



Slovenia has made another important step towards a new pension reform

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Following the 2016 White Paper on pensions, the social partners agreed on the key starting-points for the recast of the pension and disability insurance system, with the aim of having the legislation adopted by 2020. Finding the right solutions to meet the agreed key objectives will be a great challenge in the next few years.

Description

The primary aims of the latest pension and disability insurance reform in Slovenia, implemented in 2013, were the short- and medium-term sustainability of the system as well as the adequacy of future pensions. The current Pension and Disability Insurance Act (ZPIZ-2) was expected to provide a stable pension environment over a ten-year period. Yet, recent estimates reveal a considerable increase in pension expenditure (as a percentage of GDP) in the long term – from 11.8% in 2013 to 15.3% in 2060 (MLFSAEO, 2016, Figure 24).

In order to tackle these challenges (largely reflected in the repeated critical remarks from the European Commission concerning Slovenia's slow progress in reforming its pension and disability insurance system and concerning the need to strengthen the involvement of social partners in policy design and implementation of structural reforms) the Slovenian government presented a White Paper on pensions in April 2016 (MLFSAEO, 2016). The Economic and Social Council appointed a Task-Force to achieve an agreement among the social partners on various elements of the reform. This Task-Force concluded its intensive debates in March 2017. The document "Starting points for the recast of the Pension and Disability Insurance System in the Republic of Slovenia" was consequently adopted by

the Economic and Social Council on 7 July 2017 (GRS, 2017a).

The social partners have agreed on the following key objectives regarding the further development of the pension and disability insurance system in Slovenia: a) gradual achievement of decent levels of pensions with a minimum replacement rate of 70%; b) financial sustainability of the pension system; c) system transparency; and d) greater confidence of all generations of insured persons in the system.

These objectives can be achieved *inter alia* through:

- full implementation of the "all work counts" principle (social contributions should be paid on any labour income, thus increasing the pensionable period);
- raising the actual average retirement age and extending work activity by measures encouraging earlier employment of young people and longer work activity of older people;
- the use of a single term "insurance period" instead of the seven different terms for periods in the current legislation;
- a more transparent way of assessing pensions, taking into account the principle of equal treatment of women and men as well as any gender differences that exist in the labour market;

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- an indexation rule that takes into account both the wage growth and the rise in consumer prices, to ensure the maintenance or even an increase in the real value of pensions;
- occupational rehabilitation becoming a fundamental right from disability insurance (i.e. the primary aim would be to enable the person to re-enter the labour market through rehabilitation rather than for him/her to immediately start paying a disability pension);
- a supplementary pension scheme that would be seen primarily in terms of upgrading the level of income during retirement, but not at the cost of reducing the importance of the first pillar of pension and disability insurance; and
- effective supervision of the payment of contributions, and adequate protection for insured persons to whom the contributions were not properly paid.

The government is planning a new pension reform in the first part of the 2020s (GRS, 2017b, p. 10), but in the "Starting points..." the social partners set the time schedule more precisely: "legislation will be adopted by 2020 and implemented gradually with sufficiently long transitional periods" (GRS, 2017a, p. 1).

Outlook & commentary

The agreed objectives (a framework for the preparation of a new pension reform) are indeed very general but, obviously, more specific definitions were not

possible at this stage. They are nevertheless important. In particular, the agreement that the actual retirement age has to be increased is a substantial step forward in the Slovenian context.

The future adequacy of pensions and the financial sustainability of the system are evidently the main focuses of the planned reform. The shaping of appropriate and acceptable measures for meeting the agreed key objectives will be a great challenge for Slovenia in the next few years.

With regard to the goal of ensuring a decent level of pensions, the proposed indexation rule increases the real value of initial pension levels but, at the same time, it may further threaten the financial sustainability of the pension system (MLFSAEO, 2016, Figures 46–48).

The idea of introducing a mandatory supplementary pension scheme, proposed in the White Paper, has not received the social partners' support. It is therefore urgent to find and approve another way to effectively and substantially increase the number of insured persons, with an emphasis on younger generations and other vulnerable groups. Only then can the stated objective of a 70% net replacement rate be realised in the future. A comprehensive study of the supplementary pension insurance system – also covering the reasons for the low participation in that insurance scheme and the decisions of insured persons regarding the rent payment options (lifetime or accelerated pension rent) – is a necessary precondition for a successful response by the Slovenian government.

Further reading

GRS (2017a), "Izhodišča za prenovu Sistema pokojninskega in invalidskega zavarovanja v Republiki Sloveniji" [Starting points for the recast of the Pension and Disability Insurance System in the Republic of Slovenia], Government of the Republic of Slovenia, Ljubljana:

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GRS (2017b), "National Reform Programme 2017–2018", Government of the Republic of Slovenia, Ljubljana:

http://www.mf.gov.si/fileadmin/mf.gov.si/pageuploads/docs/Razvojni_dokumenti/NRP1718_final_EN.pdf

MLFSAEO (2016), "Bela knjiga o pokojninah" [White Paper on pensions], Ministry of Labour, Family, Social Affairs and Equal Opportunities, Ljubljana:

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