

Changes in the old-age pension system in Poland introduced from 1 February 2014

Act of 6 December 2013 on amendments to certain acts in connection with determination of principles for old-age pensions payments from funds collected in open pension funds (published in the Journal Laws of 31 December 2013, Text No. 1717) introduced changes in particular to the following Acts:

- Act of 17 December 1998 on pensions from the Social Insurance Fund,
- Act of 21 November 2008 on funded old-age pensions.

The amendments concern the rules under which the open pension fund (OPF) members will retire to receive:

- the periodic funded pension, and under which the pension will be calculated and paid,
- the partial pension, and under which the pension will be calculated,
- the old-age pension acquired after reaching the statutory retirement age prescribed for a man, and under which the pension payment will be calculated.

Tasks to be performed as of 1 February 2014

1. Periodic funded pension determination taking into account funds transferred from OPF

Female OPF members have retained the right to acquire the periodic funded pension, under the previous regulations governing a method of taking into account funds booked to the sub-account if the insured woman does not acquire the right to the periodic funded pension.

Women are entitled to the periodic funded pension after being awarded the old-age pension from the Social Insurance Fund in respect of reaching the higher retirement age prescribed for women. Currently, the retirement age is reached by women born in the fourth quarter of 1953. This age is 60 years and 4 months, and in February 2014 it is reached by women born in October 1953.

Women acquire the right to periodic funded pension after fulfilment of the condition that the amount of funds booked to the sub-account in the Social Insurance Institution (ZUS), including funds transferred from OPF, determined as at the last day of the month preceding the month from which the pension is granted, must be not less than twenty-fold amount of the nursing supplement.

The amount of the periodic funded pension is calculated by dividing an amount of funds booked to the sub-account in ZUS, including funds transferred from OPF - as at the last day of the month preceding the month from which the pension is granted - by the average life expectancy for persons in the age equal to the retirement age of the insured person adopted to calculate the amount of the old-age pension from the Social Insurance Fund under the new rules.

If the amount of funds is less than twenty-fold amount of the nursing supplement - funds booked to the sub-account, including funds transferred from OPF, are taken into account when determining the amount of pension from the Social Insurance Fund.

2. Calculation of the partial pension taking into account funds transferred from OPF

Where an insured person - an OPF member - claims the partial pension and fulfils the conditions to be awarded such pension - OPF is required to transfer to the old-age pension fund of the Social Insurance Fund total funds collected in the OPF member's account, which will be booked to the sub-account in ZUS.

The basis for partial pension calculation after the amendment is an amount of old-age pension contributions, taking into account indexation of contributions booked to the insured person's account to the end of the month preceding the month from which the pension payment is due, and an amount of initial capital after indexation as well as an amount of funds booked to the sub-account in ZUS, including the amount of funds transferred from OPF.

The partial pension equals 50% of the old-age pension amount calculated according to the reformed rules.

If the right to the partial old-age pension is established before entry into force of the amending Act, i.e. before 1 February 2014, the partial pension amount will be ex officio re-established by ZUS - without the need to file a pension claim by a person entitled to such pension. Re-establishment of partial pension amount will consist in taking into account - based on the calculation of that pension - funds transferred entirely from OPF and from sub-account in ZUS. When the mentioned pension is recalculated, account will be taken of average life expectancy, which was adopted for calculation of partial pension on the date of its awarding. The partial old-age pension fixed in the new amount will be due as of 1 February 2014.

Tasks to be performed as of 01 June 2014

1. Old-age pension determination in the statutory retirement age prescribed for men, including funds transferred from OPF

The abolished regulations on funded life annuities have been replaced with regulation on taking into account funds booked to the sub-account, including funds transferred from OPF, when determining the amount of the old-age pension from the Social Insurance Fund, in the target amount provided for persons who have reached the statutory retirement age for men. This regulation applies to insured persons - men and women - who will reach the statutory retirement age prescribed for men.

The first to apply for this pension, in June 2014 at the earliest, will be the insured persons born in the first quarter of 1949, for whom the increased statutory retirement age, prescribed for men, is 65 years and 5 months. The insured men born in January 1949 will acquire the right to this pension in June 2014.

Where an OPF member - both a woman and a man - after reaching the higher statutory retirement age prescribed for the man:

- files his or her first pension claim,
- s/he will be granted ex officio an old-age pension after that age

an amount of funds booked to the sub-account in ZUS, including funds transferred from OPF, will be included to the basis of calculation of pensions from the Social Insurance Fund.

There was also introduced a regulation concerning the ex officio recalculation of old-age pensions from the Social Insurance Fund, granted to a woman who is receiving - until reaching the statutory retirement age provided for men - a periodic funded pension.

The right to the periodic funded pension ceases on the day preceding the day of reaching by that woman the statutory retirement age specified for men. However, the right to the old-age pension from the Social Insurance Fund granted after reaching the higher retirement age provided for women, has been left unchanged. The remaining funds (booked) in the sub-account, including funds transferred from OPF, will be taken into account when determining the amount of pension from the Social Insurance Fund, to which the woman-pensioner retains the right.

The basis for calculation of such pension will be determined anew by adopting for this purpose an amount of pension contributions, taking into account their (annual and quarterly) indexation, booked to the account until the end of the month preceding the month from which the old-age pension is due in new amount, and the amount of the indexed initial capital as well as amounts of funds booked to sub-account, including funds transferred from OPF after their indexation.



The re-established basis for the calculation of the old-age pension from the Social Insurance Fund will not be reduced by an amount of received old-age pension in respect of the higher retirement age provided for women.

When the pension is recalculated, account will be taken of average life expectancy adopted for the higher statutory retirement age prescribed for men, in force at the date of reaching this age.

The old-age pension from the Social Insurance Fund in the new amount may not be lower than the sum of the old-age pension and the periodic funded pension due on the day preceding the day of achieving the higher statutory retirement age prescribed for men.

The first women whose old-age pensions from the Social Insurance Fund will be established by ZUS in this way, will be women born in the first quarter of 1949, who will reach the retirement age prescribed for men (i.e. 65 years and 5 months) after 31 May 2014. In June 2014 this will apply to women born in January 1949.