

COMPULSORY PENSION INSURANCE UNDER GENERATIONAL SOLIDARITY PENSION SCHEME



(PAYG, 1st PILLAR)

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INSURANCE
UNDER GENERATIONAL
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Zagreb 2019

**ENTITLEMENTS
BASED ON THE
GENERATIONAL
SOLIDARITY
PENSION SCHEME
(PAYG)**

- **Old Age and Early Age Pension Entitlements**
- **Entitlement to the Invalidity Pension and Occupational Rehabilitation**
- **Temporary Invalidity Pension**
- **Occupational Rehabilitation**
- **Cash compensation for physical impairment**
- **Entitlement to survivor's pension**
- **Entitlements according to special regulations**
- **Pension entitlements of persons who worked abroad and in the EU**

(PAYG, 1st PILLAR)

COMPULSORY PENSION INSURANCE UNDER GENERATIONAL SOLIDARITY PENSION SCHEME (PAYG, 1st PILLAR)

The **PAYG-based pension insurance** is a part of the pension insurance scheme where insurees achieve rights for the old-age, reduced working capacity, partial or general disability and physical impairment, on the principles of mutual benefit and solidarity, whereas the members of their families acquire rights in the case of such insuree's/beneficiary's death.

The Croatian Pension Insurance Institute (CPII) is a competent institution for the entitlements under the PAYG scheme (1st pillar) and the entitlement to the children allowance.

The mandatory PAYG-based pension insurance **covers** all employed active persons including the self-employed or those pursuing professional activity covered by the mandatory pension insurance. Such persons are employees and equally categorized persons (persons appointed to certain offices etc.), self-employed persons (craftsmen, sole traders, lawyers, public notaries etc.), persons involved in training for work without established employment relationship, farmers and other groups of persons (caregivers of the Croatian Homeland War Invalids, members of company management boards, sportsmen etc.).

In the case of invalidity and physical impairment as a consequence of accident at work or professional disease, the insurance will also cover the pupils and students while attending their training lessons (field work), persons performing certain activities during imprisonment, persons participating in the rescue as a consequence of natural disasters.

The status of an insuree will be established by applying for entry in the pension insurance. The application is filed by the employer or by the insuree himself/herself, if he/she is subject to the payment of pension contributions. The Ministry of Finance, i.e., the Tax Office, is the authority competent for the collection of contributions.

Upon expiry of the compulsory pension insurance period, a person may apply for a so-called **extended insurance** within the period of 12 months. It is a voluntary insurance enabling an extension of insurance, without limitation. Equally so, it is possible to acquire entitlement to the extended insurance under EU Regulations after termination of the insurance in an EU Member State or in a state-signatory to the social security agreement.

Applications to the mandatory pension insurance are filed with the CPPI's regional service/regional office/affiliate. After enactment of the new Pension Insurance Act and the new Rules on the CPPI's Central Database, all employers and other persons with more than 3 employees, who are due to apply for entry in CPPI, have been obliged to apply electronically since 1 January 2014. **E-applications** is a web application enabling its users to register in/deregister from the pension insurance, report their status change occurred during the insurance period, report the commencement/cessation of the business operation of a contribution payer or report the change of its data.

Since 1 July 2013, the Croatian Pension Insurance Institute has been providing an electronic database record about the labour and legal status of its insurees – electronic record, as a replacement for the employment book. Such electronic record (evidence of qualifying period) can be obtained within e-gradani electronic service (accessible by provision of e-Pass electronic credentials: username and password), or by applying at www.mirovinsko.hr or in person, in all regional offices and

affiliates of the CPII with the obligatory identification by ID card and OIB number.

The qualifying period is a collective term encompassing the periods completed within the compulsory pension insurance and extended insurance (insurance period) including the periods completed out of insurance scheme but, under certain conditions, credited as the qualifying periods.

ENTITLEMENTS BASED ON THE GENERATIONAL SOLIDARITY PENSION SCHEME (PAYG)

• Old Age and Early Age Pension Entitlements

An insuree will be entitled to the **old age pension** with 65 years of age and 15 years of completed qualifying period.

The insured women are entitled to the old age pension under more favourable conditions regarding their age. In 2019, women may achieve right to pension with 62 years and 4 months of age (provided that they completed 15 years of the qualifying period), whereby the age limit increases each year per four months until 2026 (transitional period) upon reaching the age of 65 in 2027.

From 1 January 2028 to 31 December 2032 the age limit (for both women and men) increases each year per four months. After completion of the transitional period, as of 1 January 2033, the entitlement to the old age pension will be acquired with 67 years of age (and required qualifying period), regardless of sex.

The entitlement to the **early age pension** is acquired with 60 years of age and 35 years of the qualifying period.

The insured women will be entitled to the early age pension under more favourable condition regarding their age. In 2019 women may acquire right to the early age pension with 57 years

and 4 months of age (and 32 years and 4 months of the completed qualifying period), whereby the age and qualifying period conditions increase each year per 4 months until 2026 (transitional period), upon reaching the age of 60 in 2027.

From 1 January 2028 to 31 December 2032, the age limit (for both women and men) increases each year per four months. After completion of the transitional period, starting from 1 January 2033, the entitlement to the early age pension will be acquired with 62 years of age (and required qualifying period), regardless of sex.

The old age pension for a long-term insuree will be approved to an insuree with 60 years of age and 41 years of the qualifying period. From 1 January 2027 the old age pension for a long-term insuree will be approved to an insuree with 61 years of age and 41 years of the qualifying period.

The early age pension without deductions will be approved to insurees, who after termination of his/her insurance as a result of the bankruptcy that occurred before the conditions for early age retirement are fulfilled, remains registered with the competent employment agency for 2 continuous years.

Entitlement to the old age and early age pension is acquired upon fulfilment of the retirement conditions; however, strictly after termination of insurance (employment, craftsmen or agricultural activity etc.). Exceptionally, an insuree who continues working up to one-half of the working hours will be eligible to the old age pension or to the old age pension for a long-term insuree even without the termination of his/her labour relation.

- **Entitlement to the Invalidity Pension and Occupational Rehabilitation**

Entitlement to the invalidity pension requires fulfilment of the following conditions: partial or general disability and completed necessary qualifying period.

Partial or general disability may occur as a consequence of illness and accidents outside work, accidents at work or occupational disease.

If partial or general disability occurred as a consequence of accident at work or occupational disease, the entitlement to invalidity pension will be granted regardless of the length of the qualifying period.

If partial or general disability occurred before 65 years of age as a consequence of illness or outside of work accident, the entitlement to the invalidity pension can be approved, if the qualifying period covers at least one third of the working life.

Exceptionally, if general disability occurs before the insuree is 30 years of age, i.e., 35 years of age, the qualifying period condition will be less restrictive (one, i.e., two years of the insurance period).

- **Temporary Invalidity Pension**

The temporary invalidity pension is awarded to a disabled worker whose capacity to work was restored by the occupational rehabilitation and who thereafter remained unemployed for a long period. An entitlement is also approved to a disabled worker who, after completion of professional rehabilitation, continued to work and subsequently became unemployed.

- **Occupational Rehabilitation**

The occupational rehabilitation is a training of a disabled worker to work by engagement of his/her residual working capacity. The occupational rehabilitation is performed by specialized public institutions competent for the rehabilitation of disabled persons. After completed rehabilitation, the Croatian Pension Insurance Institute mediates in employment of such persons. A disabled worker is entitled to salary compensation during his/her occupational rehabilitation, unemployment or temporary incapacity to work.

- **Cash compensation for physical impairment**

In the case of accident at work or occupational disease, the insuree may acquire the cash compensation on behalf of the physical impairment. The physical impairment and its degrees are expressed in percentages, from 30 % to 100 %, and are contained in the statutory prescribed list of physical impairments. The compensation allowance for physical impairment is established depending on the percentage of the physical impairment.

- **Entitlement to survivor's pension**

The surviving family members may be entitled to the survivor's pension if the deceased insuree completed at least 5 years of the insurance period or at least 10 years of the qualifying period, or if the deceased insuree completed the qualifying period prescribed for the entitlement to the invalidity pension, or if he/she was the beneficiary of the old age, early age or invalidity pension. Equally so, the family members will be entitled to the survivor's pension based on the person who was entitled to the occupational rehabilitation.

If the insuree's death was caused by accident at work or occupational disease, the family members shall be entitled to survivor's pension disregarding length of qualifying period completed by the insuree.

The entitlement to the survivor's pension is most frequently granted to an insuree's or beneficiary's widow/widower/cohabiting partner, child or parent.

- **Entitlements according to special regulations**

Certain groups of persons acquire their pension insurance rights under special regulations, based on the less restrictive conditions, that is, under more favourable pension conditions. Such groups cover active military persons, police personnel, judiciary officers, employed pyro-technicians, Croatian Homeland War Veterans, members of the Croatian Parliament, former political prisoners, workers exposed to asbestos and some other groups of persons. The insurees using their rights under special regulations are to the greatest extent military personnel, police personnel, judiciary officers and Croatian Homeland War Veterans.

- **Pension entitlements of persons who worked abroad and in the EU**

The pension right may be acquired from all Member States in which the person was insured for more than twelve months and if he/she meets other requirements according to the national legislation of those states (e.g. age requirement).

The qualifying period completed in all EU Member States shall be taken into account once the person reaches the age required for the old age pension. The amount of pension payable from an individual Member State will depend on the length of the qualifying period or duration of residence in that State.

The pension entitlements can also be acquired under international social security agreements, entered and applied by the Republic of Croatia. The insurees covered by certain agreement may acquire all rights from the Croatian pension insurance system in proportion with the qualifying period completed in the Republic of Croatia and in the foreign country. Equally so, an insuree may acquire the other part of his/her pension benefit from the foreign country.

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