SPAIN

DEMOGRAPHICS AND MACROECONOMICS

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal GDP (EUR bn)</td>
<td>1 088.5</td>
</tr>
<tr>
<td>GDP per capita (USD)</td>
<td>34 971</td>
</tr>
<tr>
<td>Population (000s)</td>
<td>44 593</td>
</tr>
<tr>
<td>Labour force (000s)</td>
<td>22 848</td>
</tr>
<tr>
<td>Employment rate</td>
<td>88.67</td>
</tr>
<tr>
<td>Population over 65 (%)</td>
<td>16.6</td>
</tr>
<tr>
<td>Dependency ratio¹</td>
<td>33.6</td>
</tr>
</tbody>
</table>

Data from 2008 or latest available year.
1. Ratio of over 65-year-olds the labour force.
Source: OECD, various sources.

COUNTRY PENSION DESIGN

STRUCTURE OF THE PENSION SYSTEM

**Public pensions**
- Single earnings-related benefit
- Means-tested minimum pension, which replaces the previous social-assistance scheme

**Private pensions: occupational (voluntary)**
- Pension occupational plans (*fondos de pensiones: planes de empleo*)
- Mutual pension provident entities (*entidades de previsión social o mutualidades de previsión social*)
- Collective pension insurance plans (*seguro colectivo*)
- Non autonomous funds (*fondos de pensiones internos*)

**Private pensions: personal (voluntary)**
- Associated plans (*planes asociados*)
- Personal plans (*planes individuales*)
- Mutual pension provident entities (*entidades de previsión social o mutualidades de previsión social*)
- Assured future plans (*planes de previsión asegurados*)

Source: OECD Global Pension Statistic.
### Pension funds data overview

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total investments (National currency millions)</td>
<td>39,162</td>
<td>55,576</td>
<td>63,223</td>
<td>71,055</td>
<td>80,615</td>
<td>89,777</td>
<td>94,022</td>
<td>93,391</td>
</tr>
<tr>
<td>Total investments, as a % of GDP</td>
<td>5.75</td>
<td>7.62</td>
<td>8.08</td>
<td>8.45</td>
<td>8.87</td>
<td>9.12</td>
<td>8.93</td>
<td>8.58</td>
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<tr>
<td>Of which Assets overseas, as a % of Total investment:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Issued by entities located abroad</td>
<td>ND</td>
<td>ND</td>
<td>ND</td>
<td>ND</td>
<td>ND</td>
<td>ND</td>
<td>ND</td>
<td>ND</td>
</tr>
<tr>
<td>• Issued in foreign currencies</td>
<td>ND</td>
<td>ND</td>
<td>ND</td>
<td>ND</td>
<td>ND</td>
<td>ND</td>
<td>ND</td>
<td>ND</td>
</tr>
<tr>
<td>By financing vehicle (as a % of Total investments)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Pension funds</td>
<td>100.00</td>
<td>74.58</td>
<td>76.69</td>
<td>78.32</td>
<td>81.40</td>
<td>82.14</td>
<td>84.17</td>
<td>83.66</td>
</tr>
<tr>
<td>• Book reserves</td>
<td>ND</td>
<td>25.42</td>
<td>23.31</td>
<td>21.65</td>
<td>18.58</td>
<td>17.83</td>
<td>15.81</td>
<td>16.34</td>
</tr>
<tr>
<td>• Pension insurance contracts</td>
<td>ND</td>
<td>ND</td>
<td>ND</td>
<td>ND</td>
<td>ND</td>
<td>ND</td>
<td>ND</td>
<td>ND</td>
</tr>
<tr>
<td>• Other financing vehicle</td>
<td>ND</td>
<td>ND</td>
<td>0.03</td>
<td>0.03</td>
<td>0.03</td>
<td>0.03</td>
<td>ND</td>
<td>ND</td>
</tr>
<tr>
<td>By pension plan type</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Occupational assets</td>
<td>16,928</td>
<td>32,725</td>
<td>35,344</td>
<td>37,926</td>
<td>40,582</td>
<td>43,310</td>
<td>43,727</td>
<td>ND</td>
</tr>
<tr>
<td>• % of DB assets</td>
<td>5.34</td>
<td>45.32</td>
<td>43.70</td>
<td>42.53</td>
<td>39.36</td>
<td>39.30</td>
<td>36.33</td>
<td>ND</td>
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<tr>
<td>• % of DC (protected and unprotected) assets</td>
<td>94.66</td>
<td>54.68</td>
<td>56.30</td>
<td>57.42</td>
<td>60.60</td>
<td>60.67</td>
<td>63.63</td>
<td>ND</td>
</tr>
<tr>
<td>• Personal assets</td>
<td>22,233</td>
<td>22,850</td>
<td>27,879</td>
<td>33,125</td>
<td>40,026</td>
<td>46,459</td>
<td>50,286</td>
<td>ND</td>
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<tr>
<td>Structure of Assets (as a % of Total investments)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Deposits</td>
<td>4.74</td>
<td>5.42</td>
<td>4.19</td>
<td>4.86</td>
<td>4.56</td>
<td>5.41</td>
<td>6.15</td>
<td>22.63</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>58.08</td>
<td>60.93</td>
<td>55.02</td>
<td>56.68</td>
<td>57.73</td>
<td>64.15</td>
<td>65.09</td>
<td>51.73</td>
</tr>
<tr>
<td>Of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>• Bills and Bonds issued by the public and private sector</td>
<td>58.05</td>
<td>60.91</td>
<td>55.01</td>
<td>56.66</td>
<td>57.71</td>
<td>64.14</td>
<td>65.08</td>
<td>51.73</td>
</tr>
<tr>
<td>• Loans</td>
<td>0.02</td>
<td>0.02</td>
<td>0.02</td>
<td>0.03</td>
<td>0.02</td>
<td>0.01</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Shares</td>
<td>19.60</td>
<td>13.94</td>
<td>15.90</td>
<td>17.49</td>
<td>19.38</td>
<td>19.81</td>
<td>19.03</td>
<td>9.09</td>
</tr>
<tr>
<td>Land and Buildings</td>
<td>0.24</td>
<td>0.25</td>
<td>0.25</td>
<td>0.24</td>
<td>0.22</td>
<td>0.14</td>
<td>0.14</td>
<td>0.23</td>
</tr>
<tr>
<td>Other Investments</td>
<td>17.34</td>
<td>19.47</td>
<td>24.63</td>
<td>20.73</td>
<td>18.11</td>
<td>10.48</td>
<td>9.60</td>
<td>16.32</td>
</tr>
<tr>
<td>Contributions and Benefits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Contributions, as a % of GDP</td>
<td>1.10</td>
<td>1.33</td>
<td>0.89</td>
<td>1.12</td>
<td>1.00</td>
<td>1.11</td>
<td>0.74</td>
<td>0.77</td>
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<tr>
<td>• Employer Contributions, as a % of Total contributions</td>
<td>41.62</td>
<td>50.25</td>
<td>29.00</td>
<td>44.08</td>
<td>32.91</td>
<td>39.51</td>
<td>27.72</td>
<td>45.17</td>
</tr>
<tr>
<td>• Employee Contributions, as a % of Total contributions</td>
<td>58.38</td>
<td>49.75</td>
<td>71.00</td>
<td>55.90</td>
<td>67.07</td>
<td>60.47</td>
<td>72.25</td>
<td>54.83</td>
</tr>
<tr>
<td>Total Benefits, as a % of GDP</td>
<td>0.42</td>
<td>0.59</td>
<td>0.44</td>
<td>0.49</td>
<td>0.54</td>
<td>0.56</td>
<td>0.52</td>
<td>0.57</td>
</tr>
<tr>
<td>• % of benefits paid as a Lump sum</td>
<td>28.85</td>
<td>23.04</td>
<td>33.67</td>
<td>32.30</td>
<td>33.97</td>
<td>41.86</td>
<td>38.99</td>
<td>37.02</td>
</tr>
<tr>
<td>• % of benefits paid as a Pension</td>
<td>16.85</td>
<td>76.96</td>
<td>66.33</td>
<td>58.50</td>
<td>57.24</td>
<td>58.11</td>
<td>60.99</td>
<td>62.98</td>
</tr>
<tr>
<td>Membership (in thousands of persons)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total membership</td>
<td>5,965</td>
<td>7,076</td>
<td>7,769</td>
<td>11,142</td>
<td>12,003</td>
<td>12,495</td>
<td>13,107</td>
<td>11,355</td>
</tr>
<tr>
<td>• % of Active membership</td>
<td>97.35</td>
<td>96.68</td>
<td>97.10</td>
<td>98.13</td>
<td>96.70</td>
<td>97.02</td>
<td>97.08</td>
<td>96.35</td>
</tr>
<tr>
<td>Of which: % of Deferred membership</td>
<td>ND</td>
<td>ND</td>
<td>ND</td>
<td>ND</td>
<td>ND</td>
<td>ND</td>
<td>ND</td>
<td>ND</td>
</tr>
<tr>
<td>• % of Passive membership</td>
<td>2.65</td>
<td>3.12</td>
<td>2.90</td>
<td>1.87</td>
<td>3.30</td>
<td>2.98</td>
<td>2.92</td>
<td>3.65</td>
</tr>
<tr>
<td>Other beneficiaries</td>
<td>ND</td>
<td>ND</td>
<td>ND</td>
<td>ND</td>
<td>ND</td>
<td>ND</td>
<td>ND</td>
<td>ND</td>
</tr>
<tr>
<td>Number of Pension Funds/Plans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total number of funds</td>
<td>699</td>
<td>1,142</td>
<td>1,237</td>
<td>1,861</td>
<td>1,806</td>
<td>1,881</td>
<td>1,891</td>
<td>ND</td>
</tr>
<tr>
<td>Total number of plans</td>
<td>ND</td>
<td>ND</td>
<td>ND</td>
<td>3,120</td>
<td>3,216</td>
<td>3,289</td>
<td>3,019</td>
<td>3,019</td>
</tr>
</tbody>
</table>

Note: Data do not include collective pension insurance plans. Structure of assets data do not include book reserves pension plans.

1. Membership figures reflect ‘membership’ rather than ‘people’. Therefore a person may be a member of more than one types of plan at any one time, particularly if the person has a number of employments in the year.

ND = data not available
NA = data not applicable

Source: OECD, Global Pension Statistics

IOPS Country Profiles – SPAIN, December 2009
**SPAIN: THE PENSION SYSTEM’S KEY CHARACTERISTICS**

**PUBLIC PENSION**

The public pension system consists of two different programs. The first program is a mean-tested non-contributive old-age pension granted to persons aged 65 and older, who have not acquire enough pension contributions or are not entitled to a contributory old-age pension at all. It is required that the person have lived in Spain at least 10 years after reaching the age of 16 and for five consecutive years just before claiming the pension. This pension is financed solely by tax revenues. In addition, pensioners can benefit from additional services: right to healthcare, social services and future protection through new legislation focused on situations of dependency.

The second program is represented by an earnings-related system financed through contributions (and special schemes for civil servants working for the central government or the justice system and for people working for the armed forces). This pension system is mandatory for all employees and self-employed and provides pension entitlements after a minimum contribution period. For retirement pension, this period is 15 years (of which at least 2 must have occurred in the last 15 years). It is financed through contributions paid by employees (4.7% of earnings) and employers (23.6% of earnings).

The method of financing is of a PAYG type, with a defined benefit formula. Benefits are calculated as a percentage of a so-called ‘base pension’, which is an average of the contributions paid during the 15 years before retirement (up to an annual ceiling of 33,760.8€ corresponding to about 190% of the average wage). A full pension of 100% of the ‘base pension’ is reached after 35 contribution years and at the retirement age of 65. The percentage of the base pension that is paid increases with the number of years a person contributed to the system: it increases from 50% after 15 years by 3% a year between the 16th and the 25th year (reaching 80% after 25 years) and by 2% a year until the 35th year (reaching 100%).

Early-retirement is possible at the age of 60 for those who started working before January 1, 1967 and who have paid contributions for at least 30 years. But the pension benefits is reduced by 8% for every year of retirement before age 65 (maximum reduction 40%).

**OCCUPATIONAL VOLUNTARY**

**Typical Plan Design**

Occupational pension plans are typically defined contribution (DC) in nature. About one-third of plan members belong to occupational pension plans that combine elements of defined benefit (DB) and defined contribution (DC) and hybrid arrangements. A small portion of pension plan members belong to occupational pension plans that are DB in nature.

DB pension plans are typically final average pay plans, financed mainly by the employer. DC plans are now dominant and employers typically provide between 65% and 80% of total contributions to these plans.

Contributions by employees aged 50 or younger must not exceed EUR 10,000 a year – the ceiling is EUR 12,500 for employees aged 50 or more. These limits include any contributions made to individual pension plans. Employer contributions must not exceed this limit.

The retirement age is the same as the age under the social security scheme – 65 for both men and women. There are some special regimes allowing retirement at age 52. Early retirement is possible if a member is eligible for an early retirement pension under the social security scheme. Retirees may choose between
three alternative benefit options: annuities, lump sums, or a combination of both. By 2008, 67% of total benefits were paid as lump sums, 27% as pensions and 6% as mixed of benefits.

Coverage
In 2006 around 8% of the active population was covered.

Occupational pension plans cover private-sector employees. Discrimination in coverage is prohibited, but differences in the contribution and benefit structure for different categories of employees are allowed, provided that they are based on objective criteria. Plans may be divided into sub-plans to provide for different categories of employees.

Fees (to be paid to manager and custodian entities)
There are no legal rules concerning administrative costs charged to plan members, but there is a maximum commission based on the size of pension funds’ assets. By the end of 2005, the average commission charged by occupational pension plans was 0.17% of pension assets.

Taxation
Contributions paid by both employers and employees into the pension plans of employees under 52 years old are tax-deductible to a ceiling of EUR 10,000 and EUR 12,500 for more than 50 years old workers. Investment incomes are tax-exempt, while lump-sum benefits are tax-exempt up to 40% (on contributions paid before 1 January 2007) of the cash value of accrued benefits or accumulated capital.

PERSONAL VOLUNTARY

Typical Plan Design
Personal pension plans may only be DB in nature. Associated plans could be DB, DC and hybrid.

Coverage
Individuals and the self-employed may participate in individual pension plans established by financial institutions.

Taxation
The same tax regulations governing contributions apply to personal pension plans. The maximum tax-deductible limit applies to the total contribution from both an occupational pension plan and individual pension plan.

MARKET INFORMATION

Occupational voluntary
Pension funds must be managed by fund administrators. An entidad gestora de fondos de pensiones (pension fund management entity) or authorised life insurance company may administrate a fund. The fund administrator is responsible for managing contributions and benefits. Pension fund management entities must be established as limited companies with the sole business aim of managing pension funds. They
must comply with certain prudential requirements as capital, fit and proper, conflict of interest, etc. that depend on the value of pension funds managed and be authorised by, and registered with, the Ministry of Economy.

Occupational pension funds had accumulated assets equivalent to EUR 28.606 in December 2008 or 2.5% of GDP. The number of active participants rose to 1.9 million (DB 2%, DC 66%, mixed 32%), whereas the number of pension plans was 1.553 (DB 1.3%, DC 70%, Mixed 28.7%).

Personal voluntary
In December 2008 individual pension plans had about 8.6 millions participants with accrued assets of EUR 49.7 billion. The number of pension plans was 1.446.

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**REFERENCE INFORMATION**

**KEY LEGISLATION**

2007: Royal Decree N°1684: updating 2004 Royal Decree

2004: Royal Decree N°304, developing 2002 legislation

2002: Royal Decree consolidates the Pension Plan and Pension Funds Law of 1987 and regulates the establishment of pension plans, pension funds, and pension fund management entities. It also defines maximum contribution limits, regulates tax treatment, and includes measures to protect rights.

1999: Royal Decree provides the regulatory framework for the implementation of employers’ pension agreements with employees and beneficiaries.

**KEY REGULATORY AND SUPERVISORY AUTHORITIES**

General Directorate of Insurance and Pension Funds (Ministry of Economy): oversees pension fund supervision.

**SELECTED KEY OFFICIAL STATISTICAL REFERENCES**

Banco de Espana

http://www.bde.es/homee.htm

General Directorate of Insurance and Pension Funds (Ministry of Economy)

http://www.dgsfp.mineco.es/

Confederacion Espanola de Mutualidades (CNEPS)

http://www.cneps.es/


IOPS Country Profiles – SPAIN, December 2009
Asociación de Instituciones de Inversión Colectiva y Fondos de Pensiones: Inverco: http://inverco.es
Pension Fund Assets as a % GDP
2008

- Iceland: 152.4%
- Netherlands: 119.7%
- United States: 113.7%
- Finland: 99.3%
- Chile: 95.3%
- Liechtenstein: 94.7%
- Hong-Kong: 86.0%
- Japan: 77.8%
- Portugal: 73.1%
- Poland: 71.2%
- Hungary: 71.1%
- Korea: 70.7%
- Norway: 65.0%
- Thailand: 65.2%
- Slovak Republic: 47.4%
- Austria: 46.1%
- Italy: 43.8%
- Bulgaria: 35.8%
- Egypt: 33.3%
- Macedonia: 33.3%
- Romania: 10.2%
- Greece: 0.1%
- Pakistan: 0.0%
Pension Benefits as a % GDP, 2008

Finland: 9.5
Switzerland: 5.3
Denmark: 4.6
Liechtenstein: 4.0
Australia: 3.9
Iceland: 3.8
Netherlands: 3.6
Belgium: 2.6
Canada: 2.4
Chile: 1.9
Israel: 1.7
Portugal: 1.4
New Zealand: 1.4
Korea: 0.8
Thailand: 0.6
Spain: 0.6
Czech Republic: 0.3
Egypt: 0.3
Italy: 0.3
Mexico: 0.2
Hungary: 0.2
Austria: 0.2
Bulgaria: 0.2
Nigeria: 0.2
Germany: 0.1
Peru: 0.1
Norway: 0.1
Turkey: 0.1
Luxembourg: 0.0
Slovenia: 0.0
Ukraine: 0.0
Greece: 0.0
Macedonia: 0.0
Pakistan: 0.0

IOPS Country Profiles – SPAIN, December 2009
Pension contributions as a % GDP, 2007

Country: Iceland
Contribution: 12.2%

Country: Australia
Contribution: 11.7%

Country: Finland
Contribution: 11.1%

Country: Switzerland
Contribution: 7.9%

Country: Denmark
Contribution: 6.3%

Country: Netherlands
Contribution: 4.2%

Country: Liechtenstein
Contribution: 4.1%

Country: Chile
Contribution: 3.4%

Country: Hong Kong
Contribution: 2.9%

Country: Canada
Contribution: 1.9%

Country: Israel
Contribution: 1.9%

Country: Korea
Contribution: 1.7%

Country: Peru
Contribution: 1.5%

Country: Poland
Contribution: 1.5%

Country: Belgium
Contribution: 1.5%

Country: New Zealand
Contribution: 1.4%

Country: Hungary
Contribution: 1.1%

Country: Bulgaria
Contribution: 1.1%

Country: Mexico
Contribution: 1.0%

Country: Nigeria
Contribution: 0.9%

Country: Thailand
Contribution: 0.9%

Country: Portugal
Contribution: 0.9%

Country: Czech Republic
Contribution: 0.8%

Country: Spain
Contribution: 0.7%

Country: Brazil
Contribution: 0.6%

Country: Macedonia
Contribution: 0.6%

Country: Norway
Contribution: 0.6%

Country: Italy
Contribution: 0.5%

Country: Germany
Contribution: 0.5%

Country: Austria
Contribution: 0.3%

Country: Slovenia
Contribution: 0.3%

Country: Trinidad and Tobago
Contribution: 0.3%

Country: Luxembourg
Contribution: 0.1%

Country: Serbia
Contribution: 0.1%

Country: Greece
Contribution: 0.0%

Country: Romania
Contribution: 0.0%

Country: Albania
Contribution: 0.0%

Country: Pakistan
Contribution: 0.0%
Pension Benefits as a % GDP, 2007

- Finland: 9.1%
- Switzerland: 5.4%
- Australia: 3.9%
- Liechtenstein: 3.8%
- Denmark: 3.7%
- Iceland: 3.7%
- Netherlands: 3.6%
- Canada: 2.2%
- Israel: 1.7%
- New Zealand: 1.3%
- Belgium: 1.2%
- Korea: 1.0%
- Portugal: 1.0%
- Chile: 0.9%
- Brazil: 0.8%
- Spain: 0.5%
- Thailand: 0.5%
- Trinidad and Tobago: 0.4%
- Czech Republic: 0.3%
- Mexico: 0.2%
- Italy: 0.2%
- Hungary: 0.2%
- Norway: 0.2%
- Austria: 0.2%
- Peru: 0.1%
- Germany: 0.1%
- Bulgaria: 0.1%
- Luxembourg: 0.1%
- Nigeria: 0.1%
- Turkey: 0.0%
- Slovenia: 0.0%
- Serbia: 0.0%
- Greece: 0.0%
- Macedonia: 0.0%
- Pakistan: 0.0%

IOPS Country Profiles – SPAIN, December 2009