

## Slovak Republic

The earnings-related, public scheme has recently been transformed from a standard defined-benefit formula to a point system. There is a minimum annual pension accrual related to the minimum wage.

### Qualifying conditions

The normal pension age is gradually increasing to 62 for men and women, reaching 62 for women in 2014. Eligibility depends on making at least 10 years of contributions.

### Benefit calculation

#### **Earnings-related**

The new pension formula applies from 2004. Pension points are calculated as the ratio of individual earnings to average earnings. Each pension point is for 2004 worth SKK 183.58. This point value is indexed to average earnings.

Based on Slovak government estimates of 7.8% nominal wage growth in 2004 and actual wage growth of 6.3% in 2003, the pension-point value for 2002 would have been SKK 160.18. (Note that for comparison with other countries, the calculations are based on the parameters had the reformed pension system been in operation in 2002.) Average earnings in 2002 were SKK 13 511 per month. (Note that this national figure differs from average earnings calculated under standard OECD methodology.) Dividing the point value by the national average earnings figure gives the equivalent to the accrual rate in a defined-benefit scheme, which is just under 1.2%.

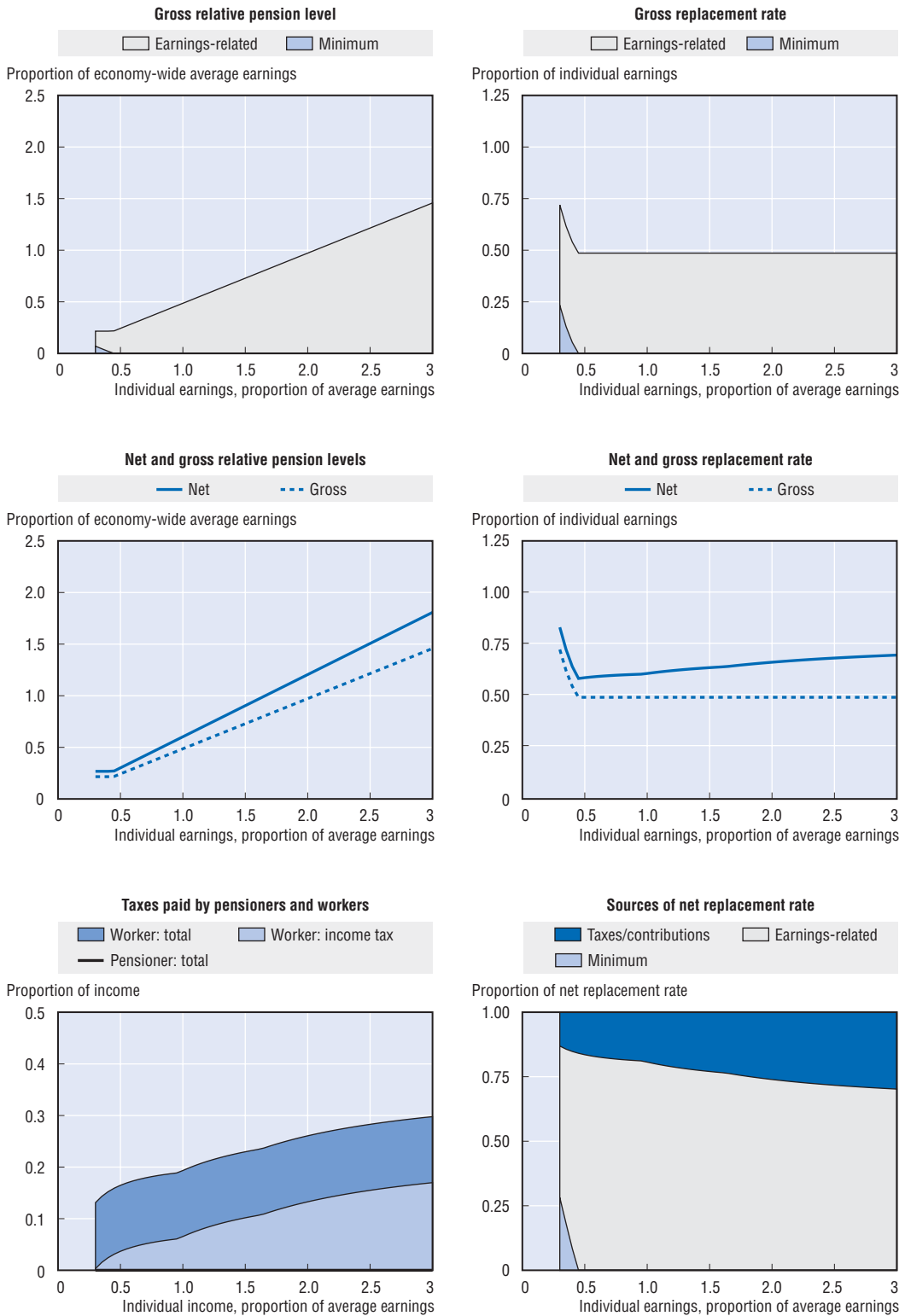
There was a maximum pension of SKK 8 282 in the first half of 2002 and SKK 8 697 in the second half. However, this is abolished under the new points-based system. Instead, there is a ceiling to pensionable earnings fixed in 2003 at three times average earnings. Based on the 2002 average earnings number, the ceiling would have been SKK 486 396 in that year.

Pensions in payment are indexed to the arithmetic average of earnings growth and price inflation.

#### **Minimum**

The minimum pension is abolished under the new system. However, there is a mechanism to lift low pensionable earnings to the level of the minimum wage, which for 2004 is SKK 6 080. In 2002, the minimum wage was SKK 4 920 until October, when it was increased to SKK 5 570.

### Pension modelling results: Slovak Republic



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

## Personal income tax and social security contributions

### Taxation of pensioners

There are no special tax allowances or credits for pensioners.

### Taxation of pension income

Pensions are not taxed.

### Social security contributions paid by pensioners

Pensioners do not pay social security contributions.

### Pension modelling results: Slovak Republic

Men Women (where different)	Individual earnings, multiple of average					
	0.5	0.75	1	1.5	2	2.5
Gross pension level (% of average earnings)	24.3	36.4	48.6	72.9	97.2	121.5
Net pension level (% of average net earnings)	30.1	45.2	60.2	90.4	120.5	150.6
Gross replacement rate (% of individual earnings)	48.6	48.6	48.6	48.6	48.6	48.6
Net replacement rate (% of individual net earnings)	58.2	59.4	60.2	63.1	65.7	67.8
Gross pension wealth (multiple of average earnings)	4.0	6.0	8.0	12.0	15.9	19.9
Net pension wealth (multiple of average net earnings)	4.9	7.3	9.8	14.6	19.5	24.4
	4.9	7.4	9.9	14.8	19.8	24.7
	6.0	9.1	12.1	18.1	24.2	30.2

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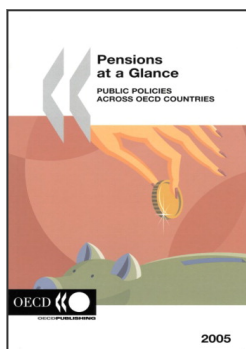
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**From:**  
**OECD Pensions at a Glance 2005**  
Public Policies across OECD Countries

**Access the complete publication at:**  
[https://doi.org/10.1787/pension\\_glance-2005-en](https://doi.org/10.1787/pension_glance-2005-en)

**Please cite this chapter as:**

OECD (2006), "Slovak Republic", in *OECD Pensions at a Glance 2005: Public Policies across OECD Countries*, OECD Publishing, Paris.

DOI: [https://doi.org/10.1787/pension\\_glance-2005-37-en](https://doi.org/10.1787/pension_glance-2005-37-en)

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