



The Social Insurance Institution

SOCIAL INSURANCE IN POLAND

information, facts

2011

Warsaw



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Editor

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Social Insurance Institution

in cooperation with

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Legislative and Legal Department
Medical Certification Department
Prevention and Rehabilitation Department
Incomes Realisation Department
Foreign Pensions Department
Statistics and Actuarial Forecasts Department
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Warszawa 2011



POLSKA NAGRODA JAKOŚCI
XVI edycja 2010
WYRÓŻNIENIE
w kategorii:
ORGANIZACJE PUBLICZNE – ADMINISTRACJA

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We are pleased to present you with the updated issue of publication "Social Insurance in Poland – Information, Facts". You will find here current information on tasks exercised by the Social Insurance Institution (ZUS), current amounts of contributions and benefits provided for in the Polish social security system.

Our publication has been organised thematically in the simplest way possible. It covers social insurance benefits and some of non-insurance benefits that are, however, managed by ZUS, as a public institution servicing the social security system in Poland.

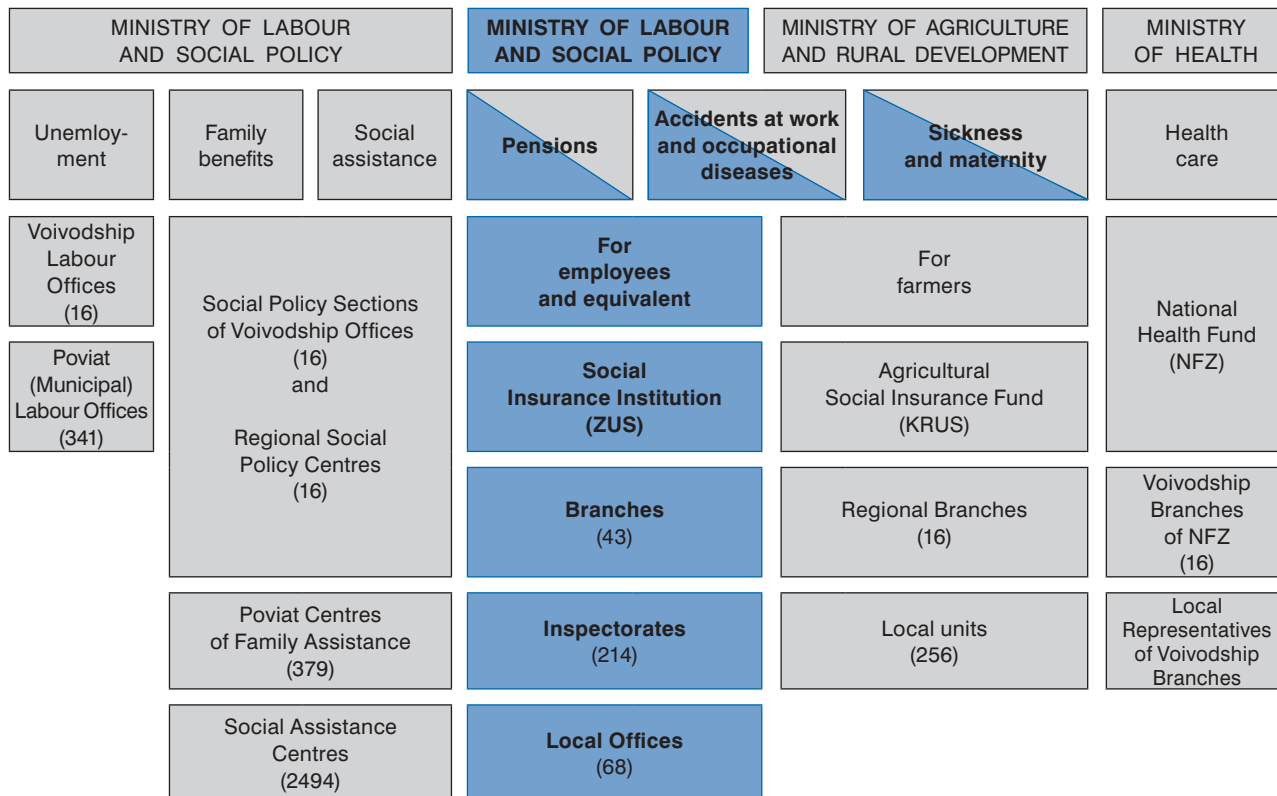
The study also describes the basic principles of operation of separate systems that are not managed by ZUS, such as: health insurance system, family benefits, benefits in respect of unemployment as well as farmers' social insurance benefits. Information on the mentioned systems seems necessary to present a full picture of all benefits irrespective of their affiliation to a given system.

Our study does not describe the social insurance system of uniformed services.

More detailed information on ZUS and on the social insurance system in Poland is available at ZUS website – **www.zus.pl**.

1. ORGANISATION OF THE POLISH SOCIAL SECURITY SYSTEM

1.1. An organisational chart



1.2. Governmental administration sections

The Act of 4 September 1997 on governmental administration sections defines the duties and authorities of competent ministers, inter alia in the field of social security.

The section "social security" covers social insurance issues and social welfare, old-age pension funds, social assistance and benefits in favour of the family, social benefits, employment,

social and vocational rehabilitation of the disabled persons, combatants and persecuted persons as well as the coordination of social security systems, with the exception of health benefits in kind, public benefit activity, including the supervision of such activity by public benefit organisations, excluding the supervision of rescue and civil protection activities. This section falls under the competence of the minister in charge of social security issues.

The social insurance of farmers is covered by the "rural development" section, which falls under the competence of the minister in charge of rural development, who, however, cooperates in matters of social insurance of farmers with the minister in charge of social security issues.

The problems of employment and counteracting unemployment are covered by the "labour" section, administered by the minister in charge of labour issues.

The "health" section covers inter alia issues of health protection and organisation of health care, supervision over medicinal products and medical devices, treatment in health resorts and coordination of the social security systems in the field of health benefits in kind. This section falls under the competence of the minister in charge of health issues.

2. LEGAL FRAMEWORK OF THE SOCIAL SECURITY SYSTEM

2.1. National legislation

The social security system in Poland is composed of: the social insurance and welfare system, health insurance system, benefits in respect of unemployment and family benefits.

The tasks in the sphere of social security are exercised by many institutions, including the following:

- **Social Insurance Institution** (*Zakład Ubezpieczeń Społecznych – ZUS*) – cash social insurance benefits,
- **Agricultural Social Insurance Fund** (*Kasa Rolniczego Ubezpieczenia Społecznego – KRUS*) – benefits from the social insurance of farmers,
- **Ministry of Labour and Social Policy** (*Ministerstwo Pracy i Polityki Społecznej – MPiPS*) – benefits in respect of unemployment, family benefits and social benefits (from social assistance),
- **National Health Fund** (*Narodowy Fundusz Zdrowia – NFZ*) – benefits in kind from health insurance,
- **Open Pension Funds (OPFs)** – collect and invest funds to finance a part of a new old-age pension (old-age pension under the new rules) under the second pillar.
- **Occupational Pension Programmes (OPPs)** – collect and invest funds to finance a supplementary (voluntary) part of a new old-age pension under the second pillar.

Many legal acts govern an obligation of insurance against certain social contingencies and benefits guaranteed upon occurrence of such contingencies, starting from the supreme legal act – the Constitution of the Republic of Poland.

The detailed regulations governing individual areas of social security are contained in separate Acts of Parliament. The most important of them include:

- § the Act of 13 October 1998 on the social insurance system (Journal of Laws of 2009 No 205, Text 1585 as amended),
- § the Act of 17 December 1998 on pension benefits from the Social Insurance Fund (Journal of Laws of 2009 No 153, Text 1227 as amended),
- § the Act of 21 November 2008 on the old-age funded pensions (Journal of Laws No 228, Text 1507 as amended),

- § the Act of 28 August 1997 on organisation and operation of old-age pension funds (Journal of Laws of 2004 No 159, Text 1667 as amended),
- § the Act of 19 December 2008 on the old-age bridging pensions (Journal of Laws No 237, Text 1656),
- § the Act of 25 June 1999 on cash social insurance benefits in respect of sickness and maternity (Journal of Laws of 2005 No 31, Text 267 as amended),
- § the Act of 30 October 2002 on social insurance in respect of accidents at work and occupational diseases (Journal of Laws of 2009 No 167, Text 1322 as amended),
- § the Act of 28 November 2003 on family benefits (Journal of Laws of 2006 No 139, Text 992 as amended),
- § the Act of 27 June 2003 on the social pension (Journal of Laws No 135, Text 1268 as amended),
- § the Act of 30 April 2004 on pre-retirement benefits (Journal of Laws No 120, Text 1252 as amended),
- § the Act of 20 December 1990 on social insurance of farmers (Journal of Laws of 2008 No 50, Text 291 as amended).

Health care benefits are granted pursuant to:

- § the Act of 27 August 2004 on health care benefits financed by public funds (Journal of Laws of 2008 No 164, Text 1027 as amended).

Benefits in respect of unemployment are granted pursuant to:

- § the Act of 20 April 2004 on employment promotion and labour market institutions (Journal of Laws of 2008 No 69, Text 415 as amended).

Social assistance benefits are granted pursuant to:

- § the Act of 12 March 2004 on the social assistance (Journal of Laws of 2009 No 175, Text 1362 as amended).

Family benefits are granted pursuant to:

- § the Act of 28 November 2003 on family benefits (Journal of Laws of 2006 No 139, Text 992 as amended).

Benefits from the Maintenance Fund have been awarded – since 1 October 2008 – pursuant to:

- § the Act of 7 September 2007 on assistance for persons entitled to the maintenance allowance (Journal of Laws of 2009 No 1, Text 7 as amended).

The vocational and social rehabilitation and employment of the disabled persons is carried out pursuant to:

§ the Act of 27 August 1997 on vocational and social rehabilitation and employment of the disabled persons (Journal of Laws of 2010 No 214, Text 1407).

2.2. International legal framework covering Poland

Article 87 of the Constitution of the Republic of Poland mentions – among the universally binding legislation – also ratified international conventions/agreements. It means that these conventions/agreements form a part of the domestic legal order and have precedence over national laws in the event of potential collision with these laws, if they have been ratified upon prior consent granted by the Act of Parliament (Article 91(2) of the Constitution of the Republic of Poland).

Since 1 May 2004, that is from the day of Poland's accession to the European Union, the EU legal acts, and first of all – treaties, regulations and directives, have become national legal standards. *Acquis communautaire* is of higher rank than the Polish legislation (national legislation) and has precedence over the national legislation if the latter governs a given issue in a different way than the EU legislation.

Provisions of treaties and regulations become *ipso jure* a part of the Member States' legal order.

Regulations are directly applicable with no necessity of their ratification, while directives should be introduced to the national legal order usually within the period from one to three years.

The basic legal acts of the European Communities in the sphere of social security include treaties of the European Community and the following acts issued on their basis:

- Regulation (EC) No 883/2004 of the European Parliament and of the Council of 29 April 2004 on the coordination of social security systems, enabling citizens of EU Member States moving within the Community to take advantage of social security benefits,

- Regulation (EC) No 987/2009 of the European Parliament and of the Council of 16 September 2009 laying down the procedure for implementing Regulation (EC) No 883/2004 on the coordination of social security systems,
- Regulation (EU) No 1231/2010 of the European Parliament and of the Council of 24 November 2010 extending Regulation (EC) No 883/2004 and Regulation (EC) No 987/2009 to nationals of third countries who are not already covered by these Regulations solely on the ground of their nationality,
- Council Directive (EEC) No 79/7 of 19 December 1978 on the progressive implementation of the principle of equal treatment for men and women in matters of social security.

Besides, the following regulations still remain in force:

- Regulation (EEC) No 1408/71 of the Council of 14 June 1971 on the application of social security schemes to employed persons and their families moving within the Community,
- Regulation (EEC) No 574/72 of the Council of 21 March 1972 fixing the procedure for implementing Regulation (EEC) No 1408/71 on the application of social security schemes to employed persons and their families moving within the Community,

for the purposes of implementation of:

- the Council Regulation (EC) No 859/03 of 14 May 2003 extending the provisions of Regulation (EEC) No 1408/71 and Regulation (EEC) No 574/72 to nationals of third countries who are not already covered by those provisions solely on the ground of their nationality – provisions of this Regulation apply solely to nationals of third countries who are legally resident in the territory of the United Kingdom or to nationals of third countries who have completed insurance periods in the United Kingdom and are resident in the territory of other Member State,
- the Agreement on the European Economic Area and the Agreement between the European Community and its Member States, of the one part, and the Swiss Confederation, of the other part, on the free movement of persons – for as long as those agreements have not been modified in the light of the Regulation No 883/2004 on the coordination of social security systems.

The Community Regulations on the coordination of the social security systems have superseded – from the moment of Poland’s accession to the European Union – bilateral international conventions/agreements on social security, which had earlier bound Poland with the Member States.

The following still remain in force in Poland: ■ bilateral agreements on social security concluded with Bulgaria, former Yugoslavia (that is Bosnia and Herzegovina, Croatia, Macedonia, Serbia and Montenegro, except for Slovenia, which is a European Union Member) and some stipulations of the agreement concluded with Austria and of agreements concluded with Germany ■ several governmental agreements on mutual transfer of pensions.

On 1 July 2007 the Polish-Macedonian agreement on social security entered into force. It replaced an agreement between the Government of the Polish People’s Republic and the Government of the Federal People’s Republic of Yugoslavia of 1958.

The agreement on social security between the Republic of Poland and the United States of America signed in Warsaw on 2 April 2008 and the administrative arrangement on its application, signed on the same day, entered into force on 1 March 2009.

The agreement on social security between the Republic of Poland and Canada signed in Warsaw on 2 April 2008 and the administrative arrangement on its application, signed in Warsaw on the same day, entered into force on 1 October 2009.

The agreement on social security between the Republic of Poland and the Republic of Korea (South Korea), signed in Warsaw on 25 February 2009 and the administrative arrangement on its application, signed in Warsaw on the same day, entered into force on 1 March 2010.

The agreement on social security between the Republic of Poland and Australia signed in Warsaw on 7 October 2009 and the administrative arrangement on its application, signed in Warsaw on the same day, entered into force on 1 October 2010.

Besides, Poland is bound by international conventions and recommendations of the International Labour Organisation and provisions of the European Social Charter of the Council of Europe.

3. THE SOCIAL INSURANCE INSTITUTION – BASIC INFORMATION

The Social Insurance Institution was established in 1934 by means of an ordinance of the President of the Republic of Poland of 24 October 1934 on the amendment of the Act of 28 March 1933 on social insurance. Pursuant to the ordinance, 5 insurance institutions have been merged (Social Insurance Chamber, Sickness Insurance Institution, Accident Insurance Institution, White-Collar Employees' Insurance Institution, Blue-Collar Workers' Insurance Institution).

The reform of 1999 has put before ZUS the biggest challenge in its history, by imposing upon this institution much bigger responsibilities than before.

Due to the structural character of the social insurance and health care systems' reforms implemented from 1 January 1999, the Social Insurance Institution has become one of the main elements of the new social security system.

The Social Insurance Institution (ZUS) is the state organisational unit and holds legal personality. Its tasks have been defined in the Act of 13 October 1998 on the social insurance system. ZUS also fulfils different functions entrusted by virtue of other laws.

3.1. ZUS tasks

The Social Insurance Institution:

- establishes pension entitlements and pays pensions to ca 7.5 million people on a monthly basis,
- establishes the entitlement to and pays sickness allowances, maternity allowances, care allowances, compensatory allowances, rehabilitation benefits, funeral grants,
- carries out medical examinations and issues decisions for the purposes of establishing the entitlement to social insurance benefits, other benefits payable by ZUS and for non-insurance purposes; ca 893.2 thousand such decisions were issued in 2010,
- checks the correctness of certifying temporary incapacity for work; 361.3 thousand such checks were carried out in 2010,

- grants to doctors authorisations to issue medical certificates of temporary incapacity for work, and revokes such authorisations in the event of gross negligence in certifying temporary incapacity for work; 132.2 thousand doctors were authorised to issue medical certificates as at the end of 2010,
- performs pension prevention tasks, including medical rehabilitation and accident prevention; in 2010 medical rehabilitation covered 74 507 persons,
- establishes the social insurance obligation, assesses and collects social insurance contributions; in 2010 a total amount of collected contributions to social insurance equalled PLN 89 378.7 million,
- deducts a contribution to the second funded pillar of the old-age pension insurance from a contribution to the pension insurance, and transfers it to Open Pension Funds (OPFs); in 2010 ZUS transferred to OPFs an amount of PLN 22.2 billion in respect of contributions,
- collects and accounts for the contribution to health insurance and transfers it to the National Health Fund; in 2010 ZUS transferred to the National Health Fund a total amount of PLN 51.9 billion in this respect,
- collects the contribution to the Labour Fund; ZUS transferred an amount of PLN 8.6 billion in this respect for 2010 to the Ministry of Labour and Social Policy,
- collects the contribution to the Fund of Guaranteed Employee Benefits; an amount of contributions transferred in this respect for 2010 was PLN 348.9 million,
- collects and accounts for the contribution to the Bridging Pensions' Fund,
- keeps accounts of contribution payers and books contributions to individual accounts of insured person,
- controls contribution payers in discharge of their obligation of contributions' payment as well as the correctness of exercise of statutory tasks entrusted to payers (such as payment of various kinds of allowances), and enforces dues in respect of contributions to social insurance and health insurance,
- keeps individual accounts of insured persons and the Central Register of Insured Persons,
- keeps the Central Register of Members of Open Pension Funds,
- keeps the records of contribution payers and the Central Register of Contribution Payers,
- manages the Demographic Reserve Fund,

- on behalf of about 7.4 million pensioners, pays due personal income tax to treasury offices (in 2010 it was an amount of PLN 10.6 billion) and pays to the National Health Fund a contribution to health insurance due from pensioners (in 2010 it was an amount of PLN 12.6 billion),
- awards and pays social pensions; in 2010 ZUS paid benefits to 248.2 thousand persons in total amount of PLN 1 747.0 million,
- awards and pays pre-retirement benefits; in 2010 ZUS paid benefits to 73.0 thousand persons in total amount of PLN 818.1 million,
- cooperates with governmental administration bodies, with foreign insurance institutions and international organisations,
- plays a role of a competent institution and a liaison institution in implementation of international conventions and agreements in the field of social insurance, and provides services in connection with benefits payable in accordance with these conventions and agreements,
- plays a role of a competent institution and a liaison institution in the field of coordination of the social security systems in area covered by ZUS competence.

Due to the range of exercised tasks the Social Insurance Institution is one of the biggest public institutions in Poland. ZUS combines functions of a financial institution (collection of contributions, payment of benefits, collection of taxes on behalf of pensioners) with functions of an institution that should provide its clients – beneficiaries and contribution payers – with a sense of security connected with the reliable fulfilment of entrusted social mission.

3.2. ZUS structures

The Social Insurance Institution is governed by the President, who chairs the Management Board composed of 2-4 members. ZUS President is appointed by the Prime Minister on the proposal of the minister in charge of the social security issues, from among persons selected by means of an open and competitive recruitment. ZUS President is dismissed by the Prime Minister on the proposal of the minister in charge of the social security issues. Members of ZUS Management Board are appointed and dismissed by ZUS Supervisory Board on the request of ZUS President.

The Supervisory Board is a consultative and decision-making body. It is appointed by the Prime Minister for 5 years on a tripartite basis, which means that the members of the Supervisory Board are delegated by social partners acting in the Tripartite Commission for Socio-Economic Issues – they are representatives of trade unions, employers' organisations and the government¹. Additionally, a representative of pensioners' organisation is also included to the Board. It means that the number of members of the Board depends on the number of representative (nation-wide) employers' and employees' organisations existing at a given time. Presently the Board comprises 12 members.

ZUS tasks are exercised by the Headquarters and local organisational units (43 branches, 214 inspectorates and 68 local offices).

3.3. Kinds of social insurance and rules of coverage in ZUS

The Polish social insurance system includes:

- old-age pension insurance,
- disability and survivors' pension insurance,
- sickness insurance,
- work accident insurance.

An insured person is an individual, who is covered by at least one of the social insurance schemes.

The Act on the social insurance system has introduced compulsory insurance, voluntary insurance and an opportunity to continue insurance.

Compulsory pension insurance covers inter alia:

- employees, excluding public prosecutors,

¹ Four members of the Supervisory Board (including its President) are appointed on the proposal of the minister in charge of social security issues (Article 75 paragraph 1(1) of the Act on the social insurance system).

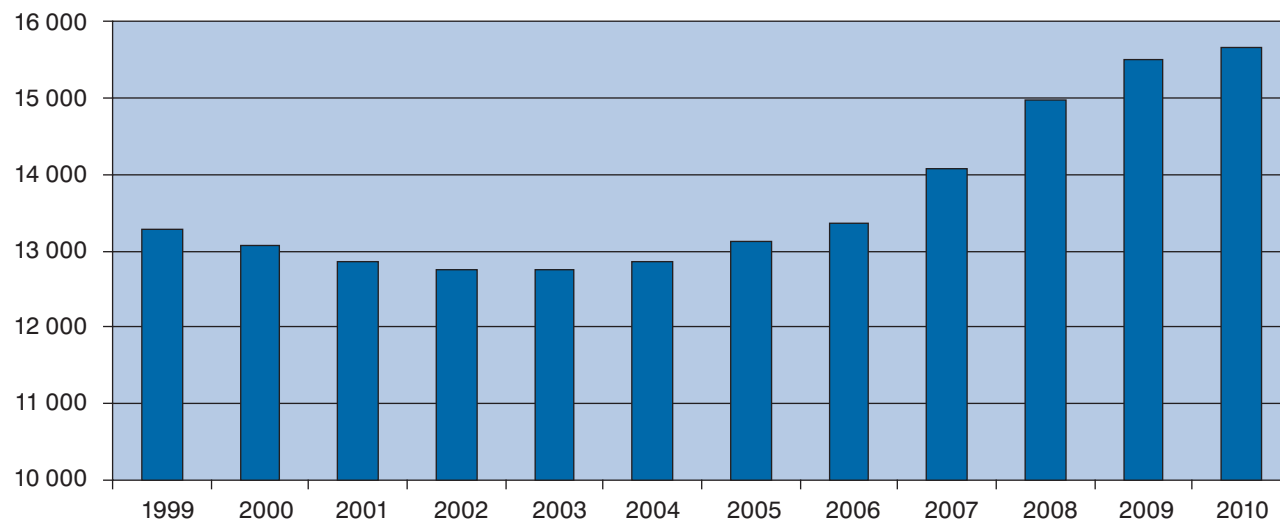
and also:

- members of agricultural production cooperatives,
- freelancers (contractors),
- persons running business outside the agriculture,
- clergy,
- Members of Parliament receiving remuneration,
- recipients of unemployment benefits,
- persons in the course of parental leaves or recipients of maternity allowances.

Persons covered by compulsory pension insurance may – after its cessation – continue insurance on a voluntary basis. Insurance continuation is possible if a given person does not have other social insurance entitlements.

The number of persons insured in 2010 equalled 15 648.5 thousand.

**A number of persons insured covered by pension insurance
in 1999-2010**



Compulsory sickness insurance covers persons subject to compulsory pension insurance, being:

- employees, excluding public prosecutors,
- members of agricultural production cooperatives and rural circles' cooperatives,
- persons undergoing substitute military service.

The sickness insurance may be joined, on a voluntary basis (on request), by persons covered by compulsory pension insurance, including:

- persons running business outside the agriculture,
- persons performing work on a basis of civil law mandatory or agency contracts.

Compulsory work accident insurance covers persons subject to pension insurance, for example: employees, freelancers (contractors), members of agricultural production cooperatives, persons running a business outside the agriculture and persons collaborating with them.

3.4. Kinds of benefits realised by ZUS

The Social Insurance Institution – as the main implementing body of the social insurance legislation – establishes the entitlement to and pays social insurance benefits and other benefits entrusted by virtue of separate legislation.

The following benefits are payable in various life situations:

In respect of sickness and maternity

- sickness allowance
- maternity allowance
- care allowance
- compensatory allowance
- rehabilitation benefit

In respect of the long-term incapacity for work

- disability pension
- training pension

In respect of old age

- old-age pension
- nursing compensatory allowance to pensions

In respect of death of a breadwinner

- survivors' pension
- supplementary allowance to survivors' pension for complete orphans

In respect of accident at work and occupational disease

- lump-sum compensation
- benefits in respect of sickness, long-term incapacity for work and death of a breadwinner
- dentist services and prophylactic vaccinations
- refund of costs incurred in respect of purchase of orthopaedic equipment

Other

- funeral grant
- social pension
- pre-retirement benefit
- referral to medical rehabilitation within the framework of ZUS pension prevention

4. FINANCE OF THE SOCIAL INSURANCE

The Social Insurance Institution is the disposer of the Social Insurance Fund, the Demographic Reserve Fund and the Bridging Pensions' Fund.

Family benefits, health benefits, benefits in respect of unemployment and benefits from the social insurance of farmers are financed in a different way.

4.1. Social Insurance Fund

The Social Insurance Fund (SIF) is the appropriated state fund. It was established on 1 January 1999 by virtue of the Act on the social insurance system, to perform tasks in the field of social insurance. The Social Insurance Institution, a state organisational unit with the headquarters in Warsaw, is the disposer of the Fund.

Incomes of the Social Insurance Fund come from many sources, such as:

- social insurance contributions not subject to transfer to Open Pension Funds,
- funds compensating amounts of contributions transferred to Open Pension Funds,
- payments from the State Budget and other institutions intended for benefits that ZUS has been commissioned to pay, with the exception of benefits financed from other budgetary chapters and payments from foreign institutions,
- interest on SIF bank accounts,
- State Budget allocation,
- the Demographic Reserve Fund.

Within the limits fixed by the Budgetary Law SIF may receive allocations and no-interest loans from the State Budget. Allocations and loans may be intended solely to supplement funds for payment of state-guaranteed benefits if revenues transferred to pension, sickness and accident funds' accounts and means collected on reserve funds do not ensure full and timely payment of SIF-financed benefits.

With the consent of the minister in charge of public finance SIF may take out credits/loans.

The following funds are distinguished within SIF:

- **old-age pension fund**, which is used to finance old-age pensions and expenditure on covering deficit in means necessary to ensure payment of funded pensions,

- **pension fund**, which is used to finance:
 - disability pensions, training pensions, survivors' pensions, supplements to survivors' pensions for complete orphans, nursing supplements,
 - pension awarded *ex officio* instead of disability pensions (see: item 5.2.4)
 - funeral grants
 - pension prevention
 - benefits that ZUS has been commissioned to pay, financed by the State Budget,
- **sickness fund**, used to finance sickness, maternity, care, compensatory allowances, rehabilitation benefits,
- **accident fund**, used to finance work accident pensions and supplements, lump-sum compensations, sickness allowances in respect of work incapacity resulting from accident at work or occupational disease.

4.1.1. Contributions

The percentage rates of contributions to pension and sickness insurance are uniform for all insured persons.

Contributions to **old-age pension insurance** (19.52%) are financed by insured persons and by contribution payers from their own resources in equal parts – 9.76% of the basis for assessment. If the insured person is a member of an Open Pension Fund, a part of the contribution to his or her old-age pension insurance – till 20 April 2011 at a rate of 7.30% of the basis for assessment – is transferred by ZUS to the Open Pension Fund selected by the insured person.

Starting from 1 May 2011, when the Act of 25 March 2011 on the amendment of some laws connected with the social insurance system operation entered into force (Journal of Laws No 75, Text 398), the rate of contribution to the Open Pension Fund has been changed: now it equals 2.3% of the basis for assessment of the contribution to the old-age pension insurance – due for the period from 1 May 2011 to 31 December 2012. For the subsequent years the growth of the rate of contribution to OPF is forecasted – by 2017 it should increase to 3.5%.

**The rate of contributions to social insurance,
to the Fund of Guaranteed Employee Benefits,
to the Labour Fund and to health insurance in 2011**

Specification	% of total contribution	Of which % of the contribution financed by:	
		the payer	the insured person
Social Insurance			
Old-age pension insurance	19.52	9.76	9.76
Other pension insurance	6.00	4.50	1.50
Sickness insurance	2.45		2.45
Work accident insurance	from 0.67 to 3.33 ^a 1.67 ^b	from 0,67 to 3,33	
Fund of Guaranteed Employee Benefits	0.10	0.10	
Labour Fund (unemployment)	2.45	2.45	
Health insurance	9.00 ^c		9.00

^{a)} Diversified contribution for groups of activities, in force as from 1 April 2009. For payers whose percentage rates of contributions to work accident insurance are fixed by ZUS, the rate defined for their groups of activities is additionally multiplied by a correcting index of 0.5-1.5.

^{b)} Contribution for payers notifying to work accident insurance a monthly average of maximum 9 insured persons and for payers not subject to entry to REGON register – contribution in force since 1 April 2009.

^{c)} The contribution is deducted from an amount of due personal income tax (7.75%) and from incomes after taxation (1.25%).

From the day of entry into force of the aforementioned Act, ZUS is obliged to book to a sub-account 5% of the basis for assessment of the contribution to old-age pension insurance due for a period from entry into force of that Act to 31 December 2012, i.e. a difference between the earlier rate of the contribution to OPF – 7.3% and the actual rate of pension contribution transferred to OPF.

Old-age pension contributions are subject to indexation. The indexation consists in multiplying an amount of the old-age pension contributions, booked to the individual account, by the

indexation rate. The indexation covers the amount of contributions booked to the individual account as at 31 January of a year that the indexation refers to, increased by amounts in respect of earlier indexations. Contributions' indexation is carried out once a year, from 1 June of each year, starting from indexation for 2000.

Contributions to **disability and survivors' pension insurance** (6%) are financed by insured persons from their own resources (1.5% of the basis for assessment) and by contribution payers (4.5% of the basis for assessment).

Contributions to **sickness insurance** (2.45%) are fully financed by insured persons.

A percentage rate of a contribution to **work accident insurance** has been differentiated for individual contribution payers and depends on risk category and on a number of persons notified to work accident insurance.

Contributions to **the Labour Fund and the Fund of Guaranteed Employee Benefits** are fully financed by the contribution payer.

Contributions to **the health insurance** are fully financed by the insured person.

An average basis for assessment of the social insurance contribution for employees in December 2010 equalled PLN 2812.03.

4.1.2. Accounts of insured persons

Pursuant to the Act of 13 October 1998 on the social insurance system, the Social Insurance Institution is obliged to keep accounts of all persons notified to social insurance.

An individual account of the person insured is opened on the basis of the first application document concerning a given person, submitted by the contribution payer.

Data recorded on the account include the following:

- identification data of the person insured, i.e. name and surname, date of birth, statistical identification number (PESEL), tax identification number (NIP),

- amount of contributions paid to pension insurance and sickness, accident and health insurance, information on the amount of due contribution transferred to the Open Pension Fund,
- information on the amount of contributions paid to pension insurance after indexation, excluding contributions to OPF,
- information on the initial capital and the initial capital after indexation,
- information on the membership to the Open Pension Fund,
- information on the membership to the National Health Fund,
- non-insurance facts affecting the right to social insurance benefits and their amount,
- information necessary to award and pay social insurance benefits, as well as benefits financed by the State Budget, and information on executed payments,
- information on periods of employment in special conditions or in special character, included in a notification of data on employment in special conditions or in special character referred to in the Act of 19 December 2008 on the old-age bridging pensions.

As from 2006, ZUS has been obliged to provide, on or before 31 August of each year, all insured persons born after 31 December 1948 with **”Information on the status of insured person’s account in ZUS”**, i.e. on the total amount of the old-age pension contributions, booked to the individual account as at 31 December of the preceding year.

The ”Information on the status of insured person’s account in ZUS” also includes information on the amount of:

- the initial capital after indexation as at 31 December of the preceding year – if such capital has been already calculated,
- old-age pension contributions after indexation, excluding contributions to Open Pension Funds (due – in case of persons insured not being contribution payers, or paid – in case of persons insured being contribution payers and persons collaborating with self-employed persons outside agriculture),
- old-age pension contributions, excluding contributions to Open Pension Funds – due or paid respectively for the preceding 12 calendar months, as at 31 December of the preceding year, in nominal amount, by months,

- contributions to Open Pension Funds as at 31 December of the preceding year and, starting from the "Information..." for 2008,
- an amount of the hypothetical old-age pension for the person insured who reached at least 35 years as at 31 December of the preceding year.

The amount of the hypothetical old-age pension is the old-age pension amount that would be acquired by the person insured in the retirement age (woman – 60 years, man – 65 years) according to the insured person's account status as at 31 December of the preceding year, and also taking into account a hypothetical amount of contributions for each full month until the retirement age is reached.

And the insured person who is lacking not more than 5 years of the retirement age is additionally provided, starting from 2008, with information about the amount of the hypothetical old-age pension that s/he would acquire in the retirement age and in the age exceeding the retirement age by one year, two, three, four and five years, according to the account status as at 31 December of the preceding year, and also taking into account a hypothetical amount of contributions for each full month until the retirement age is reached.

The insured person who had exceeded the retirement age and has not claimed the old-age pension is informed about the amount of the hypothetical old-age pension that s/he would acquire – according to the account status as at 31 December of the preceding year – in actual age and in the age exceeding the retirement age by one year, two, three, four and five years, and also taking into account a hypothetical amount of contributions for each full month until the age exceeding the retirement age by one year, two, three, four and five years is reached.

Information about (inter alia) the amount of the hypothetical old-age pension is provided to persons insured:

- to inform them of the status of their account in ZUS,
- to allow them to monitor the status of their account (i.e. to check correctness of records on their accounts and – should any incorrectness be found – to request correction of erroneous data by: the contribution payer, ZUS, OPF or by an institution dealing with payments).

The Social Insurance Institution delivers the "Information on the status of insured person's account in ZUS" for a given year/period to persons born after 31 December 1948 if at least one

element of data that should be shown in the "Information..." was recorded on the insured person's account in ZUS.

4.1.3. Incomes of the Social Insurance Fund

Incomes of the Social Insurance Fund in 2009-2010 (in million PLN)

	2009	2010
TOTAL INCOMES	138 350.1	150 108.1
■ Revenues from contributions	86 537.7	89 378.7
■ Total State Budget allocation	30 503.3	38 111.6
of which:		
— complementary allocation	30 241.2	37 863.8
— appropriated allocation	262.1	247.8
■ Refund in respect of contributions' transfer to OPFs	21 086.0	22 347.2
■ Other incomes	223.1	270.6

Total incomes of the Social Insurance Fund in 2010 amounted to PLN 150 108.1 million.

Revenues from contributions are the main item of SIF incomes. In 2010 they accounted for 59.54% of all incomes of the Fund and amounted to a total of PLN 89 378.7 million.

The State Budget allocation is the second biggest source of SIF incomes. In 2010 it amounted to PLN 38 111.6 million and accounted for 25.40% of Fund incomes.

The State Budget allocation is composed of:

- **complementary allocation** – which serves the purpose of covering the gap between incomes from contributions and expenditure on benefits financed by SIF; in 2010 it amounted to PLN 37 863.8 million,
- **appropriated allocation** – intended to cover expenses and cash benefits of non-insurance character that ZUS has been commissioned to pay, for example benefits for the disabled ex-servicemen and war-disabled persons and for combatants; in 2010 it amounted to PLN 247.8 million.

Revenues from the refund in respect of contributions' transfer to OPFs are the next item in Fund incomes. In 2010 they amounted to PLN 22 347.2 million, i.e. 14.86% of Fund incomes.

The remaining incomes of the Social Insurance Fund include inter alia: the recovered unduly received benefits and default interest. In 2010 they amounted to PLN 270.6 million, i.e. 0.20% of Fund incomes.

4.1.4. Expenditure of the Social Insurance Fund

Expenditure of the Social Insurance Fund is composed of many elements, such as: cash benefits, pension prevention, accident prevention, deduction for ZUS current operation and other expenditure.

Expenditure of the Social Insurance Fund in the years 2009-2010 by kinds (in million PLN)

	2009	2010
TOTAL EXPENDITURE	151 486.5	160 842.3
■ Cash benefits	147 896.4	156 898.7
of which:		
— pensions	135 308.4	143 442.7
— sickness allowances	6 617.5	6 821.0
— maternity allowances	2 406.6	2 939.0
— care allowances	465.0	489.1
— funeral grants	1 881.9	1 950.1
— compensatory allowances	0.6	0.8
— rehabilitation benefits	890.6	924.4
— post-accident compensations	306.1	322.0
— other benefits	5.9	5.4
■ Pension prevention	163.9	164.8
■ Work accident prevention	6.3	3.2
■ Deduction for ZUS current operation	3 418.0	3 773.6
■ Other expenditure	1.9	2.0

A total Social Insurance Fund expenditure in 2010 was PLN 160 842.3 million, including:

- **Expenditure on cash benefits** in amount of to PLN 156 898.7 million, which accounted for 97.6% of SIF expenditure.

Expenditure on pensions had the highest share in total SIF expenditure and equalled PLN 143 442.7 million, which accounted for 89.2% of SIF expenditure.

- **Expenditure on disability pension and accident prevention** in amount of PLN 168.0 million, which accounted for 0.1% of SIF expenditure.
- **Expenditure in respect of deduction for ZUS current operation** in amount of PLN 3 773.6 million, which accounted for 2.3% of SIF expenditure.

**Payment of cash benefits from the Social Insurance Fund
in 2010 by kinds of funds**

	in million PLN	in %
TOTAL	156 898.7	100.0
of which:		
Old-age pension fund	101 692.3	64.8
Disability pension fund	39 545.8	25.2
Sickness fund	10 589.7	6.7
Work accident fund	5 070.9	3.3

4.1.5. Enforcement of dues from contribution payers

Enforcement of dues in respect of contributions is one of the main tasks of the Social Insurance Institution. This task is carried out by ZUS both by means of execution proceedings (compulsory enforcement) and by means of non-execution (contractual) forms of dues enforcement provided by the law.

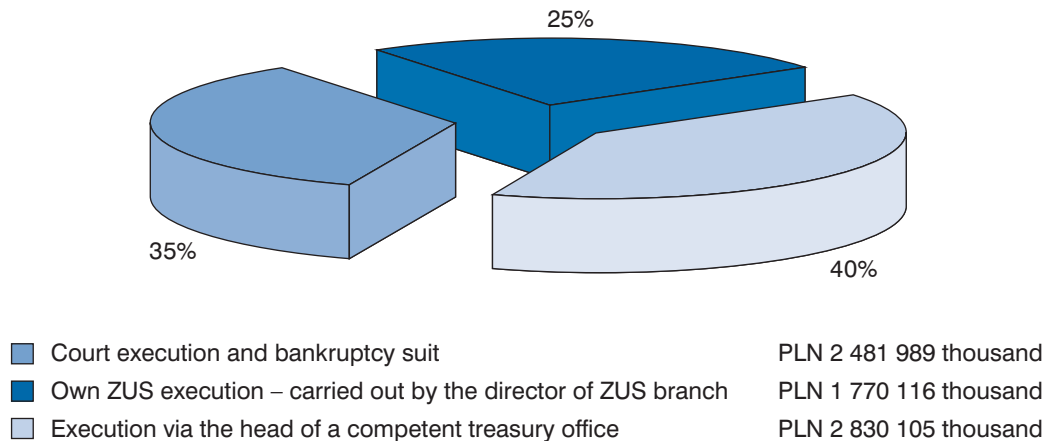
As at 31 December 2010 total debt in respect of SIF contributions was PLN **13 100 397 thousand**.

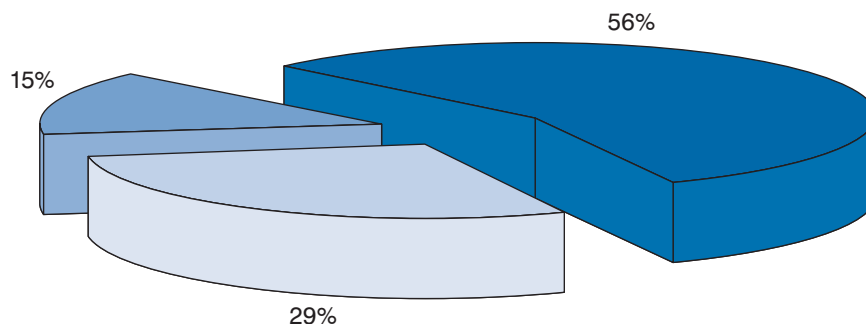
Overdue amounts that ZUS is obliged to recover, are subject to compulsory enforcement by means of:

- **administrative execution**, which may take a form of:
 - own ZUS execution – carried out by the director of ZUS branch as an execution body by means of execution measures, i.e. by seizing: a bank account, remuneration for work, social insurance benefits (e.g. pensions), social pension, cash liabilities,
 - execution via a competent treasury office, carried out by the head of the office,
- **court execution** carried out by the bailiff under a writ of execution issued by ZUS and pursuant to bankruptcy suit.

The diagram below presents the structure of dues covered by execution as at the end of the reporting period in 2010.

SIF – enforced writs of execution – **PLN 7 083 210 thousand**



SIF – recovered dues – **PLN 1 145 044 thousand**

■ Court execution and bankruptcy suit	PLN 169 196 thousand
■ Own ZUS execution – carried out by the director of ZUS branch	PLN 646 606 thousand
■ Execution via the head of a competent treasury office	PLN 329 242 thousand

The so called own execution is the most effective measure, which is proved by the table below:

	Enforced writs of execution in thousand PLN (initial stage + + enforced)	Recovered dues in thousand PLN	Effectiveness in %
Own execution carried out by ZUS branches	3 777 948	646 606	17.12
Execution via treasury offices	3 675 803	329 242	8.96
Court execution and bankruptcy suit	3 029 603	169 196	5.58

Non-execution (contractual) forms of dues enforcement include an opportunity to pay the debt on the basis of an instalment settlement or an opportunity to defer due contribution payment.

An opportunity to pay the debt in instalments is offered by ZUS on debtor's request when s/he meets prescribed requirements, inter alia when s/he submits documents enabling ZUS to carry out an assessment of payment capacity of a debtor claiming the relief.

Debtor's entering into the instalment settlement results in interest suspension. However, ZUS calculates *ipso jure* a prolongation payment. It amounts to 50% of default interest rate and is aimed at compensating the loss of further default interest that would be due if the debtor did not enter into the settlement.

In 2010 ZUS signed **9923** instalment settlements with regard to dues in respect of social insurance contributions in total amount of **PLN 340 299 thousand**.

ZUS may defer the contribution payment date – on contribution payer's request – only with regard to current contributions, i.e. contributions whose deadline has not yet expired. Besides, depending on the character of liabilities, ZUS may remit dues in respect of contributions in full or in part, however with the exception of dues in respect of contributions in their part financed by insured persons, who are not contribution payers to their own insurance. These dues *ipso jure* may not be remitted. The Social Insurance Institution has the power to remit dues in respect of contributions only if they cannot be recovered by other means. It takes place for example if:

- the court has dismissed a petition to declare debtor's bankruptcy because assets of the insolvent debtor were not sufficient to cover the costs of court proceedings,
- the court has dismissed the bankruptcy proceedings, because assets left after excluding items of debtor's property encumbered with mortgage, pledge, registered pledge, tax lien or maritime mortgage were not sufficient to cover the costs of court proceedings,
- claims were not satisfied in the terminated bankruptcy suit,
- the head of a treasury office or the bailiff has stated lack of assets that could be subject to execution,
- it is obvious that enforcement proceedings will end without receiving amounts exceeding collection costs.

A total amount of dues remitted in 2010 pursuant to the Act on the social insurance system (contributions and additional payment) was **PLN 44 617 thousand**.

4.2. Demographic Reserve Fund

The Demographic Reserve Fund (DRF) has the status of the appropriated state fund. It was established by the Act of 13 October 1998 on the social insurance system. The main objective of establishing the Fund was to better secure the solvency of the old-age pension benefits. The Demographic Reserve Fund plays the role of a contingency fund for the old-age pension fund separated from the Social Insurance Fund.

The Demographic Reserve Fund holds legal personality. The Social Insurance Institution is the disposer of the Fund, and a decision on making DRF funds available may be taken solely by the Council of Ministers.

The Demographic Reserve Fund is supplied mainly from resources collected as a part of an old-age pension contribution. Funds derived from privatisation of public companies are the next source of DRF supply. At present 40% of funds acquired by the Treasury as a result of privatisation are transferred to DRF.

To maximise the security and rate of return of its resources, the Demographic Reserve Fund invests them in determined financial instruments. The main financial instruments are: treasury bonds (68.6%), equities (14.3%) and treasury bills (13.8%).

The funds collected in DRF may be used only to:

- cover the deficit of the old-age pension fund due to demographic reasons,
- grant a no-interest loan to complement the old-age pension fund for the purpose of current payments, to ensure liquidity of the Social Insurance Fund; the loan should be repaid within 6 months from the day of its receipt.

The DRF funds were made available for the first time in 2010: an amount of PLN 7.5 billion was transferred to the old-age pension fund.

The status of the Demographic Reserve Fund as at the end of 2010 was PLN 10.2 million.

4.3. Bridging Pensions' Fund

The Bridging Pensions' Fund (BPF) is the appropriated state fund. It was established on 1 January 2010 by virtue of the Act of 19 December 2008 on the old-age bridging pensions to finance the bridging pensions. The Social Insurance Institution is the disposer of the Fund.

The revenues of the Bridging Pensions' Fund originate inter alia from:

- contributions to the Fund,
- State Budget allocation,
- interest on Fund bank accounts,
- investment of available BPF funds.

Within the limits fixed by the Budgetary Law the Fund may receive allocations from the State Budget. Allocations may be used to supplement funds for payment of bridging pensions.

From the assets accumulated in the Fund the following are financed:

- bridging pensions,
- default interest for untimely payment of bridging pensions,
- deduction for ZUS – constituting ZUS revenue.

The deduction rate is fixed annually by the Budgetary Law based on the BPF financial plan approved by the President of the Council of Ministers.

The Management Board of the Social Insurance Institution:

- drafts the BPF annual financial plan following the procedure laid down in the regulations on drafting the State Budget,
- draws up an annual report on performance of the BPF financial plan,
- draws up BPF annual financial statement, delivered to an independent auditor for the opinion (the auditor may not be ZUS employee), and then submitted to the President of the Council of Ministers for approval,
- draws up a forecast of BPF receipts and expenditure in 5 subsequent financial years, pursuant to the principles laid down in the Act on the social insurance system.

Available BPF funds may be invested in bank deposits and in Treasury securities.

Contributions to BPF are paid for an employee who meets jointly the following conditions:

- was born after 31 December 1948,
- performs works in special conditions or in special character.

An obligation to pay BPF contributions for an employee arises on the day when the employee starts to perform work in special conditions or in special character, and expires since the day when the person concerned ceased to perform such works.

BPF contributions are payable at a rate of 1.5% of the contribution assessment basis. The contribution is calculated based on the assessment basis of a contribution to pension insurance. The contribution assessment basis is subject to the same limitations as are applied when calculating social insurance contributions.

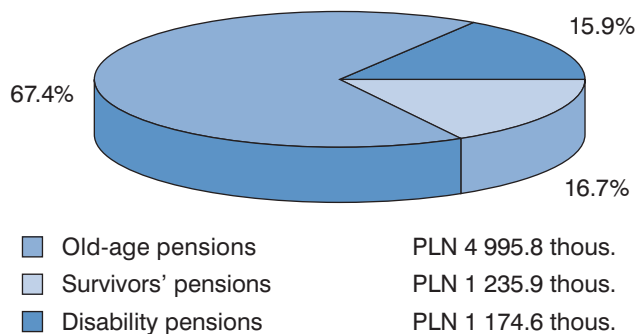
BPF contribution is fully financed by the contribution payer.

5. SOCIAL INSURANCE BENEFITS REALISED BY ZUS

5.1. General information on pension benefits realised by ZUS

The Social Insurance Fund paid pensions to ca 7.5 million persons in 2010. The total amount of realised pension benefits equalled PLN 143 442.7 million.

Beneficiaries' structure by kinds of benefits received in 2010



Average amount of the pension

Average amounts of different kinds of benefits paid in 2010 were as follows:

Kind of benefits	Average amount of the benefit in PLN	% of average monthly earning ²	
		a)	b)
Total pensions	1588.95	49.3	56.3
Old-age pension	1698.35	52.7	60.2
Disability pension	1261.35	39.1	44.7
Survivors' pension	1475.11	45.7	52.3

² Average monthly earning in 2010: a) together with the compulsory social insurance contribution equalled PLN 3224.98; b) after deducting the compulsory social insurance contribution equalled PLN 2822.66.

5.1.1. Pension indexation

As from 2008, the pension indexation is carried out annually (from 1 March), based on the fixed indexation rate.

The pension amount after indexation is calculated by multiplying an individual amount of the benefit by the **indexation rate**. The indexation rate is understood as an average annual index of consumer goods and services in the preceding calendar year, increased by at least 20% of real growth of average monthly earning in the preceding calendar year.

The indexation rate increase is subject to annual negotiations within the framework of the Tripartite Commission for Socio-Economic Issues. If members of the Commission are not able to reach consensus, the indexation rate is fixed by means of an Ordinance of the Council of Ministers.

The following are subject to indexation: old-age pensions, disability pensions, survivors' pensions, pre-retirement benefits and allowances, supplements and benefits payable in addition to the pension, periodic funded pensions and bridging pensions (new types of benefits payable by ZUS), amounts of maximum pension reduction and minimum guaranteed amount of the pre-retirement benefit and allowance, which are applicable in the case of deriving income from gainful activity.

The indexation covers pension benefits awarded before the day fixed as the indexation date, that is before 1 March. Indexation is carried out *ex officio* and covers all payable benefits.

In 2011, the indexation rate for pensions amounted to 103.1%.

As from 1 March 2011, amounts of minimum pensions (including the social pension) have been also increased as a result of indexation.

5.1.2. Guaranteed minimum pensions

As from 1 March 2011 the minimum guaranteed benefits are paid at a monthly rate of:

- Old-age pension
 - Pension in respect of complete incapacity for work
 - Survivors' pension
- PLN 728.18**

- Pension in respect of partial incapacity for work
- PLN 560.13**

Minimum pensions in respect of work incapacity resulting from accident at work or occupational disease and work accident pensions for survivors are by 20% higher than the above given minimum amounts.

PLN 873.82 – disability pension in respect of complete incapacity for work due to accident at work or occupational disease and work accident pension for survivors,

PLN 672.16 – disability pension in respect of partial incapacity for work due to accident at work or occupational disease.

Minimum old-age pension equals ca: **44.2%** of average old-age pension
53.6% of minimum wage/salary

In March 2010, persons receiving benefits in minimum guaranteed amount accounted for 7.4% of a total number of pensioners.

5.1.3. *Maximum pensions*

The old-age pension calculated under the earlier scheme may not be higher than 100% of the basis for its assessment (see: item 5.2.1).

Limitation of the assessment basis also applies to other pensions with the exception of the disability pension, training pension and survivors' pension payable from the work accident insurance.

The old-age pension under the new scheme depends on the amount of collected contributions after indexation and on the retirement age (see: item 5.2.2). Therefore its upper amount is not limited.

5.1.4. *Combining pensions with work*

Retired persons who meet the following conditions have the right to combine their pension with remuneration for work with no restrictions:

- they must have reached the statutory retirement age (65 years – men and 60 years – women); and
- must have terminated their employment relationship concluded before acquiring the right to the old-age pension³.

The retired persons who have terminated their employment relationship on account of their retirement may later sign a new employment contract with the same employer, not losing their old-age pension entitlement.

Certain restrictions concerning benefits' combination with incomes from work relate to:

- retired persons who had been awarded their old-age pensions before reaching the statutory retirement age,
- other pensioners.

³ An obligation to terminate the employment relationship with earlier employer has been imposed by the Act of 16 December 2010 on the amendment of the Act on public finance and some other Acts (Journal of Laws No 257, Text 1726).

The pension entitlement of these persons and the benefit amount depend on acquired incomes. There are three income brackets.

If monthly income equals:

- **not more than 70%** of average monthly earning – the benefit is paid in full amount,
- **from 70% to 130%** of average monthly earning – the benefit is reduced by such amount, by which the received income exceeds 70% of average monthly earning, however not more than by an amount of maximum reduction fixed for a given kind of benefit,
- **more than 130%** of average monthly earning – the benefit is suspended.

In 2010 an annual income ceiling⁴, corresponding to 70% of average monthly earning, amounted to PLN 27 093.40, and an annual ceiling corresponding to 130% of average monthly earning amounted to PLN 50 316.10.

5.2. Old-age pensions

As from 1 January 1999 the reform of the old-age pension scheme has come into force.

From 1999 two old-age pension schemes were operating in parallel in Poland:

- **old pension scheme (pension scheme operating under earlier rules)** – compulsory for persons born before 1 January 1949,
- **new pension scheme (pension scheme operating under the new rules)** – compulsory for persons born after 31 December 1968.

Persons born after 31 December 1948 but before 1 January 1969 had an opportunity to decide: whether they should stay in the hitherto pay-as-you-go pension scheme (first pillar) or rather join the new pension scheme, i.e. pay-as-you-go scheme (first pillar) and funded pension scheme (second pillar). A decision had to be taken by 31 December 1999.

⁴ Income resulting in suspension of payment or reduction of the benefit – is accounted for on a monthly or annual basis.

5.2.1. Old-age pensions in the old scheme

The right to the old-age pension in this scheme is acquired by women aged 60 years with at least 20-year contributory and non-contributory period and men aged 65 years with at least 25-year contributory and non-contributory period.

The old scheme of the old-age pensions provides for **pensions with shorter insurance period**. Such old-age pension may be acquired by a woman who has reached the age of 60 years and has completed at least 15-year contributory and non-contributory period and a man aged 65 years with 20-year contributory and non-contributory period. However, such old-age pension is not subject to increase to bring its amount up to the level of minimum guaranteed old-age pension.

Persons born on or before 31 December 1953, who have been last covered by employee insurance, may claim **the earlier retirement pension**.

Women, who have remained in employment relationship may acquire the full old-age pension in the age of 55 years if they:

- prove at least 30-year contributory and non-contributory period, or
- prove at least 20-year contributory and non-contributory period and are recognised as completely incapable of work.

Men, who have remained in employment relationship may acquire the full old-age pension in the age of 60 years if they:

- prove at least 35-year contributory and non-contributory period, or
- prove at least 25-year contributory and non-contributory period and are recognised as completely incapable of work.

Some occupational groups, persons employed in special conditions and special character (for example miners, teachers) and persons incapable of work (holding a certificate of incapacity for work issued by ZUS evaluating doctor or ZUS medical board) have the right to retire before the statutory retirement age.

Due to an opportunity of earlier retirement with full pension, in 2010 an average age of a retiring man was 60.2 years, and of a retiring woman – 59.0 years.

And an average employment period of retiring persons is decidedly higher than the required minimum: in 2010 it amounted to 35.5 years for a man and 34.9 years for a woman.

Old-age pension calculated in the old scheme amounts to:

24% of the base amount + 1.3% of the basis for assessment for each contributory year +
+ 0.7% of the basis for assessment for each non-contributory year⁵

The benefit is assessed based on an average assessment basis of a contribution to pension insurance or to social insurance, from the period of 10 consecutive calendar years selected by the person concerned from the recent 20 calendar years or 20 calendar years chosen from the whole insurance period.

The assessment basis is increased by the following amounts to which the person insured was entitled in a given calendar year: remuneration for the period of incapacity for work and sickness, maternity, care allowances, rehabilitation benefits, compensatory allowances or supplementary compensatory allowances.

To establish the assessment basis, first a total of amounts of assessment bases for contributions and amounts of the aforementioned benefits is calculated within each year from the selected calendar years, and then the ratio of each of these total amounts to annual amount of average earning announced for a given calendar year is calculated. The result is expressed in percentages. Then the arithmetic mean of these percentages is calculated, which is the assessment basis index. The base amount is multiplied by this index.

The base amount equals 100% of average earning reduced by the compulsory social insurance contribution deducted from earnings of persons insured. The base amount is fixed from 1 March of each year when the indexation is carried out.

As from 1 March 2011 the base amount equals PLN 2822.66.

⁵ Non-contributory periods are taken into account at a rate not exceeding 1/3 of proved contributory periods.

5.2.2. Old-age pensions in the new scheme

The new old-age pension scheme is composed of three pillars.

Based on the below classification criteria, the new old-age pension scheme may be presented in the following way:

Criteria for classification	First pillar	Second pillar	Third pillar
Participation in the scheme	compulsory	compulsory	voluntary, complementary
Social objective	basic level of benefits	basic level of benefits	higher level of benefits
The management of the scheme	public	private	private
Financing	from current contributions	funded	funded
Calculation of benefit amount	on the basis of indexed contributions	on the basis of capitalised contributions	on the basis of capitalised contributions

The first pillar is managed by a public institution – the Social Insurance Institution.

The second pillar is managed by private institutions – Open Pension Funds (OPFs). There operated 14 OPFs in the end of 2010. They gathered about 14.9 million active members, i.e. persons whose accounts are credited with contributions.

The third pillar, similarly as the second pillar, is managed by private institutions. Affiliation with the third pillar is completely voluntary. The authors of the reform assumed that the third pillar would ensure higher old-age pensions in the future thanks to a supplementary contribution. The third pillar first of all consists of Occupational Pension Programmes (OPPs). 1113 such programmes were registered as at 31 December 2010, gathering about 342.5 thousand members.

The new pension scheme is based on close correlation of benefit amount with the amount of actually paid contribution. It limits earlier retirement opportunities and creates incentives to delay the moment of acquiring the old-age pension. It does not provide for preferential conditions of acquiring the right to the old-age pension for individual occupational groups in the universal old-age pension scheme.

The quality changes in the scheme are also connected with the change in financing techniques, i.e. with capitalisation of a part of a contribution to the compulsory old-age pension insurance: from a total old-age pension contribution of 19.52% – 7.30% is transferred to the second, capital funded insurance pillar (from 1 May 2011 – 2.30%).

As from 1 January 2009 persons born after 31 December 1948 have acquired the right to the **old-age pension under the new rules from the Social Insurance Fund** after satisfying the only condition, that is after reaching the statutory retirement age: 60 years – for women, 65 years – for men.

The retirement age is the minimum age to acquire entitlements and not an obligatory moment to stop occupational work.

Women who have reached the statutory retirement age of 60 years or who will reach this age in the period 2009-2013 and who have not joined the Open Pension Fund (second pillar), or have applied for the transfer of means accumulated on account in the Open Pension Fund, via the Social Insurance Institution, to the State Budget incomes, and have not received – even for one month – an old-age pension awarded and calculated under the old rules, have been offered an opportunity of **the so called smooth transition from the old to the new scheme**. It consists in establishment of the so called mixed old-age pension, partly under the old and partly under the new principles. For example, a person who reached the retirement age – 60 years for women – in 2011 will be granted the pension in 55% under the old and in 45% under the new rules.

Persons between 30 and 50 years of age have been offered an opportunity to retire under the hitherto principles, if they did not join the second pillar or if they applied for the transfer of means accumulated on account in the Open Pension Fund, via the Social Insurance Institution, to the State Budget incomes, under the condition that they met, by 31 December 2008, the requirements necessary to acquire the old-age pension under the old rules.

The old-age pension under the new principles is granted to women who will reach at least 60 years of age and to men who will reach at least 65 years of age. The right to the old-age pension under the new rules may be acquired both by persons who have joined one of Open Pension Funds, and persons who have not joined any OPFs. The right to the old-age pension is acquired after reaching the statutory retirement age. The duration of insurance periods will not be taken into account on awarding the right to the benefit and while calculating its amount. However, due to the fact that an amount of future old-age pension will depend on the insurance period and amount of paid contributions, it will be in the interest of insured persons to stay as long as possible on the labour market. It results from the principle of old-age pension calculation on the basis of an amount of initial capital after indexation and amount of contributions paid to the old-age pension insurance after indexation, booked to individual accounts of insured persons.

In the new old-age pension scheme the pension is awarded from ZUS and from the Open Pension Fund.

The amount of the new old-age pension received from ZUS is an equivalent of a total amount of pension contributions after indexation collected after 31 December 1998 and an amount of the so called initial capital after indexation divided by the average life expectancy, expressed in months, for persons in the age equal to the retirement age of a given pension claimant.

$$\text{OLD-AGE PENSION} = \frac{\text{Sum of collected and indexed pension contributions and the indexed initial capital}}{\text{Average life expectancy for persons in the age equal to the retirement age, expressed in months}}$$

The initial capital is a new element of the Polish old-age pension scheme. The initial capital has been introduced to account for a contribution period completed before the day of entry into force of the Law, that is before 1 January 1999, for persons aged not more than 50 years. It is calculated for each insured person born after 31 December 1948 who has been paying – before 1999 – a contribution to the social insurance or for whom such contribution has been paid by

the contribution payer. For each of these persons a hypothetical old-age pension is calculated, which the person concerned would have received on 1 January 1999.

The amount of the hypothetical old-age pension is calculated under the hitherto principles, modified in a part concerning calculation of the so called social element of the old-age pension. A total amount – composed of a contributory part, a non-contributory part and a social part – is multiplied by average life expectancy for women and men in the age of 62 years, which equals 209 months. The amount calculated in this way constitutes the value of the initial capital as on 1 January 1999.

The amount of the initial capital, established at 1 January 1999, is booked to the account of the insured person, and is subject to annual indexation to the moment of retirement. The indexation of the initial capital is carried out under the same rules as indexation of the old-age pension contributions, however:

- the first indexation for 1999 was carried out with the use of indexation rate of the initial capital amounting to 115.60%,
- subsequent indexations of the initial capital, i.e. for 2000 and the subsequent years, were and are carried out with the use of the same indexation rates as those applied for the old-age pension contributions. The mentioned indices are announced in Monitor Polski by the Minister of Labour and Social Policy.

The initial capital may not be reduced as a result of indexation.

Women being the Open Pension Fund's members who have reached 60 years of age and have acquired the right to the old-age pension under the new rules, are entitled to periodic funded pension if the balance in the Open Pension Fund's member account as at the last day of the month preceding the month when the old-age pension was awarded, equals or exceeds the twenty-fold amount of the nursing allowance. If the mentioned balance is lower, the OPF transfers the resources accumulated in the OPF member account to ZUS old-age pension fund.

As from 1 March 2011 an amount equal to twenty-fold amount of the nursing allowance is **PLN 3734.20** ($20 \times \text{PLN } 186.71$). This amount will change as a result of subsequent indexations of the nursing allowance.

The periodic funded pension amount is established by dividing the balance in the Open Pension Fund's member account by average life expectancy for persons in the age equal to the retirement age (age used to calculate the old-age pension from the Social Insurance Fund under the new rules).

The right to the periodic funded pension will expire on a day preceding the day when the Open Pension Fund's member will reach the age of 65 years, as well as when the means accumulated in the OPF account will be exhausted.

Some occupational groups may exercise the right to the **old-age pension awarded under the new rules in lower age than the statutory retirement age**. These are e.g. persons employed in special conditions or in special character who have completed the required qualifying period of a general character and the period of employment in special conditions or in special character before 1 January 1999, have not joined the Open Pension Fund (or – after doing so – have applied for the transfer of means accumulated on account in the Open Pension Fund, via the Social Insurance Institution – to the State Budget incomes) and have terminated their employment relationship.

5.2.3. Bridging pensions

As from 1 January 2009 the right to the bridging pension is acquired by the insured person who meets jointly the following conditions:

- has completed a period of employment in special conditions or in special character of at least 15 years,
- has reached at least the age of 55 years (woman) and 60 years (man),
- has completed the contributory and non-contributory period of at least 20 years for women and 25 years for men,
- before 1 January 1999 performed work in special conditions or in special character,
- after 31 December 2008 performed work in special conditions or in special character,
- has terminated his/her employment relationship.

Pension amount is calculated in similar way as the amount of the "new" old-age pension. However, irrespective of actual retirement age of a given person, average life expectancy for persons aged 60 years is always taken into account.

The right to the bridging pension expires on the day preceding the day of acquiring the right to the old-age pension, and if the person concerned does not have the right to the old-age pension – on the day preceding the statutory retirement age.

The bridging pensions are financed mainly by the State Budget. A part of costs is covered by employers from the contribution remitted to the Bridging Pensions' Fund, which equals 1.5% of the pension contributions' basis.

In 2010 the bridging pensions were paid to a monthly average of ca 2.6 thousand retired persons, and an average monthly amount of the pension was PLN 2325.37.

The bridging pensions' expenditure in 2010 equalled PLN 72 256.5 thousand.

5.2.4. Ex officio old-age pensions

The Act of 1 July 2005 on amendment of the Act on pensions from the Social Insurance Fund introduced a concept of the old-age pension awarded *ex officio* in place of the received disability pension to persons who have reached the retirement age, that is 60 years for women and 65 years for men. This provision has come into force since 1 January 2006.

The old-age pension is awarded *ex officio* to a person born before 1 January 1949 who is a recipient of the disability pension, irrespective of whether the person concerned meets the condition of the insurance period (contributory and non-contributory period) of at least 20 years for women and 25 years for men, which is required when the retirement pension is awarded.

The old-age pension, awarded *ex officio* to a person born before 1 January 1949, is based on the pension assessment basis. Its amount is usually the same as the amount of hitherto received disability pension – in any case it may not be lower.

The old-age pension is also awarded *ex officio* – instead of the received disability pension – to a person born after 31 December 1948, if s/he has reached the statutory retirement age. A woman who has been awarded the old-age pension *ex officio*, and who will reach the age of 60 in the years 2009-2013, may request pension calculation in mixed amount (partly under the old and partly under the new rules).

A person born before 1 January 1949 and after 31 December 1948, who was the recipient of the pension in respect of partial incapacity for work and has completed the required insurance period will have his or her old-age pension awarded *ex officio* brought up to the level of minimum old-age pension if the amount of hitherto received benefit was lower than the minimum.

If the disability pension was paid in amount awarded to a person partly incapable of work, who, however, had not completed the required insurance period, which means that s/he would not meet the requirements for the old-age pension, the old-age pension awarded *ex officio* may not be brought up to the level of the minimum old-age pension.

A person who has been awarded the old-age pension *ex officio* may apply for recalculation of its amount. He or she will be informed about such opportunity in a decision on old-age pension award.

The old-age pension is not awarded *ex officio* to a person whose right to the old-age pension had been already established, but who opted for the disability pension instead.

5.3. Disability pensions

The disability pension is granted to an insured person who meets all of the following conditions:

- is incapable of work,
- has completed the required contributory and non-contributory period, i.e. has completed contributory and non-contributory insurance periods of at least 5-year duration during the last decade before claiming the pension or before occurrence of incapacity for work; in the event if the incapacity for work occurred in the age lower than 30 years, these periods are respectively shorter – from 1 to 4 years,
- the incapacity for work must have occurred during certain contributory and non-contributory periods, but not later than within 18 months after the cessation of these periods. This requirement

does not relate to an insured person who has proved the contributory and non-contributory period of at least 20 years for women and 25 years for men and is completely incapable of work.

The incapacity for work is evaluated and certified, by means of a decision, by a ZUS evaluating doctor. ZUS evaluating doctor evaluates incapacity for work, its degree and determines:

- date of occurrence of incapacity for work,
- permanency or expected duration of incapacity for work,
- causality of incapacity for work or death with certain circumstances,
- inability to independent existence,
- advisability of vocational retraining.

A **person incapable of work** means a person who has lost, completely or partly, earning capacity due to disturbance of body fitness and retraining does not promise restoration of his or her earning capacity.

Completely incapable of work is a person who has lost capability for any work.

Partly incapable of work is a person who has lost – to a considerable degree – capability for work corresponding to his or her level of qualifications.

Decisions certifying incapacity for work are issued for a period not longer than 5 years or for a longer period – if there is no prognosis as to restoration of earning capacity before the lapse of 5 years. The pension is payable during a period of certified incapacity for work (indicated in ZUS decision).

A person concerned has the right to appeal to ZUS medical board against the decision of ZUS evaluating doctor within 14 days from the day of delivery of the decision. ZUS President may consider the decision defective and submit the case to ZUS medical board within 14 days after ZUS evaluating doctor had issued the decision.

The following constitute the basis for a decision on awarding the disability pension:

- a decision of ZUS evaluating doctor which has not been opposed or claimed defective,
- a decision of ZUS medical board.

The disability pension in respect of accident at work or occupational disease is awarded irrespective of the duration of accident insurance period and irrespective of the date of occurrence of incapacity for work due to accident at work or occupational disease.

An **accident at work** means a sudden occurrence associated with work, arising out of external cause and resulting in injury or death.

An **occupational disease** means a disease specified in a list of occupational diseases, if it was caused by harmful agents in the working environment or by a manner in which the work was performed.

Pension in respect of complete incapacity for work amounts to:

24% of the base amount + 1.3% of the basis for assessment for each contributory year + 0.7% of the basis for assessment for each non-contributory year⁶ + 0.7% of the basis for assessment for each year short of full 25 years of contributory and non-contributory periods, from the day of claiming the benefit to the day when the pensioner would reach 60 years of age.

The pension from accident insurance may not be lower than 80% of the basis for its assessment, if the basis for its assessment was calculated with the use of an index not higher than 250%.

The pension for a person who is partly incapable of work is payable at a rate of 75% of pension for person completely incapable of work. The pension from accident insurance may not be lower than 60% of the basis for its assessment, if the basis for its assessment was calculated with the use of an index not higher than 250%.

The person entitled to the pension who has been recognised as completely incapable of work and of independent existence is awarded the nursing supplement (see: item 5.14).

⁶ Non-contributory periods are taken into account at a rate not exceeding 1/3 of proved contributory periods.

The structure of disability pensions in 2010 by degree of disability

Specification	%
Disability pensions – total of which in respect of:	100.0
complete incapacity for work accompanied by inability to independent existence	5.0
complete incapacity for work	30.8
partial incapacity for work	64.2

The share of disability pensions in the whole pension portfolio equals 15.9%.

In 2010 disability pensions were paid on average to 1 174.6 thousand persons, and an average monthly amount of the pension was PLN 1199.93. 49.6 thousand new pensions were granted in 2010.

A monthly average of 214.7 thousand pensions in respect of accidents at work and occupational diseases were received in 2010, in average amount of PLN 2367.72. They accounted for 17.5% of a total number of disability pensions.

5.4. Training pensions

The training pension is payable to a person meeting the conditions for receiving the disability pension, who has been issued a decision on the advisability of vocational retraining due to incapacity for work in earlier occupation.

The training pension is awarded for a period of 6 months, which may be reduced or extended.

The period is reduced in the case if the starost informs the pension body of:

- lack of a possibility to retrain a given person for a new occupation,
- the fact that a given person does not want to undergo retraining.

The mentioned period may be extended for a period needed to undergo vocational retraining, in any case not longer than 30 months. It means that the training pension may be received for a maximum period of 36 months.

The training pension is payable at a rate of 75% of the basis for assessment, and at a rate of 100% of this basis if incapacity for work was caused by accident at work or occupational disease. The pension is not paid if the pensioner receives remuneration or income (irrespective of its level).

A monthly average of 193 training pensions were paid in 2010 and an average monthly amount of the pension was PLN 1818.65.

5.5. Survivors' pensions

The survivors' pension is awarded to entitled family members of a person who – on the day of death – had the established entitlement to an old-age pension (including the bridging pension) or disability pension or met the requirements for award of one of these benefits. When the right to the survivors' pension is established, it is assumed that the deceased person was completely incapable of work.

The survivors' pension is also awarded to entitled family members of a person who – on the day of death – was a recipient of the pre-retirement benefit or the pre-retirement allowance. In such case it is assumed that the deceased person has satisfied the conditions to be awarded the pension in respect of complete incapacity for work. The survivors' pension is not awarded in respect of periodic funded pension.

The following persons have the right to the survivors' pension:

- own children, spouse's children, adopted children – until they reach the age of 16 years or 25 years in the case of learning children, and irrespective of age if they had become completely incapable of work before reaching the age of 16 years or while learning at school before reaching the age of 25 years. If the child reached the age of 25 years being a student of the last year of study in a tertiary level school, the right to the pension is prolonged till the end of this year of study;
- a widow/widower, who at the moment of his/her spouse's death reached the age of 50 years or was incapable of work, or who brings up at least one of children, grandchildren or siblings entitled to a pension as a survivor of the spouse, if these children have not yet reached the age of 16 years, or 18 years – if they are still learning, or if they are completely incapable of work.

Most of beneficiaries (about 59.3%) in 2010 were persons aged 65 years and more. The share of children, including those learning and studying under 24 years of age, in the whole population of persons entitled to survivors' pensions was about 18.1%.

The survivors' pension is payable at the following rates:

- for one entitled person – 85% of benefit that would be payable to the person deceased,
- for two entitled persons – 90% of benefit that would be payable to the person deceased,
- for three and more persons – 95% of benefit that would be payable to the person deceased.

All entitled family members acquire the right to one joint survivors' pension, which is divided – if necessary – into equal parts between all beneficiaries. If survivors' pension is received by a complete orphan, s/he is entitled to a supplementary allowance for complete orphans.

The minimum survivors' pension from the work accident insurance equals 120% of the minimum survivors' pension.

In 2010 survivors' pensions were received by 1 235.9 thousand persons, and an average monthly amount of the pension was PLN 1472.37.

5.6. Medical rehabilitation within the framework of pension prevention

ZUS performs pension prevention tasks, including medical rehabilitation and accident prevention.

5.6.1. Pension prevention

The main pension prevention tasks:

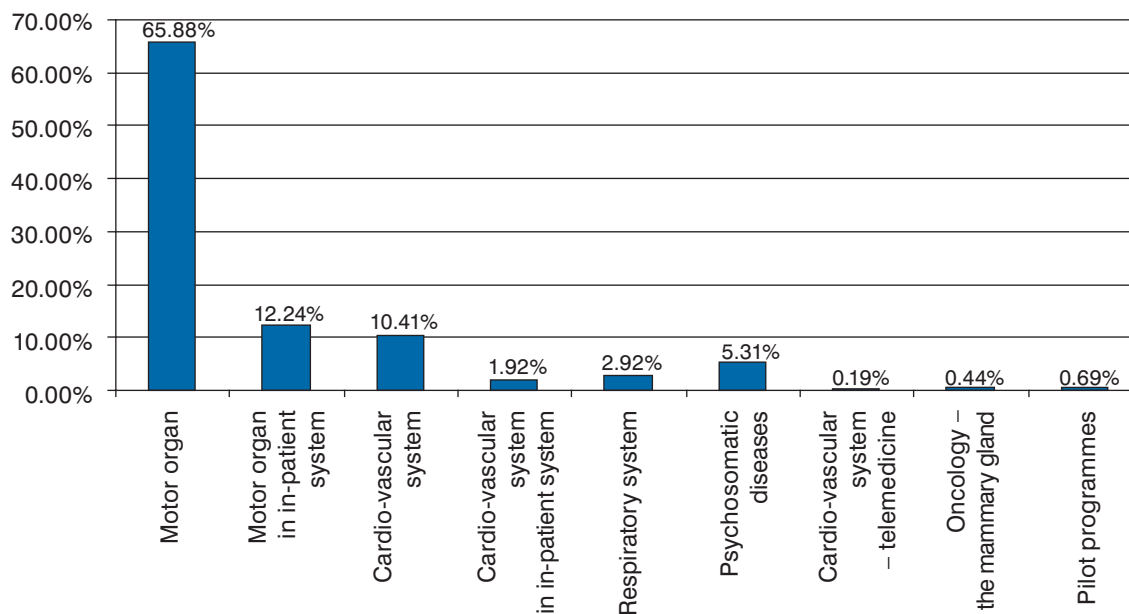
- referral to medical rehabilitation,
- dissemination of knowledge about activities preventing incapacity for work.

Referral to medical rehabilitation. The Social Insurance Institution refers to rehabilitation centres, selected by means of competition, persons threatened with the long-term incapacity for work in the following groups of diseases:

- in an in-patient system:
 - motor system diseases,
 - cardio-vascular system diseases,
 - respiratory system diseases,
 - psychosomatic diseases,
 - oncological diseases – after the mammary gland surgery,
- in an out-patient system:
 - motor system diseases,
 - cardio-vascular system diseases, including telemedically monitored diseases.

In 2010 the medical rehabilitation programme was completed by 74 504 persons. Costs of rehabilitation (including local payment and refund of travel costs) equalled PLN 164 519 thousand.

**Medical rehabilitation carried out in 2010
by rehabilitation profiles**



Dissemination of knowledge about activities preventing incapacity for work. Within the framework of these tasks in 2010 ZUS co-organised 6 scientific conferences and commissioned a study on the course of actions in the field of medical rehabilitation. An amount spent for this purpose equalled PLN 235 thousand.

5.6.2. Work accident prevention

Within the framework of accident prevention in 2010, ZUS:

- commissioned scientific and research works as well as analyses of causes and effects of accidents at work, especially fatal, serious and collective accidents, and occupational diseases,
- disseminated knowledge of hazards causing accidents at work and occupational diseases and methods of their prevention.

An amount spent for this purpose equalled PLN 3 221 thousand.

5.7. Social pensions

The social pension is payable to an adult, that is a person who has reached the age of 18 years, who has been recognised as completely incapable of work due to impairment of body functions which occurred:

- before reaching the age of 18 years, or
- in the course of education in a school or tertiary level school, before reaching the age of 25 years, or
- in the course of doctoral studies or scientific post-graduate studies.

The right to the social pension may be awarded on a permanent or temporary basis. If ZUS evaluating doctor or ZUS medical board state in their medical decision on which a decision on granting the social pension is based, that complete incapacity for work is permanent – **the permanent social pension** is awarded. If it is stated that complete incapacity for work has a periodic character – **periodic social pension** is awarded, payable for a period indicated in a decision issued by ZUS pension body. To extend his or her right to the social pension, the person concerned should apply for establishment of the right to this benefit for further period.

The social pension is granted in fixed amount and equals 84% of an amount of the minimum pension that would be granted in respect of complete incapacity for work.

The entitlement to the social pension is suspended in the case if the entitled person has reached income in total amount exceeding 30% of average monthly earning for a calendar quarter.

Decisions on granting social pensions are issued and benefits are paid by ZUS, but these benefits are financed by the State Budget.

As from 1 March 2011 the social pension equals PLN 611.67.

In 2010 a total amount of PLN 1 747.0 million was paid in respect of social pensions to ca 248.2 thousand persons.

5.8. Pre-retirement benefits

The entitlement to the pre-retirement benefit will be exercised by a person who:

- before the day of termination of the employment or service relationship due to liquidation or insolvency of employer with whom s/he had been employed or remained in service relationship during a period not shorter than 6 months, had reached at least the age of 56 years (woman) and 61 years (man) and had completed a period qualifying for the old-age pension, equal to at least 20 years for women and 25 years for men,
- before the day of employment or service relationship termination for reasons concerning work establishment where s/he had been employed during a period not shorter than 6 months, had reached at least the age of 55 years (woman) and 60 years (man) and had completed a period qualifying for the old-age pension, equal to at least 30 years for women and 35 years for men, or
- before the day of declaration of bankruptcy had been running – within an uninterrupted period not shorter than 24 months – business outside the agriculture and had reached at least the age of 56 years (woman) and 61 years (man) and had completed a period qualifying for the old-age pension, equal to at least 20 years for women and 25 years for men, and had been paying the social insurance contributions for this period, or
- registered in a competent poviats labour office within 30 days from the day of cessation of the entitlement to disability pension, received during an uninterrupted period of at least

5 years, and before the day of cessation of this entitlement s/he had reached at least the age of 55 years (woman) and 60 years (man) and had completed a period qualifying for the old-age pension, equal to at least 20 years for women and 25 years for men, or

- before the day of employment relationship termination for reasons concerning work establishment where s/he had been employed during a period not shorter than 6 months, had completed a period qualifying for the old-age pension, equal to at least 35 years for women and 40 years for men, or
- before 31 December of the year preceding the termination of the employment or service relationship due to liquidation or insolvency of employer with whom s/he had been employed or remained in service relationship during a period not shorter than 6 months, had completed a period qualifying for the old-age pension, equal to at least 34 years for women and 39 years for men.

The pre-retirement benefit is granted to the person meeting one of the aforementioned conditions after at least 6 months of receiving the unemployment benefit, if s/he meets all of the following requirements:

- is still registered as the unemployed person,
- within the period of receiving the unemployment benefit did not refuse without justified reason a proposal of suitable employment or other gainful work or subsidised jobs and public works,
- files an application for the pre-retirement benefit within 30 days from the day of issue by the poviats labour office of a document certifying the 6-month period of receiving the unemployment benefit.

As from 1 March 2011 an amount of the pre-retirement benefit granted pursuant to the Act of 30 April 2004 on the pre-retirement benefits equals PLN 867.25 and is subject to periodic indexation.

In 2010, ZUS paid pre-retirements benefits to 73.0 thousand persons in amount of PLN 818.1 million.

Pre-retirement benefits are financed by the Labour Fund.

5.9. Sick pay and sickness allowances

The sick pay is financed by the employer and is payable to the employee for periods of incapacity for work or isolation due to communicable disease.

The sick pay is payable to the employee for periods not exceeding 33 days in a calendar year, and – if the employee has reached 50 years of age – not exceeding 14 days in a calendar year⁷.

The amount of the sick pay is calculated in the same way as the sickness allowance. The sick pay is based on the monthly remuneration from the recent 12 months preceding the month when incapacity for work had occurred and equals (respectively):

- 80% of the assessment basis; however labour regulations binding a given employer may provide for a higher remuneration in this respect,
- 100% of the assessment basis, if incapacity for work:
 - is a result of accident on the way to or from work,
 - occurs in the period of pregnancy,
 - is a result of undergoing necessary medical examinations provided for candidates for donors of cells, tissues and organs and a result of undergoing an operation of their taking.

The right to the sick pay is acquired by employees who pay contributions to the sickness fund, but only after 30 days of uninterrupted insurance (qualifying period).

The sickness allowance is payable to an employee after cessation of the sick pay, i.e. from the 34th day of incapacity for work in a calendar year or from the 15th day (respectively) if the employee has reached 50 years of age. The right to the sickness allowance is acquired after 30 days of the qualifying period.

Persons who are covered by sickness insurance on a voluntary basis (for example persons running a business, freelancers/contractors) are entitled to the sickness allowance already from the first day of incapacity for work, i.e. they are not entitled to sick pay.

Besides, from the first day of sickness insurance the right to sickness allowance is acquired:

- by graduates of schools or tertiary level schools who have been covered by sickness insurance or have joined sickness insurance within 90 days from the date of graduation or obtaining a higher education diploma,
- if incapacity for work was a result of accident on the way to or from work,

⁷ This concerns incapacity for work after the calendar year when the employee reached the age of 50 years.

- by persons compulsorily insured who have earlier completed at least 10-year period of compulsory sickness insurance,
- by Members of Parliament who have joined sickness insurance within 90 days from the date of expiration of the term.

The maximum allowance period is 182 days, and in the event if incapacity for work was due to tuberculosis – maximum 270 days. As from 1 January 2009 also insured women have the right to the sickness allowance in a period not exceeding 270 days if incapacity for work occurred within the period of pregnancy.

The monthly sickness allowance from sickness insurance is payable at a rate of:

- 80% of the basis for assessment of sickness allowance,
- 70% of the basis for assessment during a period of hospital stay (for an employee who has not reached the age of 50 years),
- 80% of the basis for assessment during a period of hospital stay (from the 15th to the 34th day of incapacity for work in a calendar year) for an employee who has reached the age of 50 years,
- 100% of the assessment basis – if incapacity for work:
 - is a result of accident on the way to or from work,
 - occurs in the period of pregnancy,
 - is a result of undergoing necessary medical examinations provided for candidates for donors of cells, tissues and organs or a result of undergoing an operation of their taking.

The monthly sickness allowance from sickness insurance is payable at a rate of 100% of the assessment basis, i.e. if incapacity for work is caused by accident at work or occupational disease.

The basis for assessment of sickness allowance payable to an employee is an average monthly remuneration on which the sickness insurance contribution was calculated, paid for 12 calendar months preceding the month when incapacity for work had occurred. And the basis for assessment of sickness allowance for insured persons not being employees is an average monthly income for 12 calendar months preceding the month when incapacity for work had occurred. For persons covered by sickness insurance on a voluntary basis the basis for allowance assessment is limited to a maximum basis for assessment of contributions to sickness insurance, that is to 250% of average monthly earning from the preceding quarter.

Sickness allowances are payable by ZUS or by employers (employing more than 20 persons) and are financed by the Social Insurance Fund.

Sickness fund expenditure is the next – after pensions – item in the Social Insurance Fund total expenditure. In 2010 they amounted to ca PLN 10.6 billion, that is 6.7% of total SIF expenditure.

Amount of money paid in 2010 for sickness absenteeism equalled PLN 11 143 million, including PLN 6 821 million paid from SIF in a form of allowances (61%), and PLN 4 322 million paid by employers in a form of sick pay (39%). The number of days of sickness absenteeism financed by SIF was 119.3 million, while the number of days of sickness absenteeism financed by employers' funds was 68.4 million.

5.9.1. Control of correctness of certifying temporary incapacity for work

The Act of 25 June 1999 on cash social insurance benefits in respect of sickness and maternity introduced provisions aimed at strengthening the control of correctness of certifying the incapacity for work and control of taking advantage of medical certificates in this regard.

They are the following:

- an obligation to submit (to the employer or ZUS branch) a certificate of incapacity for work within 7 days from the day of its receipt,
- limitation of an opportunity to receive the allowance in respect of incapacity for work that occurred after the end of sickness insurance and limitation of the basis for assessment of this allowance to 100% of average remuneration calculated on the basis of average monthly remuneration from the previous quarter,
- introduction of the qualifying period of 30 days for persons compulsorily insured and the qualifying period of 90 days for persons covered by sickness insurance on a voluntary basis.

On the basis of this Act, ZUS evaluating doctors control the correctness of certifying temporary incapacity for work.

312.9 thousand such checks were carried out in 2010. Decisions issued in their effect suspended sickness allowance payment to 32.2 thousand persons, which means that 10.3% of a total number of checked persons were considered fully capable of work. And 21.6 thousand persons

received decisions on the need for medical rehabilitation. The number of days of sickness absenteeism denied as a result of checks equalled 167.5 thousand and the amount of suspended allowances in this respect was PLN 7.6 million.

68.9 thousand persons were covered by the control of correctness of taking advantage of medical certificates on incapacity for work in 2010. In effect of discovered irregularities, 2.4 thousand persons were deprived of the right to allowance, which resulted in withdrawal of allowances in total amount of PLN 3.4 million.

The Act on cash social insurance benefits in respect of sickness and maternity also imposes on the Social Insurance Institution an obligation to reduce the basis for assessment of the sickness allowance and of the rehabilitation benefit if the insurance entitlement has ceased. In such case the benefit amount is limited to 100% of average monthly earning in the country. In 2010 ZUS reduced payment of benefits in this respect by PLN 121.7 million.

The person insured is obliged by the law to submit a medical certificate to the contribution payer within 7 days from the date of certificate receipt. If this obligation is not complied with, an amount of sickness and care allowance is reduced by 25% starting from the eighth day after the date of certificate receipt. In 2010 allowances' payments were reduced in this respect by a total amount of PLN 8.5 million.

A total amount of cash social insurance benefits in respect of sickness and maternity reduced and withdrawn in 2010 was PLN 141.3 million.

5.10. Rehabilitation benefits

The rehabilitation benefit may be awarded to an employee, who – after cessation of the right to sickness allowance – is still incapable of work if there is a good prognosis as to restoration of his or her earning capacity. It may be paid during a period not longer than 12 months.

The rehabilitation benefit from sickness insurance may be awarded to persons covered by sickness insurance.

The rehabilitation benefit from sickness insurance is payable at a rate of:

- 90% of the basis for assessment of the sickness allowance – during a period of the first 90 days of its receipt,
- 75% of the basis for the remaining period,
- 100% of the basis – if incapacity for work occurred within the period of pregnancy.

If incapacity for work was caused by accident at work or occupational disease the rehabilitation benefit is payable at a rate of 100% of the basis for assessment of the sickness allowance.

The rehabilitation benefit from work accident insurance in the event of incapacity for work caused by accident at work or occupational disease is payable to persons covered by accident insurance.

Circumstances justifying the award of the rehabilitation benefit are examined by a ZUS evaluating doctor. A person concerned has the right to appeal to ZUS medical board against the decision of ZUS evaluating doctor.

In 2010 the rehabilitation benefit was paid to a monthly average of 60.6 thousand persons, and its average monthly amount was PLN 1270.69.

Expenditure on rehabilitation benefits in 2010 amounted to PLN 924.4 million, which accounted for 0.6% of total SIF expenditure.

Rehabilitation benefits are payable by ZUS or by employers (employing more than 20 persons), but are financed by the Social Insurance Fund.

5.11. Compensatory allowances

The compensatory allowance is payable to the employee whose remuneration has been reduced due to undergoing vocational rehabilitation for the purpose of adaptation or training for a specified job. The allowance is not awarded to a person entitled to an old-age or disability pension.

The allowance is payable to the entitled person from the sickness insurance. The allowance for an entitled person who has undergone vocational rehabilitation as a result of accident at work or occupational disease is payable from the accident insurance.

The amount of the allowance, payable both from sickness and work accident insurance, is equal to a difference between average monthly earning from the period of 12 months preceding rehabilitation and reduced monthly remuneration for work in conditions of vocational rehabilitation. It is payable during a period of rehabilitation but not longer than 24 months.

The expenditure on the compensatory allowances in 2010 amounted to PLN 0.8 million.

Compensatory allowances are payable by ZUS or by an employer and are financed by the Social Insurance Fund.

5.12. Maternity allowances

The maternity allowance is granted to an insured woman, who within the period of sickness insurance or within the period of parental leave:

- gave birth to a child,
- took a child under seven years of age to be brought up and applied to the guardian court for its adoption,
- took a child under seven years of age to be brought up in a foster family.

The maternity allowance is also payable in the event if a decision was issued on postponing school obligation of a child under ten years of age who was taken to be brought up.

The right to the maternity allowance is also awarded to the insured man who took a child to be brought up, under the similar rules, as those applied to an insured woman. Similarly, if an insured woman dies or abandons her child, the maternity allowance is awarded to the insured person-a father of the child or other insured person-a member of immediate family, who ceases employment or other gainful activity to take personal care of the child.

Since 1 January 2009 the period of payment of the **maternity allowance in respect of child-birth** depends on the number of children born in one confinement. It equals:

- 20 weeks – in the case of a single birth,
- 31 weeks – if two children are born in one confinement,
- 33 weeks – if three children are born in one confinement,

- 35 weeks – if four children are born in one confinement,
- 37 weeks – if five and more children are born in one confinement.

An insured woman who gave birth to a child, has been granted since 1 January 2010 till 31 December 2011 the right to maternity allowance also for the period defined by the Labour Code as a period of **additional maternity leave** with the following duration:

- not longer than 2 weeks – in the case of a single birth,
- not longer than 3 weeks – in the case of a multiple birth.

The maternity allowance in respect of taking a child to be brought up depends on the number of children taken to be brought up and is payable during a period of:

- 20 weeks – if one child has been taken to be brought up,
- 31 weeks – if two children have been simultaneously taken to be brought up,
- 33 weeks – if three children have been simultaneously taken to be brought up,
- 35 weeks – if four children have been simultaneously taken to be brought up,
- 37 weeks – if four and more children have been simultaneously taken to be brought up.

The maternity allowance is payable at a rate of 100% of the assessment basis, i.e. average monthly earning for the last 12 calendar months or income.

An insured woman who has taken a child to be brought up has been granted since 1 January 2010 till 31 December 2011 the right to maternity allowance also for the period defined by the Labour Code as a period of **additional leave under the principles of the maternity leave** with the following duration:

- not longer than 2 weeks – in the case of taking one child,
- not longer than 3 weeks – in the case of taking more than one child,
- 1 week – if she has the right to minimum leave under the principles of the maternity leave.

Maternity allowance for the period of additional maternity leave may be also paid to the insured-father of the child if:

- the insured-mother of the child has resigned of the remaining part of the maternity allowance, after taking advantage of at least 14 weeks after the childbirth, and the remaining part of the maternity allowance was paid to the insured-father bringing up the child; or

- maternity allowance for the period of maternity leave was paid to the insured-mother of the child.

A father bringing up the child in the course of parental leave is entitled to the maternity allowance for the period of one week (the rate valid in the period from 1 January 2010 to 31 December 2011), however not longer than until the child has reached the age of 12 months.

The insured man who is not employed and does not take advantage of the parental leave, is also entitled to the maternity allowance for the period of one week under the above mentioned rules.

The expenditure on maternity allowances in 2010 amounted to PLN 2 939.0 million, which accounted for 1.9% of total SIF expenditure on cash benefits.

Maternity allowances are payable by ZUS or by employers, and are financed by the Social Insurance Fund.

5.13. Care allowances

The care allowance is payable to an insured person during a period of release from work due to the necessity of taking personal care of the healthy child under 8 years of age, sick child under 14 years of age or other sick member of the family.

The care allowance is payable during a period of:

- not more than 60 days in a calendar year – in the case of care of the healthy child under 8 years of age or sick child under 14 years of age;
- not more than 14 days in a calendar year – in the case of care of the sick child aged more than 14 years or other sick member of the family.

The total allowance period in respect of care of children and other family members may not exceed 60 days in a calendar year.

The following are considered as children: own children of the insured or his/her spouse and adopted children, as well as strange children taken to be brought up and maintained. The term "members

of family” means: a spouse, parents, parents-in-law, grandparents, grandchildren, siblings and children above 14 years of age – if within the period of taking care – they live in the same household with the insured person.

The right to the care allowance is acquired by the insured person from the first day of sickness insurance coverage. Both the child’s mother and father are entitled to the care allowance, however the allowance is payable only to one of them – depending on who has claimed the allowance for a given period.

As from 14 June 2008, i.e. from the date of entry into force of the Act of 11 April 2008 on the amendment of the Act on cash social insurance benefits in respect of sickness and maternity, all persons covered by the sickness insurance, both on a compulsory and voluntary basis, are entitled to care allowance.

The allowance is awarded only in absence of other persons in the common household who could take care of a child or of other family member. However, among family members living in common household who could take care of a child or of other family member there are not included inter alia: persons completely incapable of work, sick persons, persons physically or mentally disabled due to their age, persons running a farm or carrying out economic activity outside the agriculture, who cannot freely regulate their hours of work.

From 1 January 2009 the insured father of the child is additionally entitled, irrespective of the aforementioned care allowance, to the care allowance for a period not exceeding 8 weeks, i.e. 56 days, after the child is born. The mentioned allowance is awarded to the father who takes personal care of a newly born child when the child’s mother stays in a hospital during the maternity leave.

The care allowance is also awarded to the insured member of immediate family (e.g. child’s grandmother) who ceases employment to take personal care of the child.

The allowance is payable at a rate of 80% of the basis for assessment of the sickness allowance.

Expenditure on care benefits in 2010 amounted to PLN 489.1 million, which accounted for 0.3% of total SIF expenditure.

Care allowances are payable by employers or by ZUS, and are financed by the Social Insurance Fund.

5.14. Nursing supplements

The nursing supplement is payable to a person entitled to an old-age or disability pension on the basis of a decision of ZUS evaluating doctor or a medical board certifying complete incapacity for work accompanied by inability to independent existence. The nursing supplement – under general rules – is also payable to persons entitled to the bridging pension. Persons who have reached the age of 75 years are awarded the nursing supplement *ex officio*.

The nursing supplement is payable by ZUS and financed by the Social Insurance Fund and by the State Budget.

As from 1 March 2011 its monthly rate has been fixed at PLN 186.71.

The total expenditure on nursing supplements in 2010 amounted to PLN 4 348.0 million.

5.15. Supplements to survivors' pensions for complete orphans

As from 1 March 2011 a supplement to the survivors' pension for a complete orphan has been fixed at a monthly rate of PLN 350.94. The supplement is indexed on dates of pension indexation.

The supplements are payable by the Social Insurance Institution together with the survivors' pension. They are financed by the Social Insurance Fund.

5.16. Funeral grants

The funeral grant is aimed at covering costs of funeral of person insured, pensioner, or their family members as well as persons who on the day of death did not have the established entitlement to a pension but met the requirements for its award and payment.

The funeral grant is also awarded in respect of death of an insured person after the end of sickness, if the death occurred during the period of acquiring sickness allowance, rehabilitation benefit or maternity allowance.

If funeral costs are covered by other person than a family member of the insured person or the pensioner, for example by the employer, social welfare facility, municipality (gmina), monastic or diocesan institution, the funeral grant is payable to those entities in amount of documented costs of funeral to maximum level of 200% of average monthly earning, i.e. PLN 6406.16 (the rate valid till 28 February 2011), and from 1 March 2011 it is payable in amount not exceeding PLN 4000.

If funeral costs are covered by more than one person or more than one entity, the funeral grant is divided among those persons or entities – in proportion to the share in funeral costs.

Till 28 February 2011 the funeral grant was payable at a rate of 200% of average monthly earning as on the day of death of a given person and amounted to PLN 6406.16.

As from 1 March 2011 the funeral grant equals PLN 4000.

304.7 thousand funeral grants were paid in 2010. Total expenditure in this respect amounted to PLN 1 950.1 million, which accounted for 1.2% of total SIF expenditure.

5.17. Lump-sum compensations in respect of accident at work

Such compensation is payable to an insured person who as a result of accident at work or occupational disease suffered the permanent or long-term injury.

The **permanent injury** means such disturbance of body fitness which results in impairment of body functions not promising recovery.

The **protracted injury** means such disturbance of body fitness which results in impairment of body functions during a period exceeding 6 months, however promising recovery.

The level of compensation depends on the percentage rate of the injury ascertained by ZUS evaluating doctor or ZUS medical board.

Since 1 April 2011 to 31 March 2012 the injured person has been entitled to compensation of PLN 645 for each per cent of permanent or protracted injury.

A person, who has been recognised as completely incapable of work and of independent existence as a result of accident at work or occupational disease, is entitled to a lump-sum compensation of PLN 11 287.

Lump-sum compensations are payable by ZUS and financed by the Social Insurance Fund and by the State Budget.

In 2010 ZUS paid 79.2 thousand compensations in a total amount of PLN 324.8 million, including PLN 322.0 million financed by SIF, and an average amount of the compensation was ca PLN 4101.95.

5.18. Other benefits and refunds in respect of accident at work and occupational disease

The insured person who sustained an accident at work or contracted an occupational disease, after 1 January 2003, may claim a refund of the following costs from the Social Insurance Institution:

- costs of effects of accident at work or occupational disease connected with dentist services and prophylactic vaccinations, to which the insured person was referred by ZUS evaluating doctor at the request of the doctor treating a given person (if such costs are not subject to refund under separate legislation),
- costs of medical devices being orthopaedic appliances – to the level of own share of person insured, fixed by the legislation on health care benefits financed by public funds.

6. FAMILY BENEFITS

The family benefits' system is aimed at providing persons, who are not able to satisfy their needs by themselves, with means of subsistence.

The family benefits' system has been operating in Poland based on the following Acts:

- on family benefits of 28 November 2003 and
- on assistance for persons entitled to maintenance allowance of 7 September 2007.

The family benefits' system is composed of:

- family benefits:
 - **family allowance** and **supplement to the family allowance** (supplements to the family allowance are awarded only to persons entitled to the family allowance),
 - **care benefits**: nursing allowance and nursing benefit,
 - **the lump-sum aid in respect of childbirth** (from 9 February 2006),
 - **the lump-sum aid in respect of childbirth payable by municipality (gmina)** (from 9 February 2006),
- a benefit from the Maintenance Fund (from 1 October 2008).

The family benefits are paid only by a competent body. In the understanding of the Act on family benefits the term "competent body" means a village mayor, mayor and president of city competent for the place of residence of family benefit claimant or benefit recipient.

The right to family benefits and to the benefit from the Maintenance Fund is established and both benefits are paid on request. The application should be filed with the municipal (gmina) office or city office competent for the place of residence. Realisation of family benefits and the benefit from the Maintenance Fund may be entrusted to municipal (gmina) organisational unit, for example to a social welfare centre.

6.1. Family benefits

The right to family benefits and their amount are governed by the Act on family benefits. The mentioned benefits are financed by the State Budget.

6.1.1. Family allowances and supplements to family allowances

The right to the family allowance is awarded if income per head in a family does not exceed PLN 504 (or PLN 583 if there is a disabled child in a family).

The family allowance is payable until the child:

- has reached 18 years of age or
- has completed school education, however not longer than until s/he has reached the age of 21 years or
- 24 years, if s/he continues education in a school or a tertiary level school and holds a certificate of moderate or severe degree of disability.

The family allowance is also granted to a learning person, that is a person who has come of age and is not maintained by parents due to their death or awarding him or her the maintenance allowance to be paid by parents, if s/he attends a school or a tertiary level school, however not longer than until s/he has reached the age of 24 years.

The right to the family allowance and to supplements to the allowance is awarded to:

- parents, one of the parents or a legal guardian of the child;
- actual guardian of the child – that is a person who takes care of the child and has applied to the family court for child adoption,
- a learning person, that is a person who has come of age, who learns and is not maintained by parents due to their death or due to being awarded the maintenance allowance to be paid by parents if the court decision adjudging maintenance allowance had been taken before this person came of age.

As from 1 November 2009 amounts of family allowances depend on the age group of the child and equal:

- PLN 68.00 – for a child until s/he has reached 5 years of age,
- PLN 91.00 – for a child above 5 years of age until s/he has reached 18 years of age,
- PLN 98.00 – for a child above 18 years of age until s/he has reached 24 years of age.

The following supplements may be granted in addition to the family allowance:

- the supplement in respect of **childbirth** – is awarded in a lump sum of PLN 1000 per each child,

- the supplement in respect of **the care of the child within the period of the parental leave** – is payable in a monthly amount of PLN 400 within the period of 24, 36 (in case of care for more than one child born in one confinement) or 72 calendar months (in case of care for the child who holds a certificate of disability or severe degree of disability),
- the supplement for a single parent **bringing up the child** – is payable at a monthly rate of PLN 170 per child (not more than PLN 340 for all children). In the case of a disabled child an amount of the supplement is increased by PLN 80 per child, however not more than by PLN 160 for all children,
- the supplement in respect of **bringing up the child in multi-children family** – is payable at a monthly rate of PLN 80 for the third and each subsequent child in the family entitled to the family allowance,
- the supplement in respect of **education and rehabilitation of the disabled child** – is granted for the disabled child until s/he has reached the age of 16 years and above this age, until the child has reached the age of 24 years, in the event of certified moderate or severe degree of disability; the allowance is payable at a monthly rate of PLN 60 per child under 5 years of age and PLN 80 per child aged from 5 to 24 years,
- the supplement for a child **starting education in a school outside the place of residence** is payable at a monthly rate of PLN 90 for 10 months (from September to June) if the child takes up a residence in a locality, where the school above the lower secondary level or art school is situated (in case of the child who holds a certificate of disability or degree of disability, the supplement is also payable in respect of education in a primary or lower secondary school) or at a rate of PLN 50 if the child must travel to a school above the lower secondary level or art school (with the education scope of a school above the lower secondary level),
- the supplement for a child **starting the school year** – is payable once a year in amount of PLN 100 (the supplement is also payable for a child starting one-year pre-school preparation).

6.1.2. Care benefits

The care benefits' system is composed of:

- the nursing allowance,
- the nursing benefit.

The nursing allowance is awarded to:

- the disabled child,
- the disabled person above 16 years of age holding a certificate of severe degree of disability,
- the disabled person above 16 years of age holding a certificate of moderate degree of disability, if disability occurred before the age of 21 years,
- a person who has reached the age of 75 years.

The nursing allowance is not awarded to persons entitled to nursing supplementary allowance.

The nursing allowance is payable at a monthly rate of PLN 153.

The nursing benefit may be awarded to persons who under the Law of 25 February 1964 – the Family and Guardianship Code (Journal of Laws No 9, Text 59 as amended) are covered by the maintenance obligation (child's parents, relatives in the direct line, siblings, foster family related to the child), as well as an actual guardian of the child (a person who actually takes care of the child and has applied to the family court for child adoption), if these persons resign of the occupational work or do not take up such work to take care of the disabled child requiring special care of third person or to take care of a person who holds a certificate of severe degree of disability. Award of the mentioned benefit also depends on meeting additional conditions related to guardians.

As from 1 November 2009 the monthly amount of the benefit has been fixed at PLN 520.

As from 1 January 2010 the right to the nursing benefit has been established irrespective of family incomes and for the indefinite period. However, if the certificate of disability or of the severe degree of disability has been issued for the definite period, the benefit is established for the definite period, till the last day of the month of expiration of the certificate.

6.1.3. Lump-sum aid in respect of childbirth

The lump-sum aid in respect of childbirth is payable irrespective of the right to the supplement in respect of childbirth and of the family income, and equals PLN 1000 for one child.

The aid is awarded to a father or a mother, a legal or actual guardian of the child.

As from 1 November 2009, claimants for the lump-sum aid in respect of childbirth and for the supplementary allowance in respect of childbirth had to submit a medical certificate confirming that the child's mother had been under the medical care (provided by a doctor or a midwife) at least during a period from the 10th week of pregnancy to the childbirth. This provision has been suspended from 31 March 2010 to 31 December 2011. To this date, the benefit is granted after presenting a certificate issued by a doctor or a midwife **to confirm at least one medical examination of a pregnant woman, carried out by a gynaecologist or by a midwife.**

The requirement of being under the medical care does not apply to legal guardians of the child and persons who have applied to the family court for the adoption of the child.

6.1.4. Lump-sum aid in respect of childbirth payable by municipality (gmina)

The gmina council may award, by means of a resolution, a lump-sum aid for persons resident in its territory in respect of childbirth. The rules for awarding such aid are laid down in a resolution of the gmina council. The benefit is financed by a gmina from its own funds.

6.2. Benefits from the Maintenance Fund

Benefits from the Maintenance Fund are awarded and paid pursuant to the Act of 7 September 2007 on assistance for persons entitled to maintenance allowance (Journal of Laws of 2009 No 1, Text 7 as amended). The Maintenance Fund is a system of supporting persons entitled to maintenance (alimonies) with financial means of the State Budget. It is not a fund in the understanding of the legislation on public finance. The mentioned Act has come into force since 1 October 2008, repealing the Act of 22 April 2005 on proceedings against maintenance debtors and on advance on maintenance payment.

The right to benefits from the Maintenance Fund is exercised by a child who has been awarded the maintenance allowance to be paid by a parent, but execution of due maintenance allo-

wance is ineffective. The benefit from the Maintenance Fund is payable until a given person has reached the age of 18 years or – if s/he attends a school or a tertiary level school – not longer than until s/he has reached the age of 25 years, or if s/he holds a certificate of the severe degree of disability – with no time limits.

Execution is considered ineffective if within the period of two months prior to submitting the claim for a benefit from the Maintenance Fund it was not possible to execute full amount of overdue and due maintenance liabilities.

The benefit from the Maintenance Fund is also awarded for children brought up by a parent who has remarried, lives in informal union or whose husband / wife does not pay the adjudged maintenance allowance. In these situations, a parent obliged to maintain the child is not considered as a member of the family, and for this reason his or her income is not taken into account to determine the right of the family to benefits from the Maintenance Fund.

The benefit from the Maintenance Fund is awarded if the average monthly income per head in a family did not exceed PLN 725 in the year preceding the benefit period. If the family owns a farm, the income in this respect is calculated on the basis of a number of conversion hectares owned by the family in the calendar year preceding the benefit period.

Benefits from the Maintenance Fund are awarded for the so called benefit periods of 12-month duration – from 1 October to 30 September of the subsequent calendar year.

Benefits from the Maintenance Fund are payable in amount of currently adjudged maintenance allowance, however not higher than PLN 500 a month for each entitled child, and are financed by the State Budget.

More detailed information is available at the website: www.mpips.gov.pl.

7. BENEFITS FROM THE SOCIAL INSURANCE OF FARMERS

7.1. System organisation

The legal and organisational framework of the system has been laid down in the Act of 20 December 1990 on social insurance of farmers (Journal of Laws of 2008 No 50, Text 291 as amended).

Pursuant to the mentioned Act, the Agricultural Social Insurance Fund (KRUS) has been established to provide the administrative services for the farmers' social insurance system.

The Agricultural Social Insurance Fund is governed by the President, who is a central body of public administration subordinated to the minister in charge of rural development. The President of KRUS is appointed by the Prime Minister from among persons selected by means of an open and competitive recruitment, on the proposal of the minister in charge of rural development. KRUS President is dismissed by the Prime Minister.

The Farmers' Social Insurance Council is composed of members appointed by the minister in charge of rural development. It is selected from among candidates proposed by socio-occupational organisations of farmers and trade unions of individual farmers of nation-wide range, after consultation with these organisations. The Council represents interests of insured persons and beneficiaries, pronounces opinions on draft legal acts, KRUS programmes of activity and financial plans, and is equipped with the control powers in relation to KRUS.

Presently the Agricultural Social Insurance Fund operates on the basis of a statute appended as an annex to the Regulation No 14 of the Minister of Agriculture and Rural Development of 20 May 2010 on granting the statute to the Agricultural Social Insurance Fund (Official Journal of the Ministry No 10, Text 10) and the bylaws appended as an annex to Regulation No 134 of KRUS President of 13 August 2008 on granting the bylaws to the Agricultural Social Insurance Fund. KRUS organisational structure includes: Headquarters, 16 regional branches and 256 local offices. KRUS owns 6 farmers' rehabilitation centres and 1 training and rehabilitation centre.

The tasks of KRUS include the following:

- providing services for insured persons and beneficiaries in matters connected with social insurance coverage, assessment and collection of contributions to the social insurance as well as award and payment of benefits from this insurance,

- activities aimed at prevention of accidents at work in agriculture and agricultural occupational diseases, covering: analysis of causes of work accidents and occupational diseases, dissemination of the principles of life and health protection in rural holding among insured persons, procedures in the event of accident at work in agriculture and delivery of voluntary free trainings in this field, endeavours at ensuring appropriate manufacture and distribution of safe measures, equipment and clothing used in agriculture,
- initiating activities in favour of insured persons and beneficiaries being at risk of complete incapacity for work on a farm, if there is a good prognosis as to restoration of their earning capacity as a result of medical treatment and rehabilitation, assistance in taking advantage of various forms of medical rehabilitation,
- the development initiating and promoting voluntary insurance,
- settlement of accounts in respect of contributions to health insurance of farmers and their household members as well as pensioners, booking contributions to insurance accounts, providing an institution in charge of health insurance with information on insured persons and health insurance contributions paid for them,
- collecting personal income tax prepayments in respect of paid pensions, and – after the end of the tax year – calculation of the personal income tax or drawing up information about the received pension income,
- performance of tasks resulting from Community regulations on the coordination of the social security systems and international social security conventions.

7.2. System operation

The farmers' social insurance system covers (as on 31 December 2010):

- 1 535 461 insured persons,
- 1 374 143 pensioners, including:
 - 1 095 810 recipients of farmers' old-age pensions,
 - 234 786 recipients of farmers' pensions in respect of incapacity for work,
 - 43 233 recipients of survivors' pensions.

Contributions in farmers' social insurance system are paid to:

- the Pension Fund of Farmers, which (similarly as the Administrative Fund and the Fund of Farmers' Prevention and Rehabilitation) is the appropriated state fund. It is allocated inter alia for covering costs of benefits from pension insurance and health insurance,
- the Contributory Social Insurance Fund of Farmers, which functions without State Budget allocation. It covers expenditure on benefits from work accident, sickness and maternity insurance, deduction for the Prevention and Rehabilitation Fund (in amount not exceeding 5% of the planned Fund expenditure) and deduction for the Administrative Fund (in amount equal to not more than 9% of the planned Fund expenditure).

Since 1 October 2009 contributions to farmers' social insurance system have been calculated on a monthly basis, but have been payable on a quarterly basis.

The monthly contribution to pension insurance equals 10% of the basic old-age pension. In the first quarter of 2011 a monthly contribution to this insurance amounted to PLN 71 (PLN 213 quarterly).

The basic monthly contribution to pension insurance for the insured farmer and a member of his/her household who additionally carries out economic activity outside the agriculture or collaborates in such activity is calculated in double amount.

Farmers, whose farms cover agricultural land exceeding the area of 50 convertible hectares, pay an additional monthly contribution to pension insurance at the rate of:

- 12% of the basic old-age pension – if the farm covers agricultural land of less than 100 convertible ha,
- 24% of the basic old-age pension – if the farm covers agricultural land from 100 to 150 convertible ha,
- 36% of the basic old-age pension – if the farm covers agricultural land from 150 to 300 convertible ha,
- 48% of the basic old-age pension – if the farm covers agricultural land exceeding 300 convertible ha.

The rate of monthly contribution to work accident, sickness and maternity insurance from one person is fixed by the Farmers' Social Insurance Council, and then is published by

KRUS President in „Monitor Polski”, official journal of the Republic of Poland. In the first quarter of 2011 the mentioned contribution amounted to PLN 36 a month (PLN 108 on a quarterly basis).

If the period of farmers' social insurance coverage is shorter than one month, the contribution is calculated in proportion to a number of coverage days in a given month.

A total monthly amount of basic contributions to pension insurance and accident, sickness and maternity insurance in the first quarter of 2011 was PLN 107, which gave a quarterly amount of PLN 321.

The system ensures cash benefits from:

■ **pension insurance**

(farmers' old-age pension, farmers' disability pension, farmers' training pension, survivors' pension, pension from social insurance of individual farmers and members of their families, supplements to pensions and the funeral grant),

■ **work accident, sickness and maternity insurance**

(lump-sum compensation in respect of permanent or protracted injury or death as a result of accident at work in agriculture or agricultural occupational disease; sickness allowance in the event of uninterrupted period of sickness of at least 30 days' duration, however not longer than 180 days, sickness allowance of extended duration after the lapse of 180 days' period, however not longer than 360 days, as well as maternity allowance).

A significant role in farmers' social insurance system was attributed to activities in the field of prevention and rehabilitation in favour of farmers.

Prevention activities carried out by the Agricultural Social Insurance Fund (KRUS) resulted in reduction in a number of accidents at work in agriculture, occupational diseases and other occupational hazards of farmers.

Rehabilitation benefits in kind are first of all provided in KRUS own centres and rehabilitation centres. They are aimed at prevention of incapacity for farm work and restoration of earning capacity to the level enabling further work. In 2010 the medical rehabilitation covered more than 14.7 thousand farmers and ca 1650 children from rural families.

Farmers' social insurance system is financed by farmers' contributions and by the State Budget allocation.

In 2010 budgetary expenditure on tasks exercised by KRUS amounted to ca PLN 15.7 billion. In 2011, in accordance with the Budgetary Law, expenditure on those tasks will amount to PLN 15.8 billion, accounting for 5.1% of the State Budget.

Expenditure on pensions is the highest item in the plan of KRUS expenditure and in 2010 it equalled PLN 14.3 billion.

Expenditure on tasks exercised by KRUS in 2010 (in thousand PLN)

I. Pension Fund of which:		16 575 358
pension benefits	— pensions — funeral grants	13 900 847 369 753
contribution to health insurance financed by the State Budget		1 859 107
current expenditure	— deduction for the Administrative Fund — costs of servicing tasks commissioned to KRUS	442 000
II. Contributory Fund of which:		663 426
lump-sum compensations in respect of work accident		58 160
sickness allowances		393 106
maternity allowances		99 422
allowances in respect of childbirth		258
expenditure on development of mutual insurance		–
deduction for the Administrative Fund		58 418
deduction for the Prevention and Rehabilitation Fund		32 454
other		21 608

2010 revenues of the Pension Fund amounted to PLN 16 347 749 thousand. The share of complementary allocation in Fund revenues amounted to 91.4%, the share of incomes from contributions to 8.3%, the share of other incomes – 0.3%. Revenues met the demand for cash required to pay benefits and covered the deduction for the Administrative Fund.

2010 revenues of the Contributory Fund amounted to PLN 602 905 thousand. The Contributory Fund is composed of contributions of persons insured in 95%, and other incomes in 5%.

More detailed information is available at the website: **www.krus.gov.pl**.

8. UNIVERSAL HEALTH INSURANCE

The insurance-budgetary health care system was introduced in Poland in 1999. It replaced the system of health care financing only by the State Budget. To exercise the tasks of the health care system there have been established 16 regional health insurance funds and 1 branch fund for uniformed services of the national range. As from 1 April 2003 (in place of health insurance funds) the National Health Fund has been established, composed of the Headquarters and 16 regional branches. The branches may create local offices.

A specific feature of the Polish social security system, reformed since 1999, is the separation of sickness insurance from health insurance. The **sickness insurance** provides for the payment of cash benefits in respect of sickness and maternity, governed by the Act of 25 June 1999 (see item 5.9).

The universal **health insurance** means a system of benefits of the preventive, diagnostic, therapeutic and rehabilitation character, provision of medicines as well as orthopaedic appliances and auxiliary means, financed by public resources. The scope of this system was laid down in the Act of 27 August 2004 on health care benefits financed by public funds (Journal of Laws of 2008, No 164, Text 1027 as amended) and ordinances of the Minister of Health issued on its basis.

The compulsory health insurance covers almost the whole population of the country. Some persons may join the universal health insurance on a voluntary basis, if they meet the requirements defined by the law on health care benefits.

Members of insured persons' families are also entitled to health care benefits within the framework of the universal health insurance system.

The main source of financing health care are revenues from health insurance contributions. As from 1 January 2007 contributions are paid at a rate of 9% of the basis of contributions' assessment.

Persons who join the health insurance on a voluntary basis, pay contributions at a rate of 9% on the declared income, however not less than on the amount of average monthly earning in a sector of enterprises in a preceding quarter, together with the share in the profits.

The contributions for insured persons are collected by the Social Insurance Institution as well as the Agricultural Social Insurance Fund, and transferred to the National Health Fund.

Contributions for some groups of persons covered by compulsory insurance are financed by the State Budget. These groups include inter alia: individual farmers and members of their household, unemployed persons without the right to benefit, recipients of social assistance allowances.

Health protection tasks are in part still financed by the State Budget. It concerns first of all the epidemiological and pharmaceutical supervision, as well as preventive health programmes, such as: prophylactic vaccinations' programmes, *the National Programme of Counteracting Drug Addiction*, *the National Programme for HIV Prevention and Care for People Living with HIV/AIDS*, national health programmes of heart protection, mental health protection, care over mother and child. The State Budget also finances investments, medical schooling and – in part – health care benefits.

Besides, the State Budget also finances treatment of a part of non-insured persons. These are persons with low incomes who acquire the right to benefits on the basis of a decision of a village or town mayor, children under 18 years of age, women in the period of pregnancy and confinement, drug and alcohol addicts as well as persons suffering from certain communicable and mental diseases.

In 2010 the Social Insurance Institution transferred to the National Health Fund a total amount of PLN 51.9 billion in respect of contributions to the universal health insurance, while the Agricultural Social Insurance Fund transferred an amount of PLN 3.1 billion.

More detailed information is available at the website: www.mz.pl.

The Act of 20 April 2004 on employment promotion and labour market institutions entered into force on 1 June 2004 (Journal of Laws of 2008 No 69, Text 415 as amended).

The tasks of the State in the field of employment promotion, mitigating unemployment effects and promoting economic activity are exercised on the basis of the *National Action Plan in favour of Employment*, adopted by the Council of Ministers, which includes the principles of implementation of the European Employment Strategy, and on the basis of initiatives submitted by municipality (gmina), poviats and voivodship self-governments as well as social partners.

The *National Action Plan* is drafted by the minister in charge of labour issues, in collaboration with the minister in charge of economic issues, the minister in charge of education and the minister in charge of higher education, and then it is submitted to the Supreme Employment Council for opinion.

The Act provides several instruments in the field of employment promotion, mitigating unemployment effects and promoting economic activity. They include among others: job placement, vocational assistance and guidance in active job search, trainings, subsidised (intervention) jobs, public works, reimbursing entities running business for costs of equipment or supplementary equipment of work posts for placed unemployed persons and lump-sum aids for unemployed persons starting up a business, apprenticeships for graduates, special programmes, fellowships, training allowances, unemployment benefits.

Forms of preventing unemployment and mitigating its effects are financed by the Labour Fund, composed mainly of contributions payable at a rate annually fixed by the Budgetary Law – since 1999 at unchanged rate of 2.45% of the basis for assessment of the contribution to pension insurance.

In 2010 contributions accounted for 78.3% of a total Fund revenue, incomes from the European Union – 14.2%, and other incomes – 7.5%.

In 2010 the following were the main groups of costs in the structure of total expenditure of the Labour Fund: programmes of counteracting unemployment (52.7%) and expenditures on unemployment benefits, activating supplements and integration benefits (40.5%).

Unemployment benefit. The right to the benefit is awarded to an unemployed person who has lost a job and during a total period of at least 365 days within the period of 18 months before the day of registration in the labour office met one of the following conditions:

- was employed and received remuneration equal at least to minimum wage/salary, on which a compulsory contribution was paid to the Labour Fund,
- performed work on a basis of outwork contract, if s/he reached in this respect income amounting to at least minimum wage/salary,
- provided services on the basis of agency, mandatory contract or other contract of services, or cooperated in implementation of such contracts, if the basis for calculation of social insurance contributions and contributions to the Labour Fund was equal at least to minimum wage/salary,
- paid social insurance contributions in respect of activity outside the agriculture or collaboration in such activity, if the basis for calculation of social insurance contributions and contributions to the Labour Fund was equal at least to minimum wage/salary,
- performed work during the period of temporary detention awaiting trial or deprivation of liberty, if the basis for calculation of social insurance contributions and contributions to the Labour Fund was equal at least to minimum wage/salary,
- performed work in production cooperative or cooperative of agricultural circles or agricultural services, being the member of such cooperative, if the basis for calculation of social insurance contributions and contributions to the Labour Fund was equal at least to minimum wage/salary,
- paid the contribution to the Labour Fund in connection with employment or other gainful work abroad with foreign employer,
- was employed abroad at least during a period of 365 days during 18 months before registration in the poviats labour office and came to the Republic of Poland as the repatriate,
- was employed or performed other gainful work and received remuneration or income on which compulsory contribution is payable to the Labour Fund.

Rates of unemployment benefits granted after 1 January 2010

Employment period	% of basic benefit	PLN monthly	
		During the first three months	During subsequent months of the benefit period
from 5 to 20 years	100 (basic)	742.10	582.70
below 5 years	80 (reduced)	593.70	466.20
more than 20 years	120 (increased)	890.60	699.30

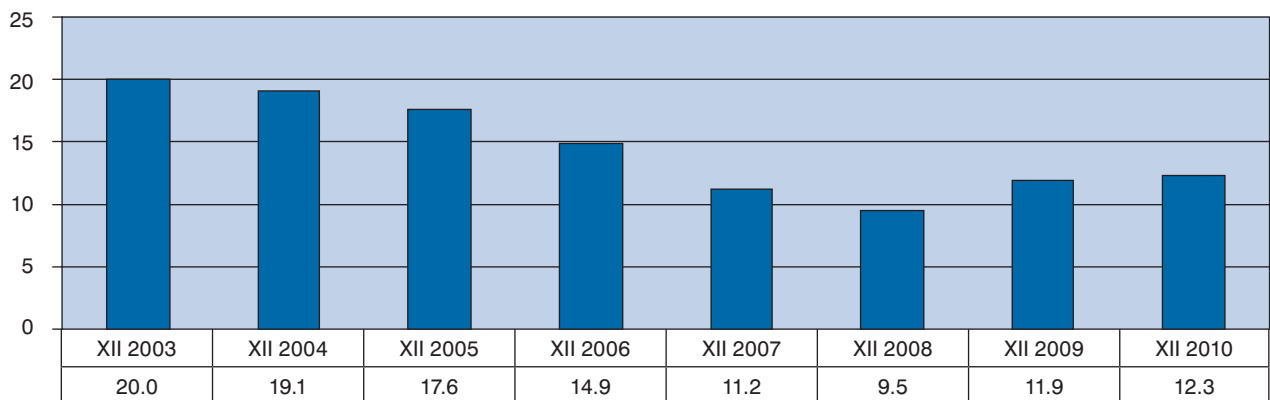
Rates of unemployment benefits granted before 1 January 2010:

- 100% (basic) – PLN 595.20
- 80% (reduced) – PLN 476.20
- 120% (increased) – PLN 714.30

Unemployment benefits granted before 1 January 2010 are payable in amounts and for the period resulting from earlier legislation.

As at the end of 2010 there were 326 582 persons entitled to unemployment benefits.

Unemployment rate in Poland in 2003-2010



More detailed information is available at the website: www.mpips.gov.pl.



For more information on ZUS
and social insurance system
consult the website
www.zus.pl