GATEWAY TO GLOBAL AGING DATA

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Gateway Policy Explorer: Retirement Series

Poland

Public Own Old-Age Benefit Plan Details

1992-2021

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Preface

This document is intended for researchers who want to understand the evolution of policy or the policy in place at a particular point in time. This document is not intended for financial advice or to aid in decision-making. The authors have made significant effort to identify and collect historical information pertaining to these policies, to accurately represent these policies, and to communicate how policies may interact to determine legal requirements, eligibility for benefits, and/or benefits levels. The policies presented in this document focus on rules applicable to most individuals aged 50 and older from 1992. Many systems include special policies or alternative eligibility rules for specific groups. We encourage all users to complete their own review of literature in this area depending on the research questions they have in mind.

If you have feedback or questions or identify an error, please contact policy@g2aging.org.

Background — *Gateway Policy Explorer: Retirement Series*

The *Gateway Policy Explorer* (http://g2aging.org/policy-explorer) is part of the Gateway to Global Aging Data (http://g2aging.org) project. The *Retirement Series* captures historical policy that affects the birth cohorts of respondents in the surveys covered by the Gateway. It was motivated by the rapid evolution of policies affecting older people across the world. As the Health and Retirement Study (HRS) began in 1992 and many of the international network of studies (HRS-INS) cover more than a decade, understanding the policies in place at the time of the survey has become more demanding for researchers.

Why are we tracking past policy? Individuals make choices based on current policies and the outcomes we see today may reflect responses to past policies. When interpreting the survey responses of individuals, an understanding of the policy environment under which those individuals operate is critical. The collection of contextual information in the *Gateway Policy Explorer* aims to support researchers who want to understand or use policy changes in their research and provide context for longitudinal or cross-country differences. Over the period 2023–2026 the *Gateway Policy Explorer* will be expanded to include information on retirement, long-term care, education, and other policies affecting the life cycle.

The key dimensions to the *Gateway Policy Explorer: Retirement Series* are country and time. We prioritize data collection for each country based on its first interview wave and are continuing to expand our data collection back in time to 1992, the earliest survey date in the HRS-INS.

A separate document, like this one, is developed for each country and each broad category of policies covered in the *Gateway Policy Explorer: Retirement Series*.

Author and Contributor Disclaimers

† The opinions expressed here are those of authors and do not necessarily reflect the views of the OECD or of its member countries.

Poland

Own Old-Age Benefits

Plan details 1992-2021 * †

Poland provides a public old-age pension benefit based on age and contribution history covering all workers and specific occupational groups (e.g., soldiers, members of the clergy). This system is pay-as-you-go and is administered by the Polish Social Insurance Institution (ZUS). In 1992, pension benefits were based exclusively on a defined-benefit (DB) formula. Reforms started in 1997, and effective from 1999, created a notional defined-contribution (NDC) system for younger cohorts. The NDC system was complimented with the creation of a funded defined-contribution (DC) system operating through individual retirement accounts, where a portion of compulsory contributions could be directed. Individual NDC accounts are managed by ZUS, while funded DC accounts are managed by private pension funds (OFE). Since the 1999 structural reform of the old-age pension system, the NDC system has been relatively stable, while participation to the funded DC system became voluntary after 2013.

Key Dates

First law: 1927

Major changes since 1992: 1992, 1997, 2012, 2017

Contents

* If you have questions or suggestions, please contact policy@g2aging.org.

† Detailed information and definitions are provided in tables, formulas and a glossary at the end of this document. To facilitate switching back and forth, this document is designed with hyperlinks. Most PDF readers have shortcuts that permit a reader to return to the previous location after selecting a hyperlink. In Adobe Acrobat on a PC: "Alt" + "←"; In Adobe Acrobat on a MAC: "command" + "←"; In Preview on a MAC: "command" + "[".

Chapter 1: Policy enacted 1992-1996

Overview

The Polish pension system is a pay-as-you-go system managed by the Social Insurance Institution (Zakład Ubezpieczeń Społecznych, ZUS). It is compulsory for all workers and specific occupational groups (such as soldiers, members of the clergy, Members of Parliament, members of agricultural production cooperatives, among others). During this policy period, the pension system was a defined benefit system where pension benefits were equal to the sum of a fixed benefit amount (also known as "base amount") and a variable benefit amount based on a percentage of the applicant's average earnings and a selected period of their contribution history (also known as "assessment basis").

Workers can also join occupational pension funds managed by private institutions on a voluntary basis through additional contributions, although their coverage is marginal.

This document provides an overview of pension rules for private employees under the general old-age pension system applicable to the majority of the population and is limited to public old-age benefits administered by ZUS.

Reforms during the current policy period

From 1993, the contribution period considered in calculating a worker's earnings base for pension purposes increased by 1 year until 2000 (i.e., from 3 consecutive years chosen by the applicant from among 12 years prior to year of pension application in 1993 to 10 consecutive years chosen by the applicant from among 20 years prior to year of pension application in 2000).

Contributions

- **Employee contribution rate**
  0%
- **Employer contribution rate**
  24% of wages up to 250% of national average wage —See Table 1 for yearly values of national average wage.
- **Self-employed contribution rate**
  24% of earnings up to 250% of national average wage —See Table 1 for yearly values of national average wage. Minimum earnings for contribution purposes are equal to 60% of national average wage.

Eligibility

Age requirements to start benefits without penalty

- **Statutory retirement age (SRA)**
  Age 65 for men; age 60 for women
- **Does SRA vary by birth year?** Answer: No
- **Does SRA vary by sex?** Answer: Yes

Contribution requirements to be eligible to receive benefit

An individual becomes eligible for benefits if they satisfy at least one of the eligibility tracks for pension benefits. These eligibility tracks are based on age and contribution requirements and, in some cases, other conditions. In Poland, contribution requirements can be based on contributory and non-contributory periods:

- Contributory periods: periods during which social insurance contributions are paid
- Non-contributory periods: periods during receipt of sickness benefit, parental leave, university study, caring for a dependent person

Limits exist on the length of noncontributory periods that may count towards contribution requirements —non-contributory periods cannot exceed 1/3 of the contributory periods.

During this timeframe there was one main eligibility track and a number of alternative eligibility tracks:

Eligibility Track A (Journal of Laws, 1982 - Art. 26)

- Age requirements: 65 years for men, 60 years for women
- Contribution requirements: 25 years of insurance period for men, 20 years of insurance period for women

Eligibility Track B (Journal of Laws, 1982 - Art. 26)
- Age requirements: 60 years for men, 55 years for women
- Contribution requirements: 20 years of insurance period for men, 15 years of insurance period for women

Note: A benefit granted on the basis of this eligibility track is not increased by ZUS to the amount of the guaranteed minimum pension.

Eligibility Track C (Journal of Laws, 1982 - Art. 27)
- Age requirements: 55 years
- Contribution requirements: 30 years of insurance period
- Other requirements: Women

Eligibility Track D (Journal of Laws, 1982 - Art. 27)
- Age requirements: 60 years for men, 55 years for women
- Contribution requirements: 25 years of insurance period for men, 20 years of insurance period for women
- Other requirements: Assessed as totally incapacitated to work

Eligibility Track E (Journal of Laws, 1983 - Art. 4, Art. 7)
- Age requirements:
  - Journalists, glass workers, rail workers and others: 60 years for men, 55 years for women
  - Miners, persons working with lead, cadmium or asbestos, steel workers, pilots, drivers: 55 years for men, 50 years for women
  - Wind instrument musicians: 50 years for men, 45 years for women
- Contribution requirements: 25 years of insurance period for men, 20 years of insurance period for women

Alternative eligibility requirements that permit starting benefits early, but with a penalty
- **Can an individual start benefits before SRA?** Answer: No

Benefits

To receive a benefit, does an individual have to claim it? Answer: Yes

Payment type
- **Payment options (i.e., Annuity, cash balance, or lump sum)**: Annuitable

Factors effecting computation of benefit entitlement
- **Does the formula for computing benefit entitlement differ by birth year?** Answer: No
- **Is the formula for computing benefit entitlement progressive?** Answer: Yes
  The base amount component of the DB benefit formula is established by law and it is equal for all retirees.
- **Does the benefit entitlement depend on the individual's own contribution/work history?** Answer: Yes
- **Does the benefit entitlement depend on national income?** Answer: No
- **Does an individual receive credits for military service (above any credits normally received for employment)?** Answer: No
- **Does an individual receive credits for number of children?** Answer: Yes
  During periods of maternity leave, contributions to the pension system are paid from the state budget based on the maternity benefit, which is the average wage over the past 12 months, net of social security contributions. All the periods for which contributions are paid qualify for the minimum pension guarantee.
- **Does an individual receive credits for unemployment?** Answer: Yes
  During periods of unemployment benefit receipt, the government pays the contributions to the pension system based on the size of the unemployment benefit. All the periods for which contributions are paid qualify for the minimum pension guarantee.
- **Are future benefit entitlements adjusted for cost of living?** Answer: Yes
- **If so, what measure is used for adjustment?**
  Benefit adjustments depend on the year in which an individual started to receive benefits:
  - For individuals starting benefits before 1991:
    Benefits are not adjusted for cost of living
  - For individuals starting benefits in 1991 and after:
    Adjustment of pension benefits takes place quarterly as established by law, in cases where the growth of the national average wage in any 3-months period during the preceding calendar year exceeded 10%. In such case, the adjustment is

based on the growth of the national average wage in the previous calendar year.

During this policy period, the amount of minimum pension benefits is based on a fixed rate of the national average wage: its yearly level depends on the rate of growth of the national average wage. See *Benefit Formula* section for further details.

Benefit formula for claiming at SRA

Pension benefits are calculated as a flat benefit across all pensioners equal to 24% of the base amount (*kwota bazowa*), plus an additional 1.3% of the pensioner's assessment basis (*podstawa wymiaru*) for each year of contributory periods, and an additional 0.7% of the pensioner's assessment basis for each year of non-contributory periods. See Formula 1 for computational details. Calculated benefits cannot exceed 100% of the assessment basis.

- Base amount: Equal to a fixed percentage of the gross national average wage from the preceding calendar year. See Table 2 for values of the fixed percentage applied to the national average wage by year. The base amount is fixed and established by law from March 1 of every year - see yearly values in Table 3.
- Assessment basis: An individual's average earnings history used in computing their old-age benefit. It is also referred to as reference earnings. This measure is computed only at the time of claiming benefits in four steps:
  1. Compute ratio of the individual's gross wage to national average wage for each year on a set of consecutive years with a fixed length (i.e., duration) prior to claiming benefits —See Table 4 for duration reference values by policy year, and Table 1 for historical values of national average wage. For each of the selected calendar years, the wage of the insured person is increased by the amounts of the following benefits:
     - Remuneration for the period of incapacity for work
     - Sickness allowance
     - Maternity allowance
     - Care allowance
     - Rehabilitation benefit
     - Compensatory allowance
     - Compensatory benefit or supplement
  2. Identify a subset of consecutive years that have the greatest ratios of the individual's gross wage to national average wage. Individuals can choose between two options:
     - Option (i): A fixed subset of consecutive years within the aforementioned duration period —See Table 4 for reference number of consecutive years included in the subset by policy year
     - Option (ii): A subset of 20 consecutive years on a duration period equal to the whole insurance period
  3. Compute the average of the subset of years reflecting the greatest ratios of the individual's gross wage to national average wage. This average cannot exceed 250%.
  4. Multiply this average for the value of the base amount at the time of claiming —See Table 3 for historical values of the base amount. The result of this calculation is the assessment basis. See Formula 2 for assessment basis' calculation details.

A minimum pension is payable if the person has a contributory period of at least 20 years for women or 25 years for men. See yearly values for the monthly minimum pension in Table 5.

Adjustments for starting benefits before SRA (Early claiming or retirement)

- **Are benefits reduced for starting benefits before SRA?** Answer: No

Adjustments for starting benefits after SRA (Delayed claiming or retirement)

- **Are benefits increased for starting benefits after SRA?** Answer: No

Adjustments for starting benefits and continuing to work (Earnings Test)

- **Are benefits reduced or eliminated while working?** Answer: Yes
- **Adjustment formula**
  If the insured individual has not reached the SRA, or if they are receiving other pension payments, then the payment of pension benefits can be reduced or not paid depending on the beneficiary's income. The benefit reduction can be applied yearly after starting benefits and depends on a beneficiary's average monthly labor earnings relative to the national average wage of the preceding calendar year:
  - If less than 60%: The old-age benefit is not reduced
  - If 60% to 120%: The old-age benefit is reduced by the base amount (i.e., a fixed amount)
  - If greater than 120%: The old-age benefit is not paid

See Table 1 for values of the national average wage by year, and Table 3 for values of the base amount by year.

Pensioners can receive work income and their old-age pension benefits without additional reductions if they meet both of the following conditions:

- Age requirements: 65 years for men, 60 years for women
- Employment requirements: Terminated their employment relationship before starting to receive old-age pension benefits

ZUS suspends payment of the old-age pension if the insured person has started to receive old-age pension benefits and continues to work for the same employer without terminating the original employment relationship.

- **If benefits are reduced while working, does it effect future benefits?** Answer: No

Chapter 2: Policy enacted 1997-2010

Policy change in 1997

With the Four Reform Program (*Program czterech reform*), the Polish government introduced a major reform on four key sectors: retirement, education, public administration, and healthcare. The retirement reform (*Reforma emerytalna*), commonly referred to as Security Through Diversity Program (*Bezpieczeństwo Dzięki Różnorodności*) - effective from January 1, 1999 - consisted of the following set of laws:

- Law of June 25, 1997 (Journal of Laws, 1997a) on Using Privatization Proceeds to Support Pension Reform
- Law of August 22, 1997 (Journal of Laws, 1997b) in Employee Pension Programs
- Law of August 28, 1997 (Journal of Laws, 1997c) in Organization and Operation of Pension Funds
- Law of October 13, 1998 (Journal of Laws, 1998a) on Social Security System
- Law of December 17, 1998 (Journal of Laws, 1998b) on Old-Age and Disability Pensions from Social Security Fund

The reform introduced a new old-age pension benefits' system based on a combination of a pay-as-you-go notional defined-contribution (NDC) system and a funded defined-contribution (DC) system, modified eligibility rules and changed rules for adjusting minimum pension benefits. The main changes introduced by the reform were:

- Introduction of a new combined NDC/funded DC system: The ZUS public old-age benefit is calculated using two different pension formulas, where we define three distinct benefit classes based on birth dates:
  - Persons born before 1949 (Class 1): Benefits based on previous defined benefit (DB) system
  - Persons born from 1949 to 1968 (Class 2): Benefits based on the public NDC system, with voluntary participation to the funded DC system through contributions to privately-managed pension funds (OFE) —The choice to contribute to these privately-managed funds had to be made by December 31, 1999 and was irreversible
  - Persons born after 1968 (Class 3): Benefits based on the NDC and funded DC system with mandatory contributions to privately-managed pension funds (OFE)

  The new funded DC system is complementary to the NDC system. For persons in the new combined NDC/funded DC system (individuals born after 1948), a portion of their mandatory employee or self-employed contribution could be invested through privately-managed pension funds ("*Otwarty Fundusz Emerytalny*" - OFE), depending on their benefit class. The balance of this special-purpose funded DC account that accrues discretionary contributions is converted to a lifetime benefit alongside the balance of the non-discretionary NDC account when the person starts their old-age benefits.
- Modifications to DB system eligibility rules: Extended the scope of previous Eligibility Track D to include workers deemed incapable of work and incapacitated to work caused by accidents on work.
- Modifications to DB system benefit formula: Before this reform, the *base amount* was equal to a fixed percentage of the pre-tax (gross) national average wage from the preceding calendar year. From 1999, the base amount is equal to 100% of the national average wage from the preceding calendar year, reduced by the compulsory social insurance contributions deducted from earnings of the person insured.
- Early Retirement: This reform also abolished numerous special early-retirement options for specific occupational groups that allowed retirement the earliest retirement age set by law for all workers. This provision raised the effective earliest eligibility ages in numerous cases to a common earliest age across the many alternative eligibility tracks.
- Annual adjustment of pension benefits: Introduced annual adjustments to old-age pension benefit based on a combination of changes in prices and wages, and extended the adjustment to minimum pension payments.

Overview

The Polish pension system consists in a pay-as-you-go system managed by the Social Insurance Institution (Zakład Ubezpieczeń Społecznych, ZUS) and a funded system based on individual retirement accounts, Open Pension Funds (Otwarte Fundusze Emerytalne, OFE), managed by private institutions. Participation and contributions to the public pay-as-you-go systems are compulsory for all workers and specific occupational groups (such as soldiers, members of the clergy, Members of Parliament, members of agricultural production cooperatives, among others). For these workers and occupational groups, participation and contributions to the funded system can be mandatory, depending on their benefit class.

Before its 1999 structural reform, the pension system was a defined benefit (DB) system where pension benefits were equal to the sum of a fixed benefit amount (also known as "base amount") and a variable benefit amount based on a percentage of the applicant's average earnings and a selected period of their contribution history (also known as "assessment basis"). The old system was replaced in 1999 by a combination of a pay-as-you-go (PAYG) notional defined-contribution (NDC) system and a funded defined-contribution (DC) system, also known as OFE, for workers born after 1948, although participation and contributions to OFE is voluntary for individuals born between

1949 and 1968. Workers in the new system pay mandatory contributions which are directed by ZUS into these two schemes. In the NDC scheme, the individual has their own account (which we refer to as "Main ZUS account") that reflects their past contributions, increased with notional rate of return, which is not backed by financial assets. Workers can make investment choices only in OFE. Contributions directed to OFE are accrued in privately-managed pension funds, which provide benefits depending on the amount of contributions inflated with the accrued returns.

Funds in OFE can be divided or inherited in the event of divorce, marriage annulment, in case of cessation of joint property during marriage, and the death of the account's owner, if the owner has not reached the statutory retirement age.

Workers can also join occupational pension funds managed by private institutions on a voluntary basis through additional contributions, although their coverage is marginal.

This document provides an overview of pension rules for private employees under the general old-age pension system applicable to the majority of the population and is limited to public old-age benefits administered by ZUS.

Contributions

- **Employee contribution rate**
  9.76% of wages up to 250% of national average wage —See Table 1 for yearly values of national average wage.
  The distribution of contributions depends on the individual's benefit class:

  Class 1: Individuals born before 1949
  All employee contributions are mandatory and non-discretionary in investment choices. These contributions finance the PAYG DB system.

  Class 2: Individuals born between 1949 and 1968
  The employee contribution rate is split depending on their choice to opt into the complementary funded DC (OFE) scheme:
  - If opted into OFE before December 31, 1999:
    - Same as Class 3
  - If opted out of OFE before December 31, 1999:
    - NDC system (Mandatory with non-discretionary investment choices): 9.76%

  Class 3: Individuals born on or after 1969
  The employee contribution rate is split as follows:
  - NDC system - Main ZUS account (Mandatory with non-discretionary investment choices): 2.46%
  - Funded DC system - OFE (Mandatory with discretionary investment choices): 7.30%

- **Employer contribution rate**
  9.76% of wages up to 250% of national average wage —See Table 1 for yearly values of national average wage.
  The distribution of contributions depends on the worker's benefit class:

  Class 1: Individuals born before 1949
  All employer contributions are mandatory and non-discretionary in investment choices. These contributions finance the PAYG DB system.

  Class 2 and Class 3: Individuals born after 1949
  All employer contributions are mandatory and non-discretionary in investment choices. These contributions finance the PAYG NDC system.

- **Self-employed contribution rate**
  19.52% of wages up to 250% of national average wage —See Table 1 for yearly values of national average wage. Minimum earnings for contribution purposes are equal to 60% of national average wage.
  The distribution of contributions depends on the individual's benefit class:

  Class 1: Individuals born before 1949
  All self-employed workers' contributions are mandatory and non-discretionary in investment choices. These contributions finance the PAYG DB system.

Class 2: Individuals born between 1949 and 1968

The self-employed worker contribution rate is split depending on their choice to opt into the complementary funded DC (OFE) scheme:

- If opted into OFE before December 31, 1999:
    * Same as Class 3
- If opted out of OFE before December 31, 1999:
    * NDC system (Mandatory with non-discretionary investment choices): 19.52%

Class 3: Individuals born on or after 1969

The self-employed worker contribution rate is split as follows:

- NDC system - Main ZUS account (Mandatory with non-discretionary investment choices): 12.22%
- Funded DC system - OFE (Mandatory with discretionary investment choices): 7.30%

Eligibility

Age requirements to start benefits without penalty

- **Statutory retirement age (SRA)**
  Age 65 for men; age 60 for women
- **Does SRA vary by birth year?** Answer: No
- **Does SRA vary by sex?** Answer: Yes

Contribution requirements to be eligible to receive benefit

An individual becomes eligible for benefits if they satisfy at least one of the eligibility tracks for pension benefits. These eligibility tracks are based on age and contribution requirements and, in some cases, other conditions. In Poland, contribution requirements can be based on contributory and non-contributory periods:

- Contributory periods: periods during which social insurance contributions are paid
- Non-contributory periods: periods during receipt of sickness benefit, parental leave, university study, caring for a dependent person

Limits exist on the length of noncontributory periods that may count towards contribution requirements —non-contributory periods cannot exceed 1/3 of the contributory periods.

During this timeframe there was one main eligibility track and a number of alternative eligibility tracks depending on a person's birth year:

Class 1: Individuals born before 1949

Eligibility Track 1A (Journal of Laws, 1998b - Art. 27)

- Age requirements: 65 years for men, 60 years for women
- Contribution requirements: 25 years of insurance period for men, 20 years of insurance period for women

Eligibility Track 1B (Journal of Laws, 1998b - Art. 28)

- Age requirements: 60 years for men, 55 years for women
- Contribution requirements: 20 years of insurance period for men, 15 years of insurance period for women

Note: A benefit granted on the basis of this eligibility track is not increased by ZUS to the amount of the guaranteed minimum pension.

Eligibility Track 1C (Journal of Laws, 1998b - Art. 29)

- Age requirements: 55 years
- Contribution requirements: 30 years of insurance period
- Other requirements: Women

Eligibility Track 1D (Journal of Laws, 1998b - Art. 29, Art. 31)

- Age requirements: 60 years for men, 55 years for women
- Contribution requirements: 25 years of insurance period for men, 20 years of insurance period for women
- Other requirements: Assessed as completely incapable to work, or incapacitated to work caused by an accident at work —See Journal of Laws, 1998b - Art. 12, Art. 13 and Art. 14 for further details on assessment of inability to work.

Eligibility Track 1E (Journal of Laws, 1998b - Art. 32-34, Art. 40)

- Age requirements:
  - Journalists, glass workers, rail workers and others: 60 years for men, 55 years for women
  - Miners, persons working with lead, cadmium or asbestos, steel workers, pilots, drivers: 55 years for men, 50 years for women
  - Wind instrument musicians: 50 years for men, 45 years for women
- Contribution requirements: 25 years of insurance period for men, 20 years of insurance period for women

Class 2: Individuals born between 1949 and 1968

Same as Class 3 (Journal of Laws, 1998b - Art. 24)

Workers in Class 2 are also entitled to start claiming old-age benefits if they meet the requirements for Eligibility Track 1C, Eligibility Track 1D or Eligibility Track 1E, and if they satisfy all of the following conditions (Journal of Laws, 1998b - Art. 46):

- Have decided not to contribute to an OFE account
- Have met the requirements for Eligibility Track 1C, 1D or 1E before December 31, 2006
- Have terminated their employment relationship at the time of claiming

Class 3: Individuals born on or after 1969

Eligibility Track 3 (Journal of Laws, 1998b - Art. 24)

- Age requirements: 65 years for men, 60 years for women
- Contribution requirements: 1 contribution for the old-age pension insurance credited by ZUS to the ZUS account in the NDC system of the person insured.

Alternative eligibility requirements that permit starting benefits early, but with a penalty

- **Can an individual start benefits before SRA?** Answer: No

Benefits

To receive a benefit, does an individual have to claim it? Answer: Yes

Payment type

- **Payment options (i.e., Annuity, cash balance, or lump sum):** Annuitable

Factors effecting computation of benefit entitlement

- **Does the formula for computing benefit entitlement differ by birth year?** Answer: Birth year
- **Is the formula for computing benefit entitlement progressive?** Answer:
  Class 1: Individuals born before 1949:
  Yes
  The base amount component of the DB benefit formula is established by law and it is equal for all retirees.

  Class 2 and Class 3: Individuals born after 1949:
  No

- **Does the benefit entitlement depend on the individual's own contribution/work history?** Answer: Yes
- **Does the benefit entitlement depend on national income?** Answer: No
- **Does an individual receive credits for military service (above any credits normally received for employment)?** Answer: No
- **Does an individual receive credits for number of children?** Answer: Yes
  During periods of maternity leave, contributions to the pension system are paid from the state budget based on the maternity benefit, which is the average wage over the past 12 months, net of social security contributions. From 2009, the period of payment depends on the number of children and is 20 weeks for one child, 31 weeks for two children, 33 weeks for three children, 35 weeks for four children and 37 weeks for five or more children. All the periods for which contributions are paid qualify for the minimum pension guarantee.
- **Does an individual receive credits for unemployment?** Answer: Yes
  During periods of unemployment benefit receipt, the government pays the contributions to the pension system based on the size of the unemployment benefit. All the periods for which contributions are paid qualify for the minimum pension guarantee.

- **Are future benefit entitlements adjusted for cost of living?** Answer: Yes
- **If so, what measure is used for adjustment?**
  Adjustment of pension benefits takes place annually as established by law (Journal of Laws, 1998b - Art. 88), and it is based at least on the aggregate growth of the consumer price index for goods and services during the preceding calendar year, increased by:
  - In 1999 and 2000, 15% of the real increase in the national average wage during the preceding calendar year.
  - From 2001, 20% of the real increase in the national average wage during the preceding calendar year.

  Minimum pension benefits are also increased within this framework.

Benefit formula for claiming at SRA

Conditional on satisfying at least one eligibility track within a benefit class, individuals receive benefit amounts according to the following, benefit class-specific, rules:

Class 1: Individuals born before 1949

Pension benefits are calculated as a flat benefit across all pensioners equal to 24% of the base amount (*kwota bazowa*), plus an additional 1.3% of the pensioner's assessment basis (*podstawa wymiaru*) for each year of contributory periods, and an additional 0.7% of the pensioner's assessment basis for each year of non-contributory periods. See Formula 1 for computational details. Calculated benefits cannot exceed 100% of the assessment basis.

- Base amount: Equal to 100% of the national average wage from the preceding calendar year, reduced by the compulsory social insurance contributions deducted from earnings of the person insured. The base amount is fixed and established by law from March 1 of every year - see yearly values in Table 3.
- Assessment basis: An individual's average earnings history used in computing their old-age benefit. It is also referred to as reference earnings. This measure is computed only at the time of claiming benefits in four steps:
  1. Compute ratio of the individual's gross wage to national average wage for each year on a set of consecutive years with a fixed length (i.e., duration) prior to claiming benefits —See Table 4 for duration reference values by policy year, and Table 1 for historical values of national average wage. For each of the selected calendar years, the wage of the insured person is increased by the amounts of the following benefits:
     - Remuneration for the period of incapacity for work
     - Sickness allowance
     - Maternity allowance
     - Care allowance
     - Rehabilitation benefit
     - Compensatory allowance
     - Compensatory benefit or supplement
  2. Identify a subset of consecutive years that have the greatest ratios of the individual's gross wage to national average wage. Individuals can choose between two options:
     - Option (i): A fixed subset of consecutive years within the aforementioned duration period —See Table 4 for reference number of consecutive years included in the subset by policy year
     - Option (ii): A subset of 20 consecutive years on a duration period equal to the whole insurance period
  3. Compute the average of the subset of years reflecting the greatest ratios of the individual's gross wage to national average wage. This average cannot exceed 250%.
  4. Multiply this average for the value of the base amount at the time of claiming —See Table 3 for historical values of the base amount. The result of this calculation is the assessment basis. See Formula 2 for assessment basis' calculation details.

Class 2: Individuals born between 1949 and 1968

Individuals in Class 2 have their benefits calculated differently depending on whether they chose to opt into the funded DC scheme (OFE), choice that had to be taken until December 31, 1999 and was irreversible.

- For individuals who opted into the funded DC scheme (OFE):
  Individuals opted into the funded DC scheme allocate the discretionary fraction of their mandatory contributions to OFE funds in the funded DC system, where they could choose a private pension fund depending on their risk preferences. These individuals have their benefits calculated as those in Class 3.
- For individuals who opted out of the funded DC scheme (OFE):
  Individuals opted out of the funded DC scheme allocate their discretionary contributions exclusively to their main ZUS account in the NDC system, where they would receive the same rate of return as the non-discretionary contributions. Accrued contributions to the NDC system and their adjustments in the main ZUS account are paid as described for the public NDC

component of the benefit formula for Class 3 individuals.

Class 3: Individuals born on or after 1969

The monthly pension benefit is based on the sum of collected mandatory non-discretionary and discretionary pension contributions made after the introduction of the combined NDC/funded DC system and the adjusted initial capital. This sum is then divided by average life expectancy at the time of the insured's retirement.

Mandatory non-discretionary and discretionary contributions are defined as follows:

- Mandatory non-discretionary contributions: These contributions are defined as the fraction of mandatory contributions for which the worker does not have discretion on investment choices.
- Mandatory discretionary contributions: These contributions are defined as the fraction of mandatory contributions for which the worker has discretion over investment choices and can choose how to allocate their accumulated funds based on their level of risk.

The adjusted initial capital is defined and calculated as follows:

- The adjusted initial capital is a notional capital based on contributions made to the social insurance system before 1999. ZUS sets the initial capital for each insured person born after December 31, 1948, for whom a social insurance contribution has been paid before 1999. The initial capital is calculated as follows: ZUS calculates the hypothetical monthly pension that a person would have received on January 1, 1999 according to the DB rules, which is then multiplied by average life expectancy for women and men at age 62, which was equal to 209 months at that point in time. The capital is then credited to the insured person's main ZUS account in the NDC system, and it is subject to annual adjustment up to the moment of starting benefits, under the same rules as the adjustment of the old-age pension contributions. See Formula 3 for calculation details.

Mandatory non-discretionary and discretionary contributions are accumulated in different funds depending on the following rules:

- Mandatory non-discretionary contributions paid before January 1, 1999:
  The notional amount of the contributions paid before January 1, 1999 is represented by the adjusted initial capital, which represents a portion of the insured person's main ZUS account in the NDC system. The initial capital is adjusted annually following the adjustment indexes in Table 6.[1]
- Mandatory non-discretionary contributions paid after January 1, 1999:
  Non-discretionary contributions are accumulated in the individual's main ZUS account; a person does not make investment choices, and their individual account provides a guaranteed return. The adjustment of accumulated contributions to the main ZUS account in the NDC is carried out annually based on an index set by the government that depends on inflation, wage growth and the number of the insured in the previous year. See Table 6 for contributions' adjustment factors by year.[1]
- Mandatory discretionary contributions:
  Discretionary contributions to the funded DC scheme are accumulated in OFE funds, which are privately managed; a person makes investment choices by selecting an OFE fund and opening their individual account, and it yields returns depending on their level of risk and market returns. OFE funds are subject to a relative rate of return guarantee, based on the average return of all pension funds. At the end of each quarter, the supervisory agency will calculate the average rate of return, weighted by size of the fund, achieved for the last 24 months by all pension funds in operation. Any fund management company which fails to achieve 50% or 4 percentage points (whichever is the lower) below the average nominal return for all funds will immediately make additional payments to ensure individual accounts are compliant with the minimum return requirements.

Monthly benefits paid by ZUS are calculated through the following rules:
The sum of the adjusted initial capital and the mandatory non-discretionary and discretionary contributions is divided by the so-called "g-value", equal to the average life expectancy in months for men and women at the age of their retirement. The "g-value" is calculated using life tables published yearly by the Central Statistical Office. The result of this calculation provides a benefit amount that is paid monthly by ZUS until the death of the pensioner. See Formula 4 for details on calculation of pension benefits in the NDC system during this policy period.

After the worker's death, the remaining portion of funds accumulated in the individual's OFE account that were not paid as a monthly benefit can be inherited if the worker had not reached the SRA at the time of their death. See Formula 5 for calculation details. The portion of funds from the initial capital and non-discretionary contributions that was not paid as a monthly benefit cannot be inherited.

Minimum pensions across all classes

Minimum pension benefits can be paid when the calculated pension benefit falls below the thresholds set by law. A minimum pension is payable if the person has a contributory period of at least 20 years for women or 25 years for men. See yearly values for the monthly minimum pension in Table 5.

Note:

[1] Mandatory non-discretionary contributions made after January 1, 1999 and the initial capital constitute the individual's main ZUS account in the NDC system, and they are both adjusted yearly following the same rules and adjustment factors stated in Table 6.

Adjustments for starting benefits before SRA (Early claiming or retirement)

- **Are benefits reduced for starting benefits before SRA?** Answer: No

Adjustments for starting benefits after SRA (Delayed claiming or retirement)

- **Are benefits increased for starting benefits after SRA?** Answer: Yes
- **If so, what is the latest claiming age where benefits are adjusted?** Answer: No maximum
- **Adjustment formula**

  While there is no adjustment for delayed claiming, longer contribution periods and greater recent earnings are reflected in the benefit formula. Factors that determine the level of benefit include:
  - DB system: Amount of assessment basis and number of years of contributions.
  - NDC and funded DC system: Amount of wage subject to contributions throughout the insurance period and the age of the insured person at the time they start their old-age benefits (no maximum period; age-specific g-value provides an almost actuarial bonus for delayed claiming).

  The benefit formula depends on the pensioners' benefit class:

  Class 1:
  Benefits are calculated though a defined-benefit (DB) calculation method —See Formula 1 for calculation details

  Class 2 and Class 3:
  Benefits are calculated though a notional defined-contribution (NDC) and, in eligible cases, through a defined-contribution (DC) calculation method —See Formula 4 for calculation details

Adjustments for starting benefits and continuing to work (Earnings Test)

- **Are benefits reduced or eliminated while working?** Answer: Yes
- **Adjustment formula**

  If the insured individual has not reached the SRA, or if they are receiving other pension payments, then the payment of pension benefits can be reduced or not paid depending on the beneficiary's income. The benefit reduction can be applied yearly after starting benefits and depends on a beneficiary's average monthly labor earnings relative to the national average wage of the preceding calendar year:
  - If less than 70%: The old-age benefit is not reduced
  - If 70% to 130%: The old-age benefit is reduced by the base amount (i.e., a fixed amount)
  - If greater than 130%: The old-age benefit is not paid

  See Table 1 for values of the national average wage by year, and Table 3 for values of the base amount by year.

  Pensioners can receive work income and their old-age pension benefits without additional reductions if they meet both of the following conditions:
  - Age requirements: 65 years for men, 60 years for women
  - Employment requirements: Terminated their employment relationship before starting to receive old-age pension benefits

  Benefits paid from discretionary accounts (OFE) are not subject to an earnings test.

  ZUS suspends payment of the old-age pension if the insured person has started to receive old-age pension benefits and continues to work for the same employer without terminating the original employment relationship.

- **If benefits are reduced while working, does it effect future benefits?** Answer: No

Chapter 3: Policy enacted 2011

Policy change in 2011

Act of March 25, 2011 (Journal of Laws, 2011) - effective from May 1, 2011 - introduced the following substantial reforms to the old-age benefit system:

- Created additional special-purpose accounts in the NDC system administered by the Social Insurance Institution (ZUS) to accrue a fraction of non-discretionary contributions. These accounts are called ZUS sub-accounts (*subkonto w ZUS*), which we will refer to as ZUS-SUB, with different indexation criteria than the non-discretionary main ZUS account in the NDC system.
- Changed the distribution of mandatory pension contributions between the main ZUS account, OFE and ZUS-SUB account in the NDC system.

Overview

The Polish pension system consists in a pay-as-you-go system managed by the Social Insurance Institution (Zakład Ubezpieczeń Społecznych, ZUS) and a funded system based on individual retirement accounts, Open Pension Funds (Otwarte Fundusze Emerytalne, OFE), managed by private institutions. Participation and contributions to the public pay-as-you-go systems are compulsory for all workers and specific occupational groups (such as soldiers, members of the clergy, Members of Parliament, members of agricultural production cooperatives, among others). For these workers and occupational groups, participation and contributions to the funded system can be mandatory, depending on their benefit class.

Before its 1999 structural reform, the pension system was a defined benefit (DB) system where pension benefits were equal to the sum of a fixed benefit amount (also known as "base amount"") and a variable benefit amount based on a percentage of the applicant's average earnings and a selected period of their contribution history (also known as "assessment basis"). The old system was replaced in 1999 by a combination of a pay-as-you-go (PAYG) notional defined-contribution (NDC) system and a funded defined-contribution (DC) system, also known as OFE, for workers born after 1948, although participation and contributions to OFE is voluntary for individuals born between 1949 and 1968. Workers in the new system pay mandatory contributions which are directed by ZUS into these two schemes. In the NDC scheme, the individual has two accounts: their own main account (which we refer to as "Main ZUS account") and their own subaccount (which we refer to as "ZUS-SUB"), which reflect their past contributions, increased with different notional rate of returns, which are not backed by financial assets. Workers can make investment choices only in OFE. Contributions directed to OFE are accrued in privately-managed pension funds, which provide benefits depending on the amount of contributions inflated with the accrued returns.

Funds in OFE and in ZUS-SUB can be divided or inherited in the event of divorce, marriage annulment, in case of cessation of joint property during marriage, and the death of the account's owner, if the owner has not reached the statutory retirement age.

Workers can also join occupational pension funds managed by private institutions on a voluntary basis through additional contributions, although their coverage is marginal.

This document provides an overview of pension rules for private employees under the general old-age pension system applicable to the majority of the population and is limited to public old-age benefits administered by ZUS.

Contributions

- **Employee contribution rate**
  9.76% of wages up to 250% of national average wage —See Table 1 for yearly values of national average wage.
  The distribution of contributions depends on the individual's benefit class:

  Class 1: Individuals born before 1949
  All employee contributions are mandatory and non-discretionary in investment choices. These contributions finance the PAYG DB system.

  Class 2: Individuals born between 1949 and 1968
  The employee contribution rate is split depending on their choice to opt into the complementary funded DC (OFE) scheme:
  - If opted into OFE before December 31, 1999:
    * Same as Class 3
  - If opted out of OFE before December 31, 1999:

    * NDC system (Mandatory with non-discretionary investment choices): 9.76%

Class 3: Individuals born on or after 1969
The employee contribution rate is split as follows:
- NDC system - Main ZUS account (Mandatory with non-discretionary investment choices): 2.46%
- NDC system - ZUS-SUB account (Mandatory with non-discretionary investment choices): 4.38%
- Funded DC system - OFE (Mandatory with discretionary investment choices): 2.92%

- **Employer contribution rate**
  9.76% of wages up to 250% of national average wage —See Table 1 for yearly values of national average wage.
  The distribution of contributions depends on the worker's benefit class:

  Class 1: Individuals born before 1949
  All employer contributions are mandatory and non-discretionary in investment choices. These contributions finance the PAYG DB system.

  Class 2 and Class 3: Individuals born after 1949
  All employer contributions are mandatory and non-discretionary in investment choices. These contributions finance the PAYG NDC system.

- **Self-employed contribution rate**
  19.52% of wages up to 250% of national average wage —See Table 1 for yearly values of national average wage. Minimum earnings for contribution purposes are equal to 60% of national average wage.
  The distribution of contributions depends on the individual's benefit class:

  Class 1: Individuals born before 1949
  All self-employed workers' contributions are mandatory and non-discretionary in investment choices. These contributions finance the PAYG DB system.

  Class 2: Individuals born between 1949 and 1968
  The self-employed worker contribution rate is split depending on their choice to opt into the complementary funded DC (OFE) scheme:
  - If opted into OFE before December 31, 1999:
    * Same as Class 3
  - If opted out of OFE before December 31, 1999:
    * NDC system (Mandatory with non-discretionary investment choices): 19.52%

  Class 3: Individuals born on or after 1969
  The self-employed worker contribution rate is split as follows:
  - NDC system - Main ZUS account (Mandatory with non-discretionary investment choices): 12.22%
  - NDC system - ZUS-SUB account (Mandatory with non-discretionary investment choices): 4.38%
  - Funded DC system - OFE (Mandatory with discretionary investment choices): 2.92%

Eligibility

Age requirements to start benefits without penalty

- **Statutory retirement age (SRA)**
  Age 65 for men; age 60 for women
- **Does SRA vary by birth year?** Answer: No
- **Does SRA vary by sex?** Answer: Yes

Contribution requirements to be eligible to receive benefit

An individual becomes eligible for benefits if they satisfy at least one of the eligibility tracks for pension benefits. These eligibility tracks are based on age and contribution requirements and, in some cases, other conditions. In Poland, contribution requirements can be based on contributory and non-contributory periods:

- Contributory periods: periods during which social insurance contributions are paid

- Non-contributory periods: periods during receipt of sickness benefit, parental leave, university study, caring for a dependent person

Limits exist on the length of noncontributory periods that may count towards contribution requirements —non-contributory periods cannot exceed 1/3 of the contributory periods.

During this timeframe there was one main eligibility track and a number of alternative eligibility tracks depending on a person's birth year:

Class 1: Individuals born before 1949

Eligibility Track 1A (Journal of Laws, 1998b - Art. 27)
- Age requirements: 65 years for men, 60 years for women
- Contribution requirements: 25 years of insurance period for men, 20 years of insurance period for women

Eligibility Track 1B (Journal of Laws, 1998b - Art. 28)
- Age requirements: 60 years for men, 55 years for women
- Contribution requirements: 20 years of insurance period for men, 15 years of insurance period for women

Note: A benefit granted on the basis of this eligibility track is not increased by ZUS to the amount of the guaranteed minimum pension.

Eligibility Track 1C (Journal of Laws, 1998b - Art. 29)
- Age requirements: 55 years
- Contribution requirements: 30 years of insurance period
- Other requirements: Women

Eligibility Track 1D (Journal of Laws, 1998b - Art. 29, Art. 31)
- Age requirements: 60 years for men, 55 years for women
- Contribution requirements: 25 years of insurance period for men, 20 years of insurance period for women
- Other requirements: Assessed as completely incapable to work, or incapacitated to work caused by an accident at work —See Journal of Laws, 1998b - Art. 12, Art. 13 and Art. 14 for further details on assessment of inability to work.

Eligibility Track 1E (Journal of Laws, 1998b - Art. 32-34, Art. 40)
- Age requirements:
  - Journalists, glass workers, rail workers and others: 60 years for men, 55 years for women
  - Miners, persons working with lead, cadmium or asbestos, steel workers, pilots, drivers: 55 years for men, 50 years for women
  - Wind instrument musicians: 50 years for men, 45 years for women
- Contribution requirements: 25 years of insurance period for men, 20 years of insurance period for women

Class 2: Individuals born between 1949 and 1968

Same as Class 3 (Journal of Laws, 1998b - Art. 24)

Workers in Class 2 are also entitled to start claiming old-age benefits if they meet the requirements for Eligibility Track 1C, Eligibility Track 1D or Eligibility Track 1E, and if they satisfy all of the following conditions (Journal of Laws, 1998b - Art. 46):
- Have decided not to contribute to an OFE account
- Have met the requirements for Eligibility Track 1C, 1D or 1E before December 31, 2006
- Have terminated their employment relationship at the time of claiming

Class 3: Individuals born on or after 1969

Eligibility Track 3 (Journal of Laws, 1998b - Art. 24)
- Age requirements: 65 years for men, 60 years for women
- Contribution requirements: 1 contribution for the old-age pension insurance credited by ZUS to the ZUS account in the NDC system of the person insured.

Alternative eligibility requirements that permit starting benefits early, but with a penalty
- **Can an individual start benefits before SRA?** Answer: No

Benefits

To receive a benefit, does an individual have to claim it? Answer: Yes

Payment type

- **Payment options (i.e., Annuity, cash balance, or lump sum):** Annuitable

Factors effecting computation of benefit entitlement

- **Does the formula for computing benefit entitlement differ by birth year?** Answer: Birth year
- **Is the formula for computing benefit entitlement progressive?** Answer:
  Class 1: Individuals born before 1949:
  Yes
  The base amount component of the DB benefit formula is established by law and it is equal for all retirees.

  Class 2 and Class 3: Individuals born after 1949:
  No

- **Does the benefit entitlement depend on the individual's own contribution/work history?** Answer: Yes
- **Does the benefit entitlement depend on national income?** Answer: No
- **Does an individual receive credits for military service (above any credits normally received for employment)?** Answer: No
- **Does an individual receive credits for number of children?** Answer: Yes
  During periods of maternity leave, contributions to the pension system are paid from the state budget based on the maternity benefit, which is the average wage over the past 12 months, net of social security contributions. From 2009, the period of payment depends on the number of children and is 20 weeks for one child, 31 weeks for two children, 33 weeks for three children, 35 weeks for four children and 37 weeks for five or more children. All the periods for which contributions are paid qualify for the minimum pension guarantee.
- **Does an individual receive credits for unemployment?** Answer: Yes
  During periods of unemployment benefit receipt, the government pays the contributions to the pension system based on the size of the unemployment benefit. All the periods for which contributions are paid qualify for the minimum pension guarantee.
- **Are future benefit entitlements adjusted for cost of living?** Answer: Yes
- **If so, what measure is used for adjustment?**
  Adjustment of pension benefits takes place annually as established by law (Journal of Laws, 1998b - Art. 88), and it is based at least on the aggregate growth of the consumer price index for goods and services during the preceding calendar year, increased by 20% of the real increase in the national average wage during the preceding calendar year.

  Minimum pension benefits are also increased within this framework.

Benefit formula for claiming at SRA

Conditional on satisfying at least one eligibility track within a benefit class, individuals receive benefit amounts according to the following, benefit class-specific, rules:

Class 1: Individuals born before 1949

Pension benefits are calculated as a flat benefit across all pensioners equal to 24% of the base amount (*kwota bazowa*), plus an additional 1.3% of the pensioner's assessment basis (*podstawa wymiaru*) for each year of contributory periods, and an additional 0.7% of the pensioner's assessment basis for each year of non-contributory periods. See Formula 1 for computational details. Calculated benefits cannot exceed 100% of the assessment basis.

- Base amount: Equal to 100% of the national average wage from the preceding calendar year, reduced by the compulsory social insurance contributions deducted from earnings of the person insured. The base amount is fixed and established by law from March 1 of every year - see yearly values in Table 3.
- Assessment basis: An individual's average earnings history used in computing their old-age benefit. It is also referred to as reference earnings. This measure is computed only at the time of claiming benefits in four steps:
  1. Compute ratio of the individual's gross wage to national average wage for each year on a set of consecutive years with a fixed length (i.e., duration) prior to claiming benefits —See Table 4 for duration reference values by policy year, and Table 1 for historical values of national average wage. For each of the selected calendar years, the wage of the insured person is increased by the amounts of the following benefits:
     - Remuneration for the period of incapacity for work
     - Sickness allowance
     - Maternity allowance

   - Care allowance
   - Rehabilitation benefit
   - Compensatory allowance
   - Compensatory benefit or supplement
2. Identify a subset of consecutive years that have the greatest ratios of the individual's gross wage to national average wage. Individuals can choose between two options:
   - Option (i): A fixed subset of consecutive years within the aforementioned duration period —See Table 4 for reference number of consecutive years included in the subset by policy year
   - Option (ii): A subset of 20 consecutive years on a duration period equal to the whole insurance period
3. Compute the average of the subset of years reflecting the greatest ratios of the individual's gross wage to national average wage. This average cannot exceed 250%.
4. Multiply this average for the value of the base amount at the time of claiming —See Table 3 for historical values of the base amount. The result of this calculation is the assessment basis. See Formula 2 for assessment basis' calculation details.

Class 2: Individuals born between 1949 and 1968

Individuals in Class 2 have their benefits calculated differently depending on whether they chose to opt into the funded DC scheme (OFE), choice that had to be taken until December 31, 1999 and was irreversible.

- For individuals who opted into the funded DC scheme (OFE):
  Individuals opted into the funded DC scheme allocate the discretionary fraction of their mandatory contributions to OFE funds in the funded DC system, where they could choose a private pension fund depending on their risk preferences. These individuals have their benefits calculated as those in Class 3.
- For individuals who opted out of the funded DC scheme (OFE):
  Individuals opted out of the funded DC scheme allocate their discretionary contributions exclusively to their main ZUS account in the NDC system, where they would receive the same rate of return as the non-discretionary contributions. Accrued contributions to the NDC system and their adjustments in the main ZUS account are paid as described for the public NDC component of the benefit formula for Class 3 individuals.

Class 3: Individuals born on or after 1969

The monthly pension benefit is based on the sum of collected mandatory non-discretionary and discretionary pension contributions made after the introduction of the combined NDC/funded DC system and the adjusted initial capital. This sum is then divided by average life expectancy at the time of the insured's retirement.

Mandatory non-discretionary and discretionary contributions are defined as follows:

- Mandatory non-discretionary contributions: These contributions are defined as the fraction of mandatory contributions for which the worker does not have discretion on investment choices.
- Mandatory discretionary contributions: These contributions are defined as the fraction of mandatory contributions for which the worker has discretion over investment choices and can choose how to allocate their accumulated funds based on their level of risk.

The adjusted initial capital is defined and calculated as follows:

- The adjusted initial capital is a notional capital based on contributions made to the social insurance system before 1999. ZUS sets the initial capital for each insured person born after December 31, 1948, for whom a social insurance contribution has been paid before 1999. The initial capital is calculated as follows: ZUS calculates the hypothetical monthly pension that a person would have received on January 1, 1999 according to the DB rules, which is then multiplied by average life expectancy for women and men at age 62, which was equal to 209 months at that point in time. The capital is then credited to the insured person's main ZUS account in the NDC system, and it is subject to annual adjustment up to the moment of starting benefits, under the same rules as the adjustment of the old-age pension contributions. See Formula 3 for calculation details.

Mandatory non-discretionary and discretionary contributions are accumulated in different funds depending on the following rules:

- Mandatory non-discretionary contributions paid before January 1, 1999:
  The notional amount of the contributions paid before January 1, 1999 is represented by the adjusted initial capital, which represents a portion of the insured person's main ZUS account in the NDC system. The initial capital is adjusted annually following the adjustment indexes in Table 6.[1]
- Mandatory non-discretionary contributions paid after January 1, 1999:
  Non-discretionary contributions are accumulated in the individual's main ZUS account and in the ZUS-SUB account in the NDC system; a person does not make investment choices, and their individual account provides a guaranteed return. The

adjustment of accumulated contributions to the main ZUS account in the NDC is carried out annually based on an index set by the government that depends on inflation, wage growth and the number of the insured in the previous year. See Table 6 for contributions' adjustment factors accrued in the main ZUS account by year.[1] The adjustment of accumulated contributions to the ZUS-SUB account is carried out annually based on the nominal GDP growth in the previous 5 years. See Table 7 for yearly values of the adjustment indexes applied to contributions in the ZUS-SUB account.

- Mandatory discretionary contributions:
  Discretionary contributions to the funded DC scheme are accumulated in OFE funds, which are privately managed; a person makes investment choices by selecting an OFE fund and opening their individual account, and it yields returns depending on their level of risk and market returns. OFE funds are subject to a relative rate of return guarantee, based on the average return of all pension funds. At the end of each quarter, the supervisory agency will calculate the average rate of return, weighted by size of the fund, achieved for the last 24 months by all pension funds in operation. Any fund management company which fails to achieve 50% or 4 percentage points (whichever is the lower) below the average nominal return for all funds will immediately make additional payments to ensure individual accounts are compliant with the minimum return requirements.

Monthly benefits paid by ZUS are calculated through the following rules:
The sum of the adjusted initial capital and the mandatory non-discretionary and discretionary contributions is divided by the so-called "g-value", equal to the average life expectancy in months for men and women at the age of their retirement. The "g-value" is calculated using life tables published yearly by the Central Statistical Office. The result of this calculation provides a benefit amount that is paid monthly by ZUS until the death of the pensioner. See Formula 6 for details on calculation of pension benefits in the NDC system during this policy period.

After the worker's death, the remaining portion of funds accumulated in the individual's OFE and ZUS-SUB accounts that were not paid as a monthly benefit can be inherited if the worker had not reached the SRA at the time of their death. See Formula 5 for calculation details. The portion of funds from the initial capital and non-discretionary contributions that was not paid as a monthly benefit cannot be inherited.

Minimum pensions across all classes
Minimum pension benefits can be paid when the calculated pension benefit falls below the thresholds set by law. A minimum pension is payable if the person has a contributory period of at least 20 years for women or 25 years for men. See yearly values for the monthly minimum pension in Table 5.

Note:

[1] A share of mandatory non-discretionary contributions made after January 1, 1999 and the initial capital constitute the individual's main ZUS account in the NDC system, and they are both adjusted yearly following the same rules and adjustment factors stated in Table 6. Another share of mandatory non-discretionary contributions made after January 1, 1999 is accrued in the individual's ZUS-SUB account, and they are adjusted yearly following different rules from the main ZUS account.

Adjustments for starting benefits before SRA (Early claiming or retirement)

- **Are benefits reduced for starting benefits before SRA?** Answer: No

Adjustments for starting benefits after SRA (Delayed claiming or retirement)

- **Are benefits increased for starting benefits after SRA?** Answer: Yes
- **If so, what is the latest claiming age where benefits are adjusted?** Answer: No maximum
- **Adjustment formula**
  While there is no adjustment for delayed claiming, longer contribution periods and greater recent earnings are reflected in the benefit formula. Factors that determine the level of benefit include:
  - DB system: Amount of assessment basis and number of years of contributions.
  - NDC and funded DC system: Amount of wage subject to contributions throughout the insurance period and the age of the insured person at the time they start their old-age benefits (no maximum period; age-specific g-value provides an almost actuarial bonus for delayed claiming).

  The benefit formula depends on the pensioners' benefit class:

  Class 1:
  Benefits are calculated though a defined-benefit (DB) calculation method —See Formula 1 for calculation details

  Class 2 and Class 3:

Benefits are calculated though a notional defined-contribution (NDC) and, in eligible cases, through a defined-contribution (DC) calculation method —See Formula 6 for calculation details

Adjustments for starting benefits and continuing to work (Earnings Test)

- **Are benefits reduced or eliminated while working?** Answer: Yes
- **Adjustment formula**
  If the insured individual has not reached the SRA, or if they are receiving other pension payments, then the payment of pension benefits can be reduced or not paid depending on the beneficiary's income. The benefit reduction can be applied yearly after starting benefits and depends on a beneficiary's average monthly labor earnings relative to the national average wage of the preceding calendar year:
  - If less than 70%: The old-age benefit is not reduced
  - If 70% to 130%: The old-age benefit is reduced by the base amount (i.e., a fixed amount)
  - If greater than 130%: The old-age benefit is not paid

  See Table 1 for values of the national average wage by year, and Table 3 for values of the base amount by year.

  Pensioners can receive work income and their old-age pension benefits without additional reductions if they meet both of the following conditions:
  - Age requirements: 65 years for men, 60 years for women
  - Employment requirements: Terminated their employment relationship before starting to receive old-age pension benefits

  Benefits paid from discretionary accounts (OFE) are not subject to an earnings test.

  ZUS suspends payment of the old-age pension if the insured person has started to receive old-age pension benefits and continues to work for the same employer without terminating the original employment relationship.

- **If benefits are reduced while working, does it effect future benefits?** Answer: No

Chapter 4: Policy enacted 2012-2016

Policy change in 2012

Act of May 11, 2012 (Journal of Laws, 2012) - effective from January 1, 2013 - introduced the following substantial reforms to the old-age benefit system:

- Gradually increased the statutory retirement age based on birth year:
  - For men, from age 65 for workers born before January 1, 1948 to age 67 for workers born after October 1, 1953
  - For women, from age 60 for workers born before April 1, 1953 to age 67 for workers born after October 1, 1973.
- Abolished the requirement to terminate the employment relationship when applying for a retirement pension.

Other reforms during this period include:

- Act of December 6, 2013 (Journal of Laws, 2013) - effective from February 1, 2014 - introduced the following reforms to the old-age benefit system:
  - Established that the public NDC system is the default option: participation to the funded DC system by shifting part of mandatory contributions to OFE funds stopped being mandatory, and workers are opted-out of this option by default. However, workers can still voluntarily opt-in to allocate 2.92% of their gross wages to OFE funds. If they decide not to opt into these funds, their contributions are allocated to their ZUS-SUB accounts, with different indexation criteria than the non-discretionary ZUS account in the NDC system.
  - Extended the scope of ZUS-SUB accounts, from 2014, to collect a person's OFE funds as they approach their statutory retirement age in order to provide a safety-slider (*suwak bezpieczeństwa*): accumulated funds in OFE will gradually be shifted from the individual's OFE account to their ZUS-SUB account from 10 years prior to expected retirement, in order to safeguard the future pensioner's wealth from negative financial market shocks.

Overview

The Polish pension system consists in a pay-as-you-go system managed by the Social Insurance Institution (Zakład Ubezpieczeń Społecznych, ZUS) and a funded system based on individual retirement accounts, Open Pension Funds (Otwarte Fundusze Emerytalne, OFE), managed by private institutions. Participation and contributions to the public pay-as-you-go systems are compulsory for all workers and specific occupational groups (such as soldiers, members of the clergy, Members of Parliament, members of agricultural production cooperatives, among others). For these workers and occupational groups, participation and contributions to the funded system can be mandatory, depending on their benefit class. Since 2014, participation and contributions to OFE is voluntary for individuals born after 1968: by default, an individual does not to contribute to the funded system, and their share of mandatory contributions is redirected towards the PAYG system managed by ZUS. If the individual decides to opt-in into the funded system, a share of their mandatory contributions is accrued in a OFE fund.

Before its 1999 structural reform, the pension system was a defined benefit (DB) system where pension benefits were equal to the sum of a fixed benefit amount (also known as "base amount"") and a variable benefit amount based on a percentage of the applicant's average earnings and a selected period of their contribution history (also known as "assessment basis"). The old system was replaced in 1999 by a combination of a pay-as-you-go (PAYG) notional defined-contribution (NDC) system and a funded defined-contribution (DC) system, also known as OFE, for workers born after 1948, although participation and contributions to OFE is voluntary for all individuals in the combined NDC/funded DC system since 2014. Workers in the new system pay mandatory contributions which are directed by ZUS into these two schemes. In the NDC scheme, the individual has two accounts: their own main account (which we refer to as "Main ZUS account") and their own subaccount (which we refer to as "ZUS-SUB"), which reflect their past contributions, increased with different notional rate of returns, which are not backed by financial assets. Workers can make investment choices only in OFE, if they have decided to participate in it. Contributions directed to OFE are accrued in privately-managed pension funds, which provide benefits depending on the amount of contributions inflated with the accrued returns.

Funds in OFE and in ZUS-SUB can be divided or inherited in the event of divorce, marriage annulment, in case of cessation of joint property during marriage, and the death of the account's owner, if the owner has not reached the statutory retirement age.

Workers can also join occupational pension funds managed by private institutions on a voluntary basis through additional contributions, although their coverage is marginal.

This document provides an overview of pension rules for private employees under the general old-age pension system applicable to the majority of the population and is limited to public old-age benefits administered by ZUS.

Contributions

- **Employee contribution rate**
  9.76% of wages up to 250% of national average wage —See Table 1 for yearly values of national average wage.
  The distribution of contributions depends on the individual's benefit class:

  Class 1: Individuals born before 1949
  All employee contributions are mandatory and non-discretionary in investment choices. These contributions finance the PAYG DB system.

  Class 2: Individuals born between 1949 and 1968
  The employee contribution rate is split depending on their choice to opt into the complementary funded DC (OFE) scheme:
  - If opted into OFE before December 31, 1999:
    * Same as Class 3
  - If opted out of OFE before December 31, 1999:
    * NDC system (Mandatory with non-discretionary investment choices): 9.76%

  Class 3: Individuals born on or after 1969
  The employee contribution rate is split depending on their choice to opt into the complementary funded DC (OFE) scheme:
  - If opted into OFE:
    * NDC system - Main ZUS account (Mandatory with non-discretionary investment choices): 2.46%
    * NDC system - ZUS-SUB account (Mandatory with non-discretionary investment choices): 4.38%
    * Funded DC system - OFE (Mandatory with discretionary investment choices): 2.92%
  - If opted out of OFE (default option at retirement):
    * NDC system - Main ZUS account (Mandatory with non-discretionary investment choices): 2.46%
    * NDC system - ZUS-SUB account (Mandatory with non-discretionary investment choices): 7.30%

- **Employer contribution rate**
  9.76% of wages up to 250% of national average wage —See Table 1 for yearly values of national average wage.
  The distribution of contributions depends on the worker's benefit class:

  Class 1: Individuals born before 1949
  All employer contributions are mandatory and non-discretionary in investment choices. These contributions finance the PAYG DB system.

  Class 2 and Class 3: Individuals born after 1949
  All employer contributions are mandatory and non-discretionary in investment choices. These contributions finance the PAYG NDC system.

- **Self-employed contribution rate**
  19.52% of wages up to 250% of national average wage —See Table 1 for yearly values of national average wage. Minimum earnings for contribution purposes are equal to 60% of national average wage.
  The distribution of contributions depends on the individual's benefit class:

  Class 1: Individuals born before 1949
  All self-employed workers' contributions are mandatory and non-discretionary in investment choices. These contributions finance the PAYG DB system.

  Class 2: Individuals born between 1949 and 1968
  The self-employed worker contribution rate is split depending on their choice to opt into the complementary funded DC (OFE) scheme:
  - If opted into OFE before December 31, 1999:
    * Same as Class 3
  - If opted out of OFE before December 31, 1999:
    * NDC system (Mandatory with non-discretionary investment choices): 19.52%

  Class 3: Individuals born on or after 1969
  The self-employed worker contribution rate is split depending on their choice to opt into the complementary funded DC (OFE)

scheme:
- If opted into OFE:
  * NDC system - Main ZUS account (Mandatory with non-discretionary investment choices): 12.22%
  * NDC system - ZUS-SUB account (Mandatory with non-discretionary investment choices): 4.38%
  * Funded DC system - OFE (Mandatory with discretionary investment choices): 2.92%
- If opted out of OFE (default option at retirement):
  * NDC system - Main ZUS account (Mandatory with non-discretionary investment choices): 12.22%
  * NDC system - ZUS-SUB account (Mandatory with non-discretionary investment choices): 7.30%

Eligibility

Age requirements to start benefits without penalty

- **Statutory retirement age (SRA)**
  Gradually increasing based on birth year:
  - For men, from age 65 for workers born before January 1, 1948 to age 67 for workers born after October 1, 1953
  - For women, from age 60 for workers born before April 1, 1953 to age 67 for workers born after October 1, 1973.

  See Table 8 for details on the planned gradual increase in the SRA
- **Does SRA vary by birth year?** Answer: No
- **Does SRA vary by sex?** Answer: Yes

Contribution requirements to be eligible to receive benefit

An individual becomes eligible for benefits if they satisfy at least one of the eligibility tracks for pension benefits. These eligibility tracks are based on age and contribution requirements and, in some cases, other conditions. In Poland, contribution requirements can be based on contributory and non-contributory periods:
- Contributory periods: periods during which social insurance contributions are paid
- Non-contributory periods: periods during receipt of sickness benefit, parental leave, university study, caring for a dependent person

Limits exist on the length of noncontributory periods that may count towards contribution requirements —non-contributory periods cannot exceed 1/3 of the contributory periods.

During this timeframe there was one main eligibility track and a number of alternative eligibility tracks depending on a person's birth year:

Class 1: Individuals born before 1949

Eligibility Track 1A (Journal of Laws, 2012 - Art. 1)
- Age requirements: 65 years for men, 60 years for women (gradually increasing, as described in Table 8)
- Contribution requirements: 25 years of insurance period for men, 20 years of insurance period for women

Eligibility Track 1B (Journal of Laws, 2012 - Art. 1)
- Age requirements: 5 years before the SRA in Table 8
- Contribution requirements: 20 years of insurance period for men, 15 years of insurance period for women

Note: A benefit granted on the basis of this eligibility track is not increased by ZUS to the amount of the guaranteed minimum pension.

Eligibility Track 1C (Journal of Laws, 2012 - Art. 1)
- Age requirements: 5 years before the SRA in Table 8
- Contribution requirements: 30 years of insurance period
- Other requirements: Women

Eligibility Track 1D (Journal of Laws, 2012 - Art. 1)
- Age requirements: 5 years before the SRA in Table 8
- Contribution requirements: 25 years of insurance period for men, 20 years of insurance period for women
- Other requirements: Assessed as completely incapable to work, or incapacitated to work caused by an accident at work —See Journal of Laws, 1998b - Art. 12, Art. 13 and Art. 14 for further details on assessment of inability to work.

Eligibility Track 1E (Journal of Laws, 2012 - Art. 1)
- Age requirements:
  - Journalists, glass workers, rail workers and others: 5 years before the SRA in Table 8
  - Miners, persons working with lead, cadmium or asbestos, steel workers, pilots, drivers: 10 years before the Statutory Retirement Age in Table 8
  - Wind instrument musicians: 15 years before the SRA in Table 8
- Contribution requirements: 25 years of insurance period for men, 20 years of insurance period for women

Class 2: Individuals born between 1949 and 1968

Same as Class 3 (Journal of Laws, 1998b - Art. 24)

Workers in Class 2 are also entitled to start claiming old-age benefits if they meet the requirements for Eligibility Track 1C, Eligibility Track 1D or Eligibility Track 1E, and if they satisfy all of the following conditions (Journal of Laws, 1998b - Art. 46):
- Have decided not to contribute to an OFE account
- Have met the requirements for Eligibility Track 1C, 1D or 1E before December 31, 2006
- Have terminated their employment relationship at the time of claiming

Class 3: Individuals born on or after 1969

Eligibility Track 3 (Journal of Laws, 2012 - Art. 1)
- Age requirements: 65 years for men, 60 years for women (gradually increasing, as described in Table 9)
- Contribution requirements: 1 contribution for the old-age pension insurance credited by ZUS to the ZUS account in the NDC system of the person insured.

Alternative eligibility requirements that permit starting benefits early, but with a penalty
- **Can an individual start benefits before SRA?** Answer: No

Benefits

To receive a benefit, does an individual have to claim it? Answer: Yes

Payment type
- **Payment options (i.e., Annuity, cash balance, or lump sum):** Annuitable

Factors effecting computation of benefit entitlement
- **Does the formula for computing benefit entitlement differ by birth year?** Answer: Birth year
- **Is the formula for computing benefit entitlement progressive?** Answer:

  Class 1: Individuals born before 1949:
  Yes
  The base amount component of the DB benefit formula is established by law and it is equal for all retirees.

  Class 2 and Class 3: Individuals born after 1949:
  No

- **Does the benefit entitlement depend on the individual's own contribution/work history?** Answer: Yes
- **Does the benefit entitlement depend on national income?** Answer: No
- **Does an individual receive credits for military service (above any credits normally received for employment)?** Answer: No
- **Does an individual receive credits for number of children?** Answer: Yes
  During periods of maternity leave, contributions to the pension system are paid from the state budget based on the maternity benefit, which is the average wage over the past 12 months, net of social security contributions. From 2009, the period of payment depends on the number of children and is 20 weeks for one child, 31 weeks for two children, 33 weeks for three children, 35 weeks for four children and 37 weeks for five or more children. All the periods for which contributions are paid qualify for the minimum pension guarantee.
- **Does an individual receive credits for unemployment?** Answer: Yes
  During periods of unemployment benefit receipt, the government pays the contributions to the pension system based on the size of the unemployment benefit. All the periods for which contributions are paid qualify for the minimum pension guarantee.

- **Are future benefit entitlements adjusted for cost of living?** Answer: Yes
- **If so, what measure is used for adjustment?**
  Adjustment of pension benefits takes place annually as established by law (Journal of Laws, 1998b - Art. 88), and it is based at least on the aggregate growth of the consumer price index for goods and services during the preceding calendar year, increased by 20% of the real increase in the national average wage during the preceding calendar year.

  Minimum pension benefits are also increased within this framework.

Benefit formula for claiming at SRA

Conditional on satisfying at least one eligibility track within a benefit class, individuals receive benefit amounts according to the following, benefit class-specific, rules:

Class 1: Individuals born before 1949

Pension benefits are calculated as a flat benefit across all pensioners equal to 24% of the base amount (*kwota bazowa*), plus an additional 1.3% of the pensioner's assessment basis (*podstawa wymiaru*) for each year of contributory periods, and an additional 0.7% of the pensioner's assessment basis for each year of non-contributory periods. See Formula 1 for computational details. Calculated benefits cannot exceed 100% of the assessment basis.

- Base amount: Equal to 100% of the national average wage from the preceding calendar year, reduced by the compulsory social insurance contributions deducted from earnings of the person insured. The base amount is fixed and established by law from March 1 of every year - see yearly values in Table 3.
- Assessment basis: An individual's average earnings history used in computing their old-age benefit. It is also referred to as reference earnings. This measure is computed only at the time of claiming benefits in four steps:
  1. Compute ratio of the individual's gross wage to national average wage for each year on a set of consecutive years with a fixed length (i.e., duration) prior to claiming benefits —See Table 4 for duration reference values by policy year, and Table 1 for historical values of national average wage. For each of the selected calendar years, the wage of the insured person is increased by the amounts of the following benefits:
     - Remuneration for the period of incapacity for work
     - Sickness allowance
     - Maternity allowance
     - Care allowance
     - Rehabilitation benefit
     - Compensatory allowance
     - Compensatory benefit or supplement
  2. Identify a subset of consecutive years that have the greatest ratios of the individual's gross wage to national average wage. Individuals can choose between two options:
     - Option (i): A fixed subset of consecutive years within the aforementioned duration period —See Table 4 for reference number of consecutive years included in the subset by policy year
     - Option (ii): A subset of 20 consecutive years on a duration period equal to the whole insurance period
  3. Compute the average of the subset of years reflecting the greatest ratios of the individual's gross wage to national average wage. This average cannot exceed 250%.
  4. Multiply this average for the value of the base amount at the time of claiming —See Table 3 for historical values of the base amount. The result of this calculation is the assessment basis. See Formula 2 for assessment basis' calculation details.

Class 2: Individuals born between 1949 and 1968

Individuals in Class 2 have their benefits calculated differently depending on whether they chose to opt into the funded DC scheme (OFE), choice that had to be taken until December 31, 1999 and was irreversible.

- For individuals who opted into the funded DC scheme (OFE):
  Individuals opted into the funded DC scheme allocate the discretionary fraction of their mandatory contributions to OFE funds in the funded DC system, where they could choose a private pension fund depending on their risk preferences. These individuals have their benefits calculated as those in Class 3.
- For individuals who opted out of the funded DC scheme (OFE):
  Individuals opted out of the funded DC scheme allocate their discretionary contributions exclusively to their main ZUS account in the NDC system, where they would receive the same rate of return as the non-discretionary contributions. Accrued contributions to the NDC system and their adjustments in the main ZUS account are paid as described for the public NDC component of the benefit formula for Class 3 individuals.

Class 3: Individuals born on or after 1969

The monthly pension benefit is based on the sum of collected mandatory non-discretionary and discretionary pension contributions made after the introduction of the combined NDC/funded DC system, the adjusted initial capital, and the funds credited to ZUS-SUB. This sum is then divided by average life expectancy at the time of the insured's retirement.

Mandatory non-discretionary and discretionary contributions are defined as follows:

- Mandatory non-discretionary contributions: These contributions are defined as the fraction of mandatory contributions for which the worker does not have discretion on investment choices.
- Mandatory discretionary contributions: These contributions are defined as the fraction of mandatory contributions for which the worker has discretion over investment choices and can choose how to allocate their accumulated funds based on their level of risk.

The adjusted initial capital is defined and calculated as follows:

- The adjusted initial capital is a notional capital based on contributions made to the social insurance system before 1999. ZUS sets the initial capital for each insured person born after December 31, 1948, for whom a social insurance contribution has been paid before 1999. The initial capital is calculated as follows: ZUS calculates the hypothetical monthly pension that a person would have received on January 1, 1999 according to the DB rules, which is then multiplied by average life expectancy for women and men at age 62, which was equal to 209 months at that point in time. The capital is then credited to the insured person's main ZUS account in the NDC system, and it is subject to annual adjustment up to the moment of starting benefits, under the same rules as the adjustment of the old-age pension contributions. See Formula 3 for calculation details.

Mandatory non-discretionary and discretionary contributions are accumulated in different funds depending on the following rules:

- Mandatory non-discretionary contributions paid before January 1, 1999:
  The notional amount of the contributions paid before January 1, 1999 is represented by the adjusted initial capital, which represents a portion of the insured person's main ZUS account in the NDC system. The initial capital is adjusted annually following the adjustment indexes in Table 6.[1]
- Mandatory non-discretionary contributions paid after January 1, 1999:
  Non-discretionary contributions are accumulated in the individual's main ZUS account and in the ZUS-SUB account in the NDC system; a person does not make investment choices, and their individual account provides a guaranteed return. The adjustment of accumulated contributions to the main ZUS account in the NDC is carried out annually based on an index set by the government that depends on inflation, wage growth and the number of the insured in the previous year. See Table 6 for contributions' adjustment factors accrued in the main ZUS account by year.[1] The adjustment of accumulated contributions to the ZUS-SUB account is carried out annually based on the nominal GDP growth in the previous 5 years. See Table 7 for yearly values of the adjustment indexes applied to contributions in the ZUS-SUB account.
- Mandatory discretionary contributions:
  Discretionary contributions to the funded DC scheme are accumulated in OFE funds, which are privately managed, or in the individual's ZUS-SUB account, which is part of the NDC system. Since 2014, participation to OFE funds is voluntary, and workers are opted out from contributions to these funds by default. In case a person chooses to contribute to OFE, they make investment choices by selecting an OFE fund and opening their individual account, and it yields returns depending on their level of risk and market returns. OFE funds are subject to a relative rate of return guarantee, based on the average return of all pension funds. At the end of each quarter, the supervisory agency will calculate the average rate of return, weighted by size of the fund, achieved for the last 24 months by all pension funds in operation. Any fund management company which fails to achieve 50% or 4 percentage points (whichever is the lower) below the average nominal return for all funds will immediately make additional payments to ensure individual accounts are compliant with the minimum return requirements.
  In case workers do not opt into OFE, the discretionary fraction of contributions is accumulated in the ZUS-SUB account, along with a fraction of non-discretionary contributions, and are adjusted annually following the rules aforementioned for contributions to ZUS-SUB accounts. Contributions made to OFE funds by the individual who has chosen to contribute to OFE funds, instead, are progressively shifted from the individual's OFE account to the their ZUS-SUB account twice a year during the 10-year period prior to the individual's expected retirement year.

Monthly benefits paid by ZUS are calculated through the following rules:

The sum of the adjusted initial capital and the mandatory non-discretionary and discretionary contributions is divided by the so-called "g-value", equal to the average life expectancy in months for men and women at the age of their retirement. The "g-value" is calculated using life tables published yearly by the Central Statistical Office. The result of this calculation provides a benefit amount that is paid monthly by ZUS until the death of the pensioner. See Formula 6 for details on calculation of pension benefits in the new NDC system during this policy period.

After the worker's death, the remaining portion of funds accumulated in the individual's OFE and ZUS-SUB accounts that were not paid as a monthly benefit can be inherited if the worker had not reached the SRA at the time of their death. See Formula 5 for calculation details. The portion of funds from the initial capital and non-discretionary contributions that was not paid as a monthly benefit cannot be inherited.

Minimum pensions across all classes

Minimum pension benefits can be paid when the calculated pension benefit falls below the thresholds set by law. A minimum pension is payable if the person has a contributory period of at least 20 years for women or 25 years for men. See yearly values for the monthly minimum pension in Table 5.

Note:

[1] A share of mandatory non-discretionary contributions made after January 1, 1999 and the initial capital constitute the individual's main ZUS account, and they are both adjusted yearly following the same rules and adjustment factors stated in Table 6. Another share of mandatory non-discretionary contributions made after January 1, 1999 is accrued in the individual's ZUS-SUB account, and they are adjusted yearly following different rules from the main ZUS account.

Adjustments for starting benefits before SRA (Early claiming or retirement)

- **Are benefits reduced for starting benefits before SRA?** Answer: No

Adjustments for starting benefits after SRA (Delayed claiming or retirement)

- **Are benefits increased for starting benefits after SRA?** Answer: Yes
- **If so, what is the latest claiming age where benefits are adjusted?** Answer: No maximum
- **Adjustment formula**

  While there is no adjustment for delayed claiming, longer contribution periods and greater recent earnings are reflected in the benefit formula. Factors that determine the level of benefit include:
  - DB system: Amount of assessment basis and number of years of contributions.
  - NDC and funded DC system: Amount of wage subject to contributions throughout the insurance period and the age of the insured person at the time they start their old-age benefits (no maximum period; age-specific g-value provides an almost actuarial bonus for delayed claiming).

  The benefit formula depends on the pensioners' benefit class:

  Class 1:

  Benefits are calculated though a defined-benefit (DB) calculation method —See Formula 1 for calculation details

  Class 2 and Class 3:

  Benefits are calculated though a notional defined-contribution (NDC) and, in eligible cases, through a defined-contribution (DC) calculation method —See Formula 6 for calculation details

Adjustments for starting benefits and continuing to work (Earnings Test)

- **Are benefits reduced or eliminated while working?** Answer: Yes
- **Adjustment formula**

  If the insured individual has not reached the SRA, or if they are receiving other pension payments, then the payment of pension benefits can be reduced or not paid depending on the beneficiary's income. The benefit reduction can be applied yearly after starting benefits and depends on a beneficiary's average monthly labor earnings relative to the national average wage of the preceding calendar year:
  - If less than 70%: The old-age benefit is not reduced
  - If 70% to 130%: The old-age benefit is reduced by the base amount (i.e., a fixed amount)
  - If greater than 130%: The old-age benefit is not paid

  See Table 1 for values of the national average wage by year.

  Pensioners can receive work income and their old-age pension benefits without additional reductions if they meet the following condition:
  - Age requirements: 65 years for men, 60 years for women (gradually increasing, as described in Table 8)

  Benefits paid from discretionary accounts (OFE) are not subject to an earnings test.

  ZUS suspends payment of the old-age pension if the insured person has started to receive old-age pension benefits and continues to work for the same employer without terminating the original employment relationship.

- **If benefits are reduced while working, does it effect future benefits?** Answer: No

Chapter 5: Policy enacted 2017-2021

Policy change in 2017
Act of November 16, 2016 (Journal of Laws, 2017) - effective from October 1, 2017 - introduced the following substantial reforms to the old-age benefit system:
- Reversed the previous increase in statutory retirement age, so that statutory retirement age would be 65 for men and 60 for women

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Before its 1999 structural reform, the pension system was a defined benefit (DB) system where pension benefits were equal to the sum of a fixed benefit amount (also known as "base amount"") and a variable benefit amount based on a percentage of the applicant's average earnings and a selected period of their contribution history (also known as "assessment basis"). The old system was replaced in 1999 by a combination of a pay-as-you-go (PAYG) notional defined-contribution (NDC) system and a funded defined-contribution (DC) system, also known as OFE, for workers born after 1948, although participation and contributions to OFE is voluntary for all individuals in the combined NDC/funded DC system since 2014. Workers in the new system pay mandatory contributions which are directed by ZUS into these two schemes. In the NDC scheme, the individual has two accounts: their own main account (which we refer to as "Main ZUS account") and their own subaccount (which we refer to as "ZUS-SUB"), which reflect their past contributions, increased with different notional rate of returns, which are not backed by financial assets. Workers can make investment choices only in OFE, if they have decided to participate in it. Contributions directed to OFE are accrued in privately-managed pension funds, which provide benefits depending on the amount of contributions inflated with the accrued returns.

Funds in OFE and in ZUS-SUB can be divided or inherited in the event of divorce, marriage annulment, in case of cessation of joint property during marriage, and the death of the account's owner, if the owner has not reached the statutory retirement age.

Workers can also join occupational pension funds managed by private institutions on a voluntary basis through additional contributions, although their coverage is marginal.

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  Class 2: Individuals born between 1949 and 1968
  The employee contribution rate is split depending on their choice to opt into the complementary funded DC (OFE) scheme:
  - If opted into OFE before December 31, 1999:
    * Same as Class 3

- If opted out of OFE before December 31, 1999:
  * NDC system (Mandatory with non-discretionary investment choices): 9.76%

Class 3: Individuals born on or after 1969
The employee contribution rate is split depending on their choice to opt into the complementary funded DC (OFE) scheme:

- If opted into OFE:
  * NDC system - Main ZUS account (Mandatory with non-discretionary investment choices): 2.46%
  * NDC system - ZUS-SUB account (Mandatory with non-discretionary investment choices): 4.38%
  * Funded DC system - OFE (Mandatory with discretionary investment choices): 2.92%
- If opted out of OFE (default option at retirement):
  * NDC system - Main ZUS account (Mandatory with non-discretionary investment choices): 2.46%
  * NDC system - ZUS-SUB account (Mandatory with non-discretionary investment choices): 7.30%

- **Employer contribution rate**
  9.76% of wages up to 250% of national average wage —See Table 1 for yearly values of national average wage.
  The distribution of contributions depends on the worker's benefit class:

Class 1: Individuals born before 1949
All employer contributions are mandatory and non-discretionary in investment choices. These contributions finance the PAYG DB system.

Class 2 and Class 3: Individuals born after 1949
All employer contributions are mandatory and non-discretionary in investment choices. These contributions finance the PAYG NDC system.

- **Self-employed contribution rate**
  19.52% of wages up to 250% of national average wage —See Table 1 for yearly values of national average wage. Minimum earnings for contribution purposes are equal to 60% of national average wage.
  The distribution of contributions depends on the individual's benefit class:

Class 1: Individuals born before 1949
All self-employed workers' contributions are mandatory and non-discretionary in investment choices. These contributions finance the PAYG DB system.

Class 2: Individuals born between 1949 and 1968
The self-employed worker contribution rate is split depending on their choice to opt into the complementary funded DC (OFE) scheme:

- If opted into OFE before December 31, 1999:
  * Same as Class 3
- If opted out of OFE before December 31, 1999:
  * NDC system (Mandatory with non-discretionary investment choices): 19.52%

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The self-employed worker contribution rate is split depending on their choice to opt into the complementary funded DC (OFE) scheme:

- If opted into OFE:
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Eligibility

Age requirements to start benefits without penalty

- **Statutory retirement age (SRA)**
  Age 65 for men; age 60 for women
- **Does SRA vary by birth year?** Answer: No
- **Does SRA vary by sex?** Answer: Yes

Contribution requirements to be eligible to receive benefit

An individual becomes eligible for benefits if they satisfy at least one of the eligibility tracks for pension benefits. These eligibility tracks are based on age and contribution requirements and, in some cases, other conditions. In Poland, contribution requirements can be based on contributory and non-contributory periods:

- Contributory periods: periods during which social insurance contributions are paid
- Non-contributory periods: periods during receipt of sickness benefit, parental leave, university study, caring for a dependent person

Limits exist on the length of noncontributory periods that may count towards contribution requirements —non-contributory periods cannot exceed 1/3 of the contributory periods.

During this timeframe there was one main eligibility track and a number of alternative eligibility tracks depending on a person's birth year:

Class 1: Individuals born before 1949

Eligibility Track 1A (Journal of Laws, 1998b - Art. 27)

- Age requirements: 65 years for men, 60 years for women
- Contribution requirements: 25 years of insurance period for men, 20 years of insurance period for women

Eligibility Track 1B (Journal of Laws, 1998b - Art. 28)

- Age requirements: 60 years for men, 55 years for women
- Contribution requirements: 20 years of insurance period for men, 15 years of insurance period for women

Note: A benefit granted on the basis of this eligibility track is not increased by ZUS to the amount of the guaranteed minimum pension.

Eligibility Track 1C (Journal of Laws, 1998b - Art. 29)

- Age requirements: 55 years
- Contribution requirements: 30 years of insurance period
- Other requirements: Women

Eligibility Track 1D (Journal of Laws, 1998b - Art. 29, Art. 31)

- Age requirements: 60 years for men, 55 years for women
- Contribution requirements: 25 years of insurance period for men, 20 years of insurance period for women
- Other requirements: Assessed as completely incapable to work, or incapacitated to work caused by an accident at work

Eligibility Track 1E (Journal of Laws, 1998b - Art. 32-34, Art. 40)

- Age requirements:
  - Journalists, glass workers, rail workers and others: 60 years for men, 55 years for women
  - Miners, persons working with lead, cadmium or asbestos, steel workers, pilots, drivers: 55 years for men, 50 years for women
  - Wind instrument musicians: 50 years for men, 45 years for women
- Contribution requirements: 25 years of insurance period for men, 20 years of insurance period for women

Class 2: Individuals born between 1949 and 1968

Same as Class 3 (Journal of Laws, 1998b - Art. 24)

Workers in Class 2 are also entitled to start claiming old-age benefits if they meet the requirements for Eligibility Track 1C, Eligibility Track 1D or Eligibility Track 1E, and if they satisfy all of the following conditions (Journal of Laws, 1998b - Art. 46):

- Have decided not to contribute to an OFE account

- Have met the requirements for Eligibility Track 1C, 1D or 1E before December 31, 2006
- Have terminated their employment relationship at the time of claiming

Class 3: Individuals born on or after 1969

Eligibility Track 3 (Journal of Laws, 1998b - Art. 24)
- Age requirements: 65 years for men, 60 years for women (gradually increasing, as described in Table 9)
- Contribution requirements: 1 contribution for the old-age pension insurance credited by ZUS to the ZUS account in the NDC system of the person insured.

Alternative eligibility requirements that permit starting benefits early, but with a penalty
- **Can an individual start benefits before SRA?** Answer: No

Benefits

To receive a benefit, does an individual have to claim it? Answer: Yes

Payment type
- **Payment options (i.e., Annuity, cash balance, or lump sum):** Annuitable

Factors effecting computation of benefit entitlement
- **Does the formula for computing benefit entitlement differ by birth year?** Answer: Birth year
- **Is the formula for computing benefit entitlement progressive?** Answer:
  Class 1: Individuals born before 1949:
  Yes
  The base amount component of the DB benefit formula is established by law and it is equal for all retirees.

  Class 2 and Class 3: Individuals born after 1949:
  No

- **Does the benefit entitlement depend on the individual's own contribution/work history?** Answer: Yes
- **Does the benefit entitlement depend on national income?** Answer: No
- **Does an individual receive credits for military service (above any credits normally received for employment)?** Answer: No
- **Does an individual receive credits for number of children?** Answer: Yes
  During periods of maternity leave, contributions to the pension system are paid from the state budget based on the maternity benefit, which is the average wage over the past 12 months, net of social security contributions. From 2009, the period of payment depends on the number of children and is 20 weeks for one child, 31 weeks for two children, 33 weeks for three children, 35 weeks for four children and 37 weeks for five or more children. All the periods for which contributions are paid qualify for the minimum pension guarantee.
- **Does an individual receive credits for unemployment?** Answer: Yes
  During periods of unemployment benefit receipt, the government pays the contributions to the pension system based on the size of the unemployment benefit. All the periods for which contributions are paid qualify for the minimum pension guarantee.
- **Are future benefit entitlements adjusted for cost of living?** Answer: Yes
- **If so, what measure is used for adjustment?**
  Adjustment of pension benefits takes place annually as established by law (Journal of Laws, 1998b - Art. 88), and it is based at least on the aggregate growth of the consumer price index for goods and services during the preceding calendar year, increased by 20% of the real increase in the national average wage during the preceding calendar year.

  Minimum pension benefits are also increased within this framework.

Benefit formula for claiming at SRA

Conditional on satisfying at least one eligibility track within a benefit class, individuals receive benefit amounts according to the following, benefit class-specific, rules:

Class 1: Individuals born before 1949
Pension benefits are calculated as a flat benefit across all pensioners equal to 24% of the base amount (*kwota bazowa*), plus an additional 1.3% of the pensioner's assessment basis (*podstawa wymiaru*) for each year of contributory periods, and an additional

0.7% of the pensioner's assessment basis for each year of non-contributory periods. See Formula 1 for computational details. Calculated benefits cannot exceed 100% of the assessment basis.

- Base amount: Equal to 100% of the national average wage from the preceding calendar year, reduced by the compulsory social insurance contributions deducted from earnings of the person insured. The base amount is fixed and established by law from March 1 of every year - see yearly values in Table 3.
- Assessment basis: An individual's average earnings history used in computing their old-age benefit. It is also referred to as reference earnings. This measure is computed only at the time of claiming benefits in four steps:
  1. Compute ratio of the individual's gross wage to national average wage for each year on a set of consecutive years with a fixed length (i.e., duration) prior to claiming benefits —See Table 4 for duration reference values by policy year, and Table 1 for historical values of national average wage. For each of the selected calendar years, the wage of the insured person is increased by the amounts of the following benefits:
     - Remuneration for the period of incapacity for work
     - Sickness allowance
     - Maternity allowance
     - Care allowance
     - Rehabilitation benefit
     - Compensatory allowance
     - Compensatory benefit or supplement
  2. Identify a subset of consecutive years that have the greatest ratios of the individual's gross wage to national average wage. Individuals can choose between two options:
     - Option (i): A fixed subset of consecutive years within the aforementioned duration period —See Table 4 for reference number of consecutive years included in the subset by policy year
     - Option (ii): A subset of 20 consecutive years on a duration period equal to the whole insurance period
  3. Compute the average of the subset of years reflecting the greatest ratios of the individual's gross wage to national average wage. This average cannot exceed 250%.
  4. Multiply this average for the value of the base amount at the time of claiming —See Table 3 for historical values of the base amount. The result of this calculation is the assessment basis. See Formula 2 for assessment basis' calculation details.

Class 2: Individuals born between 1949 and 1968

Individuals in Class 2 have their benefits calculated differently depending on whether they chose to opt into the funded DC scheme (OFE), choice that had to be taken until December 31, 1999 and was irreversible.

- For individuals who opted into the funded DC scheme (OFE):
  Individuals opted into the funded DC scheme allocate the discretionary fraction of their mandatory contributions to OFE funds in the funded DC system, where they could choose a private pension fund depending on their risk preferences. These individuals have their benefits calculated as those in Class 3.
- For individuals who opted out of the funded DC scheme (OFE):
  Individuals opted out of the funded DC scheme allocate their discretionary contributions exclusively to their main ZUS account in the NDC system, where they would receive the same rate of return as the non-discretionary contributions. Accrued contributions to the NDC system and their adjustments in the main ZUS account are paid as described for the public NDC component of the benefit formula for Class 3 individuals.

Class 3: Individuals born on or after 1969

The monthly pension benefit is based on the sum of collected mandatory non-discretionary and discretionary pension contributions made after the introduction of the combined NDC/funded DC system, the adjusted initial capital, and the funds credited to ZUS-SUB. This sum is then divided by average life expectancy at the time of the insured's retirement.

Mandatory non-discretionary and discretionary contributions are defined as follows:

- Mandatory non-discretionary contributions: These contributions are defined as the fraction of mandatory contributions for which the worker does not have discretion on investment choices.
- Mandatory discretionary contributions: These contributions are defined as the fraction of mandatory contributions for which the worker has discretion over investment choices and can choose how to allocate their accumulated funds based on their level of risk.

The adjusted initial capital is defined and calculated as follows:

- The adjusted initial capital is a notional capital based on contributions made to the social insurance system before 1999. ZUS sets the initial capital for each insured person born after December 31, 1948, for whom a social insurance contribution has been paid before 1999. The initial capital is calculated as follows: ZUS calculates the hypothetical monthly pension that a person would have received on January 1, 1999 according to the DB rules, which is then multiplied by average life expectancy for women and men at age 62, which was equal to 209 months at that point in time. The capital is then credited to the insured person's main ZUS account in the NDC system, and it is subject to annual adjustment up to the moment of starting benefits, under the same rules as the adjustment of the old-age pension contributions. See Formula 3 for calculation details.

Mandatory non-discretionary and discretionary contributions are accumulated in different funds depending on the following rules:

- Mandatory non-discretionary contributions paid before January 1, 1999:
  The notional amount of the contributions paid before January 1, 1999 is represented by the adjusted initial capital, which represents a portion of the insured person's main ZUS account in the NDC system. The initial capital is adjusted annually following the adjustment indexes in Table 6.[1]
- Mandatory non-discretionary contributions paid after January 1, 1999:
  Non-discretionary contributions are accumulated in the individual's main ZUS account and in the ZUS-SUB account in the NDC system; a person does not make investment choices, and their individual account provides a guaranteed return. The adjustment of accumulated contributions to the main ZUS account in the NDC is carried out annually based on an index set by the government that depends on inflation, wage growth and the number of the insured in the previous year. See Table 6 for contributions' adjustment factors accrued in the main ZUS account by year.[1] The adjustment of accumulated contributions to the ZUS-SUB account is carried out annually based on the nominal GDP growth in the previous 5 years. See Table 7 for yearly values of the adjustment indexes applied to contributions in the ZUS-SUB account.
- Mandatory discretionary contributions:
  Discretionary contributions to the funded DC scheme are accumulated in OFE funds, which are privately managed, or in the individual's ZUS-SUB account, which is part of the NDC system. Since 2014, participation to OFE funds is voluntary, and workers are opted out from contributions to these funds by default. In case a person chooses to contribute to OFE, they make investment choices by selecting an OFE fund and opening their individual account, and it yields returns depending on their level of risk and market returns. OFE funds are subject to a relative rate of return guarantee, based on the average return of all pension funds. At the end of each quarter, the supervisory agency will calculate the average rate of return, weighted by size of the fund, achieved for the last 24 months by all pension funds in operation. Any fund management company which fails to achieve 50% or 4 percentage points (whichever is the lower) below the average nominal return for all funds will immediately make additional payments to ensure individual accounts are compliant with the minimum return requirements.
  In case workers do not opt into OFE, the discretionary fraction of contributions is accumulated in the ZUS-SUB account, along with a fraction of non-discretionary contributions, and are adjusted annually following the rules aforementioned for contributions to ZUS-SUB accounts. Contributions made to OFE funds by the individual who has chosen to contribute to OFE funds, instead, are progressively shifted from the individual's OFE account to the their ZUS-SUB account twice a year during the 10-year period prior to the individual's expected retirement year.

Monthly benefits paid by ZUS are calculated through the following rules:
The sum of the adjusted initial capital and the mandatory non-discretionary and discretionary contributions is divided by the so-called "g-value", equal to the average life expectancy in months for men and women at the age of their retirement. The "g-value" is calculated using life tables published yearly by the Central Statistical Office. The result of this calculation provides a benefit amount that is paid monthly by ZUS until the death of the pensioner. See Formula 6 for details on calculation of pension benefits in the new NDC system during this policy period.

After the worker's death, the remaining portion of funds accumulated in the individual's OFE and ZUS-SUB accounts that were not paid as a monthly benefit can be inherited if the worker had not reached the SRA at the time of their death. See Formula 5 for calculation details. The portion of funds from the initial capital and non-discretionary contributions that was not paid as a monthly benefit cannot be inherited.

Minimum pensions across all classes

Minimum pension benefits can be paid when the calculated pension benefit falls below the thresholds set by law. A minimum pension is payable if the person has a contributory period of at least 20 years for women or 25 years for men. See yearly values for the monthly minimum pension in Table 5.

Note:

[1] A share of mandatory non-discretionary contributions made after January 1, 1999 and the initial capital constitute the individual's main ZUS account, and they are both adjusted yearly following the same rules and adjustment factors stated in Table 6. Another share of mandatory non-discretionary contributions made after January 1, 1999 is accrued in the individual's

ZUS-SUB account, and they are adjusted yearly following different rules from the main ZUS account.

Adjustments for starting benefits before SRA (Early claiming or retirement)

- **Are benefits reduced for starting benefits before SRA?** Answer: No

Adjustments for starting benefits after SRA (Delayed claiming or retirement)

- **Are benefits increased for starting benefits after SRA?** Answer: Yes
- **If so, what is the latest claiming age where benefits are adjusted?** Answer: No maximum
- **Adjustment formula**
  While there is no adjustment for delayed claiming, longer contribution periods and greater recent earnings are reflected in the benefit formula. Factors that determine the level of benefit include:
  - DB system: Amount of assessment basis and number of years of contributions.
  - NDC and funded DC system: Amount of wage subject to contributions throughout the insurance period and the age of the insured person at the time they start their old-age benefits (no maximum period; age-specific g-value provides an almost actuarial bonus for delayed claiming).

  The benefit formula depends on the pensioners' benefit class:

  Class 1:
  Benefits are calculated though a defined-benefit (DB) calculation method —See Formula 1 for calculation details

  Class 2 and Class 3:
  Benefits are calculated though a notional defined-contribution (NDC) and, in eligible cases, through a defined-contribution (DC) calculation method —See Formula 6 for calculation details

Adjustments for starting benefits and continuing to work (Earnings Test)

- **Are benefits reduced or eliminated while working?** Answer: Yes
- **Adjustment formula**
  If the insured individual has not reached the SRA, or if they are receiving other pension payments, then the payment of pension benefits can be reduced or not paid depending on the beneficiary's income. The benefit reduction can be applied yearly after starting benefits and depends on a beneficiary's average monthly labor earnings relative to the national average wage of the preceding calendar year:
  - If less than 70%: The old-age benefit is not reduced
  - If 70% to 130%: The old-age benefit is reduced by the base amount (i.e., a fixed amount)
  - If greater than 130%: The old-age benefit is not paid

  See Table 1 for values of the national average wage by year.

  Pensioners can receive work income and their old-age pension benefits without additional reductions if they meet the following condition:
  - Age requirements: 65 years for men, 60 years for women

  Benefits paid from discretionary accounts (OFE) are not subject to an earnings test.

  ZUS suspends payment of the old-age pension if the insured person has started to receive old-age pension benefits and continues to work for the same employer without terminating the original employment relationship.

- **If benefits are reduced while working, does it effect future benefits?** Answer: No

Tables and Formulas

Table 1: National Average Wage

Year	National Average Wage
1992	293 PLN
1993	399
1994	533
1995	703
1996	873
1997	1,062
1998	1,239
1999	1,707
2000	1,924
2001	2,062
2002	2,133
2003	2,201
2004	2,290
2005	2,380
2006	2,477
2007	2,691
2008	2,944
2009	3,103
2010	3,225
2011	3,400
2012	3,522
2013	3,650
2014	3,783
2015	3,900
2016	4,047
2017	4,272
2018	4,585
2019	4,918
2020	5,167
2021	5,662

Note:

- PLN represents the ISO code for Polish złoty, the official currency of Poland
- Values for the National Average Wage are expressed in monthly values

Source: ZUS (2020).

Formula 1: Old-age Pension Benefit (DB System)

$$B_{OA,i,t,t_c} = \text{min}\left\{0.24 \times BS_{t_c} + AB_{i,t_c} \times (n_i \times 0.013 + m_i \times 0.007), AB_{i,t_c}\right\} \times BADJ_{t,t_c}$$

- B_{OA,i,t,t_c} = Monthly old-age pension benefit paid to individual i at time t if claimed at time $t_c \leq t$
  - If $B_{OA,i,t,t_c} < MIN_i$ and all full qualifying contribution requirements are met, then $B_{OA,i,t,t_c} = MIN_i$, where MIN_i is the minimum pension benefit specified in Table 5
- BS_{t_c} = Base amount at the time of claiming. The base amount is equal to a fixed percentage of the national average wage from the preceding calendar year, reduced by the compulsory social insurance contributions deducted from earnings of the person insured. The value of the base amount is established by law from March 1 of every year - see yearly values in Table 3.
- F_{t_c} = Factor representing the percentage of base amount
- AB_{i,t_c} = Assessment basis of individual i at time of claiming benefits t_c (see *Benefits* section and Formula 2 for calculation details). The maximum assessment basis is also capped at 250% of the national average wage in Table 1.
- n_i = number of contributory years
- m_i = number of non-contributory years (cannot account for more than one-third of total years)
- $BADJ_{t,t_c}$ = Cumulative product of benefit-adjustment factors R_t between period t_c, when benefits were initially claimed, and current period t. Formally, the cumulative ajustment factor of benefits after claiming ($t \geq t_c$) is calculated as follows:

$$BADJ_{t,t_c} = \begin{cases} \prod_{s=t_c}^{t}(R_s) & \text{if } t > t_c \\ 1 & \text{if } t = t_c \end{cases}$$

  Where:

  - R_s: Benefit adjustment factor in year s —Values are **yet to be identified**; see *Benefit adjustment section* for further details.

Notes: The calculated pension benefit cannot exceed 100% of the assessment basis
Source: ZUS (2019b).

Table 2: Fraction Applied to National Average Sum in Base Amount's Calculation

Year	Fraction
January 1, 1992 - December 31, 1992	1.00
January 1, 1993 - May 31, 1994	0.91
June 1, 1994 - August 30, 1996	0.93
September 1, 1996 - February 28, 1997	0.94
March 1, 1997 - August 30, 1997	0.95
September 1, 1997 - February 28, 1998	0.96
March 1, 1998 - August 30, 1998	0.97
September 1, 1998 - December 31, 1998	0.98
January 1, 1999 - Present	1.00

Source: Sejm (2006).

Table 3: Base Amount by Year

Year	Base Amount
1992	293.00 PLN[1]
1993	363.09[1]
1994	495.69[1]
1995	660.82[1]
1996	829.35[1]
1997	1,030.14[1]
1998	1,214.22[1]
1999	1,327.44
2000	1,540.20
2001	1,683.27
2002	1,775.89
2003	1,862.62
2004	1,829.24
2005	1,903.03
2006	1,997.20
2007	2,059.92
2008	2,275.37
2009	2,578.26
2010	2,716.71
2011	2,822.66
2012	2,974.69
2013	3,084.84
2014	3,191.93
2015	3,308.33
2016	3,408.62
2017	3,536.87
2018	3,731.13
2019	4,033.88
2020	4,294.67
2021	4,512.41
2022	4,944.79

Notes:
- PLN represents the ISO code for Polish złoty, the official currency of Poland
- [1] Values imputed as a fixed percentage of average national wage for the policy period 1992-1998. Fixed percentages applied: 100% in 1992, 91% in 1993, 93% in 1994, 94% in 1995, 95% in 1996, 97% in 1997, and 98% in 1998.

Source: ZUS (2020), for values of average national wage between 1992 and 1998; ZUS (2019a), for official values of the base amount by year from 1999.

Table 4: Change in Contribution Period to Calculate Pension Benefits by Year

Year	Duration	Number of best consecutive years
Before 1993	12	3
1993	13	4
1994	14	5
1995	15	6
1996	16	7
1997	17	8
1998	18	9
1999	19	10
2000 - present	20	10

Sources: Journal of Laws (1991) - Art. 7.

Formula 2: Assessment Basis Formula (DB system)

$$AB_{i,t_c} = NAW_{t_c-1} \times \max\left(AR_{i,t_c}, 2.5\right)$$

- AB_{i,t_c} = Assessment basis of individual i at time of claiming benefits t_c
- NAW_{t_c-1} = National average wage in the year preceding claiming benefits $t_c - 1$ —See Table 3 for values by year
- AR_{i,t_c} = Assessment ratio

The assessment ratio is defined as follows:

$$\max_{s \in [t_i^0, t_c - d(t_c)]} \left\{ \frac{1}{n(t_c)} \times \sum SUBSET_i\big(s, d(t_c), n(t_c)\big) \right\}$$

Where:

- t_i^0 = Year individual i started contributing to Poland's social insurance system
- $d(t_c)$ = Duration period, measured in years, used to identify best earnings years:
  - Option (i): Fixed duration period based on year benefits are claimed, t_c; See Table 4 for values by policy year
  - Option (ii): Whole insurance period
- $n(t_c)$ = Number of consecutive earning years used in computing the assessment base
  - Option (i): Fixed number of earning years based on year benefits are claimed, t_c; See Table 4 for values by policy year
  - Option (ii): 20 years
- NAW_s = national average wage in year s —See Table 3 for values by year
- $EARN_{i,s}$ = Individual i's average monthly earnings in year s
- $\overline{EARN}_{i,s} = \max\{EARN_{i,s}, 2.5 \times NAW_s\}$ = Individual i's average monthly earnings in year s used in benefit computation are capped at 250% of AW_s
- $SUBSET_i\big(s, d(t_c), n(t_c)\big)$ = Individual i's subset of $n(t_c)$ years with the greatest values during the years s to $s + d(t_c) - 1$ (total of $d(t_c)$ years) drawn from the following set:

$$\left\{ \frac{\overline{EARN}_{i,s}}{NAW_s}, \frac{\overline{EARN}_{i,s+1}}{NAW_{s+1}}, \ldots, \frac{\overline{EARN}_{i,s+d(t_c)-1}}{NAW_{s+d(t_c)-1}} \right\}$$

Source: ZUS (2019b).

Table 5: Monthly Minimum Pension

Period	Value
April 1, 1992 - August 30, 1992	84.91 PLN
September 1, 1992 - November 30, 1992	92.75
December 1, 1992 - February 29, 1992	108.15
March 1, 1993 - November 30, 1993	123.13
December 1, 1993 - May 31, 1994	140.00
June 1, 1994 - November 30, 1994	176.01
December 1, 1994 - February 28, 1995	213.96
March 1, 1995 - November 30, 1995	243.40
December 1, 1995 - August 30, 1996	279.69
September 1, 1996 - February 28, 1997	322.20
March 1, 1997 - August 30, 1997	346.41
September 1, 1997 - February 28, 1998	374.63
March 1, 1998 - August 30, 1998	394.30
September 1, 1998 - May 31, 1999	415.00
June 1, 1999 - May 31, 2000	451.11
June 1, 2000 - May 31, 2001	470.51
June 1, 2001 - May 31, 2002	530.26
June 1, 2002 - February 28, 2003	532.91
March 1, 2003 - February 29, 2004	552.63
March 1, 2004 - February 28, 2005	562.58
March 1, 2005 - February 28, 2006	562.58
March 1, 2006 - February 28, 2007	597.46
March 1, 2007 - February 29, 2008	597.46
March 1, 2008 - February 28, 2009	636.29
March 1, 2009 - February 28, 2010	675.10
March 1, 2010 - February 28, 2011	706.29
March 1, 2011 - February 29, 2012	728.18
March 1, 2012 - February 28, 2013	799.18
March 1, 2013 - February 28, 2014	831.15
March 1, 2014 - February 28, 2015	844.45
March 1, 2015 - February 29, 2016	880.45
March 1, 2016 - February 28, 2017	882.56
March 1, 2017 - February 28, 2018	1,000.00
March 1, 2018 - February 28, 2019	1,029.80
March 1, 2019 - February 29, 2020	1,100.00
March 1, 2020 - February 28, 2021	1,200.00
March 1, 2021 - February 28, 2022	1,250.88

Notes:

- PLN represents the ISO code for Polish złoty, the official currency of Poland

Source: Authors' collection of data deriving from publications of Announcements of the President of the Social Insurance Institution, published yearly in Monitor Polski by ZUS [Zakład Ubezpieczeń Społecznych - Social Insurance Institution], 1992-2022.

Formula 3: Initial Capital Amount in 1999 (Post-1998 Reform, NDC System)

$$IC_{i,1999} = \left\{ \text{min} \left\{ BS_t \times 0.24 + AB_{i,t_c} \times (n_{i,1999} \times 0.013 + m_{i,1999} \times 0.007), AB_{i,t_c} \right\} \right\} \times 209$$

- $IC_{i,1999}$ = Initial capital in 1999 of individual i
- BS_t = Base amount is equal to 100% of the national average wage from the preceding calendar year, reduced by the compulsory social insurance contributions deducted from earnings of the person insured. The base amount is fixed and established by law from March 1 of every year - see yearly values in Table 3.
- AB_{i,t_c} = Assessment basis (see *Benefits* section and Formula 2 for calculation details). The maximum assessment basis is also capped at 250% of the national average wage in Table 1.
- $n_{i,1999}$ = number of contributory years accrued until 1999
- $m_{i,1999}$ = number of non-contributory years until 1999 (cannot account for more than one-third of total years)

Source: ZUS (2019b).

Table 6: Pension Contributions Adjustment Factors for Individual Years

Year	Adjustment Factor
1999	1.0000
2000	1.1272
2001	1.0668
2002	1.0190
2003	1.0200
2004	1.0363
2005	1.0555
2006	1.0690
2007	1.1285
2008	1.1626
2009	1.0722
2010	1.0398
2011	1.0518
2012	1.0468
2013	1.0454
2014	1.0206
2015	1.0537
2016	1.0637
2017	1.0868
2018	1.0920
2019	1.0894
2020	1.0541

Source: ZUS (2021)

Formula 4: Old-age Pension Benefit (NDC System, Post-1998 Reform, 1999-2010)

$$B_{OA(NDC),i,t,t_c} = \frac{\left[\left(\sum_{s=t^{i0}}^{t_c-1}(C_{i,s} \times CADJ_s) + IC_{i,1999} \times CADJ_{1999}\right) + OFE_{i,t_c}\right]}{\text{g-value}_{\ t_c}} \times BADJ_{t,t_c}$$

- $B_{OA(NDC),i,t,t_c}$ = Monthly old-age pension benefit paid to individual i at time t if claimed at time $t_c \leq t$
  - If $B_{OA(NDC),i,t,t_c} < MIN_i$ and all full qualifying contribution requirements are met, then $B_{OA(NDC),i,t,t_c} = MIN_i$, where MIN_i is the minimum pension benefit specified in Table 5
- t^{i0} = Year individual i started contributing to Poland's NDC social insurance system (1999, for individuals born before January 1, 1949)
- $C_{i,s}$ = Non-discretionary contributions of individual i towards the main ZUS account in year $s \geq 1999$, until the year prior to start claiming benefits $t_c - 1$.
- $CADJ_s$ = Cumulative product of contribution-adjustment factors S_n in year n ≥1999. Formally, the cumulative ajustment factor of contributions is calculated as follows:

$$CADJ_s = \prod_{n=s+1}^{t_c} (S_n)$$

  Where:

  - S_n: Contribution adjustment factor in year n —See yearly values in Table 6
  - $s = 1999$ for adjustments of the initial capital $IC_{i,1999}$
- $IC_{i,1999}$ = Initial capital in 1999 of individual i; see Formula 3 for calculation details.
- OFE_{i,t_c} = Funds credited to the OFE account of individual i at the time of claiming t_c
- $g - value_{t_c}$ = Average life expectancy for persons of an age equal to the retirement age of the insured person concerned, expressed in months, according to tables published by the Central Statistical Office
- $BADJ_{t,t_c}$ = Cumulative product of benefit-adjustment factors R_t between period t_c, when benefits were initially claimed, and current period t. Formally, the cumulative ajustment factor of benefits after claiming ($t \geq t_c$) is calculated as follows:

$$BADJ_{t,t_c} = \begin{cases} \prod_{s=t_c}^{t}(R_s) & \text{if } t > t_c \\ 1 & \text{if } t = t_c \end{cases}$$

  Where:

  - R_s: Benefit adjustment factor in year s —Values are **yet to be identified**; see *Benefit adjustment section* for further details.

Source: ZUS (2019b).

Formula 5: Inheritable Funds from OFE or ZUS-SUB Accounts of the Deceased Individual

$$OFE_{i,t_c,d} = \text{max}\left(OFE_{i,t_c} - \frac{OFE_{i,t_c}}{g - value} \times (AGE_{i,d} - AGE_{i,t_c}), 0\right)$$

- $OFE_{i,t_c,d}$ = Residual funds from OFE account of individual i, who claimed old-age pension benefits in time t_c and died in time d, which are inheritable by individual i's heirs
- OFE_{i,t_c} = Funds accumulated in individual i's OFE account at the time of claiming t_c
- $g - value_{t_c}$ = Average life expectancy for persons of an age equal to the retirement age of the insured person concerned, expressed in months, according to tables published by the Central Statistical Office
- $AGE_{i,d}$ = Age of individual i at their time of death d, expressed in months
- AGE_{i,t_c} = Age of individual i at their time of benefits' claiming t_c, expressed in months

Note: After the introduction of ZUS-SUB accounts in 2011, funds in these accounts can also be inherited in the same way as OFE funds.
Source: Authors' interpretation based on inheritability of OFE funds in Journal of Laws (1997c) - Art. 82

Table 7: ZUS-SUB Pension Contributions Adjustment Factors for Individual Years

Year	Adjustment Factor
2011	1.0189
2012	1.0189
2013	1.0157
2014	1.0128
2015	1.0122
2016	1.0109
2017	1.0085
2018	1.0100
2019	1.0125
2020	1.0143
2021	1.0131

Source: ZUS (2022)

Formula 6: Old-age Pension Benefit (NDC System, Post-1998 Reform, 2011-2021)

$$B_{OA(NDC),i,t,t_c} = \frac{\left[\left(\sum_{s=t^{i0}}^{t_c-1}(C_{i,s} \times CADJ_s) + IC_{i,1999} \times CADJ_{1999} + \sum_{s=2011}^{t_c}(SC_{i,s} \times SCADJ_s)\right) + OFE_{i,t_c}\right]}{\text{g-value}_{t_c}} \times BADJ_{t,t_c}$$

- $B_{OA(NDC),i,t,t_c}$ = Monthly old-age pension benefit paid to individual i at time t if claimed at time $t_c \leq t$
  - If $B_{OA(NDC),i,t,t_c} < MIN_i$ and all full qualifying contribution requirements are met, then $B_{OA(NDC),i,t,t_c} = MIN_i$, where MIN_i is the minimum pension benefit specified in Table 5
- t^{i0} = Year individual i started contributing to Poland's NDC social insurance system (1999, for individuals born before January 1, 1949)
- $C_{i,s}$ = Non-discretionary contributions of individual i towards the main ZUS account in year $s \geq 1999$, until the year prior to start claiming benefits $t_c - 1$.
- $CADJ_s$ = Cumulative product of contribution-adjustment factors S_n in year n ≥1999. Formally, the cumulative ajustment factor of contributions is calculated as follows:

$$CADJ_s = \prod_{n=s+1}^{t_c}(S_n)$$

Where:
  - S_n: Contribution adjustment factor in year n —See yearly values in Table 6
  - $s = 1999$ for adjustments of the initial capital $IC_{i,1999}$
- $IC_{i,1999}$ = Initial capital in 1999 of individual i; see Formula 3 for calculation details.
- OFE_{i,t_c} = Funds credited to the OFE account of individual i at the time of claiming t_c
- $SC_{i,s}$ = Contributions and funds of individual i towards ZUS-SUB in year $s \geq 2011$
- $SCADJ_s$ = Cumulative product of ZUS-SUB contribution-adjustment factors V_n in year n ≥2011. Formally, the cumulative ajustment factor of contributions is calculated as follows:

$$SCADJ_s = \prod_{n=2011}^{s}(V_n)$$

Where:
  - V_n: Contribution adjustment factor in year n —See yearly values in Table 7
- $g - value_{t_c}$ = Average life expectancy for persons of an age equal to the retirement age of the insured person concerned, expressed in months, according to tables published by the Central Statistical Office
- $BADJ_{t,t_c}$ = Cumulative product of benefit-adjustment factors R_t between period t_c, when benefits were initially claimed, and current period t. Formally, the cumulative ajustment factor of benefits after claiming ($t \geq t_c$) is calculated as follows:

$$BADJ_{t,t_c} = \begin{cases} \prod_{s=t_c}^{t}(R_s) & \text{if } t > t_c \\ 1 & \text{if } t = t_c \end{cases}$$

Where:
  - R_s: Benefit adjustment factor in year s —Values are **yet to be identified**; see *Benefit adjustment section* for further details.

Note:

- Contributions made to OFE funds by the individual who has chosen to contribute to OFE funds are progressively shifted from the individual's OFE account to the their ZUS-SUB account twice a year during the 10-year period prior to the individual's expected retirement year.
- ZUS-SUB accounts have been active since May 1, 2011 —Adjustment factors for 2011 refer to the adjustment accounting for the third and fourth quarter of 2011.

Source: ZUS (2019b).

Table 8: Statutory Retirement Age Increase After Act of May 11, 2012

Birth Date	Men	Women
Before January 1948	65	60
January 1948 - March 1948	65 and 1 month	60
April 1948 - June 1948	65 and 2 months	60
July 1948 - September 1948	65 and 3 months	60
October 1948 - December 1948	65 and 4 months	60
January 1949 - March 1949	65 and 5 months	60
April 1949 - June 1949	65 and 6 months	60
July 1949 - September 1949	65 and 7 months	60
October 1949 - December 1949	65 and 8 months	60
January 1950 - March 1950	65 and 9 months	60
April 1950 - June 1950	65 and 10 months	60
July 1950 - September 1950	65 and 11 months	60
October 1950 - December 1950	66	60
January 1951 - March 1951	66 and 1 month	60
April 1951 - June 1951	66 and 2 months	60
July 1951 - September 1951	66 and 3 months	60
October 1951 - December 1951	66 and 4 months	60
January 1952 - March 1952	66 and 5 months	60
April 1952 - June 1952	66 and 6 months	60
July 1952 - September 1952	66 and 7 months	60
October 1952 - December 1952	66 and 8 months	60
January 1953 - March 1953	66 and 9 months	60
April 1953 - June 1953	66 and 10 months	60 and 1 month
July 1953 - September 1953	66 and 11 months	60 and 2 months
October 1953 - December 1953	67	60 and 3 months
January 1954 - March 1954	67	60 and 4 months
April 1954 - June 1954	67	60 and 5 months
July 1954 - September 1954	67	60 and 6 months
October 1954 - December 1954	67	60 and 7 months
January 1955 - March 1955	67	60 and 8 months
April 1955 - June 1955	67	60 and 9 months
July 1955 - September 1955	67	60 and 10 months
October 1955 - December 1955	67	60 and 11 months
January 1956 - March 1956	67	61
April 1956 - June 1956	67	61 and 1 month
July 1956 - September 1956	67	61 and 2 months
October 1956 - December 1956	67	61 and 3 months
January 1957 - March 1957	67	61 and 4 months
April 1957 - June 1957	67	61 and 5 months
July 1957 - September 1957	67	61 and 6 months
October 1957 - December 1957	67	61 and 7 months
January 1958 - March 1958	67	61 and 8 months
April 1958 - June 1958	67	61 and 9 months
July 1958 - September 1958	67	61 and 10 months
October 1958 - December 1958	67	61 and 11 months
January 1959 - March 1959	67	62
From October 1973	67	67[1]

Note: [1] number of values too long for table

Sources: Social Security Administration (1993 - 1999); Journal of Laws (2012).

Table 9: Statutory retirement age

Eligibility Dates	Men	Women
Before 2013	65	60
Jan-Apr 2013	65 and 1 month	60 and 1 month
May-Aug 2013	65 and 2 months	60 and 2 months
Sep-Dec 2013	65 and 3 months	60 and 3 months
Jan-Apr 2014	65 and 4 months	60 and 4 months
May-Aug 2014	65 and 5 months	60 and 5 months
Sep-Dec 2014	65 and 6 months	60 and 6 months
Jan-Apr 2015	65 and 7 months	60 and 7 months
May-Aug 2015	65 and 8 months	60 and 8 months
Sep-Dec 2015	65 and 9 months	60 and 9 months
Jan-Apr 2016	65 and 10 months	60 and 10 months
May-Aug 2016	65 and 11 months	60 and 11 months
Sep-Dec 2016	66	61
After 2016	65	60

Sources: Social Security Administration (1993 - 1999); Journal of Laws (2012); Journal of Laws (2017).

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Glossary of terms

This section summarizes key definitions from the main text. To facilitate switching back and forth, this document is designed with hyperlinks. Most PDF readers have shortcuts that permit a reader to return to the previous location after selecting a hyperlink. In Adobe Acrobat on a PC: "Alt" + "←"; In Adobe Acrobat on a MAC: "command" + "←"; In Preview on a MAC: "command" + "[".

Adjusted Initial Capital: Notional capital based on contributions made to the social insurance system before 1999. ZUS sets the initial capital for each insured person born after December 31, 1948, for whom a social insurance contribution has been paid before 1999.

Annuitable System: A pension system that provides a periodic payment for life after the benefit begins.

Assessment Basis: Average earnings for contribution purposes, calculated on a set number of consecutive years over a set period of time.

Base Amount: National average wage from the preceding calendar year, reduced by the compulsory social insurance contributions deducted from earnings of the persons insured. Its value is fixed and is established by law every year.

Benefit Class: In Poland, we define as benefit class a specific cohort in which all individuals share the same eligibility rules for starting to claim pension benefits. We have defined 3 different benefit classes depending on birth year: (i) Class 1: Individuals born before 1949; (ii) Class 2: Individuals born between 1949 and 1968; (iii) Class 3: Individuals born on or after 1969

Cash Balance System: A pension system that provides each individual an account that is drawn down over time.

Claimable Benefit: A benefit where the beneficiary must actively file a claim for benefits with the government's administering authority.

Class 1: Workers born before January 1, 1949. These workers have their old-age benefit determined by the DB system.

Class 2: Workers born between January 1, 1949 and December 31, 1968. These workers have their old-age benefit determined by the combined NDC system. However, their participation to OFE funds was voluntary: these workers had until December 31, 1999 to choose whether to allocate part of their contributions to OFE funds, or to contribute only to their main ZUS account in the NDC system.

Class 3: Workers born on or after January 1, 1968. These workers have their old-age benefit determined by the NDC system. Their contributions to OFE funds were mandatory until 2014. From 2014 onwards, these workers are automatically opted out of these funds; however, they can decide to opt in and contribute to them at any moment.

Contributory Periods: Periods during which social insurance contributions are paid.

Cost-of-Living Adjustments (COLA): Adjustments after an individual begins receiving benefits that increase benefit payments, typically in line with consumer prices or average earnings.

Defined Benefit system (DB): An old-age benefit system where a worker's benefits paid at retirement are based on a defined formula typically consisting of contribution years, a measure of final average earnings and a multiplier (sometimes known as an accrual factor).

Defined Contribution system (DC): An old-age benefit system where a worker's contributions earn a rate of return determined by the market returns, which includes investment gains or losses, minus any investment and administrative fees. At retirement, the accumulated contributions and returns are converted into a lifetime monthly benefit.

Discretionary (Mandatory) Contributions: Fraction of mandatory contributions for which the worker has discretion over investment choices and can choose how to allocate their accumulated funds based on their level of risk.

Earliest eligibility: Earliest age and/or years of contributions required to be eligible to start receipt of a particular type of benefit. Earliest eligibility is the same as statutory eligibility in countries where there is no benefit penalty for claiming before the statutory retirement age.

Eligibility Track: Requirements for an individual to start receiving an unreduced old-age pension benefit. An individual typically must satisfy only one eligibility track.

Eligibility Track D: Eligibility track based on age and contribution requirements for individuals deemed as unable to work. Until December 31, 1998, this eligibility track was available only to people deemed as incapacitated to work. After January 1, 1999, access to this eligibility track was expanded to include both individuals deemed incapable of work and incapacitated to work caused by accidents on work.

Latest claiming age: Latest age where a benefit may be claimed such that benefit payments are increased as an incentive for delaying the start of benefits past the statutory retirement age. Latest claiming age is the same as statutory retirement age in countries where there is no benefit to delayed claiming. Not applicable for non-claimable benefits.

Lump Sum Benefit: A pension system that provides an individual with a one-time or limited number of payments. Lump sum benefits are distinct from annuitable or cash balance benefits because they do not continue past a specified time frame. Lump sum benefits use varies by country, but they are sometimes used as death benefits, incentives to delay claiming, or payments to individuals with an insufficient contribution history to be eligible for annuitable benefits.

Main ZUS account: A special-purpose state account administered by ZUS, in which the individual has their own account that reflects their share of mandatory non-discretionary contributions to the NDC public old-age benefit system. After 2011, this account also reflects a portion of their share of mandatory discretionary contributions to the funded DC system.

National Average Wage: Average wage in the national economy, expressed in pre-tax (gross) terms

National Income Measure: In some pension systems, the benefit is dependent on a national income measure, such as average wages. We indicate a pension system depends on the national income measure if the benefit paid is determined by a national income measure (as opposed to an individual's earnings history). For example, the benefit level for the United Kingdom Basic State Pension depends on a level set by the government and does not depend on an individual's earnings. This distinction does not include systems that adjust annual benefits based on a national income measure or index past earnings using a national income measure.

Non-Contributory Periods: Periods during receipt of sickness benefit, parental leave, university study, caring for a dependent person. Limits exist on the length of noncontributory periods that may count towards contribution requirements: non-contributory periods cannot exceed 1/3 of the contributory periods.

Non-Discretionary (Mandatory) Contributions: Fraction of mandatory contributions for which the worker does not have discretion on investment choices.

Notional Defined Contribution system (NDC): An old-age benefit system where a worker's contributions earn a rate of return determined by the government. At retirement, the accumulated contributions and returns are converted into a lifetime monthly benefit. The system is notional in that a worker does not have an individual account accruing returns, just a commitment from the government to provide the benefits as designed.

Open Pension Funds (Otwarty Fundusz Emerytalny - OFE): Open Pension Funds are privately-managed pension funds introduced by the 1999 NDC reform. Workers have discretion in choosing an OFE fund of their choice depending on their risk profile, and they can open an account that accrues their mandatory discretionary contributions. Returns on contributions depend on financial market returns on the assets held by each individual fund. Contributions to these funds was mandatory until 2014. After 2014, workers can choose voluntarily to direct part of their mandatory discretionary contributions to one of these funds.

Progressive Benefit: A benefit is progressive if people with lower earnings have a greater replacement rate for their contributions.

Qualified Benefit: A benefit is qualified if an individual must continue to meet certain standards, such as a means test, to continue receipt of benefits.

Social Insurance Institution (Zakład Ubezpieczeń Społecznych - ZUS): Polish state social insurance agency

Statutory Retirement Age (SRA): The age at which individuals are eligible to receive their full benefit. In the United States, this is known as the normal retirement age. In the United Kingdom, this is known as the state pension age.

ZUS Sub-Account (ZUS-SUB): Special purpose accounts within the NDC system different from the individual's main ZUS account. They were created in 2011 to accrue a fraction of mandatory non-discretionary contributions to the NDC system.

Version information

Current Version: 2.2 (August 2023)

Version History

- 1.0 (March 2021): First version
- 2.0 (July 2022): Substantial revision of all content
- 2.1 (Nov. 2022): Minor revision correcting the cap on earnings subject to social insurance contribution - previously noted it was from 300% of national average wages from 2008. Corrected to a constant 250% throughout the policy period
- 2.2 (August 2023): Updated formatting

Additional resources

The following resources provide additional details for the interested reader:

Centralny Urząd Statystyczny Official Website - Website of the Polish Central Statistical Office. Available at: https://stat.gov.pl/
Features: Official webpage of the Polish Central Statistical Office, including information on average life expectancy tables for benefit calculation purposes, data on pension payments, and more.

ZUS (Zakład Ubezpieczeń Społecznych) Official Website - Pensions. Available at: https://www.zus.pl/swiadczenia/emerytury
Features: Official webpage of ZUS, Poland's Social Security System, including detailed descriptions on eligibility rules, benefits' calculation, and more.

ZUS (Zakład Ubezpieczeń Społecznych) Official Website - Determining the basis for calculating social security contributions. Available at: https://www.zus.pl/pracujacy/system-ubezpieczen-spolecznych-w-polsce/ustalanie-podstawy-wymiaru-skladek-na-ubezpieczenia-spoleczne
Features: Official webpage of ZUS, Poland's Social Security System, including further information on the sources of income included in the assessment of social contributions.

ZUS (Zakład Ubezpieczeń Społecznych) Official Website - Exceeding the annual basis for assessing contributions for retirement and disability pension insurance. Available at: https://www.zus.pl/firmy/rozliczenia-z-zus/30-krotnosc
Features: Official webpage of ZUS, Poland's Social Security System, including further information on limits on yearly earnings for pension contributions purposes.