

Pension system

The pension system in Poland has undergone several reforms during the last 20 years. Now (for individuals born after December 31st, 1948) it is a **mixture of public and private schemes**, and participation in the private scheme is voluntary (but was mandatory until recently). Individuals born before January 1st, 1949 participate in the old system, which is public only and has a different structure. Recent reforms (of the new system) have introduced, inter alia, a gradual increase of the retirement age to 67 (from 65 years for men and 60 years for women), but the government elected in 2015 in Poland has announced intentions to return to lower the retirement ages.

The (new) pension system in Poland is a notional defined contribution system which works on an actuarial basis. Upon retirement, the accumulated notional capital is divided by a divisor reflecting life expectancy. The individual has therefore incentives to postpone retirement (and prolong the working career) after the mandatory retirement age to increase annuities (due to a decrease in life expectancy at retirement). Nevertheless, the average labour market exit age in Poland is among the lowest in Europe, particularly for women. This is possible due to the fact that there are several groups of workers who are entitled to earlier retirement ages (police, army, farmers each have their own pension sub-systems, and several other groups such as coal-miners are entitled to retirement benefits before reaching the general retirement age).

In **the old pension system**, in order to receive a pension, an individual reaching retirement age needed to prove a minimum number of working years (15 for females and 20 for males) to be able to receive the pension, and additional working years to be eligible for a minimum pension (of 20 or 25 years, respectively, if the individual's earnings by themselves did not permit granting the minimum amount). Working years could be extended by several types of non-contribution periods such as study or raising children. What is worth underlining is that working experience counts – if no bilateral agreements between two countries are in place -- only when performing work in Poland (apart from isolated cases such as for diplomats), or if Polish social security contributions were paid when performing work abroad. In the new system, the only requirement for receiving a pension is reaching the retirement age; there is no mechanism of granting a minimum pension, which is always calculated as the ratio of individual notional capital accumulated in Poland and the life expectancy divisor. The pensions from both systems are valorised/ indexed.

Pension system for immigrants

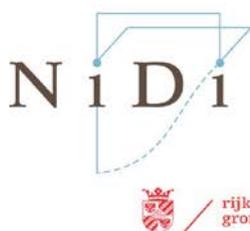
The Polish pension system does not differentiate between individuals based on having Polish nationality – both the old and the new systems work identically for nationals and foreigners – they accumulate capital in the same manner and they are entitled to pensions based on the same rules. What is worth mentioning is that the requirement of having at least 15 or 20 years of experience in Poland makes it hard for an individual born before January 1st, 1948 with major work experience in a country which does not have a special agreement in place to be eligible for a Polish pension. The countries with special agreements include: countries of the European Union, Iceland, Liechtenstein, Norway and Switzerland (where the principles of the EU coordination mechanisms are in place); countries with bilateral agreements: Bosnia and Herzegovina, Macedonia, Serbia, Montenegro, USA, Canada, South Korea, Ukraine, Moldova; and also for periods of stay in Australia. For individuals in the old pension system, work experience in these countries is added to the overall work experience, but does not affect the value of the pension from the Polish pension system (which is calculated on the base of earnings in Poland only). For individuals in the new pension system, due to the fact that there is no working experience condition, the bilateral agreements do not affect the right to receive pension in Poland (which is age-based only).

On the base of bilateral agreements, it is also possible to transfer pensions from foreign pension systems to Poland and vice-versa.

What should be stressed is that both pensions from the old pension system – which in general is not generous – and pensions from the new pension system (which are derived from the height of individual earnings, which are not high in Poland in comparison to other European countries) are on the lower end in Europe (OECD, 2013).

References

OECD. (2013). *Pensions at a Glance 2013: OECD and G20 Indicators*: OECD Publishing.



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