

Pension Security System in the Slovak Republic

Pensions are granted through the Pension Security System according to Act No. 100/1988 Coll. on Social Security as amended by later regulations; the Sickness Insurance System is modified by Act No. 54/1956 Coll. on Sickness Insurance of Employees as amended by later regulations. The Social Insurance Agency performs occupational accident and disease compensations in accordance with Act No. 274/1994 Coll. on Social Insurance Agency.

The Social Security System failed to respond to the changed socio-economic situation, characterized by transformation into a market economy; it was not able to react to economic and demographic changes, so the National Council of the Slovak Republic passed Act No. 413/2002 Coll. on Social Insurance to replace the former laws and introduce a new social insurance system, amending the Sickness Insurance System. It introduced transfer from a pension security system into a pension insurance system, and at the same time replaced the System of Occupational Accident and Disease Compensation by the Accident Insurance System.

Act No. 413/2002 Coll. came into effect on 1 January 2004, postponed from 1 July 2003 in accordance with the preparation of the state budget for the year 2003; and because of the need of transfer funds from the Sickness Insurance System into the Pension Security System in the year 2003; and because of providing enough time for the establishment of the individual accounts of insured persons. Thereby allowing time for the transfer of funds from the Sickness Insurance System to the Pension Security System and for the establishment of the individual account of insured persons.

The Social Insurance Agency had to undergo modification of its structure, scope, higher operational and inspection activity, for controlling abuse of the Sickness Insurance System; it should start to provide an adequate determination of sickness benefits provision – for all these reasons on 11th June 2003, the Government of the Slovak Republic approved new Draft Bill on Social Insurance, which will replace the valid but yet inefficient Act No. 413/2002. This new wording of Act is nowadays the subject of negotiations of the National Council of the Slovak Republic and its expected efficiency date is 1st January 2004.

Regarding the large scope of changes resulting from the Draft Bill on Social Insurance and because of the fact, that legislative process nowadays has not been completed yet, we mention only the principal changes in the Social Insurance System. After the settlement of the legislative process, the Social Insurance Agency will issue the detailed report on changes in the Social Insurance System of the Slovak Republic.

The insured persons employed by departments of military forces are not covered by the general social insurance system; they are covered by the special social security system in accordance with Act No. 328/2002 Collection on Social Security for Policemen and Soldiers with the efficiency date of 1st July 2002 as amended by later regulations.

The Social Insurance System undergoes following changes:

- Social Insurance System will be newly defined, part of which, apart from Sickness Insurance, Pension Security and Accident Insurance System will be the System of Unemployment Insurance and the Employer's Insurance against Financial Insolvency, the so called Guarantee Insurance. The Social Insurance Agency takes over disbursement of unemployment benefits and guarantee insurance benefits from the National Labour Office,
- the Pension Security System will be divided into old-age insurance and disability insurance in order to provide better transparency of financing this system,
- extension of the possibility of voluntary insurance for the purpose of sickness insurance, pension insurance and unemployment insurance for each person above the age of 16 with permanent place of residence in the territory of the Slovak Republic. Henceforward, the natural persons performing gainful activities, employees and self-employed persons with higher incomes will be covered by compulsory insurance for the purpose of sickness insurance and pension insurance,
- persons, covered by compulsory insurance system, may at the same time use the possibility of voluntary insurance as well as compulsory social insurance,
- the number of persons covered by compulsory pension insurance financed by the state will be reduced,
- in connection with the proposal for the income compensation during the first ten days of temporary work incapacity of an employee paid out by an employer, the Social Insurance Agency will provide sickness insurance benefits from the 11th day of a temporary working incapacity,
- eligibility criteria for pension entitlement will be modified, mainly in connection with the sequential extension of pensionable age for men and women and its final unification up to 62 years, we start with disbursement of early old-age pension benefits,
- the definition of disability will be modified together with the omission of legislation concerning partial disability pension provision,
- the principle: "pension or gainful activity" will be omitted. There is a possibility to receive pension benefits while performing a gainful activity out of which contributions are being paid, what is reflected in the way of calculation the individual pension amount,
- new valorisation system of pension benefits increase will be introduced,
- the structure of the Social Insurance Agency will be modified,

- as regards the financial system, the transfer of disability pension beneficiaries will be introduced from the Basic Disability Insurance Fund to the Basic Old-Age Insurance Fund, which will be implemented by the Social Insurance Agency and new amounts of maximum assessment basis for the individual social insurance systems will be modified.

Pension Insurance System

Following types of pension benefits are being provided from the Pension Insurance System of the Slovak Republic:

- a) from the old-age insurance system:
 - old-age pension
 - early old-age pension
 - widow's and widower's pension
 - orphan's pension
- b) from the disability insurance system:
 - disability pension
 - widow's pension and widower's pension
 - orphan's pension

Old – age pension

Eligibility criteria for the entitlement to old age pension benefits are being modified. The pension insurance period is being reduced from present 25 years to 10 years of insurance. The retirement age is probably being extended to the unified age of 62 years for both women and men, while a system of sequential extension of retirement age is being suggested separately for men and women. A new formula of pension benefits calculation is being implemented on contrary to the legal modification presented in Act No. 100/1988 of Collection, pension benefits calculation will be based on the personal wage point, indicating the insurer's merit level on paying insurance contribution.

Early old-age pension

In the pension insurance system, the implementation of the early old – age pension is being suggested, as a new type of pension benefit after reaching at least 10-year pension insurance period and condition of 1,2 multiple of the subsistence minimum for the entitlement to early pension benefits. Entitlement to the early old – age pension benefits is not determined by age.

Disability pension

Entitlement to disability pension benefits is conditioned apart from the health aspect by achieving the requested insurance period. Significant change is being made in the definition of disability based on long – term adverse health status which resulted in decrease of the ability to perform gainful activity in comparison to a healthy natural person. It is newly proposed, that the decrease disability pension entitlement must fulfil the conditions of more than 33% loss of income. Therefore is the partial disability definition as the only qualification condition to partial disability pension initiated to be

omitted from the objective scope of the pension insurance. In accordance with the above - mentioned there is initiated to modify the determination of the disability pension amount method in which is included the consideration of percentage decrease range of the earning ability of the insurer and the fact if disability pensioner is providing an earning activity.

Widow's and widower's pension

Qualification conditions on this type of pensions are in accordance with the present legislation. It is requested that the deceased spouse should be a beneficiary or he met the insurance period condition for qualification to disability pension or old – age pension. The same criteria are suggested for inception of benefit entitlement to both pension benefits and the inception of widow's pension should not be determined by the care of dependent child. The widow's pension is not reduced because of performing the gainful activity.

Orphan's pension

The orphan's pension is proposed to condition the inception of this pension by fulfilling of the requested insurance period of the deceased parent at least to the period needed for inception of the disability pension. The present percentage measurement of the orphan's pension for orphan with one parent lost is suggested to keep on the same level. Contrary to the present valid legislation, it is suggested not to determinate the amount of the orphan pension of full orphan, because the child is entitled to orphan's pension after each deceased parent in amount of 30%.

Sickness insurance

Important changes are adopted in the sickness insurance system. From this insurance system, there will be offered sickness benefits, as follows:

- Sickness benefits
- Care benefits
- compensational benefits
- maternity benefits

Contrary to present legislation state when the Social Insurance Agency is only responsible for providing of the sickness insurance it is suggested that the sickness insurance should be provided not only by the Social Insurance Agency but also by other legal entity.

The sickness benefits will be paid out from the sickness insurance system from the 11th day of employee's working incapacity and in case of self – employed person and voluntarily insurer from the 1st day of the temporary working incapacity till the end of this working incapacity or from the date of rising disability but no longer than 52 weeks from the rise of temporary working incapacity. Calculation method of the daily sickness benefit amount is been simplified and united for employee, self – employed person and voluntarily insurer.

Person who is voluntarily insured in the sickness insurance will be entitled to sickness insurance benefits by meeting the "waiting period" of 270 calendar days of the sickness insurance in last two years period before the inception of the temporary working incapacity. It is also suggested to unite the performance of the sickness benefits for calendar days in united amount of 55% of the daily assessment base of

sickness insurance contributes. In accordance with above-mentioned it is suggested that the employer should perform the income compensation due to temporary working incapacity during the first 10 days of employee's working incapacity period. Principal system changes do not occur in other types of benefits paid out from the sickness insurance, eligibility criteria remain unchanged in principle, there is a change of benefit amount determination and changes of benefit designation.

Accidental insurance

Insurance of employer's responsibility for damage and occupational disease is being changed by the new insurance method which is the accidental insurance. Within the accidental insurance there are allocated all kinds of benefits related to accident character on which they will be paid out in lump-sum or repeatedly:

- additional accidental benefit
- accidental rent
- lump- sum settlement
- survivor's rent
- lump – sum compensation
- professional rehabilitation and rehabilitation benefit
- retraining and retraining benefit
- pain compensation and difficulties with social reintegration compensation
- compensation due to expenses on treatment
- funeral expenses compensation

Unemployment insurance and guarantee insurance

In the draft bill on the Social Insurance, as regards the social insurance structure is also implemented the unemployment insurance and guarantee insurance as an insurance system in case of employer's insolvency. Responsibility for performing benefits from these systems will from 1st January 2004 pass from the National Labour Office to the Social Insurance Agency.

Scheme of the premium rates of the individual social insurance systems in accordance with the draft bill on the social insurance are presented in the following table.

Premium rates from the Law on the Social Insurance/approved by Government on 11th June 2003/

Basic Fund	Employee	Employer	Compulsory insured self-employed person	Voluntary insured person	State	Social Insurance Agency
Sickness insurance	1,4%	1,4%	4,4%	4,4%		
Old-age insurance	4%	16%	20%	20%	20%	20%
Disability insurance	3%	3%	6%	6%	6%	
Accidental insurance		From 0,3% to 2,1% - In relation with riskiness				

		group				
Unemployment insurance	1%	1%		- if is not co-insured in pension insurance: 2,5% - if is co-insured in pension insurance: 2%		
Guarantee insurance		0,25%				
Reserve fund insurance		2,5%	Compulsory insured in pension insurance: 2,5%	Voluntary insured in pension insurance: 2,5%		