


# Turkey

## Turkey: Pension system in 2014

An earnings-related public scheme with an income-tested safety net and a flat-rate supplementary pension.

## Key indicators: Turkey

		Turkey	OECD
Average worker earnings (AW)	TRY	28 370	93 305
	USD	12 164	40 007
Public pension spending	% of GDP	7.5	7.9
Life expectancy	At birth	75.1	80.0
	At age 65	16.8	19.3
Population over age 65	% of population	7.7	16.2

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## Qualifying conditions

The current pension age is 60 years for men and 58 years for women with at least 7 200 days of contributions. The pension age is gradually rising to 65 for men from 2036 to 2044 and to 65 for women from 2036 to 2048. New entrants to the pension system between September 1999 and October 2008 can retire at the age of 60 for men and 58 for women with a minimum of 7 000 days of contributions. An alternative condition is 25 years of coverage with 4 500 days of contributions. After October 2008 an alternative eligibility condition is 65 years of age with a minimum of 5 400 days of contributions. The means-tested pension benefit is payable only to those with no other social security rights, the disabled or those aged 65 years or over.

## Benefit calculation

### Earnings-related

#### Between September 1999 and October 2008

The pension under the scheme is based on average lifetime earnings revalued in line with real GDP growth and the change of CPI  $[(1 + \text{GDP}) \times (1 + \text{CPI})]$ . The pension has a non-linear formula with years of coverage. The first ten years earn a pension of 35% of pay, with 2% per year extra for the next 15 years and 1.5% per year thereafter.

#### After October 2008

The pension under the new scheme is based on average lifetime earnings revalued in line with real GDP growth and the change of CPI  $[(1 + \text{CPI} + 30\% \text{ GDP})]$ . The accrual rate is 2% for one year of coverage and it cannot exceed 90% of pension.

There is a floor above which contributions are required. This was TRY 1 071.0 for the first half of 2014 and TRY 1 134.0 for the second half of 2014.

There is a ceiling to pensionable earnings; its value was TRY 6 961.5 for the first half of 2014 and TRY 7 371.1 for the second half of 2014.

According to the law acted in 1999 pensions are indexed monthly and follow the consumer price index. But since 2003 indexation of pensions in payment is determined once or twice a year, either by Budget Laws/Other Laws or by Board of Cabinet. With the reform the pensions are indexed with CPI of the preceding six months and twice a year, in January and July. For the first half of 2014, pensions were increased by 3.27% and for the second half of 2014, pensions were increased 5.70% (this rule is

not implemented for civil servants because of collective agreements directed to financial and social rights for public officials in general, and service branch). For 2014, pensions are increased by TRY 175 for civil servants.

### **Minimum**

The minimum pension level for workers was TRY 952.7 for first half of 2014 and TRY 1 007.0 for the second half of 2014, for self-employed was TRY 671.5 for first half of 2014 and TRY 709.85 for second half of 2014 and for civil servants was TRY 1 261.1 for 2014. These figures as stated are minimum level of pensions.

As a general rule the amount of pensions shall not be less than 35% or 40% if the insurer has dependant spouses or children, of the average monthly earning determined in January of the year of request, considering lower limits of earnings subject to premium determined for each year in service terms. Thus, the minimum pension varies among the insurers. Except for this rule there is no specified minimum pension.

### **Targeted**

The means-tested pension is paid quarterly. For 2014 the pension was TRY 141.56 per month.

## **Variant careers**

### **Early retirement**

Workers in specific industries (e.g. mining) and people with disabilities can retire early but other workers cannot claim pensions before the eligibility ages.

### **Late retirement**

It is possible to defer the pension beyond the normal pension age. For civil servants the statutory retirement age is 65 with some exceptions for specific groups.

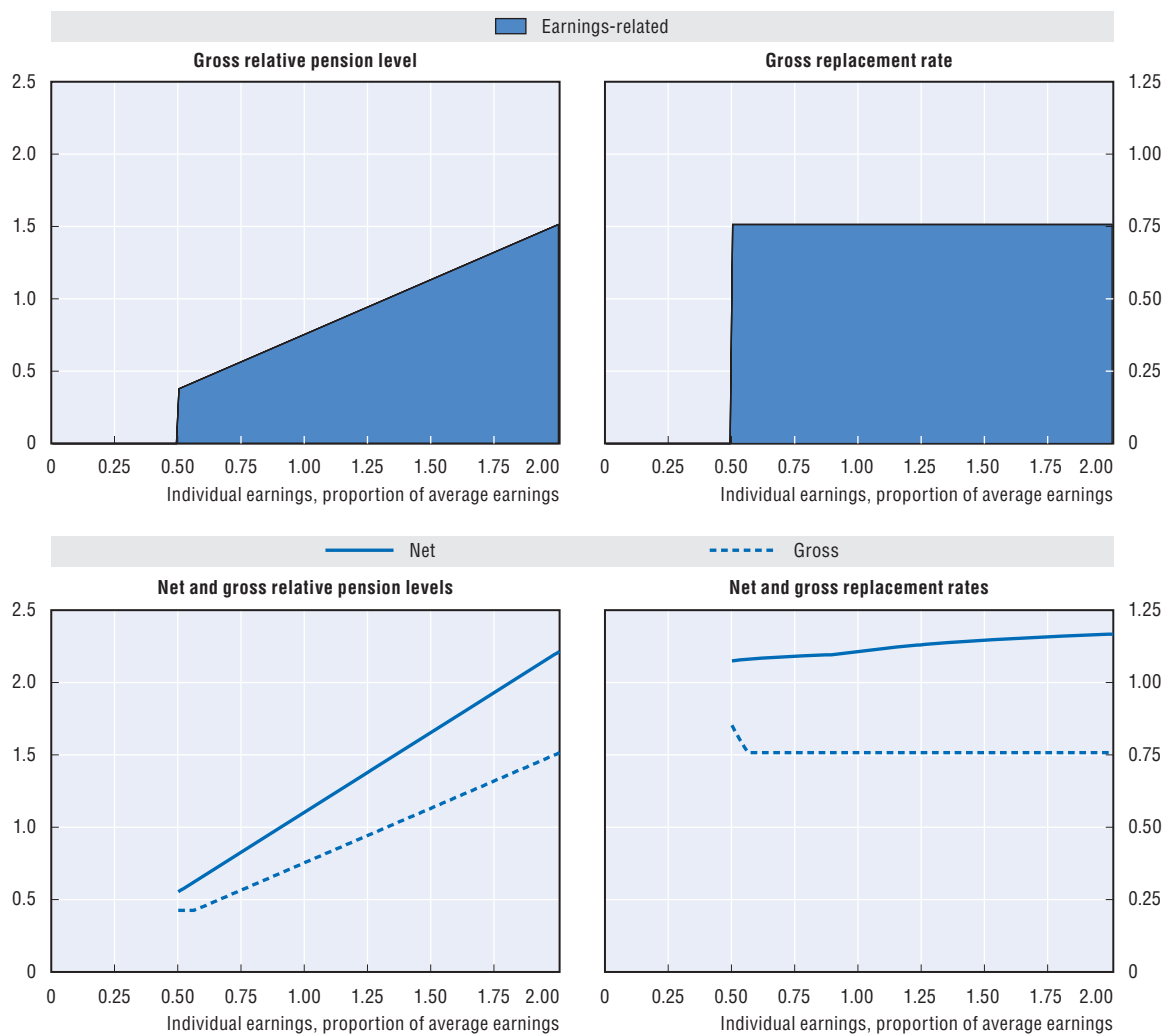
### **Childcare**

Childcare periods up to two years per child and for a maximum of three children are taken into account provided that the insured pays the contributions.

### **Unemployment**

There are no credits for periods of unemployment.

### Pension modelling results: Turkey in 2059, retirement at age 65



#### Baseline scenario: Legislation scenario (price indexation of minimum pension benefits)


Men Women (where different)	Individual earnings, multiple of average					
	0.5	0.75	1	1.5	2	3
Gross relative pension level (% average gross earnings)	37.9	56.8	75.7	113.6	151.4	227.1
Net relative pension level (% net average earnings)	52.4	78.6	104.8	157.2	209.6	314.5
Gross replacement rate (% individual gross earnings)	75.7	75.7	75.7	75.7	75.7	75.7
Net replacement rate (% individual net earnings)	98.0	102.5	104.8	109.9	113.0	115.1
Gross pension wealth (multiple of individual gross earnings)	12.3	12.3	12.3	12.3	12.3	12.3
Net pension wealth (multiple of individual gross earnings)	14.3	14.3	14.3	14.3	14.3	14.3

Assumptions: Real rate of return 3%, real earnings growth 1.25%, inflation 2%, and real discount rate 2%. All systems are modelled and indexed according to what is legislated. Transitional rules apply where relevant. DC conversion rate equal 85%. Labour market entry occurs at age 20 in 2014. Tax system latest available: 2013.

### Pension modelling results: Turkey in 2059, retirement at age 65 (cont.)

Alternative scenario: Wage indexation of minimum pension benefits						
Men	Individual earnings, multiple of average					
	0.5	0.75	1	1.5	2	3
Women (where different)						
Gross relative pension level (% average gross earnings)	42.6	56.8	75.7	113.6	151.4	227.1
Net relative pension level (% net average earnings)	59.0	78.6	104.8	157.2	209.6	314.5
Gross replacement rate (% individual gross earnings)	85.2	75.7	75.7	75.7	75.7	75.7
Net replacement rate (% individual net earnings)	110.3	102.5	104.8	109.9	113.0	115.1
Gross pension wealth (multiple of individual gross earnings)	13.9	12.3	12.3	12.3	12.3	12.3
Net pension wealth (multiple of individual gross earnings)	16.1	14.3	14.3	14.3	14.3	14.3
Net pension wealth (multiple of individual net earnings)	13.9	12.3	12.3	12.3	12.3	12.3
Net pension wealth (multiple of individual gross earnings)	16.1	14.3	14.3	14.3	14.3	14.3

Assumptions: Real rate of return 3%, real earnings growth 1.25%, inflation 2%, and real discount rate 2%. All systems are modelled and indexed according to what is legislated. Transitional rules apply where relevant. DC conversion rate equal 85%. Labour market entry occurs at age 20 in 2014. Tax system latest available: 2013.

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