

for OASDHI) The new limit is effective from January 2, 1976, for SSI, for OASDHI, it is effective beginning March 1, 1976

3 It provides that, in determining an individual's income under SSI, periodic payments made by a State based solely on the individual's age and duration of residence in the State are to be excluded This provision is intended to exclude from income the Alaska "longevity bonuses," excluded in the old law through June 30, 1976

4 It permits West Virginia, at any time before 1977, to modify its OASDHI coverage agreement with the Secretary of Health, Education, and Welfare to provide coverage for certain policemen and firemen in positions covered under a State or local retirement system whose wages were erroneously reported and on which social security contributions were paid

5 It permits the institution of a single wage-reporting system for social security and Federal income tax purposes Under the language of the provision, the Social Security Administration may develop a system that can reduce the administrative impact to some extent The provision is effective with respect to statements reporting earnings received after 1977, which the Social Security Administration will begin processing in 1979 The States are excluded from the annual reporting change and will continue to report wages on a quarterly basis

Social Security Abroad

New Retirement Options in Sweden*

In July 1976, Sweden will introduce greater flexibility in the retirement provisions for old-age pensions under the social security program First of all, new legislation—the Partial Pension Insurance Act of 1975—encourages a reduction in work activity by providing a partial pension to replace part of the income lost thereby This variable-pension program is intended to ease the transition from work to retirement Concurrently, changes in the existing pension legislation (1) provide for earlier retirement with a reduced pension and (2) establish a more liberal definition of disability for older workers that enables them to retire earlier with a full pension¹

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¹ These amendments were made to the National Insurance Act of 1962

Previously, a worker could not claim a full pension until he reached age 67 (for a regular old-age pension) or age 63 (if it was based on inability to cope with the work environment). In addition, early retirement was possible at age 63 with a reduced pension Now, these ages have been lowered to 65 and 60, respectively. The definition of disability with respect to the inability to cope with the work environment has been expanded to include those who have been unable to find employment for a considerable period of time

As the accompanying table shows, under the new legislation the individual may retire 3 years earlier with approximately the same level of benefits 70 percent of the full regular pension will be payable at age 60, compared with 71 percent at age 63 It also permits the worker to defer the pension until age 70 and have the amount of his pension increased by one-third, compared with one-fifth previously

Because the new definition in the pension law interprets disability among older workers more liberally, early retirement may now be granted not only for medical reasons but also because of adverse conditions in the labor market Those who are unable to find paid employment at age 60 may therefore be eligible for full basic and earnings-related disability pensions

Lowering the regular pensionable age from 67 to 65 was influenced by the fact that Sweden's private pension system, established through labor-management agreements and affecting most workers, already calls for retirement at age 65 Most other industrialized countries also use 65 as the retirement age

The variable-pension program, administered by the National Social Insurance Board and the local social insurance offices, will be financed by an employer payroll tax of 0.25 percent Costs are estimated at 400 million kronor per year² The estimated cost of lowering the pensionable age from 67 to 65 is 1.5 billion kronor for 1976

BASIC FEATURES OF PENSION SYSTEM

Sweden has a two-tier social security pension program, consisting of a basic pension and a

² The US dollar equaled 4.29 kronor as of September 30, 1975

supplementary earnings-related pension Both pensions are anchored in a "base amount" that was set by legislation at 4,000 kronor as of September 1957 Tied to the consumer price index, the base amount reached 9,000 kronor by January 1975.

The basic pension requires Swedish citizenship and comes in two standard amounts 95 percent of the current base amount for single pensioners and 155 percent for the aged couple (each spouse receives 77½ percent of the base amount). The supplementary pension is open to resident aliens as well as to Swedish citizens Qualification for this pension is based on annual earnings above the base amount for a minimum period of 3 years

A full earnings-related pension, designed to return 60 percent of earnings above the base amount for the average earner, requires 30 years of coverage It is reduced by 1/30 for each year that his coverage falls short of 30 (Special transitional arrangements make full coverage possible after 20 years) In computing the pension, only the 15 highest years of earnings are considered; if the worker has less than 15 years of coverage, all years of earnings are used in the computation The retirement age is the same for both the basic and earnings-related pensions

NEW PROVISIONS

Variable-Pension Program

The new variable-pension program, contained in a separate act, is unusual in two respects First, it promises, for those aged 60-64, to replace 65 percent of income lost as a result of a shift to part-time employment without reducing the size of the regular pension available at age 65 The program is thus designed to give the individual a financially realistic opportunity to diminish his activities in preparation for complete retirement Workers become eligible with 10 years of covered income (the income above the base amount that counts toward a supplementary pension) after age 45 Second, each participant must maintain a weekly schedule of at least 17 hours of paid employment in order to fulfill the minimum requirements for other social benefits such as un-

Retirement pensions before and after July 1, 1976

| Retirement age | Old law, percent of regular pension at age 67 | | New law, percent of regular pension at age 65 | | Percent of income loss replaced ⁵ |
|----------------|---|------------------------|---|------------------------|--|
| | Disability ¹ | Voluntary ² | Disability/unemployment ³ | Voluntary ⁴ | |
| 60 | - | - | 100 | 70 0 | 65 |
| 61 | - | - | 100 | 76 0 | 65 |
| 62 | - | - | 100 | 82 0 | 65 |
| 63 | 100 | 71 2 | 100 | 88 0 | 65 |
| 64 | 100 | 78 4 | 100 | 94 0 | 65 |
| 65 | 100 | 85 6 | - | 100 0 | - |
| 66 | 100 | 92 8 | - | 107 2 | - |
| 67 | - | 100 0 | - | 114 4 | - |
| 68 | - | 107 2 | - | 121 6 | - |
| 69 | - | 114 4 | - | 128 8 | - |
| 70 | - | 121 6 | - | 136 0 | - |

¹ General inability to cope with the work environment Converts to regular pension at age 67

² Benefit decreased by 0.6 percent for every month it is claimed before age 67 and increased by 0.6 percent for every month after age 67 and up to age 70 in which the claim is deferred The pensioner may claim the full pension only

³ Disability as defined in footnote 1, combined with the inability to obtain paid employment, converts to regular pension at age 65

⁴ Benefit decreased by 0.5 percent for every month it is claimed before age 65 and increased by 0.5 percent for every month in which pension is deferred beyond that age up to age 70 The pensioner may claim a full or half pension

⁵ Combination of work and benefits

employment insurance benefits To the average worker in manufacturing, this would mean a reduction in working hours by approximately one-half For a worker earning 36,000 kronor per year on a full-time basis, the new program would replace 65 percent of the 18,000 kronor reduction in income, or nearly 12,000 kronor

Variable-pension benefits coupled with part-time earnings can provide a worker with an income that is about 80-90 percent of his previous earnings By comparison, the benefit of a fully retired pensioner who has earned an average income throughout his working life approximates 65-70 percent of his former earnings The variable-pension program thus provides a twofold advantage for those preparing for full retirement The declines both in physical exertion and in income level are gradual

Early Retirement

Two important modifications in existing legislation also help to make withdrawing from the labor force easier for those near the end of their working careers One provision allows the individual, at his option, to claim either a half or a full early pension at ages 60-64 A second reduces from age 63 to age 60 the age for early retirement because of inability to cope with job requirements This second provision includes those

who have been unemployed for some time with no real prospect of a job

One difference between the two provisions is that the second provides for a full pension but under the first the early pension is reduced by 0.5 percent for each month it is claimed before age 65. Alternatively, this pension may be deferred until age 70 with benefits increased by 0.6 percent for each month of deferral. At the pensioner's option, he may draw a half or a full pension, neither of which is subject to an income test. From age 60 to 64, if he continues to work as he draws a half pension, earnings above the base amount are pension-producing (taxable for pension purposes) and may eventually contribute to higher earnings-related benefits.³ No restriction is placed on the number of times an individual may enter or leave this program.

Previously, early retirement was possible at age 63, with a 0.6-percent reduction in the benefit amount for each month before age 67. Alternatively, a deferral increased the benefit by 0.6 percent for each month up to age 70. A decision to enter the program could be revoked only once

Costs and Financing

The cost of the variable-pension program is estimated at 400 million kronor annually for the first few years. It is to be financed by an annual employer payroll tax of 0.25 percent on all wages and salaries, beginning January 1, 1976. Because contributions are deductible for the entire year but the reform does not go into effect and benefits under the law are not payable until July 1, 1976, the contribution rate for the first year is 0.125 percent, or half the regular rate. Contributions go into a new fund established for this purpose under the control of the National Social Insurance Board.

Preliminary (1974) estimates indicated that the cost of lowering the regular pensionable age from 67 to 65 will be 1.5 billion kronor for 1976. Because subsequent increases in the base amount will mean higher pensions (costs had been computed on the January 1974 base amount) actual

³Income earned after age 65—the normal pensionable age—is not used in computing the pension amount.

costs may run about 15 percent higher than the early estimate.

Participation

The annual cost figure of 400 million kronor for the variable-pension program in the early years is based on the expectation that an estimated 35,000 persons will be taking advantage of the new program, according to Swedish sources. In Sweden, approximately 500,000 individuals are in the age group 60-64, about equally divided between men and women.

Nearly all men are eligible for the earnings-related pension and presumably would have no difficulty in meeting the requirements for participation in the variable-pension program. Most women in this age group, on the other hand, are homemakers without past employment; relatively few would therefore qualify. As a result, the 35,000 estimated participants must be considered in terms of a total eligible population a little larger than 250,000 for a participation rate in the range of 10-15 percent.

EVALUATION

The new measures generally tie into existing regulations. The requirement, for example, that the individual, in changing to part-time work, must have been employed for at least 5 months during the 12 months immediately before the change coincides with one of the usual requirements for unemployment insurance benefits. In addition, the minimum limit of 17 hours per week secures basic rights in the Swedish social security program, in this case by ensuring the continued payment of the partial pension (the 65-percent replacement of lost income) during periods of unemployment.

Although the variable-pension program requires 10 years of coverage after age 45, even those with extended illnesses during the latter part of their working life should have little difficulty in qualifying. A cash sickness benefit received by the insured during these periods, amounting to 90 percent of his usual earnings, is

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TABLE M-21 —OASDHI medical insurance Number of physicians' bills paid, total charges, and amount reimbursed, by type of bill, type of beneficiary, and period recorded, as of October 31, 1975¹

[In thousands, except percents]

| Period recorded ² | Total physicians' bills | | | | Surgical bills | | | | Medical bills | | | |
|---|-------------------------|------------------------------|--------------------------------|----------------------------|----------------|------------------------------|--------------------------------|----------------------------|---------------|------------------------------|--------------------------------|----------------------------|
| | Number | Allowed charges ³ | Amount reimbursed ⁴ | | Number | Allowed charges ³ | Amount reimbursed ⁴ | | Number | Allowed charges ³ | Amount reimbursed ⁴ | |
| | | | Total | Percent of allowed charges | | | Total | Percent of allowed charges | | | Total | Percent of allowed charges |
| Total⁵ | | | | | | | | | | | | |
| January 1, 1970- December 31, 1970 | 32,850 | \$2,156,561 | \$1,572,749 | 72.9 | 4,828 | \$796,062 | \$600,639 | 75.5 | 28,022 | \$1,360,499 | \$972,110 | 71.5 |
| January 1, 1971- December 31, 1971 | 37,109 | 2,380,848 | 1,748,272 | 73.4 | 5,693 | 921,450 | 698,548 | 75.8 | 31,516 | 1,459,897 | 1,049,723 | 71.9 |
| January 1, 1972- December 31, 1972 | 42,164 | 2,680,067 | 1,974,879 | 73.7 | 6,284 | 1,065,159 | 809,962 | 76.0 | 35,931 | 1,614,908 | 1,184,617 | 72.1 |
| January 1, 1973- December 31, 1973 | 34,272 | 2,257,614 | 1,635,467 | 73.8 | 5,111 | 911,299 | 689,795 | 75.7 | 29,161 | 1,346,816 | 965,673 | 71.7 |
| January 1, 1974- December 31, 1974 | 54,190 | 3,626,579 | 2,675,850 | 73.8 | 8,265 | 1,823,903 | 1,158,036 | 76.0 | 45,926 | 2,102,675 | 1,517,814 | 72.2 |
| July 1, 1973- December 31, 1973 | 15,763 | 1,055,016 | 775,110 | 73.5 | 2,432 | 442,109 | 334,703 | 75.7 | 13,331 | 612,908 | 440,407 | 71.9 |
| January 1, 1974- June 30, 1974 | 29,468 | 1,980,679 | 1,450,221 | 73.2 | 4,480 | 824,255 | 623,455 | 75.6 | 24,988 | 1,156,425 | 826,766 | 71.5 |
| July 1, 1974- December 31, 1974 | 24,722 | 1,645,899 | 1,225,629 | 74.5 | 3,785 | 699,649 | 534,581 | 76.4 | 20,937 | 946,251 | 691,048 | 73.0 |
| January 1, 1975- June 30, 1975 | 33,910 | 2,327,685 | 1,727,338 | 74.2 | 4,979 | 958,905 | 731,911 | 76.3 | 28,931 | 1,368,781 | 995,426 | 72.7 |
| July 1, 1975- October 31, 1975 | 19,787 | 1,342,082 | 1,007,355 | 75.1 | 2,920 | 569,226 | 437,135 | 76.8 | 16,867 | 772,867 | 570,221 | 73.8 |
| Persons aged 65 and over⁶ | | | | | | | | | | | | |
| July 1, 1973- December 31, 1973 | 15,654 | 1,044,860 | 768,302 | 73.5 | 2,411 | 437,060 | 331,142 | 75.8 | 13,243 | 607,780 | 437,159 | 71.9 |
| January 1, 1974- June 30, 1974 | 28,262 | 1,882,317 | 1,378,874 | 73.3 | 4,283 | 779,800 | 589,887 | 75.7 | 23,989 | 1,102,717 | 788,987 | 71.5 |
| July 1, 1974- December 31, 1974 | 23,262 | 1,540,363 | 1,145,798 | 74.4 | 3,577 | 654,447 | 499,771 | 76.4 | 19,674 | 885,916 | 646,027 | 72.9 |
| January 1, 1975- June 30, 1975 | 31,622 | 2,155,270 | 1,586,882 | 74.1 | 4,671 | 889,321 | 678,347 | 76.3 | 26,951 | 1,265,949 | 918,535 | 72.6 |
| July 1, 1975- October 31, 1975 | 18,281 | 1,231,761 | 922,920 | 74.9 | 2,723 | 521,806 | 402,708 | 76.7 | 15,559 | 706,956 | 520,212 | 73.6 |
| Disability beneficiaries⁷ | | | | | | | | | | | | |
| July 1, 1973- December 31, 1973 | 109 | 10,156 | 6,808 | 67.0 | 21 | 5,029 | 3,561 | 70.8 | 88 | 5,128 | 3,247 | 63.3 |
| January 1, 1974- June 30, 1974 | 1,217 | 98,362 | 71,347 | 72.5 | 197 | 44,654 | 33,568 | 75.2 | 1,020 | 53,708 | 37,779 | 70.3 |
| July 1, 1974- December 31, 1974 | 1,470 | 105,533 | 79,832 | 75.6 | 208 | 45,202 | 34,810 | 77.0 | 1,263 | 60,335 | 45,021 | 74.6 |
| January 1, 1975- June 30, 1975 | 2,283 | 172,415 | 130,455 | 75.7 | 308 | 60,583 | 53,564 | 77.0 | 1,980 | 102,832 | 76,891 | 74.8 |
| July 1, 1975- October 31, 1975 | 1,504 | 110,320 | 84,436 | 76.5 | 197 | 44,420 | 34,427 | 77.5 | 1,308 | 65,901 | 50,009 | 75.9 |

¹ Includes only those bills for which reimbursements were made by carriers and that were recorded in the Social Security Administration central records before October 31, 1975

² See table M-20, footnote 2

³ Represents allowed charges as determined by the carriers on the basis of customary charges for similar services generally made by the physician or

supplier of covered services and also on prevailing charges in the locality for similar services

⁴ See table M-20, footnote 5

⁵ See table M-20, footnote 6

⁶ See table M-20, footnote 7

⁷ See table M-20, footnote 8

SOCIAL SECURITY ABROAD

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taxable for pension purposes and earns pension credits for him while he is incapacitated

The Partial Pension Insurance Act of 1975 merely establishes a legal framework for the variable-pension program; it does not create part-time job opportunities for eligible workers. The success of the program therefore depends on

agreements between the individual employer and his employees or their union. A similar program already in effect in Norway has a 13-percent participation rate.⁴ On that basis, the estimate of 35,000 for the number of persons expected to join the Swedish program, representing 10-15 percent of those eligible, appears to be realistic

⁴ For a discussion of the Norwegian program, see the *Social Security Bulletin*, January 1974, page 34