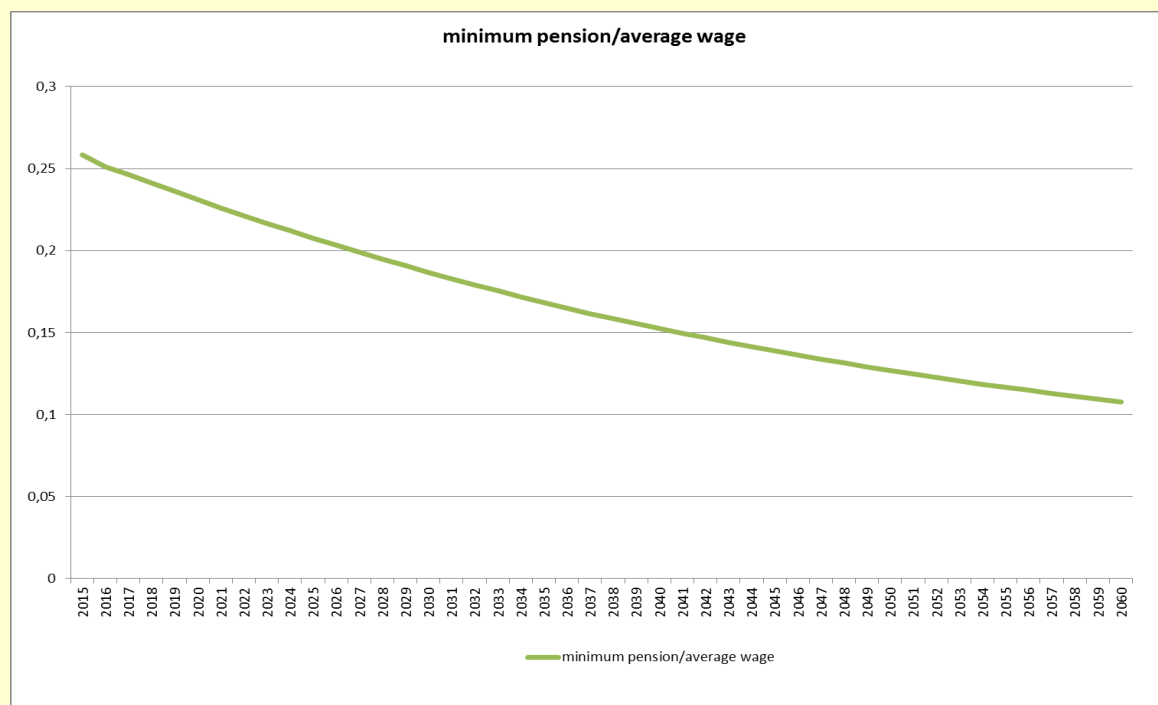


Poland has a NDC system, where people who have contributed for at least 25 years (men) and 22 years growing to 25 years in 2022 (women) are eligible to a guaranteed minimum pension level. The minimum pension benefit is indexed like general pensions, i.e. the inflation + 20% of the real wage growth, which with time makes it small compared to the average wage:



Predictions of the number of people eligible to minimum pension have been made under two scenarios:

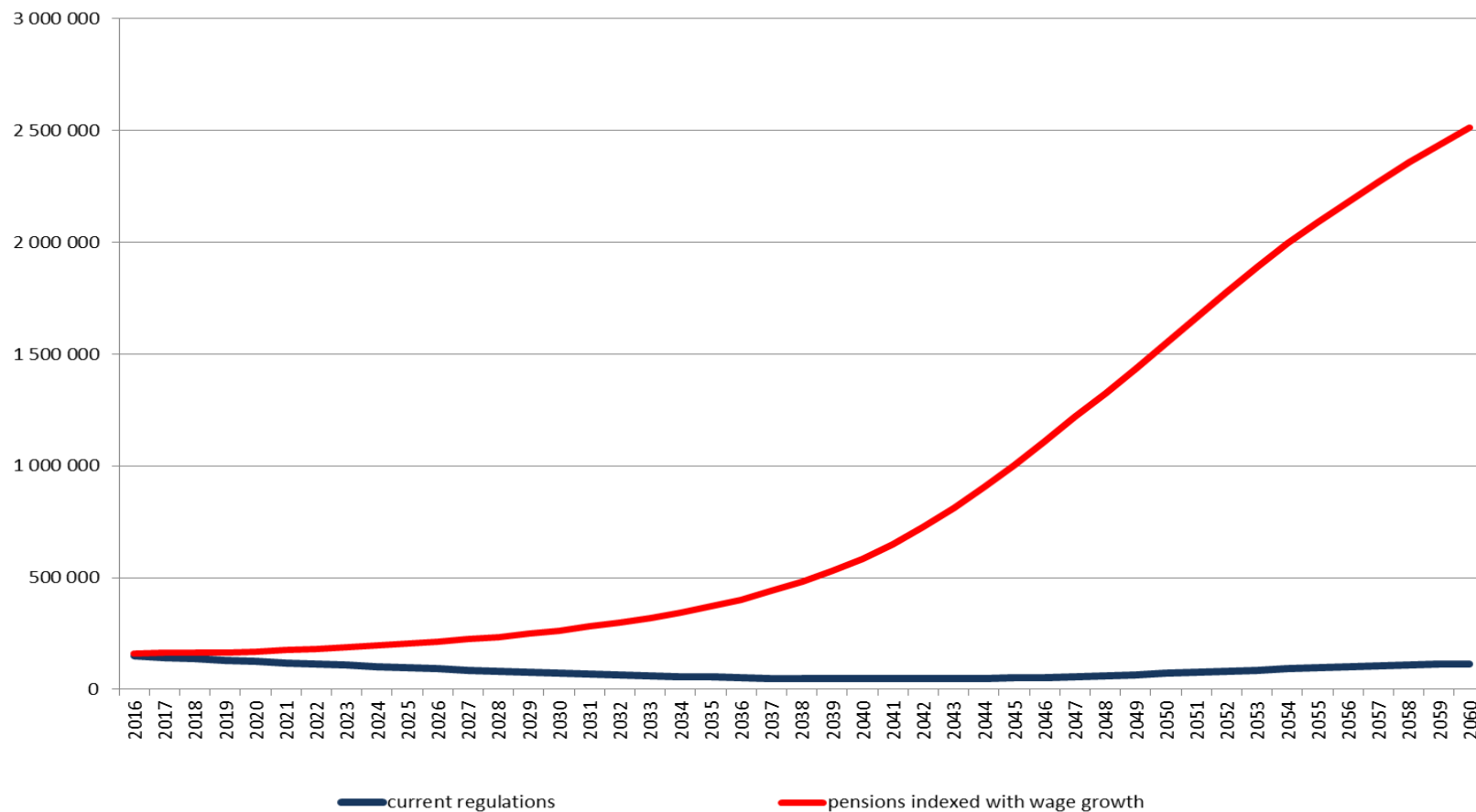
- indexation is kept as it is
- the ratio of minimum pension to average wage is kept constant, equivalent to indexing with wage growth.

Result:

Under current regulations, with minimum pensions “disappearing” compared to wages, not many people will be eligible to the minimum pension supplement. In fact their number in 2060 would be about 20 times higher if minimum pensions were indexed with wage growth.

Eligibility to minimum pension

Average yearly number of pensions raised to the guaranteed minimum level



Lack of eligibility to the guaranteed min level

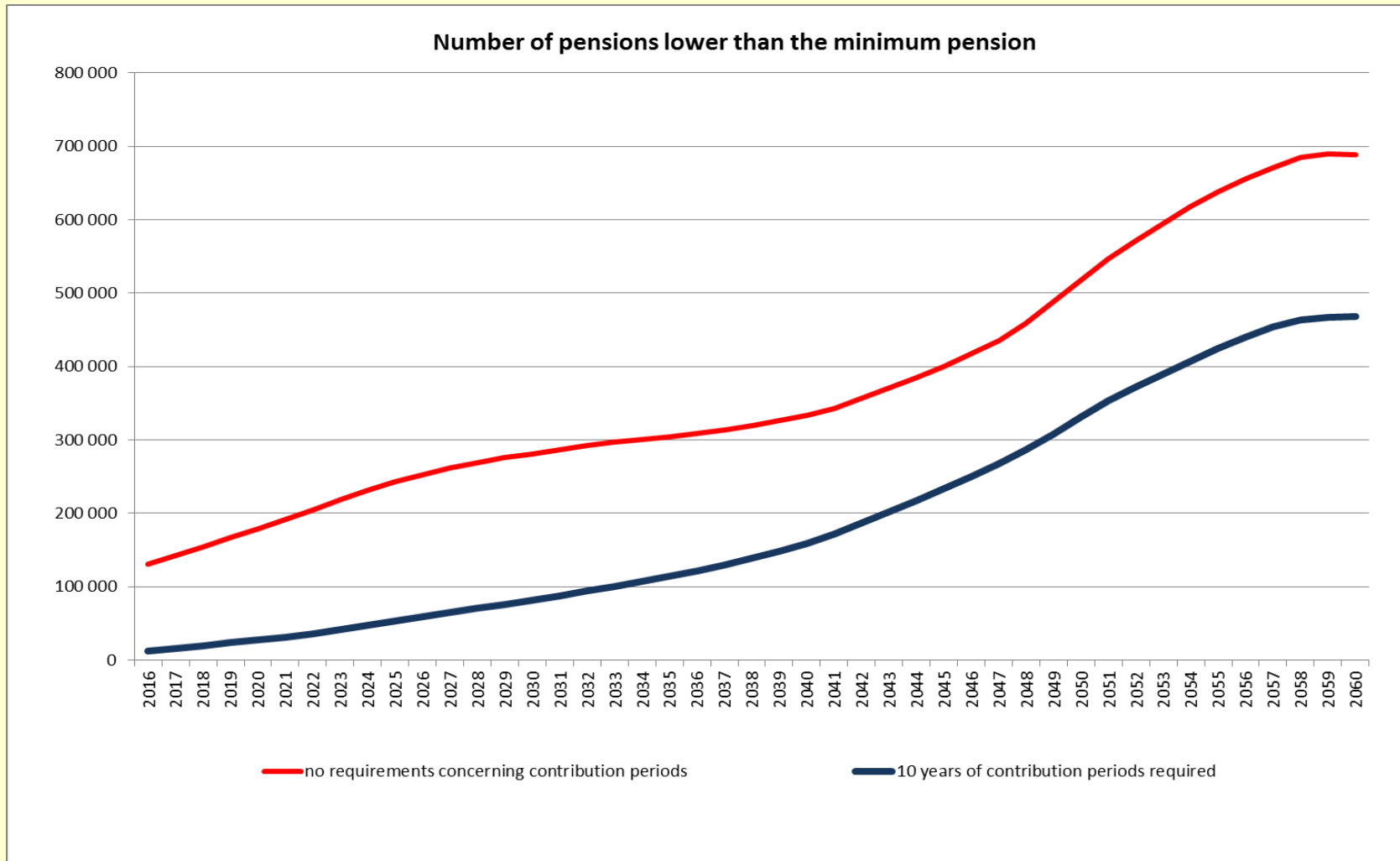
Predictions of the number of pensioners with pensions lower than the minimum pension (under current regulations) but without the required contribution periods have been made under two scenarios:

- no requirement for contribution periods
- requirement for 10 years contribution periods for men and women

Result:

Under both scenarios the number of these pensioners will be growing.

Lack of eligibility to the guaranteed min level



In real life people do have gaps in their careers and their salaries do not go up all the time.

In Poland real replacement rates for a significant percentage of the population are over 150%, not because the pension benefits are so generous, but because their last salaries are low compared to those of their overall career.

Another possible measure is the ratio of pension benefits to the average wage. It does not reflect the situation of a given pensioner; but it gives an idea about the distribution of pensions compared to the average wage. It is therefore a measure of the financial situation of pensioners compared to the working population.

Under current regulations in Poland :

Minimum pensions are not a financial problem, but will become a social problem and therefore may become a financial problem.

Simple real replacement rates should be analysed very carefully and should not be the only measure of the adequacy of a pension system.