



Social Protection Reform Project  
中国-欧盟社会保护改革项目

Status quo, problems and thoughts on the  
management of civil servants Pension System and  
differences with the private employees

*Brussels, 3<sup>rd</sup> February 2015*

- ❖ In Italy, the pension system is structured on the basis of the "pay-as-you-go" scheme. That means that the contributions that workers and companies pay to the social security bodies are used to pay the pensions of those who are now retired.
- ❖ To face the payment of future pensions, therefore, it's not provided any accumulation of reserves.
- ❖ It's clear that in a such organized system, the flow of the contributory revenues must be in balance with the amount of the cash outflow, for the payment of pensions.
- ❖ In our Country, on one hand, the gradual increase of life expectancy means that the pension has to be paid for a longer time; on the other hand, the slowdown of the economic growth braked the contributory revenues.
- ❖ To face this situation, a series of reforms was implemented aimed at bringing back under control the pension expenditure.

During the last thirty years the Italian social security system has been interested by structural reforms aimed at obtaining the following results.

**1** The gradual control of the public expenditure on pensions, which dimension was raising too much in comparison with the Gross Domestic Product (GDP);

**2** The institution of a complementary social security system to be placed side by side to the public one;

**3** The harmonization of the different existing insurance forms, included insurance schemes of civil servants:

- gradual alignment and growth of the requirements to obtain pension;
- gradual changes and alignment of the pensions calculation rules.

Following the implementation of the Monti-Fornero reform of the 2012, in the 2020 Italy will have the highest retirement age in Europe with 66 years and 11 months, compared to the 65 years and 9 months of the Germany and 66 years of the Denmark.

# Requirements to obtain pension



Below is presented the gradual alignment of the requirements to obtain pension between private employees and civil servants

Before the 1992 Amato reform		Current requirements
<b>Private employees</b>	<b>Civil Servants</b>	<b>Private employees and Civil servants</b>
<i>Old age pension</i>	<i>Old age pension</i>	<i>Old age pension</i>
60 years for men 55 years for women 15 years of contribution	(men and women) CTPS: 65 years CPDEL: 60 years (or different age according to specific rules – so called “regolamento organico”) 15 years of contribution	66 years and 3 months for man and woman (63 years and 9 months for woman in private sector) 20 years of contribution
<i>Seniority pension</i>	<i>Retirement – Baby pension</i>	<i>Pre-paid pension</i>
35 years of contribution	CTPS: 15 years of contribution for women if married or with children 20 years of contribution for men CPDEL: 20 years of contribution for women if married or with children 25 years of contribution for men	41 years and 6 months of contribution for female 42 years and 6 months of contribution for male

The main calculation systems provided by the Italian Pension System are presented below.

## Wage-based System

Wage-based system pro-rata from 2012.  
*(article 24 section 2 of the Decree Law n. 201/2011 converted in law n. 214/2011)*



## Contribution-based System

Contribution-based system is applied to those that are lacking of contributory seniority before the 31/12/1995 or who choose for this system.  
*(article 1 of the law of the 8th August 1995, n.335).*



## Mixed System

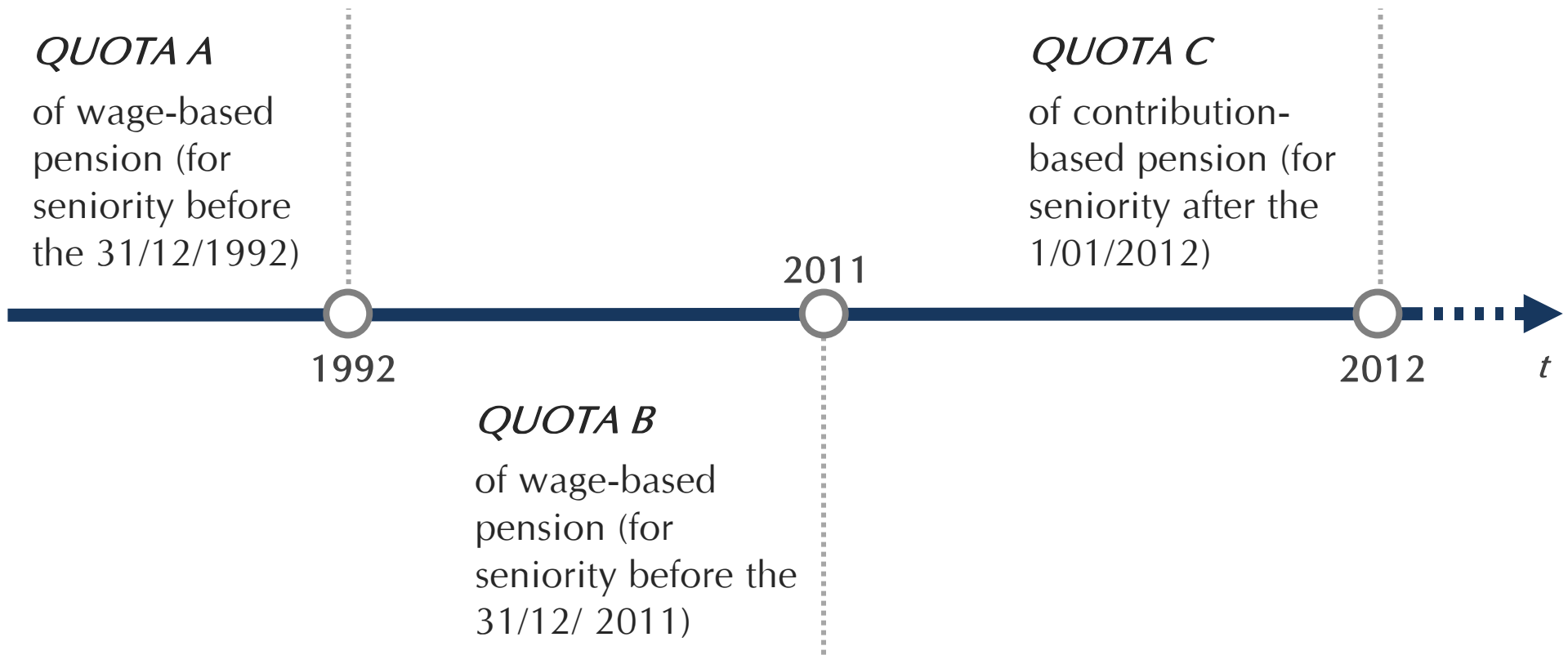
Mixed system is applied to those that have a contributory seniority, before 31/12/1995, lower than 18 years old.  
*(article 1 section 12 of the law of the 8th August 1995, n.335).*



# Wage-based system (pro – rata 2012)



- ❖ The calculation of the pension is based on the amount of the wages perceived during the last period of working life, evaluated through profit coefficients which are related to the contributory seniority years accrued until the 31/12/2011.



# Status before Pension reforms of 90s



Before the great pension reforms, realized since the 90s, the pension and all the related juridical institutions (redemptions, rejoining, calculations) were calculated, for civil servants, on the basis of the last annual wage perceived by the worker or on the basis of what they perceive at the date of the application, in case of request for other benefits.



At the time of employee retirement, the social security Body of civil servants supplied to pay the pension treatment, proceeding, in the same time, to correct the employer's contributions and to offset the amounts due with those paid.



The forecast, made by the legislator, of an average wage related to a defined time frame and the creation of a pension fund for civil servants, have led INPS to develop a database that contains all the information required to the supply of the benefits.



## QUOTA A

### CPDEL

Latest perceived wage, inclusive of the Christmas bonus, without considering the accessory wage

### CTPS

Latest perceived wage, without the Christmas bonus, with an increase of 18% of the wages items, without considering the accessory wage

### Pension Fund for Employees of the Compulsory General Insurance

Average of the complete wages perceived during the last 260 weeks before the effective pension date



## QUOTA B

### Civil Servants

For civil servants it is made up of the average of the complete annual wages perceived in last 10 years:

X 12 monthly pay perceived during the whole time frame ( Government )

X 13 monthly pay perceived during the whole time frame ( other funds )

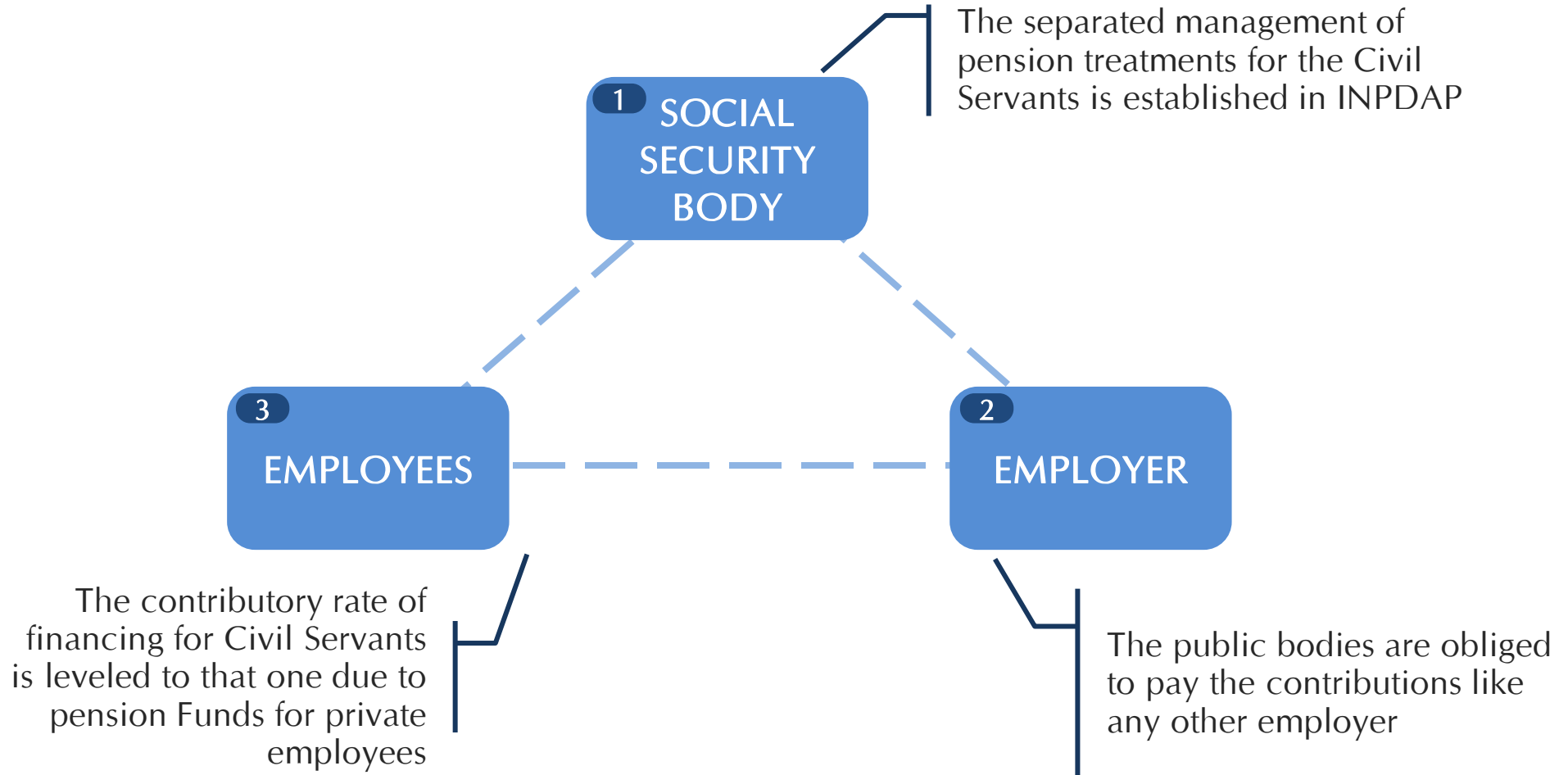
For the Government employees, from the 1/01/1996, have been considered also the “accessory” paid elements only for the part exceeding the 18% as established by the article 15 L. 177/76

### Pension Fund for Employees of the Compulsory General Insurance

Average of the complete wages perceived during the last 520 weeks before the pension starting date

# Three-sided Social Security Relationship

From the 1st January 1996 also for Civil Servants has been introduced the three-sided social security relationship “Employer/Social Security Body/Employee”.



# Social Security funds for Public Servants until 1994

Fund for the Employees of Local Bodies	Established with Royal Law n° 680/38	“Cassa Pensioni Dipendenti Enti Locali” – C.P.D.E.L.
Fund for Health Inspectors	Established with Law n° 1035/39	“Cassa Pensioni Sanitari” – C.P.S.
Fund for Teachers of Kindergarten and primary schools	Established with Law n° 176/41	“Cassa Pensioni Insegnanti” C.P.I.
Fund for Bailiff and Bailiffs assistants	Established with Law n° 2312/34	“Cassa Pensioni Ufficiali Giudiziari “ - C.P.U.G.

These Pension Funds were administrated by different Social Security Institutions (Directorate-General of the then Ministry of treasury) merged, in 1994, in the National Institute of Social Security of Public Administration (INPDAP).

## No Independent Pension Management



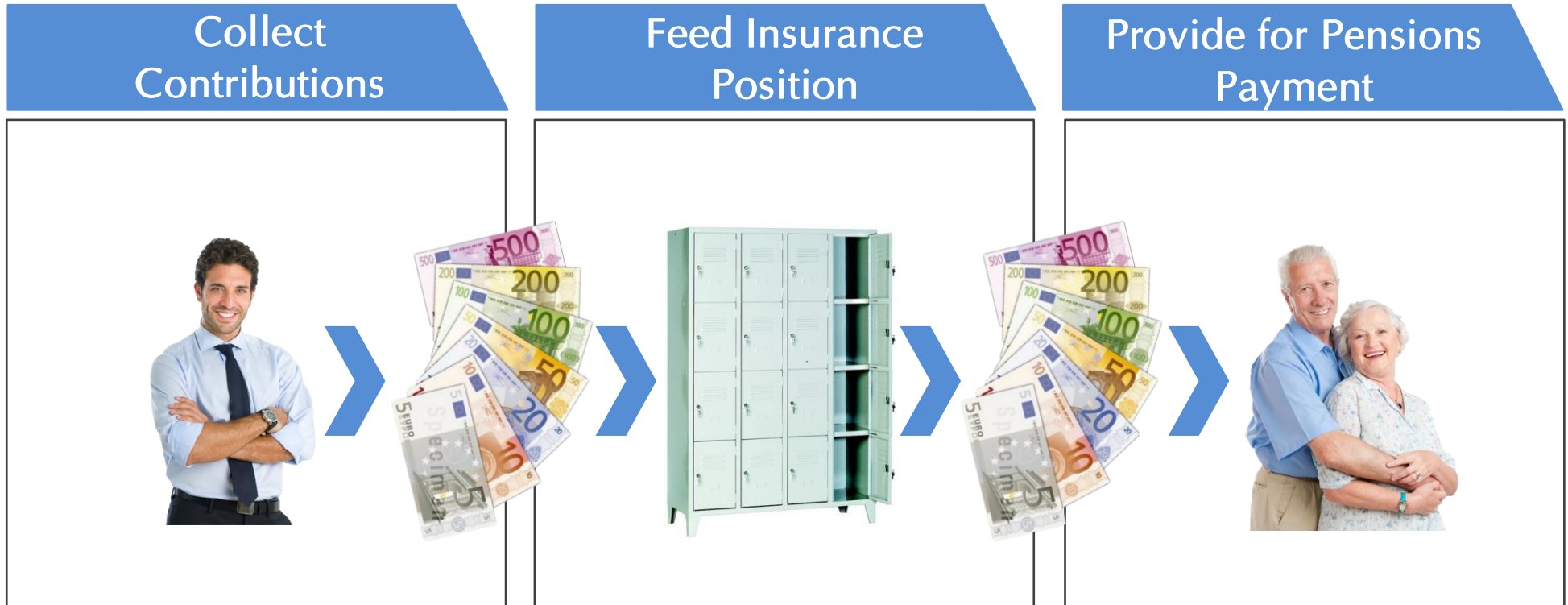
- ❖ For this workers category, neither an independent pension fund nor contributory duty of financing by the Employer, were established.
- ❖ The Government provided pension benefits simply deducting the part to be paid by the worker from his pay-slips.

## Pensions from Government Budget



- ❖ After the end of the working life, the pension was provided to the civil servants withdrawing funds from the Government budget.
- ❖ The Provincial Directorate of the Treasury, which was already paying the wages, was also responsible for the pension payment of civil servants.

- ❖ For private employees and for self-employed workers, the insurance forms have always been managed by INPS.



1

**Uniqueness of "Massive Source"** (DMA – Analytic Monthly Declaration) as the only source of data for the population of the Database related to the contributions declarations and the employment relationships.

2

**Centralized Database** of Insurance Positions in order to provide all benefits and pensions assured by INPS.

3

**Full consistency** between Legal, Retributive and Contributory positions.

4

**Updating of the insurance position** during the working life of the Civil Servant by the Employer through automatic tools ("DMA", "UNIEMENS" and "ListaPosPA").

# Declaration of workers and payment of contributions



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- ❖ The employers monthly communicate, by telematics channel, the remunerative data of the workers and the information useful to the calculation of the contributions.
- ❖ Before the 2010 the monthly communication - EMENS – concerned only the remunerative data.
- ❖ From the 2010 the unified monthly statement - UNIEMENS – contains the remunerative data and the contributory data.



ES :	1000	×	30%	=	300
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- ❖ The monthly flows are individual and aggregated for all the workers occupied into the company.
- ❖ The remunerative data feed the insurance account (statement of account) and the contributory data allows to verify the due deposit for the interested month.
- ❖ The payment occurs on the 16<sup>th</sup> day of the month and the statement is sent within the end of the month.

# Post-reform pension system

## Occupational pension funds

### Occupational pension funds in private sector:

- 413 funds

### Occupational pension funds in public sector:

- 4 funds

#### *Espero*

School

- since 2005
- 100,000 participants

#### *Perseo-Sirio*

Central and local government and Health Care System

- since 2012
- 18,000 participants

#### *Laborfonds*

Trentino and Suedtyrol Pension Fund for private and public local employees

- since 1998
- 114,000 participants, whereof 47,000 civil servants

#### *Fopadiva*

Valle d'Aosta pension Fund for private and public local employees

- since 2004
- 6,350 participants, whereof 4,600 civil servants



# Post-reform pension system

## INPS role in the supplementary pension system



### ❖ INPS and the supplementary pension system for civil servants



The end-of-service allowance (severance indemnity) for public-sector employees is not set aside by employers but by INPS

That is why INPS places end-of-service allowances (severance indemnity) with pension funds

INPS provides also certain administrative services to pension funds for public-sector employees

# The participation rate of supplementary pension system



	Participants	Workers	Participation Rate
Private-Sector Employees	4,355,970	13,543,000	32.2 %
Public-Sector Employees	160,263	3,335,000	4.8 %
Self-employed Workers	1,687,530	5,542,000	30.4 %
Total	6,203,763	22,420,000	27.7 %

*\* Data updated as at 31 December 2013*

*Source: Covip*

# Post-reform pension system

## Main issues in Supplementary pension system



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### ❖ Main issues in supplementary pension system for civil servants

1

Low participation rate

2

Different rules between private and public sector especially taxation rules less advantageous for civil servants

3

End-of-service allowance (severance indemnity) available for benefit only at the end of service