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FISCAL & EXPATRIATE SERVICES

Social Security Pensions in the EU

"Who will pay my old-age pension?"

Old-age pensions are among the most important social security benefits. It is only natural that persons intending to live and work abroad want to have a clear idea about the consequences for their future pension rights before taking a final decision. In particular, you need answers to key questions:

- ✓ *What will happen to contributions paid so far?*
- ✓ *Which Country will pay my pension?*
- ✓ *Can my pension be paid anywhere without being reduced or suspended?*

Only if you can be certain that the European Community provisions for Social Security benefits provide satisfactory answers to these and other questions will you be ready to exercise your right to freedom of movement anywhere throughout Europe.

GENERAL PRINCIPLES

The following basic principles apply to those who stop working in one country and continue their professional activities in another:

- In every country where you have been insured (Social Security), insurance record are preserved until you reach pensionable age. In other words, contributions which have been paid are neither transferred to another country nor paid out to you if you are no longer insured in that country.
- Every country where you were insured for at least one year will have to pay an old-age pension when you reach pensionable age. For example, if you have worked in three countries, you will get three separate old-age pensions once you reach pensionable age.
- This pension will be calculated according to the number of years that you worked in that country. If you were insured there over a period of many years, you will get a relatively 'high' pension. If not, your pension will be relatively 'low'.

What happens if you work in a country for less than a year? Will you loose any contributions paid there?

This question is best answer by example: You were insured in Belgium for 10 months, in Germany for 9 months and in France for 15 years, then finished your working life in Italy, where you made contributions for 7 years.

Your months of insurance in Belgium and Germany will not be lost. It is Italy, your final country of employment, which will take over the 10 months from Belgium and the 9 months from Germany. This solution guarantees that nobody will be disadvantaged by having worked in several countries. No contributions are lost, acquired rights are protected, and every country will pay a pension corresponding to the insurance periods completed there.

The result is not just in the interest of migrant workers but also in the interest of the Member States, in that every country pays neither more nor less than the pension which has been 'earned' by the contributions of the worker.

General Rules

Aggregation:

If the period during which you have been insured in a country is not long enough to qualify for a pension in this country, account will be taken of any periods of insurance which you completed in other countries.

Residence or Stay Abroad:

Your old-age pension will be paid to you regardless of where you stay or reside within the European Union or the European Economic Area without any reduction, modification or suspension. This applies not only to former 'migrant workers' but to all pensioners residing in another State.

Non-Contributory Pensions:

This principle does not apply to certain special benefits which are not based on contributions. In most cases, they are means-tested (i.e. paid to persons whose pensions are below a certain level). These benefits are paid to you as long as you reside in the State concerned. For example, guaranteed income for the elderly in Belgium, the supplementary allowance from the National Solidarity Fund in France, and non-contributory old-age pensions in Ireland and Portugal. In other words, payment of these benefits will be suspended if you transfer your residence to another State, which will then grant you the corresponding benefit, even if you have never worked there.

For example, you live in Portugal, where you receive a non-contributory old-age pension. At the age of 65 you decide to move to France. What happens? Portugal will suspend payment of your non-contributory old-age pension, but France must grant you the supplementary allowance from the National Solidarity Fund.

You Have Been Insured in One Single Country

In this case, the amount of your pension will be calculated in accordance with the legislation of that country in exactly the same way as for its own nationals. It does not matter whether or not you reside in that country when you reach pensionable age.

You Have Been Insured in More Than One Country

You will get a pension from every State where you were insured for at least one year. These pensions will correspond to the insurance periods completed in each of the States concerned.

For example, you were insured for 10 years in Member State A, for 25 years in Member State B, and for 5 years in Member State C. This means that you were insured for 40 years in total before you reached pensionable age. Member State A will calculate the amount of pension you would be entitled to after 40 years of insurance in that State. It will then pay you the amount corresponding to your actual periods of insurance, i.e. 10/40 (or 1/4) of this amount. Similarly, Member State B will pay you 25/40 (or 5/8) of the amount you would be entitled to in that State after 40 years of insurance. Finally, Member State C will pay you 5/40 (or 1/8) of the amount you would have been entitled to in that State after 40 years of insurance.

PRACTICAL PROBLEMS

Pensionable Age:

As has already been mentioned, the Social Security systems of the Member States are not harmonised. It is therefore not surprising that pensionable age varies according to the country. For example, in some States, you get your pension at 60, in others at 65 and in some at 67.

For example, you were first insured for 35 years in State A where the pensionable age is 67 and then for 10 years in State B where the pensionable age is 60. At the age of 60, you will have to stop working in State B and will be entitled to a small pension from this State, corresponding to the length of insurance periods completed in that State (10/45).

For example, you were first insured for 35 years in State A where the pensionable age is 67 and then for 10 years in State B where the pensionable age is 60. At the age of 60, you will have to stop working in State B and will be entitled to a small pension from this State, corresponding to the length of insurance periods completed in that State (10/45).
You have then to wait seven more years before you become entitled to the relatively high pension from State A (35/45). In some cases, the pension drawn from State B is so low that the person concerned has to rely on social assistance. In order to avoid this undesirable situation, you should ask for information on the pensionable age in the country where you wish to continue your occupational activities before moving there.

Exchange Rates:
If you receive a pension from another country, it normally has to be converted into the currency of your country of residence. In the past, conversion was done at exchange rates which often fluctuated. This could work out to your advantage but also to your disadvantage, depending on the currency concerned. With the Euro, exchange rates are permanently fixed, thus doing away with this awkward situation. However, the problem of fluctuations still affects pensions from Denmark, Greece, Iceland, Liechtenstein, Norway, Sweden, and the UK.

Postal and Bank Charges:
If your pension is paid to you from another country, postal and bank charges may be deducted. In exceptional cases, where the amount of your pension is very small (e.g. a pension corresponding to one year of insurance abroad), the deduction of these charges may mean a considerable reduction in your pension.

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