



The Social Insurance System and Reforms

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Social Insurance System

consists of

Compulsory

Voluntary

Supplementary

administered by

**Social Insurance
Institute**

Compulsory Scheme

Law no. 7703, date 11.05.1993 “On Social Insurance in Albania” amended

Contributions

Sickness

Maternity

Pensions

Employment
Injuries

Unemployment

Benefits

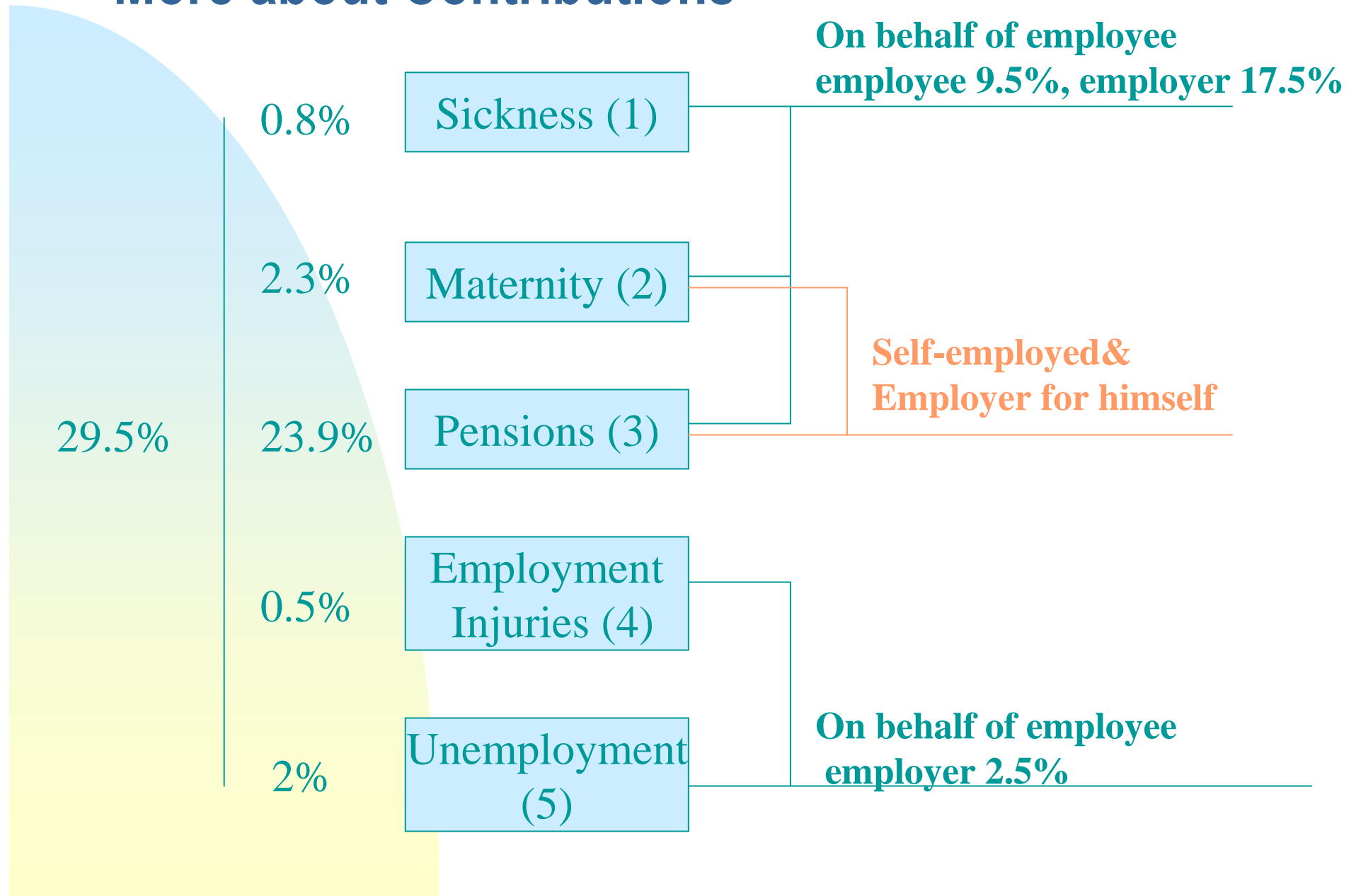
Sickness

Maternity

Pensions

Employment
Injuries

More about Contributions



More about Benefits

60 years-old women, 65 years-old men
(shall be increased gradually)

Eligibility

at retirement age

35 insurance years

to interrupt the
economic activity

Full
old-age
pensions

Pension formula

Basic Pension +
Supplement *(1% per year of
insurance times assessment basis
the insured persons achieved
through contributions)*

Upper limits for pension amount:

75% of indexed net average wage of
three successive years in the last ten
years

Twice basic pensions

More about Benefits

- Insured persons are eligible for a *reduced old-age pension*

at the age of 62 men 57 women

not less than 35 insurance years

to interrupt the economic activity

Reduced pension is a portion of the full pension, and remains as such during the entire benefit period

$$\begin{aligned} &\text{Reduced Pension} = \\ &\text{Full pension} - (\text{Full Pension} * \text{number of months} \\ &\quad \text{prior to reaching the retirement age} * 0.6\%) \end{aligned}$$

More about Benefits

- An insured person who has less than 35, but more than 15 years of insurance, could be awarded a *partial old-age pension* when reaching the retirement age. The partial pension amount is calculated as a portion of the full pension

$$\text{Partial Pension} = \frac{\text{Full Pension at retirement age} \times \text{years of social insurance achieved}}{35}$$

More about Benefits

Eligibility

insured

$(\text{age} - 20)/2$
insurance years

become disabled

Invalidity
pensions

Pension formula

Basic Pension +
Supplement *(1% per
year of insurance times
assessment basis the insured
persons achieved through
contributions)*

Upper limits for pension amount:

80% of indexed net average wage of the
last year

Twice basic pensions

More about Benefits

the deceased person was or would have been entitled to an old age or disability pension

Survivors Pension

the dependants are entitled to a survivor's pension which is a portion of the pension the deceased person was or would have been entitled to:

- 50% for widower/widow, provided he/she has a dependent child not older than 8 years, or he /she is disabled or he/she is 60/50 years old.
- 25% for the orphan, provided he/she was dependent of the deceased person and he/she is under 18 or 25, if studying.

The limits

- Pension amount
 - Minimum and maximum pension, decided each year by Council of Ministers' decision
 - For second half 2006 the minimum is 8240 leks per month
 - The maximum pension is always twice the minimum
 - Last year, to guarantee the minimum living standard, Council of Ministers compensates with grants the pensioners that benefit minimum pension smaller than the “decided” minimum living standard.
 - Minimal income for an urban pensioner is 10000 leks per month
 - Maximal income for an rural pensioner is 5000 leks per month
- Contributions
 - Maximum contribution is five times the minimum
- This asymmetry weakens the relationship between contributions and benefits from social insurance scheme

Something about RURAL

Contributions

- Self-employed in agriculture pay contributions on reduced rates and the difference to reach the minimum contribution amount is paid from the state budget.
- The contribution amount is decided every year by Councils of Ministers' decision
- Contribution amount for self-employed in agriculture will be increased year by year to equalize the minimum contribution.

Something about RURAL Benefits

1

total of insurance years in
ex-agriculture cooperative



Rural old-age pensions
based on law (art. 96)

2

more than ½ of insurance
years state sector



Old-age pensions
based on new law

Eligibility

3

at retirement age

35 insurance years

some years paid
as private farmer

Full
old-age
pensions

Pension formula

Basic rural pension +
Supplement (*increment of
1% per year of insurance times
assessment basis the insured
persons achieved through
contributions*)

Flow of money





Thank you