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Gateway Policy Explorer: Retirement Series

Republic of Korea

Public Own Old-Age Benefit Plan Details

1992-2022

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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.

Republic of Korea

Own Old-Age Benefits
Plan details 1992-2022 * †

The National Pension Scheme (NPS) was established in January 1988 for employees in workplaces with more than 10 employees. Through January 2006, enrollment was gradually expanded until the NPS became a nationwide public pension for all workplaces with limited exceptions. The NPS is an earning-related scheme with a progressive formula, since benefits are based on both individual earnings and the average earnings of the insured as a whole.

Key Dates

First law: 1986

Major changes since 1992: 1999, 2007

Initially, NPS was a very generous scheme with low contribution rates: 70% pre-retirement income replacement rate with 40 contribution years and annual contributions equal to 3% of an employee's pay. Several reforms during this time period reduced benefit levels and increased benefit eligibility ages and contribution rates. As of 2020, the NPS is designed to provide a 40-50% pre-retirement income replacement rate with 40 contribution years and annual contributions equal to 9% of an employee's pay. As the system is still relatively young, most beneficiaries have less than 40 contribution years, so it generally provides lower benefits but they should increase over time as the system matures.

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* 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" + "[".

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Chapter 1: Policy enacted 1992-1998

Overview

The National Pension Scheme (NPS) was established in January 1988 for employees in workplaces with more than 10 employees and the coverage extended in January 1992 to workplaces employing five or more workers, and in 1995 to farmers, fishermen, and the self-employed with special conditions.

The NPS is an earning-related scheme with a progressive formula, since benefits are based on both individual earnings and the average earnings of the insured as a whole. To qualify for full benefits, a person must be at least 60 years old (as of 1992) and have made at least ten years of contributions. Reduced benefits can be obtained at the age of 55 (as of 1992).

There are also special occupation pensions including the Government Employees Pension, the Military Personnel Pension and the Private School Teachers Pension schemes. These are not covered in this document.

Contributions

- **Employee contribution rate**

The employee rate was 1.5% of an employee's standard monthly income in 1992 and increased intermittently over this time period from 1.5% in 1992 to 2.0% in 1993, to 3.0% in 1998. See [Table 1](#) for employee contribution rates by time period.

Standard monthly income has a lower and upper limit (see [Table 2](#) for these limits by time period). If an employee's pay falls below the lower limit, then their standard monthly income is the lower limit. If an employee's pay exceeds the upper limit, then their standard monthly income is the upper limit.

Note: Contributions can be exempted for subscribers with reduced or no income (due to unemployment, business failures, long-term hospitalization, natural disasters, etc).

- **Employer contribution rate**

Increasing intermittently from 1.5% of an employee's standard monthly income in 1992, to 4.0% in 1993, to 6.0% in 1998. See [Table 1](#) for contribution rates by time period and see employee's contribution section for definition of standard monthly income.

- **Self-employed contribution rate**

3% of standard monthly income (Once self-employed and individuals in rural areas began to be covered by NPS in July 1995)

Standard monthly income has a lower and upper limit (see [Table 2](#) for these limits by time period). If a self-employed individual's income falls below the lower limit, then their standard monthly income is the lower limit. If a self-employed individual's income exceeds the upper limit, then their standard monthly income is the upper limit.

Eligibility

Age requirements to start benefits without penalty

- **Statutory retirement age (SRA)**

Age 60

- **Does SRA vary by birth year?** Answer: No

- **Does SRA vary by sex?** Answer: No

Contribution requirements to be eligible to receive benefit

There is one main eligibility track to qualify for an old-age pension benefit based on age and years of contribution to [NPS](#).

Main Eligibility Track

A worker qualifies to start their old-age benefit if they satisfy all of the following conditions —

- Age requirement: Age 60
- Contribution requirement: 10 NPS contribution years

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

- Can an individual start benefits before SRA? Answer: Yes

- **Earliest eligibility**

There is one main eligibility track to qualify for a reduced old-age pension benefit before eligibility for full benefits.

Main Eligibility Track

A worker qualifies to start their old-age benefit at a reduced rate if they satisfy all of the following conditions —

- Age requirement: Age 55
- Contribution requirement: 10 NPS contribution years
- Other requirements: No longer engaged in gainful activity
- See the subsection **Adjustments for starting benefits before SRA (Early claiming or retirement)** within the **Benefits** section for details on the penalty applied for claiming at earliest eligibility.

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
- Does the benefit entitlement depend on the individual's own contribution/work history? Answer: Yes
- Does the benefit entitlement depend on **national income**? Answer: Yes
- 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: No
- Does an individual receive credits for unemployment? Answer: No
- Are future benefit entitlements adjusted for **cost of living**? Answer: Yes
- If so, what measure is used for adjustment?

CPI

Benefit formula for claiming at SRA

The NPS old-age benefit amount is based on the basic pension amount (BPA). The BPA during this time period is intended to replace 70% of pre-retirement income with 40 years of contribution (this assumes the rules for calculating this benefit remained stable over those 40 years). The BPA consists of three parts: a multiplier, a function of the years of contribution, and the sum of the average covered monthly earnings of all insured persons in the 3 years immediately preceding the year in which a pension is first payable and the average covered monthly earnings of the insured person over the entire contribution period (indexed for inflation). See [Formula 1](#) for the computation of BPA.

Main Eligibility Track

For persons satisfying the main eligibility track, the old-age pension benefit amount corresponds to the the BPA if claimed on or after the SRA with at least 20 years of contribution. See [Formula 2](#) for the computation of the old-age pension benefit amount.

Important reference tables include:

- Average monthly income and A-value by year: [Table 3](#)
- Benefit coefficient by subscription year: [Table 4](#)

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

- Are benefits reduced for starting benefits before SRA? Answer: Yes
- Is so, what is the **earliest eligibility**?

There is one main eligibility track to qualify for a reduced old-age pension benefit before eligibility for full benefits.

Main Eligibility Track

A worker qualifies to start their old-age benefit at a reduced rate if they satisfy all of the following conditions —

- Age requirement: Age 55
- Contribution requirement: 10 NPS contribution years

- Other requirements: No longer engaged in gainful activity

- **Adjustment formula**

Main Eligibility Track

For persons satisfying the conditions to start benefits before eligibility for the full benefit, the reduced amount is based on the insured's [BPA](#) and adjusted according to the insured's age when the pension is first paid (70% to 94% of the old-age pension). See [Formula 2](#) for adjustments to the old-age pension benefit for claiming early and [Table 5](#) for adjustment rates by years to [SRA](#).

Note: The early old-age pension stops if the pensioner is engaged in gainful activity before [SRA](#).

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**

Main Eligibility Track

Persons eligible for full benefits based on the main eligibility track but who are engaged in gainful activity with monthly taxable income exceeding the average indexed monthly wage, known as the A-value, have their benefits reduced or eliminated. See [Table 3](#) for historical A-values.

The reduced pension benefit, known as the “active old-age pension benefit”, is based on the insured's old-age pension entitlement. That benefit amount is reduced according to the insured's current age. If a working individual had claimed their benefit at [SRA](#), 50% of an individual's old age pension benefit is paid at [SRA](#). This rate increases by 10% per year until five years after [SRA](#), at which point 100% of the old-age pension benefit is paid. See the computation in [Formula 3](#) and [Table 6](#) for reference values.

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

Chapter 2: Policy enacted 1999-2006

Policy change in 1999

Law No. 5623 ([Ministry of Legislation, 1998](#)), enacted Dec. 31, 1998 and effective from 1999, made the following substantial reforms to old-age benefits:

- Compulsory coverage expanded to urban areas and benefits
- The benefit formula was reduced from a targeted pre-retirement income replacement of 70% to 60% for someone contributing for 40 years and earning the average income over that period.

Other reforms during this period

- From 2003 to 2006, presidential decrees further expanded compulsory coverage to include corporations and workplaces with less than five full-time employees

Overview

The National Pension Scheme (NPS) was established in January 1988. By 1999, it covered for employees in workplaces with 5 or more employees, all wage employees in urban area, and farmers, fishermen, and self-employed with special conditions. From July 2003 to January 2006, compulsory enrollment was expanded to employees in workplaces with less than five workers and the NPS virtually became a nationwide public pension for all workplaces.

The NPS is an earning-related scheme with a progressive formula, since benefits are based on both individual earnings and the average earnings of the insured as a whole. To qualify for full benefits, a person must be at least 60 years old (as of 1999) and have made at least ten years of contributions. Reduced benefits can be obtained at the age of 55 (as of 1999).

There are also special occupation pensions including the Government Employees Pension, the Military Personnel Pension and the Private School Teachers Pension schemes. These are not covered in this document.

Contributions

• Employee contribution rate

In April 1999, the employee rate increased from 3.0% to 4.5% of an employee's standard monthly income. See [Table 1](#) for historical employee contribution rates by time period. The total of employer and employee contributions remained 9.0% of employee pay.

Standard monthly income has a lower and upper limit (see [Table 2](#) for these limits by time period). If an employee's pay falls below the lower limit, then their standard monthly income is the lower limit. If an employee's pay exceeds the upper limit, then their standard monthly income is the upper limit.

Note: Contributions can be exempted for subscribers with reduced or no income (due to unemployment, business failures, long-term hospitalization, natural disasters, etc).

• Employer contribution rate

In April 1999, the employer rate decreased from 6.0% to 4.5% of an employee's standard monthly income (see employee's contribution section for definition of standard monthly income). See [Table 1](#) for historical contribution rates. The total of employer and employee contributions remained 9.0% of employee pay.

• Self-employed contribution rate

Increasing gradually from 3.0% of standard monthly income before July 2000 to 9.0% after June 2005. See [Table 7](#) for details.

Standard monthly income has a lower and upper limit (see [Table 2](#) for these limits by time period). If a self-employed individual's income falls below the lower limit, then their standard monthly income is the lower limit. If a self-employed individual's income exceeds the upper limit, then their standard monthly income is the upper limit.

Eligibility

Age requirements to start benefits without penalty

- **Statutory retirement age (SRA)**
Age 60
- **Does SRA vary by birth year?** Answer: No
- **Does SRA vary by sex?** Answer: No

Contribution requirements to be eligible to receive benefit

There is one main eligibility track to qualify for an old-age pension benefit based on age and years of contribution to [NPS](#).

Main Eligibility Track

A worker qualifies to start their old-age benefit if they satisfy all of the following conditions —

- Age requirement: Age 60
- Contribution requirement: 10 NPS contribution years

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

- **Can an individual start benefits before SRA?** Answer: Yes
- **Earliest eligibility**

There is one main eligibility track to qualify for a reduced old-age pension benefit before eligibility for full benefits.

Main Eligibility Track

A worker qualifies to start their old-age benefit at a reduced rate if they satisfy all of the following conditions —

- Age requirement: Age 55
- Contribution requirement: 10 NPS contribution years
- Other requirements: No longer engaged in gainful activity
- **See the subsection *Adjustments for starting benefits before SRA (Early claiming or retirement)* within the *Benefits* section for details on the penalty applied for claiming at earliest eligibility.**

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
- **Does the benefit entitlement depend on the individual's own contribution/work history?** Answer: Yes
- **Does the benefit entitlement depend on [national income](#)?** Answer: Yes
- **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: No
- **Does an individual receive credits for unemployment?** Answer: No
- **Are future benefit entitlements adjusted for [cost of living](#)?** Answer: Yes
- **If so, what measure is used for adjustment?**
CPI

Benefit formula for claiming at SRA

The [NPS](#) old-age benefit amount is based on the basic pension amount (BPA). The BPA during this time period is intended to replace 60% of pre-retirement income with 40 years of contribution (this assumes the rules for calculating this benefit remained stable over those 40 years). The BPA consists of three parts: a multiplier, a function of the years of contribution, and the sum of the average covered monthly earnings of all insured persons in the 3 years immediately preceding the year in which a pension is first payable and the average covered monthly earnings of the insured person over the entire contribution period (indexed for inflation). Previously accrued benefit entitlements at higher income replacement rates are maintained at the rates in place when the contribution was made. See [Formula 4](#) for the computation of BPA.

Main Eligibility Track

For persons satisfying the main eligibility track, the old-age pension benefit amount corresponds to the the BPA if claimed on or after the SRA with at least 20 years of contribution. See [Formula 2](#) for the computation of the old-age pension benefit amount.

Important reference tables include:

- Benefit adjustment rates for inflation by year: [Table 8](#)
- Average monthly income and A-value by year: [Table 3](#)
- Benefit coefficient by subscription year: [Table 4](#)

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

- **Are benefits reduced for starting benefits before SRA?** Answer: Yes
- **Is so, what is the earliest eligibility?**
There is one main eligibility track to qualify for a reduced old-age pension benefit before eligibility for full benefits.

Main Eligibility Track

A worker qualifies to start their old-age benefit at a reduced rate if they satisfy all of the following conditions —

- Age requirement: Age 55
- Contribution requirement: 10 NPS contribution years
- Other requirements: No longer engaged in gainful activity

- **Adjustment formula**

Main Eligibility Track

For persons satisfying the conditions to start benefits before eligibility for the full benefit, the reduced amount is based on the insured's BPA and adjusted according to the insured's age when the pension is first paid (70% to 94% of the old-age pension). See [Formula 2](#) for adjustments to the old-age pension benefit for claiming early and [Table 5](#) for adjustment rates by years to SRA.

Note: The early old-age pension stops if the pensioner is engaged in gainful activity before SRA.

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**

Main Eligibility Track

Persons eligible for full benefits based on the main eligibility track but who are engaged in gainful activity with monthly taxable income exceeding the average indexed monthly wage, known as the A-value, have their benefits reduced or eliminated. See [Table 3](#) for historical A-values.

The reduced pension benefit, known as the “active old-age pension benefit”, is based on the insured's old-age pension entitlement. That benefit amount is reduced according to the insured's current age. If a working individual had claimed their benefit at SRA, 50% of an individual's old age pension benefit is paid at SRA. This rate increases by 10% per year until five years after SRA, at which point 100% of the old-age pension benefit is paid. See the computation in [Formula 3](#) and [Table 6](#) for reference values.

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

Chapter 3: Policy enacted 2007-2022

Policy change in 2007

The National Pension Act was wholly revised in 2007 ([Act No. 8541, July 23, 2007](#)). This and subsequent reforms throughout 2008 made the following substantial reforms to old-age benefits:

- Gradually delay the age full benefits can be collected from age 60 to 65
- In 2008, reduce the targeted pre-retirement income replacement of 60% to 50% for someone contributing for 40 years and earning the average income over that period
- Between 2009-2028, gradually reduce the target replacement rate by 0.5% per year - by 2028 the target replacement rate will be 40%
- Enhanced old-age pension benefits for those with at least 10 years of contribution but less than 20
- Introduce incentives to delay starting benefit past the age full benefits can be collected
- Introduce a credit scheme for childbirth and military service

Other reforms during this period

- [Act No. 11143](#), enacted December 31, 2011 and effective from 2012, increased the incentive to delay claiming was increased from 6% per year to 7.2% per year
- [Act No. 13100](#), enacted January 28, 2015 and effective immediately, made the following reforms:
 1. The reduction in benefits received while continuing to work was reformed to depend on beneficiary's income level
 2. Introduction of unemployment credits

Overview

The National Pension Scheme (NPS) was established in January 1988. By 2007, it covered most employees in workplaces except the government, private teachers, and the military.

The NPS is an earning-related scheme with a progressive formula, since benefits are based on both individual earnings and the average earnings of the insured as a whole. To qualify for full benefits, a person must be at least 60 years old (as of 2007) and have made at least ten years of contributions. Reduced benefits can be obtained at the age of 55 (as of 2007).

There are also special occupation pensions including the Government Employees Pension, the Military Personnel Pension and the Private School Teachers Pension schemes. These are not covered in this document.

Contributions

• Employee contribution rate

4.5% of an employee's standard monthly income

Standard monthly income has a lower and upper limit (see [Table 2](#) for these limits by time period). If an employee's pay falls below the lower limit, then their standard monthly income is the lower limit. If an employee's pay exceeds the upper limit, then their standard monthly income is the upper limit.

Note: Contributions can be exempted for subscribers with reduced or no income (due to unemployment, business failures, long-term hospitalization, natural disasters, etc).

• Employer contribution rate

4.5% of an employee's standard monthly income (see employee's contribution section for definition of standard monthly income)

• Self-employed contribution rate

9.0% of standard monthly income

Standard monthly income has a lower and upper limit (see [Table 2](#) for these limits by time period). If a self-employed individual's income falls below the lower limit, then their standard monthly income is the lower limit. If a self-employed individual's income exceeds the upper limit, then their standard monthly income is the upper limit.

Eligibility

Age requirements to start benefits without penalty

- **Statutory retirement age (SRA)**
Age 60 for persons born before 1953, but gradually increasing to age 65 for persons born after 1968 —See [Table 9](#) for SRA by year
- **Does SRA vary by birth year?** Answer: Yes
- **Does SRA vary by sex?** Answer: No

Contribution requirements to be eligible to receive benefit

There is one main eligibility track to qualify for an old-age pension benefit based on age and years of contribution to [NPS](#).

Main Eligibility Track

A worker qualifies to start their old-age benefit if they satisfy all of the following conditions —

- Age requirement: Age 60 for persons born before 1953, but gradually increasing to age 65 for persons born after 1968 —See [Table 9](#) for SRA by year
- Contribution requirement: 10 NPS contribution years

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

- **Can an individual start benefits before SRA?** Answer: Yes
- **Earliest eligibility**

There is one main eligibility track to qualify for a reduced old-age pension benefit before eligibility for full benefits.

Main Eligibility Track

A worker qualifies to start their old-age benefit at a reduced rate if they satisfy all of the following conditions —

- Age requirement: Age 55 for individuals born before 1953 and rising gradually with the increase in [SRA](#) to age 60 for those born after 1968 (always 5 years before SRA) —See [Table 10](#) for earliest eligibility age by birth year
- Contribution requirement: 10 NPS contribution years
- Other requirements: No longer engaged in gainful activity
- **See the subsection *Adjustments for starting benefits before SRA (Early claiming or retirement)* within the *Benefits* section for details on the penalty applied for claiming at earliest eligibility.**

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
- **Does the benefit entitlement depend on the individual's own contribution/work history?** Answer: Yes
- **Does the benefit entitlement depend on [national income](#)?** Answer: Yes
- **Does an individual receive credits for military service (above any credits normally received for employment)?** Answer: Yes —6 months of credits if the insured completed more than 6 months of military service
- **Does an individual receive credits for number of children?** Answer: Yes —12 months of credits with two children; 18 months of credits for each additional child after two children (maximum 50 months)
- **Does an individual receive credits for unemployment?** Answer: Yes —From July 2015, credit for 75% of pension contributions (maximum 12 months) for the insured receiving unemployment benefits
- **Are future benefit entitlements adjusted for [cost of living](#)?** Answer: Yes
- **If so, what measure is used for adjustment?**
CPI

Benefit formula for claiming at SRA

The [NPS](#) old-age benefit amount is based on the basic pension amount (BPA). The BPA in 2008 was designed to replace 50% of pre-retirement income with 40 years of contribution (this assumes the rules for calculating this benefit remained stable over those 40 years), but this rate was scheduled to decline by 0.5% per year until it reached 40% in 2028, where it would remain. The BPA

consists of three parts: a multiplier, a function of the years of contribution, and the sum of the average covered monthly earnings of all insured persons in the 3 years immediately preceding the year in which a pension is first payable and the average covered monthly earnings of the insured person over the entire contribution period (indexed for inflation). Previously accrued benefit entitlements at higher income replacement rates are maintained at the rates in place when the contribution was made. See [Formula 5](#) for the computation of BPA and [Table 4](#) for reference values.

Main Eligibility Track

For persons satisfying the main eligibility track, the old-age pension benefit amount corresponds to the the BPA if claimed on or after the SRA with at least 20 years of contribution. See [Formula 6](#) for the computation of the old-age pension benefit amount.

Important reference tables include:

- Benefit adjustment rates for inflation by year: [Table 8](#)
- Average monthly income and A-value by year: [Table 3](#)
- Benefit coefficient by subscription year: [Table 4](#)

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

- **Are benefits reduced for starting benefits before SRA?** Answer: Yes
- **Is so, what is the earliest eligibility?**
There is one main eligibility track to qualify for a reduced old-age pension benefit before eligibility for full benefits.

Main Eligibility Track

A worker qualifies to start their old-age benefit at a reduced rate if they satisfy all of the following conditions —

- Age requirement: Age 55 for individuals born before 1953 and rising gradually with the increase in [SRA](#) to age 60 for those born after 1968 (always 5 years before SRA) —See [Table 10](#) for earliest eligibility age by birth year
- Contribution requirement: 10 NPS contribution years
- Other requirements: No longer engaged in gainful activity

- **Adjustment formula**

Main Eligibility Track

For persons satisfying the conditions to start benefits before eligibility for the full benefit, the reduced amount is based on the insured's [BPA](#) and adjusted according to the insured's age when the pension is first paid (70% to 94% of the old-age pension). See [Formula 6](#) for adjustments to the old-age pension benefit for claiming early and [Table 5](#) for adjustment rates by years to [SRA](#).

Note: The early old-age pension stops if the pensioner is engaged in gainful activity before [SRA](#).

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: Age 65 for individuals born before 1953 and rising gradually with the increase in [SRA](#) to age 70 for those born after 1968 (always 5 years after SRA) —See [Table 11](#) for latest claiming age by birth year
- **Adjustment formula**

Main Eligibility Track

For persons satisfying the eligibility conditions for the full benefits, the pension is increased by 6% a year (0.5% per month) before July 2012 and 7.2% a year (0.6% a month) starting July 2012 an insured individual defers their benefit beyond the [SRA](#), up to five years. See [Formula 6](#) for adjustments to the old-age pension benefit for delayed claiming.

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

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

Main Eligibility Track

Persons eligible for full benefits based on the main eligibility track but who are engaged in gainful activity with monthly taxable income exceeding the average indexed monthly wage, known as the A-value, have their benefits reduced or eliminated. See [Table 3](#) for historical A-values. The reduced pension benefit for persons working and receiving benefits, known as the “active old-age pension benefit”, changed starting July 29, 2015.

- Before July 29, 2015: The active old-age pension benefit amount is reduced according to the insured's current age. If a working individual had claimed their benefit at [SRA](#), 50% of an individual's old age pension benefit is paid at [SRA](#). This rate increases by 10% per year until five years after [SRA](#), at which point 100% of the old-age pension benefit is paid. See the computation in [Formula 7](#) and [Table 6](#) for reference values.

- From July 29, 2015: The active old-age pension benefit amount is adjusted according to the insured's age and income level. The amount paid is based on the old-age pension benefit amount adjusted for claiming age minus an amount that varies according to the insured's monthly taxable income from gainful activity. Benefits are only reduced between the individual's SRA and five years after the SRA. See the computation in [Formula 8](#) and [Table 12](#) for reference values.
- **If benefits are reduced while working, does it effect future benefits?** Answer: No

Tables and Formulas

Table 1: Contribution Rates

Contribution Period	Employee NPS contribution	Employer NPS contribution	Employer supplement contribution	Total NPS contributions
1988-1992	1.5	1.5		3.0
1993-1997	2.0	2.0	2.0	6.0
January 1998 - March 1999	3.0	3.0	3.0	9.0
April 1999 - Present	4.5	4.5		9.0

Source: Table 2-1-13 ([National Pension Corporation, 2017, p. 107](#))

Table 2: Contribution Limits

Time Period	Lower Limit	Upper Limit
November 1988 - March 1995	70,000 ₩	2,000,000 ₩
April 1995 - June 2010	220,000	3,600,000
July 2010 - June 2011	230,000	3,680,000
July 2011 - June 2012	230,000	3,750,000
July 2012 - June 2013	240,000	3,890,000
July 2013 - June 2014	250,000	3,980,000
July 2014 - June 2015	260,000	4,080,000
July 2015 - June 2016	270,000	4,210,000
July 2016 - June 2017	280,000	4,340,000
July 2017 - June 2018	290,000	4,490,000
July 2018 - June 2019	300,000	4,680,000
July 2019 - June 2020	310,000	4,860,000
July 2020 - June 2021	320,000	5,030,000
July 2021 - June 2022	330,000	5,240,000
July 2022 - June 2023	350,000	5,530,000

Source: 1988 to 2016 in Table 2-1-14 ([National Pension Corporation, 2017, p. 109](#)); since 2017, authors' collection of annual press releases related to adjustments in values (see [Ministry of Health and Welfare, 2021](#) for an example): relevant order numbers include 2017-54, 2018-54, 2019-056, 2020-066, 2021-96, 2022-71.

Formula 1: Basic Pension Amount (Before 1999)

$$BPA_{i,t} = \left(c_{1988-1998} \times (A_t + 0.75 \times B_{i,t}) \right) \times \left(1 + 0.05 \times \frac{n_{i,t}}{12} \right)$$

- $BPA_{i,t}$ = Individual i 's basic pension amount if claims benefit at time t
- A_t = Average of the average monthly income of all subscribers of NPS for three years before claiming pension benefits at time t (known as the A-value, see [Table 3](#) for historical values)
- $B_{i,t}$ = Individual i 's average standard monthly income as of time t based on income during the subscription period (known as the B-value). Income for years prior to the start of benefits are adjusted for inflation to correspond to the year prior to the start of benefits (t).
- $c_{1988-1998} = 2.4$; for benefit coefficients associated with other periods see [Table 4](#)
- $n_{i,t}$ = Individual i 's number of subscription months exceeding 240 months (i.e., 20 years) as of time t

Source: Article 47 of the National Pension Act, as amended ([Ministry of Legislation, 1986](#)); Article 34 of the Enforcement Decree of the National Pension Act, as amended ([Ministry of Legislation, 1987](#))

Note: While the elements of the basic pension amount are included in the National Pension Act, the relative valuation of A_t and $B_{i,t}$ were set in the Enforcement Decree.

Formula 2: Old-Age Pension Benefit (Prior to 2008)

$$B_{OA,i,t,t_c} = BPA_{i,t_c} \times r_i \times ADJ_{i,t_c} \times CUMINF_{t,t_c}$$

- B_{OA,i,t,t_c} = Individual i 's old-age pension benefit at time t if claimed at t_c , where $t_c \leq t$.
- BPA_{i,t_c} = Basic pension amount (see computation in [Formula 1](#) before 1999 or [Formula 4](#) between 1999 and 2007)
- r_i = Individual i 's adjustment if they qualify for the reduced old-age pension

$$r_i = \max \begin{cases} 0.05 \times (20 - n_i) - 0.025 & \text{if } n_i < 20 \\ 1 & \text{if } n_i \geq 20 \end{cases}$$

– n_i : number of i 's contribution years ($10 \leq n_i < 20$)

- ADJ_{i,t_c} = The adjustment factor for starting benefits before or after individual i 's [statutory retirement age \(SRA\)](#) based on number of years to SRA —

$$ADJ_{i,t_c} = \begin{cases} 1 - (0.05 \times y_i) & \text{if } 0 < y_i \leq 5 \\ 1 & \text{if } y_i \leq 0 \end{cases}$$

– y_i = Number of years between the age i starts benefits and i 's SRA (rounded up to the nearest year; negative values indicate starting benefits after SRA)

- $CUMINF_{t,t_c}$ = Cumulative product of inflation adjustments between current period t and period t_c when benefits were initially claimed based on consumer price index. Formally $CUMINF_{t,t_c} = \prod_{s=t_c+1}^t (1 + inf_s)$ where values for inf_t are reported in [Table 8](#) — $CUMINF_{t,t_c} = 1$ if $t \leq t_c$

Source: Article 57 of the National Pension Act, as amended ([Ministry of Legislation, 1986](#))

Table 3: Average Monthly Income and A-value by Year

Year	Average Monthly Income	A-Value
1988	0 ₩	0 ₩
1989	374,485	374,485
1990	451,308	423,569
1991	540,146	486,449
1992	619,882	581,837
1993	726,197	670,540
1994	819,687	757,338
1995	900,024	859,838
1996	943,502	931,293
1997	1,070,474	1,015,544
1998	1,216,834	1,123,185
1999	1,271,595	1,260,611
2000	1,271,595	1,290,803
2001	1,190,870	1,271,595
2002	1,290,227	1,294,723
2003	1,362,212	1,320,105
2004	1,454,522	1,412,428
2005	1,524,859	1,497,798
2006	1,586,061	1,566,567
2007	1,634,687	1,618,914
2008	1,692,766	1,676,837
2009	1,726,533	1,750,959
2010	1,779,574	1,791,955
2011	1,814,477	1,824,109
2012	1,882,336	1,891,771
2013	1,955,395	1,935,977
2014	2,016,894	1,981,975
2015	2,084,920	2,044,756
2016	2,159,703	2,105,482
2017	2,227,788	2,176,483
2018	2,319,100	2,270,516
2019	2,412,593	2,356,670
2020	2,496,548	2,438,679
2021	Unknown	2,539,734
2022	Unknown	2,681,724

Source: From 1988-2020, Table 3, Average Monthly Income, Dependents' Pension Amount & Revaluation Rate ([National Pension Service, 2021](#)); Since 2021, authors' collection of annual press releases related to adjustments in values (see [Ministry of Health and Welfare, 2022](#) for an example).

Table 4: Benefit Coefficient by Subscription Year

Year	Coefficient
1988-1998	2.400
1999-2007	1.800
2008	1.500
2009	1.485
2010	1.470
2011	1.455
2012	1.440
2013	1.425
2014	1.410
2015	1.395
2016	1.380
2017	1.365
2018	1.350
2019	1.335
2020	1.320
2021	1.305
2022	1.290
2023	1.275
2024	1.260
2025	1.245
2026	1.230
2027	1.215
2028+	1.200

Source: Article 51 of the National Pension Act and Article 20 of Addendum to the National Pension Act, Act No. 8541, July 2007 ([Ministry of Legislation, 2021](#))

Table 5: Reduction Coefficient by Claiming Age

Claim age	Coefficient (Annual)
One year before SRA	0.06
Two years before SRA	0.12
Three years before SRA	0.18
Four years before SRA	0.24
Five years before SRA	0.3

Source: Article 63 of the National Pension Act, Act No. 8541, July 2007 ([Ministry of Legislation, 2021](#))

Formula 3: Active Old-Age Pension (before 2008)

$$B_{OA(work),i,t,t_c} = \begin{cases} 0 & \text{if } claim_i < SRA_i \\ B_{OA,i,t,t_c} \times (1 - r) & \text{if } age_i \in [SRA_i, SRA_i + 4] \text{ and } claim_i \geq SRA_i \\ B_{OA,i,t,t_c} & \text{if } age_i \geq SRA_i + 5 \text{ and } claim_i \geq SRA_i \end{cases}$$

- $B_{OA(work),i,t,t_c}$ = Individual i 's benefits at time t if i works (i.e., satisfies the definition of gainfully employed in the text) and first claims benefit on or after i 's SRA.
- B_{OA,i,t,t_c} = Individual i 's old-age pension benefit at time t if benefit had been claimed at time t_c . See computation in [Formula 2](#).
- r = reduction coefficient for claiming and continuing to work (see [Table 6](#))
- $claim_i$ = Individual i 's old-age benefit claim age
- age_i = Individual i 's current age
- SRA_i = Individual i 's statutory retirement age based on i 's birth year (see [Table 9](#))

Source: Article 57 of the National Pension Act, as amended ([Ministry of Legislation, 1986](#))

Table 6: Reduction Coefficient for Working by Age

Age	Coefficient
SRA	0.5
One year after SRA	0.4
Two years after SRA	0.3
Three years after SRA	0.2
Four years after SRA	0.1
Five years after SRA	0

Source: Article 63 of the National Pension Act, as amended ([Ministry of Legislation, 2007](#)). Effective until 2015. **Note:** SRA is the statutory retirement age, which depends on birth year. See policy document *Republic of Korea Public Own Old-Age Benefit Plan Details* for additional information.

Table 7: Self-Employed Contribution Rates

Contribution Period	Self-employed NPS Contribution
July 1995 - June 2000	3.0
July 2000 - June 2001	4.0
July 2001 - June 2002	5.0
July 2002 - June 2003	6.0
July 2003 - June 2004	7.0
July 2004 - June 2005	8.0
July 2005 - Present	9.0

Source: Table 2-1-13 ([National Pension Corporation, 2017, p. 107](#))

Formula 4: Basic Pension Amount (1999-2007)

$$BPA_{i,t} = \left(c_{1988-1998} \times (A_t + 0.75 \times B_{i,t}) \times \frac{P_{i,t}^{1988-1998}}{P_{i,t}} + c_{1999-2007} \times (A_t + B_{i,t}) \times \frac{P_{i,t}^{1999 \text{ or later}}}{P_{i,t}} \right) \times \left(1 + 0.05 \times \frac{n_{i,t}}{12} \right)$$

- $BPA_{i,t}$ = Individual i 's basic pension amount if claims benefit at time t
- A_t = Average of the average monthly income of all subscribers of NPS for three years before claiming pension benefits at time t (known as the A-value, see [Table 3](#) for historical values)
- $B_{i,t}$ = Individual i 's average standard monthly income as of time t based on income during the subscription period (known as the B-value). Income for years prior to the start of benefits are adjusted for inflation to correspond to the year prior to the start of benefits (t).
- $P_{i,t}$ = Individual i 's total number of subscription months as of time t (the total number of subscription months including birth and military service credits for old-age pension benefits)
- $P_{i,t}^m$ = Individual's i 's total number of individual subscription months during the period m . For instance: $P_{i,t}^{1988-1998}$ = Total number of individual subscription months from January 1988 to December 1998.
- c_m = Benefit coefficient associated with period m (see [Table 4](#))
- $n_{i,t}$ = Individual i 's number of subscription months exceeding 240 months (i.e., 20 years) as of time t

Source: Article 47 of the National Pension Act, as amended ([Ministry of Legislation, 2007](#)); Article 34 of the Enforcement Decree of the National Pension Act, as amended ([Ministry of Legislation, 2007](#))

Note: While the elements of the basic pension amount are included in the National Pension Act, the relative valuation of A_t and $B_{i,t}$ were set in the Enforcement Decree.

Table 8: Benefit Adjustments for Inflation (1999-2020)

Year	Inflation Rate (물가변동률)	Pension Amount Change (연금액 변동률)
1999	0.8%	7.5%
2000	2.30	0.80
2001	4.10	2.30
2002	2.70	4.10
2003	3.60	2.70
2004	3.60	3.60
2005	2.70	3.60
2006	2.20	2.70
2007	2.50	2.20
2008	4.70	2.50
2009	2.80	4.70
2010	2.90	2.80
2011	4.00	2.90
2012	2.20	4.00
2013	1.30	2.20
2014	1.30	1.30
2015	0.70	1.30
2016	1.00	0.70
2017	1.90	1.00
2018	1.50	1.90
2019	0.40	1.50
2020	0.50	0.40
2021	2.50	0.50
2022		2.50

Note: Prior to 2018, the pension amount adjustment period was from April of the year to March of the following year (e.g., the 2017 value corresponds to April 2017 to March 2018). The 2018 value corresponds to payments made between April 2018 to December 2018. From 2019, the values correspond to the calendar year.

Table 9: Statutory Retirement Ages by Birth Year

Birth year	Statutory Retirement Age
1952 or earlier	60
1953 - 1956	61
1957 - 1960	62
1961 - 1964	63
1965 - 1968	64
After 1968	65

Source: Article 8 of Addendum to the National Pension Act, Act No. 8541, July 2007 ([Ministry of Legislation, 2021](#))

Formula 5: Basic Pension Amount (After 2007)

$$\begin{aligned}
 BPA_{i,t} = & \left(c_{1988-1998} \times (A_t + 0.75 \times B_{i,t}) \times \frac{P_{i,t}^{1988-1998}}{P_{i,t}} \right. \\
 & + c_{1999-2007} \times (A_t + B_{i,t}) \times \frac{P_{i,t}^{1999-2007}}{P_{i,t}} \\
 & + \sum_{k=2008}^{2027} \left(c_k \times (A_t + B_{i,t}) \times \frac{P_{i,t}^k}{P_{i,t}} \right) \\
 & + c_{2028 \text{ or later}} \times (A_t + B_{i,t}) \times \frac{P_{i,t}^{2028 \text{ or later}}}{P_{i,t}} \\
 & \left. + BC_{i,t} + MC_{i,t} + UC_{i,t} \right) \times \left(1 + 0.05 \times \frac{n_{i,t}}{12} \right)
 \end{aligned}$$

- $BPA_{i,t}$ = Individual i 's basic pension amount if claims benefit at time t
- A_t = Average of the average monthly income of all subscribers of NPS for three years before claiming pension benefits at time t (known as the A-value, see [Table 3](#) for historical values)
- $B_{i,t}$ = Individual i 's average standard monthly income as of time t based on income during the subscription period (known as the B-value). Income for years prior to the start of benefits are adjusted for inflation to correspond to the year prior to the start of benefits (t).
- $P_{i,t}$ = Individual i 's total number of subscription months as of time t (the total number of subscription months including birth and military service credits for old-age pension benefits)
- $P_{i,t}^m$ = Individual's i 's total number of individual subscription months during the period m . For instance: $P_{i,t}^{1988-1998}$ = Total number of individual subscription months from January 1988 to December 1998.
- c_m = Benefit coefficient associated with period m (see [Table 4](#))
- $BC_{i,t}$ = Individual i 's childbirth credit as of time t calculated as $X_t \times (2 \times A_t) \times \frac{C_{i,t}}{P_{i,t}}$
 - X_t = Constant at the point of acquiring the right to old-age pension benefits, among proportional constants between 1.5 and 1.2 (use coefficient values from [Table 4](#) corresponding to year benefit is claimed)
 - $C_{i,t}$ = Additional subscription periods 12, 30, 48, and 50 for 1, 2, 3, and 4 or more children, respectively (6, 15, 24, and 25 if equally divided between parents)
- $MC_{i,t}$ = Individual i 's military service credit calculated as $X \times (1.5 \times A_t) \times \frac{6}{P_{i,t}}$ as of time t
- $UC_{i,t}$ = Individual i 's unemployment credit (not to exceed 1 year) calculated as sum of the creditable uninsured months adjusted for the income replacement rate in place during the unemployed period: $\sum_{m=\text{uninsured months}} (c_m \times (2 \times A_t) \times \frac{1}{P_{i,t}})$ where the total number of months m as of time t cannot exceed 12 (*Note: this credit applies from July 1, 2015, otherwise this credit is zero*)
- $n_{i,t}$ = Individual i 's number of subscription months exceeding 240 months (i.e., 20 years) as of time t

Source: Articles 18, 19, 19-2, 51 of the National Pension Act, as amended ([Ministry of Legislation, 2021](#)); see also [NPS \(2022\)](#) for a narrative of current benefits requirements and calculation details.

Formula 6: Old-Age Pension Benefit (After 2007)

$$B_{OA,i,t,t_c} = BPA_{i,t_c} \times r_i \times ADJ_{i,t_c} \times CUMINF_{t,t_c}$$

- B_{OA,i,t,t_c} = Individual i 's old-age pension benefit at time t if claimed at t_c , where $t_c \leq t$.
- BPA_{i,t_c} = Basic pension amount (see computation in [Formula 5](#))
- r_i = Individual i 's adjustment rate if they qualify for the old-age pension

$$r_i = \max \begin{cases} 0.05 \times (20 - n_i) & \text{if } n_i < 20 \\ 1 & \text{if } n_i \geq 20 \end{cases}$$

– n_i : number of i 's contribution years ($10 \leq n_i < 20$)

- ADJ_{i,t_c} = The adjustment factor for starting benefits before or after individual i 's [statutory retirement age \(SRA\)](#) based on number of years to SRA —

$$ADJ_{i,t_c} = \begin{cases} 1 - \left(0.06 \times \text{ceiling} \left(\frac{m_i}{12} \right) \right) & \text{if } 0 < m_i \leq 60 \\ 1 & \text{if } y_i = 0 \\ 1 - \left(0.005 \times m_i \right) & \text{if } -60 \leq m_i < 0 \text{ and} \\ & \text{start benefit before July 1, 2012} \\ 1 - \left(0.006 \times m_i \right) & \text{if } -60 \leq m_i < 0 \text{ and} \\ & \text{start benefit on or after July 1, 2012} \end{cases}$$

– m_i = Number of months between the age i starts benefits and i 's SRA (negative values indicate starting benefits after SRA)

– $\text{ceiling} \left(\frac{m_i}{12} \right)$ = A function that rounds the number of months up to the nearest whole year.

- $CUMINF_{t,t_c}$ = Cumulative product of inflation adjustments between current period t and period t_c when benefits were initially claimed based on consumer price index. Formally $CUMINF_{t,t_c} = \prod_{s=t_c+1}^t (1 + inf_s)$ where values for inf_s are reported in [Table 8](#) — $CUMINF_{t,t_c} = 1$ if $t \leq t_c$

Source: Article 62 and 63 of the National Pension Act, as amended ([Ministry of Legislation, 2007, 2021](#))

Table 10: Earliest Eligibility Ages by Birth Year (with at least 10 years of coverage)

Birth year	Earliest Eligibility Age
1952 or earlier	55
1953-56	56
1957-60	57
1961-64	58
1965-68	59
After 1968	60

Source: Article 8 of Addendum to the National Pension Act, Act No. 8541, July 2007 ([Ministry of Legislation, 2021](#))

Table 11: Latest Claiming Ages by Birth Year

Birth year	Latest Claiming Age
1952 or earlier	65
1953-56	66
1957-60	67
1961-64	68
1965-68	69
After 1969	70

Source: Article 62 of the National Pension Act, Act No. 8541, July 2007 ([Ministry of Legislation, 2021](#))

Formula 7: Active Old-Age Pension (Between January 1, 2008 and July 28, 2015)

$$B_{OA(work),i,t,t_c} = \begin{cases} 0 & \text{if } claim_i < SRA_i \\ B_{OA,i,t,t_c} \times (1 - r) & \text{if } age_i \in [SRA_i, SRA_i + 4] \text{ and } SRA_i \leq claim_i \\ B_{OA,i,t,t_c} & \text{if } age_i \geq SRA_i + 5 \text{ and } SRA_i \leq claim_i \end{cases}$$

- $B_{OA(work),i,t,t_c}$ = Individual i 's benefits at time t if i works (i.e., satisfies the definition of gainfully employed in the text) and first claims benefit on or after i 's SRA.
- B_{OA,i,t,t_c} = Individual i 's old-age pension benefit at time t if benefit had been claimed at time t_c . See computation in [Formula 6](#).
- r = reduction coefficient for claiming and continuing to work (see [Table 6](#))
- $claim_i$ = Individual i 's old-age benefit claim age
- age_i = Individual i 's current age
- SRA_i = Individual i 's statutory retirement age based on i 's birth year (see [Table 9](#))

Source: Article 63 of the National Pension Act, as amended ([Ministry of Legislation, 2007](#))

Formula 8: Active Old-Age Pension (After July 28, 2015)

$$B_{OA(work),i,t,t_c} = \begin{cases} 0 & \text{if } claim_i < SRA_i \\ B_{OA,i,t,t_c} - Y_i & \text{if } age_i \in [SRA_i, SRA_i + 4] \text{ and } SRA_i \leq claim_i \\ B_{OA,i,t,t_c} & \text{if } age_i \geq SRA_i + 5 \text{ and } SRA_i \leq claim_i \end{cases}$$

- $B_{OA(work),i,t,t_c}$ = Individual i 's benefits at time t if i works (i.e., satisfies the definition of gainfully employed in the text) and first claims benefit on or after i 's SRA.
- B_{OA,i,t,t_c} = Individual i 's old-age pension benefit at time t if benefit had been claimed at time t_c . See computation in [Formula 6](#).
- Y_i = Benefit reduction amount based on i 's level of monthly income, calculated as in [Table 12](#)
- $claim_i$ = Individual i 's old-age benefit claim age
- age_i = Individual i 's current age
- SRA_i = Individual i 's statutory retirement age based on i 's birth year (see [Table 9](#))

Source: Article 63-2 of the National Pension Act, as amended ([Ministry of Legislation, 2021](#))

Table 12: Reduction Amount by the Level of Monthly Income (2015-2022)

Monthly income exceeding the national average indexed monthly wage	Amount of Benefit Reduction ($I = \min\{\text{Monthly income} - A\text{-value}, 0\}$)
Less than 1,000,000 ₩	$0.05 \times I$
1,000,000 - 2,000,000	$0.10 \times (I - 1,000,000) + 50,000$
2,000,000 - 3,000,000	$0.15 \times (I - 2,000,000) + 150,000$
3,000,000 - 4,000,000	$0.20 \times (I - 3,000,000) + 300,000$
Above 4,000,000	$0.25 \times (I - 4,000,000) + 500,000$

Source: Article 63-2 of the National Pension Act ([Ministry of Legislation, 2021](#)). Effective from 2015.

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National Pension Service (2022) 노령연금 [Old Age Pension]. Available only in Korean. As of April 19, 2022. [[Link](#)]

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” + “[”.

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

Basic pension amount (BPA): The BPA represents the old-age benefit a beneficiary is entitled to at their SRA. The BPA consists of three parts: a multiplier, a function of the years of contribution, and the sum of the average covered monthly earnings of all insured persons in the 3 years immediately preceding the year in which a pension is first payable and the average covered monthly earnings of the insured person over the entire contribution period (indexed for inflation).

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

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

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.

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.

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.

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.

National Pension Scheme (NPS): The public old-age benefit system of South Korea

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.

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.

Version information

Current Version: 1.1 (August 2023)

Version History

- 1.0 (May 2022): First version
- 1.1 (August 2023): Updated formatting

Additional resources

The following resources provide additional details for the interested reader:

National Pension Service [국민연금] (2022) *Old Age Pension* [노령연금]. Available only in Korean.

Available at: https://www.nps.or.kr/jsppage/info/easy/easy_04_01.jsp

Features: This website provides several easy-to-use website pages that walk a user through the calculation of benefits and the

eligibility rules for old-age benefits. While only available in Korean, the website can be read using the translate feature in Google Chrome.

Ministry of Legislation [법제처] (2022) *National Pension Act* [국민연금법]. Available only in Korean.

Available at: [https://www.law.go.kr/법령/국민연금법/\(18608,20211221\)](https://www.law.go.kr/법령/국민연금법/(18608,20211221))

Features: The Ministry of Legislation provides the current version of the National Pension Act, but also allows users to see previous versions and provides a comparison tool that allows users to review changes to particular articles of legislation over time. The National Pension Act was wholly revised in 2007. While only available in Korean, the website can be read using the translate feature in Google Chrome.