

DEMOGRAPHICS AND MACROECONOMICS

Nominal GDP (EUR bn)	715
GDP per capita (USD)	28 292
Population (000s)	7 051
Labour force (000s)	2 957
Employment rate	93.9
Population over 65 (%)	10.1
Dependency ratio ¹	24.2

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

COUNTRY PENSION DESIGN

STRUCTURE OF THE PENSION SYSTEM

Public pensions
 Social insurance programme, covering the Israeli citizens excpet those who imigrated to Israel at the age of 60 to 62
 Social assistance programme, covering those aged 20 and over and reside in Israel with some exception.
Private pensions: occupational (voluntary)
 Four types of this voluntary scheme exit, i.e. subsidized pension funds (DC or DB), non-subsidized pension funds (DC), provident fund (DC) and executive insurance plans

Source: OECD Global Pension Statistic.

PENSION FUNDS DATA OVERVIEW

	2001	2002	2003	2004	2005	2006	2007	2008
Assets								
Total investments (National currency millions)	120,320		139,262	,	188,777			308, 127
Total investments, as a % of GDP	23.51	25.36	25.95	26.32	31.58	31.45	33.25	43.05
Of which Assets overseas, as a % of Total investment:								
 Issued by entities located abroad 	0.00	0.01	0.03	0.09	1.28	4.55	6.06	5.08
Issued in foreign currencies	0.01	0.03	0.02	0.08	0.32	4.55	7.11	5.39
By financing vehicle (as a % of Total investments)								
Pension funds	99.87	99.86	99.84	99.82	99.81	99.81	99.77	99.81
Book reserves	NA	NA	NA	NA	NA	NA	NA	NA
Pension insurance contracts	ND	ND	ND	ND	ND	ND	ND	ND
Other financing vehicule	0.13	0.14	0.16	0.18	0.19	0.19	0.23	0.19
By pension plan type								
Occupational assets	109,435	119,881	120,247	124,397	157,974	163,539	176,700	259,207
• % of DB assets	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
% of DC (protected and unprotected) assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personal assets	10.885	14,425	19,015	23,946	30,803	37,960	47,273	48,921
	10,000	14,420	13,013	20,940	30,003	57,300	47,275	40,321
Structure of Assets (as a % of Total investments)								
Cash and Deposits	1.84	1.51	1.31	1.90	1.44	4.64	4.11	3.69
Fixed Income	92.73	93.69	93.95	92.73	89.63	86.36	82.53	84.89
Of which:								
 Bills and Bonds issued by the public and private sector 	92.42	93.36	93.42	92.17	88.96	84.98	81.42	84.17
• Loans	0.31	0.32	0.53	0.56	0.67	1.38	1.11	0.72
Shares	1.32	1.37	1.83	2.78	4.25	5.19	6.33	2.95
Land and Buildings	0.02	0.02	1.12	0.95	0.70	0.64	0.67	0.58
Other Investments	4.09	3.41	1.79	1.63	3.98	3.18	6.36	7.89
Contributions and Benefits								
Total Contributions, as a % of GDP	1.68	1.77	1.77	1.38	1.96	1.89	1.89	2.07
 Employer Contributions, as a % of Total contributions 	23.28	23.61	19.00	21.42	16.56	67.25	67.46	67.58
 Employee Contributions, as a % of Total contributions 	17.57	17.18	21.50	30.10	26.58	32.75	32.54	32.42
Total Benefits, as a % of GDP	1.74	1.51	1.66	1.60	1.57	1.77	1.72	1.71
• % of benefits paid as a Lump sum	17.11	17.01	23.19	27.58	28.01	11.17	12.29	12.51
 % of benefits paid as a Pension 	82.89	82.99	76.81	72.42	71.99	88.83	87.71	87.49
Membership (in thousands of persons) ¹								
Total membership	1,807	2.015	2,244	2,331	2,496	2,597	2,594	3,080
% of Active membership	91.88	,		90.03		91.02	,	92.19
Of which: % of Deferred membership	56.18	61.25	62.02	62.97	62.04	62.01	90.85 58.16	51.76
% of Passive membership	8.12	10.44	10.29	9.97	9.57	8.98	9.15	7.81
Other beneficiaries	ND	ND	ND	ND	9.57 ND	0.90 ND	9.15 ND	ND
Number of Dension Eurodo/Disso								
Number of Pension Funds/Plans		40	45	47	24	40	40	4-
Total number of funds	39	43		47	34	42	43	47
Total number of plans	5	5	5	5	5	5	5	5

ISRAEL: THE PENSION SYSTEM'S KEY CHARACTERISTICS

PUBLIC PENSION

Social insurance:

All persons who are aged 18 and over and reside in Israel are covered, except those who immigrated to Israel at the age 60 to 62, depending on the month of birth. The contribution rate for employees is 0.22% of earnings below 60% of the national average wage (NS7,383 July 2006), plus 3.85% above (old-age and survivor pensions), whilst the employer contribution rate is 1.87% of earnings below, plus 2.14% of earnings above this level. The minimum earnings for contribution purposes are NS3,585 (equal to the minimum wage), while The maximum earnings for contribution purposes are five times the national average wage as of January 1st each year.

The contribution rate for self-employee is 3.09% of earnings below, plus 5.21% of earnings above 60% of the national average wage (old-age and survivor pensions). The minimum earnings for contribution purposes are NS1,846 (25% of the national average wage). If a person earns less than the minimum earnings, he/she pays contributions as if earning the minimum.

The government contribution of 0.25% of earnings (old-age and survivor pensions), subsidizes old-age and survivor pensions at a rate of 15.78% of total employee and employer contributions, as well as the total cost of special old-age and survivor benefits and long-term care benefits for new immigrants.

The retirement age for the earnings-tested pension is age 66 (men) or age 61 (women), while the pensionable age is age 70 (men) or age 66 (women). They must have 5 years of coverage in the last 10 years or a total of 12 years of coverage, but this requirement does not apply to certain groups of population, e.g. women who are widowed, divorced, deserted, married to an uninsured husband.

A single pensioner receives 16.2% of the old-age basic amount a month; a couple receive 24.3%. The value of the old-age basic amount is NS7,152 (January 2006).

Social assistance:

All persons who are aged 20 and over and reside in Israel are covered, except, among others, those persons whose maintenance is entirely paid by the government, students in higher education. The government covers the total cost of social assistance income support programs.

Special old-age benefit (social assistance): A government-financed pension for new immigrants not insured because of their age at the time of immigration and insured persons who emigrated from Israel then returned and do not satisfy the qualifying period condition at the pensionable age. The benefits are the same as the social insurance old-age pension.

Income support benefit (social assistance): Individuals must have 24 months of continuous residence (12 accumulative months for new immigrants), subject to an earnings and employment test and be incapable of providing themselves with earned income sufficient for subsistence. A single pensioner receives from 20% to 25% of the old-age basic amount a month; a couple without children receive 27.5% to 37.5%. The benefit amount varies with age.

OCCUPATIONAL VOLUNTARY

Coverage

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Private- and public-sector employees are all covered. Subsidized pension funds cover the part of the salary up to twice the national average salary. There are no legal rules concerning discrimination in coverage. Employees with low salary or part-time employees are usually excluded. Self-employed persons may affiliate voluntarily to a plan on a personal basis.

Contributions

The affiliation and the promise to make contributions may be based on agreements between employers and individual employees or on company or industry-wide collective agreements with trade unions.

Benefits

For the DB type subsidised pension funds, the benefits depend on contribution history, year of employment etc, while the DC type of the scheme and the non-subsidised pension receive benefits linked to the amount of accumulation in their account. Monthly payment is common although a partial lump-sum is allowed subject to certain conditions. Provident funds provide DC benefits and only lump-sum payments are allowed. Executive pensions also provide DC benefits, but both lump-sums and annuity payments.

Benefits may be made from age 67 (men) and 60 (women). Early retirement (from 60) is possible for men.

Taxation

Employee contribution. All plans receive a tax credit of 25%, or 35% in case of subsidized pension funds, of their contributions provided that the contribution rate do not exceed 7% of the part of the salary up to the national average salary.

Employer contribution. The general rule is tax exemption of up to 7.5% of salary.

Investment income. Tax free for subsidised, non-subsidised pension funds, and lump-sum type of insurance plans; taxed at 20% for provident funds and executive insurance plans.

Payment. For subsidized and nonsubsidized pension funds and executive insurance, 35% of the value of pension benefits is tax-exempt, while all lump sum payment is taxed free.

MARKET INFORMATION

Occupational voluntary

As of October 2006,439 provident funds existed, 22 "new" pension funds (established after 1994 and including DB, DC and hybrid types), 18 "old" pension funds (established before 1995 and largely DB plans), and 26 (life and non-life) insurance companies. The total assets (i.e. contractual savings) were approximately NIS 565 bn, of NIS 244 bn were with provident funds, NIS 194 bn with pension funds, while NIS 127 bn with life insurance policies.

Subsidized and nonsubsidized pension funds: Pension management companies (PMCs) may charge a maximum of 6% of contributions and a maximum of 0.5% of accumulated savings.

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4

Provident funds: Provident fund management companies may charge a maximum of 2% of the asset value. The management fees that insurance companies may charge are defined in the legislation governing insurance companies.

Executive insurance: The management fees that insurance companies may charge are defined in the legislation governing insurance companies.

REFERENCE INFORMATION

KEY LEGISLATION

1. Control of Financial Services (Provident Funds) Law (2005) provides for the authorization and supervision of pension management companies and provident fund management companies.

2. Income Tax Regulations Amendment No. 2 (1999) introduces plans implemented through nonsubsidized pension funds.

3. Directives of the Supervisor of the Capital Market, Insurance, and Savings for the Establishment and Management of New Pension Funds (1997) introduce plans implemented through subsidized pension funds, regulate their administration, and contain minimum requirements concerning benefits.

4. Income Tax Regulations; provide for the approval and supervision of pension and provident funds (1964), establish rules for the protection of rights.

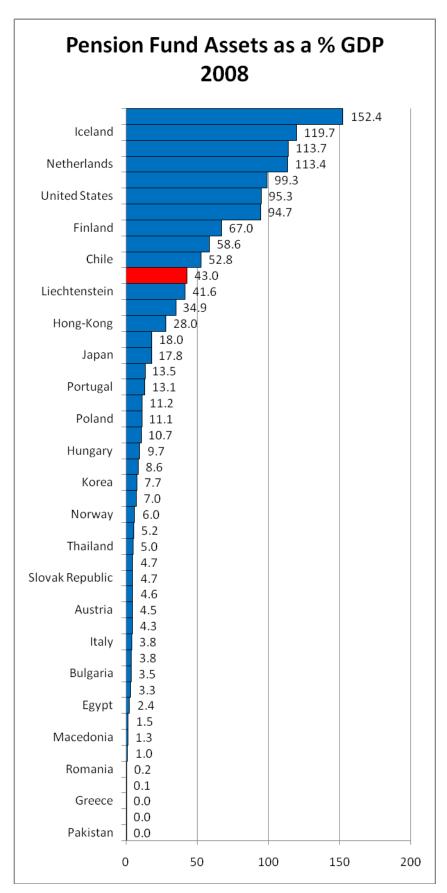
5. National Insurance Law (old-age and survivor pensions) was passed in 1953 and implemented in 1954; Legislation on payments of survivor pensions in 1955; Legislation on payments of old-age pensions in 1957, and amendment to legislation on old-age pensions for housewives amendment 1996.

KEY REGULATORY AND SUPERVISORY AUTHORITIES

1. Ministry of Social Affairs provides general supervision. http://www.molsa.gov.il/MisradHarevacha

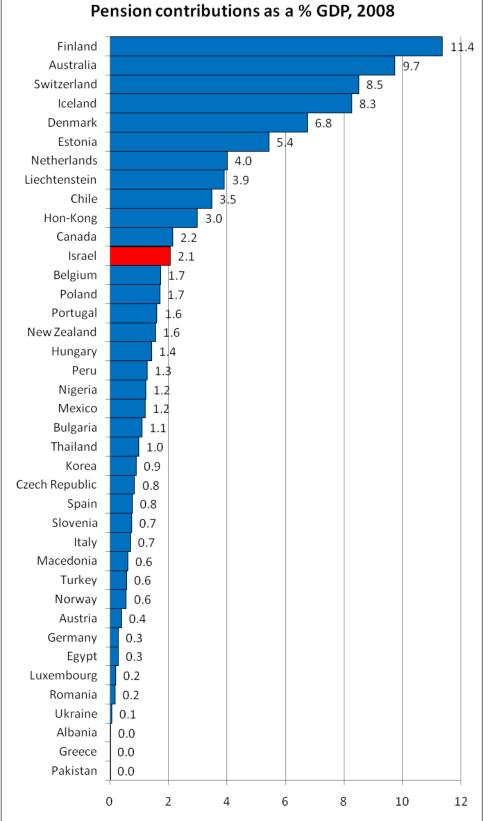
2. National Insurance Institute administers the program, collects contributions, and pays benefits through its branch offices. http://www.btl.gov.il/

3. Commissioner of the Capital Market, Insurance, and Savings (CCMIS) supervises pension management and insurance companies, subsidized and nonsubsidized pension funds and provident funds

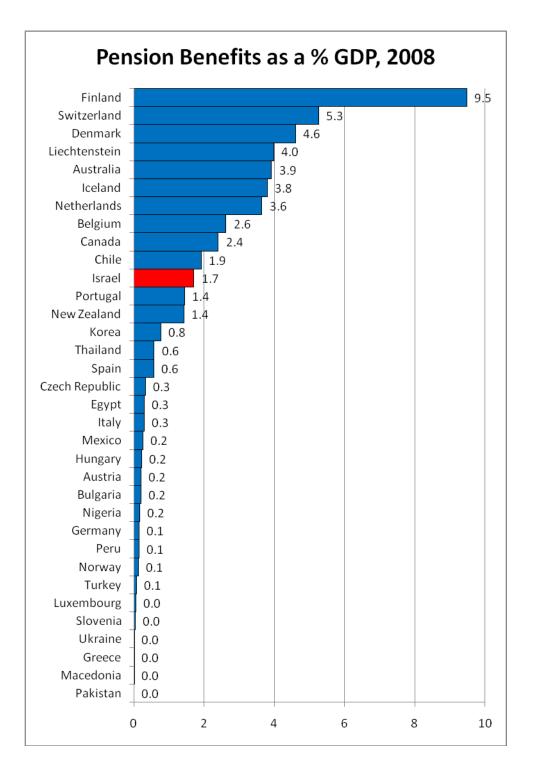


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9