# ACCRUED-TO-DATE PENSION ENTITLEMENTS IN SOCIAL INSURANCE: FACT SHEET

# Slovenia

# Information as of December 2023

# **Table of Contents**

1. Table 29 column A: Defined contribution schemes (funded, non-general government)	2
Table 29 column B: Defined benefit schemes and other non-defined contribution schemes (funded, non-general government)	
3. Table 29 column D: Defined contribution schemes (funded, general government)	3
1.1 Closed Mutual Pension Fund for Civil Servants (Zaprti vzajemni pokojninski sklad za javne uslužbence)	3
1.2 Compulsory supplementary pension insurance (occupational insurance) (Obvezno dodatno pokojninsko zavarovanje)	3
4. Table 29 column E: Defined benefit schemes (funded, for general government employees, classified in financial corporations)	4
5. Table 29 column F: Defined benefit schemes (funded, for general government employees, classified in general government)	4
6. Table 29 column G: Defined benefit schemes (unfunded, for general government employees, classified in general government)	4
7. Table 29 column H: Social security pension schemes (unfunded)	4
8. Table 29, column K: Entitlements of non-resident households	6
ANNEX	6

# 1. Table 29 column A: Defined contribution schemes (funded, non-general government)

# 1. General description of the scheme and the calculation model

# 1. Voluntary supplementary schemes

# a. Coverage of the schemes

# Outline:

Supplementary insurance is regulated by respective legislation and represents the depositing of funds on the personal account of a member of such form of insurance with the aim of ensuring additional income for the person when he/she acquires the rights under the compulsory pension and disability insurance (early retirement benefit or old-age pension, disability pension, widow/widower's pension or occupational pension). Only an insured person or beneficiary of the rights arising from the compulsory pension insurance may join the supplementary insurance. Supplementary insurance may be established as collective insurance with an employer, who partially or completely funds the insurance for all his employees, or by entering an individual retirement plan (entitled to tax relief for the premiums paid). Such individual insurance plans are still included in Table 29 (and in core accounts). All such schemes are considered as 2<sup>nd</sup> pillar in Slovenia and at this point it is not possible to exclude so-called individual insurance from the data source on supplementary pension schemes used for calculating Table 29 and other NA tables. But individual retirement plans are less common than collective ones established by employers. A pension scheme may be established and managed by a pension fund, insurance company or bank. Schemes are voluntary.

Individual life insurance plans are excluded from Table 29.

The workforce covered: 33%

b. Institutional set-up	
Data sources/	Pension funds, insurance companies, banks.
suppliers	
Which institution is	The pension entitlements are based on direct data source i.e. administrative data. The
running/managing the	entitlements are calculated by each pension fund, insurance company or bank. Other
calculations?	information on data - see below 2. Any other comments.

# 2. Any other comments

# Data sources:

The sum of pension entitlements calculated by the insurance companies and pension funds pension schemes shown in columns A and D of Table 29 are based on administrative data (business reports) and are equal to the value of the pension entitlements published in financial accounts (where estimation is based on survey data). Pension schemes shown in columns A and D of Table 29 are in other national ESA tables classified to sector S.12 in financial and non-financial accounts.

The sum of household social contributions, household social contribution supplements, pension scheme service charges and the reduction in pension entitlements for columns A and D are equal to the values published in non-financial sector accounts on pension schemes (D.613, D.614, D.61SC and D.62, S.12) except for employer social contributions (D.611); those are estimated as the difference between the value of transactions taken from the financial accounts (F.63\_F64\_F65 for S.12 Liabilities) and other transactions mentioned.

The sum of changes in pension entitlements due to other flows shown in columns A and D are calculated as the difference between stocks and transactions from the financial sector accounts.

# 2. Table 29 column B: Defined benefit schemes and other non-defined contribution schemes (funded, non-general government)

These schemes in Slovenia do not exist.

# 3. Table 29 column D: Defined contribution schemes (funded, general government)

# 1. General description of the scheme and the calculation model

1.1 Closed Mutual Pension Fund for Civil Servants (Zaprti vzajemni pokojninski sklad za javne uslužbence)

# a. Coverage of the scheme

#### Outline:

The fund was established for the purpose of collecting public servants' assets in their personal accounts, to provide them with the right to supplementary old-age pension or some other rights as specified by the pension scheme with the aim of ensuring additional income for the person when he/she acquires the rights under the compulsory pension and disability insurance. In addition to the premiums paid in the fund by employers, premiums can also be paid in by public servants themselves, thus ensuring a higher supplementary pension and benefiting from the income tax relief.

The collective insurance included all individuals who concluded an employment contract with the Republic of Slovenia, local community or an entity governed by public law as the employer. The scheme was established in 2003. At the end of 2021, there were 245,530 members included in it, their assets amounting to EUR 1025 million. Scheme (collective) is mandatory.

The workforce covered: 24.1%

b. Institutional set-up	
Data sources/ suppliers	Insurance Company Modra (Modra zavarovalnica) (S.12801)
Which institution is running/managing the calculations?	The pension entitlements are based on direct data source i.e. administrative data. The entitlements are calculated by the Insurance Company Modra and are shown in the accounting statements based on national accounting standards. The information on transactions and other flows are estimated by the Statistical Office using information from the accounting statements and business report. Other information on data - see above 2. Any other comments, table 29 column A.

# 1.2 Compulsory supplementary pension insurance (occupational insurance) (Obvezno dodatno pokojninsko zavarovanje)

# a. Coverage of the scheme

#### Outline:

Occupational insurance covers the compulsory admission to the occupational retirement provision, and the rights and obligations arising from the insurance in the event of old-age and death.

Occupational insurance is intended for people working in demanding jobs and professions where due to the specifics of their work they cannot be expected to work until their full retirement age (i.e. work in conditions which are difficult and harmful to health). Demanding jobs and professions are defined by the law and relate to employees in all sectors of economy. However, significant share refer to general government sector (military, police). The scheme is managed by a public unit.

The basis for the payment of contributions is the insured person's salary or salary compensation (in 2021: 8%).

Occupational pension insurance is an early retirement scheme which ensures an individual a certain income from the moment he/she leaves the labour market up to the moment he/she meets the conditions for retirement under the compulsory pension and disability insurance. The amount of occupational pension depends on the amount of funds deposited on a person's personal account, and of the expected length of the period of receiving the occupational pension. The scheme was established in 2001. At the end of 2021 there were 49,087 members included in it, their assets amounting to EUR 892 million.

Conditions that an insured person can acquire the right to an occupational pension paid in monthly amounts are:

- when their years of pensionable service together with the added pensionable service amount to 42 years and 6 months in accordance with the provisions hereof, and if the funds collected on their personal account suffice for the pay-out of the occupational pension (the period of receiving the occupational pension shall be equal to the difference between the actually completed years of pensionable service without the added pensionable service arising from the coverage by the occupational retirement provision and the 40 years' pensionable service)
- when their years of pensionable service together with the added pensionable service amount to no less than 40 years and when, depending on the level of the bonus in the position of employment where the insurance period was applied with the bonus in accordance with the former regulations, they attain a defined age. Scheme is mandatory.

The workforce covered: 5%						
b. Institutional set-up						
Data sources/ suppliers	Capital Fund (S.1314)					
Which institution is running/managing the calculations?	The pension entitlements are based on direct data source i.e. administrative data. The entitlements are calculated by Capital Fund and are shown in the accounting statements based on national accounting standards. The information on transactions and other flows are estimated by the Statistical Office using information from the accounting statements and business report. Other information on data - see above 2. Any other comments, table 29 column A.					

# 4. Table 29 column E: Defined benefit schemes (funded, for general government employees, classified in financial corporations)

These schemes do not exist in Slovenia.

# 5. Table 29 column F: Defined benefit schemes (funded, for general government employees, classified in general government)

These schemes do not exist in Slovenia.

# 6. Table 29 column G: Defined benefit schemes (unfunded, for general government employees, classified in general government)

These schemes do not exist in Slovenia.

# 7. Table 29 column H: Social security pension schemes (unfunded)

# 1. General description of the scheme and the calculation model

# **Compulsory Pension and Disability Insurance**

# a. Coverage of the scheme

Pension and disability insurance system is a pay-as-you-go system. Benefits are provided by the Pension and Disability Insurance Institute, which is an autonomous public finance agency. The pension and disability insurance is uniform and compulsory for all employed, self-employed and other persons with earnings on a regular basis. Benefits are pensions (old age, disability, survivors') and other benefits. The main source of finance is social contributions paid by insured persons and employers. The difference between contributions and expenditure is paid mainly from the national budget. The pension amount depends on earnings, age and gender, pension period and indexation formula. The pension system was reformed in 2000 and in 2012 and gradually implemented (increasing retirement age, reduction of pension indexation, increasing reference period, etc.). There were 965,002 average number of the insured persons in 2021.

With the 2000 pension reform a three-pillar defined benefit PAYG system plus compulsory and voluntary supplementary funded schemes were introduced. According to that law the standard retirement age for social security pension scheme is being gradually increased, especially for women, for whom the full pension period was prolonged (before it was shorter than for men). The replacement rate was reduced and later retirement encouraged.

In 2012, another pension reform was introduced. With the reform the retirement age and the full pension period required was raised for women (it will became equal with men) and pension indexation was reduced. The formula to calculate the pension was changed and the increased number of years is used for calculating the pension base. But the pension amount still depends on earnings, age and gender, pension period and indexation formula.

Mandatory scheme for regularly employed, inactive persons can enter voluntarily.

Workforce covered: 95%.

b. Institutional set-up				
Data sources/ suppliers	Statistical Office			

Which institution is running/managing the calculations?

Statistical Office

# c. Major formulas: Benefit formula; Indexation of benefits

# Benefit formula

The pension amount depends on earnings, age and gender, pension period and indexation formula. The amount of the pension is determined as a percentage of the pension base (below for 2021). Pension base for an individual is calculated as the best 24-year period average.

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	Percentage (%)			Percentage (%)			Percentage (%)	
Pension period	men	women	Pension period	men	women	Pension period	men	women
15	27,50	29,50	25	40,30	43,10	35	53,10	56,70
16	28,78	30,86	26	41,58	44,46	36	54,38	58,06
17	30,06	32,22	27	42,86	45,82	37	55,66	59,42
18	31,34	33,58	28	44,14	47,18	38	56,94	60,78
19	32,62	34,94	29	45,42	48,54	39	58,22	62,14
20	33,90	36,30	30	46,70	49,9	40	59,50	63,50
21	35,18	37,66	31	47,98	51,26			
22	36,46	39,02	32	49,26	52,62			
23	37,74	40,38	33	50,54	53,98			
24	39,02	41,74	34	51,82	55,34			

# Indexation of benefits

As a general rule, pensions are adjusted by 60% of the average gross wage paid for the period January–December of the previous year compared to the average gross salary paid for the same period a year before and by 40% of the average rise in consumer prices in the period January – December of the previous year compared to the same period the year before. The adjustment of pensions is expressed as a percentage and is the sum of both observed partial growths.

# d. Type and structure of the calculation model

Structure of the calculation model:

- a) pension entitlements of existing retirees (by gender and type of pension)
- b) pension entitlements of active population (by gender and type of pension).

# 2. Assumptions and methodologies applied

#### a. Discount rate

4% nominal

# b. Wage growth

Wage growth assumptions (The 2024 Ageing report, Underlying Assumptions & Projection Methodologies)

# c. Valuation method: ABO/PBO

PBO

# 3. Data used to run the model

#### a. Mortality tables

European population projections, assumptions for probability of dying by age, sex and type of projection.

# b. Entitlement statistics; other relevant statistics

Data on pensioners - individual data from the pension database annually prepared for the Statistical Office's needs and aggregated data from Pension and Disability Insurance Institute.

Data on insured persons – individual data on income tax declarations prepared by the Financial Administration and aggregated data from the Pension and Disability Insurance Institute.

### 4. Reforms incorporated in the model

2013 pension reform is incorporated in the model.

# 5. Specific assumptions

# a. How are careers modelled?

The general wage growth in the economy is considered. using AWG assumptions. Also the promotions and the career progression are considered by anticipating that the present age and gender salary structure will remain

constant over time: an increase age average earnings rise and reach their maximum at age of 45 and then remain stable for more than a decade.

### b. How are survivor pensions calculated?

The survivor pensions are divided into survivor pensions for children and for widow/widowers pensions.

The first group of survivor pensions refer to survivors-children who have the right to a pension up to 18 years of age or up to 26 years if they are students. We have calculated pensions entitlements for survivors already receiving benefits based on belief that they will keep entitlement to the pension in limited time. For the new beneficiaries we made assumptions that the probability to become an "orphan" will be the same as it is at the present. We assume that the present age and gender specific pension amounts will remain constant over time. The widow/widowers pensions are granted until death. The estimation of entitlements for current retirees is straightforward (as for old age pensioners). For the new retirees the pension entitlements were estimated by the calculation of probability to start to receive widow/widowers regarding the annual increase of the number of beneficiaries. We assume that the present age and gender specific pension amounts will remain constant over time.

# c. How is the retirement age modelled over time?

Retirement age is modelled using assumptions on the future expected retirement age linking present average retirement age and future legal retirement ages. We consider homogeneous retirement behaviour.

# d. Other specific features of the model

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# 8. Table 29, column K: Entitlements of non-resident households

Data are not transmitted for column K.

9. Links to (national) publications providing further information on the pension schemes Methodological materials: https://www.stat.si/statweb/en/Methods/QuestionnairesMethodologicalExplanationsQualityReports.

National release of Table 29:

- SiStat Data Portal: <u>GDP and National Accounts</u> Non-financial Sector Accounts. Data are published in absolute values (EUR mio).
- First Release (GDP and National Accounts, Non-financial Sector Accounts): »Accrued-to-date pension entitlements in social insurance«.

Pension and Disability Insurance Institute of Slovenia - http://www.zpiz.si/cms/?ids=zpizen

# **ANNEX**