

2012

Pension system in Cyprus and in the EU countries Sweden Belgium and United Kingdom

Hadjicharalambous, Kleopas

Business Administration Programm, School of Economics Sciences and Business, Neapolis
University Paphos

<http://hdl.handle.net/11728/7384>

Downloaded from HEPHAESTUS Repository, Neapolis University institutional repository

**NEAPOLIS UNIVERSITY
PAFOS**

**PENSION SYSTEM IN CYPRUS AND IN THE EU COUNTRIES SWEDEN
BELGIUM AND UNITED KINGDOM**

By Kleopas Hadjicharalambous

Dissertation submitted to the Neapolis University
in partial fulfillment of the requirements for the Degree of
Master in Business Administration

August 2012

Acknowledgements

Acknowledgements

ABSTRACT

“Social security is a fundamental human right recognized in numerous international legal instruments, in particular the Declaration of Philadelphia (1944), which is an integral part of the Constitution of the International Labour Organization (ILO), and the Universal Declaration of Human Rights (1948) adopted by the General Assembly of the United Nations” .*sited in World Social Security Report 2010/11. Providing coverage in times of crisis and beyond. pp. 25*

The aim of the present study is to make a short description and comparison of the pension system in Cyprus and in three other European Countries, Sweden, Belgium and the United Kingdom.

There is not a “perfect” pension system but each country has a different economic, political and social system which means that it not only affects internal factors but external as well.

The first Chapter gives a short overview about the challenges and the problems that the Pension Systems in Europe and in the rest of the world are facing.

The second chapter briefly describes the main types of the pension systems that exist in Europe.

The third Chapter gives an overview of the Pension System in Cyprus, describing the General Social Insurance scheme, the Social Pension Scheme and the Occupational pension plans. It points out the qualifying conditions and refers also to the replacement rate, the different benefits and the different levels.

The fourth Chapter explains the new fully implemented in 2003 public old-age pension system in Sweden which consist of an earnings-related component based on notional accounts, a private mandatory defined contribution system and a pension-income-tested top-up. Furthermore it gives an overview of the replacement rate, the occupational pensions, and the private pensions.

The fifth Chapter describes the Belgian pension system which consists of the public pension scheme, the occupational pension scheme and the voluntary individual pension schemes.

The sixth Chapter refers to the pension system in the United Kingdom which consists of the public Basic Pension (BSP) together with the State second pension (SSP) , and of the Personal pension and Company pension.

The last chapter deals with the Pension systems reform. “Retirement age” is the most visible parameter of the pension system. As such, it sends a clear signal for people in choosing when to cease work. Increases in pension age have often proved among the more contentious elements of pension reforms, compared with other, less visible, changes to retirement-income provision.

Table of Contents

ABSTRACT.....	4
Tables.....	6
Equations.....	7
Figures.....	7
Graphs.....	7
CHAPTER 1.....	9
1. Introduction.....	9
1.1 The role of Pension systems.....	10
1.2 Challenges.....	13
1.2.1 Demographic changes and trends.....	13
1.2.2 The Impact of the financial (economic) crisis.....	17
CHAPTER 2.....	19
2. A General Description of the pension systems in European Union.....	19
2.1 Old –age Public pension schemes.....	19
2.1.2 Public early and deferred retirement system.....	20
CHAPTER 3.....	21
3. The pension system in Cyprus.....	21
3.1 Description.....	21
3.1.1 The General Social Insurance Scheme (GSIS).....	21
3.1.2 The Social Pension Scheme (SPS).....	28
3.1.3 Occupational Pension Plans.....	29
CHAPTER 4.....	37
4. The pension system in Sweden.....	37
4.1 Description.....	37
4.1.1 The Swedish public pension system.....	37

4.1.2 The Social Pension Scheme (Pay-as-you-go system)	38
4.1.3 Occupational pensions	41
4.1.4 Private pensions	41
CHAPTER 5	42
5. The pension system in Belgium	42
5.1.1 The Belgian Public Pension Scheme	42
5.1.2 Occupational Pension Schemes	45
5.1.3 The main characteristics of the public pension schemes	48
CHAPTER 6	51
6. The pension system in UK	51
6.1 Description	51
6.1.1 The United Kingdom public pension system	51
6.1.2 State Second Pension (SSP)	54
6.1.3 The Private Pension	56
6.1.4 Company pensions or Occupational pensions	57
7. Conclusion	59
8. Suggestions on Pension System Reforming	64
REFERENCES	70

Tables

Table 1 : Estimation of net migration needs by 2020	16
Table 2: Supplementary Pension	26
Table 3 : Current and Future Contribution rates based on Legislation	29
Table 4: GSIS and Public Sector Employee Schemes Compared	36
Table 5 : Statutory retirement age, earliest retirement age and penalties	38
Table 6: Weight of the various pension schemes in 2010 (unless otherwise stated)	46
Table 7: Public pension schemes: statutory retirement age, earliest retirement age and	

penalties for early retirement	47
Table 8: Indexation and living standards adjustment.....	50
Table 9: Entitlement to Basic & Additional state Pension for main categories.....	56
Table 10: Proportion of men and women aged 16 to 64 contributing to private.....	58
Table 11: Comparison of the Pension Schemes in the four Countries.....	62

Equations

Equation 1: Calculation of the basic annual old-age pension:	24
Equation 2: Calculation of the supplementary annual pension:.....	24
Equation 3: Calculating Old Pension for wage earners in Belgium	43
Equation 4: Calculating Old Pension for Self-Employed.....	44
Equation 5: Calculating Old Pension for Civil servants	45
Equation 6: Calculation of Basic Pension in UK.....	51

Figures

Figure 1: Life Stages	11
Figure 2 : Demographic structure of the population in 2008 and 2060 in the EU (2008-2060)17	17
Figure 3: Proportion of pensioners on different percentages of	54
Figure 4: The Three Pillars of Retirement Saving	67

Graphs

Graph 1: Total Fertility rates.....	8
--	----------

“μηδένα των πολιτών απορείν των επιτηδείων”

*(να μη στερείται κανένας πολίτης των
αναγκαίων για τη ζωή του)*

Ισοκράτης, ‘Αρεοπαγίτικός’, 53