

III REPORT 2016

THE ITALIAN PENSION SYSTEM

Financial and demographic trends of the pension and
welfare system in 2014

Edited by the Research Center of Itinerari Previdenziali

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*Edited by the Research Center of Itinerari Previdenziali,
under the supervision of its Technical and Scientific Committee*

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Inps, AdEPP and Privatized Pension Funds for Professionals

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TABLE OF CONTENTS

General Table of Contents Tables, graphs and figures

Introduction

1. The economic framework: *medium-term growth, productivity and employment*
2. Population trends in Italy
3. Pension expenditure from 1989 to 2014
- 3.1 Some operating indicators between 1989 and 2014
4. Operating and financial results of the pension system as a whole and of individual funds in 2014;
 - 4.1 Pension funds of private sector employees
 - 4.2 Pension funds of public employees (ex Inpdap)
 - 3.1 The INPS funds for the self-employed: *artisans, retailers, farmers, tenant farmers and sharecroppers (CDCM)*
 - 4.3 Minor schemes for private sector employees: *aviation fund, fund for consumption tax collectors, clergy fund, show-business and entertainment fund (former ENPALS), post and telephony fund (former IPOST), railway fund, fund for journalists managed by INPGI*
 - 4.4 Fund for atypical workers
 - 4.5 Welfare and support measures for the INPS funds (GIAS)
Box 1: GIAS measures
 5. Privatized funds for professionals; general framework and individual schemes.
 6. Equilibrium rates of the pension system and of individual pension funds
 7. Performance of income support schemes: Temporary Benefit Scheme (GPT) and GIAS income support measures
 8. Benefits by type, features, amount and province
 - 8.1 Pension benefits and life annuities not included in the social security budget
 9. The complementary welfare system in Italy: pensions, welfare and health care: preliminary data on intermediated and out of pocket expenditure
 10. Expected trends in pension expenditure and projections in the medium and long term
 11. Substitution rates for continuous and discontinuous careers in different economic scenarios
 12. Welfare financing: analysis of personal income statements
13. Summary and conclusions: current issues and proposals - pension and welfare trends

Main statistical tables: tables from 1a to 7a (special funds) and B25a, B25b, B26a, B26b

Appendix

Appendix 1: Summary of the main revision and reform measures of the pension system from 1992 to 2015; Pension access requirements under the current legislation
Insight 1: access requirements under the current legislation; Insight 2: pension indexation system; Insight 3: gold pensions; Insight 4: contribution rate trends; Insight 5: calculation of contributions and coefficients.

Appendix 2: *Definition of pension expenditure in this report and other definitions*

Appendix 3: Formula to calculate contributions

Attachments on the web site www.itinerariprevidenziali.it:

1. Tables from 1a to 7a between 1989 and 2000;
2. Detailed tables of Privatized Funds from 1b to 6d;
3. Detailed tables of the public system indicators from number B1a and B1b to B24a and B24b;
4. Graphs from 1989 to 2014 related to pensions, members, average pensions and average contributions of the Privatized funds for professionals.

Tables and figures

Tables

▪ Table 2.1: Life expectancy at birth, at 60 and at 80 years by gender– Italy 1950-2055	p. 10
▪ Table 2.4: Participation, unemployment and employments rates by age - Italy, 2014	p. 12
▪ Table 4.1: Solidarity contribution under art. 1 p., 468 l.147/2013	p. 25
▪ Table 4.2: Summary of the safeguard measures for esodati	p. 26
▪ Table 4.3: Economic and financial trends of pension schemes (millions of euros)	p. 34
▪ Table 5.2: Indicators and pension expenditure of privatized funds under Decree 509/94 (millions)	p. 43
▪ Table 5.4: Indicators and pension expenditure of privatized funds under Decree 103/96 (millions)	p. 44
▪ Table 5.5: Indicators of the pension balance of privatized funds under Decree 509/94 (millions)	p. 45
▪ Table 5.6: Indicators of the pension balance of privatized funds under Decree 103/96 (millions)	p. 45
▪ Table 7.1: GPT RESULTS 2008-2014 Summary of the economic situation (millions of euros)	p. 50
▪ Table 7.2: GPT RESULTS 2008-2014 Institutional benefit expenditure (millions of euros)	p. 50
▪ Table 7.3: GPT RESULTS 2008-2014 Contribution expenditure (millions of euros)	p. 51
▪ Table 7.4: GIAS RESULTS 2008-2014 Wage-support charges (millions of euros)	p. 51
▪ Table 7.5: GIAS RESULTS 2008-2014 Contributions paid by employers and by members (millions)	p. 52
▪ Table 7.6: Contribution rates for the main sectors in 2014	p. 53
▪ Table 8.1: Number of pensioners and raw retirement rate by gender on December 31 2013 and 2014	p. 54
▪ Table 8.2: Pension benefits and total and average annual amount by type in 2013 and 2014	p. 55
▪ Table 8.3: Number of Inps pensions by category and by region on December 31 2014	p. 60
▪ Table 8.4: Percentage distribution of old-age, seniority, disability and survivors' pensions by province	p. 61
▪ Table 8.1.1: The other pension system	p. 62
▪ Table 9.1: Private complementary welfare expenditure in 2012, 2013 and 2014	p. 63
▪ Table 9.2: Registry data for 2011, 2012 and 2013; our projections for 2014	p. 64
▪ Table 9.4: The complementary pension system in 2012, 2013 and 2014: number of members and resources for benefits	p. 65
▪ Table 11.1: Gross and net rates of the complementary pension system	p. 70
▪ Table 11.9: Gross and net rates of the complementary and compulsory pension system	p. 77
▪ Table 12.1: Type of tax statements	p. 78
▪ Table 12.3: Personal income tax payments by income level and tax payer: physical persons	p. 82
▪ Table 12.4: Personal income tax payments by income level and tax payer: employed workers	p. 83
▪ Table 12.5: Personal income tax payments by income level and tax payer: pensioners	p. 83

▪ <i>Table 12.6: Personal income tax payments by income level and tax payer: self-employed workers and others</i>	p. 84
▪ <i>Table 12.7: Personal income tax payments by region (tot. n. of physical persons)</i>	p. 84
▪ <i>Table 13.1: The State budget</i>	p. 91
▪ <i>Table 13.2: The size of the pension problem</i>	p. 92
▪ <i>Table 13.3: Number of welfare benefits and their annual total and average amount by type of benefit - on December 31 2011, 2012, 2013, 2014</i>	p. 94
▪ <i>Table 13.4: Expenditure paid by general taxes for 2014 and the number of welfare benefits</i>	p. 96
▪ <i>Table 13.5: Average pensions by category of workers</i>	p. 97
▪ <i>Table 1 a - Contribution revenues, pension expenditure and welfare supplementary benefits</i>	p. 99
▪ <i>Table 2 a -Percentage weight of revenues and expenditure balances on pension expenditure</i>	p. 100
▪ <i>Table 3 a -Contribution revenues/pension expenditure ratios (%)</i>	p. 100
▪ <i>Table 7 a - Ex Special Funds– pension expenditure and revenues absolute and % figures)</i>	p. 100
▪ <i>Table 4 a - Contributors, number of pensions, average contribution and average pension</i>	p. 101
▪ <i>Table 5 a - 100 base indices of contributors, number of pensions, average contribution and average pension</i>	p. 102
▪ <i>Table 6 a - Number of pensions/number of contributors ratio and average pension/average income ratio</i>	p. 103
▪ <i>Table B25 a - Benefits and contributions of the compulsory pension system (absolute figures)</i>	p. 104
▪ <i>Table B25 b - Benefits and contributions of the compulsory pension system (percentage figures)</i>	p. 106
▪ <i>Table B26 a - Benefits and contributions of the compulsory pension system (bsolute figures)</i>	p. 107
▪ <i>Table B26 b - Benefits and contributions of the compulsory pension system (percentage figures)</i>	p. 108

Charts

▪ <i>Chart 2: Number of pensions and their annual gross benefits by monthly amount –2014</i>	p. 57
▪ <i>Chart 3: Number of pensioners and their annual gross pension income by monthly amount</i>	p. 58

Figures

▪ <i>Figure 2.2: actual retirement age by gender: Italy 1970-2012</i>	p. 11
▪ <i>Figure 2.3: Dependency rate of elderly prople from 1950 to 2065 in Italy</i>	p. 11
▪ <i>Figure 2.5: Employed term contract workers vs the total number of employed workers – Italy, 2000 – 2014</i>	p. 12
▪ <i>Figure 2.6: Employed term contract workers by age – Italy, 2014</i>	p. 13
▪ <i>Figure 3.1: Balances of compulsory pension schemes as a percentage of total pension expenditure net of GIAS transfers</i>	p. 13
▪ <i>Figure 3.2: Annual variation rates of contribution revenues and pension expenditure net of GIAS transfers</i>	p. 14
▪ <i>Figure 3.3: Pension expenditure as a percentage of public expenditure net of interest rates</i>	p. 15
▪ <i>Figure 3.4: Pension expenditure as a percentage of GDP (SEC 2010)</i>	p. 16
▪ <i>Figure 3.5: Average annual GDP and pension expenditure variation rates net of inflation</i>	p. 16
▪ <i>Figure 3.6: Index of operating balances and annual GDP, pension expenditure and contribution variation rates,</i>	p. 17
▪ <i>Figura 3.7: Number of contributors/number of pensions ratio and average pension/average contribution ratio (all categories)</i>	p. 18
▪ <i>Figure 3.8: Number of contributors/number of pensions raio and average contribution/average pension ratio</i>	p. 19
▪ <i>Figure 3.9: Disalignment indices of the ratios average results for all funds (2014)</i>	p. 21
▪ <i>Figure 3.10: Financing of pension expenditure in 2014 by category of members</i>	p. 22
▪ <i>Figure 3.11: Operating balances of the last three years of different categories of members</i>	p. 23
▪ <i>Figure 5.1: Indicators: number of fund members, number of pensiond, average pension and average contributions from 1989 to 2014</i>	p. 42
▪ <i>Figure 5.3: Indicators: number of fund members, number of pensions, average pension and average contributions</i>	p. 43
▪ <i>Figure 6.1: Funds of various categories: accounting equilibrium rate net of GIAS</i>	p. 46
▪ <i>Figure 6.2: Fund fopr farmers, tenant farmers and sharecroppers: accounting equilibrium rates</i>	p. 48
▪ <i>Figure 9.3: Net worth of pension funds as a percentage of GDP in OECD and non-OECD countries</i>	

▪ <i>in 2013</i>	p. 64
▪ <i>Figure 10.1: Public pension expenditure – basic national scenario – Expenditure with respect to GDP</i>	p. 67
▪ <i>Figure 10.2: Public health-care expenditure – basic national scenario – Expenditure with respect to GDP</i>	p. 68
▪ <i>Figure 10.3: Public LTC expenditure – basic national scenario– Expenditure with respect to GDP</i> ..	p. 69
▪ <i>Figure 11.2: Official RGS net substitution rates (Ragioneria generale dello Stato – MEF)</i>	p. 71
▪ <i>Figure 11.3: Net substitution rates with the assumption of a GDP growth rate at 1%, 0.9%, 0.8%</i> ...	p. 73
▪ <i>Figure 11.4: Net substitution rates with the assumption of a GDP growth rate at 0.5%</i>	p. 74
▪ <i>Figure 11.5: Net substitution rates of the compulsory pension system for atypical workers</i>	p. 74
▪ <i>Figure 11.6: GDP capitalization rates 1996-2019</i>	p. 75
▪ <i>Figure 11.8: Net substitution rates of the compulsory and the complementary pension system</i>	p. 78
▪ <i>Figure 12.2: Average tax rate</i>	p. 80

Introduction

This is the third edition of the Report on the "*Italian pension system*", the only publication which provides an overview of the complex pension system in Italy and a reclassification of pension expenditure in the state budget. Until 2012, this Report had been drafted by the Social Security Expenditure Evaluation Unit (Nuvasp) under Act n. 335/1995 (Dini reform) and submitted every year to the Minister of Labour and then through the Minister to Parliament and to international institutions.

For a number of reasons, Nuvasp ceased its activity in May 2012¹. This void was only partially filled by other publications and by rebuilding a database with a long and complex "*data entry*" effort, with the contribution of private players and with the addition of *welfare schemes* and *temporary benefit scheme; Itinerari Previdenziali* processed the data and drafted this Report through its *Technical and Scientific Committee* and *Research Center experts* (many of whom were members or collaborators of Nuvasp). This report is made available to the Minister of Labour, to the institutions and to all the social security stakeholders in Italian and English.

The 3rd Report: This Report is built on the basis of the data from the financial accounts provided by the social security institutions. It illustrates pension expenditure and contribution revenue trends and the balance of the compulsory public and private pension schemes in Italy. The observation period begins in 1989, the first year in which it is possible to make a comparative analysis on homogeneous time series². The retrospective analysis covers the period up to 2014 with the latest data from disaggregated financial statements.

The Report uses ad hoc indicators to describe and evaluate the trends of all mandatory pension funds, both the public schemes integrated into INPS, the public social security fund³ and the private schemes within the framework of the pension funds for professionals as provided for under Legislative Decree n. 509 of 1994 and n. 103 of 1996. *Moreover, the Report provides some data on the "life annuities" received by Italian and European MPs and regional council members, as well as the benefits for some public officials working for the Constitutional Court, the Presidency of the Republic, the Chamber of Deputies and the Senate and other institutions such as the Sicily Region. The data available is not exhaustive because these institutions do not transfer the information to the general registry managed by the Ministry of Labour through Inps even though it is required under Act n. 243/04.*

The performance of these schemes is evaluated on the basis of contribution revenues and benefit expenditure in addition to other major variables such as the number of active members, the number of pensioners, average contributions, average benefits, which determine the current account balance and the medium and long term outcomes.

Then for the first time, the Report includes some fundamental data on their assets and liabilities.

The analysis of the results of the individual schemes is preceded by an evaluation of the general expenditure trends of the compulsory pension system in the time period considered.

On the basis of the projections of the compulsory pension system, the Report illustrates the trends of the total expenditure/GDP ratio after 2014 in the short, medium and long term in terms of financial sustainability and of adequacy of benefits.

¹ Resignation of the President and of the members with a letter sent to Minister Elsa Fornero, member of Nuvasp. In addition to monitoring and controlling pension expenditure, validating the transformation coefficients and coordinating the "*general registries of active workers, pensions and pensioners*", Nuvasp drafted the "*Report on the financial performance of the pension system*"; the last Report featured the data until 31 December 2010. In 2012, Nuvasp's large library was lost together with its enormous data bank created in over 15 years. Its web site too is no longer visible. It included the historical series of the reports and the database with the complete trends from 1989 to 2010. "

² The data were processed to compare homogeneous time series. It was carried out by the Social Security Expenditure Evaluation Unit (NVSP), which operated from 1997 to May 2011 at the Ministry of labor and social policies.

³ Art. 21 of L.D. n.211 of 6/12/2011, transposed into Act n. 214 of 22 December 2011 "Urgent provisions for growth, equity and adjustment of public accounts".

In addition to the Nuvasp themes, the Report analyses the performance of the *Welfare Benefit Scheme (GIAS)* and of the *Temporary Benefit Scheme (GPT)* income support benefits funded by the production sector and by taxes, which is designed to supplement the analysis of the overall expenditure for welfare and pension benefits. The Report also features the calculation of "**substitution rates**" with projections for different careers and economic scenarios; a detailed analysis of the different types of pension and welfare benefits with their **geographic distribution** and some insights in the privatized pension funds. Finally it gives a qualitative and quantitative evaluation of the complementary and supplementary welfare measures and a general overview of the main regulatory changes and innovations proposed in 2012/2014.

1. The economic outlook: medium-term growth, productivity and employment

After a disappointing 2014, 2015 marked at last the beginning of recovery. This had already happened in 2010 but the crisis of the Greek public debt and then of Mediterranean countries' sovereign debt triggered a second recession. 2015 ended with an average growth rate of about **0.7-0.8%** and in 2016 real GDP is expected to pick up. The second semester of 2015 already showed a growth rate of 1.1-1.2% with respect to a year ago. So this growth is evidence based and its strengthening will depend on international and domestic variables.

International variables are extremely disquieting. Emerging countries have been feeling the backlash of the crisis for some quarters now, even though they had weathered the storm unscathed for five years. The Federal Reserve has already decided to slowly normalize its monetary policy. This will in turn have a negative impact on the financial burden of these countries due to their companies' foreign currency debts. Moreover, they have to deal with with the stagnation of world trade and hence with a dwindling demand for their goods in advanced countries.

The domestic variables are related to the positive stimuli that the fiscal policy can provide to domestic demand. The more stagnant is international trade, the more relevant they become for the growth of the economy on the whole. In principle, the target budget deficit in 2016 and onwards is expected to be slightly lower than the deficit of the previous years, but this may have a negative impact of the GDP growth. If the announced progressive reduction of some income taxes for households and enterprises is implemented, the changing mix of public revenues and expenses may restore confidence, thus stimulating demand and compensating for the effect of a lower deficit. If this does not happen, the 2016 GDP growth rate will be just the result of a statistical carry over effect.

Last year's projections are confirmed, with a real GDP growth rate ranging between 1% and 1.5% in 2016-2018.

International trade of goods is not only stagnant in real terms but also in value terms due to the global deflation of prices. This results in a very modest growth of nominal GDP in several countries. In particular, nominal GDP is very important in Italy for the pension system, in that the notional capitalization rate of workers' contributions is based on the five-year moving average of nominal GDP. After two years of deterioration in 2012 and 2013 (-1.5% and -0.5% respectively), the nominal GDP picked up again in the last two years even though very slowly, +0.55% and +1.2% in 2014 and 2015. Moreover, given the low inflation rate at the international level, it is expected to fluctuate between 2% and 2.5% in the three years from 2016 to 2018. This implicitly suggests that during these three years, the slightly increasing interest rates will have historically lower values vs. the past both in nominal and real terms.

In 2015, the employment rate grew but it is still lower than in 2007 by about 400 thousand people. In the next three years, growth is expected to boost employment to reach the 2007 rate in 2018, slightly higher by about 100 thousand people. This is true for the total number of people employed, but there will be a progressive and slow reduction in the number of the self-employed, by about 10% in 2018. As already observed in the past, this will have an impact on the self-employed pension schemes due to the changing population trends and to structural employment conditions.

The number of employees is by now going back to the pre-crisis level (next year), even though the number of full-time jobs is slightly lower by one million than in 2007. This means that the number of people employed has recovered to pre-crisis levels but the employment conditions are somewhat worse: many people are still supported by the redundancy fund and are working in part-time jobs even if they do not want to. The number of employees is about to reach its pre-crisis level but the unemployment rate is still 5% higher than it was before the crisis. As already stated, unemployment also derives from the decrease in the number of self-employed people and from a considerable increase in job offers: 1.2 million individuals, 50% of whom in 2012 alone which suggests that more people are searching for jobs due to a drop in household income levels.

Given a low potential GDP growth rates (also affected by the crisis), the recovery at a rate between 15% and 1.5% is expected to partly narrow the wide gap that has grown over the last few years between the actual and the potential GDP (*output gap*). In any case, GDP is unlikely to go back to the 2007 level before the end on this decade. Consequently, in the next few decades, the long-term growth is not expected to be above 1% per year due to the full impact of the aging of the population in general and of the active population in particular. This may result into a higher burden for social security pension expenditure given the amount of resources that the system is expected to produce in that period of time.

Chapter 10 illustrates the projections (2015-2060) developed by the General Accounting Office (RGS) on the pension expenditure/GDP ratio.

The trends described by RGS consider an annual GDP growth rate equal to 1.5% on average in the 45 years considered. From the point of view of the long-term macroeconomic equilibrium, an average growth rate by 1.5% coincides with the annual real rate of return on the basis of which the transformation coefficient is calculated together with other factors. This coefficient is used in the calculation of contributions for retirement purposes so as to transform the amount of contributions into an annual annuity according to the provisions of Act n. 335/1995. The pension expenditure/GDP ratio obtained by RGS can be considered optimistic; however, even though very long-term projections are not set in stone, the ones provided by RGS are the most reliable projections that can be possibly obtained.

2. Population trends in Italy

This chapter has been drafted by Prof. Antonio Golini and by Mr. Angelo Lorenti.

Introduction

The aging of the Italian population is having a major impact on the current political decision-making process. A major concern is its effect on the sustainability of the pension system. The progressive and unstoppable increase in the number of elderly people and of their ratio vs. the younger generation has dramatically changed and is still shaping population trends. The result is a higher number of pensioners and a longer time span during which pensions are paid; at the same time, there is a decreasing number of working age individuals. This has a significant combined effect on the Italian pension system since it is organized on a pay-as-you-go basis.

Life expectancy and the aging of the population

The aging of the population is the result of an extraordinary lengthening of life expectancy and of a birth rate drop. In about one century, life expectancy at birth has almost doubled: from less than 42 years in the early 1900's to over 80 years in 2014. This improvement derives from the gradual mortality rate reduction in any age group. Child mortality has consistently diminished since the early 1900's and adult mortality had already decreased in the second half of the century. This has quickly and significantly shifted mortality towards older age groups. This revolution is still going on: in 2013, 92 men out of 100 and 96 women out of 100 reached 60 years of age; the number of people who survive beyond 80 years of age reached an all-time high, that is more than 60 men and than 75 women out of 100 individuals of the same sex. Moreover, those who are still alive after 80 years of age can expect to survive another 9 years on average if they are males and 10 years if they are females. These advances which were “incredible” at the turn of the century are bound to continue in the future. In fact, according to the U.N. population projections and to those issued by the Italian Statistical Institute, life expectancy at birth is expected to go on rising. In the next 40 years, men will survive beyond 86 years of age and women beyond 91. At 80 years of age, men will have another 12 years to live on average and women over 14 years.

Table 2.1: Life expectancy at birth, at 60 and at 80 years by gender– Italy 1950-2055

	Men			Women		
	e0	e60	e80	e0	e60	e80
1950 - 1955	64.4	16.4	5.2	68.1	17.9	5.7
1970 - 1975	69.1	16.7	5.8	75.1	20.3	6.7
1990 - 1995	74.0	18.9	6.8	80.6	23.5	8.4
2010 - 2015	80.3	23.0	8.8	85.2	27.0	10.7
2030 - 2035	83.7	25.7	10.2	88.3	29.6	12.5
2050 - 2055	86.4	27.9	11.5	91.0	32.0	14.2

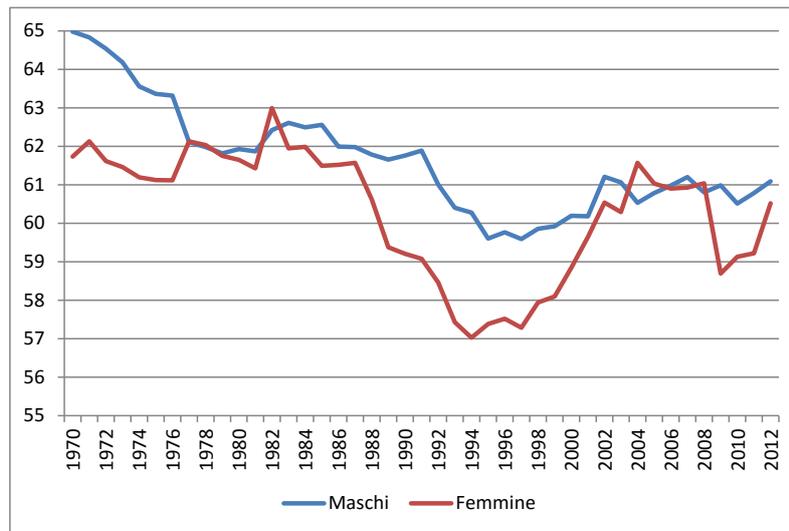
Source: data from UN Population Division - World Population Prospects, the 2015 revision

The conclusion is that by 2050, the Italian population (including immigrants) above 80 years of age will amount to 8.8 million, while the entire population below 15 will reach 7.4 million.

Impact on the pension system

Even though people live longer and healthier lives, early retirements have become increasingly popular in Italy and in other European countries since the 1970's. As a result, the actual retirement age has indeed decreased in the last 40 years (*Figure. 2.2*). The latest reforms have tried to reverse this trend and to increase the retirement age, but their impact will be full-fledged only in the next few years. Consequently, people live longer as pensioners in line with the longer life expectancy trends.

Figure 2.2: Actual retirement age by gender– Italy, 1970-2012



Men, Women Source: OECD – www.oecd.org

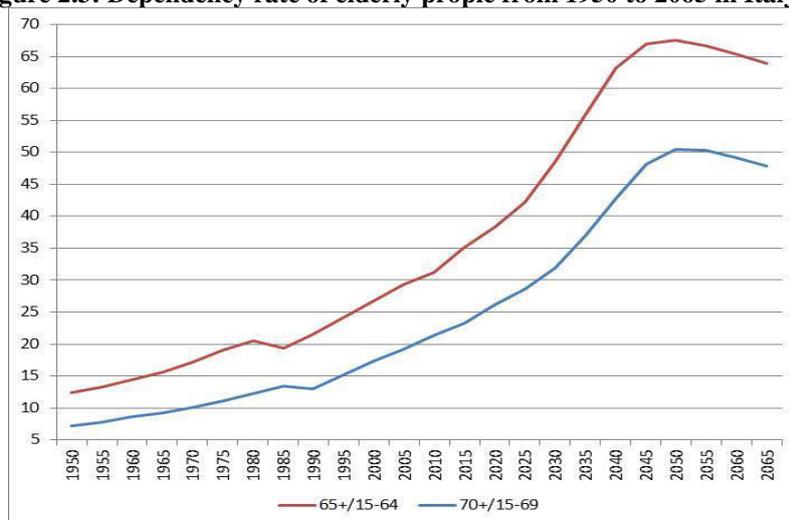
The growth in longevity has a direct and an indirect effect on the pension system: on the one hand, an increasing number of pensions is paid for a longer period of time, on the other, survivors' pensions *extend the time in which pension benefits are provided beyond the life of the main beneficiary*.

So, it may be wise to calculate the total number of years in which pensions are paid since this is very relevant in Italy due to its pay-as-you-go system.

Employment

The significant increase in the number of pensioners is accompanied by a shrinking working age population. As shown by *figure 2.3*, the ratio of individuals over 65 vs. the 15-64 age group is expected to double in about 35 years. This means that instead of current situation in which there is one pensioner for every three individuals, in a few years' time there will be two pensioners for every three working age individuals.

Figure 2.3: Dependency rate of elderly people from 1950 to 2065 in Italy



Source: UN Population Division - World Population Prospects, the 2015 revision

It is interesting to see what happens if the threshold which separates elderly population and from working age population is moved from 65 to 70 years. The dependency rate of elderly people

continues to have the same trend, but at a lower level (Fig. 2), by 2050, there will be two working-age people for every elderly person.

In addition to the drop in the working-age population, there is a lower participation in the labour market (**Table 2.4**) and this is particularly evident in the younger age groups. In general, people between 15 and 24 years are students, but in 2014, less than 3 young people out of 4 between 25 and 34 years were active on the labour market and that almost one out of five was unemployed. Furthermore, in the age group between 55 and 64 years, that is before the normal retirement age, only less than half of these individuals participated in the labour market and of these, most were employed, which means that, in these age groups, there is no longer any active search for jobs.

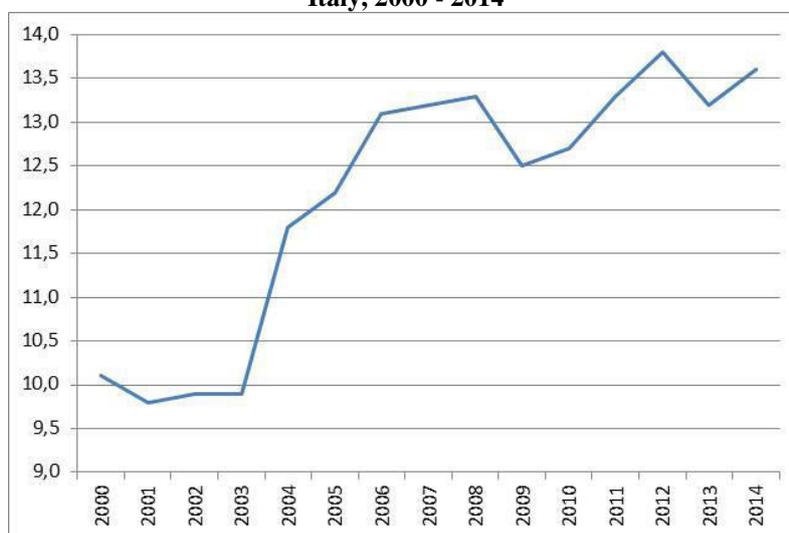
Table 2.4: Participation, unemployment and employment rates by age - Italy, 2014

	Participation rate	Unemployment rate	Employment rate
15 – 24	30.0	42.7	17.2
25 – 34	72.9	18.6	59.4
35 – 44	80.3	10.6	71.7
45 – 54	76.7	8.4	70.3
55 – 64	48.9	5.5	46.2

Source: OECD – www.oecd.org

Last but not least, in the last few years, the number of short-term work contracts has gone up (**Figure 2.5**), which also has an impact on contributions.⁴

Figure 2.5: Employed workers with short-term contracts vs. the total number of employed workers Italy, 2000 - 2014



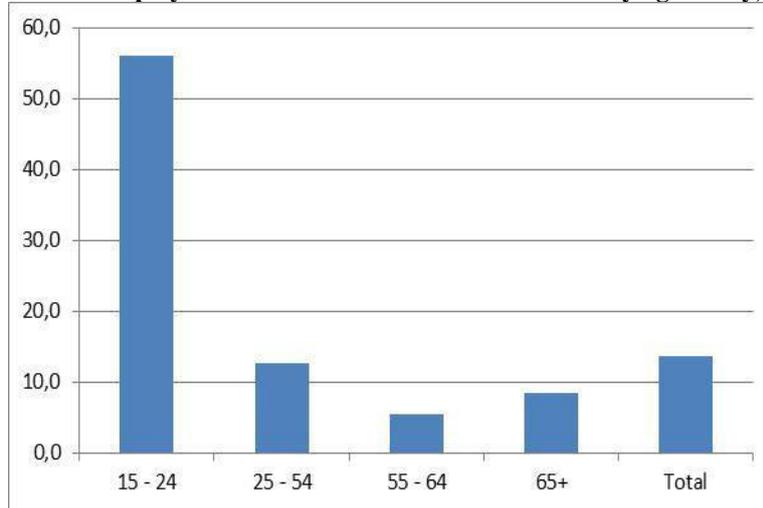
Source: OECD – www.oecd.org

⁴ This is less frequent now after the introduction of the "long-term contract with growing safeguards" introduced with the I Jobs Act. The aim of the reform is to create new stable jobs and long-term contracts meet this requirement. The new rules are more transparent and easier to interpret in case of unfair dismissals. In this case, workers will be given an economic indemnity in line with the amount of time they have worked for the employer. Employers will be sanctioned for their discriminatory and purposeful behaviour and workers will be reinstated. This is designed to prevent a legal case through a new settlement model. Moreover, some incentives have been introduced with the last Stability Law (Act n.190/2014): for three years employers will not pay social charges, thus saving over 8000 euros for each worker; the 2015 stability law halved this amount for people hired in 2016, but the incentive is still very strong.

The future

In conclusion, the population factor is playing a very relevant role in Italy as well as in other countries. And this trend is expected to continue in the future. Italy has one of the highest aging rates and this will have a major impact on its pension, health care and not self-sufficiency expenditure. Food for thought for governments and policy makers indeed.

Figure 2.6: Employed workers with short-term contract by age– Italy, 2014



Source: OECD – www.oecd.org

3. Pension expenditure from 1989 to 2014

Considering all compulsory pension schemes, in 2014, total pension expenditure amounted to 249.5 billion euros, with an increase by 0.6% in nominal terms with respect to the previous year. Excluding the transfers through GIAS equal to 33.4 billion, the total benefits amounted to 216.1 billion Euros, with an increase by 0.7%, almost the same as the growth rate of the total expenditure. The overall amount of contributions was equal to 189.6 billion euros, with an increase by 230 million vs. 2013.

On the basis of these trends, the balance between contribution revenues and benefit expenditure was negative, - 26.5 billion euros, that is 1.25 billion more with respect to the previous year. This poor outcome followed a series of other negative results starting from 2008 (*Figure 3.1*), the year in which the pension system had almost reached an equilibrium between contribution revenues and benefit expenditure, net of GIAS transfers.

Figure 3.1: Balance of the compulsory pension schemes as a percentage of total pension expenditure net of GIAS transfers

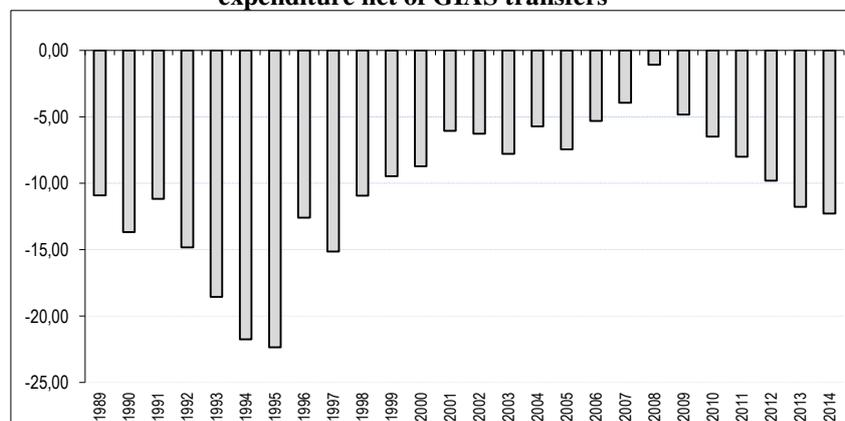
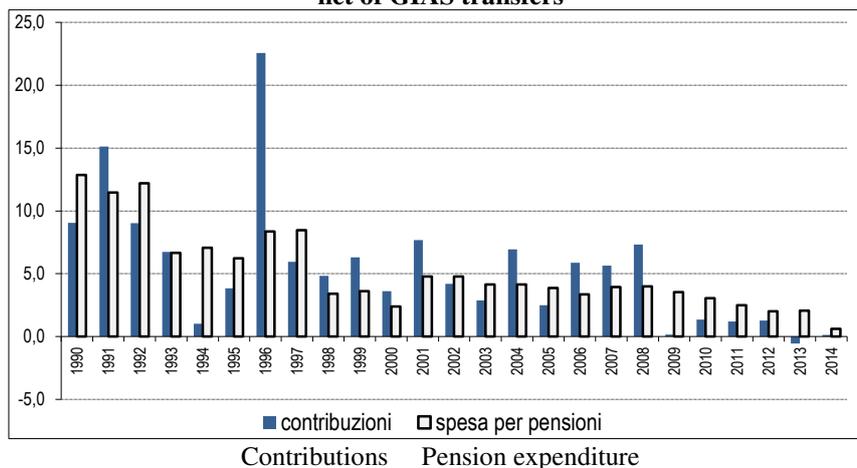


Figure 3.1 shows that the balance between contribution revenues and pension expenditure net of GIAS transfers was always negative from 1989 to 2014, the year in which the last comparable data is available. However, in the same period, there were three distinct phases: the first from 1989 to 1995, with a consistent deterioration of this balance; the second until 2008, with a progressive improvement of the financial situation and a third, with a reversal of this trend and a downward spiral.

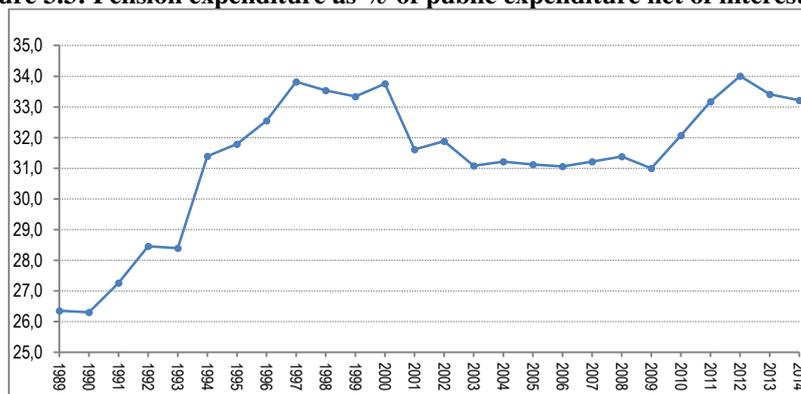
There are different reasons for these conflicting trends. *Figure 3.2* shows that in 1995 the cause of the deficit in the pension accounts was mainly due to major fluctuations in pension expenditure which grew more than contributions. 1995 was a landmark year for the pension reforms launched in the first half of the 1990's. In fact, it was the beginning of a 13-year- long period until 2008 when for nine times contributions revenues were higher than benefit expenditure and pension expenditure grew much less with respect to the years before 1995. Finally, the more stringent requirements in retirement age and benefit indexation adopted in the last few years, in the most critical phase for the Italian fiscal situation, managed to curb pension expenditure. However, the prolonged crisis affected employment which led to a significant reduction in contribution revenues due to a drop in the number of hours worked and, more in general, to a stagnation of labour income. The effect of the crisis on the income on the basis of which contributions are levied and hence on the equilibrium of the accounts of the pension system can be seen by comparing the average contribution rate from 2009 to 2014, **0.8%** in nominal terms and **-0.2%** in real terms, vs. 6.9% in nominal terms and 4% in real terms on average in the previous period from 1989 to 2008.

Figure 3.2: Average annual contribution revenues and pension expenditure net of GIAS transfers



As regards expenditure, *Figure 3.3* shows that over those years, pension expenditure had a different pattern and a different impact on total public expenditure net of interest rates. This ratio was the result of the regulatory changes designed to reduce public expenditure.

Figure 3.3: Pension expenditure as % of public expenditure net of interest rates



In the initial period from 1989 to 1997, the ratio of pension expenditure vs. public expenditure consistently grew from 1/4 to 1/3.

However, these trends changed in the following periods. Until 2008, this rate dropped and then became stable, while in the following four years, this ratio rapidly increased above the all time high reached immediately after the mid 1990's. Finally, the last two years were characterized by a reversal of this trend with a reduction by about 1% in the pension expenditure/public expenditure ratio.

These fluctuating trends can be evaluated from a quantitative point of view by analysing the average rates of pension expenditure and of other public expenses net of interests (table below).

Average annual rates of pension expenditure and of other public expenses net of interest rates

Periods	Pension Expenditure	Other public expenses net of interest rates
1990-97	9.2	4.5
1998-08	3.9	5.0
2009-12	2.8	-0.2
2013-14	1.3	3.2

Each period shows different figures: in the first and in the third period, pension expenditure grew more rapidly, while in the other two, other public expenses had a stronger upward trend. *Apart from this discrepancy, pension expenditure consistently decreased over all these years while other expenses had a more erratic pattern.* A more in-depth analysis could explain these trends, but this is beyond the scope of this Report. In any case, the data suggests that decision makers have two rather different options to curb expenditure. Public expenditure can also be reduced by means of short-term measures but their efficacy is however limited without repeated interventions. Instead the effect of the measures to reduce pension expenditure tends to be felt in the medium term, but once the rules have changed, their impact continues and becomes stronger over time.

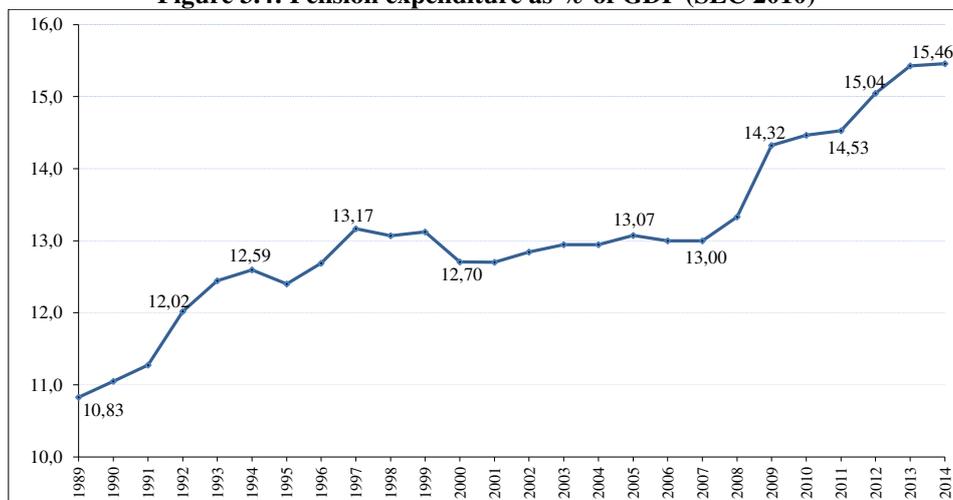
The pension expenditure/GDP ratio, which is widely used in Europe to evaluate the long-term sustainability of pension expenditure in different countries, shows that there are diverging phases in which the numerator and the denominator vary considerably.

In fact in the phase until 1997, this ratio rapidly increased (**Figure 3.4**) from 11.2% to 13.6%⁵. From 1998 to 2007 the pension expenditure/GDP ratio was stable at around 13% following the reforms implemented in the first half of the 1990's which reduced the number and the average

⁵ The reversal of this trend in 1995 was due to a temporary halt to seniority pensions (art. 13, par.1 of Act n. 724 of December 23 1994) which preceded the general reform of the pension system. (Act n.335/95).

amount of benefits⁶. More recently, that is from 2008 to 2014, pension expenditure rapidly grew again as a percentage of GDP, from 13.0% in 2007 to 15.46% in 2014.

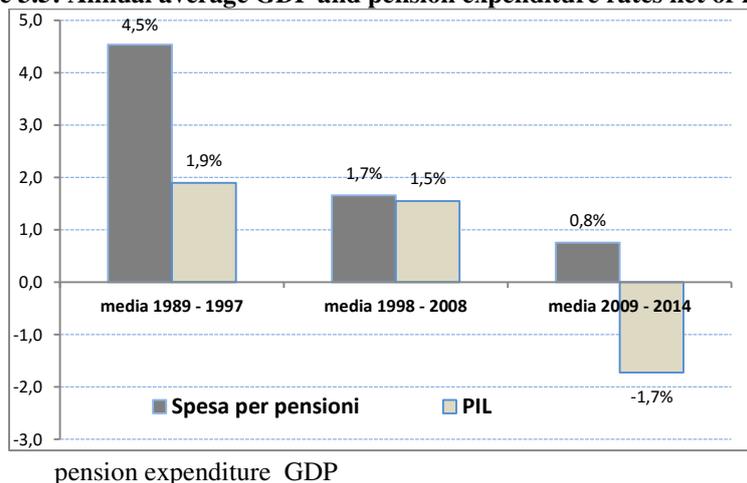
Figure 3.4: Pension expenditure as % of GDP (SEC 2010)



As already pointed out, these diverging results are due to the very different trends of pension expenditure and GDP over time in the three periods considered. Figure 3.5 shows how these two indicators vary, calculated net of inflation⁷ to make these figures comparable. Until 1997, this ratio rapidly increased because the annual average pension expenditure rate (4.5%) more than doubled went with respect to GDP (1.9%).

From 1998 to 2007, pension expenditure considerably slowed down, with an annual average rate net of inflation equal to 1.7%, very close to the GDP growth rate (1.5%), which stabilized this ratio. After 2008, the nominal pension expenditure growth rate was limited (0.8%) and, in any case, it was much lower than in the previous periods. Instead, due to the prolonged economic crisis, GDP dropped to -1.7%, much below pension expenditure, thus deteriorating this ratio.

Figure 3.5: Annual average GDP and pension expenditure rates net of inflation



⁶ These are the factors that have contributed to reducing pension expenditure: a) more stringent retirement age requirements and a delay in paying pension benefits; b) the effects of the review of the rules governing disability pensions (Act n.222 of 1984); c) a change to the pension indexation system that since 1993 has been based only on consumer price trends and no longer on the real variation of wages. (L.D. December 30 1992, art. 11). In this phase, the effect of the contribution-based calculation method introduced by Act n. 335/95 was negligible because it was very gradual and was applied to a limited number of people.

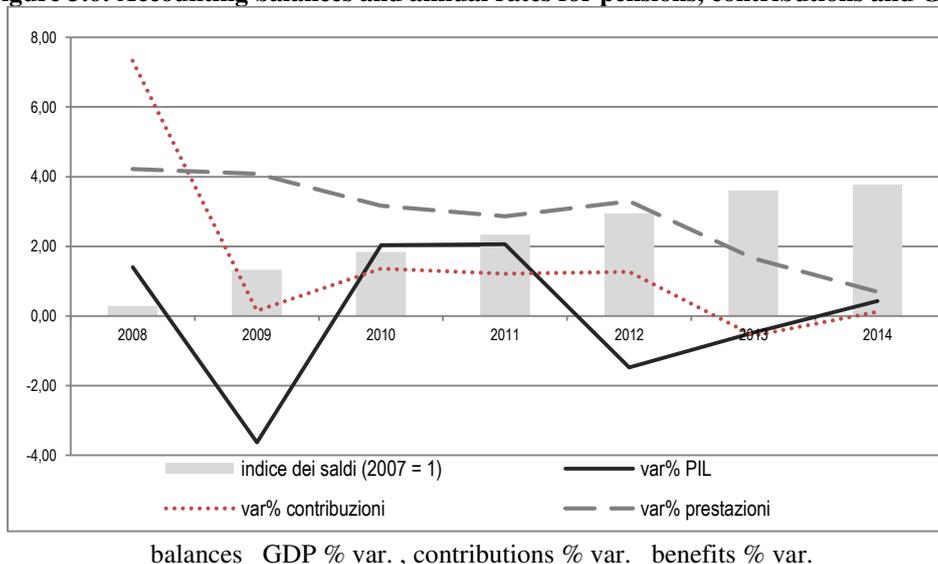
⁷ Consumer price index for families of blue collars and white collars.

3.1 Some operating indicators in 1989 - 2014

As already indicated, the sustainability of the pension system was severely affected by the difficult employment scenario following the zero or below zero growth rate of the economy in the years of the crisis. This in turn resulted in a decrease in employment-related contribution revenues and in constantly negative balance in the pension system notwithstanding the measures adopted to curb expenditure.

In the years between 2008 and 2014, there is a clear correlation between the performance of the economy and the performance of the pension system. The trends of GDP, contributions and benefits as well as their accounting balances in **Figure 3.6** show that the reforms managed to curb pension expenditure but without any significant cyclical effect. Instead, the contribution revenues had a procyclical trend which was matched by a slightly delayed low GDP growth. This spread has an impact on the accounting balance of all pension funds, whose index seems to be always in the rise.

Figure 3.6: Accounting balances and annual rates for pensions, contributions and GDP



In 2014, 76% of total pension expenditure (*before taxes*) was financed by contributions vs. 84% in 2008. In the meantime, GIAS transfers as a percentage of total pension expenditure dropped from 15% to 13%, while the residual share, that is the accounting deficit financed by general taxes grew from 1% to 11%.

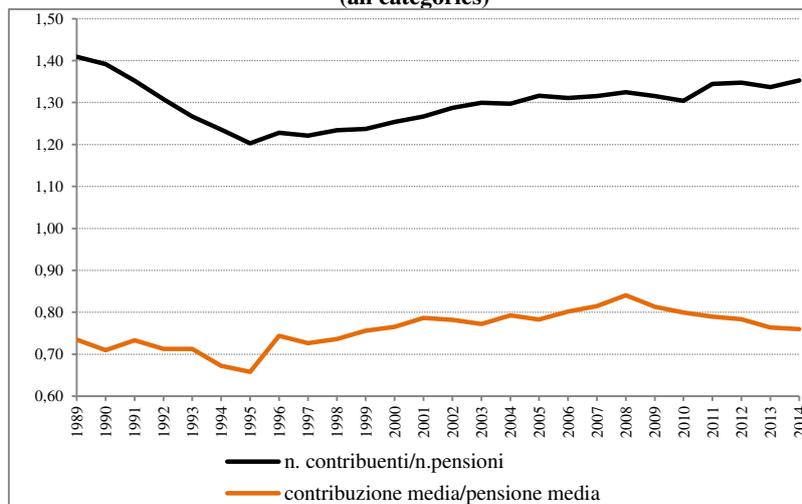
The amount of pension expenditure covered by contribution revenues is an important indicator for the ability of this system to finance itself and plays a relevant role in its equilibrium. It depends on the trends of another two ratios: the contribution/benefit ratio and the number of pensions/number of contributors ratio⁸.

As indicated in **Figure 3.7**, in this case too there are three phases with different patterns. Until 1995, both ratios tended to be worse with a progressive decrease in the amount of pension expenditure financed by contribution revenues and the need to cover the deficit with other tax revenues. After the general reform of the pension system in 1995, both ratios increased. The number of benefits decreased mainly because of more restrictive minimum age requirements. This was accompanied by other concomitant factors including the increase in contribution rates and the

⁸ The share of contributions (C) of pension expenditure (S_P) $q = C/S_P$ is equal to $q = (a.L.w)/(p.R)$, where a is the contribution rate; L number of contributors; w average income of contributors; p average pension; R number of pensions paid. Otherwise, it is possible to write: $q = (a.w)/p \cdot L/R$, that is the share of pension expenditure financed by contributions and equal to the product of the two ratios, the average contribution/average pension ratio and the contributors/number of pensions ratio.

higher number of contributors on the revenue side and the reduction in the amount of benefits on the expenditure side due to new indexation criteria. So average contributions grew more than average benefits. The increase in these two ratios, that is the progressive growth of the amount of expenditure financed by contributions, continued until the beginning of the crisis, when the ratio of benefits net of GIAS transfers vs. contributions dropped by around 1%. After 2008, there was a reduction in the number of active workers paying contributions by about 240 thousand people. But more stringent pension eligibility requirements led to a positive ratio of number of contributors vs. the number of beneficiaries even if with some fluctuations. The other ratio had instead a reverse trend because average pension benefits remained consistently and progressively higher than average contributions.

**Figure 3.7: Number of contributors vs. number of beneficiaries
average contributions vs. average benefits
(all categories)**



n. of contributors/n. of pensions average contributions/average benefits

In order to have a greater insight in the financing of pension funds for different categories of workers, it is possible to reproduce the number of contributors/number of beneficiaries and the average contributions/average benefits ratio for the main categories of workers. **Figure 3.8** shows the disaggregated data for the six main categories and a significant difference between the two indicators. The two ratios are very similar to those in **Figure 3.7** for private sector employees, who accounted for 55.6% of contributors to the compulsory pension system in 2014 and for 53.5% of all benefits provided. But the average contributions/average benefits ratio was about 10% lower.

For public employees the two ratios appear very different. Until the reforms of the 1990's, the average contributions/average benefits ratio was about 0.4. After the reforms, it went up to about 0.6 for almost 15 years. But, after 2008, it dropped again and had a negative impact of the financial situation of pension funds. In the last period of time, pension funds were also affected by the number of contributors number of pensions ratio. This ratio was high and then it dropped below that of other categories except for agricultural workers.

There are similar levels but with diverging trends for the two main funds for the self-employed, the funds for artisans and retailers. In fact, in both funds, the average contributions/average benefits ratio remained relatively stable. For artisans it ranged between 0.36 and 0.49 and from 0.37 and 0.58 for retailers. Instead the number of pensions/number of contributors ratios were significantly different: it went down significantly from 2.69 to 1.05 for artisans, while it had a less dramatic decrease from 2.41 to 1.56 for retailers.

The categories in the last two figures are cases in point of two opposite trends. In the agricultural sector, the number of pensions/number of contributors ratio plummeted (from 0.68 to 0.39) right from the first year of the observation period up to 1994. This set the stage for the severe deficit situation that followed, which was only partially offset by the increase in average contributions/average benefits ratio.

On the contrary, the privatized funds for professionals had very positive number of pensions/number of contributors ratios (always up from 1994 to 2010) which had a significant effect on their managed to sustain their financial balance, even though their average contributions/average benefits ratios were lower than those of the other major categories of private and public workers.

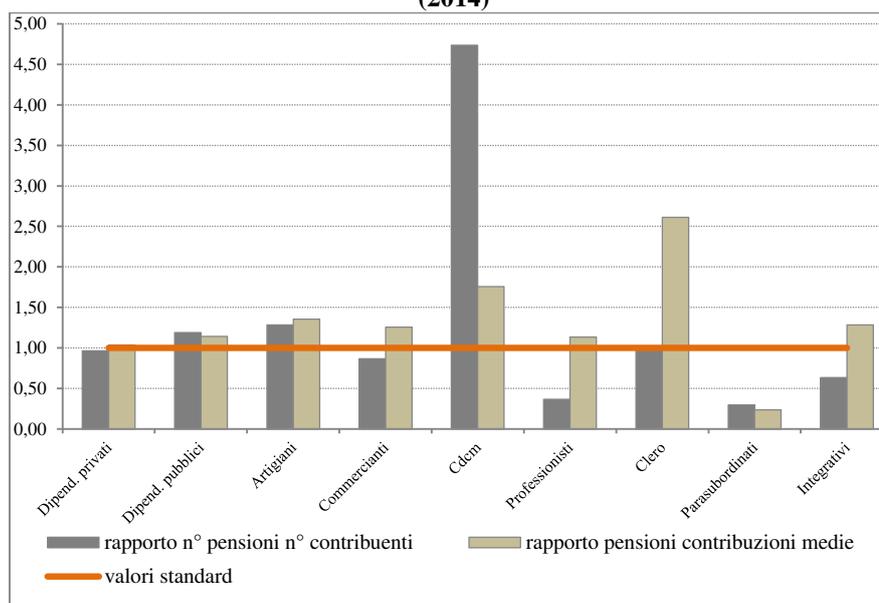
Except for agricultural workers who have a different system to calculate contributions⁹, for the other categories, the diverging trend of the average pension/average income ratio is also due to their different contribution rates. However, the latest regulatory changes have progressively harmonized these rates with the ones for employed workers. The rates for artisans, retailers and agricultural workers are expected to progressively increase up to 24% in 2018, while atypical workers without other social security benefits already had an increase in their rate to 28% in 2014.

Figure 3.9 provides a snapshot of the situation in 2014 for all categories. It shows the imbalances and their impact on the financial situation of the funds, including minor schemes and the fund for atypical workers, for whom these ratios became relevant only after 2006.

The histograms reflect the distance, “misalignment”, of the two ratios analyzed from the so-called “standard” figures, which represent all compulsory pension fund members. The cross-section is the line of separation between the two ratios, in the sense that the ratios above the line show a deficit for the funds while those below the line show a positive balance between revenues and expenditure.

⁹ The contributions of farmers, tenant farmers and sharecroppers and entrepreneurs are determined by multiplying their conventional average income by the number of days corresponding to the income bracket of each farm and by applying the predetermined percentage rate to the result. The conventional average income in 2015 was set by Inps at 55.05 € and the rate for "normal areas" is 22.8%, down to 21.8% for the subjects below 21 years and to 21.4% for the farms located in marginal areas (19.5% for subjects below 21 years of age).

Figure 3.9: misalignment of the ratios from the average performance of pension funds (2014)



Private employees, Public employees, Artisans, Retailers, Cdcn, Professionals, Clergy, Atypical workers, Supplementary funds
n. of pensions/n. of contributors average pension/average contributions
standard values

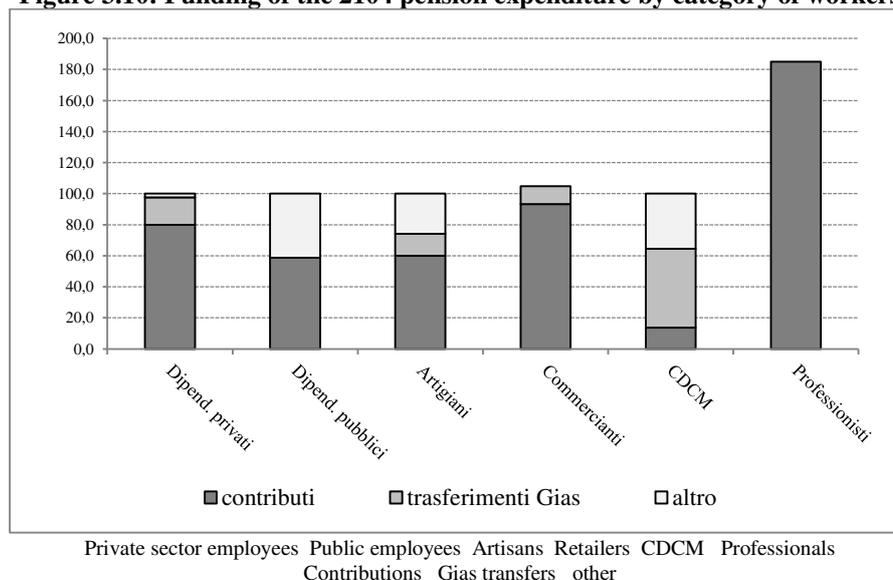
The graph shows that the agricultural sector is the most distant from the standard figures, since the number of pensions/number of contributors ratio is four and a half times higher than the level which would lead to an operating result similar to the average balance of the whole pension system, while the average benefits/ average contributions ratio is 76% beyond the standard value.

The Clergy Fund too has an imbalance especially in its average benefits/average contributions ratio and the same holds true for the artisans', retailers' and supplementary funds. The level above the standard values is proportionally lower for the funds for public employees. However, their negative balance is always high since they have a considerable fiscal weight.

The results of the misalignment index have a direct impact on the amounts of funds allocated to pay benefits as shown in **Figure 3.10**. In this case, the whole expenditure is taken into account, that is all the benefits actually paid including the share financed by GIAS with its welfare transfers. In 2014, for two categories (professionals and retailers), revenues were higher than expenditure by over 80% for the former and by a lower percentage for the latter. Moreover, for professionals, revenues only derived from members' contributions (excluding the ones from assets), while for retailers, part of the revenues (11.5%) came from GIAS.

The funds for private sector employees obtained 80% of their revenues from contributions, a little bit less than 18% from GIAS and the minimum remaining amount of the deficit is financed through taxation. From this point of view, the deficit was higher for artisans, whose funds financed 60% of expenditure by means of contributions, about 14% through GIAS transfers and remained with 26% of expenditure to be funded through external public resources. The amount of benefits financed through contributions remained below 60% (58.7% to be precise) even for the funds of public employees.

Figure 3.10: Funding of the 2104 pension expenditure by category of workers



The greatest imbalance is found in the agricultural sector, where less than 14% of pension benefits were financed by contributions and 50.7% by GIAS transfers and its deficit equal to 35.6% of expenses had to be covered by public resources.

This Figure does not include atypical workers, because their histogram would have distorted the whole graph. However this fund had a positive role for the financial equilibrium of the compulsory pension system. In fact, only a few members have become eligible to receive pension benefits. The contribution revenues of this fund are eleven times higher than pension expenditure and its GIAS transfers account for a very small share of revenues (about 7.7% of expenditure).

The evidence shown by the indicators is confirmed by the pension funds' disaggregated financial results, showing that their performance is crucial and that they also play a very different role in the overall outcome of the system. According to the results of the last three years analyzed in this report (2012-2014) as shown in **Figure 3.11**, there are only two categories of workers, atypical workers and professionals in general, whose funds had positive results, relatively stable for the former and slightly improving for the latter.

The fund for private sector employees, the scheme with the highest number of members, appeared to be almost in equilibrium. But its balance deteriorated in the period investigated because of the decline in contribution revenues due to the difficult employment situation.

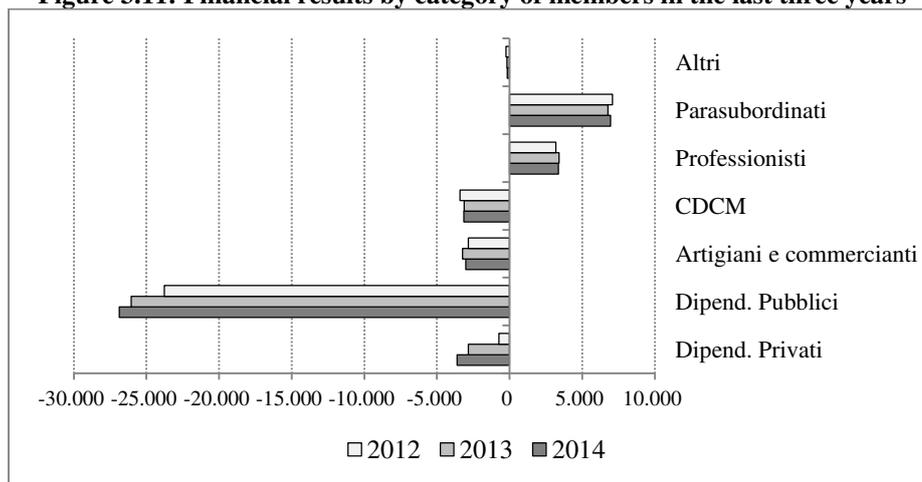
However, this is not a homogeneous picture, as indicated in the following chapters that focus on the differences among the categories of private sector employed workers.

The funds for artisans and retailers ran a deficit. In particular, the former obtained negative results for the three years considered, partially offset in the last year by the increase in their contribution rate.

The agricultural fund (CDCM) continued to run a deficit because of the well-known structural characteristics linked to the life cycle of this industry: a dwindling number of active workers and a growing number of pensions to be paid, which started declining only in the last few years.

Last but not least, the largest and still growing deficits of the compulsory pension system are found in the schemes for public employees. Due to a halt to the turn-over of workers, the funds showed a drop in the number of contributors and a fading effect of the retirement age requirements. In fact, after an initial slump in the number of people who retired, the number of pensions picked up again.

Figure 3.11: Financial results by category of members in the last three years



others, atypical workers, professionals, CDCM, artisans and retailers, public employees, private sector employees

4. Results for the overall pension system in 2014 and for individual funds; economic and financial results for the whole system and for each fund

The compulsory pension system in Italy is made up by INPS funds (National Institute for Social Security), which account for about 97% of the whole system, and by the so-called "privatized" funds for professionals. In 2012, Act n. 214/2011 integrated INPDAP (the public administration pension fund) and former ENPALS, the fund for show business and entertainment workers, into INPS. Many other schemes had already been integrated into INPS under different legislations, including IPOST (fund for postal workers) and INPDAI (fund for industry managers).

The compulsory system also features complementary or supplementary schemes launched by INPS or by privatized funds such as ENASARCO, the complementary pension fund for retail agents, ENPAIA, the complementary pension fund for agricultural workers and FASC, the complementary pension fund for shippers.

This chapter analyzes the INPS consolidated accounts and those of individual funds, while the accounts of privatized funds are illustrated in Chapter 5.

Table 1a shows the overall financial situation of the compulsory social security system with its benefits, contributions, balances and share of pension benefits transferred through GIAS.

Chapter 7 supplements the quantitative analysis of the INPS funds with an insight in the **Temporary Benefit Scheme (GPT)** and its scope and the **GIAS** income-support measures.

Point 4 of this table shows the data of the funds for professionals privatized under Legislative Decrees n. 509/94 and n.103/96, which are included in the mandatory system but they are independent and do not require any financial resources from the State budget. The detailed graphs of these privatized funds are displayed on a special web section of the Report.

In 2014, pension expenditure of all the funds (net of the GIAS transfers as shown in tab.1a) amounted to 216,107 million Euros, a **0.60%** increase compared to 2013, partly due to the adjustment of benefits to inflation¹⁰ nota and also to the so-called "*renewal effect*" linked to the physiological replacement of ceased pensions with the new ones, which are higher on average.

In the same year, **contribution revenues**, including transfers to pay special benefits, tax deductions and contribution incentives, amounted to 16,948 million euros (excluding the additional contribution of 10,800 million euros paid by the State pursuant to Law n. 335/1995 to finance CTPS (funds to pay benefits to public employees), were equal to 189,595 million euros with respect to

¹⁰ From 2009 to 2010 + 39,35%; 2011 vs. 2010 + 26,31%, 2012 vs. 2011 + 26,55%; 2013 vs. 2012 + 22,2%.

189,364 million euros in 2013, with a slight increase by **0.12%**. So there was a negative balance between contributions and benefits by 26,512 million euros with a **4.95%** increase vs. 25,262 million euros in 2013.

These rapidly growing deficits raise major concerns¹¹ due to the slump of the economy with respect to the previous year.

Therefore, it is possible to draw the following conclusions:

a) According to the analysis of *Table 1a* and of the pension funds for self-employed workers and for private sector employees, there are 3 INPS schemes running a surplus: the fund for *retailers* with a surplus of **521 million euros**, the fund for *showbusiness and entertainment workers (ex ENPALS)* with **279 million euros** and the fund for the so-called *atypical workers* with a surplus of **6,943 million euros**, which is a "separate scheme" founded in 1996 and not yet fully operational. As shown in Chapter 5, all the schemes for professionals (except for Inpgi and Cipag) run a surplus equal to **3,364 million euros**, more or less similar to the 2013 result (5 million more). Except for the fund for retailers, these schemes still have a higher number of active members with respect to the number of pensioners and their contributions (+ **11,107 million euros'** worth of surplus) help curb the overall deficit between expenses and revenues to 26,512 million euros.

b) As to the deficit of the other schemes, it is important to mention Art. 1, par. 86 of Act 147/2013 (2014 Stability Law) which envisaged a solidarity contribution for three years as of January 1 2014 from the so-called "gold pensions", i.e. those 14 times above the INPS minimum benefits (7,019 euros per year) "*also to finance the measures under paragraph 191*" (provisions for the so-called esodati). In order to capture the extent of this very controversial initiative, *Table 4.1* shows the data for each INPS fund and the amounts due for 2014; the total number of pensioners obliged to pay this contribution is lower than **50,000** for an overall amount of 49,104,856. 97 (985 € on average per pension). This measure is considered to be unconstitutional because it affects only a small group of retirees out of 16.3 million pensioners.

¹¹ From 2009 to 2010 + 39,35%; 2011 vs. 2010 + 26,31%, 2012 vs. 2011 + 26,55%; 2013 vs. 2012 + 22,2%.

Table 4.1: Solidarity contribution under Art. 1 co. 468 l.147/2013

NAME OF THE FUND	ANNUAL AMOUNT DUE FOR = 2014 <i>(in euros)</i>
FPLD	10,528,870.89
TRASPORTION	193.12
TELEFONY	2,052,021.01
ELECTRICITY	643.91
AVIATION	1,382,982.28
CONSUMER TAXES	0.00
CREDIT*	
FFSS	196,510.44
INPDAI	2,297,852.72
SHOWBUSINESS **	14,362.90
IPOST	152,800.17
CPDEL	2,831,027.52
CPI	6,223.49
CPS	5,316,161.78
CPUG	3,879.20
CTPS	23,857,361.08
ARTISANS	8,642.87
RETAILERS	201,680.58
CDCM	68,829.93
CLERGY	0.00
ATYPICAL WORKERS	184,813.08
MINES	0.00
GAS	0.00
TAX COLLECTORS	0.00
DOCKERS	0.00
DISSOLVED ENTITIES	0.00
TOTAL	49,104,856.97

c) The deficit in the funds for public employees is equal to **26,875** million euros and it would be lower if the additional contribution by the State to CPDS is included in the contribution revenues which amounted to **10,800 million euros** in 2014. This reduction would also have a positive impact on the overall deficit of all the schemes. However, this contribution must be included in the total costs but not in the operating costs.

d) Moreover, in evaluating the performance of the overall pension system in Italy, it is important to consider that contribution revenues also include the transfer from the GIAS and GPT Funds. The GIAS fund (illustrated in Chapter 4.6) provides welfare resources financed by the State through general taxation and the GPT fund (illustrated in Chapter 7) receives 70% of its funds from the contributions paid by companies and by workers for temporary benefits.

Both funds provide ad hoc transfers to compensate for the loss of contribution revenues due to the deterioration of employment; the growing recourse to these measures shows that the crisis is still biting in Italy.

So, in order to properly assess Italy's economic outlook and its ratio of contribution revenues to pension expenditure, the contribution revenues must be net of the welfare transfers from GIAS equal to **10,547 million euros** and the ones from GPT equal to **5,522 million euros**.

The difference between revenues and benefit expenditure in 2014 amounted to 26,512 million euros and it followed more critical deficit situations in the previous years. In the case of INPS which accounts for almost the whole Italian pension system, this led to a progressive impoverishment of its **net worth** down to **18,407 million euros** on 31/12/2014 vs. **9,028 million euros** on 31/12/2013.

The increase by 9,379 million euros in the above-mentioned annual deficit was mainly due to a State contribution of 21,698 million euros to rebalance the accounts of former INPDAP under art. 1, par. 5, of Act 147/2013 and other minor items.

The analysis of the individual pension funds in the following paragraphs also provides some clues on their financial situation and to what extent it was affected by the crisis even though in some cases, their financial performance was already very poor due to structural reasons.

The overall deficit is only partly reflected in the analysis of the number of active workers paying contributions. In fact, according to INPS, this figure went from 23,960,460 in 2013 to 24,172,210 in 2014 (*Tables 4.a and 26.a*). It should be pointed out that the figure of contributors reported in the INPS financial accounts and in the above-mentioned tables refers more to specific administrative/accounting requirements for contributions than to the actual number of active workers paying contributions (even a single contribution is to be considered in calculating the number of contributors who can also be members of different funds). Table 13.2 uses the Istat data on the workforce and it shows with other technical tools that the number of employed workers is equal to 22,421,599, the lowest level since 2005. The "general registries of active workers" provided by Nuvasp in 2011/12 to the government then in office should be used better, and more effectively to assess, inter alia, the real employment situation in Italy¹².

On the benefit side, the revision of the age and seniority requirements to be eligible for retirement (the so-called Fornero Law, n. 92/2012)) led a reduction in the number of claims for benefits. However, the significant rise in the retirement age produced the so-called "esodati" phenomenon (people who retired early without any pension benefits); 170,000 of them became eligible for "safeguard" measures (*table 4.2*).

Table 4.2: Summary of safeguard measures for esodati (Inps until September 10 2015)

Safeguard measures	Maximum number of safeguarded subjects under the law	Applications accepted *	Applications not accepted	Pending applications	Pensions paid
1^ Measure	65,000	64,374	11,817	255	50,896
2^ Measure	35,000 **	17,683	9,259	1,344	11,174
3^ Measure	16,130	7,344	6,097	178	6,639
4^ Measure	5,000 ***	3,505 ****	4,664	80	3,198
5^ Measure	17,000	3,483	5,586	309	3,407
6^ Measure	32,100	19,578	14,095	3,400	8,082
Total	170,230	115,967	51,518	5,566	83,396
<p>*Applications from subjects eligible as of 2013. **Figure reviewed under art. 1 of Act n. 147 of 2014. ***Number of workers as provided for under 'article 11-bis, Act n. 124/2013 (discharges and leaves for serious reasons). ****It only refers to the applications sent by the subjects. The applications indicated under ex art. 11-bis, D.L. n. 102/2013, transposed by Act. 124/2013, which were accepted but which were not included in the safeguard measure envisaged by the law, were moved to the sixth safeguard measure.</p>					

The 2016 stability law provides for *a seventh safeguard measure* for 26,300 workers, in addition to another 5,000 who were left out of the previous measures. So the total number is slightly above 200 thousand. The seventh measure is open for the subjects who have become eligible for retirement

¹²It is crucial for the Government to encourage INPS to use "general registries" for their data processing system, considering the numerous information provided by employers, so as to make available the trends of Italy's production and employment performance.

benefits as of January 6th 2017. The "esodati" problem is expected to end in 2017 with the eighth safeguard measure, since under the so-called Monti Fornero "scalone" the maximum delay for pensions is 6.5 years: from 1/1/2012 to the end of 2017.

The number of outstanding pension benefits did not change (18,064,890), while the average nominal amount of pensions continued to grow from 13,100 euros in 2011 to 13,400 euros in 2012 and to 13,780 in 2013 and finally to **14,200 euros** in 2014.

The analysis of the individual funds highlights their significant differences; it is a useful exercise to evaluate their future financial and economic prospects and to identify the possible measures designed to further harmonize their rules.

4.1 Funds for private sector employees

In 2104, all the **funds for private sector employees** (see Table 1a) had a **negative balance equal to 3,613 million euros**, much worse than the deficits of the previous years (734 million euros in 2012 and 2,840 in 2013). These funds had to pay 119,259 million benefits in 2013 but they received 115,881 million euros' worth of contributions, down with respect to 2013 (116,419 million euros), with a ratio of contributions to benefits of 97%.

These figures refer to the broad "*category of private sector employees*". This category also includes members of the occupational pension fund (FPLD) and of the scheme for industry managers (former INPDAI) and the former special funds (transportation, telephony, electricity) which were then integrated into FPLD with separate accounts, as well as of other sectoral schemes (aviation and railway fund, consumer tax fund, FF.SS fund and other minor schemes integrated into INPS; in addition, it features the data on the entertainment sector employees, once members of former ENPALS which was merged into INPS on 1/1/2012 and of the post and telephony sector employees who were members of former IPOST, abolished on 31/5/2010 and transferred to INPS; finally, in this category there is the fund for private sector journalists managed by INPGI (private law organization). The following paragraph 4.4 provides the results of these funds (except for the fund of private sector journalists illustrated in Chapter 4) which have separate accounts within the INPS system.

FPLD: FPLD (pension fund for private sector employees) is analyzed here net of the separate accounts of the former special funds merged into its system; it is the most important scheme in this "category" with more than 90% of members and benefits paid. In 2014, it had a **positive balance equal to 8,997 million euros** which is the difference between 107,885 million euros' worth of contributions and 98,888 million euros' worth of benefits (*see Table B26.a*); this positive balance confirmed the trend of the last few years. As already mentioned, GPT and GIAS significantly increased their transfers during the relentless crisis to finance income-support benefits. The overall result of this fund was negatively affected by the former special funds merged into its system with separate accounts. In fact, their overall deficit amounted to **7,998 million euros**, while those who paid contributions to these special funds only accounted for 2% of all the active members in this category. However, with the exception of the transportation fund, the data on these special funds do not include the contributions paid by newly-hired workers in these sectors after the consolidation as they are directly registered with FPLD. As a result, the progressive worsening of the special funds and the improvement in FPLD can be partly explained in this transitory phase by the above-mentioned transfer of contributions. For example, the former Inpdai received contributions only from 31,800 members but the total number of executive paying contributions amounted to 71,326 with an average salary of 141,864 € per year and with an additional amount of contributions of about 2 billion euros.

The situation described above led to very negative financial results. In fact, on 31/12/2014, FPLD had a deficit equal to **130,188 million euros** including the results of the former INPDAI,

transportation, electricity and telephony funds; in disaggregated terms: FPLD - 47.586, transportation -18,921, electricity -28,002, telephony -5,466, INPDAI -30,123.

Some data on the benefits provided by these former special funds integrated into FPLD also comes from a recent initiative promoted by INPS (Open doors); but it is important to stress that what is described is true for all benefits and in particular for welfare benefits and for the pensions paid in the past. In fact, over time, several provisions were introduced to harmonise the rules of these funds which were more favorable in the past with respect those of FPLD, in particular because of their lower contribution rates and their higher rates of return for the calculation of benefits.

Transportation fund: this fund was dissolved in 1996; at that time, its deficit amounted to about 500 million euros and its capital deficit to about 1 billion euros; these figures grew year after year to reach in 2014 **1,018 million euros** and **18,921 million euros** respectively. At the end of 2014, the number of pensions was equal to 106,660 and the number of active members to 104,160, since the newly-hired workers continue to be registered with this fund even after the merger with FPLD; the **average pension** amounted to **€ 21,340** (€ 12,470 for FPLD). The recent comparison made by INPS between the income-based calculation and the contribution-based hypothetical calculation of benefits shows that the pensions calculated with income-based system are 10/40% higher in 78% of cases.

Electricity fund: this fund was dissolved in the year 2000 and at that time, it already ran a deficit. The situation further deteriorated and in 2014 its deficit was equal to **1,982 million euros** and its capital deficit was **28,002 million euros**. At the end of 2014, the number of outstanding pensions was equal to 98,810 and the number of active members 33,700; the **average pension** was **€ 25,600** (more than double with respect to FPLD). According to the comparison made by INPS between the income and contribution based calculation methods, the pensions paid with the income-based system were 20/40% higher in 79% of cases.

Telephony fund: this fund was suppressed in the year 2000 and it started to run a deficit in 2033 and a capital deficit in 2010; in 2014, its deficit reached **1,093 million euros** and its capital deficit **5,466 million euros**. At the end of 2014, the number of pensions was equal to 73,550 and the number of active members to 46,350 with an average pension of **€ 26,110**. The comparison made by INPS between the income-based and the contribution-based systems shows that 55% of income-based pensions were 20%/30% higher and 30% of them were 33%/66% higher.

Former INPDAI fund: this fund was dissolved in 2003; notwithstanding its assets, it always produced negative economic results; in 2014, its deficit reached **3,770 million euros** and its capital deficit **30,213 million**. At the end of 2014, the number of pensions was equal to 126,580 and the number of active members was 31,800, with an average pension equal to € 50,090. As specified before, if all contributors were considered (71,326) (this also applies to other funds) for an overall amount of contributions equal to 10.038 billion euros (around 0.6% of GDP), its deficit would go down by about 2 billion euros and its capital deficit by two-thirds. The INPS comparison shows that 88% of pensions calculated with the contribution-based method would provide lower benefits and 20% of them would have benefits lower than 40%.

A final consideration on the funds for private sector employees, that is FPLD and GPT; their relative financial equilibrium reached over time was possible thanks to the surpluses of GPT; in fact, notwithstanding the crisis, in 2014 GPT had a positive result equal to **2,230 million euros** with a surplus of **183,726 million euros** which was more than enough to offset the liabilities amounting to **130,188 million euros**.

4.2 Funds of public employees (ex INPDAP)

Under the above-mentioned Art. 21 of L.D. 6/12/2011, transposed into Act n. 214 of 22/12/2011, INPDAP ceased to exist as a separate scheme and was integrated into INPS as of 1/1/2012.

Therefore, as of this date, the data for this Fund has appeared in the INPS consolidated accounts. The result is that the major deficit of these schemes has further deteriorated the INPS financial situation, which has raised some concern among politicians and the media. However this has not had an impact on the overall results of the compulsory pension system which had already anticipated this imbalance. In sum, **in 2014**, the deficit of these schemes amounted to **26,875 million euro**, net of 10,800 million euros' worth of the additional contributions paid by the State, with **38,164 million euros'** worth of revenues *and* **65,039 million euros'** worth of expenditure (including 7,553 billion euros paid by GIAS, Act 183/2011, art. 2, p. 4). This deterioration with respect to 2013 (in line with the trends since 2009) was caused by the drop in the ordinary contribution revenues (-82 million vs. 2013) due to the dwindling number of public employees paying contributions who decreased from 3,039,540 to 2,953,021 according to the previous calculation methods; since the 2014 data also included public employees with term contracts, their number increased to 3,255,630 (+ 186.,090 vs. 2013). Pension expenditure increased by 1.14%, +735 million euros with respect to 2013 thanks to the automatic adjustment of benefits already indicated and to the substitution effect of ceased pensions for new pensions which led to an increase in the **average annual pension to € 24,050** with respect to € 22,680 in 2013 (+6%)

This constant annual deficit resulted in 2014 in a **capital deficit** equal to **4,812 million euros**, which was much lower than the capital deficit in 2013 (- 23,317 million euros) due to the already mentioned transfer of 21,698 million euros under Act n. 147/2013. To complete this picture, in the year considered, GIAS paid up to 7,480 million euros' worth of benefits with respect to 8,074 million euros in 2013. Considering the total contribution by the State (10,800 million euros of additional contributions under Law 355/1995 and 7,480 million in benefits transferred to GIAS), the final result was: 48,964 million euros' worth of revenues and 57,559 million euros' worth of expenditure, for a total difference equal to 8,595 million euros.

4.3 The Inps funds for the self-employed: artisans, retailers, farmers, tenant farmers and sharecroppers (CDCM)

The overall results of the funds for artisans and retailers show an imbalance between contributions and benefits which reached **3,020 million euros** in 2014 with an increase by 220 million vs. 2013. This unrelenting economic and financial imbalance is also due to the long-term effect of Act n. 233/90 which introduced favorable rules for calculating pension benefits for these categories, but without any mathematical and actuarial approach. A new equilibrium will be obtained in the next few years with the final implementation of the contribution-based system calculation rules. In any case, there are still some differences in the accounting results of these two schemes.

In 2014, the **fund for artisans** had a negative balance equal to **3,541 million di euro**: 11,739 millions' worth of benefits and 8,198 millions' worth of contribution revenues, down with respect to 2013, with an increase in contribution revenues by 108 million euros and an increase in pension expenditure by only 30 million.

Its operating result, including 844 million euros' worth of amortization and receivables and 317 million euros' worth of other charges, showed a deficit amounting to **5,748 million**, down with respect to 2013 (6,486 million euros). So the capital deficit rose to **49,579 million** vs. 43,831 registered at the end of 2013.

In 2014, the **fund for retailers** had a positive balance equal to **521 million euros** (10,147 millions' worth of contributions as against 9,626 millions' worth of benefits), better with respect to the positive balance of 380 million in 2013. The final results include the data of the separate account called "fund for the rationalization of the retailers' network as provided for under Leg. Decree n. 207/1996". They show an operating deficit of **1,574 million euros** (down vs. 2013 -1,693). This result was affected by 1,143.8 million euros' worth of contribution credit amortizations and write-

offs and by other operating charges for 335 million euros. On 31/12/2014, the final *capital deficit* was equal to **1,630 million euros**.

The accounting difference between these two funds can be explained by considering that the active workers/pensioners ratio for Artisans is equal to 1 pensioner for every 1.05 active workers, while for Retailers it is equal to 1 pensioner for every 1.56 active workers. This difference is better highlighted by comparing the data on contribution revenues and benefit expenditure and their balance in the last five years.

		2010	2011	2012	2013	2014
ARTISANS	<i>contributions</i>	7387	7620	8095	8090	8198
	<i>benefits</i>	10656	11050	11299	11710	11739
	<i>balance</i>	-3269	-3430	-3204	-3620	-3541
RETAILERS	<i>contributions</i>	8480	9129	9677	9909	10147
	<i>benefits</i>	8602	8929	9313	9529	9626
	<i>balance</i>	-122	200	364	380	521

Note: contributions include contribution revenues, transfers net of income and receipts from assets; benefits include the pension installments paid by the scheme

The Fund of the agricultural sector for *farmers, tenant Farmers and sharecroppers* (hereinafter CDCM) confirmed its structural imbalance in 2014 due to the decline in the number of workers in the field of agriculture, which fell to **453,110** (1,206,000 in 1989) and in particular to old favourable and still applicable social security provisions (very high benefits compared to contributions), even though the contribution rates for members were re-calculated in 2012. **The balance** between contributions and benefits was calculated net of transfers from GIAS which as of 2011 started paying the pensions accrued before 1/1/1989 (for a total of **2,158 million euros** in 2014). It amounted to – **3.146 million euros** vs. 3,116 million euros in 2013, with an increase by 30 million due to more stringent tax inspections on contributions which produced 53 million euros and to the an increase in benefit expenditure by 82 million.

The *contribution revenues* equal to **1,213 million euros** (1,161 million euros in 2013) managed to cover only 28% of benefits (net of those paid by GIAS) which amounted to **4,359 million euros**. The low level of contribution revenues was caused by the low income of these workers, by their low contribution rate and by the difficulty to recover some contributions, which of course had a negative impact on the resources of this fund. At the end of 2014, the number of pensions still provided by the CDCM fund (paid after 1988) amounted to **1,199,172** and to **1,586,640** including the benefits before 1989 paid by GIAS (equal to 386,668); one of the causes of the structural imbalance of this scheme is the negative trend of contributors/pensioners ratio which was equal to 1.53 in 1990 (i.e. 1.53 pensioners for each worker paying contributions); in 2000 this index rose to 3.1 (more than three pensions for every active worker) and in 2014 it reached **3.50 pensions for each active member**. **Therefore, on the whole, the weight of pensions in the agricultural sector on general taxes is almost 5.3 billion euros every year**. This burden increases considering the amount of its *capital deficit* that was equal to **80,018 million euros** on 31/12/2014.

4.4 Minor schemes for private sector employees: aviation, consumer taxes, clergy, show-business (ex ENPALS), posts and telephony (ex IPOST), railways, journalists managed by INPGI

4.4.1 Aviation fund

It is a special INPS fund with a separate account which replaces the general compulsory insurance (AGO); it provides for benefits to air companies' employees. In 1997, the very generous social security rules in this sector were harmonised with the more stringent AGO provisions but they kept some particular features. In 2014, this fund showed a balance equal to 178 million euros, with 113 million euros' worth of contribution revenues and 291 million euros' worth of benefits. The operating results have always been negative since 2006 with a capital deficit since 2011. The 2014 operating result was equal to -175 million euros and the capital deficit reached -1061 million and -461 million considering the regulatory reserves. The number of its members was 9,610 vs. 6,950 outstanding pensions; the annual average pension amounted to 45,440 euros. The INPS comparison between the income-based and the contribution-based calculation of benefits shows that over 60% of pensions paid with the income-based system are 30% higher.

In 2004, the government set up a special fund for air transportation (FSTA) which was designed to be used in the case of a crisis in this sector. It provides supplementary benefits for air companies' flight and ground personnel (about 150,000 beneficiaries). The INPS accounts show that the cost of this fund exceeded **220 million euros** to be borne by tax payers through a municipal added flight duty on each air ticket (3 euros per ticket).

4.4.2 Fund for consumer tax collectors

The fund for consumer tax collectors replaces the general compulsory insurance and it provides pension benefits and termination of employment benefits. Since municipal consumer taxes were abolished in 1973, these people went to work for the Ministry of Finance or they remained to work for the municipalities. In 2014, the accounting results showed 1.278 million euros' worth of revenues and 150.765 million euros' worth of expenditure. The balance between these two was equal to **- 149.487 million euros**, which was paid by the State (art. 17 PD 649/1972) and financed through GIAS so as to rebalance the fund. At the end of 2014, this fund still had 14 members and paid 8,280 pensions with an overall expenditure of 147 million euros; this fund is bound to finish.

4.4.3 Clergy Fund

The Clergy Fund is the compulsory scheme for old age, invalidity and survivors' pensions for Catholic priests and other religious persons not belonging to the Catholic Church. It is characterized by a structural imbalance but with a limited economic financial impact on this "category" of funds. At the end of 2014, the number of pensions amounted to 13,790 and the number of members was 18,900. The Fund had low contribution revenues, accounting for 32% of pension expenditure net of GIAS transfers. In 2014, this fund had **33 million euros' worth of revenues** and **102 million euros' worth of pension expenditure**, net of GIAS transfers; its **deficit** reached 69 million euros and its **capital deficit** reached **2,157 million euros**.

4.4.4 The showbusiness and entertainment Fund (ex ENPALS)

As mentioned earlier, Enpals was merged into INPS as of 01/01/2012. It manages two separate schemes: the fund for showbusiness and entertainment employees and the fund for professional athletes. In 2014, this fund had a surplus of **279 million euros**, with **contribution revenues and membership fees amounting to 1,41 million euros** (1,178 million euros in 2013) and **expenses amounting to 862 million euros** (858 million euros in 2013). The number of active members as of

31/12/2014 was equal to 262,720 and the number of pensions was 58,590 with an average amount of 16,010 euros. On 31/12/2014 this fund ran a surplus of **3,944 million euros**.

4.4.5 Posts and Telephony Fund (ex IPOST)

After the privatization of the postal sector and the establishment of Ente Poste Spa, IPOST was transferred to INPS. The 2014 accounts showed **1,738 million euros'** worth of expenses and **1,492 million euros'** worth of revenues, with a negative balance similar to the one of 2013 (316 million euros, with 1,381 million euros of revenues and 1,697 million euros of expenditure). On December 31 2014, this fund had 149,840 members, while the number of pensions was 143,280 with an annual value equal to 18,000 euros. It ran a surplus of 1,331 million euros.

4.4.6 The Railways Fund FF.SS.

The broad and sweeping restructuring that led to the privatization of large state organizations had a major impact on the pension system as a whole, but the strongest effect undoubtedly came from the reform of the Italian railway company into FS Spa. In fact, the new fund was merged into INPS in the year 2000 as a special fund for employed workers hired before April 1 2000, for those working for the Holding company of Ferrovie S.p.A. and for the former employees transferred to public entities who had opted for the INPS Special Fund. This fund integrated into INPS was already in the red before the consolidation and each year its imbalance was **financed** by GIAS transfers (4,157 million euros in 2011, 4,164 in 2012, 4,246 in 2013, 4,151 in 2014). This fund is characterized by a completely unbalanced ratio of active members, who amounted to **48,350** (50,533 in 2013 vs. 57,133 in 2011 and 53,608 in 2012) vs. the number of outstanding pensions equal to **224,490** (228,590 in 2013 vs. 234,400 in 2011 and 232,000 in 2012). Since early-retirement plans were extensively used, taxpayers had to bear the burden of this restructuring effort. Moreover, on the one hand, the personnel working for the F.S. Holding was registered with FPLD as of April 1 2000 and not with the special fund; on the other, the direct pensions paid as of the year 2000 amounted on average to € **21,740** and, according to the latest INPS estimates, if they were paid with the contribution-based method, they would be 98% lower and, in over 25% of cases, they would fall by more than 30%. The 2014 final accounts had a very anomalous negative balance between contributions and benefits equal to **4,223 million euros**, with benefits amounting to **4,874 million euros (4,896 million euros in 2013)** and contributions equal to **641 million euros (671 million in 2013)**; as already stated, this deficit was financed by GIAS.

4.4.7 Fund for Journalists managed by INPGI

Employed journalists are covered by an ad hoc separate scheme called INPGI which replaces AGO. In 2014, this Fund had a slight deficit equal to 87 million euros, with **revenues equal to 360 million euros** and **expenditure to 447 million euros**. The situation was similar but not so heavy in 2013 (a deficit equal to 43 million) with revenues amounting to 3834 million euros and expenses to 427 million euros. See the tables in the web appendix for the details.

4.5 The Fund for Atypical Workers

A "**separate scheme**" was set up within INPS under Art. 2, paragraph 26 of Act 335/95 for the so-called atypical workers who consistently but not exclusively work as self-employed workers. Since this fund became operational only a few years ago, its contribution-benefit balance is very positive. In 2014, it amounted to **6,943 million euros**, with **7,568 million euros' worth of contribution revenues** (also due to growing contribution rates) and **625 million euros' worth of benefit expenditure**. It is the only compulsory scheme whose benefits are calculated only on the basis of the contribution-based system. As a result, its operating result is around **96,676 million euros**. The

number of benefits paid (331,080) is still low and much lower than the number of active workers paying contributions (1.526 million workers). Even the average amount of benefits is quite low (2,070 euros per year). In fact, this scheme was established in March 1996 and therefore few contributions have accrued in this separate account; moreover, at the beginning, the contributions rates were low and did not exceed 12%. In the meantime, the contribution rates have been increased to an untenable level for the self-employed, that is to 30.72% (27% for unchartered professionals who do not have a fund). It is expected to reach 33.72%; an error of the Fornero law and certainly a way to encourage unregistered work. It is unthinkable to force young professionals with a term contract to pay over 60% of their income on taxes and contributions. For sure this will not promote employment. This point (investigated in Exhibit 1) is absolutely crucial for employment and for the development of complementary pension schemes. Substitution rates too are actually good, as indicated in Chapter 11, even though they are commonly referred to as poor.

Table 4.3 shows the overall economic and financial performance of all the funds operated by INPS, the operating results for each fund in 2013 and 2014 and their financial situation on 31/12/2013 and on 31/12/2014.

Table 4.3: Economic and financial performance of INPS pension funds (in millions of euros)

ANDAMENTO ECONOMICO-PATRIMONIALE DELLE GESTIONI AMMINISTRATE in milioni di euro				
GESTIONE E FONDI	2013- CONSUNTIVO		2014- CONSUNTIVO	
	Risultato economico di esercizio	Situazione patrimoniale al 31.12.2013	Risultato economico di esercizio	Situazione patrimoniale al 31.12.2013
GESTIONI PENSIONISTICHE AGO				
* FONDO PENSIONI LAVORATORI DIPENDENTI	-3.738	-122.810	-7.378	-130.188
- Fondo Pensioni lavoratori dipendenti	4.474	-48.071	485	-47.586
- Ex Fondo trasporti	-1.222	-17.903	-1.018	-18.921
- Ex Fondo elettrici	-1.948	-26.019	-1.982	-28.002
- Ex Fondo telefonici	-1.230	-4.374	-1.093	-5.466
- Ex INPDAI	-3.812	-26.443	-3.770	-30.213
* GESTIONE COLTIVATORI DIRETTI, COLONI E MEZZADRI	-5.156	-75.809	-4.209	-80.018
* GESTIONE ARTIGIANI	-6.486	-43.830	-5.748	-49.579
* GESTIONE COMMERCIANTI	-1.693	-57	-1.574	-1.630
* GESTIONE PARASUBORDINATI	8.595	89.029	7.646	96.676
GESTIONI PENSIONISTICHE ESCLUSIVE DELL'AGO				
* GESTIONE SPECIALE DI PREVIDENZA DEI DIPENDENTI DELL'AMMINISTRAZIONE PUBBLICA (1)	-5.923	-23.317	-3.194	-4.812
GESTIONI PENSIONISTICHE SOSTITUTIVE AGO				
* FONDO DAZIERI	0	0	0	0
* FONDO VOLO	-101	-280	-180	-461
* FONDO SPEDIZIONIERI DOGANALI	0	13	0	13
* FONDO FERROVIE STATO SpA	0	1	0	1
* GESTIONE SPECIALE PER IL PERS. DELLE POSTE ITALIANE SpA	-309	1.504	-173	1.331
* GESTIONE SPECIALE DI PREVIDENZA DEI DIPENDENTI EX ENPALS	367	3.736	208	3.944
GESTIONI PENSIONISTICHE INTEGRATIVE AGO				
* GESTIONE MINATORI	-24	-561	-17	-579
* FONDO GAS	-1	142	-6	137
* FONDO ESATTORIALI	46	927	26	953
* GESTIONE TRATTAMENTI PENSIONISTICI ENTI DISCIOLTI (evidenza contabile)	0	0	0	0
* FONDO PENSIONI PERSONALE PORTI GENOVA E TRIESTE	0	0	0	0
GESTIONI PENSIONISTICHE MINORI				
* FONDO CLERO	-98	-2.084	-72	-2.157
* ALTRE GESTIONI	-1	-144	-2	-147
GESTIONE PRESTAZIONI TEMPORANEE	1.697	181.496	2.230	183.726
ALTRE GESTIONI MINORI PER TRATTAMENTI ECONOMICI TEMPORANEI	-20	1.036	-45	991

Funds

2013 accounts operating result financial result

Compulsory schemes

Pension Fund for Employed Workers | Pension fund for employed workers | Former transportation fund | Former electricity fund | Former telephony fund | ex INPDAI | Fund for Farmers, Tenant Framers and Sharecroppers | Fund for Artisans | Fund for Retailers | Fund for Atypical Workers

AGO Exclusive Pension Funds

Special Fund for Public Employees

Substitutive pension funds

Fund for Customs officers | Aviation fund | Fund for Customs shippers | Fund of Ferrovie dello Stato spa | Special Fund of Poste Italiane | Special fund for former ENPALS employees

Supplementary pension funds

Fund for miners | Gas fund | Fund for tax collectors | Fund for dissolved entities (accounting evidence) | Fund for Genoa and Trieste ports' employees

Minor Pension Schemes

Clergy Fund | Other schemes

Temporary Benefit Schemes

Other minor schemes for temporary benefits

4.6 Welfare and support measures for the INPS schemes (GIAS)

The Welfare Benefit Fund (hereinafter referred to as **GIAS**)¹³ was set up within INPS under art. 37, paragraph 3, letter. D of **Act n.88/1989**. It is an accounting instrument to implement the rules governing **the welfare measures adopted by the State**. This is perhaps the most complex pension scheme within INPS. Since its inception, its regulatory and implementation framework has greatly evolved extending its reach through different levels of society. The main difference between this fund and all the other INPS schemes is its perfect balance between revenues and expenditure; its operating result is always in equilibrium (equal to zero) and the same holds true for its financial results. Most of these transfers are **financed by the State budget**, while part of the revenues comes from the contributions to be paid by employers and members of this fund for pension expenditure and wage support measures due to the reduction in contribution charges. In 2014, contribution revenues amounted to **1,747 million euros**, while the transfers paid by taxpayers amounted to **98,440 million euros** vs. 99,069 million euros in 2013.

They are broken down as follows:

- a) **pension expenditure: 67,454** million euros;
- b) **wage support measures: 10,387** million euros;
- c) **family support measures: 3,856** million euros;
- d) benefits deriving from a **reduction in contribution charges** (TBC and maternity leave): **656** million euros;
- e) transfers for **contribution incentives and other rebates: 14,832** million euros;
- f) other measures: **1,255** million euros.

At present, the GIAS areas of intervention described in this Report can be summarized as follows:

A) benefit expenditure:

- 1) **benefits of other schemes** (INPS funds as of 1989 and INPDAP funds as of 2012) in order to rebalance their accounts with a more clear-cut separation between social security and welfare measures;
- 2) **welfare benefits** such as disability benefits, carers' allowances, social pensions and allowances.
- 3) **benefits to support employment during the economic crisis** in areas not covered by ordinary instruments (derogation redundancy fund, extraordinary redundancy fund, etc.) and financing of retirement contributions.

B) revenues:

- 4) **contributions to pension schemes** broken down in the INPS accounts into: **a)** "transfers to pension schemes" amounting to 10,453 million euros (see **BOX 4.2**) vs. 11,092 million euros in the previous year in order to finance the work periods covered by social measures and to offset the reduction in contribution rates; **b)** "corrective and compensatory revenue items" to provide incentives for the south of Italy and other charges amounting to 1,126 million euros vs. 1,326 million euros in 2013 (these amounts are already included in the contribution revenues of each scheme, since the INPS accounting system reports contributions before these items).

Moreover, under the item "passive transfers", GIAS also transferred funds directly to employers to promote the employment of workers safeguarded by social measures or in particularly difficult

¹³ The data provided with the analyses in this paragraph I and in Chapter 7 is used like "reports" of the GIAS and GPT schemes; these figures are often independent of "corrective items" that cannot always be referred to disaggregations.

situations for a total amount of 141.8 million euros, down with respect to 259.2 in the previous year.

5) ***Transfers to cover the deficit*** (in 2013) of some Special INPS funds (customs' officers, shippers, consumer tax collectors, dockworkers and former FF.SS. railway workers) amounting to **4,382 million euros** in 2014 vs. 4,882 million euros in 2013.

GIAS also provided benefits to support households, not only pensioners but also active workers for an amount equal to 3,408 million euros per year, of which 262 million euros to finance family allowances for pensioners and 585 million euros for economic benefits for TBC and maternity leave.

It is important to stress that GIAS operates within the pension system both on the **revenue side to finance contributions** and on the **benefit side to cover expenditure**. Here follows the description of the measures described under points 1) and 2), while point 3) is illustrated in Chapter 7 with an in-depth analysis of the income support measures paid by GPT (Temporary Benefit Scheme) and by GIAS.

Point 1) refers to the following measures:

a) pension benefits (very high) as provided under the law and under some later provisions so as to increase minimum benefits; to finance a share of each pension paid by FPLD, by special funds, by the funds for retailers and artisans; the CDCM pensions before 1989; early retirements; to increase pension benefits for veterans and other minor charges.

In particular for 2014:

- a share of each pension paid by the INPS funds equal to **2.364 million euros**, up by **2,157 million euros** with respect to 2,364 million euros in 2013.
- early retirements equal to **1,203 million euros**, up with respect to 1,079 million euros in 2013, of which 208.185 to fund the six safeguard measures.
- the share of pensions under Art. 1 of Act 59/1991, amounting to **855 million euros**, down with respect to 1,003 million euros in 2013.
- additional benefits under art. 5. of Act 127/2007 equal to **917 million euros**, down with respect to 960 million in 2013.
- the share of disability pensions before Act n. 222/1984 amounting to **5,073 million euros** vs. 4,940 million in 2013.

The overall financial quantification of all pension charges is illustrated in *Table 1.a*, for a total expenditure equal to **33,362 million euros** in 2014 vs. **33,292 million euros** in 2013.

In addition, GIAS finances some benefits of the funds for public employees (former INPDAP) as provided for under Act n. 183/2011, for an amount equal to 7,479 million euros in 2014 vs. 8,074 million euros in 2013.

As to point 2) above, the welfare benefits provided are as follows:

- transfers to a specific "**Fund for pensions and carers' allowances for disabled civilians**" under former Art. 130 of L.D. of 31/03/1998. In 2014, these transfers amounted to **17,310 million euros**, vs. 17,277 million euros in 2013 (their statistical and financial aspects are analyzed in Chapter 13, table 13.2). These resources were used to finance 3,159 million euros' worth of benefits for disabled civilians, 357 million for the blind, 58 million for the hearing impaired. **In 2014, a very significant amount of non eligible benefits was recovered (313 million euros)**. Moreover, GIAS provided carers' allowances to the same categories for a total of **13,538 million euros** (12,609 for disabled civilians, 796 for the blind and 133 for the hearing impaired). Outstanding pensions on December 31st were as follows: 2,312,399 for disabled civilians, 125,382 for the blind and 42,912 for the hearing impaired.

- *direct welfare benefits to people over sixty-five without income*: social pensions, social allowances and surcharges for an amount equal to **4,711 million euros**, up by 7.9% vs. 4,365 million euros in 2013 (Chapter 13, table 13.2). On December 31st 2014, the number of **social pensions** was equal to 80,013 with an annual average amount of 5,593 euros; no new benefits accrued during the year because this group is less and less crowded. **Social allowances** (which replaced social pensions under Act n.335/1995) were equal to 781,965 on December 31st 2014, with an annual average amount of 5,366 euros, up by 3.9% (+29,659 benefits) with respect to the stock on the same date last year due to 49,885 new pensions and to 20,226 cancelled pensions.

The overall financial result of these welfare measures was equal to **21,510 million euros**, net of recovered non eligible benefits, with respect to 20,732 million euros in 2013.

Finally as to direct and indirect "war pensions", on December 31st 2014, 23,557 benefits were paid for a total annual amount of **1,444 million euros**, down with respect to the stock last year (241,015 pensions for an amount equal to 1,390 million euros per year). These benefits are provided through an ad-hoc fund of the Ministry of the Economy and Finance.

The final Chapter (Chapter 13, Summary and Conclusions) analyses these figures added to other GIAS transfers, thus providing an interesting picture which often policy makers are not even aware of.

For each compulsory pension scheme, *BOX 1 shows the GIAS transfers to finance "benefits" as well all the transfers (including those from GPT and the Regions) to increase "contribution revenues"*.

BOX 1 – GIAS transfers

IMPORTI A CARICO GIAS PER PRESTAZIONI (valori assoluti espressi in milioni di euro)			TRASFERIMENTI DALLA GIAS E ALTRE GESTIONI (valori assoluti espressi in milioni di euro)				
	2013	2014	2013		2014		
	TOT.	TOT.	GIAS	Altri Enti/Gestioni/Stato	GIAS	Altri Enti/Gestioni/Stato	
DIPENDENTI PRIVATI	25.476,82	25622,61	DIPENDENTI PRIVATI	10670,65	6068,14	10141,07	6200,69
Dipendenti Privati			Dipendenti Privati				
INPS	24.562,40	24701,05	INPS	10648,70	6068,14	10118,59	6200,69
FPLD	24.310,70	24418,64	FPLD	10328,32	6063,00	9805,98	6169,57
TRASPORTI	40,26	39,26	TRASPORTI	12,70		119,08	
TELEFONICI	25,20	31,90	TELEFONICI	1,64		1,65	
ELETTRICI	53,94	57,02	ELETTRICI	1,47	2,02	1,47	5,06
VOLO	4,26	9,01	VOLO	35,25		35,27	
IMPOSTE CONSUMO CREDITO*	4,38	4,32	IMPOSTE CONSUMO CREDITO*	154,71		149,49	
FFSS	46,16	46,15	FFSS	0,00			
INPDAI	77,50	94,75	INPDAI	5,61	3,12	5,65	26,06
Altri Fondi dipendenti privati	79,21	82,90	Altri Fondi dipendenti privati	18,04	0,00	18,57	0,00
ISTITUTO GIORNALISTI	0,00	0,00	ISTITUTO GIORNALISTI	1,00			
ENTE LAVORATORI SPETTACOLO**	79,21	82,90	ENTE LAVORATORI SPETTACOLO**	17,04		18,57	
Fondi Ex Aziende Autonome	835,21	838,66	Fondi Ex Aziende Autonome	3,91		3,91	
IPOST	835,21	838,66	IPOST	3,91		3,91	
DIPENDENTI PUBBLICI	8.073,63	7553,21	DIPENDENTI PUBBLICI	0,00	88,76	0,00	61,35
CPDEL	82,95	73,40	CPDEL		69,14		44,83
CPI	0,60	0,45	CPI		0,22		0,28
CPS	10,12	8,01	CPS		17,85		13,97
CPUG	0,13	0,09	CPUG		0,00		0,00
CTPS	7.979,83	7471,24	CTPS		1,55		2,27
AUTONOMIE PROFESSIONISTI			AUTONOMIE PROFESSIONISTI	250,34	93,82	233,64	93,98
Autonomi Inps	7.754,05	7658,50	Autonomi Inps	250,34	0,00	233,64	0,00
ARTIGIANI	1.745,95	1923,23	ARTIGIANI	82,48		78,88	
COMMERCANTI	1.228,00	1.246,75	COMMERCANTI	63,73		62,22	
CDCM	4.780,10	4.488,52	CDCM	104,14		92,54	
Liberi Professionisti	0,51	2,47	Liberi Professionisti	0,00	93,82	0,00	93,98
CASSE PRIV 509 ESCLUSO ENPAM	0,51	0,47	CASSE PRIV 509 ESCLUSO ENPAM		92,82		91,98
ENPAM	0,00	0,00	ENPAM				
CASSE PRIV 103	0,00	2,00	CASSE PRIV 103		1,00		2,00
FONDO CLERO GESTIONE PARASUBORDINATI	10,04	10,84	FONDO CLERO GESTIONE PARASUBORDINATI	26,69		26,57	
INTEGRATIVI INPS	11,33	11,11	INTEGRATIVI INPS	50,99	204,01	51,72	139,92
miniere	5,78	5,61	miniere		12,49		12,35
gas	0,83	0,84	gas	0,01		0,04	
esattoriali	1,59	1,52	esattoriali	0,00		0,00	
portuali	1,18	1,18	portuali (1)	50,98		51,68	
enti disciolti	1,95	1,95	enti disciolti (2)		191,52		127,58
ENASARCO	0,00	0,00	ENASARCO				
TOTALE	41.365,72	40911,23	TOTALE	10998,66	6454,73	10453,00	6495,94
				17453,39		16948,94	
TOT. GIAS al netto dei DIP. PUBBL.	33.292,09	33358,03					

*Fondo Credito confluito in FPLD nel 2013; ** Fondo Enpals Cumulativo di gestione spettacolo e sportivi; (1) Trasferimenti GIAS ai sensi dell'art. 13 DL 873/1986; (2) Trasferimenti da parte di altri enti previsto dai commi 5 e 6 art. 77 Legge 833/1978

5. *Privatized Funds of Professionals; general and individual performance*

In order to have a complete overview of the compulsory pension schemes of the first pillars, it is necessary to look at the "Privatized Pension Funds" for professionals and, in particular, at some indicators of two macro-groups: **A**) the funds privatized under Legislative Decree n. 509/1994 which include the following entities: ENPACL (Labour Consultants), ENPAV (Veterinary doctors), ENPAF (Pharmacists), Cassa Forense (Lawyers), INARCASSA (Engineers and Architects), CIPAG (Surveyors and Evaluators), CNPR (Accountants and Evaluators), CNPACD (Chartered Accountants), CNN (Notary Publics), ENPAM (Doctors) and INPGI (Journalists); Substitutive scheme (Journalists); **B**) the funds privatized under Legislative Decree n. 103/1996 which include: ENPAB (Biologists), ENPAIA (Agricultural Experts and the separate scheme for land surveyors), EPAP (Agronomists and forestry experts, actuaries, chemists and geologists), EPPI (Industrial Engineers and graduates), ENPAP (Psychologists) and INPGI (Journalists, Separate Account).

These Funds have their own reserves to fulfill their obligations, that is the provision of pension benefits to their members according to the *pay as you go* system like in the rest of the compulsory pension system.

Inside the PAYG system, there are two methods of calculating the pensions paid by the funds privatized under Legislative Decree n. 509/1994 and by the funds privatized under Legislative Decree n. 103/1996. The former calculate their benefits with the *income-based system*, that is on the basis of the average of the last years of income that, in some cases almost cover the whole working life; the pension is calculated by multiplying the mean remuneration for retirement purposes (RMP) by a coefficient related to the number of the years worked (for example: 30 years x 1.5% = pension benefits are equal to 45% of RMP).

The latter calculate their benefits according to the *contribution-based system*, by multiplying the individual contributions paid by members by the age-related transformation coefficient at the time of retirement, which is correlated to the current survival tables.

The individual amount of contributions consists of all subjective contributions and it is increased annually on a compound basis in accordance with the annual nominal GDP capitalization rate. Any positive difference between the actual return on the investments and the capitalization accredited onto the individual accounts is put into a contingency fund.

Some¹⁴ funds privatized under L.D. n. 509/1994 introduced the *contribution-based method* with the strict implementation of the "pro rata" principle to protect vested rights, following the introduction by Nusvap of the requirement to draft financial statements with 30-year financial sustainability and actuarial projections with the addition of another 20 years if necessary, which was then transposed into a law in 2007 and of projections to 50 years as indicated by art. 24 of the L.D. n. 206 of 2011 (referred to as "Save Italy" Decree) subsequently transposed into Act n. 214 of December 22, 2011.

Finally, these funds are financed by two main types of contributions: *subjective* contributions calculated as a percentage of the income for tax purposes, ranging from 10% to 16% for the purpose of financing retirement benefits; *supplementary* contributions calculated on the basis of the turnover (and therefore on a higher amount) which vary between 2% and 4%; these are partly used to finance welfare benefits for their members and their operating costs and partly designed to increase the pension amount for each of their members.

Main indicators:

Considering the period from 1989 to 2014, the **total number of active workers paying contributions** to these funds increased by approximately **121%**, reaching **1,276,114** people. In 2014, for the funds privatized under Legislative Decree n. 509/1994, (hereinafter referred to as "the 509"),

¹⁴ Errata corrige, "some" not "all the". Income-based system: ENPAV, ENPAF, Cassa Forense, CNN, INPGI (Journalists, Separate Account).

"the 103"), the number of active workers amounted to **175,447** with a 70.7% increase compared to 2004 and a 3% rise compared to 2013.

In the year under investigation, the **average annual contribution** was equal to **6,018.7** euros with a 2.75% decrease vs. 2013. However, these two macro groups showed diverging trends. In particular, for the 509, the average annual contribution was equal to **6,634.1** euros with a 3.3% drop vs. 2013; for the 103, it was equal to **2,233.1** euros with a 4.1% increase vs. 2013. These average contributions are very low and they will produce very low pension benefits.

Considering the period 1989-2014, the number of **pensions** increased from 145,428 to **350,486**, with an increase by **141.2%**, higher than the increase in the number of contributors; the recently founded 103 only accounted for 13.7% of the total number of contributors and they they paid a low number of benefits equal to about **11,226** in 2014. Considering the period between 2013 and 2014, the number of benefits paid by the 103 increased by 8.98%.

The **average pension** in 2014 amounted to **12,583 euros**, up by 0.29% vs. 2013. In detail, for the 509, the average pension in 2014 was equal to **12,924.1 euros** (almost twice as much as the average contributions) with a 0.4% increase with respect to 2013; for the 103, it amounted to **2,282.1 euros**, up by 5.4% with respect to 2013.

For the 103, in most cases, the above-mentioned pension is only part of the overall pension paid to their members, since they may also be eligible to receive benefits from the first pillar compulsory system.

In 2014, **pension expenditure** reached **4,410 million euros** with an increase by 5.4% compared to 2013. The expenditure by 509 was equal to **4,385 million euros**, up by 5.4% compared to 2013, while for the 103, pension expenditure amounted to **26 million euros** with a 14.8% increase compared to 2013.

The following table illustrates these trends over time.

	Amount in 2014 (mln)	% var vs. 2013	% var. over 5 years	% var. over 10 years	% var. vs. baseline da
Funds 509	4,385	5.40%	25.31%	65.31%	581.59%
Funds 103	25.6	14.83%	180.63%	1083.04%	3595.90%
Total	4,410	5.45%	25.71%	66.14%	584.83%

The **contribution revenues** of the privatized pension funds amounted to approximately **7,680 million euros** in 2014 with an increase by 1.9% compared to 2013. The contribution revenues of the 509 amounted to **7,289 million euros**, with an increase by 1.6% compared to 2013, while the contribution revenues for the 103 amounted to **392 million euros** with an increase by 7.2% compared to 2013.

The following table illustrates these trends over time.

	Amount in 2014 (mln)	% variation vs. 2013	% var. over 5 years	% var. over 10 years	% variation vs. baseline
Funds 509	7,289	1.62%	21.00%	68.25%	601.87%
Funds 103	392	7.20%	38.67%	76.33%	2224.21%
Total	7,680	1.89%	21.79%	68.65%	627.78%

The balance between contribution revenues and pension expenditure amounted to about **3.27 billion euros**, with a **2.6%** growth with respect to the previous year; in 2013, this balance was equal to **3.36 billion euros**. For the 509, in 2014, it amounted to **2.90 billion euros**, while for the 103, to **366 million euros**.

The following table illustrates these trends over time.

	amount in 2014 (mln)	% var. vs. 2013	% var. over 5 years	% var. over 10 years	% var. vs. baseline
Fund 509	2,904	-3.61%	15.02%	72.91%	634.89%
Fund 103	366	6.70%	33.93%	66.42%	2165.39%
Total	3,270	-2.55%	16.87%	72.16%	695.04%

The ratio of active vs. retired members was equal to **0.275** (that is 3.7 active workers per each pensioner) with a 0.36 % increase compared to 2013. Specifically, for the 509, this ratio was equal to **0.309** (3.24 active workers per pensioner) with a 0.05% drop vs. 2013, while for the 103, it was equal to **0.064** (15.63 active workers per pensioner), with an increase by 5.53% compared to 2013.

The following table illustrates these trends over time.

	rate in 2014	% var. vs. 2013	% var. over 5 years	% var. over 10 years	% var. vs. baseline
509	0.309	-0,05%	8.60%	7.86%	8.95%
103	0.064	5.85%	50.49%	219.26%	3789.92%
Total	0.275	0.36%	7.68%	6.26%	-2.72%

In 2014, *the average pension/average contribution ratio* amounted to **2.09** with an increase by 3.13% compared to 2013 (the average pension was equal to 2.09 times the amount of the average yearly contributions). Specifically, for the 509, in 2013 this ratio was equal to **1.948**, with a further increase by 3.77% compared to 2013, while for the 103, it was equal to **1.02** with an increase by 1.20% compared to 2013.

The following table shows these trends over the years.

	Ratio in 2014	% var. vs. 2013	% var. over 5 years	% var. over 10 years	% var. vs. baseline
Funds 509	1.948	3.77%	-4.63%	-8.91%	-10.87%
Funds 103	1.022	1.20%	34.48%	110.15%	-95.91%
Total	2.091	3.13%	32.11%	38.52%	-13.70%

In 2014, *the ratio of benefit expenditure vs. contribution revenues* amounted to **1.74** with a decrease by 3.4% compared to 2013. Specifically, for the 509, in 2014 this ratio was equal to **1.67**, down by 3.6% compared to 2013, while for the 103, it was equal to 15.29, down by 6.7% compared to 2013, but with a consistently diminishing trend over the years.

The following table illustrates these trends over time.

	Ratio in 2014	% var. vs. 2013	% var. over 5 years	% var. over 10 years	% var. vs. baseline
Funds 509	1.662	-3.59%	-3.44%	1.78%	2.98%
Funds 103	15.293	-6.65%	-50.59%	-85.10%	-37.11%
Total	1.741	-3.38%	-3.12%	1.51%	6.27%

The following *figures 5.1* and *5.3* and *tables 5.2* and *5.4* illustrate the trends of the two macro groups: the funds privatized under LD. n. 509/1994 and the funds privatized under LD n. 103/1996.

They also show their ***pension balance*** (*), that is the ratio of revenues from individual and supplementary contributions vs. the cost of pension benefits; this balance does not include revenues from other contributions and assets under management and non pension related benefit expenditure and operating costs. This ratio is very important in that it is the ***first sustainability indicator for expenditure in the m/l term.***

Figure 5.1: Indicators: n. of members, n. of pensions, average pension, average contributions from 1989 to 2014

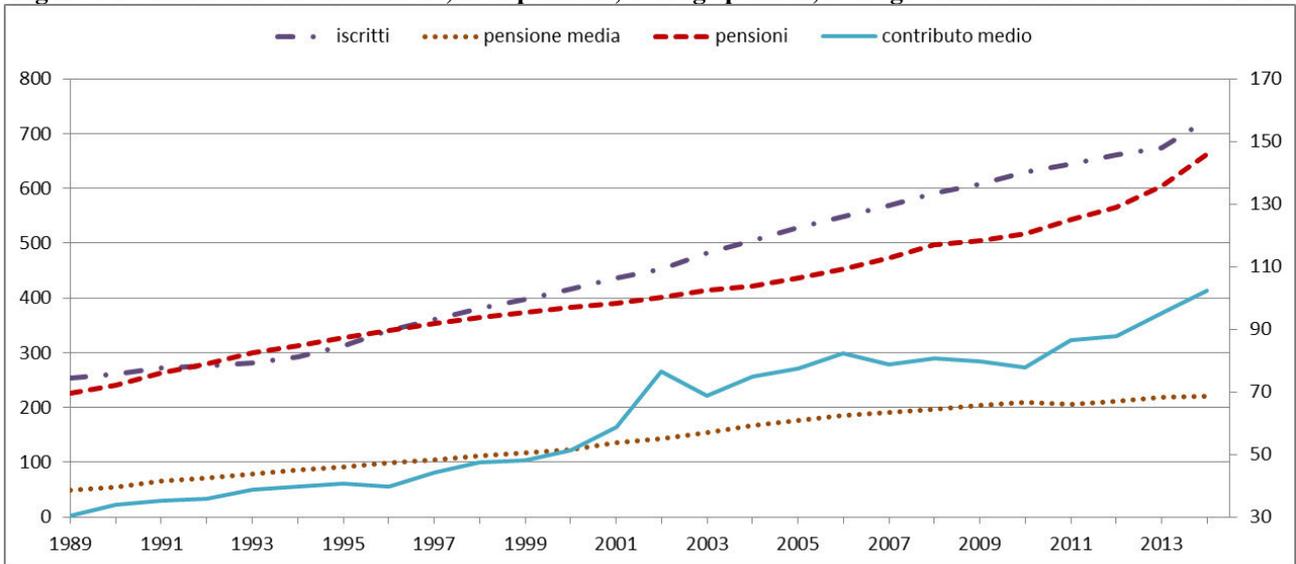
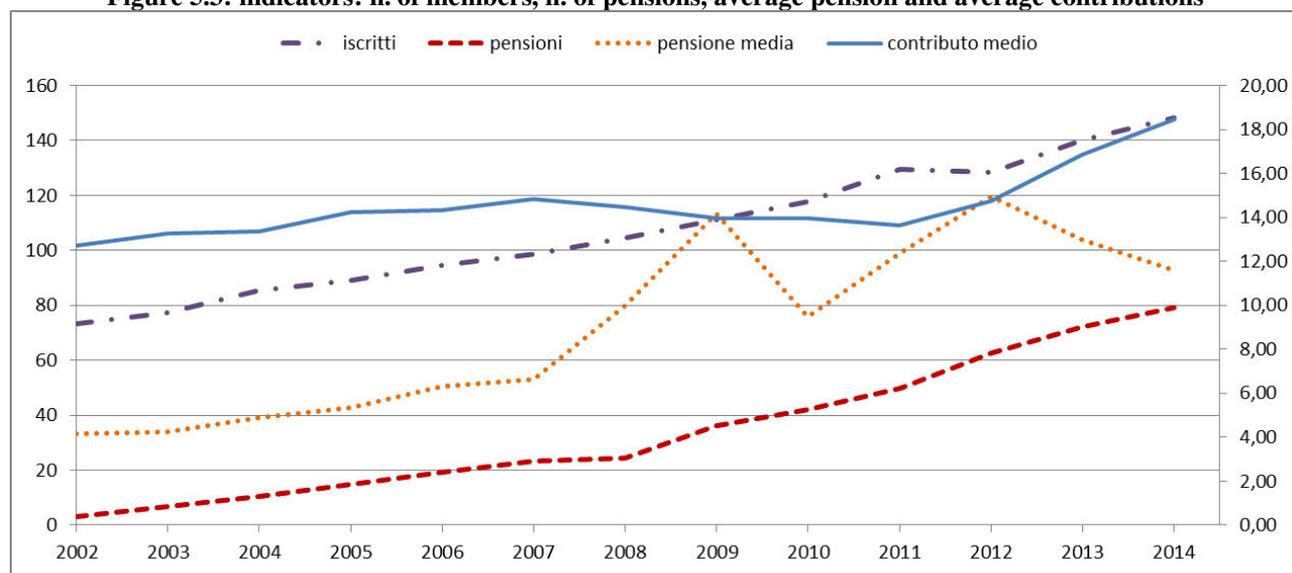


Table 5.2: pension expenditure (*) indicators for funds privatized under Decree 509/94 (millions)

	ENPA CL	ENPA V	ENPA F	CF	INARCASSA	CIPAG	CNPR	CNPADC	CNN	INPGI	ENPAM	
SPESA PER PENSIONI	Importo	94,41	36,12	159,70	750,00	493,67	453,92	222,78	242,29	198,13	447,34	1.286,29
	variazione % da 2013	6,47%	3,83%	-2,01%	5,61%	14,48%	3,76%	6,31%	6,55%	4,09%	4,28%	3,88%
	variazione % da 2010	42,45%	24,87%	3,07%	19,60%	65,15%	20,72%	30,18%	27,00%	12,90%	20,92%	23,22%
	variazione % da 2005	135,04%	52,68%	11,98%	64,48%	146,07%	85,49%	99,46%	91,69%	34,86%	64,57%	44,88%
	variaz% da inizio	1191,75%	4158,99%	52,16%	1084,53%	2074,10%	1691,12%	2358,71%	1577,45%	295,64%	565,08%	362,72%
ENTRATE CONTRIBUTIVE PER PENSIONI	Importo	161,95	89,96	259,66	1.474,50	1.017,86	427,15	278,25	721,01	252,18	359,78	2.246,32
	variazione % da 2013	8,26%	4,53%	0,16%	2,04%	-3,91%	-0,82%	2,74%	8,46%	17,44%	-5,95%	1,70%
	variazione % da 2010	44,05%	33,99%	0,45%	37,11%	53,98%	9,49%	7,49%	29,70%	23,20%	-6,70%	9,36%
	variazione % da 2005	95,04%	103,34%	15,78%	154,96%	101,28%	34,87%	49,43%	116,81%	8,36%	8,18%	50,20%
	variaz% da inizio	1057,86%	2860,14%	151,21%	1394,99%	1056,69%	511,32%	1139,07%	1311,47%	247,94%	277,51%	434,52%
SALDO PENSIONISTICO	Importo	67,54	53,84	99,96	724,50	524,18	-26,77	55,46	478,72	54,05	-87,55	960,04
	variazione % da 2013	9,20%	5,02%	3,83%	-1,41%	-16,54%	295,49%	-9,45%	9,45%	121,70%	88,51%	-1,08%
	variazione % da 2010	46,34%	40,88%	-3,47%	60,05%	44,76%	-289,82%	-36,78%	31,11%	85,04%	-657,80%	-4,97%
	variazione % da 2005	57,55%	161,56%	22,42%	492,22%	71,83%	-137,19%	-25,57%	132,21%	-37,01%	-244,09%	57,97%
	variaz% da inizio	911,33%	2357,44%	-6390,90%	1951,66%	702,86%	-160,13%	314,05%	1206,61%	141,30%	-412,19%	574,82%
RAPPORTO PENSIONATI / ATTIVI	Numero	34,81	22,46	29,85	12,05	15,38	35,36	28,59	10,68	53,87	51,82	51,93
	variazione % da 2013	5,37%	-1,38%	-3,85%	-15,89%	11,54%	17,89%	3,05%	0,32%	1,89%	7,85%	2,83%
	variazione % da 2010	26,29%	-1,48%	-11,71%	-25,13%	73,01%	28,40%	24,84%	1,77%	29,98%	33,54%	16,08%
	variazione % da 2005	29,05%	-13,02%	-23,55%	-35,26%	64,09%	48,39%	71,82%	3,87%	21,87%	54,99%	23,33%
	variaz% da inizio	126,83%	-37,53%	-33,99%	-62,37%	-42,02%	158,11%	195,56%	-60,87%	3,82%	35,84%	79,70%
RAPPORTO ENTRATE CONTRIBUTIVE / USCITE PER PENSIONI	Numero	1,72	2,49	1,63	1,97	2,06	0,94	1,25	2,98	1,27	0,80	1,75
	variazione % da 2013	1,06%	0,68%	2,21%	-3,38%	-16,06%	-4,42%	-3,35%	1,79%	12,83%	-9,81%	-2,10%
	variazione % da 2010	1,12%	7,30%	-2,54%	13,84%	-6,76%	-9,30%	-17,43%	2,12%	9,12%	-22,85%	-11,25%
	variazione % da 2005	-17,02%	33,18%	3,39%	55,01%	-18,20%	-27,29%	-25,08%	13,10%	-19,65%	-34,27%	3,67%
	variaz% da inizio	-10,36%	-30,50%	65,09%	26,21%	-46,80%	-65,87%	-49,60%	-15,86%	-12,06%	-43,24%	15,52%
RAPPORTO PENSIONE MEDIA / CONTRIBUTIVO MEDIO	Numero	1,42	1,72	2,02	4,02	3,11	2,83	2,70	3,07	1,45	2,24	1,10
	variazione % da 2013	-16,75%	1,47%	1,59%	22,49%	6,92%	-11,47%	3,67%	-2,08%	-13,22%	2,67%	-0,74%
	variazione % da 2010	-31,25%	-13,02%	16,24%	-1,83%	-33,77%	-14,61%	7,07%	-0,31%	-24,23%	-11,31%	-7,13%
	variazione % da 2005	-21,29%	-14,19%	27,81%	2,60%	-23,17%	-27,23%	-25,89%	-17,75%	5,35%	-15,09%	-24,85%
	variaz% da inizio	-58,20%	122,22%	-10,06%	100,39%	219,50%	6,88%	-35,20%	196,92%	8,62%	20,99%	-52,15%

pension expenditure contribution revenues balance between contribution revenues and penion expenditure pensioner/active worker ratio ratio of contribution revenues to penion expenditure average pension/average contribution ratio amount var. from

Figure 5.3: indicators: n. of members, n. of pensions, average pension and average contributions



members pensions average pension average contribution

Table 5.4: pension expenditure (*) indicators for funds privatized under Decree 103/96 (millions)

		EPPI	ENPAP	ENPAPI	ENPAB	ENPAIA AGR	ENPAIA PA	EPAP	INPGI 1
SPESA PER PENSIONI	Importo	8,83	5,19	2,07	1,19	0,02	0,64	4,80	2,87
	variazione % da 2013	12,55%	23,85%	22,19%	-32,55%	0,00%	15,56%	16,69%	35,28%
	variazione % da 2010	133,56%	500,31%	162,77%	63,28%	440,79%	53,57%	160,96%	308,12%
	variazione % da 2005	1028,15%	920,34%	2342,53%	1321,13%	-	428,11%	1076,51%	1539,39%
	variaz% da inizio	1799,66%	1464,32%	4685,30%	2485,71%	-	482,17%	2108,56%	2403,72%
ENTRATE CONTRIBUTIVE	Importo	69,41	92,63	79,74	36,87	4,91	7,77	54,19	46,27
	variazione % da 2013	0,98%	4,06%	15,93%	11,40%	180,38%	2,43%	1,15%	7,73%
	variazione % da 2010	28,90%	28,90%	92,91%	19,17%	238,76%	-7,74%	4,21%	103,97%
	variazione % da 2005	54,84%	92,35%	149,43%	51,83%	355,50%	40,51%	23,94%	104,45%
	variaz% da inizio	60,02%	108,77%	204,01%	70,27%	361,10%	42,92%	46,63%	123,31%
SALDO PENSIONISTICO	Importo	60,57	87,44	77,67	35,68	4,90	7,13	49,39	43,40
	variazione % da 2013	-0,51%	3,09%	15,77%	13,87%	181,97%	1,39%	-0,15%	6,30%
	variazione % da 2010	20,99%	23,16%	91,55%	18,11%	238,36%	-10,95%	-1,54%	97,43%
	variazione % da 2005	37,54%	83,51%	143,60%	47,44%	354,08%	31,80%	14,02%	93,27%
	variaz% da inizio	41,17%	98,55%	196,60%	65,12%	359,67%	33,82%	34,42%	110,62%
RAPPORTO PENSIONATI / ATTIVI	Numero	21,55	5,01	3,82	6,34	1,23	13,74	6,27	4,18
	variazione % da 2013	13,77%	0,00%	16,21%	9,39%	6,57%	7,37%	3,58%	-0,83%
	variazione % da 2010	165,05%	39,21%	28,64%	110,98%	229,77%	74,00%	50,66%	24,50%
	variazione % da 2005	521,04%	124,56%	339,57%	716,00%	-	202,98%	238,88%	159,69%
	variaz% da inizio	6113,28%	2069,83%	-	-	-	-	-	3191,44%
RAPPORTO ENTRATE CONTRIBUTIVE / USCITE PER PENSIONI	Numero	6,40	5,18	11,79	10,31	72,11	11,50	7,53	11,67
	variazione % da 2013	-6,85%	-9,79%	-15,47%	25,11%	122,67%	-5,53%	-10,89%	-5,25%
	variazione % da 2010	-	-	-	-	-	-	-	-
	variazione % da 2005	-	-	-	-	-	-	-	-
	variaz% da inizio	-	-	-	-	-	-	-	-
RAPPORTO PENSIONE MEDIA / CONTRIBUTIVO MEDIO	Importo	0,73	3,86	2,22	1,53	1,13	0,63	2,12	2,05
	variazione % da 2013	-5,64%	10,86%	1,80%	-26,93%	-57,86%	-1,41%	8,35%	6,42%
	variazione % da 2010	-2,20%	400,65%	290,04%	113,30%	-79,85%	-20,95%	157,92%	233,40%
	variazione % da 2005	62,27%	802,58%	584,24%	318,49%	-	20,42%	310,07%	323,55%
	variaz% da inizio	232,02%	1513,38%	-	-	-	-	-	1382,02%

pension expenditure contribution revenues balance between contribution revenues and pension expenditure pensioner/active worker ratio ratio of contribution revenues to pension expenditure average pension/average contribution ratio amount var. from

Over the years, all these funds introduced other benefits, such as welfare benefits, for their members, from health insurance and maternity leave to disability allowances also for disabled children, contributions for natural calamities, loans, etc. The expenditure to finance these benefits and the financial contributions provided have become very significant. Therefore, as of 2014, the total expenditure for all welfare and retirement benefits and contributions was taken from the accounts and put into an ad hoc archive, which is the *social security balance* of the fund and is the second sustainability indicator in the m/l term. In this way it is possible to evaluate their weight and to compare them with respect to retirement contributions. Moreover, since there is a growing attention to costs, the following tables show the effect of the main costs of these funds on the so-called *production value*, that is the sum of their contributions, benefits and revenues from their assets under management.

Table 5.5: Indicators of the social security balance of the funds privatized under Decree 509/94 (millions)

	ENPACL	ENPAV	ENPAF	CF	INARCASSA	CIPAG	CNPR	CNPADC	CNN	INPGI	ENPAM
Totale Contributi	190,56	93,23	264,91	1.549,21	1.032,80	453,67	288,27	737,51	254,29	385,64	2.261,71
Totale Prestazioni	98,11	41,79	165,05	802,71	520,43	464,52	229,75	259,47	239,34	488,31	1.369,68
Saldo Previdenziale	92,45	51,44	99,86	746,49	512,37	-10,85	58,52	478,04	14,95	-102,66	892,03
Totale Ricavi	222,43	112,12	348,48	1.881,36	1.506,99	526,04	338,96	999,13	305,17	585,35	2.832,45
Totale Costi	126,05	67,65	198,87	1.040,40	605,36	510,10	321,25	441,96	288,45	568,33	1.649,80
Saldo contabile	96,39	44,47	149,61	840,96	901,63	15,93	17,71	557,17	16,72	17,02	1.182,65
Totale ricavi + prestazioni	320,54	153,92	513,53	2.684,07	2.027,43	990,56	568,71	1.258,60	544,51	1.073,66	4.202,13
Spese di funzionamento	24,16	8,80	22,56	92,10	48,70	19,58	23,87	74,77	27,66	24,82	166,31
Incidenza sul valore della produzione	7,54%	5,72%	4,39%	3,43%	2,40%	1,98%	4,20%	5,94%	5,08%	2,31%	3,96%

total contributions total benefits social security balance total revenues total costs accounting balance total revenues + benefits
operating expenses incidence on the production value

Table 5.6: Indicators of the social security balance of the funds privatized under Decree 103/96 (millions)

	EPPI	ENPAP	ENPAPI	ENPAB	ENPAIA AGR	ENPAIA PA	EPAP	INPGI 1
Totale Contributi	69,41	102,48	81,63	38,87	4,95	7,79	55,01	48,47
Totale Prestazioni	10,85	19,80	6,92	3,77	0,07	0,68	7,31	4,15
Saldo Previdenziale	58,56	82,68	74,71	35,10	4,88	7,11	47,71	44,32
Totale Ricavi	118,45	135,68	142,02	63,10	3,19	12,51	86,63	69,97
Totale Costi	84,83	114,26	135,11	46,64	2,94	11,27	69,77	28,76
Saldo contabile	33,62	21,42	6,90	16,46	0,26	1,24	16,86	41,21
Totale ricavi + prestazioni	129,30	155,48	148,94	66,87	3,26	13,19	93,93	74,12
Spese di funzionamento	13,90	9,39	8,84	5,65	0,25	0,15	13,33	4,47
Incidenza sul valore della produzione	10,75%	6,04%	5,94%	8,45%	7,71%	1,17%	14,19%	6,03%

total contributions total benefits social security balance total revenues total costs accounting balance total revenues + benefits
operating expenses incidence on the production value

Total revenues derive from the sum of all contribution revenues plus the income from assets, while operating expenses refer to the funds' general costs, including the costs related to maintenance and depreciation, staff, management, supervision and control and taxes.

At the end of 2014, the **total assets (equity)** of these funds amounted to about **65.5 billion euros**, 5 billion more than the previous year. These assets were invested as follows: 12% cash, 28% government bonds and other bonds, 4% equities (shares), 15% CIUs, 26% real-estate properties and shareholdings in real estate companies, 1% insurance policies and 13% other assets (credits, etc.). It is important to stress that **80.3%** of treasury bill investments is accounted for by government bonds issued by the Italian State. In addition, 36.2% of CIU investments was allocated to real estate funds.

The main indicators of the privatized funds are found in the tables illustrated so far and in the ones on the web site.

The rest of the Chapter is devoted to the main novelties for these funds in 2014.

As to **financial results**, the fund for surveyors had a negative balance (-11 million mainly due to a pension balance equal to -27 million) and the same happened to INPGI (-103 million due to a pension balance of -88). The year before, the fund for surveyors had a result of +7 million with a pension balance of -7 million and INPGI had a result equal to -56 million and a pension balance of -46 million. In both cases, contributions went down and benefit expenditure went up.

The fund for lawyers significantly increased its **membership**. In this case, this was the result of the Regulation for the implementation of Art. 21 of Act 247/2012, under which, legal professionals

who were not obliged to join this fund (an income lower than 10,300 euros per year) are now required to pay contributions to this scheme.

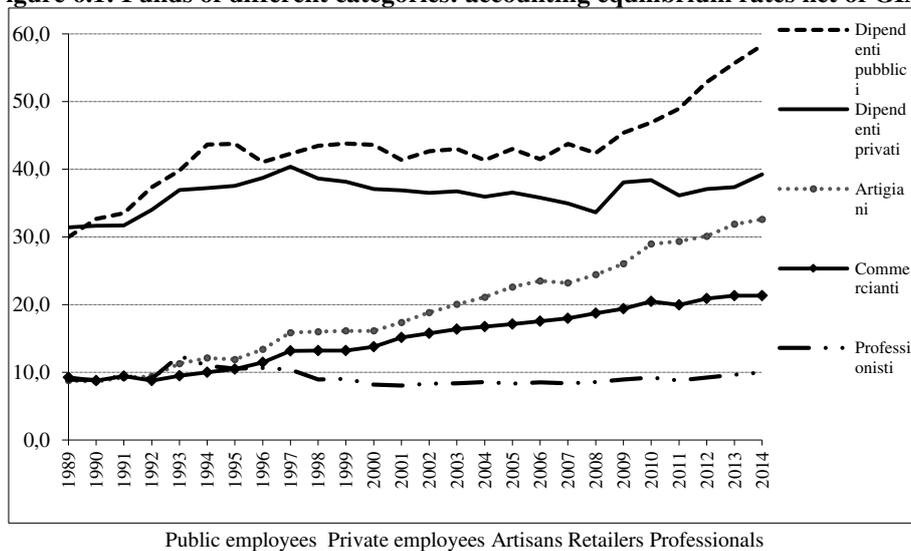
As to EPAP, the Administrative Regional Court decided (Tar 11081/2015) that this fund had made a legitimate choice even though it had been rejected by the Ministry of Labour (on the basis of the opinion issued by the Ministry of the Economy and Finance). According to this decision, contributions are adjusted on the basis of two parameters, the best figure of the GDP five-year average and the results from EPAP's assets under management. If the operating profit is higher than the GDP five-year average, 50% of this profit is used to adjust pension benefits for the members of this fund. This decision will have very positive spin-offs.

6. The equilibrium rates of the pension system and of its funds

The accounting equilibrium rate is a theoretical indicator of the contribution rate to be applied to the taxable income of the funds' members so that the contribution revenues balance the benefits provided, that is a balance equal to zero between contributions revenues and benefit expenditure¹⁴. If the theoretical contribution rate and the actual contribution rate coincide, the funds have a financial equilibrium. A positive difference between these two rates means a negative balance; instead if the actual contribution rate is higher than the theoretical equilibrium rate, the balance is positive.

Assuming that the share of social security expenditure allocated to welfare measures should be funded by general taxes and that GIAS transfers have actually a welfare nature, the accounting equilibrium rate must be calculated on the basis of pension expenditure net of GIAS transfers; according to this interpretation, it is just a clearing entry.

Figure 6.1: Funds of different categories: accounting equilibrium rates net of GIAS



¹⁴ The "accounting equilibrium rate" determines the equilibrium between pension revenues and expenditure, that is of the funds' budget items which include the members' contribution revenues and the benefits paid. This balance does not include the administrative costs under expenditure and the rate of return of the assets. The balance of the retirement account is zero when the contribution rate C is equal to the amount of benefits (S_p). Since contribution revenues are equal to the ratio of the contribution rate vs. the income on the basis of which contributions are calculated (equal to the average income w multiplied by the number of workers L), while pension expenditure is equal to the ratio of the average pension p to the number of pensions paid R , the theoretical accounting equilibrium rate ($\hat{\alpha}$) is derived from:

$$C = S_p \quad \hat{\alpha} \cdot w \cdot L = p \cdot R \quad \hat{\alpha} = p/w \cdot R/L$$

Considering that in Chapter 3.1, the pension expenditure financed by la contributions is defined $q = (a \cdot L \cdot w) / (p \cdot R)$, the accounting equilibrium rate is equal to $\hat{\alpha} = a / q$, that is to the ratio of the actual rate vs. the pension expenditure financed by contributions.

Figure 6.1 shows the equilibrium rates calculated on the basis of pension expenditure net of GIAS transfers.

After about twenty years of fluctuating trends, since 2009, the equilibrium rates of all categories have been growing, which proves that the economic crisis has exacerbated the difficulties for pension funds.

In particular, for private sector employees, the equilibrium rate initially had an upward trend but since 1996 it has slowly but progressively declined. In 2008, this rate was equal to 33.6%, very close to the nominal contribution rate. This can be explained by the gradual rise in the retirement age which resulted in a lower ratio of the number of active workers vs. the number of pensions paid, but also in a substantially stable average pension/average income ratio¹⁵. After 2008, the equilibrium rate picked up again, but, due to more stringent retirement age requirements, the number of pensions further declined and did not manage to offset the average pension/average contribution ratio, which continued to grow for two reasons; the first reason was the decrease in per capita contributions caused by labour market difficulties and lower wages, the second was the relative inertia of the value of per capita pension benefits, less sensitive to economic cycles but possibly more sensitive to more stringent retirement age requirements. This reduced the number of pensions paid but it increased their level due longer careers.

In the category of public employees, the equilibrium rate had an initial period of rapid growth (from 30.0% in 1989 to 43.8% in 1995) then it fluctuated for some years but remained higher than the actual contribution rate.

These years were characterized by a steady increase in the number of pensions paid with respect to the number of active workers paying contributions, also linked to a halt to new hirings, but this was largely offset by the decline in the average pension/average income ratio. After 2009, however, both ratios deteriorated and the equilibrium rate picked up again to reach about 58.3% in 2014.

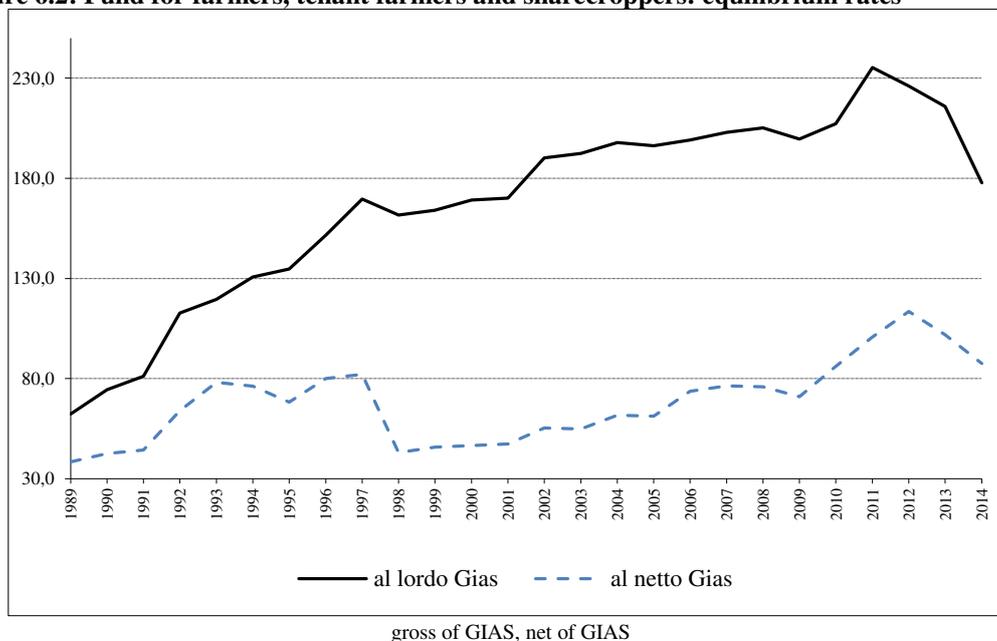
Figure 1 illustrates that accounting equilibrium rate has gradually grown since the mid-nineties both for artisans and retailers in the self-employed category. This trend is marked by a growing imbalance between contribution revenues and benefit expenditure, resulting from the upward trend of both the average pension/average income ratio and the number of pensions/number of active workers ratio. The turnover of beneficiaries with the arrival of pensioners with more structured careers partly contributed to the growth of the former ratio. While rise of the latter ratio was mainly due to the mature age of these two funds created in the late 1950's, early 1960's. In fact, by 1995 they had a peak in the number of retirees and hence a more rapid increase in the number of pensions to pay. By observing these trends, it is clear that there was another fundamental reason why the level of the equilibrium rates is more critical for artisans vs. retailers. In fact, until 2003, the fund for artisans had a higher number of members with respect to the fund for retailers. From 2003 to 2014, while the fund for retailers saw its membership grow by about 340 thousand people, notwithstanding a drop by around 20 thousand people in the last year, the fund for artisans showed a decrease in its membership by over 126 thousand people. So, after 2004, the accounting rate of the fund for artisans became higher than the actual rate and it reached 32.6% in 2014, while the accounting rate of the fund for retailers was equal to 21.3%, like in the previous year.

The self-employed workers who joined the funds for professionals have a very different situation with respect to the categories examined so far. The funds for professionals still have a very low ratio of the number of pensions paid vs. the number of active workers paying contributions. So their equilibrium rates, which had remained above 10% until 1997, dropped below this level in the following years. It was only in 2014 that they went back to 10%. Except for some few professional categories, the average pension/average income ratio is rather low too, mainly because, notwithstanding the latest reforms, these categories still have rather low contribution rates with respect to their income or business levels.

¹⁵ These trends are illustrated in Chapter 3.

A special case in point is the Fund for farmers, tenant farmers and sharecroppers (CDCM). This fund has a structural imbalance of gigantic proportions due to the striking role of the agricultural sector in the economy of all developed countries. This has negatively affected this fund because of a gradual reduction in the number of people working in this sector and because the welfare measures adopted have not been able to correct these structural problems. These measures and, in particular, the financial resources transferred from GIAS have tried to maintain the average pension/average income ratio almost at the same level as the one for private sector employees. In addition, there is an even greater imbalance in the the number of pensions/ number of active workers ratio (about 3.5 pensions per each contributor), which has led to an extremely high equilibrium rate (Figure 6.2). In this connection, the graphs show that the difference between the equilibrium rate before and after GIAS transfers became larger under Act 449/97 which introduced a new separation between pension and welfare expenditure and established that the agricultural sector pensions as of 1989 be paid by the latter. Since then, this difference has remained relatively stable, without extraordinary measures, even if the rate net of GIAS transfers dropped from 82.1% in 1997 to 43% in the following year and then it picked up to 113.4% in 2012. In the last three years, unlike other categories, this trend went down again and the rate before GIAS transfers dropped to 87.5% in 2014.

Figure 6.2: Fund for farmers, tenant farmers and sharecroppers: equilibrium rates



7. Income-support benefits: GPT and GIAS transfers

In order to provide an exhaustive overview of the benefits provided to private sector employees, this Chapter illustrates the **Temporary Benefit Scheme (GPT)** and its components: **contribution revenues** from companies (which obviously have an impact on the final cost of labour) and its income-support **benefit expenditure** (unemployment, sickness and maternity), household-support measures (family allowances) and transfers to supplement pension benefits. The **GPT** together with GIAS, illustrated in Chapter 4.6, provide income support benefits to **employed workers**. GPT was established under Art. 24 of Act n. 88 of 1989 (*Restructuring of the National Institute of Social Security and the National Institute for Insurance against Accidents at Work*). The INPS Board of Directors may decide (and has always decided) to use its surplus without paying interest rates. This surplus is generally allocated to FPLD. GPT is funded by the contributions paid by companies, which were previously accruing in other funds and schemes now merged into GPT with their assets and liabilities.

These are the main benefits provided to workers on the basis of particular requirements:

a) benefits for unintentional unemployment in the agricultural and in the non-agricultural sector; as of January 1 2013, Act 92/2012 (the so-called Fornero Reform) established two new monthly benefits to support the income of workers who involuntarily lost their job: **ASpI** (Assicurazione Sociale per l'Impiego) replaces ordinary, non agricultural unemployment benefits, special unemployment benefits in the field of construction and as of 2017 the mobility benefits co-financed by GIAS; **Mini ASpI** replaces unemployment benefits not in the agricultural sector with sub-standard requirements and provides the same amount of money as Aspi. These measures target all employed workers including apprentices and partners of cooperatives as well as employed workers in the creative industry.

These measures exclude public employees with long-term contracts, long-term employed agricultural workers (still under the previous system) and non-EU workers who have a seasonal work permit.

These individuals must be involuntarily unemployed, that is they must not have left their job or agreed to leave.

ASpI benefits are provided to unemployed workers who have immediately registered with ad hoc centers and who can claim two years of insurance and one year of contributions in the two years preceding the loss of their job. These benefits account for 75% of their income; they drop by 15% after the first six months and by 30% after another six months (20% of basic benefits for active members and for the former Enpals members).

Their duration is established as follows:

- in 2013: **eight months** for individuals below 50 years and **twelve months** for the others;
- in 2014: **eight months** for individuals below 50 years and **twelve months** for those between 50 and 55 years of age, **fourteen months** for the others;
- in 2015: **ten months** for individuals below 50 years and **twelve months** for those between 50 and 55 years of age, **sixteen months** for the others;
- as of 2016: **twelve months** for individuals below 55 and **eighteen months** for the others.

If workers do not have the contribution requirements to be eligible for ASpI and have substandard requirements (at least 13 weeks of contributions paid in the last 12 months), they can be eligible for **Mini-ASpI**. This allowance is calculated like ASpI and is provided for a number of weeks which is equal to half of the weeks in which contributions were paid in the twelve months preceding the termination of employment. ASpI and Mini-ASpI benefits are income taxed. The beneficiaries can use the CUD issued by INPS to apply for tax deductions;

b) guarantee fund for termination of employment (TFR) and the benefits for the last three months of work in case of employers' insolvency. These are directly financed by a 0.20% contribution from companies;

c) supplementary benefits for workers in the industry and in the construction sector;

d) wage support benefits for agricultural workers;

e) the unified fund for family allowances; household benefits;

f) sickness and maternity benefits and any other *temporary* social security benefits other than pensions.

Table 7.1 shows the data related to the financial accounts of the last 7 years.

The contribution revenues in **Table 7.1** under "*revenues and proceeds*" remained practically stable at about 18,900 million euros until 2012 and then they increased by about 830 million euros in 2013 and by another 250 million euros in 2014.

Table 7.1: GPT in2008-2014 economic and financial performance (*) (millions of euros)							
Year	2008	2009	2010	2011	2012	2013	2014
Revenues and proceeds	18.832	17.999	18,782	18.833	18.912	19.743	19.994
Other revenues	2.507	2.531	2.370	2.428	2.600	2.444	2.545
Total Value of production (A)	21.339	20.530	21.152	21.261	21.512	22.187	22.539
Institutional benefit expenditure	11.459	13.907	13.550	13.506	14.633	15.149	14.267
Other operating costs	4.472	7.117	6.934	6.394	7.901	6.654	6.616
Total Costs of Production (B)	15.931	21.024	20.484	19.900	22.534	21.803	20.883
Difference (A) - (B)	5.408	-494	668	1.361	-1.022	384	1.656

(*) Gross of proceeds, financial and extraordinary charges and taxes

During the period analysed (*table 7.2*), the total benefit expenditure increased from 11,459 million euros to 14,267 million euros with a 24.5% variation; this increase was mainly due to *unemployment benefits* that accounted for 26.62% of total expenditure in 2008 and for 36.8% in 2014.

In 2014, there was a general reduction in the amount of expenditure with respect to 2013 for all types of benefits (considering unemployment benefits and AspI together).

Expenditure on institutional benefits is analysed in *Table 7.2*.

Table 7.2: GPT in2008-2014 institutional benefit expenditure (millions of euros)							
	2008	2009	2010	2011	2012	2013	2014
Family allowances	3.831	3.760	3.552	3.670	3.726	3.817	3.676
Wage supplementary benefits	365	1.755	1.141	769	1.044	1.146	747
Unemployment benefits	3.051	4.198	4.656	4.560	5.233	3.057	1.855
AspI						2.253	3.401
Sick benefits	2.165	2.079	1.992	2.053	2.044	2.017	1.950
Maternity benefits	2.038	2.124	2.088	2.216	2.284	2.292	2.186
Termination of employment benefits and other benefits	446	415	585	672	795	1.087	1.042
Total (A)	11.896	14.331	14.014	13.940	15.126	15.669	14.857
Recovery of benefits and other (B)	437	424	464	434	493	520	590
Total benefit expenditure (A - B)	11.459	13.907	13.550	13.506	14.633	15.149	14.267

Transfers to FPLD to finance contributions are included in “*other operating charges*” and they account for the largest amount of these charges. They are analytically illustrated in *Table 7.3*

In its letter n. 11 of January 28 2013, INPS illustrated the *automatic benefit calculation* methods for the workers' individual accounts. The Institute decided to *give up the average-based calculation method used for annual structured information purposes*. Instead, in line with the current legislation, this calculation refers to the income levels that unemployed workers would have had under normal employment conditions.

Table 7.3: GPT in 2008-2014							
Expenses to finance contributions							
(millions of euros)							
Description	2008	2009	2010	2011	2012	2013	2014
Wage supplementary benefits:							
industry	139	1.091	622	344	565	583	278
construction	86	144	139	146	181	195	170
stone works	4	7	7	8	9	10	9
Unemployment benefits	3.198	4.984	4.908	4.907	5.941		
Aspi						2.431	3.882
Mini Aspi and agricultural workers						1.036	585
Other unemployment benefits						1.207	604
Total	3.427	6.226	5.676	5.405	6.696	5.462	5.528

In order to have an exhaustive overview of *income-support benefits*, it is important to look at the benefits paid by **GIAS**, as briefly mentioned in Chapter 4.6, but without accounting data. In order to avoid duplications, the Report only refers to the income-support benefits provided by GIAS. As already mentioned, the fund for support and welfare benefits to pension schemes (GIAS) was set up under Article 37 of Act n. 88/89. As provided for under paragraph 3 letter D, this fund must bear the costs related to *contribution incentives* (reduction in social security contributions) in favor of particular categories of workers, sectors or territories, including training, solidarity and apprenticeship benefits and family allowances which are also financed by the state, as well as extraordinary wage support and special unemployment benefits (mobility allowance under Act 223/91) as provided for under Acts n. 1115 of November 5, 1968 and n. 427 of August 6 1975 with their amendments and additions, in addition to other similar benefits to be provided by the State.

Table 7.4 shows the detailed wage-support measures and the transfers to FPLD to finance contributions. Unemployment benefits mainly include: the share of the ordinary unemployment benefits not in the agricultural sector, the unemployment benefits introduced by Act 247/2007 for the agricultural sector, the special unemployment benefits in the construction sector and the allowances for socially relevant activities (ASU).

Table 7.4: GIAS in 2008-2014							
wage-support benefits							
(millions of euros)							
A) Benefits	2008	2009	2010	2011	2012	2013	2014
Unemployed benefits	1.419	2.191	2.165	2.239	2.621	2.884	3.557
<i>Aspi and mini Aspi</i>						1.586	2.921
<i>others</i>						1.298	636
Mobility indemnity	882	1.144	1.346	1.435	1.685	2.081	2.284
<i>ordinary</i>	794	1.043	1.169	1.192	1.387	1.716	1.980
<i>derogation</i>	88	101	177	243	298	365	304
Cigs benefits	508	1.121	2.173	1.981	2.449	2.811	2.914
<i>ordinary</i>	396	825	1.608	1.386	1.634	2.038	2.195
<i>derogation</i>	112	296	565	595	815	773	719
Other benefits	1	3	1	9	5	11	1
Total	2.810	4.459	5.685	5.664	6.760	7.787	8.756
B) IVS contributions	2008	2009	2010	2011	2012	2013	2014
Unemployment benefits	83	316	188	197	271	142	92

Mobility benefits	679	815	951	1.039	1.219	1.391	1.462
<i>ordinary</i>	617	742	830	896	948	1.088	1.228
<i>derogation</i>	62	73	121	143	271	303	234
Cigs benefits	387	894	1.750	1.729	1.935	2.082	2.034
<i>ordinary</i>	302	686	1.228	1.146	1.244	1.550	1.540
<i>derogation</i>	85	208	522	583	691	532	494
Other benefits				6	0	0	0
Total	1.149	2.025	2.889	2.971	3.425	3.615	3.588

Table 7.5 illustrates the contributions paid by employers equal to 0.30% for the mobility allowance, to 0.80% for special unemployment benefits in the construction sector and to 0.90% (0.30% to be paid by workers) for extraordinary wage-support measures.

Table 7.5: GIAS in 2008-2014							
Contributions paid by employers and by workers							
(million of euros)							
Years	2008	2009	2010	2011	2012	2013	2014
Mobility allowance	524	549	706	641	589	579	609
Cigs benefits (*)	1.041	977	1.066	1.071	1.085	1.110	1.073
Soocial benefits in the construction sector	120	106	109	100	90	79	80
Total	1.685	1.632	1.881	1.812	1.764	1.768	1.762

(*) One third of the Cigs contribution rate is paid by workers (0.30%)

Table 7.6 shows the contribution rates paid by companies for the GPT and GIAS funds.

Tabella delle aliquote contributive per i principali settori di attività in vigore nel 2014

(valori percentuali della retribuzione imponibile)

Voci contributive Settore di attività	Aspl (*) (**)		garanzia TFR		CUAF		cig ordinaria		cig straordinaria		mobilità		indennità malattia		indennità maternità		Totale	
	operai	impiegati	operai	impiegati	operai	impiegati	operai	impiegati	operai	impiegati	operai	impiegati	operai	impiegati	operai	impiegati	operai	impiegati
<u>Industria in genere</u>																		
fino a 15 dip.	1,61	1,61	0,20	0,20	0,68	0,68	1,90	1,90					2,22		0,46	0,46	7,07	4,85
Da 16 a 50 dip.	1,61	1,61	0,20	0,20	0,68	0,68	1,90	1,90	0,90	0,90	0,30	0,30	2,22		0,46	0,46	8,27	6,05
più di 50 dip.	1,61	1,61	0,20	0,20	0,68	0,68	2,20	2,20	0,90	0,90	0,30	0,30	2,22		0,46	0,46	8,57	6,35
<u>Artigianato</u>	0,70	0,70	0,20	0,20	0,00	0,00							2,22		0,00	0,00	3,12	0,90
<u>Artigianato edile (***)</u>	1,50	1,50	0,20	0,20	0,00	0,00	5,20	1,90					2,22		0,00	0,00	9,12	3,60
<u>Artigianato lapidei</u>	0,70	0,70	0,20	0,20	0,00	0,00	3,70	1,90					2,22		0,00	0,00	6,82	2,80
<u>Credito e Assicurazioni</u>	1,61	1,61	0,20	0,20	0,68	0,68									0,46	0,46	2,95	2,95
<u>Commercio</u>																		
fino a 50 dip.	1,61	1,61	0,20	0,20	0,68	0,68							2,44	2,44	0,24	0,24	5,17	5,17
Da 50 a 200 dip.	1,61	1,61	0,20	0,20	0,68	0,68			0,90	0,90	0,30	0,30	2,44	2,44	0,24	0,24	6,37	6,37
più di 200 dip.	1,61	1,61	0,20	0,20	0,68	0,68			0,90	0,90	0,30	0,30	2,44	2,44	0,24	0,24	6,37	6,37
<u>Commercio CUA ridotta</u>																		
fino a 50 dip.	0,48	0,48	0,20	0,20	0,00	0,00							2,44	2,44	0,00	0,00	3,12	3,12
Da 50 a 200 dip.	0,48	0,48	0,20	0,20	0,00	0,00			0,90	0,90	0,30	0,30	2,44	2,44	0,00	0,00	4,32	4,32
più di 200 dip.	0,48	0,48	0,20	0,20	0,00	0,00			0,90	0,90	0,30	0,30	2,44	2,44	0,00	0,00	4,32	4,32

(*) l'Assegno Sociale per l'Impiego comprende l'aliquota di 0,30% destinata al Fondo di rotazione ex art. 25 L. n. 845/1978

(**) la L. 92/2012 istituisce al comma 28 un contributo addizionale di 1,40% per i rapporti di lavoro subordinato non a tempo indeterminato con esclusione dei casi rientranti nel comma 29

(***) la voce comprende l'aliquota di 0,80% per il Trattamento speciale

Contribution items Aspl Termination of employment benefit CUAFA Ordinary cig Extraordinary cig Mobility Sick leave Maternity leave Total

Sector blue collars white collars

Industry

up to 15 employees

from 16 to 50 employees

more than 50 employees

Artisans

Artisans in the construction sector (***)

Stone workers

Credit and Insurance

Retailers

up to 50 employees

from 50 to 200 employees

more than 200 employees

Reduced CUAFA in retail

up to 50 employees

from 50 to 200 employees

more than 200 employees

(*) The social employment allowance includes 0.3% for the Revolving Fund under former Art. 25 of Act n. 845/1978

(**) Act 92/2012 replaced paragraph 28 with an additional contribution equal to 1.40% for employed workers with fixed contracts except for the cases specified under paragraph 29

(***) the item includes 0.80% for special benefits

8. The number of pension benefits by type, category, amounts and province

This chapter concludes the first part of the Report and provides an overview of the pension benefits paid according to the data provided by all pension funds to the **Central Registry of Pensioners and Pensions** managed by INPS and to the accounts of the entities and constitutional organizations that are not obliged to provide this information to the above-mentioned Registry (par. 8.1).

Pensioners:

In 2014, the number of **pensioners** receiving benefits from the Italian pension system was equal to **16,252,491** (- 133,878 vs. 2013; 0.82%), of whom **52.88%** are **women** receiving about 70% of survivors' pensions (amounting to 60% or less than the direct pension (*see table 8.1*))

Table 8.1: Number of pensioners and rough retirement rate by gender on December 31 2013 and 2014

Gender	N. of pensioners		Rough retirement rate	
	2013	2014	2013	2014
Men	7,725,296	7,661,093	26.19%	25.98%
Women	8,668,073	8,598,398	27.70%	27.47%
Total	16,393,369	16,259,491	26.96%	26.75%

Source: Central Registry of Pensioners

Pension benefits: In 2014, **23,198,474** were paid (of which **18,089,748** provided by the **IVS system**), plus **4,322,667 welfare benefits** (of which 3,233,228 disability pensions, 856,882 social pensions and allowances and 232,557 direct and indirect veterans' pensions) and **786,059 indemnity**

benefits mainly from INAIL. The data presented in the Report (*tables B26a* and *13.2*) is different from the Istat/Registry data (*table 8.2*) due to different calculation methods. In this Report, the total number of benefits "outstanding on December 31 2014" is actually lower by 24,858 for IVS pensions (18,064,890), by 347,426 for disability benefits and by 11,058 for social pensions and allowances.

The following tables show in detail the number of pensions (*Table 8.2*) and the number of pensioners (*Table 8.3*) by the amount of benefits, by the annual total cost of this amount and by their average amount. The number of *pensioners* receiving benefits exceeding a gross amount equal to 3,000 € per month (a gross amount of 39,000 € per year and a net amount of about 1,800 € per month) is equal to 770,000, that is 4.7%. The number of benefits calculated on the basis of the income of executives, officials and managers (a gross amount of about 100,000 € per year, and a net amount of 51,000 per year) is less than 335,000, which does not reflect Italy's wealth and standard of living because of very high tax evasion (see Chapter 12). Another interesting finding is the over 8 million pensions one time above the minimum (500.88 €), with a number of pensioners equal to about 2.2 million; the same is true for the amount up to 1,001.86 euros; in total, the number of benefits below 1,000 € is equal to almost 16 million but the number of pensioners is equal to slightly more than 7 million, most of these with welfare pensions or with supplementary benefits who paid very few or no contributions (and taxes) throughout their working lives.

Table 8.2: Pension benefits and their total and average annual amount by type of pension in 2013-2014

Tipologia di pensione	2013						2014					
	Numero	%	Importo complessivo		Importo medio		Numero	%	Importo complessivo		Importo medio	
			Milioni di euro	%	Euro	N.I.			Milioni di euro	%	Euro	N.I.
Ivs	18.230.958	78,19	246.626	90,42	13.528	55,91	18.089.748	77,98	250.505	90,41	13.848	56,13
Vecchiaia	11.953.399	51,27	190.405	69,81	15.929	65,83	11.894.355	51,27	193.866	69,97	16.299	66,06
Invalidità	1.464.434	6,28	15.754	5,78	10.758	44,46	1.389.526	5,99	15.399	5,56	11.082	44,92
Superstiti	4.813.125	20,64	40.467	14,84	8.408	34,75	4.805.867	20,72	41.240	14,88	8.581	34,78
Indennitarie	805.788	3,46	4.532	1,66	5.624	23,24	786.059	3,39	4.495	1,62	5.719	23,18
Assistenziali	4.279.258	18,35	21.589	7,92	5.045	20,85	4.322.667	18,63	22.067	7,96	5.105	20,69
Invalidità civile	3.200.010	13,72	15.710	5,76	4.909	20,29	3.233.228	13,94	15.965	5,76	4.938	20,01
Pensioni sociali	838.233	3,60	4.489	1,65	5.356	22,13	856.882	3,69	4.657	1,68	5.435	22,03
Guerra	241.015	1,03	1.390	0,51	5.769	23,84	232.557	1,00	1.444	0,52	6.209	25,17
Totale	23.316.004	100,00	272.747	100,00	24.197	100,00	23.198.474	100,00	277.067	100,00	24.671	100,00

L'anno 2013 si discosta da quello già pubblicato perché è stato revisionato a seguito di affinamento della metodologia che ha permesso implementazioni e integrazioni di archivi
Fonte: Casellario centrale dei pensionati

Type of pension Number Average total amount Average amount millions of euros disability survivors indemnity welfare benefits civilian
disability social pensions veterans' total Ivs old age

The 2013 data is different from figures already published since it was revised following the fine-tuning of the methodology used to implement and supplement the archives.

Information and the average pension:

Since there is often a public debate on the amount of pension benefits, it is important to provide accurate information on the basis of the following observations: **a)** from the technical point of view, it is wrong to state that half of the pensions is lower than 500 euros per month and it is a great argument to promote tax dodging and evasion: why should young people pay contributions to INPS for over 35 years if the amount of benefits is so low? Actually it is not correct to talk about benefits but about pensioners, that is about people who receive benefits; in this case, the number of pensioners receiving 500 euros per month is slightly above 2.2 million out of 16.3 million retirees; **b)** the *average pension*, often used for comparative analyses, can be easily obtained from tables 8.2 and 8.3 which show that there may be two different amounts: **1)** the amount calculated on the basis of the total number of benefits (23,316,004) that is equal to **11,695 euros** per year (12 months because the 13th month is added to this amount); **2)** the per capita amount calculated on the basis of the number of beneficiaries (16,259,491) that is **16,638 €** per year (over 1000 € per month) for 12 months, as specified above. Of course the latter figure is more accurate even if Istat and the media use the former approach and divide the amount of pensions (272,697 million euros) by the number of benefits and not by the number of pensioners.

Number of pensions per pensioner:

The number of pensions/number of pensioners ratio shows that on average, each Italian *pensioner* receives **1.434 pensions**, **66,7%** receive **1 pension**, **25,4%** **2 pensions**, **6.6%** **3 pensions** and **1.3%** **4 or more**. Most of these additional pensions are veterans' pensions (87.5%), "indemnity" pensions (74.2%), civilian disability pensions such as carers' allowances and other benefits (77.9%) and survivors' pensions (67.5%); only 32.4 of old age pensioners receive more than 1 or more pensions.

As to the **average pension**, it is important to clarify that (as indicated in **tables 8.2** and **13.2**) the State pays about **8 million welfare benefits** (disability, carers', social and veterans') or in the form of **supplementary benefits to the minimum pension** or "**social supplementary benefits**"; for most of these benefits, no contributions have been paid (or only low contributions for a few years) and no taxes (65 years without paying anything). Therefore, in calculating the average pension, it would be wise to remove these benefits because they are financed through taxes (even if low) and are paid by the young generations who are not entitled to receive them.

Tavola 2 - Numero di pensioni e importo complessivo lordo annuo per classi di importo mensile⁽¹⁾ - Anno 2014				
Classi di importo mensile (escluso il rateo della tredicesima)		Numero di pensioni	Importo complessivo lordo annuo	Importo medio lordo annuo
Fino a 1 volta il minimo	Fino a 500,88	8.100.226	32.136.520.058	3.967
Da 1 a 2 volte il minimo	Da 500,88 a 1001,76	7.700.029	66.905.437.008	8.689
Da 2 a 3 volte il minimo	Da 1001,77 a 1502,64	3.165.006	50.867.876.753	16.072
Da 3 a 4 volte il minimo	Da 1502,65 a 2003,52	2.122.725	46.860.737.259	22.076
Da 4 a 5 volte il minimo	Da 2003,53 a 2504,40	1.081.469	31.237.892.141	28.885
Da 5 a 6 volte il minimo	Da 2504,41 a 3005,28	447.162	15.804.299.360	35.344
Da 6 a 7 volte il minimo	Da 3005,29 a 3506,16	203.148	8.508.281.115	41.882
Da 7 a 8 volte il minimo	Da 3506,17 a 4007,04	111.608	5.416.934.913	48.535
Da 8 a 9 volte il minimo	Da 4007,05 a 4507,92	69.627	3.842.496.604	55.187
Da 9 a 10 volte il minimo	Da 4507,93 a 5008,80	53.340	3.291.767.359	61.713
Da 10 a 11 volte il minimo	Da 5008,81 a 5509,68	43.289	2.954.909.916	68.260
Da 11 a 12 volte il minimo	Da 5509,69 a 6010,56	32.677	2.438.565.292	74.626
Da 12 a 13 volte il minimo	Da 6010,57 a 6511,44	20.143	1.635.976.588	81.218
Da 13 a 14 volte il minimo	Da 6511,45 a 7012,32	15.017	1.315.156.931	87.578
Da 14 a 15 volte il minimo	Da 7012,33 a 7513,20	10.400	981.447.879	94.370
Da 15 a 16 volte il minimo	Da 7513,21 a 8014,08	6.183	622.496.000	100.679
Da 16 a 17 volte il minimo	Da 8014,09 a 8514,96	3.867	414.382.866	107.159
Da 17 a 18 volte il minimo	Da 8514,97 a 9015,84	2.542	289.219.348	113.776
Da 18 a 19 volte il minimo	Da 9015,85 a 9516,72	1.809	217.753.101	120.372
Da 19 a 20 volte il minimo	Da 9516,73 a 10017,60	1.392	176.627.733	126.888
Da 20 a 21 volte il minimo	Da 10017,61 a 10518,48	1.081	144.130.813	133.331
Da 21 a 22 volte il minimo	Da 10518,49 a 11019,36	905	126.633.775	139.927
Da 22 a 23 volte il minimo	Da 11019,37 a 11520,24	842	123.368.024	146.518
Da 23 a 24 volte il minimo	Da 11520,25 a 12021,12	754	115.291.833	152.907
Da 24 a 25 volte il minimo	Da 12021,13 a 12522,00	693	110.775.663	159.849
Da 25 a 26 volte il minimo	Da 12522,01 a 13022,88	589	97.629.891	165.755
Da 26 a 27 volte il minimo	Da 13022,89 a 13523,76	402	69.368.979	172.560
Da 27 a 28 volte il minimo	Da 13523,77 a 14024,64	292	52.175.147	178.682
Da 28 a 29 volte il minimo	Da 14024,65 a 14525,52	144	26.736.871	185.673
Da 29 a 30 volte il minimo	Da 14525,53 a 15026,40	146	28.093.478	192.421
Da 30 a 31 volte il minimo	Da 15026,41 a 15527,28	141	28.023.755	198.750
Da 31 a 32 volte il minimo	Da 15527,29 a 16028,16	119	24.375.204	204.834
Da 32 a 33 volte il minimo	Da 16028,17 a 16529,04	92	19.486.347	211.808
Da 33 a 34 volte il minimo	Da 16529,05 a 17029,92	69	15.032.894	217.868
Da 34 a 35 volte il minimo	Da 17029,93 a 17530,80	39	8.751.407	224.395
Da 35 a 36 volte il minimo	Da 17530,81 a 18031,68	52	12.022.506	231.202
Da 36 a 37 volte il minimo	Da 18031,69 a 18532,56	36	8.574.318	238.176
Da 37 a 38 volte il minimo	Da 18532,57 a 19033,44	35	8.556.376	244.468
Da 38 a 39 volte il minimo	Da 19033,45 a 19534,32	38	9.506.796	250.179
Da 39 a 40 volte il minimo	Da 19534,33 a 20035,20	26	6.682.116	257.004
Da 40 a 41 volte il minimo	Da 20035,21 a 20536,08	22	5.802.036	263.729
Da 41 a 42 volte il minimo	Da 20536,09 a 21036,96	18	4.860.689	270.038
Da 42 a 43 volte il minimo	Da 21036,97 a 21537,84	24	6.631.770	276.324
Da 43 a 44 volte il minimo	Da 21537,85 a 22038,72	12	3.393.397	282.783
Da 44 a 45 volte il minimo	Da 22038,73 a 22539,60	18	5.233.048	290.725
Da 45 a 46 volte il minimo	Da 22539,61 a 23040,48	11	3.241.417	294.674
Da 46 a 47 volte il minimo	Da 23040,49 a 23541,36	19	5.769.390	303.652
Da 47 a 48 volte il minimo	Da 23541,37 a 24042,24	8	2.471.595	308.949
Da 48 a 49 volte il minimo	Da 24042,25 a 24543,12	11	3.474.314	315.847
Da 49 a 50 volte il minimo	Da 24543,13 a 25044,00	12	3.871.948	322.662
Oltre 50 volte il minimo	Oltre 25044,00	165	68.040.668	412.368
Totale		23.198.474	277.066.784.687	11.943

(1) Le fasce di reddito pensionistico sono determinate in base all'importo del trattamento minimo 2014 pari a 500,88 euro mensili
Fonte: Casellario centrale dei pensionati

Table n. 2 Number of pensions and their annual gross amount by average amount per month (1)

Monthly amount (except for the installment for the 13th month year-end bonus) number of pensions annual total gross amount average gross amount

(1) The pension income levels are determined on the basis of the amount of the minimum pension in 2014, equal to 500.88

Tavola 3 - Numero di pensionati e importo complessivo lordo annuo del reddito pensionistico per classi di reddito mensile⁽¹⁾ - Anno 2014				
Classi di reddito pensionistico mensile (escluso il rateo della tredicesima)		Numero dei pensionati	Importo complessivo lordo annuo del reddito pensionistico	Importo medio lordo annuo del reddito pensionistico
Fino a 1 volta il minimo	Fino a 500,88	2.260.584	8.234.522.265	3.643
Da 1 a 2 volte il minimo	Da 500,88 a 1001,76	4.822.998	44.483.129.833	9.223
Da 2 a 3 volte il minimo	Da 1001,77 a 1502,64	3.733.514	60.204.222.340	16.125
Da 3 a 4 volte il minimo	Da 1502,65 a 2003,52	2.745.579	60.911.045.936	22.185
Da 4 a 5 volte il minimo	Da 2003,53 a 2504,40	1.325.242	38.292.127.543	28.894
Da 5 a 6 volte il minimo	Da 2504,41 a 3005,28	601.607	21.298.685.969	35.403
Da 6 a 7 volte il minimo	Da 3005,29 a 3506,16	286.266	11.993.797.141	41.897
Da 7 a 8 volte il minimo	Da 3506,17 a 4007,04	148.731	7.215.663.640	48.515
Da 8 a 9 volte il minimo	Da 4007,05 a 4507,92	89.371	4.929.513.673	55.158
Da 9 a 10 volte il minimo	Da 4507,93 a 5008,80	65.648	4.050.303.747	61.697
Da 10 a 11 volte il minimo	Da 5008,81 a 5509,68	51.511	3.515.438.409	68.246
Da 11 a 12 volte il minimo	Da 5509,69 a 6010,56	39.356	2.938.529.894	74.665
Da 12 a 13 volte il minimo	Da 6010,57 a 6511,44	25.208	2.047.034.759	81.206
Da 13 a 14 volte il minimo	Da 6511,45 a 7012,32	18.473	1.619.564.854	87.672
Da 14 a 15 volte il minimo	Da 7012,33 a 7513,20	12.887	1.215.443.555	94.315
Da 15 a 16 volte il minimo	Da 7513,21 a 8014,08	8.328	838.783.461	100.718
Da 16 a 17 volte il minimo	Da 8014,09 a 8514,96	5.674	608.284.723	107.206
Da 17 a 18 volte il minimo	Da 8514,97 a 9015,84	4.079	464.199.164	113.802
Da 18 a 19 volte il minimo	Da 9015,85 a 9516,72	2.953	355.303.018	120.319
Da 19 a 20 volte il minimo	Da 9516,73 a 10017,60	2.073	262.848.539	126.796
Da 20 a 21 volte il minimo	Da 10017,61 a 10518,48	1.641	218.902.035	133.396
Da 21 a 22 volte il minimo	Da 10518,49 a 11019,36	1.309	183.039.379	139.831
Da 22 a 23 volte il minimo	Da 11019,37 a 11520,24	1.107	162.056.421	146.392
Da 23 a 24 volte il minimo	Da 11520,25 a 12021,12	982	150.152.538	152.905
Da 24 a 25 volte il minimo	Da 12021,13 a 12522,00	764	121.928.976	159.593
Da 25 a 26 volte il minimo	Da 12522,01 a 13022,88	640	106.267.203	166.043
Da 26 a 27 volte il minimo	Da 13022,89 a 13523,76	542	93.465.321	172.445
Da 27 a 28 volte il minimo	Da 13523,77 a 14024,64	464	83.046.643	178.980
Da 28 a 29 volte il minimo	Da 14024,65 a 14525,52	312	57.868.904	185.477
Da 29 a 30 volte il minimo	Da 14525,53 a 15026,40	272	52.255.648	192.116
Da 30 a 31 volte il minimo	Da 15026,41 a 15527,28	225	44.718.364	198.748
Da 31 a 32 volte il minimo	Da 15527,29 a 16028,16	158	32.342.183	204.697
Da 32 a 33 volte il minimo	Da 16028,17 a 16529,04	119	25.168.450	211.500
Da 33 a 34 volte il minimo	Da 16529,05 a 17029,92	110	24.020.407	218.367
Da 34 a 35 volte il minimo	Da 17029,93 a 17530,80	72	16.140.820	224.178
Da 35 a 36 volte il minimo	Da 17530,81 a 18031,68	72	16.639.182	231.100
Da 36 a 37 volte il minimo	Da 18031,69 a 18532,56	56	13.324.337	237.935
Da 37 a 38 volte il minimo	Da 18532,57 a 19033,44	52	12.680.800	243.862
Da 38 a 39 volte il minimo	Da 19033,45 a 19534,32	49	12.276.608	250.543
Da 39 a 40 volte il minimo	Da 19534,33 a 20035,20	38	9.785.274	257.507
Da 40 a 41 volte il minimo	Da 20035,21 a 20536,08	31	8.193.489	264.306
Da 41 a 42 volte il minimo	Da 20536,09 a 21036,96	33	8.912.646	270.080
Da 42 a 43 volte il minimo	Da 21036,97 a 21537,84	28	7.743.719	276.561
Da 43 a 44 volte il minimo	Da 21537,85 a 22038,72	18	5.103.334	283.519
Da 44 a 45 volte il minimo	Da 22038,73 a 22539,60	20	5.804.567	290.228
Da 45 a 46 volte il minimo	Da 22539,61 a 23040,48	17	5.019.664	295.274
Da 46 a 47 volte il minimo	Da 23040,49 a 23541,36	14	4.249.793	303.557
Da 47 a 48 volte il minimo	Da 23541,37 a 24042,24	10	3.096.671	309.667
Da 48 a 49 volte il minimo	Da 24042,25 a 24543,12	17	5.371.196	315.953
Da 49 a 50 volte il minimo	Da 24543,13 a 25044,00	16	5.154.284	322.143
Oltre 50 volte il minimo	Oltre 25044,00	221	93.613.366	423.590
Totale		16.259.491	277.066.784.685	17.040

(1) Le fasce di reddito pensionistico sono determinate in base all'importo del trattamento minimo 2014 pari a 500,88 euro mensili
Fonte: Casellario Centrale dei Pensionati

Table n. 3 Number of pensioners and the pension income total gross amount by monthly income levels (2) - 2104

Monthly amount (except for the installment for the 13th month year-end bonus), Number of pensioners, Total gross annual amount, gross average annual amount

Up to 1 time the minimum up to

From 1 to 2 times the minimum from... to

(1) The pension income levels are determined on the basis of the amount of the minimum pension in 2014, equal to 500.88

It is crucial to have a meaningful and equitable calculation of the "average pension" (thus avoiding unjustified outrage); to this end, it is important not to mix together very different kinds of benefits; it is useless to calculate the mean between the direct pensions and survivors' pensions (which are 60% or less than direct pensions and sometimes are subdivided among dependent or disabled children). Or to include social pensions or allowances that, by law, amount to 368.88 and 447.61 euros per month respectively, or minimum benefits (500.88 euros) or the former 1 million per month (about 605 euros) or disability benefits (296.25 euros) or carers' allowances (483.00 euros) or the indemnities mainly paid by Inail for work-related accidents (476.5 euros per month). Instead, the correct approach is to provide the average amount of old-age and seniority pension benefits, of survivors' pensions and of welfare benefits. What would be the result? By excluding the first two pension income classes, mainly welfare benefits and often additional benefits per pensioner (for example disability and carers' allowances, other supplementary benefits or, in some cases, survivors' benefits), for a total number of pensioners equal to **7,083,582**, that is lower than the number of those who are supported (8,431,449), the average pension (financed by contributions) would be equal to **24,450 euros per year** for each pensioner with respect to the official figure of 17,040 €. It is true that 40% of benefits are lower than 1000 euros per month **but they are not retirement benefits, they are welfare benefits**, that have nothing to do with pensions. Moreover, the revised calculation of the average pension should include the beneficiary's age; in this case, about 740,000 benefits should be removed since their beneficiaries are below **39 years of age** (minors, disabled subjects or with multiple survivors' benefits).

The average pension for women and men:

according to the latest data, statistically women account for **52.9% of all pensioners** and receive average annual benefits equal **14,283 euros** vs. **20,135 euros** of men; less than half of them (49.2%) receives less than 1,000 euros per month as against one-third (30.3%) of men. Survivors' pensioners amount to 4.5 million, of whom 67.5% also receive other retirement benefits; women account for a large number of these subjects and their number is growing with the increase in the number of per capita benefits: **retired women** account for 59.0% of the subjects receiving two pensions, for 70.2% of those who receive three and for 73.6% of those who receive four or more benefits. So stating in a non-analytical way (but with a simple division) that women receive significantly lower benefits with respect to men is correct from the formal point of view but not from a substantial and educational perspective. In fact, as already said, about 70% of survivors' pensions are paid to women. And, in the best scenario, survivors' pensions are equal to 60% of direct pensions under the law. So, it would be better to compare benefits of the same type. Nonetheless, it is also well known that, for various reasons, in Italy both employment rates (especially in the South) and career levels underperform for women, but it would be helpful to provide correct information to improve the situation.

Geographical distribution of different types of pensions: the following tables (**Tables 8.3 and 8.4**) illustrate the distribution of the different types of pensions (seniority, old-age, disability and survivors) as percentage of the resident population by region; it is a first phase of the regionalization of social security that is very important because the system is not in equilibrium mainly due to regional imbalances between contributions and benefits and between contribution-based and welfare pensions. Each type of benefit is calculated as a percentage of the total for each region and for each province on December 31 2014.

Table 8.3: Number of Inps pensions by category and by region - December 31 2014

Province	Anzianità	in % sul totale	Vecchiaia	in % sul totale	Invalità	in % sul totale	Superstiti	in % sul totale	Totale
Lombardia	1.144.246	20,37%	997.811	17,35%	116.263	8,49%	702.459	15,78%	2.960.779
Emilia Romagna	558.055	9,93%	482.820	8,40%	95.742	6,99%	349.759	7,85%	1.486.376
Piemonte	572.192	10,18%	479.589	8,34%	71.919	5,25%	358.995	8,06%	1.482.695
Veneto	547.842	9,75%	446.171	7,76%	62.907	4,59%	346.304	7,78%	1.403.224
Lazio	401.519	7,15%	473.839	8,24%	130.833	9,55%	371.835	8,35%	1.378.026
Toscana	404.205	7,19%	411.953	7,16%	77.511	5,66%	297.824	6,69%	1.191.493
Campania	265.634	4,73%	396.427	6,89%	147.752	10,79%	341.386	7,67%	1.151.199
Sicilia	265.620	4,73%	341.264	5,94%	130.723	9,54%	324.926	7,30%	1.062.533
Puglia	267.771	4,77%	330.520	5,75%	124.161	9,06%	257.570	5,78%	980.022
Liguria	172.307	3,07%	195.161	3,39%	38.646	2,82%	147.478	3,31%	553.592
Marche	169.492	3,02%	158.660	2,76%	54.668	3,99%	124.798	2,80%	507.618
Calabria	102.924	1,83%	177.158	3,08%	77.364	5,65%	137.704	3,09%	495.150
Esterio	67.175	1,20%	200.346	3,48%	16.722	1,22%	149.045	3,35%	433.288
Sardegna	127.104	2,26%	118.513	2,06%	64.955	4,74%	113.363	2,55%	423.935
Friuli V.Giulia	153.520	2,73%	130.028	2,26%	24.310	1,77%	105.055	2,36%	412.913
Abruzzo	114.668	2,04%	119.475	2,08%	44.327	3,24%	102.037	2,29%	380.507
Trentino Alto	115.961	2,06%	95.709	1,66%	17.022	1,24%	67.576	1,52%	296.268
Umbria	91.801	1,63%	94.279	1,64%	32.416	2,37%	74.141	1,67%	292.637
Basilicata	36.250	0,65%	56.048	0,97%	25.222	1,84%	44.705	1,00%	162.225
Molise	26.461	0,47%	31.449	0,55%	12.504	0,91%	26.119	0,59%	96.533
Valle D'Aosta	13.904	0,25%	12.455	0,22%	3.946	0,29%	9.820	0,22%	40.125
Totale	5.618.651	100%	5.749.675	100%	1.369.913	100%	4.452.899	100%	17.191.141

Fonte: Archivio delle pensioni INPS

Provinces seniority % of the total old-age disability survivors

Total Source: INPS pension archive

The north regions such as Lombardy, Piedmont, Emilia Romagna and Veneto provide the highest number of *seniority pensions* as % of the resident population. The last regions in the ranking are in the south and especially the ones with a special statute, except for Sicily that is ranking low but not in the last position.

The situation is mostly the same for *old-age pensions* with the center-north regions such as Lombardy, Emilia Romagna, Piedmont, Lazio, Veneto and Tuscany which provide the highest number of old-age pensions with respect to the total number of pensions paid in Italy (between 17.4% and 7%).

Instead, the south regions provide the highest number of *disability pensions* as % of the number of inhabitants. Campania, Lazio, Sicily and Apulia occupy the first places in the ranking, with a ratio between 9% and 10%.

The highest *pensions/survivors' ratios* can be found in the center and north of Italy. Lombardy and Lazio have the highest ratio equal to 15.8% and to 8.4% respectively.

Table 8.4 shows the first 10 and the last 10 provinces classified according to the distribution of the four categories of pensions as a percentage of the resident population.

Table 8.4: % distribution of seniority, old-age, disability and survivors' pensions by province

Province	Seniority	Province	Old-age	Province	Disability	Province	Survivors
Biella	17.1%	Trieste	12.7%	Lecce	6.3%	Biella	9.3%
Ferrara	15.4%	Savona	12.6%	Ogliastra	6.2%	Vercelli	9.0%
Vercelli	14.8%	Imperia	12.6%	Potenza	5.9%	Alessandria	9.0%
Cuneo	13.5%	Genova	12.4%	Benevento	5.4%	Ferrara	8.9%
Gorizia	13.2%	Alessandria	12.3%	Oristano	5.3%	Savona	8.5%
Rovigo	13.1%	Firenze	11.6%	L'Aquila	5.0%	Genova	8.4%
Ravenna	12.9%	Siena	11.6%	Medio Campidano	5.0%	Trieste	8.3%
Asti	12.9%	Isernia	11.6%	Sassari	5.0%	Rovigo	8.3%
Cremona	12.8%	Asti	11.6%	Nuoro	4.9%	Verbano Cusio Ossola	8.3%
Belluno	12.7%	Ferrara	11.5%	Catanzaro	4,9%	Pavia	8.3%
Salerno	5.5%	Agrigento	6.6%	Venezia	1.1%	Bolzano-Bozen	5.2%
Catania	5.4%	Olbia-Tempio	6.6%	Padova	1.1%	Cagliari	5.0%
Cosenza	5.1%	Palermo	6.5%	Brescia	1.1%	Palermo	5.0%
Palermo	4.8%	Cagliari	6.2%	Lecco	1.1%	Bari	4.9%
Agrigento	4.7%	Carbonia-Iglesias	6.2%	Treviso	1.1%	Roma	4.9%
Reggio Calabria	4.6%	Siracusa	5.9%	Monza e Brianza	1.1%	Catania	4.8%
Caserta	4.5%	Catania	5.8%	Lodi	1.0%	Caserta	4.7%
Crotone	4.3%	Caltanissetta	5.7%	Mantova	1.0%	Olbia-Tempio	4.7%
Napoli	4.0%	Napoli	5.6%	Bergamo	1.0%	Barletta-Andria-Trani	4.4%
Barletta-Andria-Trani	3.8%	Barletta-Andria-Trani	5.5%	Milano	0.9%	Napoli	4.3%

Source: INPS pension archive

8.1 Pension benefits and life annuities not included in the pension budget.

This paragraph finalizes the analysis of the Italian pension system including, for the first time, the benefits paid by regional authorities, by constitutional bodies and by other entities; it is difficult to find these data because these organizations do not communicate the data on these benefits, to the Central Pension Registry¹⁶ as envisaged under the law.

This Registry keeps the tax code numbers of the subjects who are registered with at least one of the compulsory pension schemes and who have a retirement account for any duration of time. These Schemes must communicate the following information on a monthly basis

- id of the accounts;
- registration and contribution periods, specifying the beginning and the end dates of all the periods covered by social security for each open account;
- data on all the members and on all the contributions paid, even the ones paid by third parties;

¹⁶ Act n. 243 of August 23 2004, set up the Central Registry for Active Pension Accounts (hereinafter Registry) to collect, store and manage the data and other information related to members of any compulsory pension scheme and gave it some special functions (art. 1, p. 26, 27 e 28). This Registry is kept by INPS and is monitored and supervised by the Ministry of Labour (up to 2012 it was coordinated and supervised by Nusvap); it is the general registry for all retirement accounts and is shared with public entities at all levels, with other compulsory pension funds and schemes; under art. 1, p. 25, of the above-mentioned law and of art. 1, p. 2, of MD 4.2.2005, entities and administrations are obliged to provide the Registry with the data on all the accounts in their archives.

- changes to members' data, to their contributions and income.

To date, the administrations/entities that do not communicate the data required are:

- **Sicily** (Fondo Pensioni Sicilia), which manages a substitutive pension fund for its employees;
- **Chamber of Deputies** for its employees and for the elected subjects who are entitled to life annuities for which contributions are paid (including the contributions paid by third parties);
- **Senate** for its employees and for the elected subjects who are entitled to life annuities for which contributions are paid (including those paid by third parties);
- **Constitutional Court** for judges and their employees;
- **Presidency of the Republic** for its employees;
- **Ordinary and Special Regions** (including Sicily) for the elected subjects who are entitled to life annuities for which contributions are paid (including those paid by third parties);
- **F.A.M.A. Air and Maritime Fund**, a scheme based in Genoa for maritime agents, which is rather obscure and operates as a marginal pension scheme within the system. F.A.M.A. is the compulsory scheme for maritime agents and looks after the interests of maritime or air companies where they are based. The compulsory nature of F.A.M.A. was established by Act n. 549 of December 1995, after the Dini reform in August 1995. So, due to the timing of these two laws, F.A.M.A. is not included in the entities with a legal status recognized by the Dini reform. INPS has repeatedly tried to integrate this category in the special fund for retailers to no avail; this issue was then settled in court with a negative decision. Then, INPS issued letter n. 83/1997 to exclude maritime agents from the separate scheme ex art. 26 of Act n. 335/1995, "in that these entrepreneurs already pay compulsory contributions. The truth is that this small scheme (an Italian anomaly) does not publish its data, it manages its members' accounts with an insurance policy and is not subjected to any particular control or supervision.

In sum, these entities and institutions do not communicate their data to the Registry, which, in turn, has a negative impact on the other important archive managed by INPS, called "Registry of Pensioners", the primary and reliable source of all information on the Italian pension system.

In this connection, a difficult analysis has been conducted on the accounts of the above-mentioned entities and institutions so as to provide an exhaustive overview of the system (see table 8.1.1).

To this end, 29,725 pension benefits with a total cost exceeding 1.55 billion euros must be added to the figures of the compulsory pension system provided illustrated in the first part of this chapter.

Table 8.1.1: the other pension system

<i>Entity/constitutional body</i>	<i>number of pensioners</i>	<i>cost of pensions (millions of €)</i>	<i>average pension (in €)</i>
Sicily Region: employees	16,377	656.00	40,056
Chamber of Deputies: employees	4,672	257.00	55,000 *
Chamber of Deputies: annuities	1,543	139.00	90,084
Senate: employees	2,487	136.80	55,000 *
Senate: life annuities	907	82.80	91,290
Regions: life annuities	1,868	170.00	91,000 *
Presidency of the Republic: employees	1,644	90.42	55,000 *
Constitutional Court: judges	29	5.80	200,000
Constitutional Court: employees	198	13.50	68,200
TOTAL	29,725	1,551.32	
Source: accounts and estimates (*).			

9. The complementary system in Italy: pensions, welfare and health care. Intermediated and out-of-pocket expenditure

In 2014, private expenditure on complementary welfare benefits amounted to 57.147 billion euros, with a slight upward trend (+3.4 billion, equal to 0.5% of GDP) with respect to 2013 and 2012.

Table 9.1: private expenditure on complementary welfare benefits in 2012, 2013 and 2014

Tipologia	2012			2013			2014		
	in mln di €	in % del Pil	spesa pubblica	in mln di €	in % del Pil	spesa pubblica	in mln di €	in % del Pil	spesa pubblica
Previdenza complementare	12.052	0,77%	1,50%	12.414	0,79%	1,55%	13.000	0,81%	1,57%
Spesa per sanità OOP	27.234	1,74%	3,40%	26.240	1,68%	3,28%	30.000	1,86%	3,63%
Spesa per assistenza LTC	10.000	0,64%	1,20%	11.000	0,70%	1,37%	9.280	0,58%	1,12%
Spesa per sanità intermediata	3.366	0,22%	0,42%	4.060	0,26%	0,50%	4.300	0,27%	0,52%
Spesa welfare individuale	1.000	-	-	1.000	0,06%	0,12%	2.567	0,16%	0,31%
Spesa totale	53.652	3,37%	6,52%	54.714	3,49%	6,82%	59.147	3,66%	6,92%

Fonte : Elaborazione Itinerari Previdenziali su dati COVIP, OCSE, CREA Sanità, ISTAT, RGS, Ministero della Salute, ANIA

Type in millions of euros as % of GDP public expenditure

Complementary benefits health expenditure ltc expenditure intermediated health expenditure individual welfare expenditure total expenditure

Source: data from COVIP, OECD, CREA sanità, RGS, Ministry of Health, ANIA, processed by Itinerari Previdenziali

The most significant item is *out of pocket health expenditure* (directly paid by citizens without insurance policies, health funds or schemes). According to the Istat preliminary data published by CREA Sanità in the XI Health Report, the total out of pocket health expenditure increased by over 14.5% vs. 2013 to reach about **30 billion euros**. This is in line with the data of the Budget and Social Affairs Commissions of the Chamber of Deputies. Actually these figures should be reduced because health expenses above 129.11 euros can be deducted from taxes (-19%) of under Art. 15 of the Framework law on Income Taxes. Assuming that all OOPs borne by private individuals are deducted from taxes (without the exemption of 129.11 euros and that all these expenses fall within the scope of Art. 15 of the above-mentioned law), the amount of private expenditure would drop to 22.7 billion euros, still very high.

Intermediated health expenditure amounts to about **4.3 billion euros**. This finding is obtained by applying the OECD parameter, according to which, private intermediated health expenditure in Italy is equal to 13% of total private health expenditure. Certainly tax deductions play a significant role not so much at the level of expenditure but of supplementary health schemes (collective schemes envisage up to 3,615.20 euros and 19% deduction of the 1,291 euros for individual memberships in mutual schemes). An intermediated expenditure equal to 4.3 billion euros does not necessarily matches the cost for households. In fact, in collective schemes, employers pay part or the total expenses on behalf of their employees, so, there are clear advantages for individuals to join a complementary health scheme.

Even tough collective complementary health schemes are morecost effective, as shown by the Ministry of Health (*table 9.2*), the number of health funds in the Registry is 290 for a total number of members of 5.3 million and of 6.9 million recipients of health care services.

The data presented here is still incomplete in that these funds are not obliged to communicate their operational data to the Ministry. So, this sector has not yet tapped its full potential. Organized health expenditure schemes are very few in Italy, which results in higher costs for individuals and households, in a more limited control of performance and in expanding an "unregistered" market. This would not exist if a health fund or an insurance company refunds (directly or indirectly) these expenses if they are documented for tax deduction purposes.

Table 9.2: Registry data for 2011, 2012 and 2013: our projections for 2014

	2011	2012	2013	2014
N° Funds	255	265	276	290
N° of members	3.67 mln	4.23 mln	5.27 mln	> 6 mln**
<i>employed</i>	<i>3.21 mln</i>	<i>.,72 mln</i>	<i>4.73 mln</i>	
<i>self employed</i>	<i>0.46 mln</i>	<i>0.51 mln</i>	<i>0.54 mln</i>	
household dependents	1.48 mln	1.60 mln	1.64 mln	
Total n. of members	5.15 mln	5.83 mln	6.91 mln	> 7 mln**
Resources committed	1.74 bl	1.91 bl	2.11 bl	> 2.5 bl**
<i>of which 20%*</i>	0.56 bl	0.60 bl	0.69 bl	> 7.5 bl**

* Resources for dental care, social and health care and rehabilitation benefits

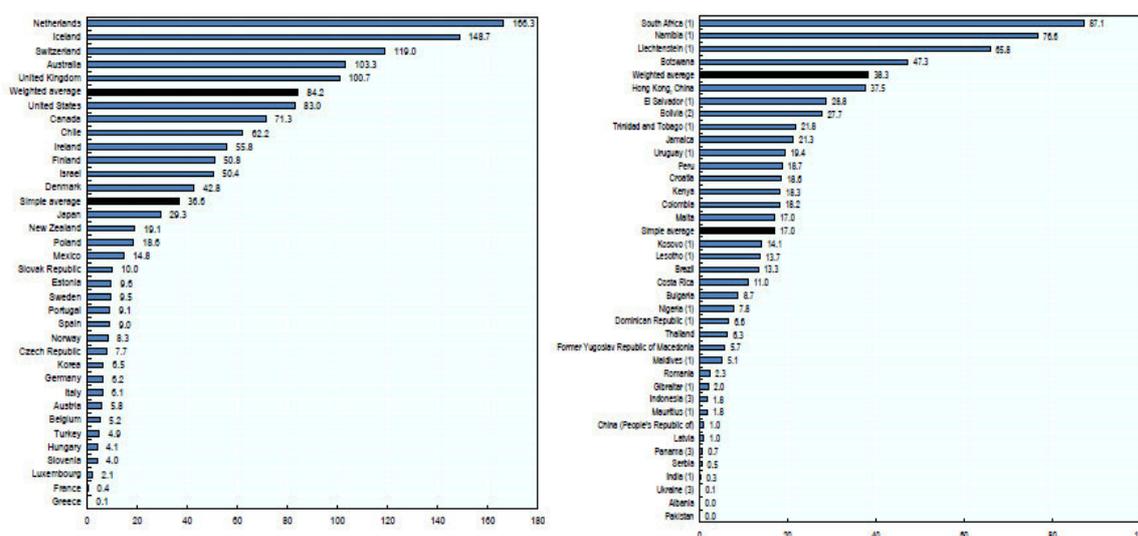
** Estimated figures. Note: actually over 360 funds have sent the documents over time.

The reduction in *LTC expenditure* (equal to **9.28 billion euros**) is due to a change to the estimate criteria. In fact, this Report refers to the expenses for not self sufficient individuals which have been estimated by multiplying the number of house helps counted by INPS (898,429 in 2014) by an income of 1,000 euros per month (13 months). This figure should not include those who actually do house or cleaning work but not care work, but should consider the number of irregular or unregistered carers. The result of this algebraic sum is likely to increase costs. Therefore, total expenditure has been reduced by about 20% to include the amount of the carers' allowances paid by compulsory welfare and pension schemes to eligible individuals.

Individual welfare expenditure too is growing; of the 5 billion euros' worth of accident and sickness insurance premiums, about 50% may refer to individual or collective insurance policies (and not "reassurances" of pension funds). Hence, the estimated amount is **2.5 billion euros** that is referred to the cost to buy an insurance and not to benefits (indemnities, rents and capitals) provided by companies.

Complementary pension contributions are equal to **13 billion euros**. In 2014, the resources accumulated in the different forms of complementary pension schemes were equal to 126.3 billion euros (+8.1 billions vs. December 2013). A significant amount but still moderate with respect to OECD and non-OECD realities. (graph 9.3)

Figure 9.3: Pension funds' assets as % of GDP in OECD countries and in non-OECD countries in 2013



Source: OECD, Pension Market in Focus 2014

In any case, the OECD data compare very different realities, where the complementary pension system may be compulsory for all workers (UK) or semi-compulsory due to the bargaining practices for new work relationships.

Complementary pension membership is growing too, + 5.4% in December 2014 vs. the same month of the previous year, 2013 (6.5 million members in negotiated, pre-existing, open and PIP funds). The first data of 2015 shows a considerable increase in the number of members joining negotiated funds, given the expected automatic registration of construction workers to the PREVEDI fund. In the first quarter of 2015, negotiated funds went up by + 7,3% vs. 2014, with an increase by 141,547 members. In July 2015, the PREVEDI fund communicated that the increase in the number of new members in the fund had already grown by + 410,000 people.

**Table 9.4: The complementary pension system in 2012, 2013 and 2014:
number of members and resources to pay benefits**

	Adesioni			Risorse (in mln di €)		
	2013	2014	var.%	2013	2014	var.%
Fondi pensione negoziali	1.950.552	1.944.276	-0,3%	34.504	39.644	14,9%
Fondi pensione aperti	984.584	1.055.716	7,2%	11.990	13.980	16,6%
Fondi pensione preesistenti	654.537	650.133	-0,7%	50.398	54.033	7,2%
PIP nuovi	2.134.038	2.445.984	14,6%	13.014	16.369	25,8%
PIP vecchi	505.110	467.255	-7,5%	6.499	6.850	5,4%
Totale*	6.203.673	6.539.936	5,4%	116.465	130.941	12,4%

*Nel totale si include FONDINPS. Sono inoltre escluse dal totale aderenti le duplicazioni dovute agli iscritti che aderiscono contemporaneamente a PIP vecchi e nuovi.

Members, Resources (millions of euros)

Negotiated pension funds, Open pension funds, Pre-existing pension funds, New PIPs, Old PIPs, Total

* The total includes FONDINPS. It excludes from the total number of members duplications due to members who join at the same time old and new PIPs

Source: COVIP.

10. Trends in expected pension expenditure and projections in the medium and long term

Pension expenditure/GDP ratio in the medium term:

On the basis of the latest projections, this ratio is expected to decrease in the next five years mainly due to the improvement in the economic situation as indicated in the 2015 DEF (April 2015) and in its updated Note (September 2015). This trend is also influenced by a reduction by 15 billion in the savings envisaged by the Monti-Fornero Law; in fact, almost 200,000 “esodati” have already been “safeguarded”, who may be followed by another 15,000/20,000 in case of an eighth safeguard measure. In any case, unless there is a major slump in the economy and an increase in unemployment, the two established “*automatic stabilizers of pension expenditure*” (age at retirement correlated to life expectancy for both genders and a three-year and then a two-year adjustment of “*transformation coefficients*”) can better balance the accounts and the long-term sustainability of the system. The available budget data and the latest projections allow for formulating some hypotheses on pension trends in 2015-2016¹⁷.

Pension benefit expenditure net of GIAS transfers (216.1 billion in 2014) is expected to grow only moderately in the following two years, reaching approximately 217 billion euros in 2015 and 218,5 billion euros in 2016. 216,1; this data confirms an upward trend of pension benefit expenditure in

¹⁷ The 2015 pension expenditure has been evaluated on the basis of the budget approved by the INPS board on February 3 2015 and of the updated data made available over time; for 2016 onwards, on the basis of the DEF and RGS projections. The data on privatized funds have been evaluated on the basis of economic and population indicators.

line with the latest analyses and with medium and long-term projections. There are different factors involved in this pattern. On the one hand, expenditure is pushed down by the low impact of equalization due to zero price increases and to a dwindling *number of pensions* paid¹⁸. On the other, expenditure is pushed up by the “substitution effect”, that is by the fact that every year the value of the average pension grows because the new pensions are richer than the ceased ones, and by the role played as of 2015 by the so-called “woman option”, an option women have to retire early by applying to their benefits the contribution-based system alone, which was extended to 2016 under the stability law. A further increase in pension expenditure for 2015 and 2016 is also caused by the fading effect of the partial halt to pensions under Act n. 97/2012 which introduced more stringent age requirements for early retirement, 42 years and 6 months for men and 41 years and 6 months for women. The first signs in 2015 show that the number of early retirement applications is 73,408, with an increase by 87% with respect to the 39,204 applications submitted in the same period in 2014. By the end of 2016, if this trend continues, the number is expected to reach 200,000 applications with respect to about 100,000 in a normal condition. In 2015-2016, expenditure for GIAS transfers are not supposed to significantly diverge from the 33.3 billion euros of 2014. Therefore, on the whole, pension expenditure gross of GIAS transfers is expected to arrive at 250.3 billion euros in 2015 and at a 252 billion euros in 2016¹⁹.

Contribution revenues, net of the additional State contribution to the fund for public employees (about 10.9 billion in 2015 and 11 billion in 2016, are expected to amount to 191.6 billion in 2015 and to 193.7 in 2016.

The total number of active workers paying contributions was 24,172,210 in 2014 (22,421,599 active workers according to Istat) and is expected to reach about 24,200,000 in 2015 and 24,300 in 2016. Without repeating what has been said in Chapter 4 on the discrepancy between the INPS and ISTAT data and after the significant drop in employment due to the economic crisis, it is important to stress that, as of 2014, there are some early signs of recovery combined with the effect of the *Jobs Act* and of contribution incentives²⁰ in 2015/2016

The **pension balance** (contribution revenues - pension benefits net of GIAS) is expected to be -25.4 billion in 2015 and -24.8 billion in 2016, while it was -26.5 billion in 2014. So, on the whole, the estimates for 2015/16 show an upward trend for revenues vs. expenditure, a slight improvement which confirms that these early signs of economic recovery are also being felt in the pension system accounts.

The medium and long terms pension expenditure/GDP ratio:

As already indicated in other parts of this Report, the prolonged phase of recession from 2008 to 2014 led to a progressive increase in the pension expenditure/GDP ratio. In fact, pension expenditure is characterized by structural inertia due to population trends and to a regulatory framework which is correct but does not produce an immediate impact or is not in line with the short time in which GDP slows down, even though the dramatic changes to the pension system rules since 2010 have resulted in a further decrease in pension expenditure. In the medium to long term, this has absorbed the prolonged impact of recession, thus eliminating completely the burgeoning "hump" in the time profile of the pension expenditure/GDP ratio; in fact, as of 2015, it seems to be decreasing and then becomes stable for over thirty years between 15 and 15.5%. Moreover, projections are also biased because the latest regulatory measures have led to a

¹⁸ At the end of 2014, the number of pensions paid was 18,064,890; this figure was about 18,000,000 at the end of 2015 and is expected to reach 17,950,000 at the end of 2016. The number of welfare benefits is expected to remain at the same level.

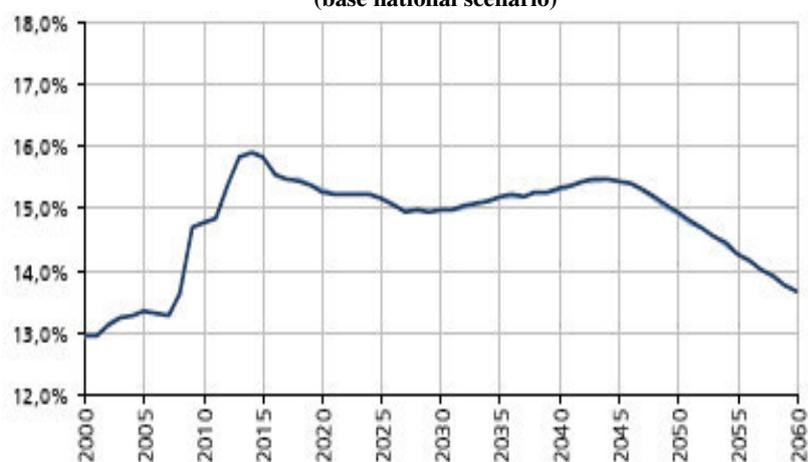
¹⁹ These figures are included in the historical series examined in 1989 by Nuvasp (Appendix 3); they can be added to the amount of welfare pensions, equal to about 22 billion in 2015 (including around 1 billion euros' worth of the “fourteen month year-end bonus” and of “additional benefits”) and to 22.2 in 2016. Considering these components, the aggregate of the gross pension expenditure is expected to reach 272.3 billion in 2015 and 274 billion in 2016

²⁰ See also Chapter 13.

considerable increase in the retirement age and so in the average pensions in the future. For this reason, after a period of thirty years in which expenditure was below the one coming from the projections on the basis of the current legislation, the percentage incidence of this indicator is on the rise again between 2040 and 2050. However, after this period, the public system will be operating under the rules of the contribution-based method and expenditure is expected to drop slightly below 14% of GDP. This percentage includes part of the welfare benefits integrated in the pension installments, without which, this ratio is expected to go down by about 2 %. The latest projections based on the RGS model²¹ clearly show the above-mentioned trends (*Figure 10.1*).

In this connection, the latest projection on pension expenditure of September 2015 takes into account the effect of all the provisions adopted to safeguard the so-called “esodati” and of the ones under LD 65/2015, transposed into Act n. 109/2015; Art. 1 of this law implements the principles of decision n. 70/2015 of the Supreme Court on the automatic adjustment of pensions.

Figure 10.1: Public pension expenditure as % of GDP
(base national scenario)



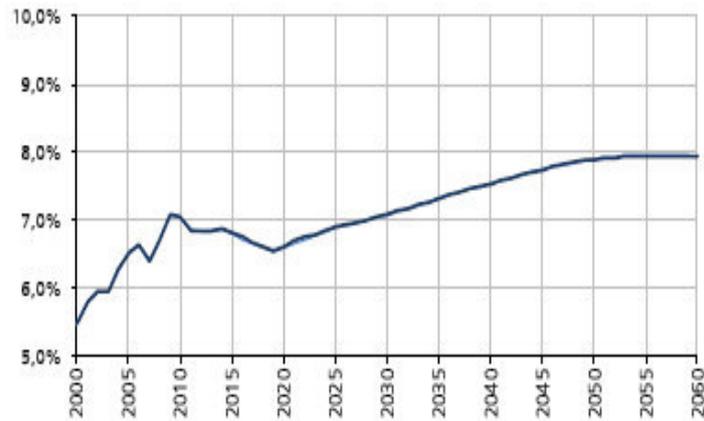
Source: Updated note of the Report n. 16 by RGS, September 2015.

Health and LTC expenditure:

The population trends illustrated in Chapter 2 are analysed with a medium and long perspective. To this end, it is useful to briefly show the medium and long term trends of health-care and non self-sufficiency expenditure, also obtained from the projections updated with the RGS model and published in September 2015.

²¹ In the RGS model to predict social expenditure, the definition of public pension expenditure includes the whole compulsory system, that is disability, old-age and seniority pensions, in addition to pension benefits and (after 1995) the social allowances paid by INPS, by INPDAP and by other pension schemes not managed by these two institutes. The medium and long-term models of pension and health expenditure are updated on a yearly basis and are also used, on the basis of scenarios defined according to homogeneous criteria for European Union countries, by the working group on aging within the Economic Policy Committee of ECOFIN (EPC-WGA).

Figure 10.2: Public health expenditure as % of GDP *
(base national scenario)



*the projections include the reference scenario hypotheses.

Source: Updated Note to Report n. 16 by RGS, September 2015.

According to the DEF data (updated to September 19 2015), in 2104 public health expenditure was equal to 111.03 billion euros; about 1 billion more than in 2013 and 600 million more with respect to 2012.

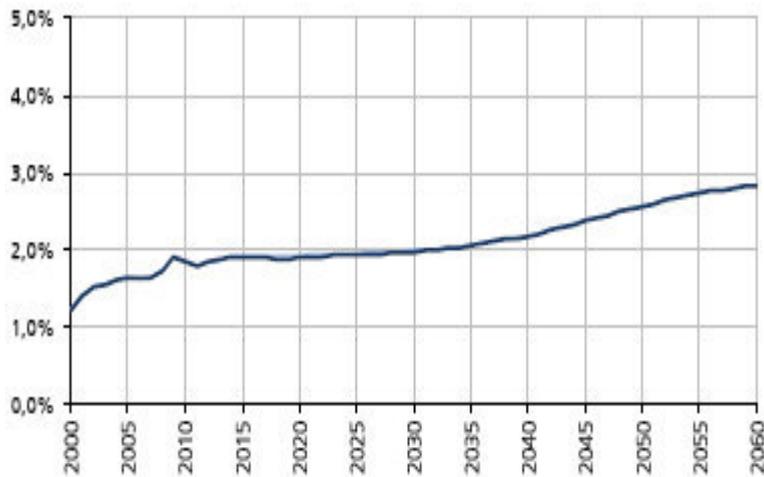
Even *out of pocket* (OOP) expenditure described in the previous chapter grew to reach about 30 billion euros, including the shared contributions which also increased up to 3 billion euros or so, with respect to 26.2 in 2013. So health expenditure, including OOP, is bound to grow over time.

As to non self-sufficiency welfare benefits, in 2014 the number of disabled civilians, of INPS disabled subjects and of Inail indemnity recipients was equal to 5,408,813 (5,236,274 in 2013) for an amount of resources equal to 35.859 billion euros (30.57 billion in 2013); this figure in 2003 amounted to 21.2 billion euros.

In addition to support measures financed by public expenditure, in Italy there are about 890,000 family helps and carers, 90% of whom are foreigners. Many of them do not have a regular work contract and nor retirement benefits, even though they play a fundamental and irreplaceable role in caring for the elderly and non self-sufficient people.

Elderly people above 65 in ad-hoc facilities amounted to 249,923 (Istat, 2010), those supported by integrated home care were over 532,000 in 2013 (about 0.9% of the population). According to RGS, the overall expenditure for the elderly who receive *long term care* services is now equal to 1.9% of GDP, considering all kinds of disabilities, except for Inail, plus part of health expenditure; but this figure is expected to rise to 3.2% by 2050.

Figure 10.3: Public LTC expenditure as % of GDP *
(base national scenario)



*the projections include the reference scenario hypotheses.

Source: Updated Note to Report n. 16 by RGS, September 2015.

11. Substitution rates for continuous and discontinuous careers in different economic scenarios

After the economic analysis of the **medium and long term financial sustainability of the pension system**, the Report investigates the **adequacy of benefits** and so their **social sustainability** by calculating the so-called “**substitution rates**”, that is the amount of benefits to be provided to workers on the basis of the amount of contributions paid. In order to understand the data related to substitution rates, it is important to emphasize that these rates are either gross or net; the **gross rates** are defined as the ratio of the annual amount of the first pension installment vs. the amount of the last wage (or income for the self-employed), gross of contribution and taxes; they represent the change in the gross income of workers in the transition from their active life to retirement; the **net substitution rates** are calculated by expressing both the pension and the remuneration net of contributions and taxes and they are therefore an indicator of adequacy of benefits, in that they measure to what extent the workers’ disposable income changes after retirement. The net substitution rates are significantly higher than the gross rates, when all the other conditions are equal, due to progressive personal income tax rates and to the calculation of contribution rates on the basis of the remuneration of active workers and not on the amount of benefits.

Table 11.1 shows the calculation of net and gross rates²² while the following graphs only show **net rates**, the most significant since they represent the amount that can be “spent” by each pensioner. The calculations refer to **employed** and **self-employed** workers who have two different substitution rates due to different contribution rates (33% for the former and 24% for the latter as of 2018); this has an impact on the gross and net pension amount.

These projections have been obtained by means of a proprietary computational program²³ which takes into account: **1)** pension reforms with higher retirement age and contribution seniority requirements [see Appendix I] ; as of **2019**, the old-age pension requirement is **67 years of age**, regardless of the type of calculation (mixed or contribution-based), of gender (men and women) and of the type of employment (employed, atypical, self-employed work); **2)** the adjustment of retirement age to longer life expectancy (according to an “automatic stabilizer”), including the adjustments of the previous period, which is expected to steadily grow by about **2 months every two**

²² The net substitution rates of self-employed workers are better than the ones for employed workers due to the higher contribution rate (24% vs. 9.93%) levied on the individual taxable retirement base.

²³ Calculation engine provided by Epheso I.A. Srl. www.epheso.it

years. The same indexation is used for contribution seniority requirements²⁴; **3)** the impact of the revision of the transformation coefficients provided for in Article. 1 par. 11. Act 335/95, as amended and supplemented by Art. 1, paragraphs 14 and 15 of Act 247/2007 as well as the effects of the measures contained in the reforms adopted in 2011, including those provided for in Decree 201/2011 as amended by Act 214/2011.

Table 11.1: Gross and net rates in the compulsory pension system

NET SUBSTITUTION RATES OF THE COMPULSORY PENSION SYSTEM - old-age pensions (<i>ENTRY AGE 24 , GROSS INCOME²⁵ 24,500 euros</i>)											
Year of birth	1960	1963	1966	1969	1972	1975	1978	1981	1984	1987	1990
Employed workers	70.3%	71.1%	71.6%	72.9%	74.5%	75.5%	77.8%	79.7%	80.9%	81.0%	81.6%
Sel-employed workers	63.9%	62.9%	62.5%	64.2%	66.3%	67.9%	70.4%	72.5%	73.8%	74.6%	75.4%
Age/years of contributions until retirement	68.1/ 37.1	68.6/ 37.6	68.7/ 37.7	69.1/ 38.1	69.4/ 38.4	69.5/ 38.5	69.9/ 38.9	70.2/ 39.2	70.4/ 39.4	70.6/ 39.6	70.8/ 39.8
GROSS SUBSTITUON RATES OF THE COMPULSORY PENSION SYSTEM - Old-age pension (<i>ENTRY AGE 24, INCOME equal to a gross amount of 24,500 euros</i>)											
Year of birth	1960	1963	1966	1969	1972	1975	1978	1981	1984	1987	1990
Employed workers	60.6%	61.5%	62.1%	63.5%	65.1%	66.2%	68.4%	70.2%	71.3%	71.8%	72.3%
Self-employed workers	43.1%	42.3%	42.1%	43.6%	45.3%	46.7%	48.7%	50.6%	51.7%	52.2%	52.7%
Age/ years of contribution until retirement	68.1/ 37.1	68.6/ 37.6	68.7/ 37.7	69.1/ 38.1	69.4/ 38.4	69.5/ 38.5	69.9/ 38.9	70.2/ 39.2	70.4/ 39.4	70.6/ 39.6	70.8/ 39.8

Age and contribution requirements vary and are no longer equal for all. So, while the intrinsic actuarial equity of the contribution-based calculation leads to homogeneous long-term results for the same age groups, the graphic illustration of the expected substitution rates for different generations of workers shows the combination of age and years of contributions expected at retirement.

Calculation methods: in order to calculate the "*net substitution rates*", different generational profiles (by year of birth) with larger age groups (from 1960 to 1990) have been considered in different economic scenarios (increase in nominal GDP and individual wage increases with respect to prices), taking into account all expected changes related to:

²⁴ Parliament passed two agendas to separate contribution seniority from life expectancy since this double indexation of the Monti–Fornero law seems to violate the constitution.

²⁵ The reference gross income has been set to decrease by 1% as of 24,500 per year for the year of birth 1960.

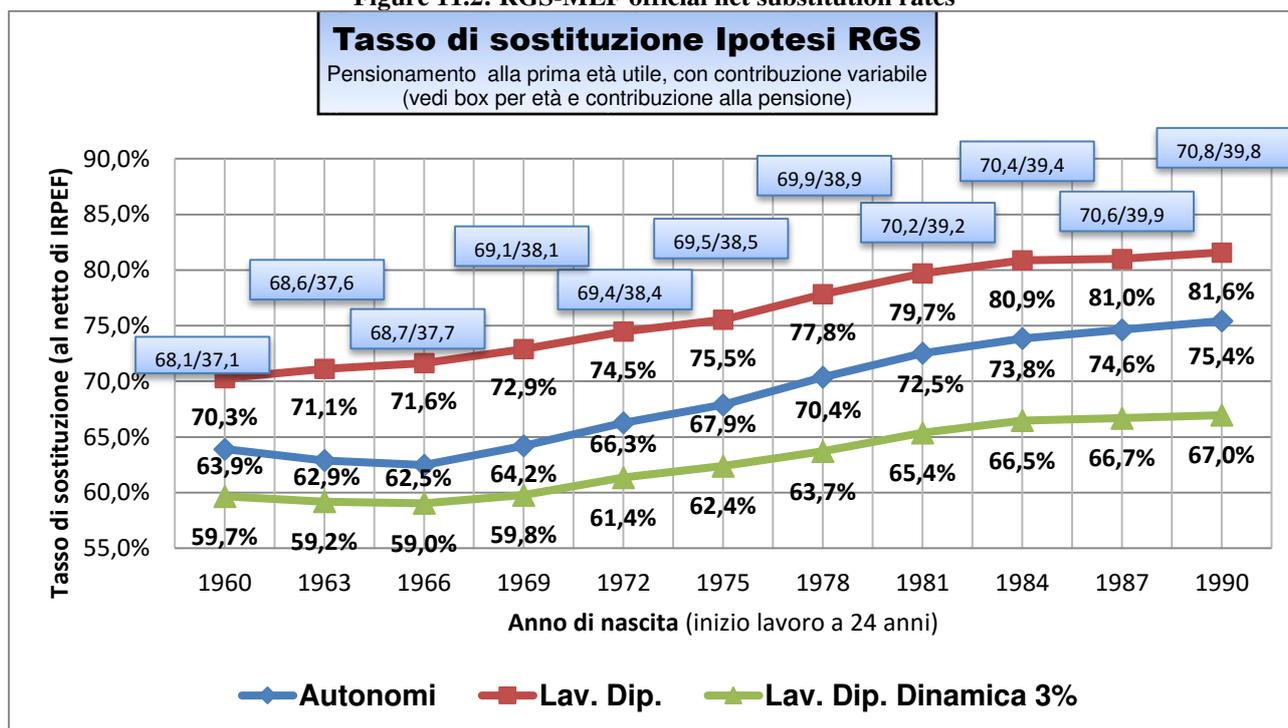
- a) longer life expectancy and the resulting changes to retirement requirements (age and years of contribution);
- b) changes to actuarial coefficients by applying the rules of the contribution-based method (rate of adjustment on the basis of the average five-year nominal GDP).

These estimates include wage and income levels according to the working life years for different generational profiles so as to reflect the difference in remuneration levels. Instead, there is no change in the age of first employment at 24 and for the growth of wages. The years of contribution also include a period without contributions (approximately 15% of the entire working life) as a consequence of the discontinuous and potentially unstable employment situation for newly hired workers in this specific historical moment in Italy and probably in the near future.

The most obvious result of these simulations is that, on the basis of the same calculation method, new generations have net substitution rates that tend to be more generous than the ones for the previous generations. This is definitely an interesting result, which is also counter intuitive and not in line with the deep-rooted "opinion", of young people in particular, who think that they will not get any or a very low pensions. However, the increase in the substitution rate is simply the result of the consistent rise in the retirement age and in the number of years of contribution, that is of the working life span. The 1990 generation will retire at 71 years of age with better substitution rates with respect to the 1960 generation who is entitled to the old-age pension at 68 years of age.

Below are some simulations of the substitution rates according to different macroeconomic scenarios. *The first graph illustrates the official projections provided by RGS.*

Figure 11.2: RGS-MEF official net substitution rates



Substitution rate - RGS hypothesis retirement when the first age requirement is fulfilled with variable contributions (see Box for age and contributions upon retirement).
 Substitution rate net of IRPEF (personal income tax) Year of Birth (labour market entry age 24) Self-employed workers Employed workers
 Employed workers with a 3% growth rate.

Figure 11.2 RGS parameters: expected net substitution rates for private and public employed workers and self-employed workers; the calculation is made on the basis of the RGS official hypotheses, that is: expected growth of individual remuneration at 1.51% in real terms, a hypothetical five-year average of GDP equal to 1.57% in real terms and an inflation rate at 2% (with an increase in productivity of 1.53% per year). The third curve is based on the same

assumptions but with an individual growth rate equal to 3% instead of 1.51%. The entry age into the labour market is 24 years with the actual years of contributions with 7 years without contributions.

In **figure 11.2**, the three curves based on the RGS parameters refer to the net substitution rates for each age group and they are slightly lower for higher income brackets and slightly higher for lower income levels.

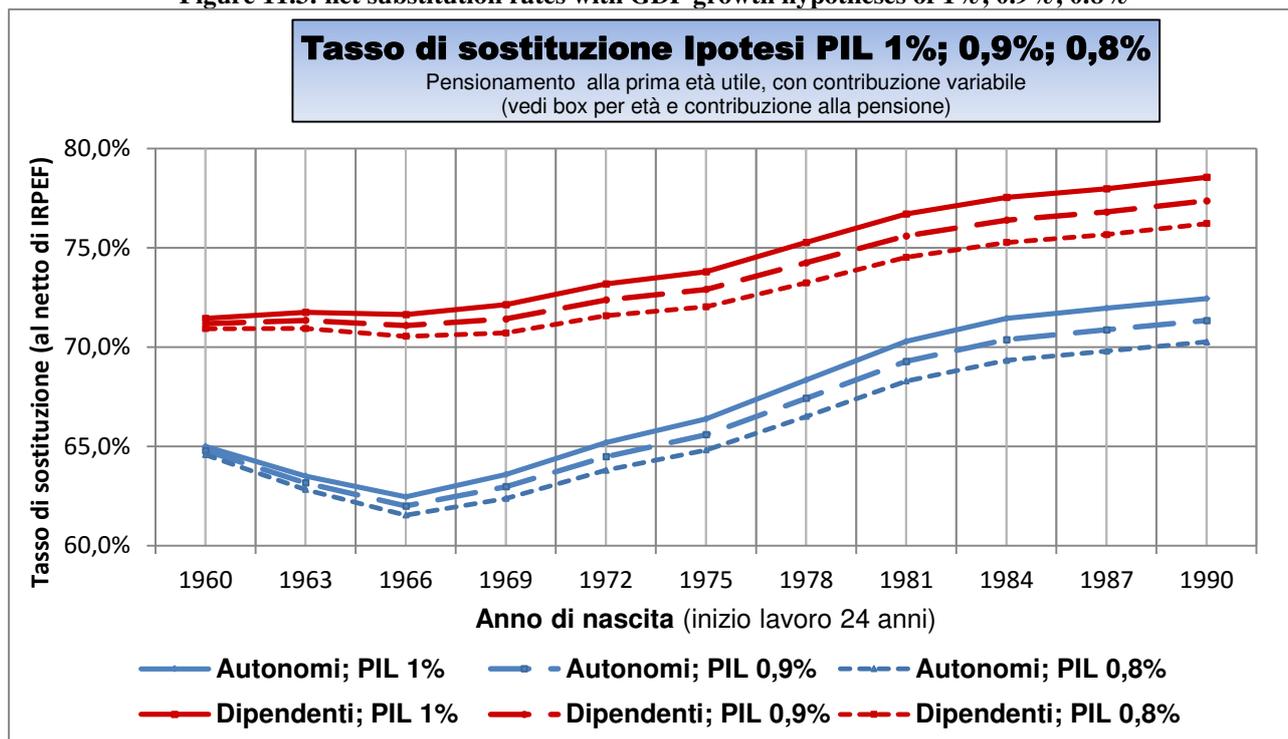
They range from 70.3% to 81.6% for employed workers who are entering now into the labour market with a minimum of 59.7% for important careers (+3% in annual remuneration in real terms). They range from 63.9% to 75.4% of their last income for self-employed workers who are expected to gradually pay higher contribution rates, which will have an impact on substitution rates. The increase in the substitution rates for those who were born after 1972 and who started paying their contributions as of January 1 1996 (the so-called "pure contribution-based subjects") derives from the application of the contribution-based system and the very important role played by retirement age requirements and their transformation coefficients.

These substitution rates are good. However, all these projections consider a **real GDP growth rate** of 1.57%, a 2% inflation rate and a **1.51% individual wage increase in real terms (productivity equal to +1.53% per year)**. These parameters are difficult to obtain in the next few years. Moreover, substitution rates depend on the income level during the active working life; in fact, the substitution rate may be 81.6% but if the income level is equal to a net amount of 1000 € per month for 13 months, the pension benefits amount to 816 € net per month for 13 months, 1.8 times the social allowance (provisional value for 2015: 448.52 euros). Finally, it is crucial to bear in mind the following considerations:

1. **Career levels:** the higher the individual wage growth and the lower the substitution rate (although the absolute value of the pension may be higher than that obtained with lower career levels); for careers with an annual individual growth rate of 3% with respect to prices, the substitution rate is reduced by almost 15%.
2. **GDP:** in the contribution-based system, the "capitalization rate" used to calculate contributions, that is their rate of return, is equal to the average five-year nominal GDP; so, the GDP rate has a very significant impact on future benefits; obviously a lower GDP growth rate reduces the annual capitalization of the amounts gradually accumulated, thus leading to a slight reduction in the substitution rate.
3. The **combination between GDP growth and individual growth rates** has a very important effect on the expected substitution rates. The closer GDP growth is to the individual growth rates, the higher the substitution rates. Instead, top-level careers generate lower expected substitution rates.

Figure 11.3 shows the net substitution rates for three different GDP growth rate hypotheses: 1%, 0.9%, 0.8% and the impact that GDP has on the substitution rates. It is not a major difference, but it becomes more significant for the workers with the contribution-based system.

Figure 11.3: net substitution rates with GDP growth hypotheses of 1%, 0.9%, 0.8%



Substitution rates GDP hypothesis 1%, 0.9%, 0.8% retirement when the first age requirement is fulfilled with variable contributions (see Box for age and contributions upon retirement).

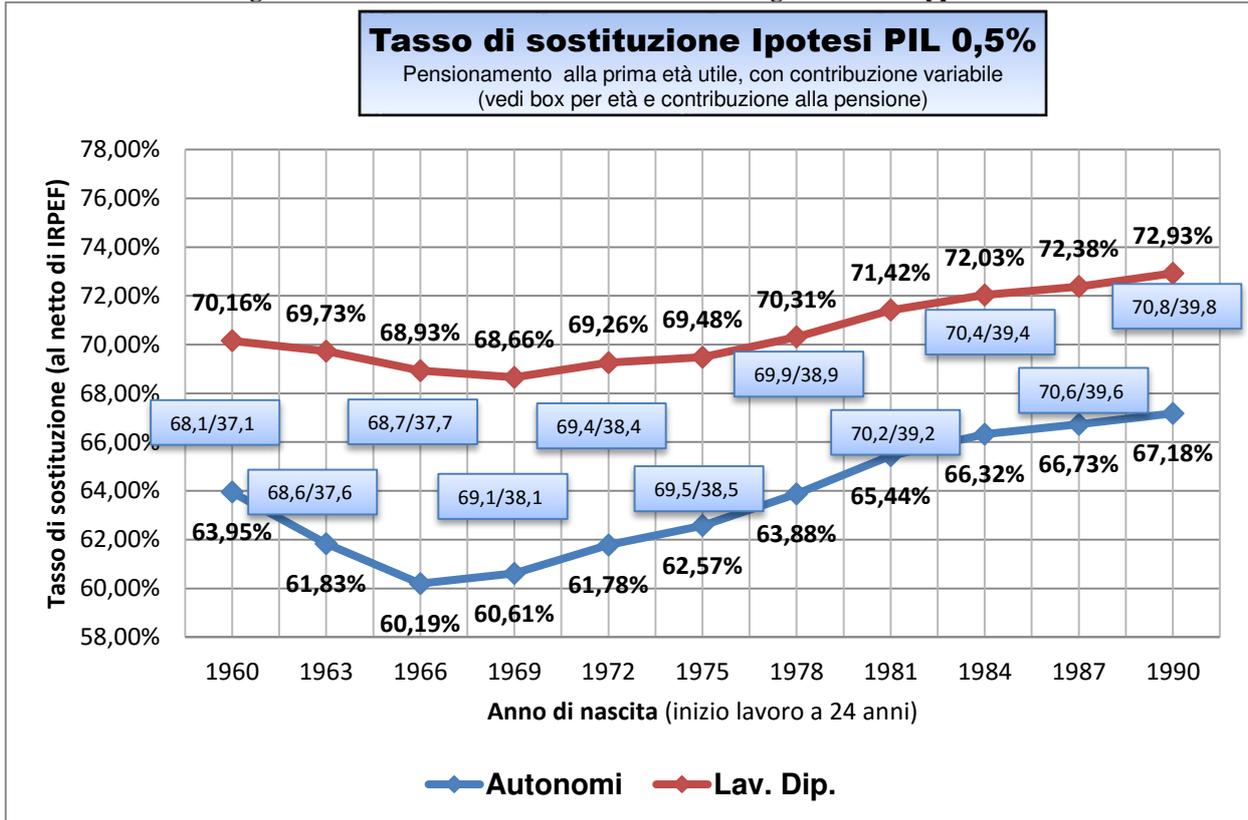
Substitution rate net of IRPEF (personal income tax) Year of Birth (labour market entry age 24) Self-employed workers Employed workers

Expected net substitution rates of private and public employees and of the self-employed; hypothesis: expected growth of remuneration levels equal to 1.2% in real terms and a five-year average growth in GDP by 1%, 0.9% and 0.8%.

In order to highlight the effects of *the growth* of *GDP* and of *individual remuneration levels* with respect to prices, *Figure 10.5* illustrates some projections with a hypothetical growth rate of *GDP* in real terms equal to *0.5% per year* and of *individual remuneration levels*. In the 1% (0.9%, 0.8%) GDP growth rate scenario, substitution rates decrease slightly with respect to the ones indicated in the RGS hypotheses; in this case, the difference is significant, by *8.7%* for employed workers and by *8.2%* for self-employed workers respectively.

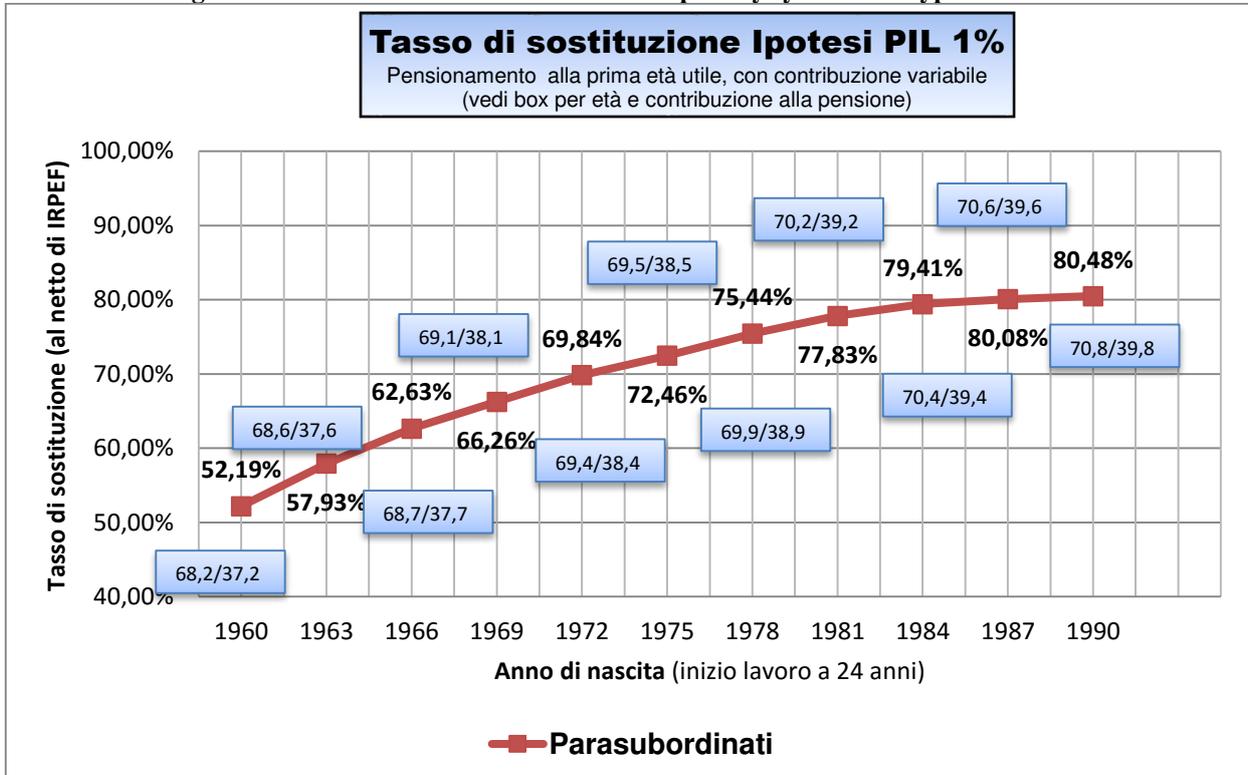
Finally, in order to perform a more exhaustive analysis, *Figure 11.4* shows the net substitution rates for *atypical workers* (former co.co.co.), often described as those workers who will not have a pension or will have low benefits. They pay their contributions to a Separate Scheme (Act 335/1995) a pure-contribution system and their substitution rates considerably grow over time. The substitution rates are expected to reach 52.19% for the 1960 generation and 80.4% for the 1990 generation. With respect to the 2015 Report, the estimates are slightly higher due to the difference in income levels, the same described before and applied to employed and self-employed workers over a broader *range* of generations and of a *progressive increase of the contribution rate* for these workers.

Figure 11.4: net substitution rates with a 0.5% growth rate hypothesis



Substitution rates 0.5% Hypothesis - first retirement opportunity with variable contributions (see Box for retirement age and years of contributions)
Year of birth (start of working life 24 years) Substitution rate (net of IRPEF) self employed workers employed workers

Figure 11.5: net substitution rates of the compulsory system for atypical workers

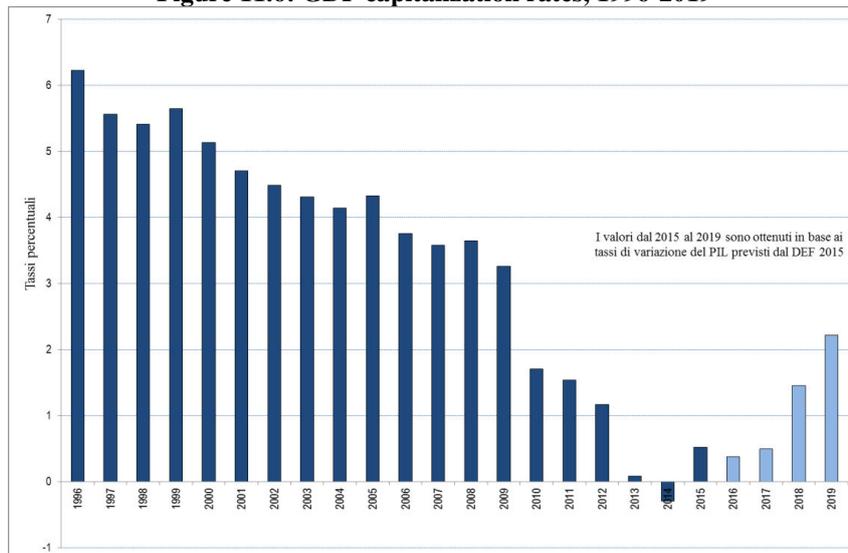


Substitution rates 1% Hypothesis - first retirement opportunity with variable contributions (see Box for retirement age and years of contributions)
Atypical workers

Adjustments in the contribution-based method: before dealing with the substitution rates of the complementary pension system, it is useful to make a final consideration. The average five-year GDP parameter was conceived by regulators so as to smooth out its annual peaks, with a steady growth in real terms equal to 1.5%. So from 2009 to the end of 2014, according to the Dini Law which envisaged a real GDP growth rate of 1.5% as a benefit calculation basis GDP should have grown by 9.344% (1.5% for 6 years and even higher according to the RGS hypotheses). Instead, also due to the severe economic crisis, the adjustment of contributions in real terms was indeed negative and equal to -4.41%. Therefore, the adjustment of the contributions was actually equal to -13.75% with respect to the RGS projections.

The following graph shows the annual capitalization for the adjustment of contributions on the basis of the average five-year growth rate of nominal GDP. In 2014, for the first time since January 1 1996 when the contribution-based calculation was introduced, this coefficient became negative (-0.17%). The 2014 amount was not "devalued"; it was not changed and it was not adjusted. From 1997 to 2010, the average five-year growth rate of nominal GDP was always in line with the *Rendistat* rates of return (among the best in the last 15 years); since the effect of the subsequent troughs in GDP became instrumental in calculating the average, the purchasing power of these amounts has been adjusted at a lower rate with respect to inflation; so it dropped in real terms in 2014. However, in 2015, the amounts accrued may benefit from a capitalization rate (GDP average from 2010 to 2014) that is expected to be positive both in nominal terms + 0.571% and in real terms + 0.371. In fact, the five-year average no longer includes the GDP trough of 2009 (-3.52) but now has the 2014 - 0.40.

Figure 11.6: GDP capitalization rates, 1996-2019



percentage rates the values from 2015 to 2019 have been obtained from the projections of GDP trends contained in the 2015 DEF

Substitution rates in the complementary pension system

The second pillar of the Italian pension system provides individual capitalization defined-contribution benefits; the contributions paid and the rate of return on their investment accrue in the workers' accounts and give an amount on the basis of which benefits are calculated. According to COVIP, in Italy, the number of workers with complementary pension schemes on December 31 2104 was equal to 6.540 million, accounting for 25.6% with respect to a prospective number of members, of whom only 16% is less than 35 years of age, 24% is between 35 and 44 years, while 31% is between 45 and 64. This shows that there is a lack of information. The simulation tools made available by INPS, by private organizations and by the most important funds for professionals are very valuable to provide better information and promote pension fund membership so as to obtain adequate substitution rates.

Table 11.7 shows *gross and net substitution rates* (compulsory and complementary schemes) and the expected rates in the complementary pension system for employed and self-employed workers. The calculation were conducted on the basis of the following hypotheses:

- *for private sector employed workers* (the same calculation approach can be applied to public sector employed workers), a financing share to the pension fund equal to 6.91% (100% of provisions for termination of employment benefits, TFR), plus 1% contribution on the basis of gross income paid by workers and by employers²⁶; equal to 8.91% for self-employed workers in order to be able to compare the projections;
- benefits are paid as annuities when the compulsory old-age pension requirements are fulfilled;
- application of the current tax rules on annuities: a separate tax of 15% reduced by 0.3% for each of contribution above the 15th up to a maximum of 6% of the share of the pension which corresponds to the actual contributions paid;
- a substitutive tax of 20% (11% in the past) on the rates of return according to an amendment to income taxation introduced by the 2015 Stability Law.

The final substitution rates do increase with the complementary system: for private sector employed workers they grow by **17.3%** vs. the estimated rates for the compulsory system alone, while those for self-employed workers by **12.7**. There is an increasingly large difference between the substitution rates among the generations. This is due not only to their different accrual time span, but also to their variable income levels, the basis for calculating the amount of the annual contributions paid to the funds. Hence the following considerations:

1. Assuming that all active workers join complementary pension schemes at the same time, the sooner they start contributing the greater the supplementary effect of this choice on the public pension system;
2. For the age groups about to retire, higher risk investments would be counterproductive; these could not absorb financial market shocks given the duration of their accumulation plan.
3. The more favourable tax treatment in the complementary system has a considerable impact on net substitution rates with respect to the gross rates.

²⁶ The atypical workers who are members of a complementary pension scheme and who also pay their TFR and their contributions, are entitled to receive the contribution by their employer on the basis of the national collective contract.

Table 11.7: gross and net substitution rates of the compulsory and of the complementary pension systems

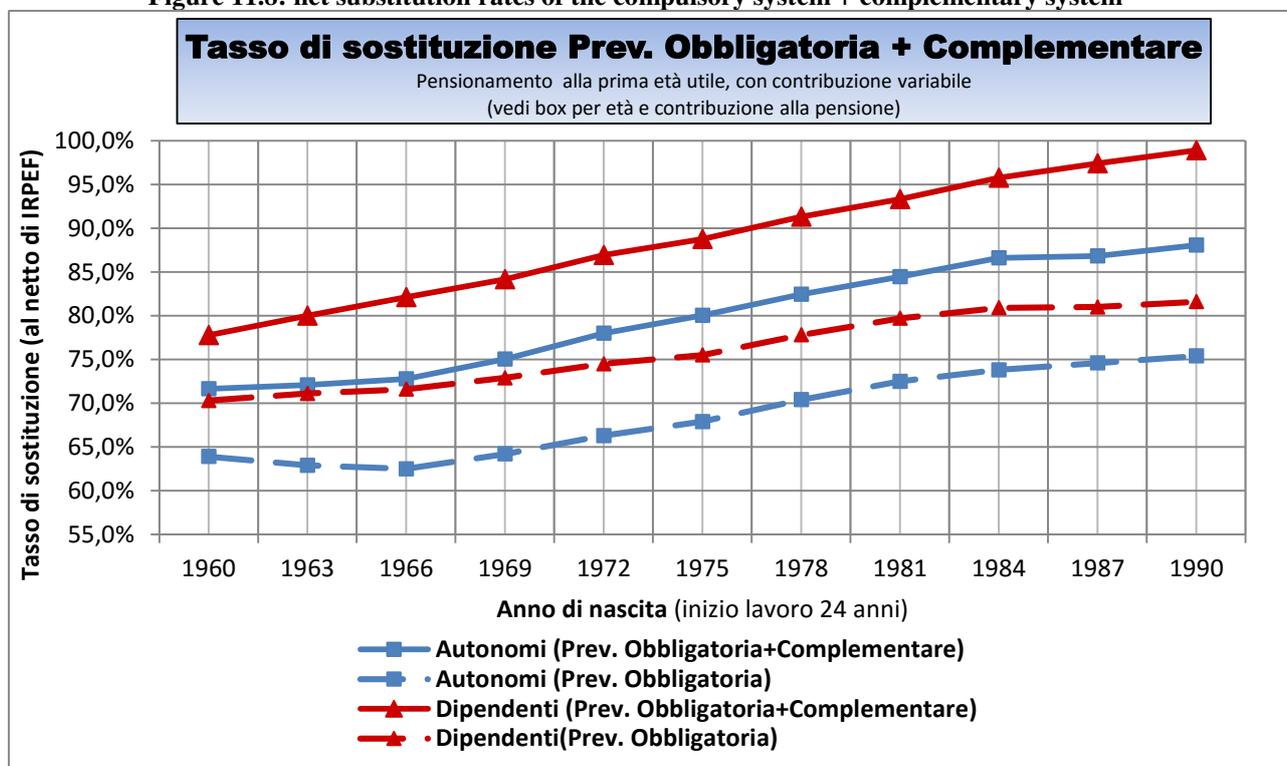
NET SUBSTITUTION RATES OF THE COMPLEMENTARY SYSTEM AND SUBSTITUTION RATES INCLUDING THE COMPULSORY SYSTEM											
Yera of birth	1960	1963	1966	1969	1972	1975	1978	1981	1984	1987	1990
COMPLEMENTARY SYSTEM											
Employed workers	7.5%	8.9%	10.5%	11.2%	12.4%	13.2%	13.5%	13.6%	14.9%	16.4%	17.3%
Self-employed	7.7%	9.2%	10.3%	10.8%	11.7%	12.1%	12.1%	11.9%	12.8%	12.2%	12.7%
COMPULSORY SYSTEM + COMPLEMENTARY SYSTEM											
Employed workers	77.8%	80.0%	82.1%	84.2%	86.9%	88.7%	91.3%	93.3%	95.8%	97.4%	98.9%
Self-employed	71.6%	72.1%	72.8%	75.0%	78.0%	80.0%	82.4%	84.4%	86.6%	86.8%	88.1%
age/ contributions until retirement	68.1/ 37.1	68.6/ 37.6	68.7/ 37.7	69.1/ 38.1	69.4/ 38.4	69.5/ 38.5	69.9/ 38.9	70.2/ 39.2	70.4/ 39.4	70.6/ 39.6	70.8/ 39.8
GROSS SUBSTITUTION RATES OF THE COMPLEMENTARY SYSTEM AND SUBSTITUTION RATES INCLUDING THE COMPULSORY SYSTEM											
Year of birth	1960	1963	1966	1969	1972	1975	1978	1981	1984	1987	1990
COMPLEMENTARY SYSTEM											
Employed workers	10.0%	11.7%	13.4%	13.8%	14.7%	15.1%	14.7%	14.3%	15.3%	16.9%	17.8%
Self-employed	5.2%	6.1%	6.8%	7.0%	7.4%	7.6%	7.5%	7.3%	7.8%	7.5%	7.7%
COMULSORY SYSTEM + COMPLEMENTARY SYSTEM											
Employed workers	70.6%	73.1%	75.5%	77.3%	79.8%	81.4%	83.1%	84.5%	86.7%	88.7%	90.1%
Self-employed	48.3%	48.5%	48.8%	50.6%	52.8%	54.3%	56.2%	57.9%	59.5%	59.7%	60.5%
Age/ contribution s until retirement	68.1/ 37.1	68.6/ 37.6	68.7/ 37.7	69.1/ 38.1	69.4/ 38.4	69.5/ 38.5	69.9/ 38.9	70.2/ 39.2	70.4/ 39.4	70.6/ 39.6	70.8/ 39.8

Expected gross and net substitution for private sector employed workers abnd for self-employed workers. Hypothesis: an expected growth in individual remuneration by 1.51% in real terms and an average five-year growth in GDP by 1.57% and a 2% inflation rate (with an associated reduction in the increase in productivity equal to 1.53% per year). The contributions to complementary pension schemes are assumed to be equal to 100% of TFR for employed workers, plus 1% paid by the workers and 1% by employers; equal to 8.91% of the inflation-adjusted gross income for self-employed workers. All workers are assumed to join the complementary system as of January 1 2016 so as to obtain homogeneous calculations, except for the subjects born in 1987 and in 1990 who join as of January 1 2018 and of January 1 2021 respectively, that is when they start working. The amounts in the accounts are invested in bonds according to the residual duration of the accumulation plan: for the subjects born in 1960, 80% in bonds, for those who were born in 1990, 20% in bonds. The intermediate cases envisage an equalization between these two extremes. Extected return on the investment: 2% for bonds, 4% for shares. The direct and indirect costs are borne by members in line with the average costs on the market.

These considerations suggest that the earlier workers join the complementary pension system, the greater their benefits.

Figure 11.8 shows the net substitution rates of the compulsory and of the complementary pension system. The comparison of the three curves shows that the increase in the substitution rate is significant for both employed and self-employed workers.

Figure 11.8: net substitution rates of the compulsory system + complementary system



substitution rates in the compulsory system + the complementary system first retirement opportunity with variable contributions (see Box - retirement age and contributions) substitution rate (net of IRPEF) year of birth (entry into the labour market at 24) self-employed (compulsory+complementary system) self-employed (compulsory system) employed workers (compulsory system + complementary system) employed workers (compulsory system)

12. Welfare financing: an analysis of personal income tax statements

This Report provides an analysis of personal income tax statements that are instrumental in the public budget equilibrium but especially to evaluate *the sustainability of the welfare system*. *Health care* is funded by an added personal income tax, by Irap (in 2013 it amounted to 34.767 billion of which 24.813 from the private sector), together with excises taxes on VAT and gasoline. These taxes are also important for the *pension system*. In fact, if no taxes are paid today, not enough contributions are paid either since these two are connected; this has a severe impact on the system.

Table 12.1: Type of income statement

Type of statement	Number of tax payers	
	Frequency	Percentage
Modello 770	11,515,231	28.09
Modello Unico	10,253,843	25.02
Modello 730	19,220,493	46.89
TOTAL	40,989,567	100.00

In 2013, the sum of personal incomes stated by Italians through the taxes illustrated in table 12.1. was **803.3 billion euros**. The total includes additional charges, thus amounting to a **167.8 billion euros** (paid in 2014). The data shows that: **a)** self-employed workers pay only 6.27% of the total; **b)** 46.5% of tax payers (19,079 million) who have zero or negative income levels, up to 15,000 €, only pay 16.20% of the total, that is 130 billion euros, with an average income of **6,851 euros** (571 euros per month, less than a subject with a social pension with a supplementary benefit which is even less in case of dependents); **c) the average tax paid is equal to 485 euros per person**, but considering the ratio of Italian citizens (60,782,668) vs. tax payers (40,989,567) each tax payer supports 1,483 citizens; so the 19,079 million people whose income statement is equal to 15,000 € represent 28,295,197 citizens and their average annual tax paid is **327 euros**.

Therefore, in order to provide health care benefits to 28.29 million Italian citizens, other citizens (more fortunate or more honest individuals) have to pay **41.3 billion** (1,790 - 327 x 28,295,197), in addition to paying for their own health care; in fact, in 2013 the national health service cost about 110 billion euros with a per capita expenditure of 1,790 €. If the number of pensioners is subtracted from the total, there are only **11,842 million** people whose stated income is below 15,000 euros per year; in particular, 3.853 million employees and 3.37 million self-employed workers state that they have no income or a maximum income of 7,500 euros. It is clear that these 7.2 million people, plus the 4.7 million whose stated income is around 11,500 euros per year, will not have a minimum pension in the future; so the State will have to provide a large number of social pensions, supplementary benefits or additional allowances to over 11 million future "poor" pensioners with huge expenses.

A country with widespread tax evasion inhabited by poor well-off people

This picture derived from the analysis of the **2013 personal income tax statements**, submitted in 2014, seems to belong to a country that does not resemble Italy at all, which is member of the G7. In sum, out of **60.782 million inhabitants**, the number of tax payers, those who submit personal income statements, is about **41 million** (500 thousand less than last year); the actual number of tax payers (with a net positive tax) is equal to about **31 million**. This means that about half of Italian citizens does not have any income and is therefore supported by someone else.

Then, as indicated before, the average personal income tax paid by Italian citizens has been evaluated on the basis of the ratio of the number of tax payers vs. the number of inhabitants, which shows that for each subject who submits an income statement there are **1,483 inhabitants** (who are probably supported by each one of them).

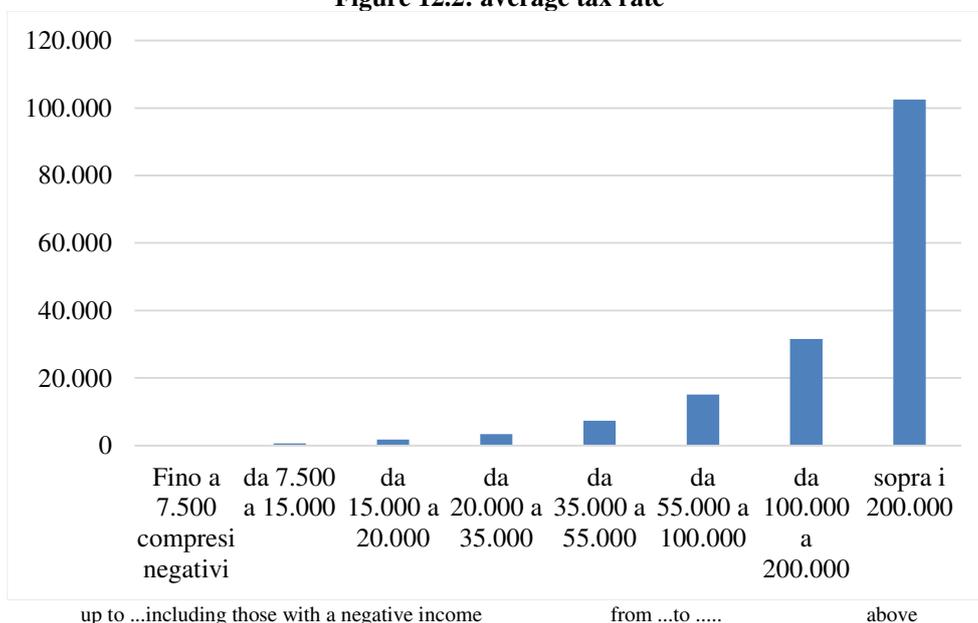
As a result, this detailed analysis shows that: **1)** 799,815 tax payers have zero or a negative income; **2)** the number of those who file an income statement (including the ones with zero or a negative income) for an amount of 7,500 € per year is equal to 10,338,712, that is 25.23% of the total, that is 15,331,084 inhabitants. The average per capita stated income is **55 euros per year**. So, in addition to services, the State has to pay 1,790 € per person for health care, so it is crucial to find other tax payers, **for health care alone about 27 billion euros** **3)** 8,740,989 tax payers state an annual income between 7,500 and 15,000 € (about 13 million people) who pay an average income tax equal to **649 €**. In this case too, another 15 billion euros for health care alone, thus reaching the above-mentioned 41.3 billion in total **4)** 6.2 tax payers state an average annual income equal to 15,000 and 20,000 € (9.31 million inhabitants) who pay an average tax of 1,765, barely sufficient to pay for their health care **5)** 61.88% of tax payers, 37,613,497, do not exceed 20,000 €'s worth of annual gross income (that is slightly above a net amount of 1,100 € per month). Only 1.64 million tax payers state more than 55,000 euros' worth of annual gross income (4.01%); 339,217 between 100,000 and 200,000 € (0.83%) and 106,356 exceed 200,000 euros' worth of annual gross income. Italy is a poor country indeed! Some developing or emerging countries have much higher percentages.

The situation can be inversely described as follows: **0.19%** of Italian citizens pay **6.9%** of the total personal income tax, 1.02% of them pay 16.3%, 4.01% pay 32.6%, 10.91% pay 51.2% of the total (38.1% pay almost 86% of the total). Of course this is a dangerous situation; in fact, these already dwindling percentages may drop even further, thus creating huge welfare financing constraints with a major impact on sustainability and social cohesion.

The progression of the average taxes paid is incredible (*see table 12.2*): between 20,000 and 35,000 euros, the average rate is 3,400 €; between 35,000 and 55,000 €, 7,393 euros; between 55,000 and 100,000 euros, 15,079 euros; between 100,000 and 200,000 euros, 31,537; above € 200,000, 102,463; above 300,000 euros, the average personal income tax, plus regional and municipal taxes, reaches 163,021 euros that is over 50% of the gross income, plus other taxes, excise taxes and duties; in practice people work 2/3 of their time for the State and only 1/3 for their family; that is why every year this number is going down also because they practically do not have any rate or health care incentives.

A tax payer with an income between 55,000 and 100,000 €, pays 15,000 € that is **31 times** the tax level paid by 46.5% of those who state an income up to 15,000 euros; those with an income between 100,000 and 200,000 euros pay 65 times more, the ones between 200,000 and 300,000 pay 129 times more and those above 300,000 euros pay even 336 times more. It is as if a worker whose income is 100,000 € pays in 1 year what 19 million people pay in 40 years of work. This gap is much larger than the average income gap. However, in the collective imagination, these are the "rich" people who should also pay property and wealth taxes and once retired, they should not be entitled to adjustments, they can be exposed to coercive contributions from their bank accounts, to expropriations above a certain pension level. In a normal country that still rewards merit, these people would be cited as virtuous examples.

Figure 12.2: average tax rate



The data by type of tax payer (employed workers, self-employed workers and pensioners) and by geographical area shows that the number of self-employed workers (artisans, retailers, entrepreneurs and professionals) who file an income statement is 5.57 million people (according to the current estimates including atypical workers, the number is 7.5 million). But only 2.886 million pay taxes, of these 1 million state an income between zero (or negative) and 7,500 € (less than 3,000 euros per year on average) and another 625,000 state to have an income equal to 11,000 euros per year; on the basis of the income tax paid (80 € per year for the former and 590 € for the latter),

these self-employed workers, that is 2.5 million, should receive from the State all or most of the health care coverage and also their future pension benefits.

Finally, the data by geographical areas shows that in the north the average per capita tax is 4,676 €, in the center it is 4,459 € and in the south it is 2,900 €; these figures go down to 3,406, 3,078 and 1,720 € respectively with respect to the number of citizens. The whole south (20,926,615 inhabitants) does not even reach the average tax level to pay for the health care; all the rest is borne by other tax payers. Therefore, as indicated by the pension data by region, one of the the pension system, but also the health care system, has a major sustainability problem because of these geographical gaps, which are still growing, which may have a major impact on the whole welfare system.²⁷

Pensioners

The people classified as pensioners by tax authorities and who file an income statement amount to **15,949,142** out of a total of about 16.3 million people; their main income comes from pension benefits while the other 350,000 have mainly an income from employed or self-employed work even if they are retired. Pensioners who file an income statement account for 26.2% of the Italian population but they pay taxes above 34%.

The number of pensioners filing income statements is very high, about **94%**, also due to the massive number of CUDs sent by Inps, while those who pay personal income taxes account for 76,8%. As a comparison, the ratio of those who file an income statement vs. the ones who actually pay taxes is 81% for employed workers and 51.8% for the self-employed.

The territorial distribution of pensioners is higher in the north (slightly less than 28%), in line in the center (about 26.5%) and lower in the south (slightly over 24%).

The ratio of the number of inhabitants vs. the number of pensioners (raw retirement rate) shows, the economic situation on a regional level; this ratio is higher where major industrial restructuring plans are underway, with a huge number of early retirements or with a high number of public sector workers and baby pensions. The first in the ranking is Liguria with 32% of pensioners, followed by Friuli-Venezia Giulia and Umbria with 29.9%, Piedmont with 29.7%, Marche with 29.2% and Tuscany with 28.8%. In the south, there is a lower ratio due to a delayed industrial development.

The subjects filing an income statement amount to 97% in the north, to 95% in the center and to 88% in the south, while those who pay taxes are (**77%**): 81% in the north, 78% in the center and 68% in the south. It is clear that there is a geographical gap as to the amount of taxes paid by each pensioner: an average of 4,150 € in the north, of 4,300 € in the center and 2,900 € in the south. This means lower pension benefits and probably more supplementary benefits.

Reducing taxes on pensions is surely a possible target; for example, there should be a “decalage” by age and by self-sufficiency level. A full rate up to 70 years of age and then gradual reductions down to zero taxes after 85 years of age. But almost half of pensioners (over 8 million) does not pay taxes because they have social, disability pensions or carers' allowances, plus supplementary benefits. Only a small part of pensioners (less than 30%) pays about 43 billion euros' worth of pension taxes (out of a total of about 57 billion paid also related to other income sources). The so-called "gold pensioners", those who have gross pension benefits between 55,000 and 100,000 euros per year (an average net amount of 47,000), only account for 2.5% of the total and state a total income tax of 14.7%; those above 100,000 euros account for 0.79% of the total, about 175,000 people, and pay about 13% of the total personal income tax. In practice, about 3.3% of retirees pay almost 28% of the total.

²⁷ See: “La regionalizzazione del bilancio statale – 5° Rapporto” by Alberto Brambilla, bancaria Editrice, 2005. with the regional balances from 1980 to 2003 with the growing pension gaps.

In conclusion

The welfare system, even with some of its poor outcomes in terms of minimum income or citizenships' income, should be analyzed to test its sustainability, otherwise its costs will be transferred to the new generations, which is the unfortunate situation today, and taxes and contributions will have to be increased thus pushing Italy out of the market in terms of competitiveness, employment and growth.

Therefore, the reiterated and motivated proposal to introduce the "conflict of interests" in Italy should be accepted so as to reduce its huge tax evasion estimated to be between 300 and 400 billion euros' worth of "unregistered" incomes.²⁸

Several considerations may be added but readers can judge: a) this is a depressing picture of a country with a record high number of per-capita real-estate assets, mobile phones, cars and wealth estimated by Bundesbank to be twice as high with respect to Germany's;

b) maybe, as happens in most of the countries highly regarded as best welfare practice examples, the Italian tax authorities and INPS should use their information to summon the subjects whose stated income has been equal to zero or has been very low for many years to ask them how they can live. Perhaps they would discover many unregistered workers, sometimes linked to organized crime.

Tables 12.3, 12.4, 12.5 and 12.6 show the personal income taxes paid by income level and by type of tax payer: physical persons, employed workers, pensioners and self-employed workers;; table 12.7 shows personal income tax payments by region.

Table 12.3: Personal income taxes by income level and by type of tax payer:
Total number of physical persons (thousands of euros)

Reddito complessivo in euro	Numero contribuenti	Numero versanti	Imposte			Rapporto con cittadini	% Rapporto con cittadini	Ammontare procapite /1.483
			Ammontare	% Ammontare	Media IN EURO			
zero od inferiore	799.815	21	0	0,00%	0	1.186.031	1,95%	0
da 0 a 7.500	9.538.897	2.440.706	847.178	0,50%	89	14.145.053	23,27%	60
Fino a 7.500 compresi negativi	10.338.712	2.440.727	847.178	0,50%	82	15.331.084	25,22%	55
da 7.500 a 15.000	8.740.989	7.012.989	8.407.801	5,01%	962	12.961.850	21,32%	649
da 15.000 a 20.000	6.283.412	6.049.210	16.445.414	9,80%	2.617	9.317.555	15,33%	1.765
da 20.000 a 35.000	11.157.844	11.059.267	56.257.150	33,53%	5.042	16.545.760	27,22%	3.400
da 35.000 a 55.000	2.827.441	2.819.227	30.995.422	18,47%	10.962	4.192.760	6,90%	7.393
da 55.000 a 100.000	1.225.859	1.223.531	27.411.495	16,34%	22.361	1.817.804	2,99%	15.079
da 100.000 a 200.000	339.217	338.755	15.863.789	9,45%	46.766	503.019	0,83%	31.537
da 200.000 a 300.000	45.830	45.769	4.245.164	2,53%	92.628	67.960	0,11%	62.465
oltre 300.000	30.263	30.238	7.316.422	4,36%	241.761	44.876	0,07%	163.035
TOTALE	40.989.567	31.019.713	167.789.835	100 %		60.782.668	100 %	

Overall income in euros n. of tax payers n. of those who pay taxes: amount, % amount, average ratio vs. n. of citizens per capita amount
zero or less from.... to// up to 7,500 including negative income levels TOTAL

²⁸ See the articles published on the website www.giornatanazionaledeಲ್ಲaprevidenza.it e www.itinerari previdenziali.it.

**Table 12.4: Personal income taxes by income level and by type of tax payer:
employed workers (thousand of euros)**

Reddito complessivo in euro	Numero contribuenti	Numero versanti	Imposte			Rapporto con cittadini	% Rapporto con cittadini	Ammontare procapite /1.483
			Ammontare	% Ammontare	Media IN EURO			
zero od inferiore	10.831	0	0	0,00%	0	16.061	0,05%	0
da 0 a 7.500	3.842.338	1.170.462	356.297	0,36%	93	5.697.732	18,78%	63
Fino a 7.500 compresi negativi	3.853.169	1.170.462	356.297	0,36%	92	5.713.793	18,84%	62
da 7.500 a 15.000	3.749.960	2.823.349	3.350.839	3,35%	894	5.560.746	18,33%	603
da 15.000 a 20.000	3.056.738	2.916.376	7.719.844	7,72%	2.526	4.532.780	14,94%	1.703
da 20.000 a 35.000	7.132.532	7.073.608	35.939.886	35,94%	5.039	10.576.699	34,87%	3.398
da 35.000 a 55.000	1.712.540	1.709.860	19.297.281	19,30%	11.268	2.539.494	8,37%	7.599
da 55.000 a 100.000	714.988	714.471	16.633.962	16,63%	23.265	1.060.242	3,50%	15.689
da 100.000 a 200.000	191.431	191.371	9.376.426	9,38%	48.981	283.869	0,94%	33.031
da 200.000 a 300.000	26.560	26.556	2.553.868	2,55%	96.155	39.385	0,13%	64.843
oltre 300.000	18.191	18.189	4.774.665	4,77%	262.474	26.975	0,09%	177.003
TOTALE	20.456.109	16.644.242	100.003.068	100%		30.333.984	100%	

Overall income in euros n. of tax payers n. of those who pay taxes: amount, % amount, average ratio vs. n. of citizens per capita amount
zero or less from.... to// up to 7,500 including negative income levels TOTAL

**Table 12.5: Personal income taxes by income level and by type of tax payer:
pensioners (thousands of euros)**

Reddito complessivo in euro	Numero contribuenti	Numero versanti	Imposte			Rapporto con cittadini	% Rapporto con cittadini	Ammontare procapite /1.483
			Ammontare	% Ammontare	Media IN EURO			
zero od inferiore	6.196	0	0	0,00%	0	9.188	0,04%	0
da 0 a 7.500	3.109.936	201.710	89.567	0,16%	29	4.611.666	20,78%	19
Fino a 7.500 compresi negativi	3.116.132	201.710	89.567	0,16%	29	4.620.854	20,82%	19
da 7.500 a 15.000	4.071.141	3.564.441	4.252.535	7,43%	1.045	6.037.019	27,21%	704
da 15.000 a 20.000	2.805.543	2.771.000	7.976.312	13,93%	2.843	4.160.288	18,75%	1.917
da 20.000 a 35.000	3.557.437	3.541.812	18.863.008	32,94%	5.302	5.275.257	23,77%	3.576
da 35.000 a 55.000	920.422	918.335	10.251.336	17,90%	11.138	1.364.877	6,15%	7.511
da 55.000 a 100.000	374.557	373.859	8.416.984	14,70%	22.472	555.424	2,50%	15.154
da 100.000 a 200.000	97.710	97.538	4.531.994	7,91%	46.382	144.892	0,65%	31.278
da 200.000 a 300.000	12.956	12.943	1.184.678	2,07%	91.439	19.212	0,09%	61.663
oltre 300.000	7.558	7.549	1.706.457	2,98%	225.782	11.208	0,05%	152.259
TOTALE	14.963.456	11.489.187	57.272.871	100%		22.189.031	100%	

Overall income in euros n. of tax payers n. of those who pay taxes: amount, % amount, average ratio vs. n. of citizens per capita amount
zero or less from.... to// up to 7,500 including negative income levels TOTAL

**Table 12.6: Personal income taxes paid by income level and by type of tax payer:
self-employed workers and others (thousands of euros)**

Reddito complessivo in euro	Numero contribuenti	Numero versanti	Imposte			Rapporto con cittadini	% Rapporto con cittadini	Ammontare procapite /1.483
			Ammontare	% Ammontare	Media IN EURO			
zero od inferiore	782.788	21	0	0,00%	0	1.160.782	14,05%	0
da 0 a 7.500	2.586.623	1.068.534	401.314	3,82%	155	3.835.655	46,44%	105
Fino a 7.500 compresi negativi	3.369.411	1.068.555	401.314	3,82%	119	4.996.437	60,49%	80
da 7.500 a 15.000	919.888	625.199	804.427	7,65%	874	1.364.085	16,52%	590
da 15.000 a 20.000	421.131	361.834	749.258	7,13%	1.779	624.487	7,56%	1.200
da 20.000 a 35.000	467.875	443.847	1.454.256	13,83%	3.108	693.803	8,40%	2.096
da 35.000 a 55.000	194.479	191.032	1.446.805	13,76%	7.439	288.389	3,49%	5.017
da 55.000 a 100.000	136.314	135.201	2.360.549	22,45%	17.317	202.138	2,45%	11.678
da 100.000 a 200.000	50.076	49.846	1.955.369	18,60%	39.048	74.257	0,90%	26.333
da 200.000 a 300.000	6.314	6.270	506.618	4,82%	80.237	9.363	0,11%	54.109
oltre 300.000	4.514	4.500	835.300	7,94%	185.047	6.694	0,08%	124.788
TOTALE	5.570.002	2.886.284	10.513.896	100%		8.259.653	100%	

Overall income in euros n. of tax payers n. of those who pay taxes: amount, % amount, average ratio vs. n. of citizens per capita amount zero or less from.... to// up to 7,500 including negative income levels TOTAL

Table 12.7: Personal income taxes paid by region (total n. of physical persons) (thousands of euros)

Regione	Numero contribuenti	Numero versanti	Imposte			PRO CAPITE per abitante	percentuale abitanti	percentuale imposte
			Ammontare	PRO CAPITE per contribuente	Numero abitanti			
Piemonte	3.202.854	2.593.363	14.310.846	4.468	4.436.798	3.225	7,30%	8,53%
Valle d'Aosta	99.012	80.963	425.959	4.302	128.591	3.313	0,21%	0,25%
Lombardia	7.080.404	5.790.039	37.038.197	5.231	9.973.397	3.714	16,41%	22,07%
Liguria	1.191.566	948.140	5.363.564	4.501	1.591.939	3.369	2,62%	3,20%
Trentino Alto Adige (P.A. Trento)	414.160	321.340	1.630.913	3.938	536.237	3.041	0,88%	0,97%
Trentino Alto Adige (P.A. Bolzano)	417.006	320.311	1.909.526	4.579	515.714	3.703	0,85%	1,14%
Veneto	3.546.512	2.813.269	14.788.909	4.170	4.926.818	3.002	8,11%	8,81%
Friuli Venezia Giulia	934.683	753.599	3.876.802	4.148	1.229.363	3.154	2,02%	2,31%
Emilia Romagna	3.349.347	2.716.787	15.278.329	4.562	4.446.354	3.436	7,32%	9,11%
NORD	20.235.544	16.337.811	94.623.045	4.676	27.785.211	3.406	45,71%	56,39%
Toscana	2.719.389	2.161.732	11.379.387	4.185	3.750.511	3.034	6,17%	6,78%
Umbria	634.232	492.159	2.316.697	3.653	896.742	2.583	1,48%	1,38%
Marche	1.129.845	860.518	3.967.473	3.512	1.553.138	2.554	2,56%	2,36%
Lazio	3.850.722	2.930.058	19.496.512	5.063	5.870.451	3.321	9,66%	11,62%
CENTRO	8.334.188	6.444.467	37.160.069	4.459	12.070.842	3.078	19,86%	22,15%
Abruzzo	920.180	652.516	2.915.150	3.168	1.333.939	2.185	2,19%	1,74%
Molise	216.717	140.885	594.597	2.744	314.725	1.889	0,52%	0,35%
Campania	3.143.209	2.099.241	9.729.981	3.096	5.869.965	1.658	9,66%	5,80%
Puglia	2.577.466	1.690.068	7.011.321	2.720	4.090.266	1.714	6,73%	4,18%
Basilicata	380.969	250.650	976.015	2.562	578.391	1.687	0,95%	0,58%
Calabria	1.204.704	747.447	3.022.824	2.509	1.980.533	1.526	3,26%	1,80%
Sicilia	2.905.118	1.879.088	8.385.666	2.887	5.094.937	1.646	8,38%	5,00%
Sardegna	1.068.589	774.737	3.367.979	3.152	1.663.859	2.024	2,74%	2,01%
SUD	12.416.952	2.803	36.003.533	2.900	20.926.615	1.720	34,43%	21,46%
NON INDICATI	2.883	2.803	3.186	1.105				
TOTALE	40.989.567	22.787.884	167.789.833	4.093	60.782.668	2.760	100%	100%

Region inhabitants n. of tax payers n. of those who pay taxes: amount, per capita amount, average ratio vs. n. of citizens per capita amount per inhabitant %

13. Summary and conclusions: current issues and proposals - trends of the pension and welfare system

This new final chapter is devoted to some topical issues and on some solutions. The hot topic in the field of pensions is readjusting the accounts following the de-indexation and solidarity contribution measures to be applied to some pensions; the Supreme Court issued an opinion with a very negative impact for both pensioners and the State, as indicated under 13.1.

As to supplementary health care benefits, Italy badly needs a specific law and a "single welfare plafond". How is it possible to finance it and reduce the huge tax evasion mentioned in Chapter 11? With the "conflict of interests" that Italian decision-makers do not even bother to consider.

13.1 A true intergenerational pact: from a solidarity contribution to an "intergenerational sustainability" contribution

Decision number 70/2015 of the Supreme Court outruled the de-indexation of the pensions three times above the minimum pension (par. 25, art. 24 of LD n. 201 of 6/12/2011), called Fornero Act, which opened a gap of over 5 billion i, the State budget. However, this can be an opportunity to re-think of how to obtain a better balance between pensions and work. The rationale rests on some conditions: **1)** Italy has a *pay-as-you-go pension system* which means that pension benefits are paid by active workers' contributions; **2)** like any other pay-as-you-go regime, the Italian system too has a *generational pact*, under which each generation will allow the previous one to have a pension; Italian young people in Italy know that their contributions are used to pay the pension benefits of their fathers and of their grandfathers, and that when they retire, their pensions will be paid by other people's contributions; **3)** the employment rate in Italy is very low, almost in the last positions of the OECD ranking, in terms of the overall rate, of the rates for women, for people over 55 and under 29; **4)** the so-called tax wedge puts Italy in the top ranks among industrialized countries; in the first rank for social contributions and in the five top positions for tax burden; **5)** there is no doubt that all pensions calculated with the income-based system are far more generous (and promote rampant tax dodging) vs. the ones calculated with the contribution-based system; **6)** following the past reforms which introduced automatic stabilizers, the pension system is in equilibrium but, to be sustainable over time, the economy has to recover, with more growth and *more jobs*.

An acceptable ratio (in the present situation) may be about **24.5 million people employed vs. 16 million pensioners**, equal to 1.531. On December 31 2013, the number of actively working people was about 22.425 million and the number of pensioners was 16.393 million, with a 1.368 ratio. So this ratio should be improved by 12%. This target is expected to be reached over time as far as pensions are concerned; it is more complex to increase the number of active workers. In fact, over 1 million jobs were lost during the crisis, which means that 1 million people no longer pay contributions, the system suffers and runs a deficit, also due to the generous income-based benefits.

In summary: the employment rate is low also because of high contribution charges and taxes; a sustainable pension and welfare system requires a higher employment rate among the young generation (*up to 29 years*) and in the "tail", that is people *over 55* who are too young to retire and too expensive to stay. Moreover, in 2013, the overall cost of the system, erroneously called pension system, was **280 billion euros**, of which two thirds for pensions and one third for *pure welfare measures*. As shown in ***II Report on the Italian pension system***, tax payers had to bear a cost equal to about **100 billion euros**.

So what can be done to increase employment especially in the under 29 and over 55 age brackets and make the Italian system more sustainable, without adopting erratic measures such as the de-indexation of some pension benefits and the solidarity contribution which may be again repealed by the Supreme Court? Second question: is it worth for pensioners to pay more for the intergenerational pact and for their benefits too? Third question: could the Supreme Court accept a provision designed to promote employment for the above-mentioned age group and so as to have a

more sustainable pension and welfare system (including all the income-support measures paid by general taxation)? Here are three answers:

I The Jobs Act laid the foundations to increase employment and now there are two options: **a)** all the **23.3 million benefits** being paid should have a 90% price adjustment in the next few years; **b)** a solidarity contribution should be paid for **all benefits, even the welfare benefits** generated by the income-based system; the contribution-based system for those who started working on January 1 1996, no longer provides for social allowances and supplementary benefits to which over 4.6 million pensioners are entitled out of 16.3 million; a huge number of people (not correlated with the Italian standard of living) who have paid few contributions for 65 years and perhaps very few taxes (they do not even pay taxes today on their benefits) and who must be supported by the young generations. For example, the "**intergenerational solidarity contribution**" will be 0.5% of the minimum pension (**about 2.5 € per month**) and will increase with the amount of pension benefits so as to get between **5 and 7 billion euros per year**; what can be done with these funds?

They can be used to set up a "**fund to support employment for people under 29 over and 55 years of age**" which finances every year **permanent and adjusted tax and contribution incentives** to give jobs to people in these age groups. These incentives are supposed to replace the current contribution incentives envisaged in the Jobs Act for the next 3 years for the new contracts with growing safeguards; the aim is to encourage enterprises to renew these contracts once these rebates (over 8000 euros per year and per person) expire. In fact, when the contribution incentives were eliminated for the southern regions on the basis of the 1994 Pagliarini – Van Miert agreement, it was a disaster for the south; and this may happen again after the three-year period; this would not happen with stable tax incentives (**a positive Irap**, the more the company hires, the greater the incentives).

II Is it worth for pensioners to pay this price? Yes indeed! It is like an insurance policy which guarantees the sustainability of the Italian pay-as-you-go system; more active workers, more contributions and so more available resources to pay current pension benefits. Boosting employment is beneficial in general but has a positive effect specifically on the contribution levels and it helps reduce expenditure on social protection measures. This would kill the demand for subsidies (minimum income and so forth and so on) and would generate a virtuous circle (fewer people on the dole and more workers).

III On the basis of the considerations above, this project is not very popular for politicians and is expected to be labelled by the opposition as a measure to hit the poor social pensioners, but it may be supported by the Court since it is designed to ensure the sustainability of the pension system and more intergenerational equality between income and contribution-based pensions. Of course, for the same shallow electoral reasons, no-one in the opposition will ever ask (nobody has considered this issue yet) how come half of the pensioners paid no or very few contributions (and so they did not pay taxes as indicated in Chapter 12), but they had all the services, including health care, and they are supported by young people and by those who pay taxes. Major reforms are for the brave hearted and fortunately the current Government that can surely implement them.

13.2 All households should be entitled to a "fourteen month year-end bonus" and to supplementary health care benefits

There is no doubt that Italian households have been impoverished by the financial crisis, also triggered by globalization which has eroded competitiveness and jobs. Moreover, the tax burden for those who pay taxes is one of the highest in Europe, a record level especially for retirement contributions, 33% of the income. The Renzi government has tried to put some money back into the pockets of Italian citizens, the famous 80 euros (less than 1000 euros per year) and has erroneously put the termination of employment benefit back into the paycheck but with higher taxes. Some parties have proposed other forms of support measures for households such as a **household quotient** (tax reductions according to the number of children), **the citizenship income** or a higher non taxable

income level, "*incentives for households*". All questionable solutions form the tax equality point of view, which have a welfare flavour and are very expensive. Instead, there are two ways to promote a civic attitude among citizens (rights but also the often forgotten duties) that cost nothing or very little for the State and for all citizens; these solutions can also discourage a further increase in taxes, first of all VAT at 24%.

These two proposals are interconnected and have two objectives: the first is the introduction of the "*conflict of interests*", so as to obtain a "fourteen month year-end bonus", that is a saving equal to 1,650 euros; the second is a "*single tax deduction plafond*" so as to have resources for complementary pension schemes, not self sufficiency benefits and supplementary health care benefits. Since savings produce savings, if the 1,650 € saved are invested with the conflict of interests in a pension fund or in supplementary health benefits, one third more of this amount is saved because it can be "*deducted from taxes*".

1) The conflict of interests: it is designed to deduct all *direct and non intermediated* expenses borne by households for housing, vehicles (cars, motorcycles, bicycles) and for domestic services which end up with the same statement: "*the cost is 1,000 €, with the invoice it is 1,22, but since you do not need an invoice because you cannot deduct it, I will charge you only 900 €*". Italy has very few "tax heroes"; since it is possible to save 320 € and life does not change but money can help, in 9 cases out of 10 this becomes an "unregistered" transaction. Instead, each household should be entitled to deduct (for three years on an experimental basis) 5.000 € for these expenses for plumbing, upholstery, electricity and painting works or for car body or engine works or for house help for 4 hours per week; it sounds like a complex system; in this case, each household would have a "*fourteen month year-end bonus*" equal to 1,650 euros for a tax rate of 33% including personal income tax additions. Of course, these works should have a maximum VAT of 5%; but in this case too the State has an advantage; in fact, if only 1 invoice is issued out of 10 for the works described above, the State receives 22%; instead if all works are invoiced with a 5% VAT, the State receives 50% (not bad to cut tax dodging). Moreover, if households deduct these expenses from their taxes, suppliers too pay taxes, but especially social charges; this is a double benefit for the State which receives about 23% for social charges on the taxable income and manages to have the cake and eat it. Clearly, if these suppliers do not pay contributions, when they retire at 67, other tax payers will have to pay their benefits; this means higher expenditure for the State and a huge tax burden for the poor guys who are obliged to pay (even if they wish they could not pay). Finally, households should also be entitled to deduct expenses for professional services such a legal and medical expenses.

2) Households feel more protected and may decide to join a *supplementary health care fund*. In 2014, the out-of-pocket health care expenditure reached 30 billion euros. When people are ill they do not mind if a visit costs 100 or 200 € or if the doctor gives them an invoice or not. They pay. However, a specialist registered with a fund or with a health care scheme costs 80 euros while the cost may be up to 200 euros for uninsured individuals. So, if households invest this "fourteen month year-end bonus" in a health fund, they save money for future contingencies, avoid long waiting lists, they can choose better facilities and save on taxes; in fact, the 1,650 € paid for the health care scheme can be deducted from taxes; households with a tax rate equal to 33% will save 545€ and their health plan cost will be 1,105 €. They can use the rest of the money to pay for school items or for other useful things for the family.

Italy has the following tax incentives: 5,164.57 € for pension schemes; 3,600 € for supplementary health benefits and about 550 for other forms of welfare (kindergarden, summer schools, fellowships etc.). Households should be entitled to deduct this amount of money not only for pension or health care benefits but they should have a "plafond" of 9,000 € per year for all forms of welfare benefits according to their needs and contingencies; this would really help and protect the fundamental brick of the society: the family! With great advantages in terms of consumption, growth and employment. Moreover, this would help shrink the large underground economy, like with the conflict of interest method.

In Italy there are at least 8 million people who are self-employed, professionals and irregular workers (workers who receive income support benefits or illegal migrants) who provide a wide range of daily services to over 24 million households. It will suffice to read Chapter 11 to realize the extent of tax and contribution dodging and avoidance. The same for the results illustrated in Chapter 12 (conclusions) to understand that most of these individuals need to be supported once they reach the retirement age with social pensions, fake disability benefits, supplementary benefits and other social allowances, often provided by unidentified local authorities.

In sum, the typical Italian household spends 5000 € per year (more for larger households); with a 33% rate, it can save 1,650 € which can be invested in a health care fund) or in a pension fund or in a LTC scheme); by calculating the same tax rate, it can save again 33% (1,650€ - 33%) 1,105 €. But not only, this household may see a specialist twice during the year without paying anything. Without any of the above, the cost would be over 300 €, so more saving to be added to the 545 € deducted from taxes.

All these proposals are actually a true tax reform; it is necessary to dare more to create a virtuous circle with more advantages for households and for the State.

13.3 A "framework law" on supplementary welfare and health care benefits

It is necessary to introduce a law on supplementary health care schemes, exactly like the law on complementary pension schemes introduced in 2005. Under this law, individuals are free and flexible in choosing how much they want to contribute and how to use the resources accrued and they can deduct part of these expenses from taxes; it is considered one of the best laws in Europe. This law was introduced because of: **a)** a partial and progressive reduction of compulsory pension benefits **b)** dwindling resources to be allocated to welfare; **c)** the aging of the population which is expected to drive up the costs of the pension, welfare and health care system.

The complementary pension system regulated by this law was able to grow notwithstanding the crisis and with no problems for their accrued resources. Instead, ***supplementary health care schemes*** are more or less in the same situation as the complementary schemes in 1991. In fact, at that time, there were more than 1000 pension funds with over 2 million members and many resources; they had been set up over time by using and combining the provisions of the *Constitution, the civil code, the framework income tax law, the contract and labour law*. Of course, there was everything in this mix: bad schemes but also many healthy funds of different types: internal funds, budget items, associations not recognized under art. 36 of the cc, juridical persons or separate schemes under art. 2117 of the cc. The resistance against an ad-hoc legislation was very strong because they wanted to defend their own turf and to do whatever they liked with the pension system.

Today, the same situation can be found in the field of supplementary health care schemes; lack of a clear regulatory framework; lack of supervision; rules applied in a different way in similar situations. Each supplementary health care provider wants to defend its prerogatives as an "institutional source", saying, for example, that contractual funds are better than other types of schemes and therefore it is not possible to have a harmonized regulation.

With the complementary pension system, this mental attitude has been discarded and today no-one of the 33 subjects sitting around the "negotiating table" would ever go back.

The lack of a comprehensive law and not using a series of rules mainly based on article 9, paragraph 8, of the law decree n. 502 of December 30 **1992** has produced a series of inconsistencies (this decree was issued in one of the worst moments for Italy); the most incredible one is that if workers are registered with a contractual health care scheme (generally employed workers) they are entitled to deduct contributions up to 3,600 €, if they are self-employed (over 7.5 million workers) they are entitled to deduct only 19% of 2.5 million lira (about 1,291 €). But there are other negative

examples within the framework of the over 300 schemes, such as simple insurance policies masked as funds or schemes only set up to obtain tax benefits.

Therefore, it is necessary to: **a)** launch a framework law with a series of themes related to: free or compulsory membership; terms and features of supplementary health care schemes; types of schemes; residual powers of "institutional sources"; taxation; common rules; long term care; supervision (Ministry of Health and Covip, as for the complementary pension system?); sanctions; requirements for management and control bodies; complementarity level and economies of scale, etc.; **b)** start talking about a single *plafond* (tax rebates for pension, health care and supplementary welfare schemes) to be used by households in a flexible way in the different phases of life.

13.4 The welfare system and local authorities

Whenever a proposal is made to reduce public expenditure of "***local authorities***", municipalities, and regions, their most frequent reaction is that they will have to reduce welfare benefits for their communities. But what kind of welfare are they talking about? What kind of benefits? How much do they cost? Where are these items in the public budget? Actually, it is not possible to give an answer to any of these questions for the simple reason that Italy does not have a cost-center accounting system specifying the weight of these expenses. Local authorities provide needy citizens with supplementary pension benefits, vouchers for goods and services, home care, housing support with reduced or zero rents, allowances for transportation, school meals and buses for children, incentives for classes, summer camps and much more. RGS is aware of these services but it does not have any accounting data; so these expenses (net of housing) are estimated to be 0.60% of GDP. These are just two of the many paradoxes in Italy: **1)** There are no comprehensive accounts to know exactly how much the whole system spends; **2)** no-one knows the amount of benefits in cash or in kind provided to individuals and their families by the central and local governments. Therefore, there is no certainty that this money is spent well for two reasons: **a)** many municipalities do not have a real picture of the situation of the recipients of subsidies and their families, so they do not know whether another local authority (Region) or the State provide the same benefits in cash or in kind; for example, there are still many municipalities which do not transfer the data of the deceased to Inps and so often this institute pays pensions to dead people; **b)** the 8,100 Italian municipalities are small: the first 1000 have less than 300 inhabitants on average (Tergu is 7101th in the ranking for the number of inhabitants, 570 people), the second 1000 do not reach 550 inhabitants on average (6101th place for Temù with 1010 people), the third 1000 about 1,250 inhabitants, the fourth 1000 less than 2000 inhabitants (4101th place for Quero, Nanto, Calendasco, Beregazzo etc. with 2,312 people). An example to talk about efficiency: a typical municipality with 1,500 inhabitants, with three municipal law enforcement agents, two cars and one small office; for this service alone which has no positive impact on security at all (one works in the first shift, the second in the second and the third is sick), the cost is 100 € per person. In Italy, there are only 1,100 municipalities with at least 10000 inhabitants (the minimum to develop services). Regions too are cases in point; in 2015, regions like Valle d'Aosta (129000 inhabitants), Molise (315000), Basilicata (578000), Umbria (896000), Trentino Alto Adige (1,051,000), Friuli Venezia Giulia (1,230,000) have fewer inhabitants than a neighborhood in Milan or in Rome and this is crazy for public expenditure. So, no comment.

In order to reduce public expenditure and to improve welfare for the community and coordinate it well to the national system, it would be wise to structurally review the organization with more than one thousand community centers (a series of municipalities which keep their name and traditions but with a centralized and single elected administration to manage and organize all the functions including community welfare and security); and no more than 10/11 regions.

There is no doubt that only a well structured administration can effectively interact with users and monitor expenses; moreover, it is necessary to have an INPS general registry of welfare service applicants (INPS already has a general registry for active workers and pensioners) in order to cross-

check the tax data; local authorities should have the overall economic picture of applicants and the list of subsidies provided including those provided by organizations which receive public contributions or the 5 x thousand. For example, health care cards should feature all the services provided and they may be used by the public sector but also by individuals and their families to have more information about the costs incurred. At the same time, these cards should have the list of all the other social benefits provided. This system is already feasible today without spending too much and it can be used by the State and by local authorities to know their welfare expenditure; but it is especially useful for users to learn how much they have received from the State. Probably Istat would discover that the social expenditure/GDP ratio is not 1 29.7% as they have claimed for some time, but it is 1.5 % more (29% in the 28 EU member countries), and Italy may at last improve its image abroad; Italian citizens often complain they pay many taxes and it is important for them to know how much they receive. Over one-thirds of them would be impressed to discover that the "pay 1 get 2" formula is not only applicable to supermarkets.

13.5 Summary and conclusions: the performance of the pension and welfare systems

This Report has provided an insight in how the Italian "***pension system***" performs on the basis of some relevant data. To this end, social expenditure has been reclassified according to its allocated function: health care, pensions, welfare expenses managed by Inps and Inail at the central and local government level (municipalities, former provinces and regions). The different items have then been included in the State budget using the DEF data updated to September 19 2015 to obtain the **total pension expenditure in the State budget**. ***Table 13.1*** provides an overall picture of the situation on which it is possible to make some considerations.

Table 13.1 THE STATE BUDGET

EXPENDITURE ITEMS (in millions)	YEAR 2012	2012 as % of the total	YEAR 2013	2013 as % of the total	YEAR 2014	2014 as % of the total
PENSIONS (1)	211,088	25.74%	214,567	26.17%	216,035	26.15%
HEALTH	110,422	13.47%	110,044	13.42%	111,028	13.44%
Health care + inv, LTC + GIAS (2)	62,941	7.68%	65,515	7.99%	66,500	8.05%
Temporary benefits (3)	25,675	3.13%	27,566	3.36%	26,998	3.27%
INAIL benefits	10,409	1.27%	10,400	1.27%	9,109	1.10%
Welfare by Local Authorities (*)	9,690	1.18%	9,656	1.18%	9,696	1.17%
Remuneration of public sector employees (4)	128,347	15.65%	127,359	15.53%	126,351	15.29%
Operating expenses (5)	112,851	13.76%	118,924	14.50%	126,614	15.32%
Capital account expenses	64,532	7.87%	57,961	7.07%	58,749	7.11%
INTERESTS	84,086	10.25%	77,942	9.51%	75,182	9.10%
Total expenditure on social benefits	430,225	52.46%	437,748	53.39%	439,366	53.18%
TOTAL FINAL EXPENSES (6)	820,041	100%	819,934	100%	826,262	100%
GDP serie SEC 2010/incidence	1,615,131	26.64%	1,609,462	27.20%	1,616,048	27.19%

(1) pension expenditure net of Gias (except for that of public employees equal to 7.553 billion) and before taxes, 42.9 billion euros; (2) The item features the total Gias transfers (tab 1 A) + welfare expenses (pensions and social allowances, disability and carers' allowances, veterans' benefits) + 14th month year-end bonus and the additional amount + 10.8 billions' worth of State contributions to the fund for public employees (10.5 billion in 2012; 10.6 in 2013). (*) estimate on RGS data, 0.6% of GDP excluding housing; (3) Expenses for temporary benefits including: family allowances and benefits, wage support measures, unemployment benefits, Aspi, sick and maternity benefits financed by GPT and by contributions from employers and partly by Gias (not included in the Gias amounts in table 1a); (4) In the "employed work income" section, the staff remuneration cost in the health sector is included in the health expenditure and so it is subtracted from the total remuneration of public employees; the cost of health care workers is 35.5 billion in 2012, 35.238 in 2013 and 35.487 in 2014; the same holds true for the 2.036 billion euros' worth of remuneration of pension schemes; (5) in the DEF, they are indicated as "intermediate consumption"; (6) data on "the update note to the 2015 DEF approved on 18/9/2015 that replaced the data used last year for the DEF updated up to 30/9/2014; **NOTE 1:** the slight differences in the figures under 3 and 4 vs. the DEF are due to a reclassification of some costs. **NOTE 2:** The 2014 costs of "social benefits" do not include operating expenses (2.164 billion) that should be added to the total expenses on social benefits, while they include the remuneration (2.036 billion) of the employees of public bodies (Inps e Inail).

Unlike what some observers often say, the reclassified budget shows that the expenditure on *social benefits* in Italy was equal to **439.366 billion** euros in 2014 and it accounted for over **53%** of the total expenditure including the interests on public debt (over **58%** net of interests) which amounted to 826.262 billion. The annual deficits of the system were adjusted starting from 1980 (the first year of deficit) to the yield of treasury bills to repay the pension and welfare debt. In other words, the public debt is mainly generated by the sum of the annual pension and welfare expenditure deficits. The incidence of the social expenses considered in table 13.1 on GDP is equal to **27.19%**, to which should be added other social expenses for housing, social exclusion, family and operating cost incentives for a total of **30%**, one of the highest levels in the 28 EU member countries. This expenditure is not considered to be sustainable in the future; indeed, it is already hampering public investments on technology, research and development, which is the only way to promote competitiveness in Italy and to obtain a more favorable future for young generations already stifled by a huge public debt burden.

The main "figures" of the pension system: Table 13.2 provides a summary of the data examined in this Report, with a historical series from 1997 to 2014. It is interesting to look at the ratio of the number of benefits vs. the number of pensioners; in practice, each pensioner (each head) receives

1.434 benefits which leads to an average pension from **11,695 €** to **16,638 €** per year, above 1000 euros per month. Another fundamental finding for the sustainability of the Italian pay-as-you-go system is the ratio of the number of employees vs. the number of pensioners. In 2014, it was only **1.379 active workers per pensioner**. Finally, the number of benefits vs. the population shows that the system pays one benefit every **2.607** inhabitants which means one benefit per family, this is the reason why pensions are a very sensitive issue.

Table 13.2: the extent of the pension issue

	1997	1998	1999	2000	2001	2002	2003	2004	2005
Costo totale delle prestazioni(1)	122.948	122.818	128.463	132.039	138.128	144.249	151.080	158.035	164.722
Totale entrate contributive(1)	104.335	109.384	116.276	120.501	129.759	132.201	139.078	148.730	152.440
Saldo	-18.613	-13.434	-12.187	-11.538	-8.369	-12.048	-12.002	-9.305	-12.282
Rapporto spesa totale / PIL	11,7	11,3	11,4	11,1	11,1	11,1	11,3	11,4	11,1
N° dei lavoratori occupati(2)	20.384.000	20.591.000	20.847.000	21.210.000	21.604.000	21.913.000	22.241.000	22.404.000	22.563.000
N° dei pensionati(3)	16.204.000	16.244.618	16.376.994	16.384.671	16.453.933	16.345.493	16.369.382	16.561.600	16.560.879
N° delle pensioni(3)	21.602.473	21.800.058	21.589.000	22.035.864	22.410.701	22.650.314	22.828.365	23.147.978	23.257.480
N° abitanti residenti in Italia(2)	56.904.379	56.909.109	56.923.524	56.960.692	56.993.742	57.321.070	57.888.365	58.462.375	58.751.711
N° occupati per pensionato	1,258	1,268	1,273	1,295	1,313	1,341	1,359	1,353	1,362
N° pensioni per pensionato	1,333	1,342	1,318	1,345	1,362	1,386	1,395	1,398	1,404
Rapporto abitanti / pensioni	2,634	2,611	2,637	2,585	2,543	2,531	2,536	2,526	2,526
Importo medio annuo pensione(3)	7.189	7.436	7.874	7.888	8.073	8.357	8.633	8.985	9.239
Importo corretto pro-capite(3)	9.583	9.979	10.380	10.609	10.995	11.581	12.039	12.558	12.975
PIL(4) (valori a prezzi correnti)	1.048.766	1.091.361	1.127.091	1.191.057	1.248.648	1.295.226	1.335.354	1.391.530	1.490.409

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Costo totale delle prestazioni(1)	170.457	177.540	185.035	192.590	198.662	204.343	211.086	214.567	216.107
Totale entrate contributive(1)	161.404	170.524	183.011	183.280	185.656	187.954	190.345	189.207	189.595
Saldo	-9.053	-7.016	-2.024	-9.310	-13.006	-16.389	-20.741	-25.360	-26.512
Rapporto spesa totale / PIL	11,0	11,0	11,3	12,2	12,4	12,5	13,0	13,3	13,4
N° dei lavoratori occupati(2)	22.988.000	23.222.000	23.404.689	23.024.992	22.872.328	22.963.750	22.885.000	22.425.212	22.421.559
N° dei pensionati(3)	16.670.893	16.771.604	16.779.555	16.733.031	16.708.132	16.194.948	16.533.152	16.393.369	16.259.491
N° delle pensioni(3)	23.513.261	23.720.778	23.808.848	23.835.812	23.557.241	23.700.000	23.400.000	23.322.278	23.198.474
N° abitanti residenti in Italia(2)	59.131.287	59.619.290	60.045.068	60.340.328	60.626.442	59.394.000	59.685.227	60.782.668	60.795.612
N° occupati per pensionato	1,379	1,385	1,395	1,376	1,369	1,418	1,384	1,368	1,379
N° pensioni per pensionato	1,410	1,414	1,419	1,424	1,410	1,463	1,415	1,423	1,427
Rapporto abitanti / pensioni	2,515	2,513	2,522	2,531	2,574	2,506	2,551	2,606	2,621
Importo medio annuo pensione(3)	9.511	9.822	10.187	10.640	11.229	11.410	11.563	11.695	11.943
Importo corretto pro-capite(3)	13.414	13.891	14.454	15.156	15.832	15.957	16.359	16.638	17.040
PIL(4) (valori a prezzi correnti)	1.549.188	1.610.305	1.632.933	1.573.655	1.605.694	1.638.857	1.628.004	1.618.904	1.616.048

(1) Nucleo di valutazione della Spesa Previdenziale fino all'anno 2010 – "Gli andamenti finanziari del sistema pensionistico obbligatorio al netto GIAS"

(2) Istat – "demo.istat.it"

(3) Inps – "Casellario Centrale dei Pensionati"

(4) Istat - SEC 2010

Total cost of benefits (10) Total contribution revenues (1) Balance Total expenditure/GDP ratio n. of employed workers (2) n. of pensioners (3) n. of pensions (3) n. of inhabitants in Italy (2) n. of employed workers per pensioner n. of pensions per pensioner inhabitants/pensioners ratio average annual pension amount (3) per capita adjusted amount (3) GDP (4) (current prices)

(1) Nusvap up to 2010 - "Financial trends of the compulsory pension system net of GIAS"

The accounting framework: in 2014 pension expenditure for all funds and schemes (net of GIAS as shown in table 1a) reached **216,107 million euros** with a **0.69%** increase vs. 2013; **contribution revenues**, including transfers to support contributions, incentives and rebates equal to 16,948 million (not including an additional State contribution of 10,800 million euros under Act n. 335/1995, to finance Casse Trattamenti Pensionistici degli Statali (public employees' benefit schemes) amounted to **189,595 million euros** with respect to 189,364 million euros in 2013, with a very slight increase by **0.12%**; so there is a negative balance between contributions and benefits of **26,512 million**, up by **4.95%** i vs. the 25,262 million euros' worth of deficit in 2013.

There are only three INPS funds with a positive balance: the **fund for retailers** with **521 million**, the fund for **entertainment sector workers** with **279 million** and the fund for **atypical workers** with **6,943 million**; all the funds for professionals run a surplus (except for Inpgi and Cipag), with a positive balance of **3,364 million** euros. Without these surpluses, the general deficit would go up to **37.619 billion**.

The schemes with the most negative balances are: the *fund for public employees* with *26,1875 million euros'* worth of deficit , the ex *Ferrovie dello Stato fund* with an extremely negative result, - *4,233 million euros*; the *fund for artisans* with - *3,541 million euros*; the *CDCM fund* with - *3,146 million*.

Pension benefit expenditure: in 2014, *pension expenditure* reached *216,107 million euros* while *contribution revenues* amounted to *189,595 million euros* with a *negative balance of 26.512 billion*. But in order to calculate “*pension benefit expenditure*” that is the benefit expenses paid by contributions, it is necessary to reclassify this item as follows: the GIAS transfers from the State are subtracted from contribution revenues in order to obtain the actual contribution revenues, that is *172,647* million. The taxes directly paid to the State are also subtracted, (there may be a balance at the end of the year), but since they are just a “clearing entry” and "not expenses", the total pension expenditure (including additional benefits to the minimum pension) drops to *173,207* million. If welfare benefits are separated from pension benefits, the amount of supplementary benefits to the minimum pension should also be subtracted since it depends on the income and not on the contribution system (according to Eurostat, they should be among family support and social exclusion measures); in this case, pension benefit expenditure would be equal to *163,313 million*. If supplementary benefits to the minimum pensions are not considered, the pension system is almost in equilibrium, with a slight deficit of *560 million* (0.32% of the overall pension expenditure). This shows that the Italian system has been stabilized and made more sustainable thanks to the reforms of the last few years. In this connection, a more conservative approach should be adopted by the champions of additional reforms and cuts to pension benefits, or de-indexation measures and solidarity contributions; in fact these proposals together with rumors about the low pension benefits paid by Inps result in more extensive dodging and avoidance of contribution charges and discourage young people from adequately paying their contributions. Moreover, when the actual pension expenditure is calculated as indicated above, its ratio with respect to GDP drops from 15.46% to 10.72%, in line with other European Union member countries. Istat has communicated to Eurostat that the 2011 expenditure on disability, old-age and survivors' pensions is equal to 19% of GDP. The problem is that benefits like the minimum pension and social supplementary benefits and family allowances are charged as pension expenditure items. So, Italy is apparently in the top ranks in terms of pension expenditure in Europe, which irritates the other European partners; instead, it is in the lowest OECD and Eurostat ranks in terms of family, income, social exclusion and housing support measures. All these income-related benefits are designed to support households and to reduce poverty and social exclusion. With the right calculations, Italy is in line with the European average.

Budget indicators for 2014 (million of euros) pension balance

Pension expenditure (net of GIAS)	216,107
Pension taxes	42,900
Pension expenditure net of taxes	173,207
Contribution revenues	189,595
GIAS and GPT share of contribution revenues	16,948
Revenues net of GIAS and GPT transfers	172,647
Balance	- 560,00
<u>Minimum pension supplementary benefits</u>	9,894.1
OPERATING BALANCE (table 1a)	- 26,512

Welfare expenditure: *Table 13.3* provides an exhaustive picture of expenditure classified as “welfare expenditure” including benefits for disabled civilians, carers' allowances, pensions, social benefits and veterans' pensions.

Tipo di prestazione	Numero				Importo annuo (milioni di euro)				Importo medio annuo (euro)			
	2011	2012	2013	2014	2011	2012	2013	2014	2011	2012	2013	2014
Pensioni di invalidità civile	841.725	857.725	871.317	891.062	2.835,0	2.953,9	3.077,6	3.168,0	3.368	3.444	3.532	3.555
Indennità di accompagnamento	1.892.245	1.923.896	1.967.381	1.994.740	10.522,8	11.520,9	11.274,4	11.559,0	5.561	5.988	5.731	5.795
Pensioni e assegni sociali	809.263	848.716	835.669	845.824	4.035,4	4.779,7	4.990,0	4.609,0	4.987	5.632	5.971	5.449
Pensioni di guerra	282.135	261.435	241.015	232.557	1.460,9	1.426,4	1.390,4	1.443,9	5.178	5.456	5.769	6.209
dirette (1)	98.130	91.510	85.381	88.810	886,3	874,2	862,1	936,3	9.553	9.553	10.097	10.542
indirette	184.005	169.925	155.634	143.747	574,6	552,3	528,3	507,6	3.250	3.250	3.395	3.531
Totale	3.825.368	3.891.772	3.915.382	3.964.183	18.854,1	20.680,9	20.732,4	20.779,9	4.929	5.314	5.295	5.242
Altre prestazioni assistenziali	4.937.149	8.147.722	7.644.242	7.304.569	13.853,1	13.255,9	12.871,4	12.347,2	2.806	1.627	1.684	1.690
di cui:												
Integrazioni al minimo	3.856.033	3.726.783	3.604.744	3.469.254	10.991,0	10.580,1	10.343,3	9.894,1	2.850	2.839	2.869	2.852
Altre maggiorazioni (2)	1.081.116				2.862,1				2.647			
Maggiorazioni sociali		1.097.626	1.038.069	998.012		1.583,4	1.522,6	1.488,4		1.443	1.467	1.491
Quattordicesima		2.463.580	2.266.318	2.199.756		962,2	893,5	867,4		391	394	394
Importo aggiuntivo		859.733	735.111	637.547		130,1	111,9	97,3		151	152	152

(1) Nel 2014 comprendono anche gli indennizzi concessi ai sensi della legge 25 Febbraio 1992, n. 210

(2) Per l'anno 2011 è disponibile il dato aggregato di maggiorazioni sociali, quattordicesima e importo aggiuntivo.

Fonte: Archivio delle pensioni INPS e Casellario Centrale dei Pensionati (pensioni di guerra)

Table 13.3 - Number of welfare benefits and their annual, total and average amount by type of benefits Benefits on December 31 2011, 2012, 2013 and 2014

Type of benefit Number Annual amount (millions of euros) Average annual amount (euros)
 Disability pensions Carers' allowances Pensions and social allowances Veterans' pensions direct (1) indirect Total
 other pension benefits: Supplementary benefits to minimum pensions Other additional benefits (2) Additional social allowances (2)
 Fourteenth month year-end bonus Additional amount

(1) In 2014, it also includes the indemnities granted under Act n. 210 of February 25 1992

(2) For 2011, there is the aggregated data on social supplementary benefits, the fourteen month year-end bonus and additional amounts

Source: INPS Pension Archive and Central Registry of Pensioners (veterans' pensions).

These welfare benefits were provided to **3,964,183 subjects**, for a total cost **20.780 billion** per year (20.732 in the previous year). In the last 4 years, **pensions for disabled civilians** (+ 50,000) and **carers' allowances** (+ 102,000) have consistently grown; in 2014 the system provided disability pensions to 891,062 people and 1,994,740 carers' allowances. The same holds true for **social pensions and allowances** (845,824) while veterans' pensions consistently dropped to 88,810 in the form of direct benefits (including the indemnities envisaged by Act n. 210 of 1992) and to 143,747 of indirect benefits.

In order to complement this analysis, it is necessary to add other welfare measures to the pure welfare benefits described so far; in 2014 all the other measures dropped with respect to the previous years; these are: **a) the additional pension amount**, 637,547 benefits of which almost 70% to women as envisaged under the 2001 Budget Law (Act n. 388 23/12/2000) for pensioners whose benefits do not exceed the amount of the FLDP minimum benefits, with a cost equal to 97.3 million euros; **b) pensions with additional social benefits** for low-income subjects; 998,012 benefits of which almost 70% provided to women, 1,491 euros per year on average and a total cost of 1.488 billion euros; **c) the additional amount, the so-called fourteen month end-year bonus**, provided for under Act n.127 of 7/8/2007; it is paid to pensioners above 64 years of age whose income does not exceed 1.5 times the FPLD minimum benefits for a total of 2,199,756 benefits, down with respect to the previous years; the average amount is 394 euros, mainly provided to women (77%) and with a total cost of 867.4 million euros; **d) supplementary benefits to the minimum pension** to 3,469 beneficiaries, for a total cost of 9.894 billion euros (down in the last 4 years).

In **2014**, the number of beneficiaries of pure welfare benefits was **3,964,183** (first part of table 13.3) and the number of recipients of supplementary minimum pension and social benefits was **4,467,266** for a total of **8,431,449** subjects (down in the last 4 years), that is **51,85%** of pensioners. This figure should not include disability benefits when carers' benefits are provided; instead the fourteen month year-end bonus and the additional amount have not been added as number of benefits to the minimum pension and social supplementary benefits because, in most cases, these subjects already

receive other welfare benefits. In any case, the number of pensions with additional welfare benefits is very high with respect to the total and does not reflect the general economic situation of the country. The total cost of welfare benefits for 2014 (excluding the minimum pension supplementary benefits which are welfare benefits but which are paid in a mutualistic way by each scheme, which therefore cannot be added to other welfare benefits) was equal to **23,233 million, all paid by tax payers**; all these benefits (including minimum pension supplementary benefits) are not taxed.

LTC expenditure: the above-mentioned welfare expenditure features an item that can be classified as LTC expenditure, which amounts to **14,727 million euros, (0.91% of GDP)**. According to the RGS data, the total public expenditure in Italy is about 1.9% of GDP, the rest is included in health care expenditure.

Expenditure paid by general taxes: the Italian social security system establishes that pension expenditure be financed by a purpose tax, that is by “**social charges**”. However, since total benefits exceed contribution revenues, also due to pervasive tax and contribution dodging, the share paid by general taxes in 2014 can be classified as follows: the first part paid by general taxes is the **overall deficit of the system** equal to **26.512 billion**, plus **GIAS transfers**, that is **33.358 billion (table 1 a)**, the **GIAS transfers** to support contribution revenues (see *BOX 1 of Chapter 4*) which amount to **10.453 billion** and **1/3 of 6.496 billion euros'** worth of State transfers, while **2/3** are covered by contributions paid by enterprises, the State contribution to the fund for public employees (*table 1a, note 1*, without which the overall deficit would be higher) equal to **10.8 billion**; plus the welfare part (*table 13.3*) described in *Chapter 4.6* for a total of **23.233 billion (it includes pure welfare benefits, additional social benefits, the fourteen month year end bonus and the additional amount)**; finally, general taxes also pay GIAS transfers for the income support measures of unemployed people, equal to **8.756 billion** (*table 7.4, chapter 7*; 3.588 billion euros' worth of contributions are included in the 10.453 billion euros' worth of contribution revenues), **3.408 billion euros'** worth of household measures and **567 million euros'** worth of reduced charges (ex TBC).

Therefore, the total tax burden increased to **119.252 billion** (108,452 excluding the 10.8 billion that can also be accounted for as contributions from the employer, that is the State) equal to **7.37 % of GDP** (up with respect to the previous years).

These figures should also include the welfare expenses borne by local authorities, which do not appear under welfare expenditure because of national accounting problems; the estimates of these expenses are provided in *table 13.1*.

Table 13.4 expenditure financed by general taxes in 2014 and the number of welfare benefits (millions of euros)

EXPENDITURE FINANCED BY GENERAL TAXES	
Deficit	26,512.00
GIAS transfers (net of the PA share)	33,358.00
GIAS transfers to support contribution revenues (10.453 + 2.165,3 billion)	12,618.30
Wage support benefits for the unemployed paid by GIAS	8,756.00
Pure welfare benefits	23,233.00
State contribution for the fund for public employees	10,800.00
GIAS household support charges	3,408.00
Charges to cover former retirement contributions (tbc)	567,00
Total paid by general taxes	119,252.30
NUMBER OF WELFARE BENEFITS	
Number of welfare benefits	3,694,183
other welfare benefits	4,467,266
of which minimum pension supplementary benefits	3,469,254
Total supported pensions	8,431,449
in % sul totale pensionati	51.85%

So, the cost to maintain social benefits at the current level, the part not covered by social charges and therefore by general taxes, amounts to 119.252 billion euros for welfare measures, 111.028 for health care and about 9.696 billion for the welfare services to be provided by local authorities for a total amount of **239.976 billion euros**. It is a huge redistribution which is equal to 3,973.11 euros per inhabitant if compared to the social contribution and the personal income tax levels.

Taxes on pensions: in 2014, the total amount of personal income taxes on pensions was 42.9 billion euros, of which **28.4 for INPS private pensioners and 14.5 for ex Inpdap pensioners** (public employees) and **ex Enpals retirees** (sports and entertainment sector). The analysis of these taxes shows that there is a huge evasion of contribution charges; in fact, public employees, who only account for 16% of the total, pay 1/3 of all the taxes. The remaining 84%, about 7 million pensioners (51%), practically do not pay taxes (pensions up to twice as much as the minimum pension – 1001.76 €); the remaining 27% (about 3,733,514 pensioners) pay a very low tax rate (see table 11.2 , source Tax Authorities). So the other **2,84 million pensioners** have to pay most of the **28.4 billion euros'** worth of personal income taxes. In sum, the whole pension tax burden pensions is shouldered by 30% of pensioners and mainly by the **770,00 pensioners** with benefits above a gross amount of 3000 euros per month. This should be food for thought. Most retirees who are tax exempted paid very few taxes or none at all while they were working.

The average pension: the analysis of the tables attached to this Report and of those found on the website provides some information about the average pension by category of workers and about the average pension/average income ratio. However, it is important to consider that the INPS income-based pensions often benefit from welfare transfers; for example, the average pension of employed

workers may include some welfare measures (welfare benefits, supplementary and complementary benefits) and is characterized by a low level of contributions or no contributions at all and by the failure to recover contributions; the same is true for the pension levels of farmers and of self-employed workers. The schemes for professionals used to pay very generous benefits on the basis of the previous calculation method. In many cases, the average contribution amount for certain categories is even lower than the maximum deductible amount of 5,164 euros provided for complementary schemes.

However, it is possible to make the following observations: **a)** all the pensions calculated with the income-based system are more generous than the ones calculated with the contribution-based system; the greatest advantages come from welfare and supplementary benefits and from average benefits; the pensions above a gross amount of 5,500 € per month have fewer advantages when the amount of benefits increases;; **b)** for the same level of contributions, public employees and the members of special funds (transportation, telephony, sports, airlines, railways, ex Inpdai) have higher pensions vs. private sector employees who are members of FPLD; **c)** farmers, tenant farmers and sharecroppers benefit from much higher pensions with respect to the ones calculated on the basis of the contributions paid; **d)** after the 1991 law, self-employed workers too greatly benefit from the generous income-based calculation method; **e)** over 50% of old-age pensions paid by INPS are supplemented and financed by tax payers.

Table 13.5 Average pensions by category of workers

CATEGORIE DI LAVORATORI	Pensione Media 2013 (migliaia di €)	Pensione Media 2014 (migliaia di €)	Reddito Medio 2013 (migliaia di €)	Reddito Medio 2014 (migliaia di €)	Rapporto tra PM e RM 2013 %	Rapporto tra PM e RM 2014 %
NOTAI	75,69	76,94	101,13	139,99	74,84	54,96
GIORNALISTI	57,51	54,06	67,37	67,7	85,36	79,85
DIRIG AZIENDE EX INPDAI	49,92	50,09	156,56	159,4	31,89	31,42
Fondo VOLO	46,95	45,44	34,29	19,98	136,92	227,43
COMMERCIALISTI	35,37	36,2	60,94	59,81	58,04	60,52
AVVOCATI	27,46	27	45,49	38,63	60,36	69,89
LAVORATORI TELEFONICI	25,87	26,11	38,78	38,21	66,71	68,33
RAGIONIERI	25,55	26,3	57,03	55,28	44,80	47,58
INGEGNERI, ARCHITETTI	18,44	18,95	26,4	25,53	69,85	74,23
DIPENDENTI STATALI	23,96	26,01	39,76	35,19	60,26	73,91
EX FERROVIE dello STATO	21,47	21,74	41,75	41,3	51,43	52,64
LAVORATORI TRASPORTI	21,13	21,34	31,49	31,13	67,10	68,55
DIPENDENTI ENTI LOCALI	18,81	19,12	31,37	29,77	59,96	64,23
EX POSTE (IPOST)	17,84	18	28,7	28,11	62,16	64,03
LAVORATORI SPETTACOLO	15,85	16,01	15,76	16,53	100,57	96,85
GEOMETRI	14,77	13,33	20,84	20,14	70,87	66,19
DIPENDENTI PRIVATI (FPLD)	12,19	12,47	23,16	22,07	52,63	56,50
ARTIGIANI	11,06	11,26	20,72	20,74	53,38	54,29
COMMERCianti	10,15	10,36	20,37	20,78	49,83	49,86
CONSULENTI LAVORO	10,14	10,27	66,47	65,78	15,26	15,61
MEDICI	6,94	6,98	30,92	31,1	22,45	22,44
AGRICOLI CDCM	7,58	7,73	9,18	10,99	82,57	70,34
FARMACISTI	6,07	6,06	30,65	30,42	19,80	19,92
VETERINARI	5,88	5,74	16,92	16,63	34,75	34,52

NOTE: the average pensions of the members of the privatized funds for professionals under LD 103/96, these schemes are too young and are not yet very significant. (1) Average pension before GIAS transfers. According to the accounts of this entity, the Notaries' income jumped from 481 million euros in 2013 to 666 million euros in 2014 but the contributions did not change; the income of the aviation fund went down from 329 million euros in 2013 to 192 million in 2014; for lawyers the reduction in their average income was due to the increase in the number of contributors, from 177000 in 2013 to 223,842 in 2014, as mentioned in Chapter 5.

Category of workers Average pension (thousands of euros) Average income AP/AI ratio
 Notaries Journalists ex Inpdai executives Aviation Fund Certified Accountants Lawyers Telephony workers
 Accountants Engineers and Architects public employees ex FFSS Transportation workers employees of local
 authorities ex post (ipost) workers entertainment workers surveyors private sector employees (Fpld) artisans
 retailers labour consultants doctors CDCM agricultural workers pharmacists veterinary doctors

Table 13.5 shows that the average pension ranking is led by notaries (their benefits are fully covered by contributions), followed by journalists, executives and by the aviation fund members (mainly Alitalia); then there are certified accountants, lawyers, telephony workers and accountants. But if constitutional bodies and entities are considered (chapter 8.1), the leaders of the ranking are the Constitutional Court judges with **200,000 euros**, followed by retired (over **91000 €** per year), by deputies and regional councillors; immediately after the notaries there are the retired judges of the Supreme Court with over 68000 € per year, followed by retired senators, by the employees of the Chamber of Deputies, of the Senate and of the Presidency of the Republic, at the same level as journalists. Retired employees of the Sicily Region too have a very good position in the ranking.

All the new measures introduced in 2016, together with the ones already applicable in 2015, such as age requirements and length of contribution, transformation coefficients, pension indexation, solidarity contributions, flexibility options (women, part time) **are reported in appendix 1** with comments and in depth analyses. The number of pensions and of pensioners, by level of benefits, the comments on average pensions and on women's pensions are illustrated in Chapter 8; life annuities and the benefits of constitutional bodies are illustrated in Chapter 8.1

Tab. 1.a - Entrate contributive e spesa per pensioni e integrazioni assistenziali (milioni di euro) (1)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1. Lavoratori dipendenti privati (a)														
- contributi	79.518	83.160	85.415	91.200	93.298	96.960	102.908	111.086	111.099	112.369	115.206	117.037	116.419	115.881
- prestazioni	82.644	85.728	89.706	94.075	97.409	99.417	102.837	106.767	110.360	112.541	114.881	117.772	119.259	119.494
- saldi	-3.126	-2.568	-4.292	-2.875	-4.111	-2.457	71	4.319	739	-172	325	-734	-2.840	-3.613
2. Lavoratori dipendenti pubblici														
- contributi (2)	32.168	32.953	33.738	35.758	36.015	39.769	38.611	41.713	41.533	41.522	40.774	39.251	38.246	38.164
- prestazioni (3)	39.723	41.561	43.115	44.325	46.417	48.355	50.636	53.079	55.938	58.402	60.631	63.015	64.304	65.039
- saldi	-7.555	-8.608	-9.377	-8.567	-10.402	-8.586	-12.026	-11.366	-14.405	-16.880	-19.858	-23.764	-26.058	-26.875
3. Lavoratori autonomi														
3.1. Artigiani e commercianti														
- contributi	10.846	11.155	11.543	12.124	12.894	13.543	15.911	16.456	16.567	15.867	16.748	17.772	17.999	18.345
- prestazioni	10.501	11.368	12.313	13.183	14.513	15.540	16.581	17.527	18.531	19.258	19.979	20.611	21.238	21.365
- saldi	345	-213	-770	-1.060	-1.618	-1.997	-671	-1.071	-1.964	-3.391	-3.231	-2.839	-3.240	-3.020
3.2. Coltiv.diretti, coloni e mezzadri														
- contributi	1.048	1.022	1.040	1.034	1.034	1.025	1.006	1.013	1.036	1.054	1.067	1.129	1.162	1.213
- prestazioni	2.475	2.637	2.579	2.853	2.855	3.380	3.511	3.475	3.336	3.835	3.966	4.533	4.277	4.359
- saldi	-1.427	-1.615	-1.539	-1.818	-1.820	-2.355	-2.505	-2.463	-2.299	-2.781	-2.899	-3.403	-3.116	-3.146
4. Liberi professionisti (b)														
- contributi	2.950	3.325	3.492	3.920	4.222	4.665	4.981	5.275	5.590	5.917	6.377	6.697	7.156	7.322
- prestazioni	1.839	1.960	2.074	2.229	2.383	2.544	2.691	2.842	2.999	3.138	3.281	3.515	3.753	3.957
- saldi	1.111	1.366	1.418	1.690	1.839	2.121	2.289	2.433	2.592	2.778	3.096	3.182	3.403	3.365
5. Fondo clero														
- contributi	28	29	30	30	30	30	31	31	32	32	31	33	33	33
- prestazioni	77	83	82	85	90	89	93	96	99	99	99	100	103	102
- saldi	-50	-54	-52	-55	-60	-59	-62	-65	-67	-66	-68	-67	-70	-69
6. Gestione lavoratori parasubordinati (c)														
- contributi	2.559	2.924	3.179	3.923	4.156	4.559	6.215	6.570	6.589	8.117	6.922	7.550	7.327	7.568
- prestazioni	5	17	22	44	71	116	174	236	302	385	457	467	554	625
- saldi	2.553	2.907	3.157	3.880	4.085	4.443	6.041	6.334	6.286	7.732	6.466	7.083	6.773	6.943
7. Tot. Integrativi (d)														
- contributi	647	639	645	745	799	859	861	868	836	892	892	937	1.022	1.069
- prestazioni	863	896	923	962	984	1.016	1.016	1.013	1.025	1.027	1.085	1.104	1.137	1.165
- saldi	-217	-257	-278	-217	-185	-157	-155	-144	-188	-136	-193	-167	-115	-96
TOTALE GESTIONI PENSIONISTICHE														
- contributi	129.764	135.207	139.082	148.734	152.447	161.411	170.523	183.012	183.283	185.770	188.018	190.408	189.364	189.595
- prestazioni	138.128	144.249	150.815	157.757	164.722	170.458	177.540	185.035	192.590	198.685	204.379	211.117	214.626	216.107
- saldi	-8.365	-9.043	-11.733	-9.023	-12.275	-9.047	-7.017	-2.022	-9.307	-12.915	-16.362	-20.710	-25.262	-26.512
Quota Gias per le gestioni pensionistiche (4) (5)	26.891	28.677	29.280	29.816	30.100	30.913	31.766	32.626	32.782	33.577	33.705	31.780	33.292	33.358
SPESA PENSIONISTICA	165.019	172.926	180.095	187.573	194.822	201.370	209.306	217.661	225.372	232.262	238.084	242.897	247.918	249.465
Spesa pensionistica in % del PIL														
- al lordo Gias	12,70	12,84	12,94	12,94	13,07	13,00	13,00	13,33	14,32	14,46	14,53	15,04	15,43	15,46
- al netto Gias	10,63	10,71	10,84	10,89	11,05	11,00	11,03	11,33	12,24	12,37	12,47	13,07	13,36	13,39

Tab. 1a Contribution revenues, pension expenditure and supplementary welfare benefits

Private sector employees: contributions benefits balance Clergy Fund Fund for atypical workers (c) supplementary benefits (d) Total pension schemes Gias transfers to pension schemes (4) and (5) Pension expenditure Pension expenditure as a % of GDP before GIAS and after GIAS

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1. Lavoratori dipendenti privati	-3,78	-3,00	-4,78	-3,06	-4,22	-2,47	0,07	4,05	0,67	-0,15	0,28	-0,62	-2,38	-3,02
2. Lavoratori dipendenti pubblici	-19,02	-20,71	-21,75	-19,33	-22,41	-17,76	-23,75	-21,41	-25,75	-28,90	-32,75	-37,71	-40,52	-41,32
3.1. Artigiani e commercianti	3,28	-1,88	-6,25	-8,04	-11,15	-12,85	-4,04	-6,11	-10,60	-17,61	-16,17	-13,78	-15,25	-14,14
3.2. Coltiv.diretti, coloni e mezzadri	-57,65	-61,24	-59,67	-63,74	-63,77	-69,68	-71,34	-70,86	-68,93	-72,51	-73,09	-75,08	-72,84	-72,18
4. Liberi professionisti	60,44	69,68	68,35	75,82	77,17	83,38	85,06	85,63	86,42	88,54	94,36	90,52	90,68	85,03
5. Fondo clero	-64,17	-65,57	-63,80	-64,55	-66,96	-66,56	-66,73	-67,73	-67,98	-67,14	-68,31	-67,32	-67,86	-67,82
6. Lavoratori Parasubordinati	46.902,20	17.559,17	14.117,84	8.877,43	5.726,29	3.815,43	3.472,11	2.686,00	2.078,45	2.009,08	1.415,51	1.516,77	1.222,85	1.110,96
7. Totale Integrativi	-25,08	-28,69	-30,11	-22,55	-18,85	-15,48	-15,26	-14,26	-18,38	-13,19	-17,77	-15,16	-10,11	-8,24
TOTALE	-6,06	-6,27	-7,78	-5,72	-7,45	-5,31	-3,95	-1,09	-4,83	-6,50	-8,01	-9,81	-11,77	-12,27

(1) Vedasi note in tab.1.a

Table 2.a. - balances between revenues and expenditure and their weight on pension expenditure (1)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1. Lavoratori dipendenti privati	96,22	97,00	95,22	96,94	95,78	97,53	100,07	104,05	100,67	99,85	100,28	99,38	97,62	96,98
2. Lavoratori dipendenti pubblici	80,98	79,29	78,25	80,67	77,59	82,24	76,25	78,59	74,25	71,10	67,25	62,29	59,48	58,68
3.1. Artigiani e commercianti	103,28	98,12	93,75	91,96	88,85	87,15	95,96	93,89	89,40	82,39	83,83	86,22	84,75	85,86
3.2. Coltiv.diretti, coloni e mezzadri	42,35	38,76	40,33	36,26	36,23	30,32	28,66	29,14	31,07	27,49	26,91	24,92	27,16	27,82
4. Liberi professionisti	160,44	169,68	168,35	175,82	177,17	183,38	185,06	185,63	186,42	188,54	194,36	190,52	190,68	185,03
5. Fondo clero	35,83	34,43	36,20	35,45	33,04	33,44	33,27	32,27	32,02	32,86	31,69	32,68	32,14	32,18
6. Lavoratori Parasubordinati	47.002,20	17.659,17	14.217,84	8.977,43	5.826,29	3.915,43	3.572,11	2.786,00	2.178,45	2.109,08	1.515,51	1.616,77	1.322,85	1.210,96
7. Totale Integrativi	74,92	71,31	69,89	77,45	81,15	84,52	84,74	85,74	81,62	86,81	82,23	84,84	89,89	91,76
TOTALE GESTIONI PENSIONISTICHE	93,94	93,73	92,22	94,28	92,55	94,69	96,05	98,91	95,17	93,50	91,99	90,19	88,23	87,73

(1) Vedasi note in tab.1.a

Table 3.a - Ratios of contribution revenues vs. pension expenditure (%) (1)

Private sector employees public employees artisans and retailers farmers, tenant farmers and sharecroppers professionals clergy fund atypical workers total supplementary benefits total pension schemes

(1) see note in Table 1.a

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Trasporti															
Uscite Previdenziali (mln)		1.902	1.926	2.010	2.037	2.084	2.136	2.194	2.233	2.275	2.275	2.281	2.287	2.272	2.258
% di variazione		3,2%	1,3%	4,3%	1,4%	2,3%	2,5%	2,7%	1,8%	1,8%	0,0%	0,2%	0,3%	-0,6%	-1,2%
Entrate Previdenziali (mln)		1.049	984	1.059	1.137	1.113	1.145	1.183	1.208	1.217	1.276	1.247	1.266	1.077	1.225
% di variazione		3,6%	-6,2%	7,7%	7,3%	-2,1%	2,9%	3,3%	2,1%	0,8%	4,8%	-2,3%	1,5%	-15,0%	-3,3%
Elettrici															
Uscite Previdenziali (mln)		1.863	1.961	2.095	2.148	2.206	2.249	2.298	2.335	2.380	2.394	2.434	2.481	2.488	2.489
% di variazione		6,3%	5,3%	6,8%	2,5%	2,7%	1,9%	2,2%	1,6%	1,9%	0,6%	1,7%	1,9%	0,3%	0,3%
Entrate Previdenziali (mln)		1.502	1.463	746	616	688	636	588	715	612	609	650	573	566	550
% di variazione		-0,2%	-2,6%	-49,0%	-17,4%	11,8%	-7,7%	-7,5%	21,5%	-14,4%	-0,5%	6,7%	-11,8%	-1,2%	-4,0%
Telefonici															
Uscite Previdenziali (mln)		1.109	1.168	1.244	1.349	1.435	1.512	1.595	1.674	1.741	1.775	1.805	1.828	1.855	1.896
% di variazione		8,0%	5,3%	6,4%	8,5%	6,4%	5,4%	5,5%	4,9%	4,0%	1,9%	1,7%	1,3%	1,4%	3,7%
Entrate Previdenziali (mln)		852	848	773	787	785	802	791	746	739	736	688	684	567	606
% di variazione		-5,5%	-0,5%	-8,8%	1,7%	-0,2%	2,2%	-1,4%	-5,6%	-0,9%	-0,4%	-6,5%	-0,5%	-17,2%	-11,4%
Inpdai															
Uscite Previdenziali (mln)		3.449	3.729	3.908	4.356	4.444	4.648	4.863	5.076	5.306	5.453	5.565	5.679	5.608	5.603
% di variazione		6,6%	8,1%	4,8%	11,5%	2,0%	4,6%	4,6%	4,4%	4,5%	2,8%	2,1%	2,1%	-1,3%	-1,3%
Entrate Previdenziali (mln)		2.823	3.269	3.419	2.924	2.578	2.363	2.265	2.343	2.197	2.069	2.001	1.965	1.798	1.867
% di variazione		-2,0%	15,8%	4,6%	-14,5%	-11,8%	-8,4%	-4,2%	3,4%	-6,2%	-5,8%	-3,3%	-1,8%	-8,5%	-5,0%

Table 7.a - Ex Special Funds - pension revenues and expenditure (absolute and 5 figures)

transportation fund pension expenditure pension revenues electricity fund telephony fund Inpdai % variation

Tab. 4.a - Contribuenti, numero pensioni, contribuzione media e pensione media

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
NUMERO CONTRIBUENTI (mgl)														
<i>Lavoratori dipendenti privati</i>	12.518,73	12.719,82	12.847,14	12.896,70	12.984,24	13.070,30	13.307,82	13.443,00	13.289,75	13.101,55	13.678,61	13.670,96	13.460,01	13.436,73
<i>Lavoratori dipendenti pubblici</i>	3.283,00	3.283,00	3.250,00	3.270,72	3.395,00	3.412,00	3.384,00	3.360,00	3.333,80	3.292,10	3.233,54	3.104,03	3.039,54	3.225,63
<i>Artigiani</i>	1.839,91	1.848,24	1.862,43	1.892,51	1.902,17	1.881,49	1.893,68	1.901,97	1.889,65	1.856,00	1.849,83	1.817,90	1.772,68	1.736,09
<i>Commercianti</i>	1.796,09	1.817,81	1.832,99	1.910,78	1.974,23	1.992,29	2.023,29	2.044,21	2.085,65	2.081,12	2.156,67	2.178,32	2.193,12	2.172,83
<i>Coltiv.diretti, coloni e mezzadri</i>	623,51	599,41	576,01	553,26	535,57	519,09	500,26	486,45	477,02	469,94	463,30	459,76	457,26	453,11
<i>Liberi professionisti</i>	801,86	846,06	890,60	928,64	963,68	996,08	1.025,62	1.058,82	1.089,76	1.124,08	1.145,15	1.169,29	1.199,39	1.262,10
<i>di cui Medici</i>	303,64	307,56	314,91	320,58	327,56	332,83	337,80	342,26	346,26	348,85	353,17	354,55	354,99	356,38
<i>Fondo clero</i>	20,79	20,80	20,80	20,80	19,95	19,63	19,91	19,96	19,73	19,98	19,51	19,59	19,42	18,90
<i>Lavoratori Parasubordinati</i>	1.402,33	1.660,88	1.828,77	1.747,54	1.787,50	1.789,00	1.808,00	1.821,00	1.730,00	1.709,00	1.741,00	1.707,00	1.563,00	1.526,00
<i>Totale Integrativi</i>	302,67	303,60	304,43	301,49	299,31	295,65	293,60	288,84	279,56	315,78	310,86	305,35	337,18	340,83
NUMERO PENSIONI (mgl)														
<i>Lavoratori dipendenti privati</i>	10.775,75	10.777,44	10.728,15	10.699,70	10.590,22	10.573,07	10.521,07	10.448,98	10.337,23	10.221,81	10.085,71	9.894,94	9.707,72	9.563,00
<i>Lavoratori dipendenti pubblici</i>	2.366,21	2.397,25	2.431,68	2.464,28	2.490,12	2.539,50	2.612,10	2.648,09	2.690,51	2.738,60	2.784,71	2.812,72	2.812,58	2.838,80
<i>Artigiani</i>	1.207,17	1.251,24	1.302,02	1.353,89	1.407,11	1.459,88	1.512,82	1.541,06	1.568,63	1.597,19	1.618,28	1.624,42	1.639,47	1.645,88
<i>Commercianti</i>	1.076,39	1.110,53	1.147,23	1.185,66	1.226,20	1.269,26	1.312,22	1.330,73	1.344,72	1.374,82	1.378,07	1.381,28	1.389,69	1.389,39
<i>Coltiv.diretti, coloni e mezzadri</i>	2.012,88	1.994,36	1.974,51	1.975,89	1.926,04	1.905,41	1.890,91	1.848,42	1.805,04	1.772,32	1.728,80	1.677,80	1.632,97	1.586,64
<i>Liberi professionisti</i>	219,60	226,09	232,20	237,63	246,33	253,53	262,85	269,49	275,95	282,80	294,71	311,36	325,36	339,99
<i>di cui Medici</i>	121,32	125,46	128,87	132,45	137,91	141,39	146,54	148,79	152,31	156,05	162,39	173,37	179,26	185,06
<i>Fondo clero</i>	15,31	14,70	14,50	13,94	14,28	14,67	14,79	14,63	14,57	14,49	14,27	14,10	13,86	13,79
<i>Lavoratori Parasubordinati</i>	12,72	22,47	35,36	51,97	78,25	120,06	157,94	184,48	208,25	232,20	256,39	275,93	301,84	331,08
<i>Totale Integrativi</i>	145,93	148,94	150,96	152,37	154,16	154,41	153,72	152,31	151,55	150,44	138,49	140,17	157,46	159,08
CONTRIBUZIONE MEDIA (mgl €)														
<i>Lavoratori dipendenti privati</i>	5,60	5,79	5,89	6,29	6,38	6,56	6,95	7,40	7,20	7,41	7,31	7,27	7,42	7,42
<i>Lavoratori dipendenti pubblici</i>	9,80	10,04	10,38	10,93	10,61	11,66	11,41	12,41	12,46	12,61	12,61	12,65	12,58	11,83
<i>Artigiani</i>	2,94	2,94	3,02	3,07	3,18	3,41	4,06	4,17	4,17	3,96	4,08	4,41	4,52	4,68
<i>Commercianti</i>	3,00	3,11	3,20	3,28	3,43	3,55	4,04	4,14	4,14	4,07	4,21	4,41	4,49	4,64
<i>Coltiv.diretti, coloni e mezzadri</i>	1,51	1,53	1,62	1,67	1,73	1,77	1,82	1,86	1,94	2,01	2,05	2,20	2,31	2,47
<i>Liberi professionisti</i>	3,57	3,80	3,80	4,10	4,27	4,57	4,75	4,88	5,03	5,17	5,48	5,64	5,89	5,73
<i>di cui Medici</i>	3,62	3,68	3,83	4,44	4,57	4,91	5,19	5,34	5,66	5,89	6,04	5,07	6,07	6,07
<i>Fondo clero</i>	1,33	1,37	1,42	1,45	1,49	1,51	1,56	1,55	1,61	1,58	1,61	1,66	1,71	1,74
<i>Lavoratori Parasubordinati</i>	1,82	1,76	1,74	2,25	2,33	2,55	3,44	3,61	3,81	4,75	3,96	4,40	4,67	4,94
<i>Totale Integrativi</i>	2,02	1,98	2,00	2,33	2,53	2,76	2,78	2,85	2,83	2,68	2,83	3,03	2,99	3,10
PENSIONE MEDIA (mgl €) (1)														
<i>Lavoratori dipendenti privati</i>	9,02	9,42	9,81	10,19	10,50	10,83	11,20	11,57	12,12	12,36	12,67	12,89	13,40	13,69
<i>Lavoratori dipendenti pubblici</i>	16,10	17,07	17,15	17,73	18,18	18,70	19,36	19,84	20,79	21,31	21,85	22,36	22,68	24,05
<i>Artigiani</i>	6,73	7,18	7,59	7,96	8,32	8,66	9,02	9,37	9,80	10,03	10,41	10,69	11,06	11,26
<i>Commercianti</i>	5,97	6,36	6,75	7,11	7,48	7,82	8,17	8,50	8,93	9,14	9,53	9,80	10,15	10,36
<i>Coltiv.diretti, coloni e mezzadri</i>	5,10	5,35	5,60	5,79	5,97	6,15	6,34	6,52	6,79	6,91	7,03	7,16	7,58	7,73
<i>Liberi professionisti</i>	8,19	8,50	8,80	9,25	9,55	9,76	9,99	10,36	10,71	10,38	10,89	11,06	11,44	11,56
<i>di cui Medici</i>	6,07	6,18	6,25	6,43	6,44	6,32	6,31	6,53	6,63	5,65	6,65	6,70	6,94	6,98
<i>Fondo clero</i>	5,98	6,20	6,38	6,58	6,73	6,72	7,03	7,15	7,40	7,45	7,57	7,78	8,02	8,09
<i>Lavoratori Parasubordinati</i>	0,39	0,50	0,60	0,73	0,88	0,96	1,07	1,21	1,42	1,56	1,68	1,83	1,98	2,07
<i>Totale Integrativi</i>	5,81	5,92	6,16	6,35	6,33	6,46	6,52	6,59	7,51	6,73	6,32	6,51	6,85	7,08

(1) Importi delle pensioni in pagamento a fine anno

Table 4.a - Contributors, number of pensions, average contributions and average pensions

Number of contributors private sector employees public employees artisans retailers farmers, tenant farmers and sharecroppers professionals of whom doctors Clergy fund atypical workers total supplementary benefits

Number of pensions

Average contributions

Average pension (1)

(1) amounts of benefits to be paid at the end of the year

Tab. 5.a - Indici a base 100 dei contribuenti, numero pensioni, contribuzione media e pensione media														
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
NUMERO CONTRIBUENTI														
<i>Lavoratori dipendenti privati</i>	102,45	104,09	105,13	105,54	106,26	106,96	108,90	110,01	108,76	107,22	111,94	111,88	110,15	109,96
<i>Lavoratori dipendenti pubblici</i>	96,30	96,30	95,34	95,94	99,59	100,09	99,27	98,56	97,79	96,57	94,85	91,05	89,16	94,62
<i>Artigiani</i>	98,55	99,00	99,76	101,37	101,88	100,78	101,43	101,87	101,21	99,41	99,08	97,37	94,95	92,99
<i>Commercianti</i>	110,53	111,87	112,80	117,59	121,49	122,60	124,51	125,80	128,35	128,07	132,72	134,05	134,96	133,71
<i>Coltiv.diretti, coloni e mezzadri</i>	51,70	49,70	47,76	45,88	44,41	43,04	41,48	40,34	39,55	38,97	38,42	38,12	37,92	37,57
<i>Liberi professionisti</i>	159,50	168,30	177,16	184,72	191,69	198,14	204,01	210,62	216,77	223,60	227,79	232,59	238,58	251,05
<i>di cui Medici</i>	121,84	123,42	126,37	128,64	131,44	133,56	135,55	137,34	138,95	139,99	141,72	142,28	142,45	143,01
<i>Fondo clero</i>	81,08	81,12	81,12	81,12	77,81	76,56	77,65	77,85	76,95	77,93	76,09	76,40	75,74	73,70
<i>Lavoratori Parasubordinati</i>	167,14	197,96	217,97	208,29	213,05	213,23	215,49	217,04	206,20	203,69	207,51	203,46	186,29	181,88
<i>Totale Integrativi</i>	108,34	108,67	108,97	107,92	107,14	105,83	105,09	103,39	100,07	113,03	111,27	109,30	120,69	122,00
NUMERO PENSIONI														
<i>Lavoratori dipendenti privati</i>	106,96	106,97	106,49	106,20	105,12	104,95	104,43	103,71	102,61	101,46	100,11	98,22	96,36	94,92
<i>Lavoratori dipendenti pubblici</i>	154,32	156,34	158,59	160,71	162,40	165,62	170,35	172,70	175,47	178,60	181,61	183,44	183,43	185,14
<i>Artigiani</i>	173,19	179,52	186,80	194,25	201,88	209,45	217,05	221,10	225,05	229,15	232,18	233,06	235,22	236,14
<i>Commercianti</i>	159,94	165,01	170,47	176,18	182,20	188,60	194,98	197,73	199,81	204,28	204,76	205,24	206,49	206,45
<i>Coltiv.diretti, coloni e mezzadri</i>	113,59	112,55	111,43	111,51	108,69	107,53	106,71	104,31	101,86	100,02	97,56	94,68	92,15	89,54
<i>Liberi professionisti</i>	155,19	159,78	164,10	167,93	174,08	179,17	185,75	190,45	195,01	199,86	208,27	220,04	229,93	240,27
<i>di cui Medici</i>	168,48	174,22	178,96	183,93	191,52	196,34	203,51	206,62	211,51	216,71	225,50	240,76	248,94	256,99
<i>Fondo clero</i>	109,50	105,15	103,70	99,69	102,11	104,92	105,73	104,62	104,16	103,60	102,05	100,79	99,13	98,60
<i>Lavoratori Parasubordinati</i>	256,50	453,01	713,07	1.048,01	1.577,86	2.421,13	3.184,94	3.720,17	4.199,44	4.682,29	5.170,24	5.564,25	6.086,71	6.676,29
<i>Totale Integrativi</i>	154,18	157,35	159,48	160,98	162,86	163,13	162,40	160,91	160,11	158,93	146,31	148,09	166,35	168,07
CONTRIBUZIONE MEDIA														
<i>Lavoratori dipendenti privati</i>	228,73	236,27	240,48	256,84	260,43	267,82	283,61	302,24	294,06	302,37	298,60	296,92	302,84	302,92
<i>Lavoratori dipendenti pubblici</i>	278,53	285,33	295,09	310,77	301,55	331,32	324,33	352,90	354,13	358,53	358,44	359,45	357,68	336,32
<i>Artigiani</i>	285,66	286,06	293,53	298,38	309,54	331,18	394,32	405,44	405,14	384,59	396,75	428,60	439,21	454,73
<i>Commercianti</i>	290,02	300,96	308,94	316,60	331,95	343,20	390,27	399,94	399,85	392,89	406,86	426,44	433,85	448,56
<i>Coltiv.diretti, coloni e mezzadri</i>	400,33	404,41	429,03	442,02	457,93	467,96	482,34	491,46	513,52	530,37	198,10	212,82	223,52	238,95
<i>Liberi professionisti</i>	203,92	217,24	217,37	234,30	243,88	261,09	271,60	279,04	287,59	295,39	313,15	322,70	336,66	327,45
<i>di cui Medici</i>	214,73	218,43	227,14	263,03	270,75	291,19	308,02	316,64	335,67	349,17	358,13	300,45	359,75	359,75
<i>Fondo clero</i>	237,74	245,10	253,88	257,86	266,32	269,95	277,85	276,51	287,23	281,07	287,12	296,91	304,53	310,41
<i>Lavoratori Parasubordinati</i>	152,53	147,15	145,33	187,67	194,37	213,04	287,33	301,58	318,37	397,03	331,05	368,19	390,44	413,12
<i>Totale Integrativi</i>	164,57	161,02	163,17	190,22	205,91	224,74	226,77	232,31	230,66	218,76	230,51	246,60	244,01	252,67
PENSIONE MEDIA(1)														
<i>Lavoratori dipendenti privati</i>	195,58	204,19	212,71	220,90	227,72	234,93	242,96	250,87	262,77	268,04	274,69	279,49	290,60	296,81
<i>Lavoratori dipendenti pubblici</i>	187,31	198,56	199,55	206,23	211,54	217,49	225,19	230,85	241,81	247,90	254,18	260,17	263,85	279,80
<i>Artigiani</i>	238,17	254,40	268,86	281,76	294,60	306,72	319,41	331,99	346,95	355,25	368,54	378,47	391,53	398,90
<i>Commercianti</i>	223,22	238,08	252,61	265,95	279,75	292,47	305,71	318,18	334,19	342,06	356,73	366,52	379,67	387,69
<i>Coltiv.diretti, coloni e mezzadri</i>	168,16	176,55	184,74	190,80	196,87	202,82	209,03	215,00	223,89	227,84	231,85	235,94	249,95	254,90
<i>Liberi professionisti</i>	239,64	248,66	257,58	270,60	279,49	285,56	292,24	303,09	313,34	303,68	318,64	323,57	334,65	338,16
<i>di cui Medici</i>	237,33	241,81	244,41	251,45	251,86	247,11	246,56	255,26	259,19	221,05	260,02	262,02	271,23	272,94
<i>Fondo clero</i>	165,50	171,44	176,57	181,87	186,03	185,87	194,31	197,63	204,65	205,95	209,39	215,29	221,76	223,85
<i>Lavoratori Parasubordinati</i>	-	100,00	120,49	146,60	175,87	190,77	214,07	240,89	283,15	312,26	336,22	365,97	394,92	414,23
<i>Totale Integrativi</i>	178,62	182,29	189,42	195,27	194,86	198,61	200,74	202,84	230,95	207,11	194,32	200,30	210,63	217,71

(1) Importi delle pensioni in pagamento a fine anno

(*) L'indice a base 100 è calcolato a partire dal 1989

Table 5.a - base-100 indices of contributors, number of pensions, average contributions and average pensions

Number of contributors private sector employees public employees artisans retailers farmers, tenant farmers and sharecroppers professionals of whom doctors Clergy fund atypical workers total supplementary benefits

Number of pensions

Average contributions

Average pension (1)

(1) amounts of benefits to be paid at the end of the year

(*) the 100-base index has been used since 1989

Tab. 6.a - Rapporto numero pensioni/contribuenti e pensione media/reddito medio														
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
RAPPORTO TRA NUMERO PENSIONI E CONTRIBUTENTI														
<i>Lavoratori dipendenti privati</i>	86,08	84,73	83,51	82,96	81,56	80,89	79,06	77,73	77,78	78,02	73,73	72,38	72,12	71,17
<i>Lavoratori dipendenti pubblici</i>	72,07	73,02	74,82	75,34	73,35	74,43	77,19	78,81	80,70	83,19	86,12	90,62	92,53	88,01
<i>Artigiani</i>	65,61	67,70	69,91	71,54	73,97	77,59	79,89	81,02	83,01	86,06	87,48	89,36	92,49	94,80
<i>Commercianti</i>	59,93	61,09	62,59	62,05	62,11	63,71	64,86	65,10	64,47	66,06	63,90	63,41	63,37	63,94
<i>Coltiv.diretti, coloni e mezzadri</i>	322,83	332,72	342,79	357,14	359,62	367,07	377,98	379,98	378,40	377,14	373,15	364,93	357,12	350,17
<i>Liberi professionisti</i>	27,39	26,72	26,07	25,59	25,56	25,45	25,63	25,45	25,32	25,16	25,74	26,63	27,13	26,94
<i>di cui Medici</i>	39,96	40,79	40,92	41,31	42,10	42,48	43,38	43,47	43,99	44,73	45,98	48,90	50,50	51,93
<i>Fondo clero</i>	73,66	70,69	69,72	67,02	71,57	74,74	74,26	73,30	73,83	72,51	73,15	71,95	71,39	72,97
<i>Lavoratori Parasubordinati</i>	0,91	1,35	1,93	2,97	4,38	6,71	8,74	10,13	12,04	13,59	14,73	16,16	19,31	21,70
<i>Totale Integrativi</i>	48,22	49,06	49,59	50,54	51,50	52,23	52,36	52,73	54,21	47,64	44,55	45,90	46,70	46,67
RAPPORTO TRA PENSIONE MEDIA AL NETTO GIAS E REDDITO MEDIO														
<i>Lavoratori dipendenti privati</i>	42,88	43,07	43,98	43,35	44,81	44,26	44,20	43,27	48,95	49,20	49,01	51,20	51,78	55,13
<i>Lavoratori dipendenti pubblici</i>	57,43	58,45	57,49	54,86	58,63	55,75	56,71	53,77	56,25	56,42	56,85	58,36	60,21	66,28
<i>Artigiani</i>	26,48	27,80	28,65	29,49	30,55	30,28	29,03	30,13	31,39	33,63	33,56	33,68	34,47	34,40
<i>Commercianti</i>	25,27	25,77	26,16	26,95	27,58	27,50	27,70	28,76	30,05	31,00	31,23	32,98	33,66	33,34
<i>Coltiv.diretti, coloni e mezzadri</i>	14,70	16,66	16,03	17,29	17,02	20,08	20,21	19,98	18,77	22,83	26,99	31,09	28,54	25,00
<i>Liberi professionisti</i>	29,38	31,11	32,03	33,52	32,54	33,42	32,62	33,69	35,37	36,63	34,14	34,59	35,48	37,10
<i>di cui Medici</i>	25,90	28,52	28,01	28,26	24,70	25,79	25,18	25,53	25,72	24,61	22,44	22,80	22,34	22,25
<i>Fondo clero</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Lavoratori Parasubordinati</i>	2,72	5,10	4,55	5,96	6,17	5,99	6,56	7,53	8,31	9,42	9,97	9,29	9,96	10,00
<i>Totale Integrativi</i>	31,91	33,26	33,54	32,15	31,53	30,65	30,84	30,14	30,81	35,18	38,36	36,08	29,46	31,62
RAPPORTO TRA PENSIONE MEDIA AL LORDO GIAS E REDDITO MEDIO														
<i>Lavoratori dipendenti privati</i>	52,61	53,23	54,15	53,21	54,77	54,46	54,31	53,04	59,95	60,37	59,93	61,84	62,84	66,95
<i>Lavoratori dipendenti pubblici</i>	57,43	58,45	57,49	54,86	58,63	55,75	56,71	53,77	56,25	56,42	56,85	58,36	60,21	66,28
<i>Artigiani</i>	30,79	32,78	33,45	34,21	35,03	34,61	33,20	34,49	35,75	38,24	38,28	38,64	39,60	40,03
<i>Commercianti</i>	29,52	30,38	30,56	31,27	31,67	31,50	31,78	33,04	34,32	35,42	35,50	36,85	37,99	37,66
<i>Coltiv.diretti, coloni e mezzadri</i>	52,69	57,14	56,13	55,41	54,58	54,23	53,69	53,97	52,75	54,94	63,04	61,94	60,44	50,74
<i>Liberi professionisti</i>	29,40	31,13	32,05	33,54	32,56	33,44	32,63	33,70	35,38	36,66	34,16	34,61	35,48	37,12
<i>di cui Medici</i>	25,90	28,52	28,01	28,26	24,70	25,79	25,18	25,53	25,72	24,61	22,46	22,84	22,34	22,25
<i>Fondo clero</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Lavoratori Parasubordinati</i>	2,72	5,10	4,55	5,96	6,17	5,99	6,59	7,65	8,59	9,84	10,50	9,86	10,67	10,67
<i>Totale Integrativi</i>	32,23	33,62	33,91	32,49	31,86	30,97	31,17	30,48	31,17	35,61	38,77	36,46	29,75	31,92

Table 6.a - Number of pensions/number of contributors ratio and average pension/average income ratio
Number of pensions/number of contributors ratio
Ratio of the average pension net of GIAS transfers vs. average income
Ratio of the average pension gross of GIAS transfers vs. average income

**Tabella B.25.a - Prestazioni e contributi del sistema pensionistico obbligatorio
(valori assoluti)**

Anno	uscite			entrate			
	numero di pensioni	pensione media	spesa al netto trasferimenti (1)	numero di contribuenti	contributo medio	redditi e proventi patrimoniali	contributi e trasferimenti (2)
	<i>mgl</i>	<i>mgl €</i>	<i>mln €</i>	<i>mgl</i>	<i>mgl €</i>	<i>mln €</i>	<i>mln €</i>
Dipendenti Privati	9.707,72	13,40	119.259,14	13.460,01	7,42	136,36	116.418,91
<i>Dipendenti privati INPS</i>	<i>9.502,26</i>	<i>13,28</i>	<i>116.274,68</i>	<i>13.023,40</i>	<i>7,44</i>	<i>7,02</i>	<i>113.477,82</i>
Fondo Pensioni Lavoratori Dip.	8.851,08	12,19	98.710,52	12.744,65	7,24	7,00	108.653,18
Fondo Trasporti	108,41	21,13	2.272,08	104,60	9,13	-	1.076,54
Fondo Telefonici	73,17	25,87	1.854,78	46,70	12,10	-	566,55
Fondo Elettrici	99,87	25,32	2.488,41	33,20	16,95	-	566,22
Fondo Volo	6,44	46,95	293,79	9,60	11,53	0,00	145,91
Fondo Imposte di consumo	8,52	17,86	151,20	0,02	21,52	0,00	0,45
Fondo Enti Pubblici Creditizi (4)	-	-	-	-	-	-	-
Dipendenti delle FFSS	228,59	21,47	4.896,01	50,53	13,27	-	670,74
Istituto Dirigenti di Azienda	126,18	49,92	5.607,89	34,10	52,48	0,02	1.798,23
<i>Altri Fondi Dip. Privati</i>	<i>62,51</i>	<i>21,16</i>	<i>1.287,22</i>	<i>288,74</i>	<i>5,34</i>	<i>107,33</i>	<i>1.560,21</i>
Istituto Giornalisti	7,96	57,51	428,97	16,58	23,08	42,86	382,53
Ente Lavoratori Spettacolo	54,55	15,85	858,24	272,17	4,26	64,47	1.177,68
<i>Fondi ex Aziende Autonome</i>	<i>142,95</i>	<i>17,84</i>	<i>1.697,24</i>	<i>147,87</i>	<i>9,31</i>	<i>22,01</i>	<i>1.380,87</i>
Dipendenti delle Poste e Tel.	142,95	17,84	1.697,24	147,87	9,31	22,01	1.380,87
Dipendenti Pubblici	2.812,58	22,68	64.304,08	3.039,54	12,58	6,22	38.246,39
Cassa Dipendenti Enti Locali	1.052,24	18,81	19.935,25	1.239,41	10,36	0,63	12.834,69
Cassa Insegnanti di Asilo	14,84	17,20	255,77	30,85	7,25	0,02	223,63
Cassa Sanitari	67,20	52,70	3.545,84	109,72	30,37	4,72	3.332,55
Cassa Ufficiali Giudiziari	2,88	18,80	52,00	4,12	11,32	0,00	46,67
Dipendenti dello Stato	1.675,43	23,96	40.515,23	1.655,44	13,17	0,85	21.808,86
Autonomi e Professionisti	5.230,78	10,11	29.268,81	5.622,45	4,62	904,92	26.316,77
<i>Autonomi INPS</i>	<i>4.905,42</i>	<i>10,00</i>	<i>25.515,64</i>	<i>4.423,06</i>	<i>4,28</i>	<i>10,83</i>	<i>19.160,40</i>
Fondo Artigiani	1.639,47	11,06	11.709,68	1.772,68	4,52	1,17	8.089,88
Fondo Commercianti	1.389,69	10,15	9.528,76	2.193,12	4,49	8,99	9.908,83
Fondo CDCM (3)	1.632,97	7,58	4.277,20	457,26	2,31	0,67	1.161,69
<i>Liberi Professionisti</i>	<i>325,36</i>	<i>11,44</i>	<i>3.753,17</i>	<i>1.199,39</i>	<i>5,89</i>	<i>894,09</i>	<i>7.156,37</i>
Casse priv. 509 (escluso ENPAM)	135,80	18,09	2.492,58	673,99	6,66	546,50	4.581,07
ENPAM	179,26	6,94	1.238,28	354,99	6,22	258,43	2.208,81
Casse priv. 103	10,30	1,99	22,31	170,41	2,14	89,16	366,49
Fondo Clero	13,86	8,02	103,16	19,42	1,71	0,01	33,15
Gestione Parasubordinati	301,84	1,98	553,88	1.563,00	4,67	2.016,96	7.327,06
Totale Integrativi	157,46	6,85	1.136,98	337,18	2,99	348,18	1.022,08
Sistema Pens. Obblig. di Base	18.224,23	13,77	214.626,06	24.041,59	7,17	3.412,66	189.364,36

(1) a carico dello Stato o altre gestioni (prevalentemente Gias pari a 24.310,70 mln. per FPLD; 40,26 per il Fondo Trasporti; 25,20 per il Fondo Telefonici; 53,94 per il Fondo Elettrici; 4,26 per il Fondo Volo; 4,38 per il Fondo Imposte di Consumo; 46,16 per il Fondo Dipendenti delle FFSS; 77,50 per l'Istituto Dirigenti di Azienda; 79,21 per ENPALS; 835,21 per il Fondo IPOST; 1.745,95 per il Fondo Artigiani; 1.228 per il Fondo Commercianti; 4.780,10 per il fondo CDCM; 10,04 per il Fondo Clero; 39,34 per la Gestione Parasubordinati; 11,33 per i Fondi Integrativi INPS).

(2) a carico dello Stato o altre gestioni (sottocontribuzioni, fiscalizzazione oneri sociali ecc.).

(3) sono comprese 429,3 pensioni ante 1/1/1989 in carico alla GIAS.

(4) il Fondo è confluito in FPLD.

Table B.25.a - benefits and contributions of the compulsory pension system (absolute figures)

year expenditure : number of pensions average pension expenditure net of transfers (1)
revenues: number of contributors average contribution income and assets contributions and transfers (2)
private sector employees INPS private sector employees FPLD Transportation fund Telephony fund Electricity fund Aviation fund fund for consumption tax collectors fund for public credit institutions (4) FFSS employees executives
Other funds for private sector employees journalists entertainment workers funds for former autonomous companies post and telephony employees
Public employees fund for employees of local authorities fund for kindergarden teachers fund for health care workers scheme for judicial officials
State employees
Self-employed workers and professionals INPS self-employed workers artisans retailers
CDCM (3) Professionals privatized funds 509 (excluding ENPAM) ENPAM privatized funds 103
Clergy fund fund for atypical workers Total supplementary benefits
Basic compulsory pension system
(1) paid by the State or by other schemes (mainly GIAS equal to 24,310.70 for FPLDP 40.26 for the transportation fund; 25.20 for the telephony fund; 53.94 for the electricity fund; 4.26 for the aviation fund; 4.38 for the consumer tax collectors; 46.16 for FFSS employees; 77.50 for the fund for executives; 70.21 for ENPALS; 835.21 for the IPOST fund; 1,745.95 for the fund for artisans; 1,228 for the fund for retailers; 4,780.10 for the CDCM fund; 10.04 for the clergy fund; 39.34 for the fund for atypical workers; 11.3 for the INPS supplementary funds).
(2) paid by the State or by other schemes (undercontribution, rebates of contribution charges etc).
(3) including 429.3 pension before 1/1/1989 paid by GIAS.
(4) this fund was integrated into FPLD.

Table B. 26.a - benefits and contributions of the compulsory pension system (% figures)

year benefit contribution ratio benefit/contribution accounting ratio (1) accounting equilibrium rate (1) contributors/pensioners ratio average pension/average contribution ratio average pension/average income accounting ratio (1) assets/contribution revenues ratio (2) expenditure : number of pensions average pension expenditure net of transfers (1)
revenues: number of contributors average contribution income and assets contributions and transfers (2)
private sector employees INPS private sector employees FPLD Transportation fund Telephony fund Electricity fund Aviation fund fund for consumption tax collectors fund for public credit institutions (4) FFSS employees executives
Other funds for private sector employees journalists entertainment workers funds for former autonomous companies post and telephony employees
Public employees fund for employees of local authorities fund for kindergarden teachers fund for health care workers scheme for judicial officials
State employees
Self-employed workers and professionals INPS self-employed workers artisans retailers
(1) this ratio was calculated considering the average pension net of GIAS transfers. For a more precise idea of GIAS transfers please refer to note 1 of Table B.25.a.
(2) paid by the State or by other schemes (undercontributions, rebates on social charges etc.)
(4) This fund was integrated into FPLD.

Tabella B.25.b - Prestazioni e contributi del sistema pensionistico obbligatorio
(valori in %)

Anno	Rapporto tra prestazioni e contributi	Rapporto contabile tra prestazioni e contributi (1)	Aliquota di equilibrio contabile (1)	Rapporto tra pensioni e contributi	Rapporto tra pensione media e contributo medio	Rapporto contabile pensione media e reddito medio (1)	Rapporto tra proventi patrimoniali ed entrate contributive (2)
2013							
Dipendenti Privati	144,97	102,44	37,34	72,12	142,04	51,78	0,12
<i>Dipendenti privati INPS</i>	145,32	102,46	37,54	72,96	140,43	51,45	0,01
Fondo Pensioni Lavoratori Dip.	133,34	90,85	33,44	69,45	130,81	48,15	0,01
Fondo Trasporti	242,17	211,05	68,98	103,64	203,64	66,55	-
Fondo Telefonici	332,79	327,38	102,42	156,68	208,95	65,37	-
Fondo Elettrici	451,79	439,48	153,04	300,81	146,10	50,87	-
Fondo Volo	269,33	201,35	89,30	67,07	300,20	133,14	0,00
Fondo Imposte di consumo	34.421,17	33.451,32	13.745,55	40.590,48	82,41	33,86	0,42
Fondo Enti Pubblici Creditizi (4)	-	-	-	-	-	-	-
Dipendenti delle FFSS	736,82	729,94	232,04	452,36	161,36	51,30	-
Istituto Dirigenti di Azienda	317,71	311,86	105,04	370,03	84,28	28,39	0,00
Altri Fondi Dip. Privati	88,55	82,50	23,81	21,65	381,10	109,97	6,88
Istituto Giornalisti	112,14	112,14	38,42	48,05	233,41	79,96	11,21
Ente Lavoratori Spettacolo	80,77	72,88	20,01	20,04	363,63	99,82	5,47
Fondi ex Aziende Autonome	183,92	122,91	39,99	96,68	127,14	41,37	1,59
Dipendenti delle Poste e Tel.	183,92	122,91	39,99	96,68	127,14	41,37	1,59
Dipendenti Pubblici	168,13	167,74	55,72	92,53	181,28	60,21	0,02
Cassa Dipendenti Enti Locali	155,32	154,49	51,27	84,90	181,97	60,39	0,00
Cassa Insegnanti di Asilo	114,37	114,26	37,50	48,09	237,58	77,98	0,01
Cassa Sanitari	106,40	105,83	35,90	61,25	172,79	58,62	0,14
Cassa Ufficiali Giudiziari	111,42	111,41	36,59	69,73	159,78	52,48	0,00
Dipendenti dello Stato	185,77	185,76	61,55	101,21	183,54	60,81	0,00
Autonomi e Professionisti	142,55	111,22	23,49	81,07	137,19	28,97	3,44
<i>Autonomi INPS</i>	175,94	133,17	29,80	95,70	139,16	31,14	0,06
Fondo Artigiani	168,04	144,74	31,88	92,49	156,51	34,47	0,01
Fondo Commercianti	109,26	96,16	21,33	63,37	151,76	33,66	0,09
Fondo CDCM	856,44	368,19	101,94	357,12	103,10	28,54	0,06
Liberi Professionisti	53,15	52,45	9,62	27,13	193,33	35,48	12,49
Casse priv. 509 (escluso ENPAM)	55,55	54,41	9,91	20,15	270,06	49,17	11,93
ENPAM	56,06	56,06	11,28	50,50	111,02	22,34	11,70
Casse priv. 103	6,10	6,09	0,78	6,04	100,70	12,89	24,33
Fondo Clero	341,47	311,19	-	71,39	435,92	-	0,13
Gestione Parasubordinati	8,13	7,56	1,92	19,31	-	9,96	27,53
Totale Integrativi	113,74	111,24	13,76	46,70	238,21	29,46	34,07
Sistema Pens. Obblig. di Base	143,81	113,29	35,98	73,00	155,18	49,29	1,80

(1) il rapporto è stato calcolato tenendo conto degli importi di pensione media al netto dell'intervento GIAS. Per una valutazione complessiva degli interventi a carico GIAS confrontare la nota 1 della Tab. B25a.

(2) a carico dello Stato o altre gestioni (sottocontribuzioni, fiscalizzazione oneri sociali ecc.).

(4) il Fondo è confluito in FPLD.

**Tabella B.26.a - Prestazioni e contributi del sistema pensionistico obbligatorio
(valori assoluti)**

Anno	uscite			entrate			
	numero di pensioni	pensione media	spesa al netto trasferimenti (1)	numero di contribuenti	contributo medio	redditi e proventi patrimoniali	contributi e trasferimenti (2)
	<i>mgl</i>	<i>mgl €</i>	<i>mln €</i>	<i>mgl</i>	<i>mgl €</i>	<i>mln €</i>	<i>mln €</i>
Dipendenti Privati	9.563,00	13,69	119.494,14	13.436,73	7,42	87,15	115.880,89
<i>Dipendenti privati INPS</i>	<i>9.352,90</i>	<i>13,57</i>	<i>116.446,91</i>	<i>13.008,28</i>	<i>7,44</i>	<i>1,07</i>	<i>112.888,45</i>
Fondo Pensioni Lavoratori Dip.	8.707,95	12,47	98.887,84	12.734,30	7,22	1,06	107.884,96
Fondo Trasporti	106,66	21,34	2.258,47	104,16	10,62	-	1.225,00
Fondo Telefonici	73,55	26,11	1.895,63	46,35	13,05	-	606,45
Fondo Elettrici	98,81	25,60	2.489,30	33,70	16,13	-	550,06
Fondo Volo	6,59	45,44	291,42	9,61	8,08	-	112,93
Fondo Imposte di consumo	8,28	18,03	147,29	0,01	26,66	-	0,37
Fondo Enti Pubblici Creditizi (4)	-	-	-	-	-	-	-
Dipendenti delle FFSS	224,49	21,74	4.873,82	48,35	13,26	-	641,25
Istituto Dirigenti di Azienda	126,58	50,09	5.603,14	31,80	57,73	0,01	1.867,43
<i>Altri Fondi Dip. Privati</i>	<i>66,83</i>	<i>20,70</i>	<i>1.309,05</i>	<i>278,61</i>	<i>5,32</i>	<i>79,85</i>	<i>1.500,41</i>
Istituto Giornalisti	8,23	54,06	447,34	15,89	22,64	45,46	359,78
Ente Lavoratori Spettacolo	58,59	16,01	861,71	262,72	4,27	34,40	1.140,86
<i>Fondi ex Aziende Autonome</i>	<i>143,28</i>	<i>18,00</i>	<i>1.738,18</i>	<i>149,84</i>	<i>9,93</i>	<i>6,22</i>	<i>1.492,03</i>
Dipendenti delle Poste e Tel.	143,28	18,00	1.738,18	149,84	9,93	6,22	1.492,03
Dipendenti Pubblici	2.838,80	24,05	65.039,41	3.225,63	11,83	5,51	38.164,13
Cassa Dipendenti Enti Locali	1.061,34	19,12	20.080,17	1.282,18	9,92	3,44	12.722,28
Cassa Insegnanti di Asilo	15,16	17,62	260,47	33,67	6,55	0,02	220,70
Cassa Sanitari	69,12	53,59	3.638,08	116,83	28,38	1,76	3.315,09
Cassa Ufficiali Giudiziari	2,93	19,10	55,52	4,06	14,30	0,00	58,04
Dipendenti dello Stato	1.690,24	26,01	41.005,16	1.788,89	12,21	0,29	21.848,03
Autonomi e Professionisti	5.159,14	10,29	29.681,53	5.624,12	4,72	1.214,47	26.879,64
<i>Autonomi INPS</i>	<i>4.819,15</i>	<i>10,19</i>	<i>25.724,61</i>	<i>4.362,02</i>	<i>4,43</i>	<i>3,50</i>	<i>19.558,02</i>
Fondo Artigiani	1.645,88	11,26	11.739,37	1.736,09	4,68	0,14	8.198,15
Fondo Commercianti	1.389,39	10,36	9.625,99	2.172,83	4,64	3,27	10.147,02
Fondo CDCM (3)	1.586,64	7,73	4.359,25	453,11	2,47	0,09	1.212,85
<i>Liberi Professionisti</i>	<i>339,99</i>	<i>11,56</i>	<i>3.956,93</i>	<i>1.262,10</i>	<i>5,73</i>	<i>1.210,97</i>	<i>7.321,61</i>
Casse priv. 509 (escluso ENPAM)	145,97	17,93	2.651,02	726,39	6,32	665,97	4.682,50
ENPAM	185,06	6,98	1.286,29	356,38	6,30	451,73	2.246,32
Casse priv. 103	8,96	2,13	25,62	179,34	2,18	93,26	392,79
Fondo Clero	13,79	8,09	102,16	18,90	1,74	-	32,88
Gestione Parasubordinati	331,08	2,07	624,99	1.526,00	4,94	895,79	7.568,30
Totale Integrativi	159,08	7,08	1.165,13	340,83	3,10	314,12	1.069,13
Sistema Pens. Oblig. di Base	18.064,89	14,20	216.107,37	24.172,21	7,16	2.517,04	189.594,96

(1) a carico dello Stato o altre gestioni (prevalentemente Gias pari a 24.418,64 milioni per FPLD; 39,26 milioni per il Fondo Trasporti; 31,90 milioni per il Fondo Telefonici; 57,02 milioni per il Fondo Elettrici; 9,01 per il Fondo Volo; 4,32 per il Fondo Imposte di Consumo; 46,15 per il Fondo Dipendenti delle FFSS; 94,75 per l'Istituto Dirigenti di Azienda; 82,88 per ENPALS; 838,66 per il Fondo IPOST; 1.923,23 per il Fondo Artigiani; 1.246,75 per il Fondo Commercianti; 4.488,52 per il fondo CDCM; 10,84 per il Fondo Clero; 52,50 per la Gestione Parasubordinati; 11,11 per i Fondi Integrativi INPS).

(2) a carico dello Stato o altre gestioni (sottocontribuzioni, fiscalizzazione oneri sociali ecc.).

(3) nel numero delle pensioni, 1.586.640, sono comprese 386.668 pensioni ante 1/1/1989 in carico alla GIAS, mentre nell'importo di 4.359,25 milioni non sono compresi 2.158 milioni contabilizzati nella GIAS.

(4) il Fondo è confluito in FPLD nel 2013.

Tabella B.26.b - Prestazioni e contributi del sistema pensionistico obbligatorio
(valori in %)

Anno	Rapporto tra prestazioni e contributi	Rapporto contabile tra prestazioni e contributi (1)	Aliquota di equilibrio contabile (1)	Rapporto tra pensioni e contribuenti	Rapporto tra pensione media e contributo medio	Rapporto contabile pensione media e reddito medio (1)	Rapporto tra proventi patrimoniali ed entrate contributive (2)
2014							
Dipendenti Privati	145,57	103,12	39,23	71,17	144,89	55,13	0,08
<i>Dipendenti privati INPS</i>	145,94	103,15	39,48	71,90	143,47	54,91	0,00
Fondo Pensioni Lavoratori Dip.	134,16	91,66	35,19	68,38	134,04	51,46	0,00
Fondo Trasporti	207,77	184,37	69,64	102,40	180,05	68,01	-
Fondo Telefonici	318,71	312,58	107,04	158,69	196,98	67,45	-
Fondo Elettrici	468,48	452,55	148,97	293,19	154,35	50,81	-
Fondo Volo	386,82	258,05	151,78	68,61	376,13	221,24	-
Fondo Imposte di consumo	40.621,28	39.463,64	18.411,00	59.135,71	66,73	31,13	-
Fondo Enti Pubblici Creditizi (4)	-	-	-	-	-	-	-
Dipendenti delle FFSS	767,24	760,05	244,06	464,30	163,70	52,56	-
Istituto Dirigenti di Azienda	310,39	300,05	110,54	398,04	75,38	27,77	0,00
<i>Altri Fondi Dip. Privati</i>	93,93	87,25	24,16	23,99	363,75	100,73	5,32
Istituto Giornalisti	124,33	124,33	41,58	51,82	239,96	80,24	12,63
Ente Lavoratori Spettacolo	84,17	75,53	19,84	22,30	338,68	88,98	3,02
<i>Fondi ex Aziende Autonome</i>	173,16	116,50	41,27	95,62	121,84	43,16	0,42
Dipendenti delle Poste e Tel.	173,16	116,50	41,27	95,62	121,84	43,16	0,42
Dipendenti Pubblici	170,42	170,15	58,33	88,01	193,33	66,28	0,01
Cassa Dipendenti Enti Locali	157,83	157,28	52,60	82,78	190,01	63,55	0,03
Cassa Insegnanti di Asilo	118,02	117,87	37,80	45,03	261,74	83,94	0,01
Cassa Sanitari	109,74	109,28	38,08	59,16	184,71	64,36	0,05
Cassa Ufficiali Giudiziari	95,67	95,67	39,38	72,30	132,32	54,46	0,00
Dipendenti dello Stato	187,68	187,66	65,15	94,49	198,62	68,95	0,00
Autonomi e Professionisti	140,63	110,42	23,61	81,35	135,74	29,02	4,52
<i>Autonomi INPS</i>	172,75	131,53	29,87	97,09	135,47	30,76	0,02
Fondo Artigiani	168,27	143,20	32,61	94,80	151,04	34,40	0,00
Fondo Commercianti	107,81	94,87	21,32	63,94	148,36	33,34	0,03
Fondo CDCM	789,76	359,42	87,54	350,17	102,64	25,00	0,01
<i>Liberi Professionisti</i>	54,77	54,04	9,99	26,94	200,62	37,10	16,54
Casse priv. 509 (escluso ENPAM)	57,75	56,62	10,28	20,10	281,73	51,16	14,22
ENPAM	56,99	56,99	11,55	51,93	109,76	22,25	20,11
Casse priv. 103	7,07	6,52	0,94	5,00	130,50	18,81	23,74
Fondo Clero	343,69	310,73	-	72,97	425,84	-	0,14
Gestione Parasubordinati	8,98	8,26	2,17	21,70	-	10,00	11,84
Totale Integrativi	111,31	108,98	14,76	46,67	233,49	31,62	29,38
Sistema Pens. Obblig. di Base	144,17	113,95	37,36	72,32	157,56	51,66	1,33

(1) il rapporto è stato calcolato tenendo conto degli importi di pensione media al netto dell'intervento GIAS. Per una valutazione complessiva degli interventi a carico GIAS confrontare la nota 1 della Tab. B26a.

(2) a carico dello Stato o altre gestioni (sottocontribuzioni, fiscalizzazione oneri sociali ecc.).

(3) Sono ex Fondi Speciali e autonomi (nel caso INPDAI) confluiti in FPLD con contabilità separate. Tuttavia dalla data di confluenza nel FPLD i nuovi iscritti e i relativi contributi sono contabilizzati nel FPLD e non nelle contabilità separate.

Appendix 1

A summary of the main adjustments and reforms of the pension system from 1992 to 2015; Retirement requirements under the current legislation

a) The Amato reform (Legislative Decree n. 503/1992) introduced: 1) the automatic equalization of pensions tied exclusively to the ISTAT consumer price index for blue and white collars; 2) the gradual increase in old-age pension requirement for private sector workers to 65 years for men and to 60 years for women, with the concurrent rise from 15 to 20 years in the minimum requirements for income-based pensions; 3) 35 years of contributions to be entitled to the old-age pensions in the public sector; 4) a halt to old-age pensions; 5) the introduction of new income requirements for supplementary benefits to the minimum pension.

b) Legislative Decree n. 373/1993 gradually extended the period of time to determine the income to calculate the pension (from the last 5 years to the last 10 years).

c) Acts n. 537/1993 and n.724/1999 unified the rates of return of contributions per year and the taxable bases for the different pension schemes and (temporarily) halted old age pensions, as already happened in 1992.

d) the Dini reform (Act n. 335/1995) introduced 1) a new contribution-based calculation system, with retirement age requirements between 57 and 65 years for both men and women; 2) new rules for seniority pensions (40 years of contributions at any age or at least 57 years of age and 35 years of contributions); 3) the increase in age requirements for seniority pensions, compared to the those set by law, on the basis of quarterly exit windows; 4) more stringent income requirements for supplementary benefits to the minimum pension.

e) The Prodi-Dini reform (Act n. 449/1997): 1) harmonized the seniority requirements of public and private sector employees and the contribution requirements for different professional categories; 2) introduced a temporary halt to the price indexation of pensions in excess of 3 million lira and a mechanism for decreasing the indexation rates of pensions. Such “cooling down” measures were later repealed by the 2001 Budget Law.

f) The Berlusconi reform (Act n. 243/2004) introduced **a)** the "*contribution bonus*" for those with the right pension requirements who decide to remain active; they are entitled to receive the net contributions that employers should have paid to INPS (for example they obtain + 400E if they earn 1000 euros); **b)** the long-awaited totalization system that makes it possible to sum all the contribution period (above 5 years) to retire at 65 years of age with 20 years of contributions or with 40 years of contributions, thus avoiding the costly "*ricongiunzione onerosa*"; moreover it has envisaged: 1) an increase in early retirement age for the income-based, mixed and contribution-based schemes with respect to 65 years of age for men and to 60 for women; 2) measures to reduce the exit windows for early retirement from 4 to 2, thus postponing benefits by 9 and 15 months after reaching the minimum age requirements for employed and for self-employed workers respectively ; 3) the possibility for women only to opt for the calculation-based system to retire with 35 years of contributions at the age of 57 years (58 for the self-employed) on an experimental basis until 2015.

g) Act n. 247/2007 (Prodi-Damiano) 1) partially modified the Berlusconi reform by eliminating the super bonus and by introducing a more gradually increase in the retirement age through "steps" and "restricted quotas" on the basis of the sum of age and years of contributions; 2) strengthened the contribution-based system introduced in 1995 on the basis of a Nusvap proposal, by applying as of 2010 (and then every three years) the new transformation coefficients defined in 2005; 3) envisaged the totalization of the years of contribution for a minimum of 3 years, instead of 5 as provided for in the decree on the totalization method introduced by the previous government.

h) Act n. 133/2008 established the full cumulation of old-age and early retirement pensions and of labor income.

i) Act n. 122/2010, (which amended Law Decree n. 78/2010) acted on:

- **the effective dates** which were made more stringent for workers fulfilling the minimum retirement requirements as of 1 January 2011, with a delay of 1 year for employed workers and of 1 year and a half for self-employed workers both in terms of early retirement (40 years of contributions) and of old-age pensions.

- **adjustment of retirement age requirements**. The minimum age to be entitled to old age pensions, early retirement pensions and social allowances is adjusted over time to life expectancy at age 65, as recorded by ISTAT in the previous three years. The adjustment to life expectancy is to be applied for the first time in 2015 and it cannot exceed 3 months. The next adjustments is scheduled for 2019 and then every 3 years in order to harmonize the revision mechanism of retirement age requirements with that of the transformation coefficients in the contribution-based system.

- **old-age retirement requirements for women in the public sector**. In the public sector, the old-age pension requirements for women (60 in 2009) is aligned to that of men as of 2012 (61 years in 2010-2011) instead of 2018 as previously provided for by Act n. 102/2009.

l) Act n. 111/2011, which transposed the amended Law Decree n. 98/2011 (Sacconi-Tremonti reform), intervened on:

- **old-age pension requirements for women in the private sector**. The old-age pension requirement of women in the private sector was gradually aligned to that of men (and of women in the public sector) in the period 2020-2032.

- **the adjustment of age requirements to life expectancy** (old-age and early-retirement pensions and social allowance) to be implemented as of 2015 is instead implemented as of 2013. This implies a further increase in the age requirements by 4 months as of 2016 (date of the second revision).

- **early retirement with 40 years of contributions**. For workers who retire early with 40 years of contributions regardless of age, the pension is paid with a three-month delay as of 2014 through the effective date mechanism even though the age and seniority requirements are fulfilled (1 month in 2012 and 2 months in 2013).

- **the indexation of pensions**. For the period 2012-2013 and only for pensions 5 times higher than the minimum INPS benefits, pensions are not adjusted to the inflation rate except for the benefits three times lower than the minimum pension, which have a 70% indexation rate.

m) Act n. 148/2011, which transposed Law Decree n. 138/2011, which has once again acted on:

- **old-age requirements for women in the private sector**. The alignment of the old-age requirement of women in the private sector to that of men (and of women in the public sector) comes into force six years earlier, that is in 2014-2026 instead of period 2020-2032 as previously envisaged.

- **the effective date system**. The delay in the payment of pensions with respect to the minimum age requirements through the exit windows is also extended to public school employees who were previously exempted.

n) Act n. 214/2011, which transposed the amended Law Decree n. 201/2011 (Monti-Fornero reform) established as follows:

- **extension of the contribution-based system** to workers entitled to the income-based system who were previously excluded with at least 18 years of contribution on 31/12/1995. The extension covers the periods of contribution as of January 1, 2012, according to the pro-rata principle.

- **the effective date system**. The effective date system is abolished and replaced, in general, by a related increase in the age and contribution seniority requirements. .

- **old-age pension requirements for women in the private sector.** The harmonization of the old-age retirement requirements for women in the private sector to that of men (and of women in the public sector) is further accelerated. The full equality will be reached in 2018 instead of 2026, as required by previous legislation.

- **social allowances.** In addition to the periodic adjustments to changes in life expectancy, the minimum age requirement for social allowances is increased by 1 year starting from 2018, fully in line with the minimum old-age pension requirements.

- **early retirement with combined age/seniority requirements.** Early retirement with the combination of age and seniority requirements is abolished in all pension schemes (it remains in force until 2015 for women who opt for the defined contribution system). The contribution-based system allows for early retirement only three years earlier than the old-age pension requirement, in addition to contribution seniority, as long as the subject has paid contributions for at least 20 years and with a monthly pension equal to 2.8 times the social allowances provided by Inps.

- **early retirement regardless of age.** In this case, the minimum requirement for men is further increased by 2 years and 1 month (1 year and 1 month for women). The share of the pension calculated with the income-based system is subjected to 1% penalty at 61 years and 2% at 60, with the addition of another 2% for each year of early retirement with respect to the 60-year requirement. This penalty is not applied to the subjects who fulfill the requirement by 31/12/2017.

- **adjustment of minimum requirements.** The minimum contribution requirements for early retirement based on seniority regardless of age is periodically adjusted according to life expectancy changes as of 2013, as already envisaged for old age pensions. As of 2021, all the pension requirements will be adjusted every two years instead of three years like for transformation coefficients.

- **contribution rates.** Contribution rates for self-employed workers have been gradually increased from 20% (20.3% for CDCM) in 2011 to 24% in 2018. Moreover, Act n. 183/2011 (Stability Law for 2012) had already increased the rate for atypical workers by 1 % up to 27% (18% for atypical workers already retired or members of another fund).

- **indexation of pensions.** For the period 2012-2013, the total amount of pensions 3 times higher than the minimum pension (about 1,400 Euros per month) was not adjusted to inflation.

- **solidarity contribution.** From January 1 2012 to December 31 2017, a solidarity contribution is to be paid by members and pensioners (with a pension equal to or greater than 5 times the minimum pension) of the former funds for transportation, electricity, telephony and of the aviation fund.

o) Act n. 147/2013 (2014 Stability Law) established as follows:

- **indexation of pensions.** For the three-year period 2014-2016, a new indexation system is introduced: 100% adjustment to the inflation rate for benefits equal to 3 times the minimum benefits provided by Inps; 95% for benefits equal to 3 and 4 times the minimum pension; 50% for benefits ranging from 5 and 6 times the minimum pension and 45% (40% for 2014 alone) for benefits amounting to 6 times the minimum pension . Moreover, this new revaluation method is no longer implemented in steps, but it is used for the whole amount and not only the part exceeding the guaranteed threshold as in the past.

- **solidarity contribution.** For 2014-2016, the so called " gold-pensioners" must pay a solidarity contribution as follows: 6% of the part exceeding the annual amount equal to 14 times the Inps minimum pension; 12% for the part exceeding the annual amount equal to 20 times the minimum pension and 18% for the part exceeding the amount equal to 30 times the minimum pension.

p) Act n.. 190/2014 (2015 Stability Law) changes the Monti-Fornero law as follows::

- **penalty for early retirements:** the reduction of the share of the early pension calculated with the income-based system (1% at 61 years of age and 2% at 60 years of age, plus 2% for each year

before the age requirement of 60 years, is eliminated as of January 1 2015 for all the subjects who become entitled by 31/12/2017.

- **limit to high pensions:** following the extension of the pro-rata contribution-based method for everybody as of 2012, the overall amount of pension benefits cannot exceed the one that would be paid with **the calculation method used before the Monti-Fornero reform**. In sum, those who continue to work after the eligible retirement age for old-age or early pensions cannot receive benefits higher than the ones that would have been paid under the rules before the last reform. *This provision is mainly relevant for the public sector top positions, but it is targeted to all workers and not only to those who work in the public sector.*

q) Law Decree n. 65/2015 (transposed into Law 109/2015) was issued after the decision by the Constitutional Court to repeal the "halt" to the 2012/2013 indexation of the benefits above three times the minimum pension **introduced by the Monti-Fornero reform**, and it reviewed the rules as follows:

for 2012 and 2013:

- 100% of Istat up to three times above the Inps minimum;
- 40% of the index above three and up to four times the minimum;
- 20% of the index above four and up to five times.
- 10% of the index above five and up to six times the minimum:

For 2014 and 2015:

- 100% of Istat up to three times above the Inps minimum;
- 20% (40% of the Istat index) above three and up to four times the minimum;
- 20% (20% of the index) above four and up to five times the minimum;
- 20% (10% of the index) above five and up to six times the minimum;
- no adjustment above six times the minimum.

For 2016:

- 100% of Istat up to three times above the Inps minimum;
- 50% (40% of the Istat index) above three and up to four times the minimum;
- 50% (20% of the index) above four and up to five times the minimum;
- 50% (10% of the index) above five and up to six times the minimum;
- no adjustment above six times the minimum.

The sum derived from this ***new equalization*** for 2012 and for 2013 and from the review of the adjustment of benefits in 2014 and for the first 7 months of 2015 (up to July), has been paid by Inps with the pension installment of August 2015.

r) M.D. of June 22 2015 (in O.J. of 6-7-2015) has determined the coefficients that are used to calculate benefits with the contribution-based system for the three year period 2016-2018.

IN DEPTH FOCUS 1: pension requirements under the current legislation

Similarly to most European countries, the Italian pension system provides for two retirement channels: old-age retirement with a ***minimum contribution period of 20 years*** and early retirement with a lower old-age pension requirement but with more stringent contribution requirements.

Old-age retirement. In the Italian pension system, in **2016** the minimum age to be entitled to an old-age pension under the Monti-Fornero law is equal to 66 years and 7 months for men and women in the public sector and for men in the private sector and for self-employed workers, to 66 years and 1 month for self-employed women and to 65 and 7 months for women in the private sector, with a difference of 22 months that is not in line with the provisions in all the reforms (max. 1 year and 18 months); the latter requirement has been gradually increased and will be fully in line with that of other workers as of January 1 2018 (*see Table 2*). In 2018, the minimum age requirement for **social**

allowances will be raised by one year and will be equivalent to the minimum age requirement for old-age pensions.

In addition to the age requirement, the access to old age pensions requires a minimum contribution period of at least 20 years and, in the contribution-based system, the accrual of a minimum pension not lower than 673 euros per month in 2015 (equal to 1.5 times the social allowance in the same year), adjusted to the nominal GDP five-year average. This constraint ceases at a certain age, that is 4 years above that provided for old age pensions (70.3 years in 2015, 70.4 in the three-year period 2016-2018).

These requirements are adjusted over time according to life expectancy changes. By 2020, the minimum age for old-age pension is expected to be equal to 67 years for all workers.

Early retirement (see Table A1). The subjects with an age lower than the required age for old-age pension (the so-called 'early retirement') can retire with a minimum contribution period in 2016 equal to:

- 42.10 years for men;
- 41.10 years for women;

The above contribution requirement is independent of age and is adjusted to changes in life expectancy.

For workers enrolled for the first time in the public pension system ***as of 1996*** (i.e. workers entirely covered by the contribution-based method), there is an additional channel to be entitled to early retirement.

They can retire at an age that is lower than that provided for old age pensions up to a maximum of 3 years with at least 20 years of contribution and a minimum amount of pension of 1,256 euros per month in 2015 (which corresponds to 2.8 times the social allowance in the same year). This amount has been adjusted to the nominal GDP five-year average. The constraint of a minimum pension, that is relatively high, actually replaces the minimum contribution requirement of 35 years provided for by the previous laws on the entitlement rules for early retirement in the contribution-based system. The threshold value is determined in order to ensure, on average, an equivalent age for retirement and to preserve the adequacy of benefits guaranteed by the previous legislation.

Adjustment of the minimum requirements to life expectancy. Since 2013²⁹, the minimum requirement for old-age pensions (and early retirement in the contribution-based system) and the minimum contribution requirement regardless of age for early retirement in all the three regimes, have been adjusted every three years according to the change in life expectancy at 65 years of age, as measured by ISTAT in the previous three years. As of 2019, the above-mentioned adjustment is envisaged every two years instead of three years.

The adjustment to changes in life expectancy is also applied to the minimum age to be entitled to ***social allowances***.

As provided for by law, the procedure for adjusting the minimum requirements to changes in life expectancy falls entirely within the administrative framework, thus ensuring regular reviews and the compliance with deadlines.

²⁹ The adjustment of requirements as of 2013 under the law (art. 12, co. 12-bis, of LD 78/2010, transposed and amended by Act 122/2010) was adopted at least 12 months before the beginning of the adjustment period, as provided by the Decree of December 6, 2011 published in the official Journal on December 13, 2011. This adjustment is equal to three months. In fact, the legal provision (art. 12, paragraph 12-ter of the above mentioned decree 78/2010, transposed and amended by act 122/2010) expressly envisaged that the first adjustment must not exceed three months, also in the presence of greater increase in life expectancy in the previous three years. This actually happened since this increase referred to 65 years of age and to the average of the population between 2007 and 2010, was evaluated by Istat to be five months.

This process is fully in line with that the one designed to adjust transformation coefficients (art. 1, par. 6 of Act n. 335/1995, as amended by Act n. 247/2007). These coefficients are to be adjusted every two years as of 2019 for reasons of consistency.

Adjusting the minimum pension requirements further strengthens the mechanisms within the pension system (including the revision of the transformation coefficients in the contribution-based system) designed to counteract the negative effects of the aging of the population on the financial equilibrium of the whole system. In addition, the adjustment of these requirements produces an increase in the average level of pension benefits, thus contributing to improving the adequacy of benefits especially in the contribution-based system. Below are the tables with the minimum age and seniority requirements for early and old-age retirement and for social allowances, calculated on the basis of life expectancy trends underlying the central population assumptions recently produced by Istat with the 2011 baseline. Obviously, the actual adjustments will be evaluated ex-post by Istat according to the procedure provided by law. However, Act n. 2014/2011 provides for a guarantee clause for those who become entitled as of 2021, according to which the minimum old-age pension requirement cannot be less than 67 years.

Table A1 Old-age (or early) pension requirements

<i>Retirement year</i>	<i>Age</i>			
	<i>Private sector employed workers</i>	<i>Public employees</i>	<i>Protected categories *</i>	<i>Self-employed workers</i>
Up to 1995	35 years	20/25 years**	35 years	35 years
1996 – 1997	35 + 52 (36)	20/25 years **	35 + 52 (36)	35 + 56 (40)
1998	35 + 54 (36)	35 + 53 (36)	35 + 53 (36)	35 + 57 (40)
1999	35 + 55 (37)	35 + 53 (37)	35 + 53 (37)	35 + 57 (40)
2000	35 + 55 (37)	35 + 54 (37)	35 + 54 (37)	35 + 57 (40)
2001	35 + 56 (37)	35 + 55 (37)	35 + 54 (37)	35 + 58 (40)
2002	35 + 57 (37)	35 + 55 (37)	35 + 55 (37)	35 + 58 (40)
2003	35 + 57 (37)	35 + 56 (37)	35 + 55 (37)	35 + 58 (40)
2004 – 2005	35 + 57 (38)	35 + 57 (38)	35 + 56 (38)	35 + 58 (40)
2006 – 2007	35 + 57 (39)	35 + 57 (39)		35 + 58 (40)
2008 - 6/2009	35 + 59 (40)	35 + 59 (40)		35 + 60 (40)
7/2009 – 2010	35 + 60 (40) 36 + 59	35 + 60 (40) 36 + 59		35 + 61 (40) 36 + 60
2011	35+61 or 36+60 (40)	35+61 or 36+60(40)		35+62 or 36+61(40)
	All		Members after 31/12/1995	
2012	42 years and 1 month (41 years and 1 month for women)		63 years ***	
2013	42 years and 5 months (41 years and 5 months for women)		63 years and 3 months	
2014-2015	42 years and 6 months (41 years and 6 months for women)		63 years and 3 months	
2016-2018 ****	42 years and 10 months (41 years 10 months for women)		63 years and 7 months	
2019-2020 *****	43 years and 2 months (42 years 2 months for women)		63 years and 11 months	
2021-2022 *****	43 years and 5 months (42 years and 5 months for women)		64 years and 2 months	
2023-2024 *****	43 years and 8 months (42 years and 8 months for women)		64 years and 5 months	
2025-2026 *****	43 years and 11 months (42 years and 11 months for women)		64 years and 8 months	
2027-2028 *****	44 years and 2 months (43 years and 2 months for women)		64 years and 11 months	
2029-2030 *****	44 years and 4 months (43 years and 4 months for women)		65 years and 1 month	
2035 *****	44 years and 10 months (43 years and 10 months)		65 years and 7 months	

	for women)	
2040 *****	45 years and 2 months (44 years and 2 months for women)	65 years and 11 months
2045 *****	45 anni e 8 mesi (44 anni 8 mesi le donne)	66 anni e 5 mesi
2050 *****	46 years (45 years for women)	66 years and 9 months

Note: The alternative requirement independent of age is between parentheses

* Protected categories are employed qualified like workers (and equivalent occupations) and the so-called "eraly" workers, that is those who have paid at least a whole year of contributions for jobs before 19 years of age, who had more accessible requirements until 2005.

** The requirements were equal to 20 years (19 years and 6 months and 1 day) for State employees and 25 years (24 years and six months and 1 day) for employees of local authorities and of local health organizations. In both cases, women who were married and/or with children had a 5 year reduction.

*** With an actual minimum period of contribution of 20 years (contributions from other sources are not considered useful), provided that the monthly amount of benefits is at least equal to 2.8 times social allowances.

**** The figures indicated 2016-2018 are adjusted to the life expectancy published by ISTAT and established by MD of December 16 2014 (in the O.J. of December 30 2014).

***** The figures indicated have been adjusted since 2019 on the basis of the ISTAT estimates.

Table A 2 Evolution of retirement age

<i>Year of retirement</i>	<i>Age</i>		
	<i>Private employees</i>	<i>Public employees</i>	<i>Self-employed</i>
Up to 1993	60 men and 55 women	65 men and women	65 men and 60 women
From 1/1/1994 to 30/06/1995	61 men and 56 women	65 men and 60 women	65 men and 60 women
From 1/7/1995 to 31/12/1996	62 men and 57 women	65 men and 60 women	65 men and 60 women
From 1/1/1997 to 30/06/1998	63 men and 58 women	65 men and 60 women	65 men and 60 women
From 1/1/1998 to 31/12/1999	64 men and 59 women	65 men and 60 women	65 men and 60 women
From 1/1/2000 to 31/12/2009	65 men and 60 women	65 men and 60 women	65 men and 60 women
2010 – 2011	65 men and 60 women	65 men and 61 women*	65 men and 60 women
2012	66 men and 62 women	66 men and women	66 men and 63 and 6 months women
2013	66 yeras and 3 months men 62 years and 3 months women	66 and 3 months men and women	66 and 3 months men and 63 and 9 months women
2014-2015	66 and 3 months men and 63 and 9 months women	66 and 3 months men and women	66 and 3 months men and 64 and 9 months women
2016-2017 ***	66 and 7 months men and 65 and 7 months women	66 and 7 months men and women	66 and 7 months men and 66 and 1 months women
2018	66 and 7 months men and women	66 and 7 months men and women	66 and 7 months men and women
2019-2020	66 and 11 months men and women	66 and 11 months men and women	66 and 11 months men and women
2021-2022 **	67 and 2 months men and women	67 and 2 months men and women	67 and 2 months men and women
2025	67 and 8 months men and women	67 and 8 months men and women	67 and 8 months men and women
2030	68 and 1 month men and women	68 and 1 month men and women	68 and 1 month men and women
2035	68 and 7 months men and women	68 and 7 months men and women	68 and 7 months men and women
2040	68 and 11 months men and women	68 and 11 months men and women	68 and 11 months men and women
2045	69 and 3 months men and women	69 and 3 months men and women	69 and 3 months men and women
2050	69 and 9 months men and women	69 and 9 months men and women	69 and 9 months men and women

* For women working for the public sector, the age requirement of 61 years was established by Act n. 122/2010, following the decision by the European Court of Justice of November 13 2008 (case C-46/07), which recognized the professional nature of Inpdap, the scheme for public employees, and the non legitimacy of the different requirement age for women.

** Under, the Monti-Fornero reform, as of 2022 the retirement age cannot be lower than 67 years of age even if the population changes leading to more stringent requirements have not fully developed their potential.

*** The figure as of 2019 are adjusted to life expectancy on the basis of the ISTAT estimates.

In depth focus 2: indexation

Almost twenty years ago, a mechanism was introduced to apply the full indexation of the lower pensions only and of part of the higher pensions. Many and sometimes contradictory measures have been adopted in this domain so as to reduce pension expenditure, but they have led to a structural and no longer redeemable drop in the level of benefits; this is the reason why the Supreme Court issued a negative opinion on these measures.

up to 2007: 100% cost of living indexation of benefits up to three times the minimum pension (up to a gross amount of 1,382.91 euros per month); 90% of benefits up to 3 to 5 times the minimum pension (a gross amount from 1,382.92 to 2,304.85 euros per month), 75% of benefits up to 5 times the minimum pension (from a gross amount of 2,304.86 euros per month).

2009-2010. 100% adjustment to the cost of living index for benefits 5 times higher than the minimum pension (up to a gross amount of 2,217.80 euros per month in 2009 and 2,288.80 euros in 2010); 75% of benefits 5 times higher than the minimum pension (starting from a gross amount of 2,217.81 euros per month in 2009 and from 2,288.81 euros in 2010).

2011. After the three-year period, the situation went back to 2007, with the full adjustment of the benefits to the inflation rate.

2012 – 2013. The Monti government and its "Salve Italy" Law in late 2011 put a halt to the equalization for pensions 3 times higher than the minimum benefits for 2012 and 2013; 100% indexation to the cost of living of benefits 3 times higher than the minimum pension (up to a gross amount of 1,405.05 euros per month in 2012 and to 1,443.05 in 2013); pensions 3 times higher than the minimum benefits are not adjusted.

2012 - 2016. Law Decree n. 65/2015 (transposed into Act 109/2015) was issued after the decision by the Supreme Court which lifted the "ban" to indexation for 2012/2013 of benefits three times higher than the minimum pension and reformulated the rules as follows:

for 2012 e 2013:

- 100% of the Istat index up to three times the Inps minimum pension;
- 40% above three and up to four times the minimum pension;
- 20% above four up to five times the minimum pension;
- 10% above five and up to six times the minimum pension;
- no indexation above six times the minimum pension.

for 2014 e 2015:

- 100% of the Istat index up to three times the Inps minimum pension;
- 8% above three and up to four times the minimum pension;
- 4% above four up to five times the minimum pension;
- 2% above five and up to six times the minimum pension;
- no indexation above six times the minimum pension.

for 2016:

- 100% of the Istat index up to three times the Inps minimum pension;
- 20% above three and up to four times the minimum pension;
- 10% above four up to five times the minimum pension;

- 5% above five up to six times the minimum pension;
- no indexation above six times the minimum pension.

As of 2017, the previous indexation system is to be reinstated, that is 100% adjustment to the cost of living index of benefits 3 times higher than the minimum pension; 90% of benefits between 3 and 5 times the minimum pension; 75% of benefits 5 times higher than the minimum pension; but the 2016 Stability Bill postponed the interim framework entered into force in 2015 to 2018.

2012 indexation

Amount of benefits December 2011	Increase
up to € 1,406	+ 2.7% (100% Istat)
from € 1,406 to € 1,924	+ 1.08% (40% Istat)
from € 1,924 to € 2,405	+ 0.54% (20% Istat)
from € 2,405 to € 2,886	+ 0/27% (10% Istat)
Above € 2,886	0

2013 indexation

Amount of benefits December 2012	Increase
up to € 1,443	+ 3% (100% Istat)
from € 1,443 to € 2,405	+ 1.2% (40% Istat)
from € 2,405 to € 2,477	+ 0.6% (20% Istat)
from € 2,477 to € 2,973	+ 0.3% (10% Istat)
above € 2,973	0

2014 indexation

Amount of benefits December 2013	Increase
Up to € 1,487	+ 1.2% (100% Istat)
from € 1,487 to € 1,982	+ 0.096 (8% Istat)
from € 1,982 a € 2.478	+ 0.048% (4% Istat)
from € 2,478 to € 2,973	+ 0.024% (2% Istat)
Above € 2,,973	0

2015 indexation

Amount of benefits December 2014	Provisional increase	Final increase
Up to € 1,503	+ 0.30% (100% Istat)	+ 0.20% (100% Istat)
from € 1,503 to € 2,004	+ 0.285% (95% Istat)	+ 0.190% (95% Istat)
from € 2,004 to € 2,505	+ 0.225% (75% Istat)	+ 0.015% (75% Istat)
from € 2,505 to € 3,006	+ 0.0150% (50% Istat)	+ 0.01% (50% Istat)
above € 3,006	+ 0.135% (45% Istat)	+ 0.09% (45% Istat)

Benefit	2014	2015	2016 *
Minimum pension	500.88	502.39	501.38
Social allowance	447.17	448.52	447.62
Social pension	368.52	369.63	368.89
Ex million a months	637.32	638.83	637.82
Disability pension civilians	278.91	279.75	279.47
Carers' allowance	504.07	508.55	508.55

For 2016, the provisional adjustment (MD November 19 2015) has a value equal to zero. The figures for 2016 are slightly lower than those in 2015, because the provisional indexation for 2015 (+ 0.3%) did not exceed + 0,2%, that is – 0.1%.

In depth focus 3: gold pensions

In addition to the new indexation rules, the 2014 Stability Law reintroduced the solidarity contribution on the so-called gold pensions which was repealed in 2013 by the Constitutional Court. The new contribution was proposed by the Letta Government (2014-2016) to finance subsidies for the poor, a measure considered to be compliant with the Constitution.

It amounts to 6% for benefits between 14 and 20 times the minimum pension, it goes up to 12% for benefits between 20 and 30 times the minimum pension and to 18% for benefits 30 times higher than the minimum pension. According to Inps, the number of pensions involved is over **29,000**.

Gold Pensions 2014

Gross pension amount	Contributions to be paid
From 91,160 euros to 130,228 (between 14 and 20 times the minimum pension)	6% of the amount exceeding 91,160
From 130,228 to 195,343 euros (between 20 and 30 times the minimum pension)	12% of the amount exceeding 130,228
Above 195,343 (above 30 times the minimum pension)	18% of the amount above this figure

Gold pensions 2015

Gross pension amount	Contributions to be paid
From 91,435 euros to 130,622 (between 14 and 20 times the minimum)	6% of the amount exceeding 91,435
From 130,622 to 195,932 euros (between 20 and 30 times the minimum)	12% of the amount above this figure
above 195,932 (above 30 times the minimum)	18% of the amount above this figure

As expected, a suit was filed before the Constitutional Court and the decision is still pending. For a more in-depth view of this subject, please refer to final Chapter.

In depth focus 4: contribution rate trends

In the last 20 years, the contribution rates for the pension fund for employed workers were modified by an inter-ministerial decree of February 21 1996, to comply with Art. 3, par. 23 of Act 335/1995 (Dini reform.). In fact, it increased the financing rate to 32% (27.57 + 4.43) and reduced the financing rates for Tbc (0.14%), maternity leave (0.57%) and Cuaf (3.72%). In the cases in which these changes did not allow for a 4.43% increase of the FPLD rate on January 1 1996, this surcharge was levied in different installments: a two-year increase by 0.50% to be paid by employers as of January 1 1997. Therefore, as of January 1 2005, these employers had to increase the rate to be paid to FPLD by another 0.50% so as to reach 32%, + 0.70% ex GESCAL (to finance low-cost housing projects). Then the Budget Law of 2007 (art. 27 Act 30/1997) raised the FPLS rate to 33%. Many other provisions were issued to change the contribution rates for artisans, retailers and temporary contract professionals. This is the summary table of these trends.

The following tables show that all governments in the last 55 years have tried to balance the pension system by increasing contribution rates. This option was correct until 1987 for employed workers and until 2007 for the self-employed workers. But then this approach became a very heavy burden on the labour cost which had a negative impact on Italy's competitiveness, which collapsed

when the introduction of the euro stopped competitive currency devaluations. The Monti Fornero further exacerbated this problem.

Serie storica delle aliquote contributive I.V.S. e dei contributi capitari

Anni	Serie storica delle aliquote contributive I.V.S. e dei contributi capitari						Serie storica retribuzioni redditi - dati medi annui pro-capite - (euro)		
	F.P.L.D. (a)		Artigiani		Commercianti (b)		F.P.L.D. (d)	Artigiani (e)	Commercianti (e)
	Totale	di cui a carico del lavoratore	Contributo annuo fisso (euro)	Contributo annuo % (c)	Contributo annuo fisso (euro)	Contributo annuo % (c)			
1960	14,41%	4,76%	4,02						
1961	14,41%	4,75%	4,02						
1962	16,42%	5,42%	4,02						
1963	19,10%	6,32%	4,02						
1964	18,80%	6,17%	4,02						
1965	18,58%	5,95%	4,02						
1966	18,58%	5,95%	7,71		7,71				
1967	18,10%	6,30%	7,71		7,71				
1968	19,67%	6,55%	7,71		7,71				
1969	20,58%	6,85%	7,71		7,71				
1970	20,58%	6,85%	7,71		7,71				
1971	18,91%	6,30%	7,71		7,71				
1972	19,01%	6,30%	7,71		7,71				
1973	19,01%	6,30%	7,71		7,71				
1974	19,95%	6,30%	15,77		15,77				
1975	20,77%	6,72%	37,46		37,46				
1976	23,31%	7,15%	45,14		45,14				
1977	23,31%	7,15%	51,48		51,48				
1978	23,31%	7,15%	61,52		61,52				
1979	23,31%	7,15%	149,99		149,19				
1980	23,90%	7,15%	223,49		221,68				
1981	24,01%	7,15%	328,06		326,77				
1982	24,17%	7,15%	310,73	4,00%	308,92	6.462	3.588	4.072	
1983	24,51%	7,15%	392,48	4,00%	390,67	7.535	3.974	4.499	
1984	24,51%	7,15%	442,86	4,00%	441,05	8.622	4.249	4.796	
1985	24,51%	7,15%	487,86	4,00%	486,05	9.548	4.792	5.297	
1986	24,51%	7,15%	617,16	4,00%	615,35	10.166	5.857	6.531	
1987	24,51%	7,15%	648,21	4,00%	646,40	11.044	6.267	6.785	
1988	24,51%	7,15%	672,93	4,00%	673,54	11.824	6.718	6.973	
1989	25,92%	7,29%	701,75	4,00%	699,94	12.630	7.346	7.360	
1990	25,92%	7,29%		12,00%		13.622	9.241	8.566	

Serie storica delle aliquote contributive I.V.S. e dei contributi capitari

1991	26,09%	7,46%		12,75%		12,75%	14.947	10.196	10.020
1992	26,49%	7,86%		13,50%		13,50%	16.041	11.961	11.579
1993	26,97%	8,34%		14,29%		14,29%	16.706	12.840	12.482
1994	26,97%	8,34%		15,00%		15,00%	17.330	13.503	14.024
1995	27,16%	8,40%		15,00%		15,00%	18.007	14.290	14.242
1996	32,70%	8,89%		15,00%		15,09%	18.718	15.445	15.315
1997	32,70%	8,89%		15,00%		15,39%	19.185	15.547	15.146
1998	32,70%	8,89%		15,80%		16,19%	19.758	16.237	16.166
1999	32,70%	8,89%		16,00%		16,39%	20.323	17.122	17.551
2000	32,70%	8,89%		16,20%		16,59%	21.147	17.853	17.956
2001	32,70%	8,89%		16,40%		16,79%	21.760	17.509	16.218
2002	32,70%	8,89%		16,60%		16,99%	22.327	17.964	17.979
2003	32,70%	8,89%		16,80%		17,19%	22.910	18.191	18.048
2004	32,70%	8,89%		17,00%		17,39%	23.807	18.405	18.603
2005	32,70%	8,89%		17,20%		17,59%	24.536	18.804	19.251
2006	32,70%	8,89%		17,40%		17,79%	25.401	19.590	19.526
2007	33,00%	9,19%		19,50%		19,59%	26.221	20.766	20.190
2008	33,00%	9,19%		20,00%		20,09%	27.255	20.861	20.248
2009	33,00%	9,19%		20,00%		20,09%	28.040	20.895	20.558
2010	33,00%	9,19%		20,00%		20,09%	29.090	19.593	19.935

(a) Aliquote medie dell'anno calcolate tenendo conto delle mensilità aggiuntive, (b) La gestione commercianti è iniziata nel 1996.

(c) Per l'anno 1990 l'aliquota è quella in vigore dal 1° luglio. Per gli anni 1991, 1992 e 1993 si riportano le aliquote medie dell'anno.

(d) Fonte: Elaborazione su dati dell'Industria In s.s. tratti da "Annuario di Contabilità Nazionale" per il periodo 1960/1969 e "Relazione Generale sulla situazione economica del Paese" per il periodo 1970-1999. A decorrere dall'anno 2000 i dati sono il risultato di elaborazioni dirette su dati Istat-Data/WareHouse relativi al settore Industria s.s.

(e) I valori della serie storica dei redditi sono stimati sulla base dei dati di Rendiconto.

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Historical series of IVS contribution rates and per capita rates

Years Historical series of IVS contribution rates and per capita rates Historical series of remuneration/income (average annual per capita data)

FPLD Artisans Retailers

Total paid by workers fixed annual contribution % annual contribution

As of	Employed workers	Artisans	Retailers(*)	Temporary contract professionals (**)
January 1 2011	33%	20%	20.09%	26.72 (17%)
January 1 2012	33%	21.3%	21.39%	27.72 (18%)
January 1 2013	33%	21.75%	21.84%	28.72 (20%)
January 1 2014	33%	22.20%	22.29%	28.72 (22%)
January 1 2015	33%	22.65%	22.84%	30.72 (23.50%)
January 1 2016	33%	23.10%	23.29%	31.72 (24%)
January 1 2017	33%	23.55%	23.74%	32.72 (24%)
as of 2018	33%	24%	24.09%	33.72 (24%)

* The rate for retailers included an extra amount of 0.09% (up to 2018), for the so-called shop scrapping fund (art. 5, l.d. 207/1996) supporting the subjects who closed down their business (and given back their licence) who receive an amount equal to the Inps minimum pension for a maximum period of three years.

* The rate for members of a pension scheme or pensioners. For 2014 and 2015, Vat subjects had a lower rate, that is 27.72%.

** 27,57% from 1.10.1995 to 31.12.1995.

In depth focus 5: the contribution-based calculation and its coefficients

The MD of June 22 2015 redetermined the coefficients for 2016-2018 to calculate benefits with the contribution based system. With respect to 2013-2015, these new coefficients result in a reduction of the pension level by a minimum of 1.35 to a maximum of 2.50%. This method is the foundation of the Dini reform of 1995 under which pensions are strictly correlated to the contributions paid

throughout the working life and no longer to the last remuneration levels with the income-based system.

How it works. The contribution-based method works almost like a saving account. With the support of their employers, every year workers put aside 33% of their wage (self-employed workers 22.65% of their income up to 24% in 2018). This capital produces a sort of composite interest rate linked to the five-year GDP trend and to inflation. Therefore, the higher the growth rate in Italy, the higher the rate of return of this capital. When they retire, a transformation coefficient which grows with increasing age is applied to the overall contribution amount, that is the adjusted sum of the contributions paid.

There is another fundamental difference between the contribution-based method and the income-based one: a retirement contribution threshold. In practice, above this threshold no contributions are due and the pension is calculated up to the maximum contribution-based benefits. This ceiling is adjusted every year on the basis of the Istat consumer price index. In 2015, it was equal to **100,324 euros**. For example, this means that the 2015 annual retirement provisions cannot exceed 33,107 euros for employed workers and 22,724 euros for artisans and retailers, 33% and 22.65% of the ceiling respectively.

Coefficients. The original coefficients provided for under Act 335/1995 should have been reviewed and updated according to life expectancy (calculated by Istat) very 10 years. So, the first revision was due in 2006. But this never happened until 2010. As of January 1 2010, under the Prodi-Damiano reform (art. 1, par,14, Act n. 247/2007) these coefficient were changed and are going to be changed every three years until 2018 and then every two years as of 2019.

Benefits will be adjusted to the total contributions paid and to the age at retirement. In order to have higher benefits, it is necessary to work some more years with respect to the past, as envisaged under the current legislation. In fact, life expectancy is growing. For example, in order to obtain the same coefficient provided for in the Dini reform at 65 years of age in 2016-2018, it is necessary to work for another 4 years, up to 69. But since life expectancy has grown by more than 5 years and workers will receive their benefits for another 5 years.

Old and new coefficients

<i>Age</i>	<i>1996- 2009</i>	<i>2010 - 2012</i>	<i>2013 - 2015</i>	<i>2016 - 2018</i>
57	4.720	4.419 (-6.38)	4.304 (-2.60)	4.246 (-1.35)
58	4.860	4.538 (-6.63)	4.416 (-2.69)	4.354 (-1.41)
59	5.006	4.664 (-6.83)	4.535 (-2.77)	4.468 (1.48)
60	5.163	4.798 (-7.07)	4.661 (-2.86)	4.589 (- 1.55)
61	5.334	4.940 (-7.39)	4.796 (-2.91)	4.719 (- 1.61)
62	5.514	5.093 (-7.64)	4.940 (-3.01)	4.856 (- 1.70)
63	5.706	5.257 (-7.87)	5.094 (-3.11)	5.002 (- 1.81)
64	5.911	5.432 (-8.10)	5.259 (-3.18)	5.159 (- 1.90)
65	6.136	5.620 (-8.41)	5.435 (-3.30)	5.326 (- 2.01)
66	-	-	5.624	5.506 (-2.01)
67	-	-	5.826	5.700 (- 2.17)
68	-	-	6.046	5.910 (- 2.25)
69	-	-	6.283	6.135 (- 2.36)
70	-	-	6.541	6.378 (- 2.50)

- Note: the % reduction with respect to the coefficients applied in the previous three years is between parentheses.

Appendix 2

The definition of pension expenditure in this Report and other definitions

There are several definitions of *pension expenditure* produced by a number of institutions. Each responds to specific goals and, in some cases, it depends on the availability of data. Below is a list of definitions currently in use and the explanation of the differences among *expenditure aggregates*.

A) Istat Statistica – Istat-Inps Publication - "Le prestazioni pensionistiche"³⁰: the benefits included in the aggregate.

IVS pensions:

invalidity, old age and survivors' pensions for workers who fulfill the age and contribution requirements (direct disability, old age and seniority benefits). If the worker or the pensioner dies, these benefits may be paid to survivors (indirect pensions).

Indemnity pensions:

pensions for accidents at work and occupational diseases, including veterans' pensions and gold medal allowances. These pensions are designed to provide an indemnity to the subjects in case of disability or death (in this case benefits are paid to survivors) caused by an industrial accident. The right to these benefits and their amount are not related to the years of contributions but to the damage suffered and to the remuneration level.

Welfare pensions:

pension benefits for veterans, for blind and for deaf individuals, for disabled people, social pensions or allowances to citizens over 65 years of age without or with an insufficient income level. The main goal of these pensions is to provide a minimum income to people unable to obtain it due to congenital or acquired impairments or simply due to old age. In any case, these pensions are not linked to any contribution system. *They also include the carers' allowance* (which is not a pension) for people with age-related problems.

Pensions of merit:

life-annuities to veterans who received the Order of Vittorio Veneto award, the Medal award and the Cross for military excellence. These pensions are not linked to any contribution system.

Pensions paid by private institutions:

they do not include benefits paid in capital, since these benefits do not fall within the definition of "pension"³¹.

Indices:

number of pensions as of December 31 of each year and expenditure expressed as the sum of all benefits measured in December multiplied by the number of months in which the payment of the benefit occurs (s-called "expenditure at year-end"). The monthly amount on December 31 includes: the base amount, the increase related to the cost of living and to wage trends, family allowances and other allowances and arrears.

B) "Pensions and annuities" contained in the **General Report on the economic situation of the country** and in the **Accounts of Social Security**³²: benefits included in the aggregate.

³⁰ The data analyzed comes from the administrative archive of the Inps Central Registry of Pensioners, which gathers all the data on the pension benefits provided by all Italian pension schemes, both public and private. With the latest projections, Istat produces disaggregated data by type of institutions related to the previous years, because this data is processed according to a different classification that better fulfills the criteria of SEC95.

³¹ Periodical and regular benefits in cash provided to individuals by in public organizations and public and private entities.

³² This aggregate is indicated separately both in reference to the institutions in general and to public institutions: the second category is considered here.

This item includes IVS pensions, net of the benefits and the annuities resulting from industrial accidents (INAIL, IPSEMA, the military, etc.), including the provisional pensions paid to the military directly by State, the ones paid by constitutional bodies and by the Regions (Sicily in particular) to their former employees. It does not include veterans' pensions, welfare pensions (social pensions and allowances and disability pensions and allowances) and those of merit.

indicis: expenditure is expressed as the sum of the actual payments net of family allowances, of recovery of benefits and of the proceeds from the non-cumulation rule.

C) Eurostat – Pension Expenditure: benefits included in the aggregate

This aggregate is largely equivalent to the definition by Istat Statistica, with the exception of carers' allowance paid to disabled civilians.

Old age and survivors functions; (sometimes misused as an indicator of pension expenditure): benefits included in the aggregate.

The aggregate, often used for international comparative analyses, is the sum of disbursements that Eurostat ranks in terms of *old age* and *survivors* function. In addition to direct expenditure on IVS pensions (with the exception of disability pensions paid before the retirement age and of the early retirement share classified under "Unemployment"), the *old age* function includes: the annual payments by private and public employers for termination of employment benefits (they are not pensions but disbursements by employers not necessarily linked to the old-age function, but to termination of employment³³), some expenses for services provided for the old-age function, supplementary pensions paid by private pension funds. In addition to IVS indirect pensions, the *survivors* function includes indirect veterans' pensions and indirect accident-related annuities.

Indices: expenditure is expressed in terms of the sum of the actual payments (or benefits) net of family allowances, of the recovery of benefits and of the proceeds from the non-cumulation rule.

Old age, survivors and disability functions; (sometimes misused as an indicator of pension expenditure): benefits included in the aggregate.

The aggregate, often used for international comparative analyses, comprises the sum of disbursements that Eurostat ranks in terms of *old age*, *survivors* and *disability* function. In addition to direct expenditure on IVS pensions (except for disability pensions below the retirement age and the early retirement share classified under "Unemployment" as previously mentioned), the *old-age* function includes: the annual disbursements by private and public employers for termination of employment benefits TFR (which are not pensions but capital disbursements not necessarily linked to the old-age function, but to termination of the employment, as previously stated), some expenses for services provided to protect the old-age function, supplementary pensions paid by private pension funds³⁴. In addition to IVS indirect pensions, the *survivors* function includes indirect and direct veterans' pensions and indirect accident-related annuities. In addition to IVS disability and invalidity pensions below the retirement age, the *disability* function also features benefits such as accident-related annuities, benefits for disabled civilians (including the carers' allowance).

Indices: expenditure is expressed in terms of the sum of the actual payments (or benefits) net of family allowances, of the recovery of benefits and of the the proceeds from the non-cumulation rule.

³³ In the private sector, for example, the average working period in the same company can be estimated to be about 7-8 years. On the whole, also considering the public sector, this figure as % of GDP is equal to about 1.3%.

³⁴ Even *survivors* and *disability* include benefits paid by private institutions.

D) The definition of this Report is identical to that used in the reports drafted until 2012 (2009/10) by the Pension expenditure evaluation unit (NVSP): benefits included in the aggregate.

This report analyzes the structural and financial elements of the IVS mandatory pension system. The definition of pension expenditure includes: the provisional pensions paid to military personnel directly by the State but it does not include those paid by the constitutional bodies and by the Regions (Sicily in particular) to their former employees. It also includes the benefits provided by some special funds integrated into INPS, such as Enpam and Enasarco.

Indices: expenditure is expressed as the sum of the actual payments net of family allowances, of the recovery of benefits and of the non-cumulation rule. Pension expenditure is shown both before and after the contributions from the State (GIAS and State contribution to the Fund for civil servants within INPDAP).

E) The State General Accounting Department (RGS): benefits included in the aggregate.

The short and medium-terms projections of the pension expenditure/GDP ratio issued by the State General Accounting Department adopt a definition of pension expenditure, which includes IVS pensions, net of capital-based benefits, provided by public institutions (including the expenditure for provisional pensions paid to military personnel directly by the state, by the constitutional bodies and by the regions, Sicily particular, to their former employees) and social pensions (social allowances since 1995)). This last component is added because it is closely related to the aging of the population. The same aggregate is adopted in the projected accounts of the Public Administration published annually in the public finance official documents (in particular the DEF), with the breakdown of "social benefits" into "pension expenditure" and "expenditure on other social benefits in cash."

Indices: the aggregate expenditure is the sum of the actual payments, net of the recovery of benefits, of family allowances and of the proceeds from the non-cumulation rule.

Appendix 3: the contribution-based calculation formula

$$TC_x = \frac{1}{\Delta_x}$$

$$\Delta_x = \frac{\sum_{s=m,f} a_{x,s}^{v(t)} + A_{x,s}^{v(t)}}{2} - k$$

Current average direct pension¹:

$$a_{x,s}^{v(t)} = \sum_{t=0}^{w-x} \frac{l_{x+t,s}}{l_{x,s}} \left(\frac{1+r}{1+\sigma} \right)^{-t}$$

Current average survivors' pension:

$$A_{x,s}^{v(t)} = \sum_{t=0}^{w-x} \frac{l_{x+t,s}}{l_{x,s}} q_{x+t,s} \left(\frac{1+r}{1+\sigma} \right)^{-t} \Theta_{x+t,s} \eta \delta_s \sum_{\tau=1}^{w-x-t+\varepsilon_s} \frac{l_{x+t+\tau-\varepsilon_s,s}^{ved}}{l_{x+t+1-\varepsilon_s,s}^{ved}} \left(\frac{1+r}{1+\sigma} \right)^{-\tau}$$

where:

TC = transformation coefficient

Δ = divisor

s = gender (m=males, f=females)

$\frac{l_{x+t,s}}{l_{x,s}}$ = probability to survive between di age x and age $x+t$

x = retirement age

w = maximum age

$q_{x+t,s}$ = probability to die between the age $x+t$ and age $x+t+1$

$\Theta_{x+t,s}$ = probability to leave the family of a subject of a certain age $x+t$

$l_{x+t,s}^{ved}$ = probability for the survivor to die or to marry again

k = adjustment to consider the way in which benefits are paid (1 month early, 2 months early, 1 year early and so on and so forth).

ε_s = age difference between the pensioner and his or her spouse.

η = survivors' rate

δ_s = percentage reduction of the survivors' rate due to income requirements

r = internal rate of return

σ = indexation %

$\left(\frac{1+r}{1+\sigma} - 1 \right)$ = discount rate

Please note that for E: $r = \sigma$ and $k = 0.5$, $a_{x,s}^{v(t)} - k$ coincides with the pensioner's life expectancy. In addition, it shows the number of annual installments of the benefits to be received by the pensioner.