

COUNTRY PROFILE SLOVENIA

I. Data overview

| Macroeconomic and Demographic Data | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
| Nominal GDP (millions of national currency) | 4,761,814 | 5,314,494 | 5,747,168 | 6,251,244 | 6,557,698 | 7,049,106 |
| GDP per capita (US \$) | 9,974 | 11,246 | 14,106 | 16,518 | 17,302 | 18,443 |
| Population (thousands) | 1,967 | 1,967 | 1,967 | 1,967 | 1,967 | 1,966 |
| Total Labour Force (thousands) | 972 | 981 | 959 | 1,007 | 1,005 | ND |
| Employment rate | 94.03 | 93.99 | 93.43 | 93.94 | 94.23 | ND |
| % population over 65 | 14.23 | 14.64 | 15.00 | 15.10 | 15.86 | 15.78 |
| Dependency Ratio | 28.81 | 29.36 | 30.76 | 29.49 | 31.04 | ND |
| Life expectancy at birth | ND | ND | ND | ND | 76.30 | ND |
| | Women | ND | ND | ND | 79.90 | ND |
| | Men | ND | ND | ND | 72.50 | ND |
| Fertility rate | 1.21 | 1.21 | 1.20 | ND | ND | ND |

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|------|------|--------|---------|---------|---------|
| Assets | | | | | | |
| Total investments (National currency millions) | ND | ND | 27,781 | 117,792 | 171,244 | 232,147 |
| Total investments, as a % of GDP | ND | ND | 0.48 | 1.88 | 2.61 | 3.29 |
| <i>Of which Assets overseas, as a % of Total investment</i> | ND | ND | 97.49 | 35.06 | 24.22 | 31.49 |
| - % Issued by entities located abroad | ND | ND | 50.00 | 50.00 | 30.65 | 39.87 |
| - % Issued in foreign currencies | ND | ND | 50.00 | 50.00 | 69.35 | 60.13 |
| By pension fund type (as a % of Total investments) | | | | | | |
| - Pension funds (autonomous) | ND | ND | 100.00 | 89.36 | 90.46 | 91.15 |
| - Book reserves (non autonomous) | ND | ND | ND | ND | ND | ND |
| - Pension insurance contracts | ND | ND | ND | 10.64 | 9.54 | 8.85 |
| - Other financing vehicle | ND | ND | ND | ND | ND | ND |
| By pension plan type | | | | | | |
| - Occupational assets | ND | ND | 27,781 | ND | ND | ND |
| - % of DB assets | ND | ND | 0.00 | ND | ND | ND |
| - % of DC (protected and unprotected) assets | ND | ND | 100.00 | ND | ND | ND |
| - Personal assets | ND | ND | ND | ND | ND | ND |
| Structure of Assets (as a % of Total investments) | | | | | | |
| Cash and Deposits | ND | ND | 23.67 | 12.48 | 14.34 | 16.03 |
| Fixed Income | ND | ND | 69.49 | 80.01 | 78.03 | 69.58 |
| <i>Of which:</i> | | | | | | |
| - Bills and Bonds issued by the public and private sector | ND | ND | 69.49 | 80.01 | 78.03 | 69.58 |
| - Loans | ND | ND | 0.00 | 0.00 | 0.00 | 0.00 |
| Shares | ND | ND | 6.59 | 7.20 | 4.15 | 5.49 |
| Land and Buildings | ND | ND | 0.00 | 0.00 | 0.00 | 0.00 |
| Other Investments | ND | ND | 0.26 | 0.32 | 3.49 | 8.90 |
| Contributions and Benefits | | | | | | |
| Total Contributions, as a % of GDP | ND | ND | 0.29 | 0.33 | 0.36 | 0.38 |
| - Employer Contributions, as a % of Total contributions | ND | ND | ND | ND | ND | ND |
| - Employee Contributions, as a % of Total contributions | ND | ND | ND | ND | ND | ND |
| Total Benefits, as a % of GDP | ND | ND | 0.00 | 0.01 | 0.01 | 0.02 |
| - % of benefits paid as a Lump sum | ND | ND | 100.00 | 100.00 | 100.00 | 100.00 |
| - % of benefits paid as a Pension | ND | ND | 0.00 | 0.00 | 0.00 | 0.00 |
| - % of benefits paid as an Insurance premium payable for allocated insurance contracts | ND | ND | 0.00 | 0.00 | 0.00 | 0.00 |
| Membership (in thousands of persons) | | | | | | |
| Total members | ND | ND | 64 | 200 | 490 | 510 |
| - % of Total active members | ND | ND | ND | ND | 97.70 | 97.21 |
| - % of Total passive members | ND | ND | ND | ND | 2.30 | 2.79 |
| - % of Total deferred members | ND | ND | ND | ND | ND | ND |
| - % of Other beneficiaries | ND | ND | ND | ND | ND | ND |
| Number of Pension Funds/Plans | | | | | | |
| Total number of funds | ND | ND | 5 | 28 | 28 | 27 |
| Total number of plans | ND | ND | 11 | 12 | 12 | 12 |

Source: OECD, Global Pension Statistics

ND = data not available

NA = data not applicable

II. Pension System

The Slovenian pension system consists of a public pension tier, voluntary occupational and voluntary personal pension plans. Employers in hazardous working environments are obliged to establish a pension plan for their employees.

Public PAYG Pensions

The social security pension system is PAYG and covers all employed persons, the self-employed and the unemployed. In 2000, the accrual rate was lowered, the retirement age was raised, and the relevant period for determining the pension base was extended. Contributions amount to 15.5% of gross wages for employees and 8.85% for employers, while the self-employed pay both (24.35%). Individuals obtain the right to a full old-age pension when they reach age 63 (men) or 61 (women) and have fulfilled the 20-year qualifying period. Those who attain the age of 58 and have 40 (men) or 38 (women) years of contributions have the right to early retirement benefits. A minimum contribution period of 15 years is required for pension benefits from age 65 (men) or 63 (women). The retirement age for women is lowered when they have children. Benefits are earnings-related. The level of the pensionable salary is the 18-year period during which the person earned the highest salary of his career from 1970. The maximum pensionable salary is four times the minimum. Pension benefits amount to 35% of the pensionable salary, increased by 1.5% for each completed year of the 20-year qualifying period until a maximum of 72.5%. A state pension of 33.3% of the minimum wage is available in some cases. Pension benefits are indexed in line with the average wage increase. They are taxed. Pension support is available to low-income pensioners, while a social assistance pension is available to those who do not qualify for an old-age pension.

The state pension is considered one of the most generous in Europe and the average net replacement rate is approximately 70% (2005)¹.

Funded Pension System

Mandatory

Occupational

Since 2001, employers must set up a pension plan for employees who carry out particularly hard work or work that is harmful to health. This type of plan, participation in which is mandatory for employees, provides early retirement benefits. The plan rules determine criteria such as the contribution levels, the investment strategy and benefit conditions. Benefits are paid out in annuities, but details are left to be determined in the plan rules. Plans need approval from the Minister of Labour, Family and Social Affairs and actuarial approval from the Office for Insurance Supervision. All contributions are paid into the Capital Fund, a mutual fund established by law which manages assets for all compulsory occupational plans. Employer contributions are taxed identically to those paid into the public PAYG system. In 2006 17.4% of the active population was covered.

Voluntary

Occupational

Coverage

Those who contribute to the public pension system can participate in a voluntary occupational plan, which can be open or closed (at least 1,000 members working for one employer required).

Contributions

Employees are required to pay contributions to open funds, but in the case of closed fund the plan rules determine whether and how much the employee must contribute. In 2005, the minimum employer contribution amounted to SIT 4,040. No contributions are required in the case of mutual pension funds.

Benefits

All plans are defined contribution plans and benefits must be paid as life annuities. There are no rules on benefit adjustment. Benefits are payable when the member has reached the age of 58, is covered by the

¹ Juan J. Fernandez-Ansola & Anita Tuladhar, "Slovenia: an unfinished agenda", globalpensions.com, June 2006

public pension scheme (though this requirement can be waived in certain circumstances) and has been a plan member for at least 120 months.

Tax

Employee and employer contributions benefit from tax relief if they exceed SIT 4,040 per month (2005). Tax benefits for employees and employers amount to a maximum of 24% of the employee's or employer's average annual contributions to the public pension system (SIT 549,400 per year). Investment income is not taxed. Benefits are taxed at the same rate as gross earnings. Tax relief for employees is limited when the combination of employee and employer contributions exceeds the maximum contribution level. Lower and upper tax benefit limits are adjusted annually.

Pension fund management

Open pension plans are managed by mutual pension funds, pension companies or insurance companies. Closed funds take the form of mutual funds, which have no legal capacity and are administered by banks or pension companies. In order to benefit from tax advantages, a plan must cover at least 51% of all employees of the sponsoring employer. Investment is limited to 30% in corporate securities or mutual funds, there is a maximum limit of 30% in bank deposits, 10% in real estate, 55 in unregistered securities and 3% in cash. Foreign investment in OECD countries is unrestricted.

Fees

Members pay an enrolment fee (maximum 6% of the paid-in contribution), a withdrawal fee (maximum 1% of the member's assets) and an annual management fee (maximum 1.5% of the average net annual value of the pension fund assets).

Market

In 2004, around 350,000 were enrolled in the voluntary occupational pension tier. The coverage rate was 43% of all those covered by the public pension system, but the coverage among small and medium size companies is low. There are 5 mutual pension funds, 4 pension companies and 2 insurance companies registered to operate voluntary pension schemes.

Voluntary

Personal

Voluntary personal pension arrangements are offered by mutual funds, pension companies or insurance companies. Only employees make contributions to personal pension plans. In October 2006, some 24,000 persons participated in voluntary personal pension arrangements. Investment rules are identical for voluntary occupational plans and personal pension plans.

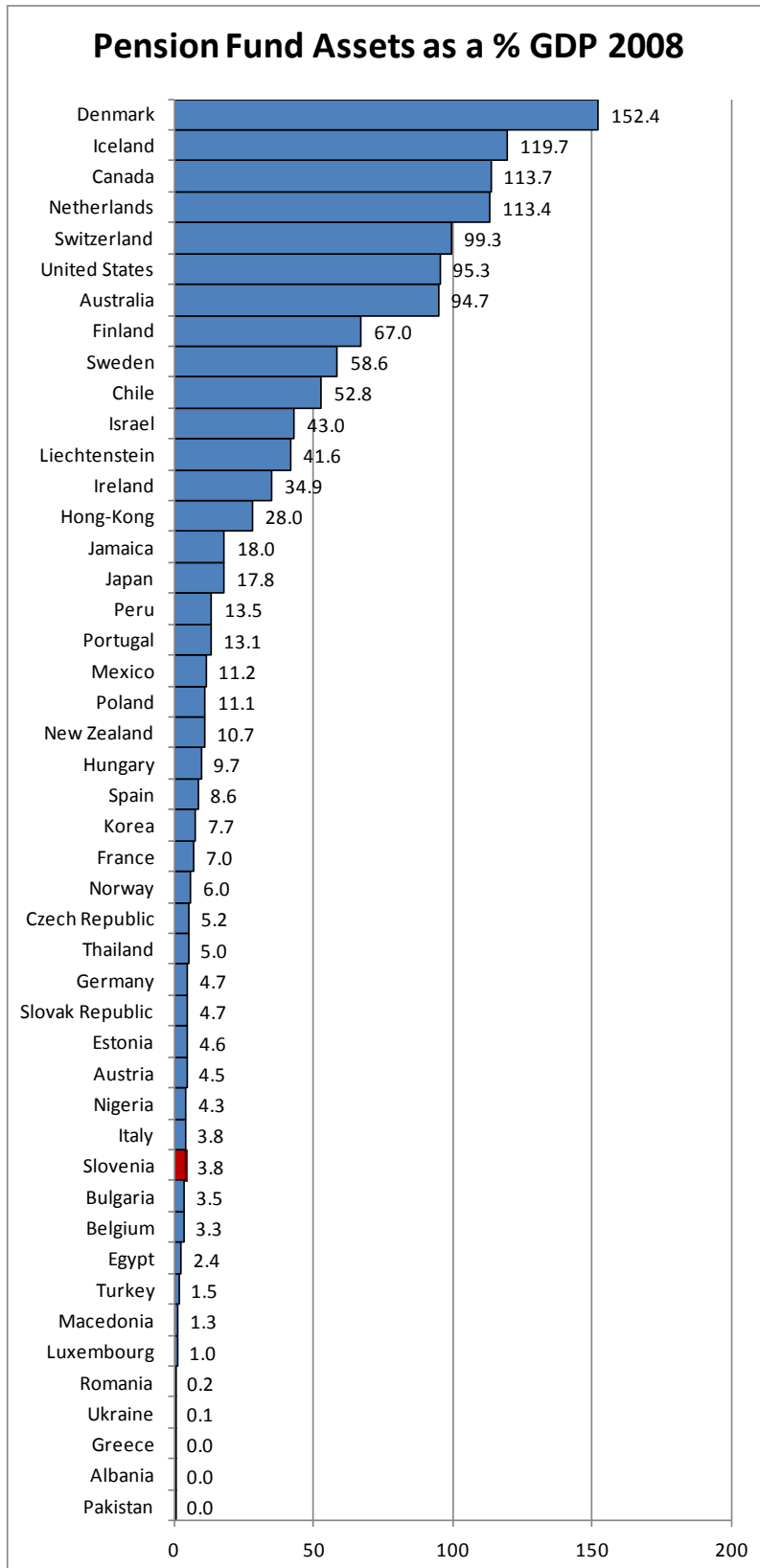
Potential Reforms

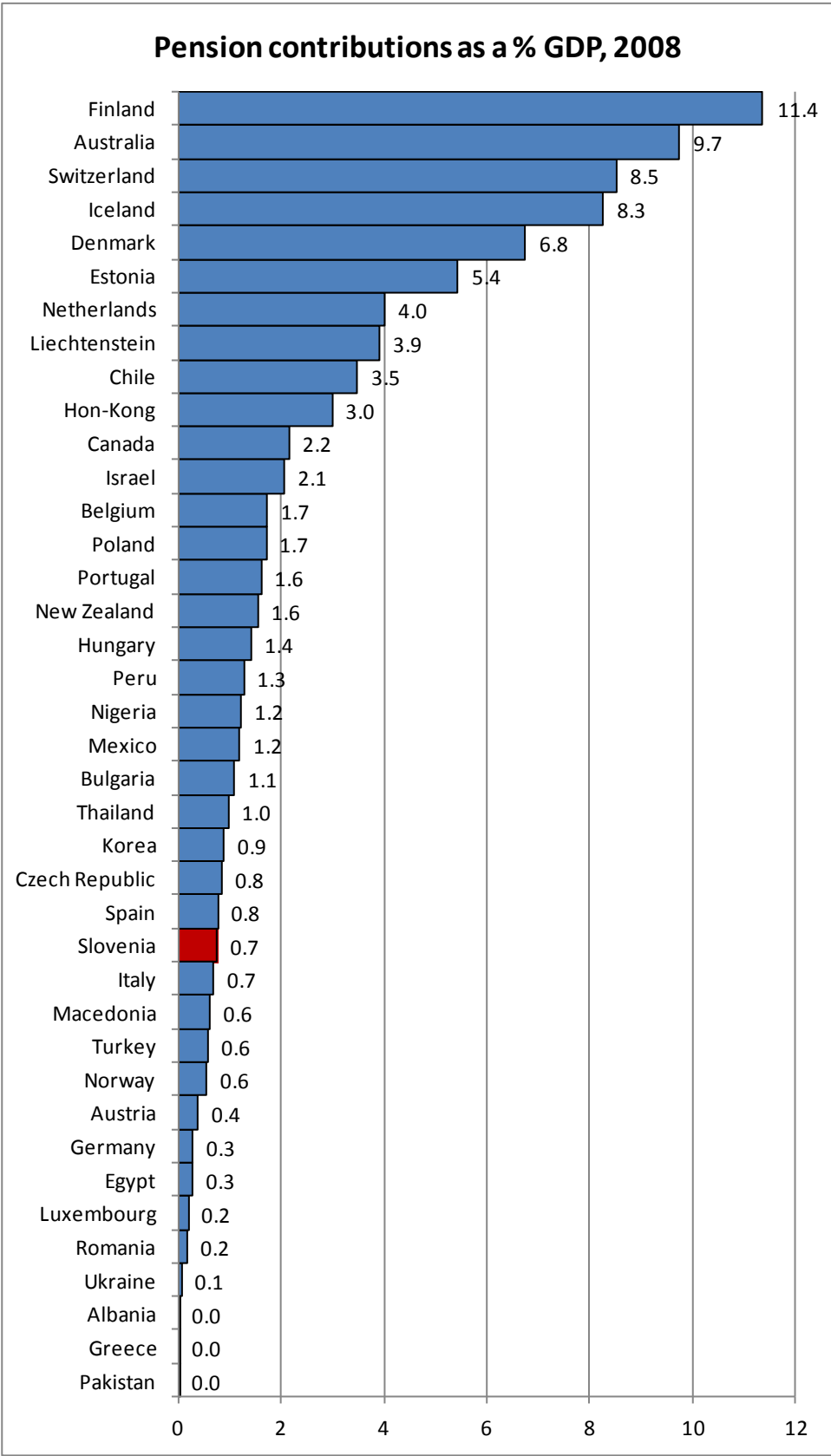
Demographic factors (low fertility rate, ageing of the population), a low effective retirement age and a generous public pension system, combine to present a major challenge for the future of the Slovenian pension system. Other causes for concern are the high administrative fees, the lack of regulation concerning the pay-out phase of pensions, and the low rate of return. The creation of mandatory supplementary pension plans has been considered but it not expected to be established in the near future. Policies need to be designed to increase the low coverage rate of the supplementary pension system.

Relevant legislation and supervisory authority

The most important legislation for all pensions described in this chapter is the *Pension and Disability Insurance Act* of 1999 (subsequently amended). An English translation of the legislation can be found on the Ministry's website: www.mddsz.gov.si. Supervision of the pension system is shared between several authorities. The Ministry of Labour, Family and Social Affairs supervises the implementation of the pension legislation and the rights provided to members of voluntary occupational pension plans. The Securities Market Agency supervises mutual pension plans and pension companies. The Insurance Supervision Agency also supervises pension companies, as well as insurance companies.

III. Comparative Charts





Pension Benefits as a % GDP, 2008

