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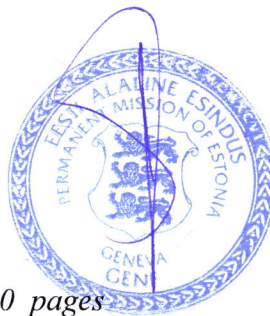
Permanent Mission of Estonia
Geneva

No. 6

The Permanent Mission of the Republic of Estonia to the United Nations Office and the other International Organisations in Geneva presents its compliments to the Office of the High Commissioner for Human Rights and in response to the latter's letter of 20 November 2009, concerning the questionnaire on social protection of older persons addressed to Governments by the Independent Expert on the question of human rights and extreme poverty, has the honour to forward hereby the response of the Republic of Estonia to the aforementioned questionnaire.

The Permanent Mission of the Republic of Estonia avails itself of this opportunity to renew to the Office of the High Commissioner for Human Rights the assurances of its highest consideration.

Geneva, 21 January 2010



Encl: Answers to the questionnaire 10 pages

*To UN Independent Expert on the question of human rights and extreme poverty
Office of the High Commissioner for Human Rights
GENEVA*

Response of Estonia to the questions of the United Nations concerning social protection of older persons

(i) The legal and institutional framework

1. Provide details of the legal framework by which the programme(s) is established;

(a) Please indicate the retirement age/eligibility age for the pension and if it takes into account the nature of the occupation (e.g. formal or informal employment) of the potential beneficiaries.

Estonia has a three pillar pension system including:

- 1) state pension insurance - State Pension Insurance Act. Available in English at:
<http://www.legaltext.ee/et/andmebaas/tekst.asp?loc=text&dok=X60008K8&keel=en&pg=1&ptyyp=AT&tyyp=X&query=06>
- 2) mandatory funded pension;
- 3) supplementary funded pensions.

Estonian private pension system is composed of two pillars:

- II pillar - The mandatory funded pension scheme. It is mandated by law and individual.
- III pillar - The supplementary funded pension scheme. It is voluntary and also individual.

There are no occupational pension schemes in Estonia.

The first pillar – state pension insurance – is based on pay-as-you-go financing and covers three social risks: old age, permanent incapacity for work and loss of a provider. The coverage of the state pension insurance scheme is universal, the scheme covers all employees and self-employed persons.

In fact, the protection ensured by state pension insurance includes two levels:

- 1) national pensions;
- 2) old-age, incapacity-for-work and survivor's pensions.

In 2010 the standard retirement age for old age pension in the state pension insurance will be 63 years for men and 61 years for women. The retirement age of women is gradually increased to be equalised with the retirement age of men at the level of 63 by the year 2016.

Besides the general option for early retirement, there are some special groups who are entitled to retire before the standard retirement age. Old age pensions under favourable conditions are paid to workers in occupations that are considered hard or hazardous, e.g. workers in chemical, metal, glass, pulp industry, mining etc. Prescribed groups of workers may retire 5 or 10 years before the standard retirement age, if they have fulfilled qualification requirements from 15 to 25 years (depending on occupation) of pensionable service, of which at least half was acquired in the given occupation. Parents who have raised 3 or more children or a disabled child and unlawfully imprisoned persons may retire 1-5 years before the standard retirement age, provided they have fulfilled the general qualification period of 15 years of pensionable service.

Furthermore, under the Superannuated Pensions Act, early retirement is available for certain professional groups, e.g. pilots, flight attendants, seamen, miners, some categories of artists etc., provided they have fulfilled the required qualification period, which is from 15 to 25 years depending on the profession.

II pillar – retirement age is the standard old-age retirement age (specified in previous paragraph). Early retirement is not allowed.

III pillar – not specified, but tax advantages can be used from age 55.

(b) Are there any restrictions, including a qualification period for receiving the pensions?

I pillar -To qualify for old age pension, the State Pension Insurance Act stipulates two further qualifying conditions: firstly, the person has to be a permanent resident of Estonia or reside in Estonia on the basis of a temporary residence permit or a temporary right to residence (the latter applies to nationals of the EU, who do not require a residence permit); secondly, the person shall have at least 15 years of pensionable service.

Persons, who have not fulfilled the qualification period of 15 years of pensionable service are eligible to a national pension on the basis of old age at the age of 63 (both genders) provided they have resided in Estonia for at least 5 years prior to claiming the pension.

II pillar – no restrictions

(c) Please indicate whether it is a contributory or a non-contributory programme.

I pillar – contributory, national pension – non-contributory

II pillar – contributory

III pillar – contributory

2. In the event that the programme is not established by law, please provide details of the administrative regulations or other relevant programmatic document available that are at the origin of its implementation.

3. Please describe the institutional framework used to implement the programmes:

(a) Please indicate which governmental authorities, structures and mechanisms, including those at the federal, state/provincial, municipal and local level were involved in the design, implementation and monitoring of the programme(s).

Ministry of Social Affairs covers the design and monitoring of I pillar pensions. The Social Insurance Board (*Sotsiaalkindlustusamet*) administers throughout its local offices. The schemes of I pillar pension insurance and international agreements. Pension Offices process benefits applications, grant benefits and arrange the payment through banks.

Supervision over the daily work of the implementing agencies is the responsibility of the respective Deputy Secretary General of the Ministry of Social Affairs. The Deputy Secretary

General on family and social policy controls the fulfilment of tasks by the Social Insurance Board.

Financial control and supervision is carried out on 2 levels – internal and external. First, the Internal Audit Department of the Ministry of Social Affairs controls transactions of the Ministry and subordinate institutions. Secondly, the State Audit Office performs economic and financial control of all public institutions. The State Audit Office also assesses the performance of public institutions in terms of efficiency and effectiveness, evaluating whether institutions have used the sums allocated for achieving the established aims. The audit reports are published. Annually summary reports are submitted to the Parliament and the Government.

Ministry of Finance covers II and III pillar pensions (legislation). Financial Supervisory Authority is responsible for monitoring the market participants (pension funds, insurance companies, depositary banks, central register of securities).

Superannuated pensions are designed by the ministry that is responsible for the respective group of employees.

(b) Were civil society organizations involved in the elaboration of the legal framework, the implementation and monitoring of the programme(s)? If yes, please describe their role.

No.

(ii) Programme costs and coverage

4. Please indicate the number of beneficiaries of the programme (annually)? If available, please provide details on their profile (e.g. sex, age, ethnicity, origin ...).

I pillar:

The number of pensioners (on January, 1-st):

		Men	Women	Total
Old age pensioners	2005	92582	202154	294736
	2006	93210	199760	292970
	2007	93311	198269	291580
	2008	92708	198195	290903
	2009	93394	197573	290967
Superannuated pensioners	2005	2201	620	2821
	2006	2194	654	2848
	2007	2244	664	2908
	2008	2154	618	2772
	2009	2008	675	2683
National pension receivers	2005	5216	6018	11234
	2006	4397	4787	9184
	2007	4172	4221	8393
	2008	3977	3763	7740
	2009	3797	3291	7088

Source: Statistics Estonia

II pillar: II pillar out payments started from 2009. In 2009 ca 6000 persons got pensions (as annuity, lump sum or program withdrawal). Although there are nearly 600 000 people in the contribution phase.

5. Which geographical areas are covered by the programme in the country (national, regional, local)?

I pillar- whole country,

II pillar – whole country,

III pillar – whole country.

6. What is the annual budget of the programme(s)? What is the percentage of the GDP does this constitute?

I pillar - in 2008 18 billion Estonian kroons. 7% of GDP. (GDP – 248 billion EEK)

II pillar- there is no annual budget, it is funded system. In the end of 2009 the II pillar pension fund assets were 14,8 billion EEK, 7% of GDP (GDP - 210 billion EEK)

III pillar - there is no annual budget, it is funded system. In the end of 2009 the III pillar assets were 3,3 billion EEK, 1,6% of GDP

7. Please give details and indicate the sources of funding utilized for the programme(s) and the main costs involved at the various stages of implementation. In particular, is the programme operated with national, regional, local public resources? Are external resources used for this programme?

I pillar - pension insurance schemes are financed by an ear-marked social tax payable by employers, self-employed persons and the State. National pension is financed from general tax revenues. The Government has the final responsibility for the due provision of benefits prescribed by the law. Expenditures for social security cash benefits are shown in the state budget as indicative, which implies that expenditures for benefits prescribed by legislation may exceed the indicated amounts. Excess expenditures shall be covered by additional revenues or by Government reserves.

II pillar – Financed by individual contributions. The rate of the II pillar contributions is 6% of wages – the employee pays 2% from the gross wage (withheld by the employer) and the employer another 4% (as a part of the 20% pension contribution).

III pillar - Financed by individual contributions.

8. Please indicate approximately how many potential beneficiaries were not reached by the programme. Have studies been undertaken to assess the reasons for coverage gaps? Please provide details of their profile (e.g. sex, age, ethnicity, origin ...) if available.

I pillar - The state pension coverage is practically universal. Around 97% of men and 99% of women who are residents over pensionable age receive pension from the state of Estonia. The majority of the rest receive pension from some other country. In Estonia benefits are granted

under national legislation either to permanent residents of Estonia or foreigners residing in Estonia on the basis of temporary residence permits and right of residence. As a rule, nationality does not provide a basis for granting benefits. As no distinction is made on national level between Estonian nationals and the nationals of other countries, therefore relevant competent authorities do not keep, as a rule, separate records of granting benefits on the basis of nationality.

II pillar – Participation in the II pillar is mandatory for persons born in 1983 or later. People born prior to 1983 and participating in the labor market can join it on voluntary basis. It is impossible to indicate people, who didn't reach the system.

III pillar – n/a, voluntary scheme

9. What is the average amount of the pensions in relation with the national average income or minimum salary? How is the pension calculated?

I pillar -

State pensions and minimum salary, 2005-2008

(EEK)

Year	Average pension ¹	Average old-age pension	Minimum salary
2005	2 315	2 556	2690
2006	2 730	3 027	3000
2007	3 188	3 541	3600
2008	3 919	4 356	4350

Source: Statistics Estonia

¹ The estimated average pension according to the State Pension Insurance Act.

Since 1999, old age pension rights are acquired on the basis of social tax paid. Previously (until 1999) pension rights were determined on the basis of the length of service.

The pension formula can be described as follows:

$$P = B + s \times V + \Sigma A \times V,$$

where:

P – amount of pension (in EEK);

B – base amount (in EEK, 1793,44 EEK from 1.04.2009) ;

s – pensionable length of service (up to 1999, in years)

ΣA – sum of annual pension insurance coefficients;

V – cash value of one year of pensionable length of service and the pension insurance coefficient 1.0 (in EEK, 67,94 EEK from 1.04.2009).

Pensions are indexed annually on 1 April. The index depends on the increase of consumer prices and the increase of Social Tax (*sotsiaalmaks*) revenues (20:80 respectively).

II pillar – average annuity in 2009 - ca 650 EEK per month, average program withdrawal - 470 EEK, average lump-sum 9100 EEK.

(iii) Implementation procedures

10. What procedures are utilized in order to pay the beneficiaries?

See - State Pension Insurance Act , § 31 - § 39, § 42- §53. Available at:
<http://www.legaltext.ee/et/andmebaas/tekst.asp?loc=text&dok=X60008K8&keel=en&pg=1&ptyyp=AT&tyyp=X&query=06>

II pillar: The available options are life-time annuity, programmed withdrawals and lump sum payments. The main payment form will be life-time annuity, but at the beginning lump sum payments and programmed withdrawals will be the main forms (as the accumulation period has been limited for pensioners who will start the payout phase).

III pillar: The available options are life-time annuity, temporary annuity, lump sum payments and other irregular payments from pension funds (marked as "other").

11. What procedures are utilized in order to inform beneficiaries about the programme? Is information made available in more than one language?

§ 54 of the State Pension Insurance Act provides information on notification of insured persons:

(1) By 10 April each calendar year, insured persons are enabled access by an electronic channel allowing the unequivocal identification of a person to the following data concerning the previous calendar year:

- 1) social tax paid and calculated by or for them;
- 2) the sum of the pension insurance part of their social tax;
- 3) the sum of the state pension insurance part of social tax;
- 4) the annual factor for the previous calendar year;
- 5) the sum of annual factors;
- 6) the accumulation period.

(2) A notice with the data specified in subsection (1) of this section is issued to insured persons at their request.

Additionally in the framework of internetisation of public services and so-called e-state projects key information on the pension system has been made available on Internet: legal acts, explanations, pension application forms, pension insurance budget, revenues and expenditures etc in three languages: in Estonian, in English and in Russian. As for the II and III pillars Internet provides a possibility not only to study the provisions of the relevant legal acts. It is also possible to join a II or III pillar pension fund or conclude a pension insurance contract, to change a fund, to analyze investments and asset allocations of the pension fund, to compare productivity of different pension funds, etc via Internet.

Social Insurance Board as well as Estonian Central Depository of Securities provide information about the state pension insurance. Moreover the Central Depository distributes information about funded pensions.

II pillar: There are different websites, for example (www.pensionikeskus.ee, www.minuraha.ee). Pension fund management companies have different requirements for information disclosure:

A management company shall publish and make available the information on the basis thereof at the seat of the management company, in its branches and on the webpage of the

management company or on the webpage of the group into which the management company belongs or, in the case of a fund the units or shares of which are traded on a regulated market registered in Estonia, on the website of the operator of the market.

(2) Each person shall be able to examine the following information and documents at the seat of the management company of a public fund:

- 1) the fund rules or articles of association of the fund;
- 2) the last annual report of the fund;
- 3) the last semi-annual report of the fund if this is approved after the last annual report;
- 4) an offer prospectus regarding the units or shares of the public fund and a simplified prospectus if it exists;
- 5) the name and contact details of the management company;
- 6) the name of the fund manager;
- 7) the name and contact details of the depositary;
- 8) a list of the members of the supervisory board and management board of the fund if the fund is founded as a public limited company;
- 9) the management contract of the fund founded as a public limited company;
- 10) information on the size of holding of the management company in the fund.

12. Were other services (such as social work, subsidized services) provided to the beneficiaries in connection to the pension? If yes, please describe them.

General ageing of population and increase in average life expectancy have *increased the need for social services*. The provision of social welfare services to elderly is primarily the responsibility of local governments, in terms of both providing services on the basis of assessed need and paying benefits.

Social assistance

Social assistance benefit is granted if the person's income after payment of housing costs (up to certain limits) falls below the subsistence level. The income of the entire household is taken into account and the amount of the benefit is calculated as the difference between the subsistence level and the disposable income of the household. Currently (2009), the subsistence level stands at 1000 EEK (64 Euro) per month for a single person and 800 EEK (51 Euro) for the second and each subsequent household member. When establishing the subsistence level, minimum expenditure on consumption of food, clothing, footwear and other goods and services is to be taken into account. The right to social assistance is a constitutional right. Benefits are provided by municipalities but financed from the State budget. The eligibility rules are stipulated in the law. Municipalities have no right to lay down any additional criteria or treat different groups differently when granting social assistance benefits. Municipalities may grant supplementary benefits from their own revenue and under their own rules. Emergency social assistance is available to everyone staying in the territory of Estonia who is in need of urgent assistance owing to the loss or lack of means of subsistence. Emergency social assistance represents welfare provisions necessitated by the situation of the person concerned and must guarantee at least food, clothing and shelter. Guaranteeing emergency social assistance is a responsibility of municipalities.

In 2008, benefits to secure the subsistence level were paid to 11,391 families. Total were satisfied 59,587 applications for subsistence benefit and the expenditure on the benefit make nearly 89 million EEK.

Social services

Pursuant to the Social Welfare Act organisation of social welfare of elderly persons is the responsibility of the local government. In order to assist the elderly to cope in surroundings familiar to them and to have a life of equal quality with other persons, rural municipality governments and city governments:

- establish opportunities for cheaper alimentation;
- ensure the accessibility of information concerning services provided and establish opportunities for the use of social services;
- establish opportunities for interaction and hobbies;

Elderly persons can choose if and what kind of assistance they want. Municipalities provide counselling, rehabilitation, accommodation, personal assistance, open domestic or residential care and other services that are aimed at supporting independent living, improving the quality of life and promoting social integration.

The purpose of open care is to help those elderly persons living in familiar surroundings, whose coping ability has deteriorated, to cope independently or with the help of their family or organised services by social worker. Open care services are services provided to elderly persons in their homes (opportunities are created to elderly persons to live as long as possible in the security of their homes); services provided outside their homes (possibilities to be active in day centres) and support services (special transport facilities, technical devices, alimentation, sauna and laundry service).

Domestic care services are adaptation of the elderly person's home, satisfying every-day needs, counselling, guiding and care. Domestic services are provided by care workers who have undergone special training offered by day centres, rural municipality or city governments. The range of services offered varies: provision with food, medicinal products, technical devices, medicinal and household appliances, tidying up, conversation and communication of information, washing of the elderly person, managing their affairs, laundry, housecleaning, etc. In **2008**, domestic service was provided to 6,500 persons and 81% of them were aged 65 years or older. 2,072 persons of retirement age used a housing service at the end of **2008**, which constituted 24% of all users of this service (8,780 persons in total). The services of day centres or recreational activities were used in **2008** by 58,400 persons and 81% of them were elderly. The need for various appliances increases with age. 35,000 persons who received appliances in **2008** were of retirement age, which constituted 69% of all recipients of appliances.

Day centres for elderly persons are institutions for hobbies (art, craft and language learning groups), information (sharing of information, holding lectures) provision of rehabilitation services (social counselling, activity therapy and gymnastics) and various social services (hot lunches delivered home, laundry, sauna service, etc). It is possible to do voluntary work and participate in the self-help movement.

Pursuant to *the Social Welfare Act* general welfare institutions are 24-hour care institutions for persons who due to special needs or general social situation are unable to live independently and their coping cannot be ensured by other social services or providing other kind of assistance. The institutions were established for living, care and rehabilitation of elderly and disabled persons. Local governments have an obligation to ensure the security and independence of the elderly living in social welfare institutions, respect for their private life and the opportunity to participate in decision-making pertaining to their physical and social environment and future.

A total of **120** social welfare institutions offered services to the elderly in Estonia in **2008** (discounting those designed for people with special psychiatric needs), providing 24-hour care to **5182** people, 81% of who were above the age of 65 according to annual reports. The responsibility for the financing of care services for adults falls mainly on the individuals themselves and/or their family members or providers and local governments. Only the care costs of those who were already living in general care homes as at 1 January 1993 are covered by the state.

The State Finances rehabilitation services for elderly, institutional care for people with psychiatric needs or intellectual disability and technical aids.

There are possibilities for elderly and disabled persons, if necessary, to apply for technical and medical devices at a discount. The devices would help them to cope better with their every-day life. Elderly people with disabilities who require prosthetics and orthopaedic and other technical aids are compensated by the state for 50-90% of the cost of a technical aid.

Particular attention is paid to the development of rehabilitation services so as to improve the ability of people elderly with disabilities to cope independently, increase their social inclusion and facilitate their working or taking up a job, if it is a case. In order to improve people's ability to cope, the social benefits for people with disabilities are becoming more and more centred on rehabilitation. The aim of rehabilitation is to teach people how to cope as independently as possible in the new situation they find themselves in.

II pillar: no connection

13. Do beneficiaries of the programme access other public services at special conditions, in particular for health services?

Beneficiaries have access to health insurance.

In addition the Health Insurance Fund pays compensation in the amount of 4,000 EEK of the cost of dentures once in three years to persons who have health insurance, who are 63 years old and older, old-age pensioners and persons who receive a pension due to incapacity for work.

The Health Insurance Fund also pays annually dental care benefit in a sum of 300 EEK for persons receiving a pension for incapacity for work or an old-age pension on the basis of the State Pension Insurance Act and insured persons over 63 years of age.

II pillar: related to I pillar.

(iv) Monitoring mechanisms and complaints procedures

14. Please describe the monitoring procedures utilized in order to oversee the implementation of the programme(s) and the entities responsible for monitoring.

Please see the response to question No 3.

15. Are there any complaints mechanisms or procedures attached to the programme, which are available to beneficiaries? If yes, please describe them.

A right of appeal in respect decisions concerning old age, invalidity and survivors' benefits is guaranteed by §33 (2) and §40 of the State Pension Insurance Act. The decision on granting of state pension is made by a director, deputy director or the head of a structural unit of the local pension office. Disputes arising from pension claims, granting of pensions, transfers from one type of pension to another, recalculation or payment of pensions are resolved by pension commissions, which are established by the Minister of Social Affairs at each pension office (§33 (2) of the Act). Upon disagreement with the decision of the director, deputy director or the head of a structural unit of the pension office or the pension commission, the claimant (pensioner) has a right of recourse to an administrative court within 3 months (§40 (1) of the Act). If a person disagrees with the results of a medical examination for incapacity for work, he/she may request the dispute committee set up at the Social Insurance Board to conduct a further examination. If a person disagrees with the results of the further examination, he/she has recourse to an administrative court within 3 months (§40 (1) and (2) of the Act).

16. Have there been instances when any legal action was taken against the programme or those responsible for its implementation? If yes, what were the circumstances of the legal action and the basis for the complaint(s)?

Decision No 3-4-1-8-08 of the Constitutional Review Chamber of the Supreme Court (21.10.2008 entered into force 30.09.2008 – RT III 2008, 38, 251) whose conclusion declares clause 28 (2) 3) of the State Pension Insurance Act to be in conflict with the Constitution and to be repealed in the part which does not permit the inclusion of the time during which a person is in compulsory military service or compulsory alternative service if the person lived in Estonia before and after being referred to service from outside of Estonia and the pension qualifying period of the person earned in Estonia is at least fifteen years. The State Pension Insurance Act has been amended accordingly.

(v) Existing studies and evaluations of old age pensions

17. Please provide any studies, in particular needs assessments, utilized in order to develop the programme(s).

18. Please provide any studies, in particular impact assessments, developed to assess the implementation of the programme(s).

(vi) Other available social protection schemes that benefit older persons

The Expert would welcome information pertaining to other social protection schemes that benefit older persons, in particular in-kind benefits such as user fee exemptions and subsidized services. Please provide information about existing schemes guaranteeing that older persons have access to health services and essential drugs, housing support including access to water and sanitation, life-long education, social work and care services.

Please see the response in questions No 12-13.