example: Woman, 2 children  
 1st child: born on 1 March 2000  
 2nd child: born on 1 Sept. 2002  
 Period between the two births: 30 months  
 Retirement: 2035



#### Crediting of childcare periods:

	old L <sup>3)</sup>	new L
Number of months	72	78 <sup>1)</sup>
Increment percentage	2%	1,78%
Calculation basis	CS basic rate	CB CCP
CB 2005	663 €	1.157 € <sup>2)</sup>
Revaluation based on	CPI	wage incr.
Revaluation factor p.a.	2%	3,85%
CB 2005 revalued to 2035	1.201 €	3.594 €
<b>Pension increase</b>	<b>130 €</b>	<b>416 €</b>

- 1) 6 months more because:
  - 2 months maternity allowance (MA) after birth of 1st child
  - 4 months of maternity allowance for 2nd child because the 1st child is under 4 years
- 2) Calculation basis for childcare periods: 1,157 euro,  
corresponds to 1,350 euro 12 times a year
- 3) The loss limit of 10% based on the legislation as of 2003 was taken into account.

L ..... Legislation as of  
 CB ..... Calculation basis  
 CCP ..... Childcare period  
 CS ..... Compensation supplement  
 CPI ..... Consumer Price Index





Table 9

### Pension calculation - parallel calculation method - few insurance years

<b>Example - case no.:</b>	1005		
Female worker - 2 children, 16 years before retirement no activity			
Year of retirement:	2040		
Retirement at age of:	65		
Corridor pension reference age:	65,0		
Last income:	2.000		
Number of years as "heavy worker":		( 0	months )
Number of insurance years:	22,17	( 266	months )
of which up to 2004:	7,17	( 86	months )
as from 2005:	15	( 180	months )

**Type of benefit: pension / corridor pension**

**Parallel calculation method has to be app.**

#### Pension based on legislation as of 2004:

	Legislation	
	2003	2004
Calculation basis:	1.396	1.505
Additional months of IB:		
Insurance years:	22	22
Increment percentage:	2	1,78
Deductions in points:	0	
Additions in points:	44	39,46
Deduction in %:		0,0%
<b>Pension 2003:</b>	<b>619</b>	594
Loss limit:		10,0%
Pension 2003 minus max. loss:		557
<b>Pension 2004 (before corridor deduction):</b>		<b>594</b>

comparative calculation

Corridor deduction:		0,0%
<b>Pension 2004:</b>		<b>594</b>
Gross replacement rate:	30,9%	29,7%

Account credit:	1.120
Deduction in %:	0,0%
Account pension:	1.120
<b>Added months:</b>	
<b>Account pension:</b>	<b>1.120</b>
Gross replacement rate:	56,0%

#### PARALLEL CALCULATION:

Pension based on L 2004:	594
Insurance years credited:	7
<b>Partial pension L 2004:</b>	<b>192</b>

Pension based on pension account:	1.120
Insurance years credited:	15
<b>Partial pension - pension account:</b>	<b>758</b>

**Pension**  
**€ 950**

**Gross replacement rate**  
**47,5%**

L .... Legislation as of, IB .... Invalidity benefits