Pension beneficiaries
Item 5.1 of the agenda

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Menu

- ISG analysis and proposal of possible use of data on pension beneficiaries

- Countries' comments following the written consultation launched on 14 of January

- Eurostat proposals (referred to expenditure and to the number of beneficiaries)

- Early exchange of views (EEV)

ISG analysis

- In the context of the Pension Adequacy Report (PAR 2015), developing of indicators based on ESSPROS data is proposed.

- The ISG analysis proposes some possible use of data and acknowledges some limits/ constrains

- The analysis underlines the usefulness of current data – the 7 type of pensions breakdown by NMT/MT; gender

ISG analysis

- Possibility to calculate some indicators:

1) <u>Breakdown by age</u> (from the 7 types of ESSPROS pensions – split into two categories – below and above retirement age)

2) <u>Indicator on beneficiaries below the standard retirement age</u>

3) <u>Indicator on average pension payments</u> (as well as average monthly payments)

ISG analysis – breakdown by age

Below the legal retirement age ("non-standard beneficiaries"):

Beneficiaries of:
- anticipated old age pensions;
- disability pensions;
- early retirement benefits due to reduced capacity to work;
- early retirement benefits for labour market reasons.

Above the legal retirement age ("standard beneficiaries"): Beneficiaries of:
- old age pensions;
- survivors' pensions
- partial retirement pensions**.**

ISG analysis – Indicator on beneficiaries below the standard retirement age

The number of persons that receive a pension <u>before</u> reaching the legal retirement age (as described in the previous point) is linked to the total population between 50 and the legal retirement age (for example 65 years old) as follows:

$$\frac{\text{Sum of 'early retirement' beneficiaries}}{\text{Population between age 50 and legal retirement age}}$$

ISG analysis – Indicator on average pension

- The average annual pension payment: from the ESSPROS data on expenditure divided by the relevant number of pension beneficiaries.

- An average monthly pension figure is produced by dividing the annual figure by 12.

- This indicator is calculated for : all beneficiaries; and separately for the seven types of pensions - euros and PPS

Some results...

- Identification of some outliers:

- NL 7,025 euros (survivors' pension)
- BE 8 euros (anticipated old age pension)

- Outliers = inconsistencies between PB and CS

- checks will be done on regular basis when validation of data will be performed (as informed in Box 2 of the document)

Main methodological issues acknowledged during the ISG meeting

BOX 2: Quality improvements and new validation rules

1) During the next validation round, Eurostat will ask countries to clarify the reasons for the outliers emerged during the analysis of pension beneficiary data made by the ISG and the WG AGE in the framework of the preparation of the next PAR.

2) Eurostat will implement new validation checks to early detect these "outliers" in the future. Some validation rules will be based on the "average pension" (expenditure/ number of beneficiaries); others may reinforce consistency checks between different data and metadata sets, as relevant.

Countries' answers to the consultation

- The ISG analysis was submitted by Eurostat to the ESSPROS WG members for methodological and technical comments on the main statistical issues listed above.

- 17 countries replied: the issues raised confirm the methodological constraints acknowledged by the ISG:

Countries' answers to the consultation

1) Treatment of <u>double counting between categories of pension beneficiaries</u>:

grouping beneficiaries above or below the legal retirement age.

2) <u>Survivors and partial pension</u> beneficiaries are important cases: beneficiaries of these categories of pensions can cover people both above and below the retirement age.

Important under-/over-estimation of indicators may occur if this methodological issue is not tackled.

Countries' answers to the consultation

3) <u>The legal retirement age</u>:

- increasing in the coming from 60 to 65 or 67 (until 2027)
- pensionable ages differ by *gender* in many countries.
- some *special categories* the pensionable age is lower

4) The treatment of <u>beneficiaries living abroad</u> needs to be taken into account when developing indicators that use *resident* population as the denominator.

Countries' answers to the consultation

5) <u>average pension rates</u> (APR):

- 5 countries agreed with the calculation of APR

- 4 Member States agreed *under the constraints* of clear methodological remarks and footnotes

- 6 countries had negative opinion for several reasons:

       - categories of pensions considered

       - treatment of double counting

       - discrepancies in reference time between expenditure (the year flow) and beneficiaries (stock at the end of the year)

       - discrepancies with other official national statistics

       - use of the gross expenditure that is not reflecting the real purchasing power of the beneficiaries

Countries' answers to the consultation

6) Average "monthly pension" - concerns: number of payments during the year may actually exceed 12 (ex: Austria and Spain - 14 yearly payments)

7) 2 countries proposed changing of the denomination of the indicators from "average pension" to "average pension expenditure" or "average pensioners' income"

8) The coherence of the two datasets, "Core System" and "Pension Beneficiaries": essential if the two datasets are to be linked.

(Ex: Italy informed Eurostat that different data sources are being used for the two datasets mentioned above and this might have an impact on consistency. Other countries are investigating this aspect).

Countries' answers to the consultation

9) Member States are calling for a more explicit description of policy needs to which the development of such indicators based on ESSPROS data is supposed to answer.

10) Several countries underlined the need to further check the quality of some of the presented results and indicators.

Countries' answers to the consultation

BOX 1: Summary of the January 2014 consultation of ESSPROS delegates

The countries are invited to take note of the summary of the 17 answers received by Eurostat to the consultation and, if relevant, to amend/complete it.

SPC – WG AGE feedback

- the WG AGE appreciated the close co-operation with statisticians, including the proposal to further discuss the issues at the next ESSPROS Working Group.

- the information on the beneficiaries' age was considered a crucial

- since data by gender exist - linkage must exist to lead to the possibility to collect data on number of beneficiaries by age.

- due to the political sensitivity of results it was proposed to use national data sources for more detailed information on average pension entitlements (old age pension, survivors pension or disability pensions).

- the potential use of the ESSPROS data will be discussed again at a later stage by the WG AGE.

Eurostat proposals for improvement

Eurostat is making a series of proposals (concerning both data on expenditure and number of beneficiaries) labelled as follows:

a) Short term - better use of data + quality

b) Medium term - more systematic provision of the supplementary optional data

c) Long term – extension of the existing framework

Eurostat proposals for improvement

BOX 3: Double counting for other groupings of "pensioners"

Long term

Feasibility for countries to calculate the number of beneficiaries without double counting for :

- Group 1 ("non-standard beneficiaries")
- Group 2 ("standard beneficiaries")

EEV – Box 3

- Out of 19 countries that participated to the EEV:

- 15 countries (BG, DE, ES, FR, IT, LV, LT, HU, MT, AT, RO, SI, SK, SE, NO, CH) mentioned that it is feasible to calculate/ estimate the double counting across the categories mentioned.
- 3 countries CY, NL and UK disagreed
- 1 country AT mentioned that further investigation need to be done.

Eurostat proposals for improvement

BOX 4: Partial pension - short term

1) Except DK, FI, RO, SI and NO confirm that their Qualitative information and Core System is up to date and that partial pensions do not exist in their social protection system?

2) Could DK, FI and RO confirm that the beneficiaries of partial pensions in their national social protection systems are partly above and partly below the standard retirement age?

EEV – Box 4

Following the consultation 5 countries replied to this question:

- BG, DE, FR and SK confirm – no partial pension

- RO confirms that part of partial pension are both below and above the standard retirement age.

Eurostat proposals for improvement

BOX 5: **Expenditure** on survivors' pension over the standard retirement age – Medium Term

Would it be feasible for the other countries (except CZ, LT and AT) to provide this optional supplementary information, on a regular basis (for example every year or every three years)?

EEV – Box 5

- 19 countries answered to this question, out of which:

- 15 countries (BG, DE, ES, FR, IT, LV, LT, HU, MT, RO, SI, SK, SE , UK and CH) mentioned that would able to provide this data using administrative sources, estimates or/ and additional human resources.

- 4 countries are not able to provide the data (CY, AT, NL and NO)

Eurostat proposals for improvement

BOX 6: **Number of beneficiaries** of survivors' pension by age – Long term

Would it be feasible for countries to provide the data on beneficiaries of survivors' pensions broken down by age, or by those below and above the legal retirement age?

EEV – Box 6

- 19 countries answered to this question, out of which:

- 17 countries (BG, DE, ES, FR, IT, CY, LV, LT, HU, MT, NL, RO, SI, SK, SE, UK and CH) mentioned that would able to provide this data using administrative sources/ surveys, estimates or even partial estimates or/and additional human resources.

- 2 countries are not able to provide the data (AT and NO)

Eurostat proposals for improvement

BOX 7: Compulsory information on legal or standard retirement age: Short Term

Countries are invited to regularly report the compulsory information on legal/standard retirement age (supplementary information "a" in the pension beneficiary questionnaire).

Eurostat proposals for improvement

BOX 8: Beneficiaries by age: Long term

Countries are invited to comment on the feasibility to collect number of beneficiaries by age or to propose other solutions to improve the split of beneficiaries by age.

EEV – Box 8

- Out of 5 countries that have answered this question:

- 4 countries BG, FR (estimated every 4 years), HU and RO could provide such data
- 1 country DE cannot

Eurostat proposals for improvement

BOX 9: Optional data on **number** of non-resident beneficiaries: Medium Term

Would it be feasible for all the countries (particularly those which do report this information: BE, DK, EE, EL, IE, FR, PL, PT, RO, SI, NO) to provide this optional supplementary data, on a regular basis (for example every year or every three years)?

EEV – Box 9

- BG, FR (estimated every 4 years) and RO answered positively this request.

Eurostat proposals for improvement

BOX 10: optional data on **expenditure** breakdown between residents and non-residents: Medium term

Would it be feasible for all the countries to provide Eurostat with an estimate of the expenditure related to non-resident beneficiaries, on a regular basis (for example every year or every three years)?

EEV – Box 10

- FR and HU can provide this expenditure

- DE and RO cannot provide data on this expenditure

Eurostat proposals for improvement

BOX 11: **Expenditure** to non-residents and **number of non-resident** pension beneficiaries by **country of residence**:

Long term

Countries are invited to comment on the feasibility to provide the data on the expenditure to non-residents and on the number of non-resident pension beneficiaries, broken down by country of residence.

EEV – Box 11

- For BG and HU it is feasible to provide such information

- For DE, FR and RO it is not feasible

Eurostat proposals for improvement

<u>BOX 12: Lump-sum payments included under pension categories</u>: Medium Term

a) Are there other countries (in addition to AT) that have difficulties in separating some lump-sum payments from the "pension" payments?

b) If this is the case, could you confirm that the amounts concerned represent a very small proportion out of the specific pension expenditure?

c) Countries are invited to assess the feasibility of providing an estimate for this lump-sum expenditure.

EEV – Box 12

- FR notifies that it is also the case

- RO and HU - no lump sums included in the expenditure of pension categories

Eurostat proposals for improvement

BOX 13: Reasons for inconsistencies between stock of beneficiaries and expenditure: Short term

Do countries agree with the above analysis?

Do countries have additional comments?

Do countries have concrete examples of schemes/type of periodic benefits for which the stock of beneficiaries at the end of the year is clearly inconsistent with the annual expenditure?

EEV – Box 13

- DE and ES re-confirmed the disagreement in relation to the calculation of the average pension.

- BG underlined that difference with national sources bring confusion: the national methodologies might be different

- ES mentions double counting between non-means tested to means tested

- Suggestion of the HU Pension Institute for calculation of the average pension (for the 2010 year for example):

    Pension expenditure of the year 2010/
Stock data of pensioner in December 2009+Stock data of pensioner in December 2010/2

Thank you!