

Austria

A defined-benefit public scheme with an income-tested top-up for low-income pensioners.

Qualifying conditions

Normal pension age is 65 for men and 60 for women. 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 *Ersatzzeiten*) for which only limited contributions are paid.

Benefit calculation

Earnings-related

The pension benefit currently accrues at 2% of earnings for each year of contributions but this will fall gradually, reaching 1.78% by 2009.

The earnings measure is currently the best 15 years' earnings. The valorisation procedure is complex although in practice adjustments have been closer to price inflation than to earnings growth. The averaging period is being extended; it will reach 40 years from 2028. Valorisation under this new procedure is still under discussion. The modelling takes this full-career measure and assumes that earlier years' earnings are revalued in line with earnings growth.

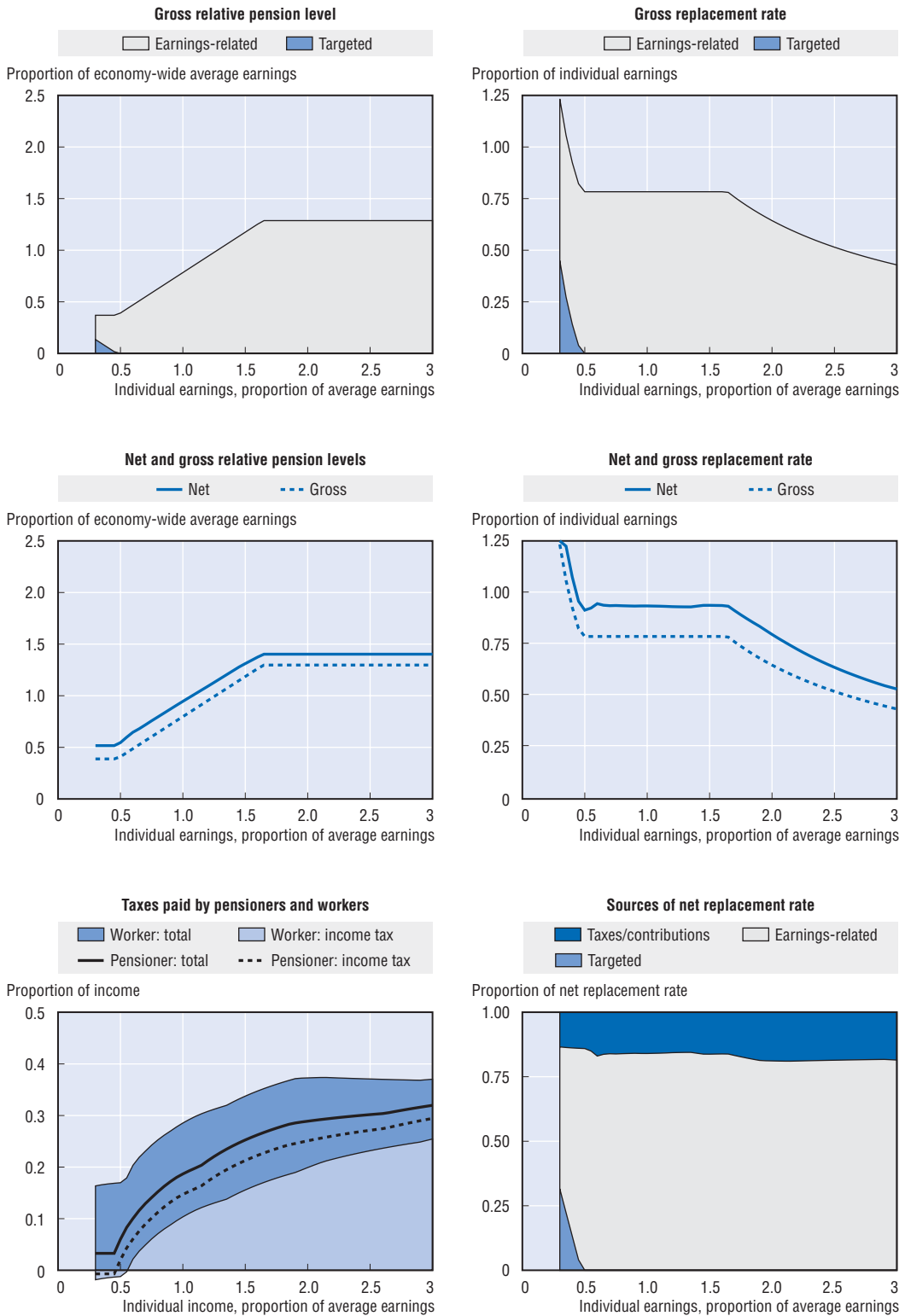
Contributions are payable up to a ceiling of EUR 39 240, around 175% of average earnings.

In recent years, pensions in payment were adjusted in line with prices up to the average pension; pensions above this threshold were increased by a flat amount, which was equal to the absolute increase given to the average pensioner. This method was used *ad hoc* but it is not legally determined. Thus, adjustment of pensions in payment is discretionary. For the pension wealth calculations, the modelling assumes all pensions are price-indexed.

Targeted

There is a means-tested top-up (*Ausgleichszulage*) that ensures a minimum retirement income of EUR 631 per month for single people and EUR 900 for a couple. There are fourteen annual payments. Again, adjustment of the safety-net income is discretionary; the modelling implicitly assumes that it will rise in line with average earnings.

Pension modelling results: Austria



Source: OECD, based on information provided by the countries.

Personal income tax and social security contributions

Taxation of pensioners

There are no special rules for pensioners. Pensioners are unable to claim work expenses if their only income is a pension.

Taxation of pension income

There are no special reliefs for pension income.

Social security contributions paid by pensioners

Pensioners do not pay most social security contributions but do pay for sickness insurance.

Pension modelling results: Austria

Men	Individual earnings, multiple of average					
	0.5	0.75	1	1.5	2	2.5
Women (where different)						
Gross pension level	39.2	58.7	78.3	117.5	128.7	128.7
<i>(% of average earnings)</i>	<i>37.0</i>	<i>52.1</i>	<i>69.4</i>	<i>104.1</i>	<i>114.1</i>	<i>114.1</i>
Net pension level	52.9	74.2	93.2	130.1	139.3	139.3
<i>(% of average net earnings)</i>	<i>50.0</i>	<i>67.4</i>	<i>84.6</i>	<i>117.7</i>	<i>127.3</i>	<i>127.3</i>
Gross replacement rate	78.3	78.3	78.3	78.3	64.3	51.5
<i>(% of individual earnings)</i>	<i>74.0</i>	<i>69.4</i>	<i>69.4</i>	<i>69.4</i>	<i>57.0</i>	<i>45.6</i>
Net replacement rate	91.2	93.4	93.2	93.5	79.3	63.2
<i>(% of individual net earnings)</i>	<i>86.1</i>	<i>84.8</i>	<i>84.6</i>	<i>84.6</i>	<i>72.5</i>	<i>57.8</i>
Gross pension wealth	6.0	9.0	11.9	17.9	19.6	19.6
<i>(multiple of average earnings)</i>	<i>7.6</i>	<i>10.7</i>	<i>14.2</i>	<i>21.4</i>	<i>23.4</i>	<i>23.4</i>
Net pension wealth	8.1	11.3	14.2	19.8	21.2	21.2
<i>(multiple of average net earnings)</i>	<i>10.3</i>	<i>13.8</i>	<i>17.4</i>	<i>24.1</i>	<i>26.1</i>	<i>26.1</i>

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Table of Contents

Preface: Why Pensions at a Glance?	9
Introduction	11
Executive Summary	15

Part I

Monitoring Pension Policies

Chapter 1. Pension-system Typology	21
1. First-tier, redistributive pensions	22
2. Second-tier, mandatory, insurance pensions	24
Notes	25
Chapter 2. Comparing Pension-system Parameters	27
1. First-tier, redistributive schemes	28
2. Second-tier, earnings-related schemes	28
3. Earnings measures and valorisation in earnings-related schemes	31
4. Defined-contribution schemes	33
5. Ceilings on pensionable earnings	33
6. Pension eligibility ages	34
7. Indexation of pensions in payment	34
8. Taxes and social security contributions	34
Notes	37
Chapter 3. Modelling Pension Entitlements	39
1. Future entitlements under today's parameters and rules	40
2. Coverage	40
3. Economic variables	41
4. Average earnings data	42
5. Taxes and social security contributions	42
6. Indicators and results	42
Notes	45
Chapter 4. Replacement Rates	47
1. Gross replacement rates	48
2. Net replacement rates	51
Notes	53

Chapter 5. Relative Pension Levels	55
Chapter 6. Pension Wealth	59
Notes	63
Chapter 7. Key Indicators	65
1. Weighted averages and the earnings distribution	66
2. Weighted average pension levels and pension wealth	67
3. Structure of the potential resource transfer to pensioners	68
Notes	70
Annex I.1. Differences between Defined-benefit, Points and Notional-accounts Pension Systems	71
Annex I.2. Sensitivity Analyses	73
Annex I.3. Progressivity of Pension Benefit Formulae	81
Bibliography	84

Part II

Country Studies

Introduction	89
Australia	91
Austria	95
Belgium	98
Canada	102
Czech Republic	105
Denmark	108
Finland	112
France	116
Germany	120
Greece	123
Hungary	127
Iceland	130
Ireland	133
Italy	136
Japan	140
Korea	143
Luxembourg	146
Mexico	149
Netherlands	152
New Zealand	155
Norway	158
Poland	161
Portugal	164
Slovak Republic	167
Spain	170
Sweden	173

Switzerland	177
Turkey	180
United Kingdom	183
United States	187
VOLUNTARY, OCCUPATIONAL PENSIONS	191
Canada	193
Denmark	196
United Kingdom	198
United States	200

List of Box

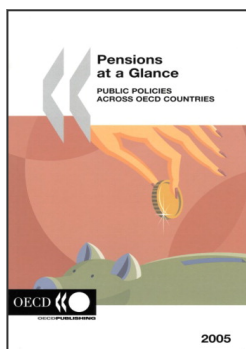
3.1. Modelling pensions	44
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List of Tables

1.1. Structure of pension systems in OECD countries	23
2.1. Summary of pension system parameters	29
2.2. Earnings measure and valorisation: earnings-related schemes	32
2.3. Procedures for adjustment of pensions in payment by country and scheme	35
2.4. Categories of concession available to pensioners	37
3.1. Earnings of the average production worker, 2002	43
4.1. Gross replacement rates by earnings level, mandatory pension programmes, men	49
4.2. Net replacement rates by earnings level, mandatory pension programmes, men	52
6.1. Total life expectancy at age 65, 2040 projected mortality rates	61
6.2. Gross pension wealth by earnings level, mandatory pension programmes, men	63
7.1. Weighted average pension level and pension wealth	67
7.2. Contribution of different components of pension systems to total pension promise	69
I.3.1. Indicators of the progressivity of pension benefit formulae	82

List of Figures

4.1. Gross replacement rates at different earnings levels	50
4.2. Net replacement rates at different earnings levels	51
5.1. The link between pre-retirement earnings and pension entitlements	57
7.1. Distribution of earnings, average of 16 OECD countries	66
I.2.1. Total gross replacement rates for low, average and high earners by rate of return on defined-contribution pensions	74
I.2.2. Total gross replacement rates for low, average and high earners by rate of growth of economy-wide average earnings	77
I.2.3. Total gross replacement rates for low, average and high earners by rate of growth of individual earnings relative to average earnings	78
I.2.4. Total gross replacement rates for low, average and high earners by the number of jobs over the career	80



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