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The Swedish way of guaranteeing a minimum income in old-age

1. overview
2. introducing new benefits to raise output level
3. unclarities in relation to coordination of social security

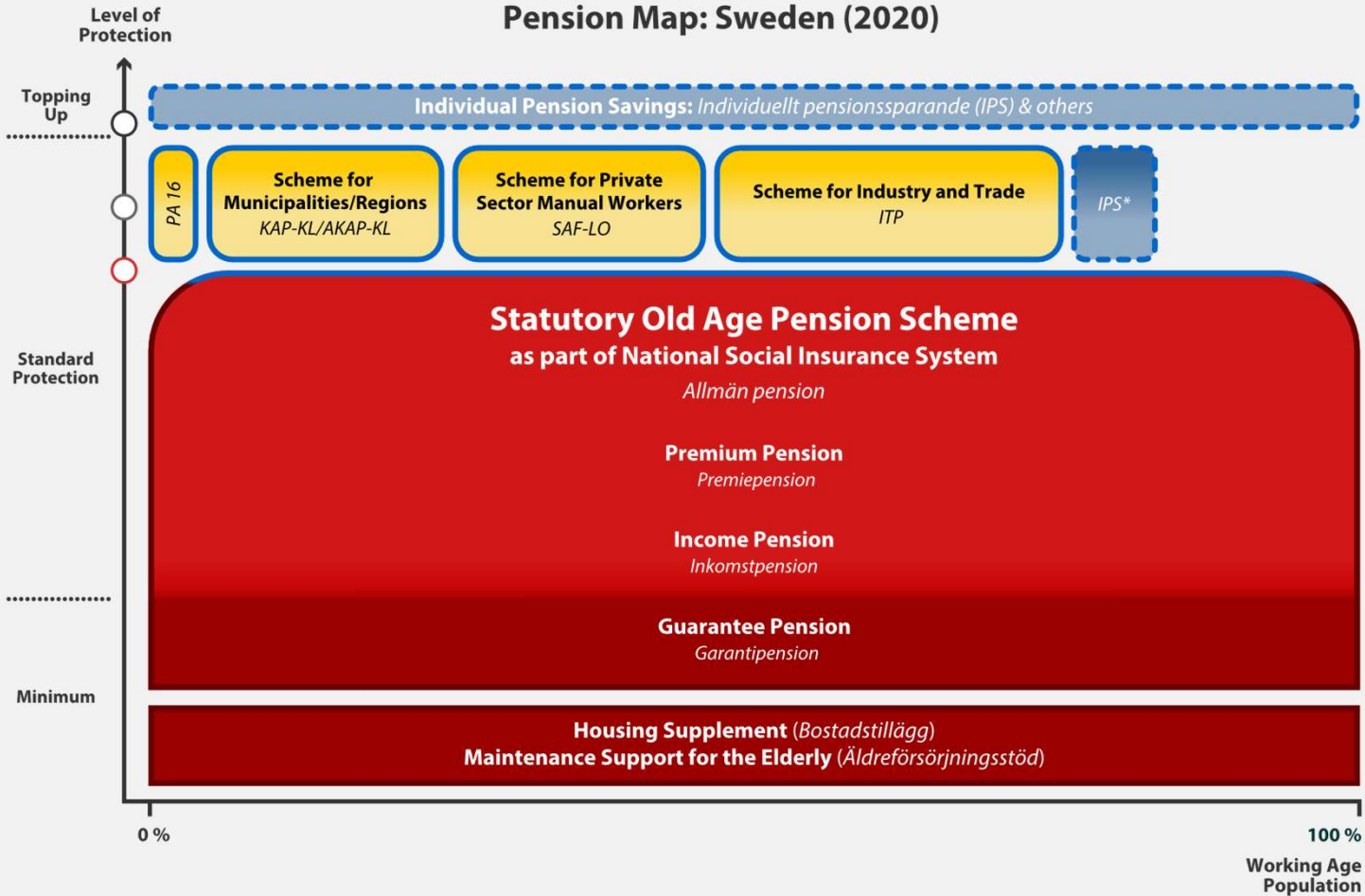
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European Pillar of Social rights, principle 15

- “Workers and self-employed in retirement have the right to a pension commensurate to their contributions and ensuring an adequate income.”
- “Everyone in old age has the right to resources that ensure living in dignity.”

Pension Map: Sweden (2020)



* IPS for self-employed and employees outside collective agreement

Basic ambitions and principles

- “public, universal and compulsory pension system is the corner-stone for the individual’s pension protection”
 - High level of income replacement
 - Secure a basic standard of living
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- Life-income principle
 - Automatic balancing between contributions and benefits

The problem is that the system works ...

- Value of (income) pension rights has been cut by balance index
- Basic pension has lost value in relation to income pension
- Difficult to make reforms
 - Nominal raise of basic protection will close "distance of respect"
 - Targeted benefit for low income pension will interfere with principle for financing solely through contributions

Solidarity benefits aimed at basic protection

- Guarantee-pension
 - Residence based, tax financed, 40 years for full pension
 - Maximum 8779 SEK (taxable)
- Housing supplement
 - Residence based, tax financed, means-tested, minimum subsistence
 - Maximum 6990 SEK (no tax)
- Maintenance support
 - Residence based, tax financed, means-tested, minimum subsistence for those with no or low pension
 - Maximum 6181 SEK (no tax)

Basic calculation of GP – 40 y of residence

- If other pensions are maximum 5072 SEK/m, you get the maximum amount of 8779 SEK/m (minus income pension)
- Other pensions above 5072 SEK/m, the GP will instead be SEK 3707 per month (0.921 price base amount per year) minus 48 percent of the part of the decreasing pensions that exceeds SEK 5072.
- This reduction rule means that the GP disappears completely when you have an income-based pension that exceeds SEK 12,794 per month if you have claimed pension from the age of 65.
- Later withdrawal of income pension will have +effect on GP
- Alt calculation and lower amount for married persons

Initiatives to improve the situation for the poorest

- Raise the guarantee-pension
- Ease the conditions (calculation) for the housing supplement
- Ease means-test, ok to work to improve your situation
 - What about the "distance of respect"?
- Introduce tax financed income pension supplement!
 - What about not using taxes to finance the income pension?
- We are now preparing a further increase of the guarantee pension
 - Patchwork system moving away from the principles of the pension reform

Coordinating residence based pension benefits aimed at basic protection

- Guarantee-pension
 - Pro-rata with residence as insurance period
 - Foreign pension is awarded a theoretical amount, art 56.1(c)
 - Exportable (?)
- Housing supplement and maintenance support
 - Special non-contributory tax-financed benefits, art 70
 - Not exportable

C-189/16 BZD, new classification of the GP

- Migrating person that had lived and worked in both Poland and Sweden
 - How to take account for pension income from other MS when calculating the right to a guarantee pension?
- GP is "filling" a space up to a guarantee level for those with low income pension, ie it is a *minimum benefit* under art 58
- "where the legislation of the State of residence includes a specific guarantee the object of which is to ensure for recipients of social security benefits a minimum income which is in excess to the amount of benefit which may claim solely on the basis of periods of insurance and their contributions." Browning 22/81

Article 58 – a special category of benefits (?)

Award of a supplement

1. A recipient of benefits to whom this chapter applies may not, in the Member State of residence and under whose legislation a benefit is payable to him/her, be provided with a benefit which is less than the minimum benefit fixed by that legislation for a period of insurance or residence equal to all the periods taken into account for the payment in accordance with this chapter.
2. The competent institution of that Member State shall pay him/her throughout the period of his/her residence in its territory a supplement equal to the difference between the total of the benefits due under this chapter and the amount of the minimum benefit.

Paragraph 52

”Regulation No 1408/71 is to be interpreted as meaning that, when the competent institution of a Member State calculates a minimum benefit, such as the guaranteed pension at issue in the main proceedings, it is inappropriate to apply Article 46(2) or Article 47(1)(d) of the regulation. Such a benefit must be calculated in accordance with Article 50 of the regulation, in conjunction with the provisions of national law, without, however, applying national provisions, such as those in the main proceedings, providing for a pro rata calculation.”

Interpretation of the judgment

Literal:

- For minimum benefits, an application of the (general) calculation rules (art 52 and 56) in 883/2004 are excluded in general.

Contextual:

- For minimum benefits, an application of the (general) calculation rules in 883/2004 are excluded in a situation *such as those in the main proceedings*.

Sweden went for the literal interpretation.

Article 58 as a special rule in relation to article 7

GP is residence based – minimum benefits under art 58 is only to be provided throughout the period of residence

... 43000 pensioners would lose their right to export GP

Immediate change of Swedish law to secure exportability!

... but this benefit was never intended to be exportable.

A "reconstruction" of the GP is prepared for status quo

But is the Swedish interpretation correct?

Less than 40 y in Swe but 40 y in EU, pension from EU

- All insurance periods are taken into account, art 58
 - Minimum three years for qualification
 - Before 1 Dec 2018 aggregation
- Actual foreign pension and income pension will have effect on calculation of GP
- If sum of other pensions is below 5072 SEK/m
 - 8779 SEK/m (minus other pensions)
- If sum of other pensions exceed 5072 SEK/m
 - $3707 - 0.48 (\text{other pension} - 5072) = \text{GP}$
- If a person moves to EU/EEA, export with ref to SWE law!
 - In relation to insurance periods in SWE, pro rata
 - Minimum three years of residence
 - Before 1 Dec 2018, export under 883/2004

Concluding remarks

- Initiatives are taken to boost the minimum income protection in old age
- Disruption of balances in the overall pension system
- Increasingly complex system with moving parts, difficult to predict outcome of change of income or life situation
- Large risk for incorrect payments (information deficit) and recovery of benefits
- Reconstruction of guarantee-pension is still pending, insecurity of status under regulation 883/2004. GP has been recalculated for all EU migrants (not always to the better ...)