



JAGIELLONIAN UNIVERSITY
IN KRAKOW

Minimum income in old-age: Poland

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The scope of the speech:

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- 2. Statutory minimum old-age pension
- 3. „13th and 14th old-age pension”
- 4. Supplementary parental benefit
- 5. European issues
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1. Introductory information



The legal framework:

- The current retirement scheme came into force on 01.01.1999
 - the Law of 13.10.1998 on the social insurance system
 - the Law of 17.12.1998 on pensions from the Social Insurance Fund
- „The old retirement scheme” – for persons born until 1948
- „The new retirement scheme” – for persons born in 1949 and younger
- The state guarantee of minimum old-age pension under both schemes



The new retirement scheme:

- Retirement age is 65 for men and 60 for women
- Defined contribution system
 - pay-as-you-go
 - voluntary participation in an Open Pension Fund (i.e. the second pillar, investments in the capital market)
 - previously: defined benefit system
- Individual accounts for each insured person
- The amount of an old-age pension depends first and foremost on the amount of contribution collected



Current developments:

- In recent years: new non-contributory benefits for some categories of persons – with care responsibilities (children), persons with disabilities, and also persons who have reached retirement age
- from 2019: supplementary parental benefit (for those who raised at least four children and have no means of subsistence)
- from 2019: so-called „13th old-age pension”
- from 2021: so-called „14th old-age pension”
- from 2022: new tax-free allowances



2. Statutory minimum old-age pension



The statutory amount of minimum old-age pension (brutto):

- 2018: 1.029,80 PLN (i.e. Polish złoty)
- 2019: 1.100 PLN
- 2020: 1.200 PLN
- 2021: 1250,88 PLN
- 2022: 1388,44 PLN, i.e. around 300 euro



„Old” retirement scheme:

- Retirement age 65 for men/60 for women and contributory period amounting to 20 and 25 years respectively
- The amount of an old-age pension:
 - social part: 24% of average remuneration in the national economy, after contributions have been deducted
 - individual part: reflects the completed contributory and non-contributory periods
- The pension will be increased if its amount is lower than the minimum statutory pension



„New” retirement scheme:

- Retirement age 65 for men/60 for women: the only condition to obtain the right to an old-age pension
- The amount of an old-age pension depends upon the contributory and non-contributory periods
- In principle the amount of an old-age pension cannot be lower than the minimum statutory pension, but
 - no increase of the amount if there are no contributory and non-contributory periods that amount to 20 years for men/15 years for women
 - no guarantee of a minimum old-age pension if a period of voluntary insurance is longer than 10 years



New tax allowances:

- The Law of 29th October 2021 on the amendment to the Law on income tax from individuals
- Introducing a tax-free allowance that amounts to 30.000 PLN per year
- Social benefits (including old-age pensions) up to 2.500 PLN per month are not subject to taxation, i.e. *de facto* increase of the lowest benefits



3. „13th and 14th old-age pension”



Legal framework:

- From 2019: additional non-contributory benefits, financed by the state budget
- The Law of 4.4.2019 on one-time cash benefit for old-age pensioners and pensioners in 2019: so-called „13th old-age pension”
- The Law of 2020: „13th old-age pension” granted on yearly basis
- The Law of 21.01.2021 on the next in 2021 additional yearly cash benefit for pensioners and old-age pensioners: so called „14th old-age pension”
- The Law of 26.05.2022 on the next in 2022 additional yearly cash benefit for pensioners and old-age pensioners, to be signed by the President



„13th old-age pension”:

- The aim: fighting poverty among pensioners and old-age pensioners, fighting social exclusion
- The permanent component of the social security system
- Granted on a yearly basis
- Financed by the state budget
- For all pensioners and old-age pensioners (and some other beneficiaries)
- The amount is the amount of minimum state old-age pension
- Paid *ex-officio*, i.e. no beneficiary's motion is required



„14th old-age pension”:

- The aim: (also) to provide financial support for beneficiaries with the lowest income
- Granted one-time based on 2021 and 2022 statutes (the latter to take effect)
- For beneficiaries whose old-age pensions do not exceed 2.900 PLN – the amount is the amount of minimum statutory old-age pension
- For beneficiaries whose old-age pensions exceed 2.900 PLN – the amount of the „14th old-age pension” is proportionally reduced
- 2022: it is expected that the „14th old-age pension” will be paid in August



4. Supplementary parental benefit



Legal framework:

- The Law of 31st January 2019 on supplementary parental benefits (program „Mama 4+”)
- The aim: providing income to individuals who have given up employment; or have not taken up employment due to bringing up children in multi-children families
- Non-contributory benefit granted to a person who:
 - has reached retirement age (65 for men and 60 for women)
 - has raised at least 4 children, and
 - does not have the necessary means of subsistence, e.g. has not acquired the right to an old-age pension



Supplementary parental benefit:

- Benefit connected rather to family support scheme than to retirement scheme
- Granted by Social Insurance Institution, upon the request of the beneficiary
- Means-tested benefit granted on a discretionary basis
- Financed from the state budget
- The amount of the benefit cannot exceed the statutory minimum old-age pension
- For an individual who receives a benefit lower than the statutory old-age pension, the parental benefit complements it to the amount of the minimum old-age pension



Supplementary parental benefit:

- A person who lives in Poland and has a so-called center of interests here – for at least 10 years from the age of 16
- A person who is (1) a national of Poland or (2) a person who:
 - is a national of an EU or EFTA Member State who has the right of residence or the right of permanent residence in Poland, or
 - is a third-country national legally residing in the territory of Poland
- A person who resides in Poland during the period for which the benefit has been granted.



5. European issues



Coordination issues:

- No problems, case-law or scientific discussion on the free movement of elderly in the context of Regulation 883/2004 or Directive 2004/38 have been reported
- The level of wages and social benefits in Poland is in principle lower than in „old” EU Member States, i.e. in practice no ground to supplement the income for elderly EU migrants to have „sufficient resources”
- The state guarantees on statutory minimum old-age would be covered by the Regulation 883/2004 coordination rules



Coordination and residence issues:

- 13th and 14th old-age pensions would be granted to retired EU migrants who applied for an old-age pension in Poland
- No additional restraints on the export of these benefits
- Supplementary parental benefit:
 - Polish and UE nationals who have the right of residence or permanent residence (under the Directive 2004/38)
 - residence clause
 - „center of interests in Poland” for at least 10 years
 - no export of benefits, stay in Poland required



6. Conclusions



Conclusions:

- The state guarantees the statutory minimum old-age pension (with some exceptions)
- Recent years: the development of new non-contributory benefits that aim to provide minimum income in old-age
- Question: is it truly about the social policy development, or political intention to keep the power of the ruling party?
- No EU coordination problems reported
- To be continued... (?)



Thank you for your attention



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