

Cost of Living Increments

All the flat-rate benefits except the orphan's benefit are increased from time to time by cost living increments based upon increases in the Consumer Price Index.

Financing

To finance the basic pension program, every Swedish citizen age 18 to 65 (except those whose income is below a given minimum) pays a special pension tax of 4 per cent on assessed income. The maximum tax in 1964 is 600 crowns. Revenue from this tax meets about one-third of the cost of the scheme. The National Government meets about half the cost from general taxation, and local governments pay the remaining one-sixth. There are no employer contributions to the basic pension program.

II—SUPPLEMENTAL PENSIONS

In addition to the basic pension program the Swedish government has introduced a supplemental pension program of earnings-related benefits. The Supplementary Pension Act came into effect on January 1, 1960 with benefits first payable in 1963. The legislation provides for old age, disability, and survivors' pensions.

Concepts Defined

Throughout the legislation reference is made to certain "basic" and "maximum" amounts. The basic amount was fixed in 1961 at 4,000 crowns. The maximum amount is always equal to 7.5 times the minimum amount. These amounts are adjusted annually depending on price changes and, in 1964 they stood at 4,700 and 35,250 crowns a year. These limits are important with regard to the supplemental pension scheme under which coverage is extended only to those people whose earnings are in excess of the basic amount and contributions are based on earnings falling within the two amounts. In general, basic old-age pensions may be said to be related to earnings of less than the basic amount while supplemental old-age pensions are based directly on earnings in excess of the basic amount.

Coverage

The supplemental pension scheme covers compulsorily all Swedish citizens age 16 and over who are employees or are self-employed. However, persons who earn less than the basic amount, 4,700 crowns in 1964, are not covered for that year. Self-employed persons, and employee groups with pre-1961 collective contracts providing equivalent pensions, may elect not to be covered.

Old Age Pensions

Supplemental old-age pensions become payable when the qualified beneficiary reaches age 67, whether or not he has retired. Reduced pensions are available as early as age 63 and increased pensions may be claimed between ages 67 and 70. The rate of reduction or increment is 0.6 per cent a month.

Supplemental old age pensions are related to a person's earnings record through a "pension point" system. A person's earnings are based on his personal income tax return for that year. An employee or a self-employed worker is credited with a pension point for each year in which he has earnings from gainful employment in excess of the current base amount. Earnings in excess of the year's maximum limit do not earn pension credits. The pension point in a given year is computed as follows. The annual earnings (up to the maximum for that year) less the minimum for that year are divided by the