

SPAIN

		Key indicators	
		Spain	OECD
Spain: pension system in 2006 The Spanish public pension system consists of a single, earnings-related benefit in the contribution level, with a means-tested minimum pension. There is also a non-contributory means-tested level, which replaces the previous special social assistance scheme.	Average earnings	EUR	21 200
		USD	26 500
	Public pension spending	% of GDP	8.1
	Life expectancy	at birth	78.9
		at age 65	83.4
	Population over age 65	% of working-age population	26.2

Qualifying conditions

The retirement age for a full benefit is 65 years for men and women. Fifteen years of contributions are necessary to qualify for a pension benefit.

Benefit calculation

Earnings-related

The benefit accrues according to a schedule. After 15 years' contributions, it is 50% of the earnings base. Over the next ten years, an extra 3% is accrued per year, followed by 2% per year thereafter. The maximum accrual is 100%, reached after 35 years' contributions.

The earnings base is pay over the last 15 years, up-rated in line with prices, apart from the last two years. This means that the replacement rate relative to final salary is less than 100%. On the standard assumptions for earnings growth and price inflation, this is calculated to be 88%.

There is a ceiling to earnings for contributions and benefit purposes of EUR 34 772.4 corresponding to 164% of average earnings.

Benefits are price-indexed.

Minimum and maximum

There is a minimum pension payable from age 65 amounting to EUR 469.73 per month, or 31.1% of average earnings, for pensioners without a dependent spouse, and 569.07 per month, or 37.7% of average earnings, for pensioners with a dependent spouse. There are 14 payments per year.

Due to specific policy from 2004, minimum pensions have increased above the price index in the last years.

The maximum pension is EUR 2 245.67 per month in 2006 (14 payments per year).

Variant careers

Early retirement

Early retirement is available from age 61 for people entering the system in 1967 or later who are unemployed, provided they have contributed for at least 30 years. The actuarial reduction depends on the number of years of contributions: 8% (30 years), 7.5% (31-34 years), 7% (35-37 years), 6.5% (38-39 years), and 6% for more than 40 years of contributions.

For people who entered the system before 1967, early retirement is possible from age 60. If retirement is voluntary the reduction is 8% per year. If it is not voluntary reductions are the same as in the case of people aged 61 or more who entered the system in 1967 or later.

The minimum pension for early retirees is EUR 437.68 or 29% of average earnings for pensioners without a dependent spouse, and 531.84 per month, or 35% of average earnings for pensioners with a dependent spouse, and after 65 they moves to the higher level.

Between 60 and 64, it is possible to combine partial pension receipt and a part-time job, if working hours are reduced between 25% and 85%. Another employee must replace the remaining working hours left by the partial pensioner. Fifteen years of contributions are required.

With the new law 40/2007 rules about partial pensions have changed from 1-1-2008:

1. Working hours must be reduced between 25-75%.
2. Partial retired workers must have been six years or more with the last employer and contributed 30 years or more in total.
3. For people entering the system after 1967, the possibility for partial pensions starts from 61.

Late retirement

It is possible to defer the pension after normal retirement age. For people of age 65 and with 35 years of contributions, the amount of the pension may exceed 100% of the calculation base. The benefit increases by 2% per year of deferral.

From 65 there is also the possibility of combining partial pension and part-time job. In this case, there is no obligation to replace the remaining working hours.

With the new law 40/2007, workers who have contributed 15 years or more and continue working after 65 years old will increase their benefit by 2% of the base of calculation per additional year. The increase is 3% with 40 years of contributions. Pensioners entitled of a maximum pension entering retirement with 66 years or more will receive an annual lump sum (2% of the maximum pension per additional year after 65, 3% with 40 years of contributions).

Childcare

There is coverage for the maternity period. Two years out of the labour market looking after children count towards the calculation of pension benefit.

Unemployment

During periods of unemployment-benefit receipt, the government pays all of the employers' contribution and 35% of the employee's contribution to the pension insurance scheme. The remaining 65% of the employee's contribution is paid by the worker. The base salary for contributions is the

average salary in the six months prior to unemployment. The duration depends on the number of contribution days during the prior six years, varying between four months and two years. The unemployment assistance which is paid thereafter does not create any pension credits, except for people 52 or more. For these people, contributions for old age pension are paid by the government up to retirement age. These contributions are levied on the minimum base of EUR 631.20 per month.

Personal income tax and social security contributions

Taxation of pensioners

Pensions are taxed, except for absolute and permanent disability pensioners who do not have any taxation. One special new rule allows the pensioners with low amount not to pay taxes in advance every month.

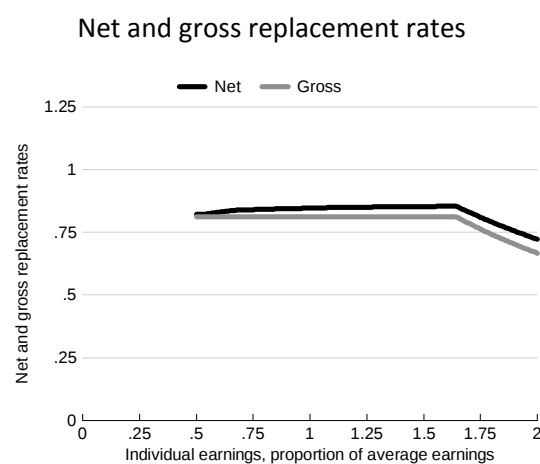
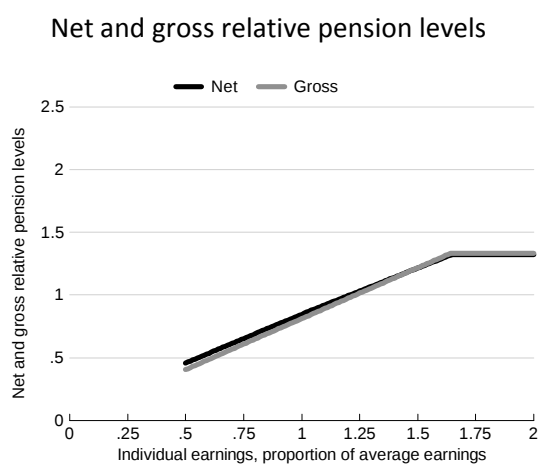
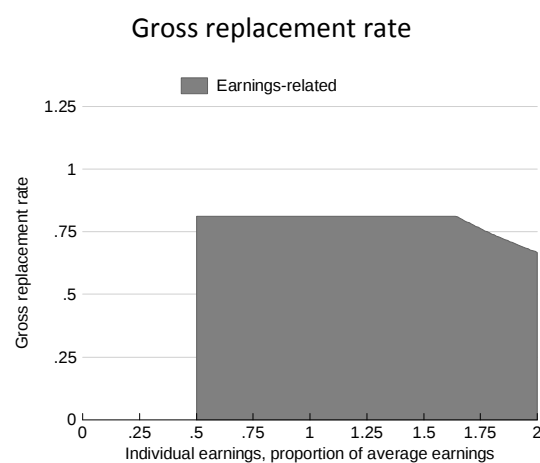
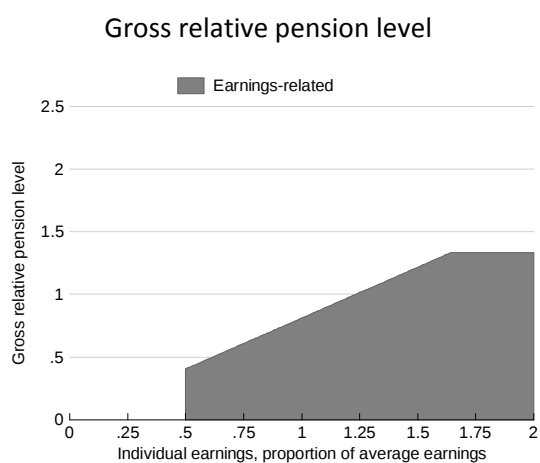
Taxation of pension income

There are no special allowances for pension income, but there are reductions for people over 65 and 75 years old.

Social security contributions paid by pensioners

Social security contributions are not levied on pension income.

Pension modelling results: Spain



Men Women (where different)	Median earner	Individual earnings, multiple of average				
		0.5	0.75	1	1.5	2
Gross relative pension level (% average gross earnings)	64.9	40.6	60.9	81.2	121.8	133.5
Net relative pension level (% net average earnings)	69.1	45.9	65.3	84.7	121.6	132.1
Gross replacement rate (% individual gross earnings)	81.2	81.2	81.2	81.2	81.2	66.7
Net replacement rate (% individual net earnings)	84.2	82.1	84.1	84.7	85.3	72.2
Gross pension wealth (multiple of average gross earnings)	12.2	12.2	12.2	12.2	12.2	10.0
Net pension wealth (multiple of average net earnings)	10.3	10.9	10.4	10.1	9.7	7.9
	12.1	12.8	12.2	11.8	11.3	9.2