

Poland

The new pension system applies to people born in 1949 or after, that is aged 50 at the time of the reform. The new public scheme is based on a system of notional accounts. People under 30 (born in 1969 and after) at the time of the reform must also participate in the funded scheme; people aged 30-50 (born between 1949 and 1968) could choose the funded option. However, the choice had to be made in 1999 and it was irrevocable.

Qualifying conditions

The minimum pension age in the new system will be 65 for men and 60 for women. For the minimum pension, 25 and 20 years' contributions are required from men and women, respectively.

Benefit calculation

Earnings-related

A contribution of 12.22% of earnings will be credited to individuals' notional accounts. These contributions are uprated between the time they are made and the time of retirement by price inflation plus 75% of the growth of the real covered wage bill. From 2004 onwards, the notional interest rate will be defined as 100% of the growth of the real covered wage bill and no less than price inflation.

At retirement, accumulated notional capital is divided by the "g-value" to arrive at the pension benefit. The g-value is average life expectancy at retirement age: this process is equivalent to the process of annuitisation in funded pension systems. The g-value is calculated using the actuarial data from the United Nations/World Bank population database.

There is a ceiling to contributions and pensionable earnings of PLN 64 620. The policy is to set the ceiling at 2½ times projected average earnings for a given year.

Pensions in payment are uprated in line with 80% of prices and 20% of average earnings. Note, however, that the 2004 government proposal includes a shift to prices from 2005.

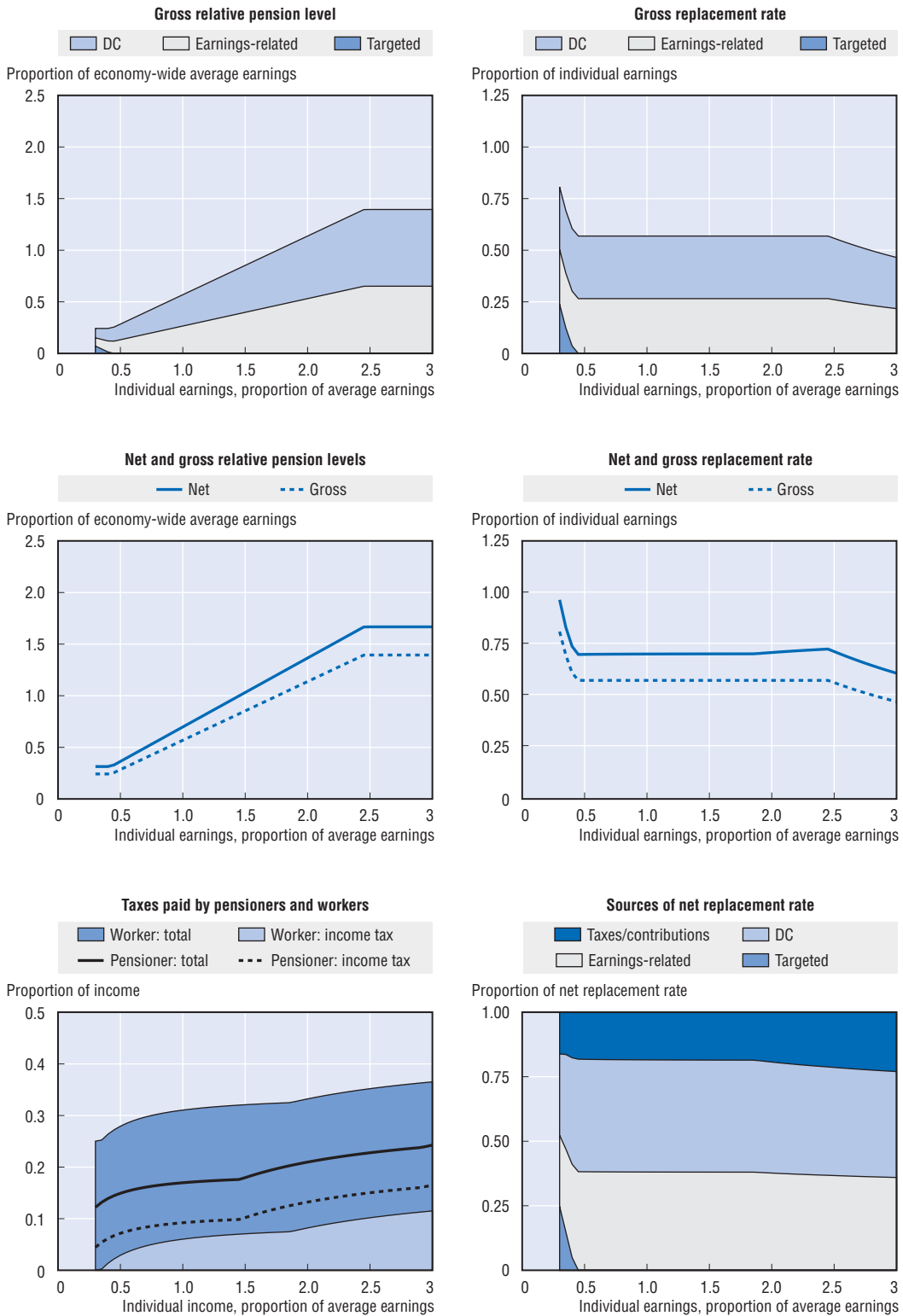
Minimum pension

The minimum pension was PLN 530 per month in 2001-02 and PLN 533 in 2002-03. The model uses the average value for calendar 2002. The minimum pension target is adjusted to 80% inflation plus 20% of wage growth.

Defined contribution

Some 7.3 percentage points of the total contribution are diverted to the funded scheme for those compulsorily covered or choosing this option. At retirement, the

Pension modelling results: Poland



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

accumulated capital must be converted to an annuity. At the minimum, this must be price-indexed (which is used in the model calculation). Annuity rates will most likely have to be based on unisex life-tables though this has not been decided yet.

Personal and income tax and social security contributions

Taxation of pensioners

There is no specific tax relief for pensioners.

Taxation of pension income

There are no special rules for the taxation of pension income. [Employees can deduct PLN 1 444 for 2002 from their incomes for work-related expenses (although this varies with the number of workplaces and whether the workplace is the same as the dwelling). Of course, this deduction does not apply to pensioners.]

Social security contributions paid by pensioners

Pension income is not subject to contributions for pensions, unemployment insurance etc. However, there is a tax-deductible health-insurance contribution of 7.75%. This contribution started to increase by 0.25 percentage points each year from 2003 to reach the level of 9%, but only 7.75% will be tax deductible. The contribution is paid by both pensioners and workers.

Pension modelling results: Poland

Men	Individual earnings, multiple of average					
	0.5	0.75	1	1.5	2	2.5
Women (where different)						
Gross pension level	28.4	42.6	56.9	85.3	113.7	139.4
<i>(% of average earnings)</i>	24.2	31.0	41.4	62.1	82.8	101.5
Net pension level	36.4	53.0	69.7	103.1	136.5	166.7
<i>(% of average net earnings)</i>	31.4	39.4	51.6	75.9	100.2	122.1
Gross replacement rate	56.9	56.9	56.9	56.9	56.9	55.8
<i>(% of individual earnings)</i>	48.4	41.4	41.4	41.4	41.4	40.6
Net replacement rate	69.6	69.7	69.7	69.8	70.5	71.0
<i>(% of individual net earnings)</i>	60.1	51.8	51.6	51.3	51.7	52.0
Gross pension wealth	4.0	5.9	7.9	11.9	15.8	19.4
<i>(multiple of average earnings)</i>	4.8	6.1	8.2	12.3	16.4	20.1
Net pension wealth	5.1	7.4	9.7	14.4	19.0	23.2
<i>(multiple of average net earnings)</i>	6.2	7.8	10.2	15.0	19.8	24.1

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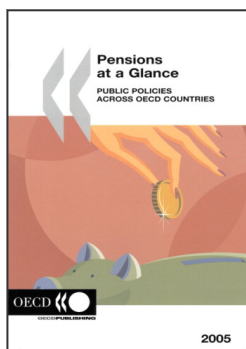
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