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PRESENTATION OF THE CROATIAN PENSION SYSTEM

Croatian social security system is mostly the insurance based, with exception of family benefits (children allowance- doplatak za djecu) and the social care (social assistance- socijalna skrb), which are universal, assistance based and means tested.

The social security system is organized and implemented at national level by state bodies/ public institutions.

There are three main insurance – based schemes (social security branches):

Pension insurance - which covers risks of old- age, invalidity, employment injury and occupational disease, and death.

Health insurance – covers the risk of temporary incapacity for work due to sickness or maternity and health care

Unemployment insurance – covers the risk of unemployment and also promotes employment and the rehabilitation process of unemployed persons disabled at work.

The main principles of these social security branches are that these are public, general and compulsory. They cover the insured persons and are based on contributions paid by employees, employers, self- employed persons, and are partly financed by the State budget. They are based upon solidarity of members, except the second pillar funded pension insurance.

There is no special insurance for work injuries and occupational diseases. They are regulated under general programs for pension and disability insurance and under general sickness insurance and medical care.

In 1999 our pension system was reformed into the mixed- public/private system witch is based on three pillars scheme.

I PILLAR: Pay-as-you-go. **(compulsory system of solidarity between generations).**

Act on Pension Insurance («Official Gazette" no 102/98) given in July 1998, entered in force in August 1998, an applicable from 1 January 1999, regulates the first pillar. Act on Pension insurance was amended for several times in the meantime.

General and legal supervision: Ministry of Economy, Labour and Entrepreneurship, and Ministry of Finance

The scheme is based upon contributions, and the persons comprised are:

1. Insured persons - employed persons, self- employed persons, persons who earn other income-self employed farmers)
2. Family members of the insured person

3. Persons who are in extended insurance
4. Persons insured under certain circumstances

There are no special schemes for special categories of persons, but there are special regulations for special groups who are granted benefits from the pay- as- you- go scheme under more favourable conditions (military officers, policeman, parliamentary deputies, members of the Government, disabled war veterans) whose benefits are financed partly or entirely through the State Budget.

The first pillar pension contributions are technically paid to the State Treasury account but these funds represent the income of the Pension Insurance Institute.

II PILLAR: individual capitalization system (compulsory pension system of savings for old-age).

It is regulated by the Act on Compulsory and Voluntary Pension Funds ("Official Gazette" no 49/99), and by the Act on Pension Insurance Companies and Pensions Payment Based upon the Individual Capitalization ("Official Gazette" no 106/99), both in force from 1999, and applicable from 1 January. These laws regulate also the voluntary insurance (III pillar).

General supervision: Ministry of Economy, Labour and Entrepreneurship and Ministry of Finance.
Legal Supervision: Agency for the Supervision of Financial Service (HANFA)

The second pillar is additional to the first pillar insurance, and only persons insured under the first pillar are additionally compulsorily insured in the second pillar.
Persons comprised by the second pillar are those already insured under the I pillar, aged between 40 and 50 in 2002, were given the opportunity to opt to be compulsory additionally insured under the second pillar. Persons insured under the first pillar and older than 40 in 2002, who did not choose to be additionally insured under the second pillar, and those older than 50 at the same time, remained subject only to the first pillar generation solidarity scheme.
The second pillar scheme is financed by contributions.
The total contribution rate remained the same for all persons insured (20%), but for those insured under the both pillars the 5% of total contribution is directed to the second pillar funds.

The II pillar pensions are acquired simultaneously with the I pillar pensions, upon completion of requirements provided for in the I pillar, and depend upon:
- The kind of pension provided for in the pension contract concluded between the pension insurance company and the insured person,
- Actuary tables (unisex life expectancies),
- The amount of saved funds and returns accrued in the individual account.

The pensions from II pillar are subject to the entitlement to first pillar pension.
They are paid through a bank account in Croatia and abroad.
Procedure is defined by the Law and the contract concluded between the insured person and the Pension Insurance Company.
Guarantee in case of non – liquidity of Pension Insurance Company is State Budget.

III PILLAR: individual capitalization system (voluntary system of saving for pension)

General supervision: Ministry of Economy, Labour and Entrepreneurship and Ministry of Finance.
Legal Supervision: the Agency for the Supervision of Financial Service (HANFA)

Every persons residing in Croatia can be insured in the III pillar.

Organization and management is the same as for the second pillar. (There are few Voluntary Funds in Croatia, because development of the capital market is rather slow).

SOURCES OF FUNDS

Insured person
Regular pension: Employees contribute 20% of gross earnings. The self- employees contribute 20% of the insurance base; self- employed farmers contribute 10% if they are nontaxpayers and 20% if taxpayers. Contributors to the regular pension do not pay contributions for basic pension or to an individual account.
Basic pension: Employees contribute 15% of gross earnings. The self- employed contribute 15% of the insurance base; self-employed farmers contribute 5% if they are nontaxpayers and 15% if are taxpayers. Contributors to the basic pension also pay contributions to the second pillar individual account
Individual account: 5% of the insurance base.

Employer
Regular pension: None (contributions are made for employees who are not insured under the individual account and who are engaged in arduous or unhealthy work).
Basic pension: None (contributions are made for employees who are not insured under the individual account and who are engaged in or arduous or unhealthy work).
Individual account.: None (contributions are made for employees who are not insured under the individual account and who are engaged in arduous or unhealthy work).

Government
Regular and basic pension: Covers the entire or the respective part of the costs of the first pillar pension benefits granted under more favourable conditions (military officers, policemen, judiciary officials, parliamentary deputies, members of the government, and disabled war veterans).
Individual account: None

ADMINISTRATIVE ORGANIZATION

Regular and basic pensions
Ministry of Economy, Labour , and Entrepreneurship and the Ministry of Finance- provide general supervision

Croatian Pension Insurance – administers benefits

Individual account
Ministry of Economy,Labour and Entrepreneurship and the Ministry of Finance – provide general supervision
Agency for the Supervision of Financial Service (HANFA) - provides legal supervision
Central Registry, pension companies, and pension insurance – provide general administrative services and administer benefits.

PENSION INSURANCE – I PILLAR

Risks covered by the I pillar are: *old age, death, invalidity, and physical damage*.

There is a protection of beneficiaries provided in the form of non-means tested minimum pension (guaranteed right), and restriction in the form of the maximum pension.

The acquisition of all first pillar pensions depends, besides the age conditions, on length of qualifying (mostly insurance) periods completed.
There is exception with benefits based on work injury / professional disease).

There are no means tested benefits nor benefits conditional upon the residence or citizenship.

Old-age benefits

Old- age pension:
Men: age 65 + 15 years of qualifying periods
Women: age 60 + 15 years of qualifying periods

Early retirement pension:
Men: age 60 + 35 years of qualifying periods
Women: age 55 + 30 of qualifying periods

Invalidity benefits

Disability may be general and partial (occupational)

General incapacity for work: is permanent loss of the ability to work due to changes in health which cannot be cured, and caused by occupational (work injury or professional disease) or non-occupational risks (injury or disease).
And
Occupational incapacity for work which means permanent reduction of the capacity to work for more that one half (51%) as compared to physically and mentally healthy person of the same or similar education and capacity, caused by changes in health that can not be cured.
It may be caused by occupational (work injury or professional disease) or non-occupational risks (injury or disease)

As we said before there is no special work injury scheme under the pension insurance system. (benefits based upon the occupational injury or disease are granted from the first pillar general pension scheme under more favourable conditions).

Benefits:

For *non–occupational risks* benefits depend on the length of insurance periods completed.
For *occupational risks* they do not depend on the length of periods and are determined in more favourable amounts (amount based on minimum of 40 hypothetical years of insurance period).
In case of *general invalidity* the benefit granted is invalidity pension for general incapacity for work
and
In case of *occupational invalidity* benefits granted are:

1. Invalidity pension for occupational incapacity for work (invalidska mirovina za prof. nes.), or
2. Occupational rehabilitation + salary compensation (prof. reh. + nakn.)

Compensation allowance for physical damage (tjelesno oštećenje –TO)

Physical damage is defined as the loss or a serious injury of an organ or a body part, regardless of the fact whether it led to disability or no. The entitlement to compensational allowance may be acquired if the physical damage of at least 30% is the consequence of an occupational injury or disease. The entitlement is acquired in course of the insurance (employment or self- employment) and utilized for lifetime; it does not depend on qualifying periods completed.

Survivors benefits

Survivors pension is awarded after the death of:

- Pension beneficiary
- Beneficiary of the occupational rehabilitation entitlement
- Insured person with minimum 5 years of insurance period

The amount is based on the insured's actual or hypothetical old age or disability pension and on the number of survivors.

The minimum number of years for the pension calculation is 21, but not if the death is a consequence of work injury / occupational disease. In which case the minimum numbers of years for calculation is 40.

Eligible survivors are:

- Spouse (marital/ extramarital, widower/ widow, divorced spouse)
- Children (marital, extramarital, stepchildren, grandchildren and other children)
- Parents of the insured person

Benefits Payment

Benefits are paid in monthly rate, retroactively for the preceding month.
Except for occupational disability pension and the compensation allowance for physical damage, pension benefits are not payable to beneficiaries during their engagement in employment or self- employment activity.
The pensions (benefits) are adjusted every 6 months according to a joint index based on the change in the cost of living and the change in the national average gross salary.
All benefits are payable abroad under the terms of actual reciprocity or in accordance with international agreements, and no payment or benefit level restrictions are applied.

BILATERAL AGREEMENTS ON SOCIAL SECURITY

The Republic of Croatia co-ordinates the social security system with 24 states in total.
(Austria Germany, Slovenia, Slovak R , Czech R , Netherlands, Luxemburg, Italy, Belgium, Hungary, France, Poland, UK, Denmark, Sweden, Macedonia, Switzerland, Canada, Bosnia and Herzegovina, Serbia, Montenegro, Australia, Norway , Bulgaria)

There are 16 EU Member States.
Agreement signed and published but not yet in force with Turkey.
The negotiations on bilateral agreements are in course with Romania, New Zealand and Chile
Finally agreed, but not signed yet, are the texts of agreements with France and the UK

Agreements concluded by ex-Yugoslavia, which were taken over in Croatian legislation based on Vienna Convention on the Law of Treaties, and therefore consecutively applied by the Republic of Croatia, are now the agreements with the following countries:
France, Poland, Sweden, United Kingdom of Great Britain, and Northern Ireland.

Principles applied in all agreements are:

- Equal treatment
- Aggregation of completed insurance and residence periods
- Pro rata temporis
- Export of benefits
- Equivalence of territories to avoid overlapping of benefits
- Maintenance of acquired rights and rights in course of acquisition

Thank you for your attention!