TUAC

Ad Hoc Meeting on Pension Reforms

Mario Sánchez Richter

Social Protection and Public Policy Department

Confederación Sindical de Comisiones Obreras (CCOO)

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Pension system in Spain

- First pillar: PAYG. Single, earnings related benefit in the contribution level, with a means tested minimum pension. There is also a non-contribution means-tested level.
- Second pillar: Occupational pension system. Voluntary. Developed mainly in large companies, normally through pension funds. 3,5 million workers covered.
- Third pillar: Individual pension system. Voluntary.
- Pacto de Toledo (*Agreement of Toledo*).

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Pension reform 2011

- Retirement age: 65-67.
- 15 years of contributions are necessary to qualify for a pension benefit.
- It will still be possible to retire at 65 without penalty with 38.5 years of contributions.
- Benefit calculation: after 15 years’ contributions, it is 50% of the earnings base and thereafter it will reach 100% after 37 years increasing linearly (Before the reform: 15-25 years, an extra 3% is accrued per year, followed by 2% per year thereafter).

Pension reform 2011

- The earnings base, after the reform, is past earnings over the last 25 years (compared with 15 years previously), up-rated in line with prices, apart from the last two years.
- There is a minimum pension payable from age 65 amounting to EUR 632.9 per month.
- The maximum pension is EUR 2,544.49 per month in 2014.
- There are 14 payments per year.

Pension reform 2011

- The early retirement is possible from age 63 (involuntary unemployment) and 65 (voluntary unemployment) previously 61 (involuntary unemployment) and 63 (voluntary unemployment), provided they have 33 years or 35 years of contributions (previously 33 years required in both cases). The actuarial reduction on benefits varies from 2% to 1.5% each quarter depending on the length of the period of contributions.
- It is possible to defer the pension after normal retirement age. The pension benefit will increase by 2% (15-25 years of contributions); 2,75% (25-37 years of contributions) and 4% with 37 years of contributions.
- From 67 there is also the possibility of combining partial pension and part-time job.

Sustainability Factor 2013

- The evolution of life expectancy at age 65 determines the initial amount of the pension. If life expectancy increases, the initial amount of the pension will be reduced (and vice versa) .
- From January 1, 2019, only for new pensioners.
- In 2011 there was political and social agreement. In 2013 there was a unilateral reform only supported by the Government.

New Index for the Revaluation of Pensions 2013

- From January 1, 2014, for all pensioners .
- Index = System incomes (last 5 years + current year + forecast of next 5 years) - Variation in the number of pensions (last 5 years + current year + forecast of next 5 years) - Variation of the average pension (last 5 years + current year + forecast of next 5 years) + alpha accelerator (the Government decides to what extent the system charged the deficit or the surplus expected, the value can range between 0.25 and 0.33) x Deficit or Surplus of the system: difference between income and expenditure (last 5 years + current year + forecast of next 5 years).

New Index for the Revaluation of Pensions 2013

- It is not true that the proposed formula "isolate" pensions from the electoral debate. Most elements taken into account depend on decisions made by the government in power or economic future projections.
- The material result of IRP will be a widespread loss of purchasing power of pensions. The quantification of the loss of purchasing power will depend largely on the economic cycle (number of years the IRP is positioned at its minimum/maximum amount) and the evolution of inflation.

New Index for the Revaluation of Pensions 2013

- In a period of 15 years with the most likely forecast inflation (2% target set by the European Central Bank (ECB), or 2.5% which is the average of the last ten years), when a pensioner had suffered only 3-4 "bad years" (minimum revaluation of 0.25%); the remaining 11-12 years are not sufficient to recover the purchasing power because of the upper limit of the formula.
- As for the economic cycle, in an intermediate situation with good and bad years alike, the loss would be around 8% in a scenario of inflation of 2%, while the loss would be 12% in a scenario with an average inflation of 2.5%.

The Effects of the Austerity Measures and the Labor Reform

- 5,427,700 people unemployed.
- The labor force is continuously descending.
- Deterioration of the working conditions.
- Less permanent employment and more temporary and involuntary part-time contracts, resulting in more precarious workers.
- Inequalities has grown, poverty extends.
- Less social and civil rights. Administrative and criminal procedures opened to hundreds of trade unionists and workers for exercising the right to strike and defend freedom of association .
- Weakened of the welfare state.
- Reduction of public services and there are fewer resources for education, health, research and development, justice, Public Administration and assistance to people.

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