



Social Insurance Institution

SOCIAL INSURANCE IN POLAND

information, facts

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Editor

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Social Insurance Institution

in cooperation with

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Medical Evaluation Department
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Incomes Realisation Department
International Pensions Department
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Allowances Department
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TABLE OF CONTENTS

	Introduction	7
1.	Organisation of the Polish social security system	8
	1.1. An organisational chart	8
	1.2. Governmental administration sections	8
2.	Legal framework of the social security system	10
	2.1. National legislation	10
	2.2. International legal framework covering Poland	12
3.	Social Insurance Institution – the main element of the reformed social security system	14
	3.1. ZUS tasks	14
	3.2. ZUS structures	16
	3.3. Kinds of social insurance and rules of coverage in ZUS	17
	3.4. Kinds of benefits realised by ZUS	19
	3.5. Finance of the social insurance	20
	3.5.1. Contributions	21
	3.5.2. Incomes of the Social Insurance Fund	22
	3.5.3. Expenditure of the Social Insurance Fund	24
	3.5.4. Enforcement of dues from contribution payers	25
4.	Social insurance benefits system realised by ZUS	29
	4.1. General information on pensions	29
	4.1.1. Beneficiaries' structure by kinds of benefits received from SIF in 2008	29
	4.1.2. Average amount of the pension financed by SIF	29
	4.1.3. Pensions' indexation	30
	4.1.4. Guaranteed minimum pensions	30
	4.1.5. Maximum pensions	31
	4.1.6. Combining pensions with work	32

4.2. Old-age pensions	32
4.2.1. Old-age pensions in the old scheme	34
4.2.2. Old-age pensions in the new scheme	35
4.3. Ex officio old-age pensions	40
4.4. Disability pensions	41
4.5. Training pensions	44
4.6. Survivors' pensions	44
4.7. Sick pay and sickness allowance	46
4.7.1. Control of correctness of certifying temporary incapacity for work	48
4.8. Rehabilitation benefits	49
4.9. Compensatory allowances	50
4.10. Maternity allowances	51
4.11. Care allowances	53
4.12. Nursing supplements	54
4.13. Supplements to survivors' pensions for complete orphans	54
4.14. Death grants	55
4.15. Lump-sum compensations in respect of accidents at work	55
4.16. Other benefits and refunds in respect of accident at work and occupational disease	56
4.17. Medical rehabilitation within the framework of pension prevention	57
4.18. Social pensions	58
4.19. Pre-retirement benefits	59
5. Family benefits system	61
5.1. Family benefits	61
5.1.1. Family allowances and supplements to family allowances	62
5.1.2. Care benefits	63
5.1.3. Lump-sum aid in respect of childbirth	64
5.1.4. Lump-sum aid in respect of childbirth payable by municipality (gmina)	65
5.2. Advance of maintenance payment	65
5.3. Benefits from the Maintenance Fund	65

6.	The scheme of benefits from the social insurance of farmers	67
7.	Universal health insurance	72
8.	Benefits in respect of unemployment	74



We are pleased to present 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.

Starting from 1 January 2009 payment of old-age benefits from the new old-age pension scheme, introduced in 1999, has started. For this reason we would like to pay particular attention to old-age pensions from the Social Insurance Fund.

The information has been organised thematically in possibly simple way. It concerns 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.

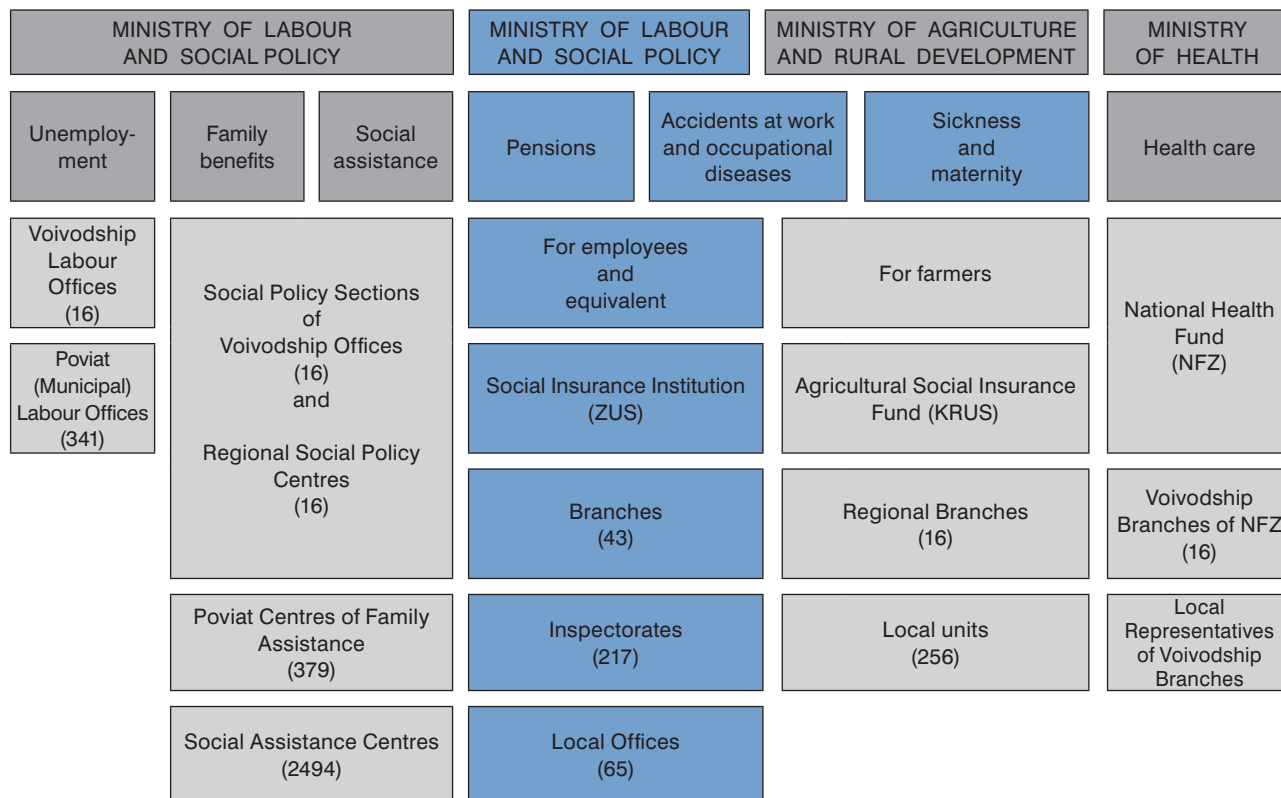
The study also describes the general principles of operation of separate systems, which are not managed by ZUS: health insurance, family benefits, benefits in respect of unemployment as well as the scheme of social insurance of farmers. Information on the mentioned systems seems necessary to present 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 Law of 4 September 1997 on governmental administration sections defines the tasks and competencies of individual ministers, inter alia in the field of social security.

„Social security” section covers social insurance issues and social welfare, 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 social security systems coordination, with the exception of health benefits in kind, public benefit activity, including the supervision of this activity by public benefit organisations, excluding the supervision of rescue and civil protection. This section falls under the competence of the minister in charge of social security issues.

The social insurance of farmers is covered by section „rural development”. This section 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.

Problems of employment and counteracting unemployment are covered by „labour” section, administered by the minister in charge of labour issues.

„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, system of benefits in respect of unemployment as well as the social assistance system.

An obligation of insurance in respect of certain social contingencies and benefits guaranteed upon occurrence of such contingencies – are governed by many legal acts, starting from the supreme legal act – the Constitution of the Republic of Poland.

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 Institution** (*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 (OPF)** – 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 (OPP)** – collect and invest funds to invest financial means for financing a supplementary (voluntary) part of a new old-age pension under the second pillar.

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

- § the Law of 13 October 1998 on the social insurance system (consolidated text: Journal of Laws of 2007 No. 11, Text 74 as amended),
- § the Law of 17 December 1998 on pensions from the Social Insurance Fund (consolidated text: Journal of Laws of 2004 No. 39, Text 353 as amended),
- § the Law of 21 November 2008 on funded old-age pensions (Journal of Laws No. 228, Text 1507),

- § the Law of 28 August 1997 on organisation and operation of pension funds (consolidated text: Journal of Laws of 2004 No. 159, Text 1667 as amended),
- § the Law of 25 June 1999 on cash social insurance benefits in respect of sickness and maternity (consolidated text: Journal of Laws of 2005 No. 31, Text 267 as amended),
- § the Law of 30 October 2002 on social insurance in respect of accidents at work and occupational diseases (Journal of Laws No. 199, Text 1673 as amended),
- § the Law of 28 November 2003 on family benefits (consolidated text: Journal of Laws of 2006 No. 139, Text 992 as amended),
- § the Law of 27 June 2003 on the social pension (Journal of Laws No. 135, Text 1268 as amended),
- § the Law of 30 April 2004 on pre-retirement benefits (Journal of Laws No. 120, Text 1252),
- § the Law of 20 December 1990 on social insurance of farmers (consolidated text: Journal of Laws of 2008 No. 50, Text 291 as amended).

Health care benefits are granted by virtue of:

- § the Law 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 by virtue of:

- § the Law of 20 April 2004 on employment promotion and labour market institutions (Journal of Laws No. 99, Text 1001 as amended).

Social assistance benefits are granted by virtue of:

- § the Law of 12 March 2004 on the social assistance (Journal of Laws No. 64, Text 593 as amended).

Before 30 September 2008 **the advance on maintenance payment** has been awarded on the basis of:

- § the Law of 22 April 2005 on proceedings against maintenance debtors and on advance on maintenance payment (Journal of Laws No. 86, Text 732 as amended).

Benefits from the Maintenance Fund from 1 October 2008 have been awarded on the basis of:

- § the Law of 7 September 2007 on assistance for persons entitled to maintenance allowance (Journal of Laws No. 192, Text 1378 as amended).

The vocational and social rehabilitation and employment of the disabled persons are carried out by virtue of:

§ the Law of 27 August 1997 on vocational and social rehabilitation and employment of the disabled persons (Journal of Laws No. 123, Text 776 as amended).

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 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 are treaties of the European Community and the following acts issued on their basis:

- 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,
- 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,

- 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,
- 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. It shall replace the Council Regulation (EEC) No. 1408/71 which is currently in force. The date of its entry into force depends on adoption of the implementing Regulation, which is being discussed in the EU Council.

The Community regulations on the coordination of social security systems of Member States have superseded – from the moment of Poland’s accession to the European Union – the 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 conventions 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 a convention concluded with Austria and of conventions concluded with Germany ■ several governmental agreements on mutual transfer of pensions.

On 1 July 2007 a 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 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 in Warsaw on 2 April 2008, entered into force on 1 March 2009.

On 2 April 2008 an agreement on social security was signed with Canada and on 25 February 2009 with the Republic of Korea. Draft agreement on social security with Austria is presently negotiated.

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. SOCIAL INSURANCE INSTITUTION – THE MAIN ELEMENT OF THE REFORMED SOCIAL SECURITY SYSTEM

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 Law of 28 March 1933 on social insurance. In accordance with 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.

In result of 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 Law 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 the entitlement to and pays pensions to ca 7.3 million people on a monthly basis,
- establishes the entitlement to and pays sickness allowances, maternity allowances, care allowances, compensatory allowances, rehabilitation benefits, death grants,
- conducts medical examinations and issues decisions for the purposes of establishing the entitlement to social insurance benefits; in 2008 ZUS issued about 1 265.9 thousand such decisions,
- checks the correctness of certifying temporary incapacity for work; 250.7 thousand such checks were carried out in 2008,
- 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 inca-

capacity for work; 126.7 thousand doctors held authorisation to issue medical certificates as of the end of 2008,

- performs pension prevention tasks, including medical rehabilitation and accident prevention; in 2008 medical rehabilitation covered 67 169 persons,
- establishes the social insurance obligation, assesses and collects contributions to these funds; in 2008 a total amount of collected contributions to pension insurance equalled PLN 82 692.2 million,
- from a part of a contribution to the pension insurance, collects a contribution to the second funded pillar of the retirement insurance and transfers it to open pension funds (OPF); from the start of the reform till 31 December 2008 ZUS transferred to OPF an amount of PLN 115.5 billion in respect of contributions, of which PLN 19.6 billion in 2008,
- collects and accounts for the contribution to health insurance and transfers it to the National Health Fund; in 2008 ZUS transferred a total amount of PLN 45.8 billion to the National Health Fund in this respect,
- collects the contribution to the Labour Fund; ZUS transferred an amount of 8.6 billion PLN in this respect for 2008 to the Ministry of Labour and Social Policy,
- collects contributions to the Fund of Guaranteed Employee Benefits; an amount of contributions transferred in this respect for 2008 was PLN 251.6 million,
- keeps accounts of contribution payers and records contributions on individual accounts of insured persons,
- 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 allowances), and also 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 7.3 million pensioners pays due personal income tax to treasury offices (in 2008 it was an amount of PLN 9.3 billion) and pays to the National Health Fund a contribution to health insurance due from pensioners (in 2008 it was an amount of PLN 10.8 billion),

- since 1 October 2003 has been granting and paying social pensions; in 2008 a total amount of PLN 1 527.4 million was paid in respect of social pensions to 240.4 thousand persons,
- from 1 August 2004 ZUS has taken over tasks connected with award and payment of pre-retirement benefits; in 2008 ZUS paid in this respect an amount of PLN 1 415.5 million to 122.1 thousand persons,
- 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 services benefits by virtue of 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 (and dismissed) by the Prime Minister from among persons composing public staff resources, and the 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, organisations of employers and government¹. Additionally, a representative of pensioners' organisation is also a member of 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 is composed of 12 members.

Presently ZUS tasks are exercised by the Headquarters and field organisational units (43 branches, 217 inspectorates and 65 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 social insurance schemes.

The Law on the social insurance system has introduced compulsory insurance, voluntary insurance and an opportunity of insurance continuation.

Compulsory pension insurance covers:

- employees,
- and also:
- members of agricultural production cooperatives,
 - freelancers,

¹ Four members of the Supervisory Board (including its President) are appointed on the proposal of the minister competent for social security issues (Article 75 paragraph 1 subparagraph 1 of the Law on the social insurance system).

- persons running business outside of agriculture,
- clergy,
- Members of Parliament receiving remuneration,
- recipients of unemployment benefits,
- persons in the course of child-care leaves or recipients of maternity allowances.

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

**Number of insured persons covered by pension insurance
in 1999-2008**

Years	Insured persons (as of 31 December)	
	in thousand	preceding period = 100
1999	13 270.6	104.2
2000	13 059.9	98.4
2001	12 851.0	98.4
2002	12 760.0	99.3
2003	12 739.3	99.8
2004	12 857.4	100.9
2005	13 130.9	102.1
2006	13 354.1	101.7
2007	14 074.5	105.4
2008	14 978.3	106.4

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

- employees,
- 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 of agriculture,
- persons performing work on a basis of civil law mandatory or agency contracts.

Compulsory work accident insurance covers persons subject to compulsory pension insurance, for example: employees, members of agricultural production cooperatives, persons running a business outside of 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 accidents at work and occupational diseases

- 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

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

3.5. Finance of the social insurance

The term **finance of the social insurance** means incomes and expenditure on benefits financed by the Social Insurance Fund (SIF), that is benefits from the old-age pensions' fund, pension fund, sickness fund and work accident fund.

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

The Social Insurance Fund is the appropriated State Fund. It has been established by virtue of the law as from 1 January 1999, to perform tasks in the field of social insurance. The Social Insurance Institution (ZUS), a State organisational unit with the headquarters in Warsaw, is the disposer of the Fund.

The following also have the status of the appropriated state funds: Labour Fund, Demographic Reserve Fund, Pension Fund of Farmers, Fund of Farmers' Prevention and Rehabilitation, Fund of Guaranteed Employees' Benefits.

3.5.1. Contributions

In the case of the Social Insurance Fund, contributions are the main source of financing social insurance benefits.

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

Starting from 2007 a pension contribution has been progressively reduced. And so:

- till 30 June 2007 it amounted to 13%, payable in equal parts by a payer and an insured person – 6.5% each,
- from 1 July 2007 to 31 December 2007 it amounted to 10%, payable by a payer (6.5%) and an insured person (3.5%),
- from 1 January 2008 it amounts to 6%, payable by a payer (4.5%) and an insured person (1.5%).

Since 1 January 2003 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.

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, 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.

Contributions to old-age pension insurance are financed by insured persons and by contribution payers from their own resources in equal parts – 9.76% of the basis for assessment. Contributions to disability and survivors' pension insurance 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. Contributions to accident insurance (0.67%-3.33%) are fully financed by contribution payers from their own resources. Contributions to the Labour Fund and the Fund of Guaranteed Employees' Benefits are fully financed by the contribution payer.

The rate of contributions to social insurance, to the Fund of Guaranteed Employee Benefits to the Labour Fund and health insurance in 2009

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 (pensions in respect of incapacity for work, survivors' pensions and death grants)	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 from 1 April 2009.

^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%).

Contribution to the health insurance is fully financed by the insured persons from his or her own resources.

An average basis for assessment of the social insurance contribution for employees in December 2008 equalled PLN 2648.38.

3.5.2. Incomes of the Social Insurance Fund

Total incomes of the Social Insurance Fund in 2008 amounted to PLN 136 096.5 million.

The main item of SIF incomes are revenues from contributions. In 2008 they accounted for 60.8% of all incomes of the Fund and amounted to a total of PLN 82 692.2 million. As compared to a previous year revenues from contributions decreased by 6.5%.

The State budget allocation was the second source of SIF incomes. In 2008 it amounted to PLN 33 230.0 million and accounted for 24.4% of Fund incomes.

The complementary allocation had the highest share in this amount: it equalled PLN 32 997.7 million and served the purpose of covering the gap between incomes from contributions and expenditure on benefits financed by SIF.

The appropriated allocation amounted to PLN 232.3 million and was designated for expenditures and cash benefits of non-insurance character that ZUS had been commissioned to pay, for example benefits for military and war invalids and for combatants.

The next item in Fund incomes included **a refund in respect of contributions' transfer to OPFs**, which amounted to PLN 19 911.5 million, that is 14.6 % of total incomes, and it was higher in relation to the previous year by PLN 3 692.2 million.

The **remaining Fund incomes** in 2008, equal to PLN 262.8 million, included inter alia the recovered unduly received benefits and default interest. They accounted for 0.2% of Fund incomes.

**Incomes of the Social Insurance Fund
in 2007-2008 (in million PLN)**

	2007	2008
TOTAL INCOMES	129 628.1	136 096.5
• Revenues from contributions	88 397.9	82 692.2
• Total State budget allocation	23 893.0	33 230.0
of which:		
— appropriated allocation	230.1	232.3
— complementary allocation	23 662.9	32 997.7
• Refund in respect of contributions' transfer to OPFs	16 219.3	19 911.5
• Other incomes	1 117.9	262.8

3.5.3. Expenditure of the Social Insurance Fund

A total Social Insurance Fund expenditure in 2008 was PLN 135 649.8 million. As compared to the previous year it increased by 11.4%. In 2008 expenditure on cash benefits financed by SIF accounted for 97.4% of total expenditure and amounted to PLN 132 180.8 million.

Expenditure on pensions had the highest share in total SIF expenditure, and in 2008 and it was higher in relation to the previous year by 11.2%.

In 2008 expenditure on other benefits equalled PLN 9 892.0 million and it increased by 22.8% as compared to the previous year.

Expenditure in respect of deduction for ZUS current operation in 2008 increased by 6.7% as compared to the previous year.

**Expenditure of the Social Insurance Fund in 2007-2008
by kinds (in million PLN)**

	2007	2008
TOTAL EXPENDITURE	121 798.1	135 649.8
Cash benefits	118 013.2	132 180.8
of which:		
— pensions	109 955.9	122 288.8
— sickness allowances	3 953.0	4 905.7
— maternity allowances	1 401.4	1 810.7
— care allowances	278.1	369.9
— death grants	1 538.2	1 734.8
— compensatory allowances	0.7	0.7
— rehabilitation benefits	614.8	776.2
— post-accident compensations	267.2	289.1
— other benefits	3.9	4.9
Pension prevention	108.9	116.0
Work accident prevention	2.0	1.6
Deduction for ZUS current operation	3 138.0	3 349.5
Other expenditure	536.0	1.9

**Payment of cash benefits from the Social Insurance Fund
in 2008
by kinds of funds**

	in million PLN	in %
TOTAL	132 180.8	100
of which:		
Old-age pensions' fund	84 120.8	63.6
Pension Fund (disability pensions, survivors' pensions, supplements to pensions, death grants, expenditures on pension prevention)	35 992.3	27.2
Sickness fund (sickness, maternity, care, compensatory allowances, rehabilitation benefits)	7 349.3	5.6
Work accident fund (work accident pensions and supplements, lump-sum compensations, sickness allowances in respect of work incapacity resulting from accident at work or occupational disease)	4 718.4	3.6

3.5.4. Enforcement of dues from contribution payers

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

As of 31 December 2008 total debt towards the Social Insurance Fund amounted to **PLN 11 018 736 thousand**.

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

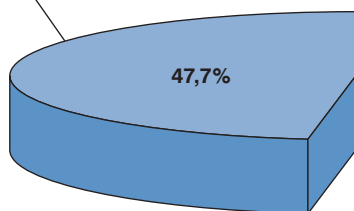
- **administrative execution**, which may take a form of:

- 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 the competent treasury office – carried out by the head of the treasury office;
- **court execution** carried out by the bailiff under writ of execution issued by ZUS and pursuant to bankruptcy suit.

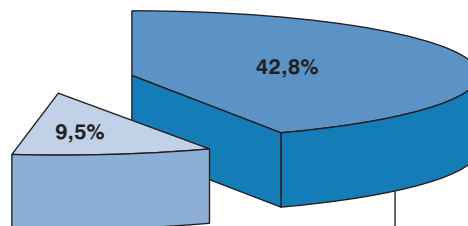
The diagram below presents the structure of dues covered by execution as of the end of the reporting period in 2008 under compulsory enforcement.

SIF – dues covered by compulsory enforcement – **PLN 6 139 902 thousand**

Execution via treasury offices
PLN 2 926 887 thousand

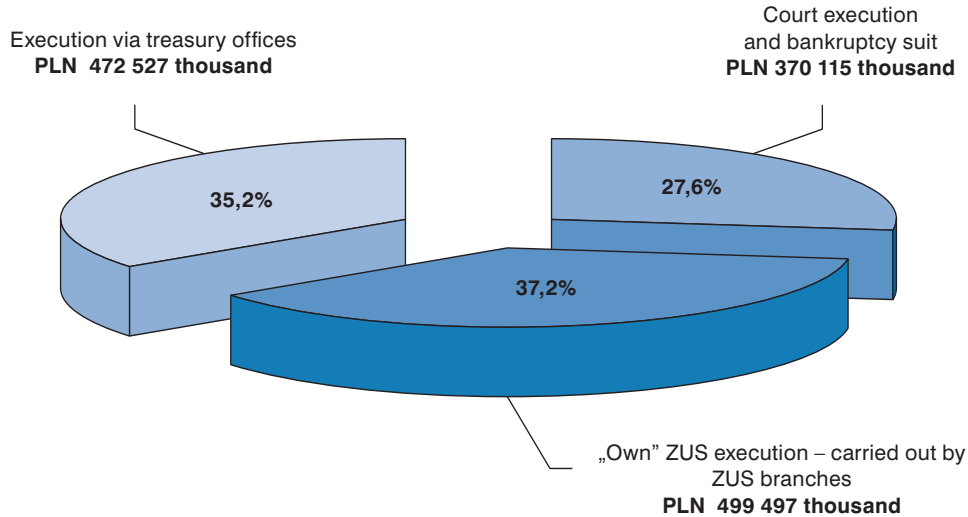


„Own” ZUS execution – carried out by
ZUS branches
PLN 584 036 thousand



Court execution
and bankruptcy suit
PLN 2 628 979 thousand

SIF – recovered dues **PLN 1 342 139 thousand**



Own execution is the most effective execution measure, as presented in the following table:

	Enforcement of dues in thousand PLN	Recovered dues in thousand PLN	Effectiveness in %
Own execution carried out by ZUS branches	584 036	499 497	85.53
Execution carried out by treasury offices	2 926 887	472 527	16.14
Court execution and bankruptcy suit	2 628 978	370 115	14.08

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 if He or she meets specified requirements, inter alia if s/he: submits documents enabling ZUS to carry out an assessment of financial resources of an entity claiming the relief.

Signing 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 to compensate lost further default interest that would be due if the debtor did not sign the settlement. In 2008 ZUS signed **13 192** instalment settlements with regard to dues in respect of social insurance contributions in total amount of **PLN 450 648 thousand**.

Deferment of contribution payment date may be applied by ZUS – on contribution payer's request – only with regard to current contributions (i.e. contributions whose deadline has not yet expired). Besides, ZUS, depending on the character of liabilities, may remit dues in respect of contributions in full or in part, with the exception of dues in respect of contributions in part financed by insured persons not being contribution payers to their own insurance. These dues ipso jure may not be remitted.

ZUS is authorised to remit dues in respect of contributions only if they cannot be recovered by other means.

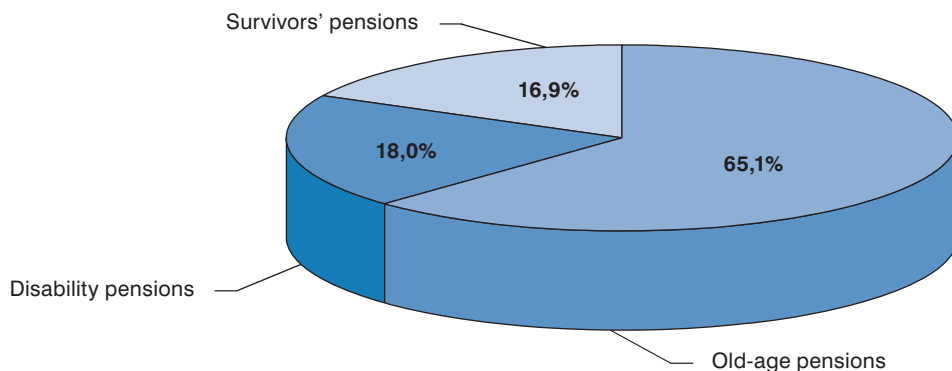
A total amount of dues remitted in 2008 by virtue of the Law on the social insurance system was **PLN 89 306 thousand**.

4. SOCIAL INSURANCE BENEFITS SYSTEM REALISED BY ZUS

4.1. General information on pensions

The Social Insurance Fund paid pensions to ca 7.3 million persons in 2008. Expenditure on these benefits accounted for 90.2% of total SIF expenditure and amounted to PLN 122 288.8 million.

4.1.1. Beneficiaries' structure by kinds of benefits received from SIF in 2008



4.1.2. Average amount of the pension financed by SIF

Individual kinds of benefits were paid in 2008 in average amount of:

Kind of benefits	Average amount of the benefit in PLN	% of average monthly earning ^a
Total pensions	1370.81	46.6%
Old-age pension	1471.30	50.0%
Disability pension	1096.34	37.2%
Survivors' pension	1292.07	43.9%

^a The average monthly earning including compulsory social insurance contribution amounted to PLN 2943.88 in 2008.

4.1.3. Pensions' indexation

Pension benefits are subject to periodic indexation to account for inflation. Starting from 2008 the indexation was carried out once a year, from 1 March.

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.

Starting from 1 March 2009, amounts of minimum pensions (including the social pension) are subject to indexation.

The pension amount after indexation is calculated by multiplying an individual amount of the benefit by the so called **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 indexation covers pension benefits awarded before the day defined as the indexation date, that is before 1 March. Indexation is carried out ex officio and covers all payable benefits.

In 2009 the indexation rate for pensions is equal to 106.1%

4.1.4. Guaranteed minimum pensions

Starting from 1 March 2009 the minimum guaranteed benefits have been paid at a monthly rate of:

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

PLN 675.10

4.1.6. Combining pensions with work

Pensioners who have reached the statutory retirement age (65 years – men and 60 years – women) have the right to combine their pension with remuneration from work with no restrictions.

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

- retired persons who have been awarded their old-age pensions before reaching the statutory retirement age,
- recipients of disability pensions, who have been recognised as partly incapable of work³.

Under these principles, the right to a pension and amount thereof 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 2008 an annual income ceiling⁴ corresponding to 70% of average monthly earning amounted to PLN 24 416.90, and an annual ceiling corresponding to 130% of average monthly earning amounted to PLN 45 345.60.

4.2. 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 have been operating in parallel in Poland:

- **old pension scheme (pension scheme operating under earlier rules)** – compulsory for persons born before 1 January 1949,

³ Recipients of disability pensions recognised as completely incapable of work may not undertake any gainful work.

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

- **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 join the new pension scheme, i.e. pay-as-you-go (first pillar) and funded (second pillar). A decision had to be taken by 31 December 1999.

The new old-age pension scheme may be presented in the following way by means of the below classification criteria:

Criteria for classification	I st pillar	II nd pillar	III rd pillar
Participation in the system	compulsory	compulsory	voluntary, complementary
Social objective	basic level of benefits	basic level of benefits	higher level of benefits
System management	public	private	private
Financing	from current contributions	funded	funded
Calculation of benefit amount	on the basis of contributions after indexation	on the basis of capital funded contributions	on the basis of capital funded 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 December 2008. They gathered about 13.7 million active members, that is persons whose accounts are credited with contributions.

After the entry into force of the Law of 23 July 2003 on taking over by the State Treasury of ZUS liabilities in respect of contributions not transferred to open pension funds, the liabilities in respect of contributions not transferred to OPFs together with due interest were taken over by

the State Treasury. These liabilities are met by means of transfer of treasury bonds to OPFs. A total of PLN 0.9 billion contributions with interest were transferred in 2008 in a form of treasury bonds.

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 in the future higher old-age pensions thanks to a supplementary contribution. The third pillar first of all consists of Occupational Pension Programmes. 1079 such programmes were registered as on 31 December 2008, gathering about 325 thousand members.

4.2.1. 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 period of coverage**. The 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, this old-age pension is not subject to increase to the amount of minimum guaranteed old-age pension.

Persons 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:

- have proved at least 30-year contributory and non-contributory period, or
- have proved at least 20-year contributory and non-contributory period and have been 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:

- have proved at least 35-year contributory and non-contributory period, or
- have proved at least 25-year contributory and non-contributory period and have been 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) have the right to retire before the statutory retirement age.

Because of an opportunity to retire earlier and receive pension in full amount, in 2008 an average age of a retiring man was 61.1 years, and of a retiring woman – 56.2 years.

And average employment period of retiring persons is decidedly higher than the required minimum: in 2008 it amounted to 40.6 years for a man and 32.9 years for a woman.

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

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

4.2.2. Old-age pensions in the new scheme

Starting 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.

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

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.

Improved quality of the system is also due to the change in financing techniques, that is capital funding of a part of a contribution to the compulsory old-age pension insurance: 7.30% of a total old-age pension contribution (of 19.52%) is transferred to the second, capital funded insurance pillar.

The new old-age pension scheme covers persons who on the day of its entry into force, that is on 1 January 1999, have not reached the age of 50 years, and:

- for persons under 30 years of age, participation in the first (pay-as-you-go) pillar and the second (funded) pillar was compulsory,
- persons between 30 and 50 years of age had an opportunity to decide whether they should stay in the hitherto, modified pay-as-you-go system (first pillar) or also join the second pillar. A decision had to be taken by 31 December 1999.

Persons between 30 and 50 years of age have been also offered an opportunity to retire under the hitherto principles, if they had not join the second pillar or if they had applied for the transfer of resources collected 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.

Women who will reach statutory retirement age of 60 years in the period 2009-2013 and who have not joined the open pension fund (second pillar), or if they apply for the transfer of resources collected on account in the open pension fund, via the Social Insurance Institution, to the State budget incomes, have been offered an opportunity of the so called **smooth transition from the old to the new scheme**, consisting 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 will reach the retirement age – 60 years for women – in 2009 will be granted the pension in 80% under the old and in 20% under the new rules.

The old-age pension under the new principles is granted to women who reach at least 60 years of age and to men who 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, recorded on individual accounts of insured persons.

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

In the reformed old-age pension scheme the pension is awarded first of all 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 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. It means accounting for a period of paying contributions before the day of entry into force of the Law, that is before

1 January 1999, for persons aged not more than 50 years. The initial capital is assessed 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 will be calculated, that 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 sum of amounts: of a part for contributory periods, a part for non-contributory periods 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 an amount of the initial capital as of 1 January 1999.

The amount of the initial capital is recorded on the account of the insured person, and – together with pension contributions – is subject to indexation – starting from 1 June 2000 up to the moment of retirement. First indexation was carried out in 2007. In the forthcoming years the initial capital will be subject to indexation carried out on dates and under principles provided for indexation of old-age pension insurance contributions. The initial capital may not be reduced in result of indexation.

Starting from 2006, ZUS has been obliged to provide all insured persons born after 31 December 1948 with annual information inter alia about contributions recorded on their individual accounts, amount of initial capital after indexation and about the hypothetical old-age pension amount.

Women being the members of open pension funds who have reached 60 years of age and have acquired the right to the old-age pension under the new rules, have the right to periodic funded pension, if resources collected on account of a member of the open pension fund, in amount determined as on the last day of the month preceding the month when the old-age pension was awarded, are equal to or higher than the twenty-fold amount of the nursing allowance. If the amount of these resources is lower, the OPF transfers the resources collected on account of a member of the OPF to ZUS old-age pension fund.

Starting from 1 March 2009 an amount equal to twenty-fold amount of the nursing allowance is **PLN 3462** ($20 \times \text{PLN } 173.10$). This amount will change in result of subsequent indexations of the nursing allowance.

The periodic funded pension amount is established by dividing the resources accumulated on the pension account of a member of the open pension fund by average life expectancy for persons in the age equal to the retirement age (age used for calculating old-age pension amount 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 member of the open pension fund will reach the age of 65 years, as well as when the resources collected on account in the open pension fund 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 – if they have joined OPF – have applied for the transfer of resources collected on account in the open pension fund, via the Social Insurance Institution, to the State budget incomes) and have terminated their employment relationship.

From 2009 some employees who have been employed before 1 January 1999 in special conditions or in special character, and employees who have been employed after 31 December 2008 in special conditions or in special character – are also entitled to the **bridging pension**. The bridging pension may be claimed by persons who inter alia have reached the age of 55 years for women and 60 years for men and have completed the insurance period of at least 20 years for women and 25 years for men, including at least 15-year period of employment in special conditions or in special character. Termination of the employment relationship is a supplementary condition which has to be met to be awarded the pension. Pension amount is calculated in similar way as the amount of the „new” old-age pension, however, irrespective of actual age of retirement 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.

4.3. Ex officio old-age pensions

The Law of 1 July 2005 on amendment of the Law on pensions from the Social Insurance Fund (Journal of Laws No. 169, Text 1412) introduced a concept of ex officio old-age pension awarded in place of 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 ex officio old-age pension is awarded 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 new ex officio old-age pension is also awarded – instead of the received disability pension – to a person born after 31 December 1948, if He or she has reached the statutory retirement age. A woman who has been awarded the ex officio old-age pension, 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).

The ex officio old-age pension is based on the basis for pension assessment. Its amount is usually the same as the amount of hitherto received disability pension – in any case it may not be lower.

A recipient of the pension in respect of partial incapacity for work who has completed the required insurance period will have his or her ex officio old-age pension increased to the level of the minimum old-age pension if the amount of hitherto received benefit was lower than this level.

If the disability pension was paid in amount awarded to a person partly incapable of work, but the person concerned did not complete the required insurance period, which means that he or she would not meet the requirements for the old-age pension, the ex officio old-age pension may not be increased to the level of the minimum old-age pension.

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

4.4. 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 – insurance periods (contributory and non-contributory) of at least 5-year duration, completed 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 in the first instance. 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.

Starting from 1 January 2006 decisions certifying incapacity for work have been issued for a period not longer than 5 years or for a longer period – if there was 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 (second instance) against the decision of ZUS evaluating doctor, within 14 days from the day of receipt 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 decision of ZUS evaluating doctor which has not been opposed or claimed defective, or the decision of ZUS medical board is a basis for a decision on awarding the disability pension to be issued by a pension body.

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 arising out of external cause and resulting in injury or death, associated with work.

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.

The pension for a person completely incapable of work is calculated under the similar principles as the old-age pension in the old scheme (see: item 4.2.1). 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.

The structure of disability pensions in 2008 by degree of disability

Specification	%
Disability pensions – total <i>of which in respect of:</i>	100.0
complete incapacity for work accompanied by inability to independent existence	5.6
complete incapacity for work	30.3
partial incapacity for work	64.1

The share of disability pensions in the whole pension portfolio equals 18.0%.

In 2008 disability pensions were paid on average to 1 319.7 thousand persons, and an average monthly amount of the pension was PLN 1038.43. In 2008 were granted 57.4 thousand new pensions that is by 7.3 thousand more than in the previous year.

A monthly average of 227.2 thousand pensions in respect of accidents at work and occupational diseases were received in 2008, in average amount of PLN 2087.55. They accounted for 17.2% of a total number of disability pensions.

4.5. Training pensions

The training pension is payable to a person meeting the conditions to receive 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 period may be extended by time needed for vocational retraining, in any case not longer than by 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).

In 2008 a monthly average number of paid training pensions was 297 and an average monthly amount of the pension – PLN 1640.13.

4.6. 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 assessed, 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 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.

The survivors' pension is not awarded in respect of periodic funded pension.

Most of beneficiaries (about 57.5%) in 2008 were persons aged 65 years and more (mainly women). 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 20.8%.

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.

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

All entitled family members acquire the right to one joint survivors' pension. If survivors' pension is received by a complete orphan, s/he is entitled to a supplementary allowance for complete orphans.

In 2008 survivors' pensions were received by 1 226.0 thousand persons, and an average monthly amount of the pension was PLN 1321.20.

Survivors' pensions account for 16.9% of a total number of pensions paid by ZUS.

4.7. Sick pay and sickness allowance

The sick pay is payable to the employee for periods of incapacity for work or isolation due to communicable disease of a total duration 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 year. The mentioned regulation in its part related to the employee who has reached 50 years of age concerns incapacity for work after the calendar year when the employee reached the age of 50 years.

The sick pay is based on the assessment basis from the recent 12 calendar 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 was due to accident at work, accident on the way to or from work, occupational disease or if it occurred in the period of pregnancy,
- 100% of the assessment basis, if incapacity for work was due to undergoing necessary medical examinations provided for candidates for donors of cells, tissues and organs and due to 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 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. And if the incapacity for work was caused by accident at work or occupational disease, the sickness allowance is payable from the first day of incapacity for work.

Persons not being employees who are covered by sickness insurance acquire the right to sickness allowance from the first day of incapacity for work after the qualifying period of 90 days. If incapacity for work was caused by accident at work or occupational disease, sickness allowance is also payable from its first day.

The maximum allowance period is 182 days, and in the event if incapacity for work was due to tuberculosis – 270 days. From 1 January 2009 also insured women have the right to the

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,
- 100% of the basis for assessment, if incapacity for work was due to accident at work, accident on the way to or from work, or occupational disease,
- 100% of the assessment basis, if incapacity for work or inability to perform work was due to undergoing necessary medical examinations provided for candidates for donors of cells, tissues and organs and due to undergoing an operation of their taking,
- 100% of the assessment basis – if incapacity for work occurred within the period of pregnancy.

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 expenditures are the next – after pensions – item in the Social Insurance Fund total expenditure. In 2008 they amounted to ca PLN 7.3 billion, that is 5.6% of total SIF expenditure.

A total expenditure of PLN 9 222 million for sickness absenteeism in 2008 included PLN 4 906 million (53.2%) paid by ZUS in a form of allowances and PLN 4 316 million paid by employers in a form of sick pay (46.8%). As compared to 2007, ZUS expenditure increased by 24.1% and expenditure of employers increased by 26%.

In 2008 the number of days of sickness absenteeism financed by SIF was 108.6 million and increased in relation to 2007 by 13%, while the number of days of sickness absenteeism financed by employers' funds was 85.7 million and increased by 16.9%.

**Structure of payments in respect of sickness absenteeism
by financing sources**

Years	SIF (in %)	Employers (in %)
1999	63.2	36.8
2000	53.2	46.8
2001	55.5	44.5
2002	59.9	40.1
2003	62.8	37.2
2004	61.7	38.3
2005	58.9	41.1
2006	56.0	44.0
2007	53.5	46.5
2008	53.2	46.8

4.7.1. Control of correctness of certifying temporary incapacity for work

The Law 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 Law, ZUS evaluating doctors control the correctness of certifying temporary incapacity for work.

250.7 thousand such checks were carried out in 2008. Decisions issued in their effect suspended sickness allowance payment to 24.3 thousand persons, which means that 9.7% of a total number of checked persons were considered fully capable of work. And 25.3 thousand persons received decisions on the need for medical rehabilitation. In result of checks carried out in the described period, 123.0 thousand days of sickness absenteeism were denied and the amount of suspended allowances in this respect was PLN 4 158.9 thousand.

68.9 thousand persons were covered by the control of correctness of taking advantage of medical certificates on incapacity for work in 2008. In effect, 2772 persons were deprived of the right to allowance, which resulted in withdrawal of allowances in total amount of PLN 3 884.3 thousand.

The insured person 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 2008 allowances' payments were reduced in this respect by a total of PLN 6 990 thousand.

A total amount of PLN 78 486.7 thousand of cash social insurance benefits in respect of sickness and maternity were reduced and withdrawn in 2008.

4.8. 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 sickness insurance in respect 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 (the first instance) or ZUS medical board (the second instance).

In 2008 the rehabilitation benefit was paid to a monthly average of 58.8 thousand persons, and its average monthly amount was PLN 1099.71.

Expenditure on rehabilitation benefits in 2008 amounted to PLN 776.2 million, which accounted for 0.57% 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.

4.9. 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 in 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 allowance in 2008 amounted to PLN 0.7 million.

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

4.10. 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

father of the child or other insured 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** has been extended and 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.

The maternity allowance at the above mentioned rate is awarded to:

- a woman employee who gave birth to a child after 31 December 2008;
- an employee (woman or man) who was a recipient of the maternity allowance on 1 January 2009 at the previous rate.

The maternity allowance in respect of taking a child to be brought up is payable during a period of:

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

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

Expenditure on rehabilitation benefits in 2008 amounted to PLN 1 810.7 million, which accounted for 1.33% of total SIF expenditure.

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

4.11. Care allowances

The care allowance is payable during a period of release from work due to the necessity of taking personal care of a healthy child under 8 years of age, a sick child under 14 years of age or other sick member of the family. In the event of care of the child aged more than 14 year or other sick member of the family, the allowance is payable during a period of release from work, however not longer than during 14 days in a calendar year. The total payment period of care allowance 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 an employee 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 they live in the same household with the insured person during the period of care.

The right to the sickness allowance is acquired by the insured person from the first day of 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.

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 agriculture, who cannot freely regulate their hours of work.

From 14 June 2008, i.e. from the date of entry into force of the Law of 11 April 2008 on the amendment of the Law on cash social insurance benefits in respect of sickness and maternity (Journal of Laws No. 93, Text 582), all persons covered by the sickness insurance, both on a compulsory and voluntary basis, are entitled to care allowance.

Before this date only persons covered by the sickness insurance on a compulsory basis were entitled to the care allowance (employees, members of agricultural production cooperatives and rural cir-

cles cooperatives and persons undergoing substitute military service), and starting from 16 March 2007, i.e. from the day of publication of the Constitutional Tribunal judgement of 6 March 2007, (Journal of Laws No. 47, Text 318), persons covered by the sickness insurance on a voluntary basis have been also entitled to care allowance, but only in limited scope – in respect of care of a sick child under 14 years of age and other sick member of the family (including the care of a child above 14 years of age).

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

The expenditure on care allowances in 2008 amounted to PLN 369.9 million, which accounted for 0.28% of total SIF expenditure.

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

4.12. 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 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.

Starting from 1 March 2009 it has been payable at a monthly rate of PLN 173.10. The total expenditure on nursing supplements in 2008 amounted to PLN 3 732.1 million.

4.13. Supplements to survivors' pensions for complete orphans

Starting from 1 March 2009 a supplement to the survivors' pension for a complete orphan has been paid at a monthly rate of PLN 325.36. 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.

4.14. Death grants

The death grant is aimed at covering costs of funeral of insured persons, pensioners, 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.

If funeral costs are covered by the employer, social welfare facility, municipality (gmina), monastic or diocesan institution, the death grant is payable to those entities in amount of documented costs of funeral to maximum level of 200% of average monthly earning. The aforementioned rule is also applicable if funeral costs are covered by a person not being the family member.

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

The death grant is payable at a rate of 200% of average monthly earning being in force on the day of death of a given person (from 1 June 2009 – PLN 6371.22).

There were paid 302 thousand death grants in 2008. Total expenditure in this respect amounted to PLN 1 734.8 million, which accounted for 1.28% of total SIF expenditure.

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

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

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

The **protracted health damage** 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 health damage ascertained by ZUS evaluating doctor or ZUS medical board.

From 1 April 2009 the insured person has been entitled to compensation of PLN 589 for each per cent of permanent or protracted health damage.

A person, who has been recognised as completely incapable of work and of independent existence in result of accident at work or occupational disease, is entitled to a lump-sum compensation of PLN 10 304.

The lump-sum compensations are financed by the Social Insurance Fund.

In 2008 the Fund financed 80.2 thousand compensations in total amount of PLN 289.1 million; an average amount of the compensation was PLN 3606.26.

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

The insured person who – in a period starting from 1 January 2003 – has sustained an accident at work or contracted an occupational disease, 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.

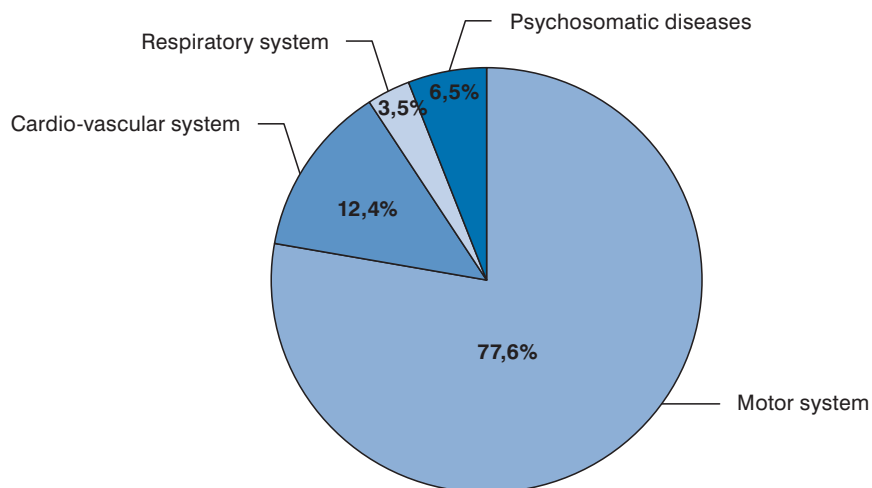
4.17. Medical rehabilitation within the framework of pension prevention

Insured persons threatened by complete or partial incapacity for work or recipients of periodic pension in respect of incapacity for work are referred to medical rehabilitation within the framework of pension prevention if there is a good prognosis as to restoration of earning capacity after rehabilitation in a rehabilitation centre indicated by ZUS.

The Social Insurance Institution implements the medical rehabilitation programme within the framework of pension prevention in in-patient and out-patient system (for motor and cardio-vascular system diseases) and in in-patient system (for respiratory system diseases and psychosomatic diseases).

In 2008 the medical rehabilitation programme was completed by 67 169 persons. Costs of rehabilitation (including local payment and refund of travel costs) equalled PLN 115.8 million.

**Medical rehabilitation carried out in 2008
by rehabilitation profiles**



4.18. 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 in 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 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.

Starting from 1 March 2009 the social pension has been payable at a rate of PLN 567.08.

In 2008 a total amount of PLN 1 527.08 million was paid in respect of social pensions to ca 240.5 thousand persons.

4.19. Pre-retirement benefits

As from 1 August 2004 the Social Insurance Institution has taken over the award and payment of pre-retirement benefits.

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

- before the day of employment relationship termination 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, or
- before the day of employment or service relationship termination for reasons concerning work establishment where he or she 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 insolvency had been running – within an uninterrupted period not shorter than 24 months – business outside of 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 during 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 he or she 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 he or she 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 he or she 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 above-mentioned person after at least 6 months of receiving the unemployment benefit, if he or she 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 2009 an amount of the pre-retirement benefit granted by virtue of the Law of 30 April 2004 on pre-retirement benefit (Journal of Laws No. 120, Text 1252) equals PLN 804.02 and is subject to periodic indexation.

In 2008 the pre-retirement benefit was payable to 122.1 thousand persons.

Pre-retirement benefits are financed by the Labour Fund.

5. FAMILY BENEFITS SYSTEM

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

The family benefits system has been operating in Poland since 1 May 2004 by virtue of the Law of 28 November 2003 on family benefits.

Within the period from 1 May 2004 to 31 August 2005 many different entities were obliged to realise family benefits, including ZUS.

Starting from 1 September 2006 family benefits have been paid only by a competent body. In the understanding of the Law 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 family benefits' system is composed of:

- family benefits:
 - **family allowances** and **supplements to the family allowance** (supplements to the family allowance are awarded 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).
- an advance on maintenance payment (from 1 September 2005 to 30 September 2008),
- a benefit from the Maintenance Fund (from 1 October 2008).

5.1. Family benefits

The right to family benefits and their amount are governed by the Law on family benefits. These benefits are financed by the State budget. It is planned to increase the amount of family benefits in 2009.

5.1.1. 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:

- reaches 18 years of age or
- completes school education, however not longer than until he or she reaches the age of 21 years or
- 24 years, if he or she continues education in a school or a tertiary level school and holds a certificate of severe or moderate 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 adjudication of maintenance allowance from parents in his or her favour, if he or she attends a school or a tertiary level school, however not longer than until he or she reaches 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 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 adjudication of maintenance allowance from parents in his or her favour if the court decision adjudicating maintenance allowance had been taken before this person came of age.

Starting from 1 September 2006 the amount of the family allowance has been subjected to the age of the child and it equals:

- PLN 48.00 – for a child until he or she reaches 5 years of age,
- PLN 64.00 – for a child above 5 years of age until he or she reaches 18 years of age,
- PLN 68.00 – for a child above 18 years of age until he or she reaches 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 within the period of 24, 36 or 72 calendar months at a monthly rate of PLN 400,
- 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 **education and rehabilitation of the disabled child** – is granted for the disabled child until he or she reaches the age of 16 years and above this age, until the child reaches 24 years of age, 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 in respect of **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),
- the supplement in respect of **starting by the child education in a school outside of the place of residence** (lower secondary school, primary school, school above the lower secondary level or artistic school, which realises learning obligation and delivers compulsory schooling) – is payable at a monthly rate of PLN 90 during 10 months (from September to June) if the child takes up a residence in a locality, where the school is situated. The supplement in respect of education in a primary or lower secondary school is granted to a child or a learning person who holds a certificate of disability or degree of disability. And the supplement is granted at a rate of PLN 50 if the child must travel to a school above the lower secondary level or artistic school (with the education scope of a school above the lower secondary level),
- 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.

5.1.2. 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 reaching the age of 21 years,
- a person who has reached the age of 75 years.

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

The nursing benefit in respect of resignation of employment or other gainful work due to the necessity to take care of the child is granted to a mother or a father, or actual guardian who takes care of the disabled child.

The benefit is payable at a monthly rate of PLN 420. The nursing benefit is awarded if the monthly income per head in a family does not exceed PLN 583.

5.1.3. 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 will have to submit a medical certificate confirming that **the child's mother has been under the medical care at least during a period from the 10th week of pregnancy to the childbirth**. This requirement does not apply to legal guardians of the child and persons who have applied to the family court for child adoption. This condition does not also apply to persons who will apply for establishment of the right to the lump-sum aid in respect of childbirth or for the supplementary allowance in respect of childbirth before 1 November 2009.

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

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

5.2. Advance on maintenance payment

Before 30 September 2008 the advance on maintenance payment was payable to a person entitled to maintenance allowance under writ of execution, until he or she reached the age of 18 years, or if he or she attended a school or a tertiary level school until he or she reached the age of 25 years, or with no time limits if he or she held a certificate of severe degree of disability. It was payable if execution of due maintenance allowance was ineffective and if a monthly income per head in a family did not exceed PLN 725.

The advance on maintenance payment was payable at a monthly rate from PLN 120 to 300 per child, depending on a number of entitled children (and in the event of a family bringing up a disabled child at a monthly rate of PLN 180-380) and on family income.

As from 1 October 2008 the advance on maintenance payment has been replaced with the benefit from the Maintenance Fund. However, cases of advance on maintenance payment whose entitlement has been acquired before the Law entered into force, that is before 30 September 2008, were examined under the principles and procedure laid down in earlier regulations.

5.3. Benefit from the Maintenance Fund

The benefit from the Maintenance Fund is payable under the Law of 7 September 2007 on assistance for persons entitled to maintenance allowance (Journal of Laws No. 192, Text 1378 as amended). The Law has come into force since 1 October 2008, repealing the Law 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 if the maintenance allowance has been adjudicated from a parent in his or her favour, but execution of due maintenance allowance is ineffective. The benefit from the Maintenance Fund is payable until the child reaches 18 years of age. The benefit is also granted to an older child who attends a school or a tertiary level school, until he or she reaches the age of 25 years. A child holding a certificate of severe degree of disability is entitled to the benefit irrespective of his or her age if the parent does not pay adjudicated maintenance allowance.

Execution is considered ineffective if within the period of two months prior to submitting the claim for a benefit from the Maintenance Fund the bailiff did not execute full amount of overdue and due maintenance liabilities. Ineffectiveness of execution must be confirmed by the bailiff.

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 adjudicated 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 in the year preceding the benefit year did not exceed PLN 725. 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 allowance year.

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 adjudicated maintenance allowance, however not higher than PLN 500 a month for each entitled child, and are financed by the State budget.

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

The scheme of social insurance of farmers covers 1 574 394 persons (as of 31 December 2008). The number of pensioners equals 1 477 905, of which: old-age pensions are received by 1 175 751 persons, farmers' pensions – by 258 427 persons, survivors' pensions – by 43 727 persons.

Contributions in farmers' social insurance scheme 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, health insurance.

The contribution to pension insurance is payable at a quarterly rate of 30% of basic old-age pension. Starting from 1 March 2009 (second quarter) it equals PLN 203.00;

- The Contributory Social Insurance Fund of Farmers functions without State budget allocation. It covers expenditure on benefits from work accident, sickness and maternity insurance, expenditure on prevention and rehabilitation (in amount not exceeding 5% of the planned Fund expenditure) and administrative expenditure (in amount equal to not more than 9% of the planned Fund expenditure).

The rate of the quarterly contribution, which is aimed to ensure effective discharge of liabilities of the work accident, sickness and maternity insurance system, is fixed by the Farmers' Social Insurance Council. From 1 April 2009 (second quarter) it equals PLN 90.00.

Total rate of quarterly contributions to pension insurance and accident, sickness and maternity insurance from 1 April 2009 equals PLN 293.00.

The scheme ensures cash benefits from:

- **pension insurance**

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

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

(lump-sum compensation in respect of permanent or protracted health damage or death in 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, as well as maternity allowance).

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

Prevention activities carried out by the Agricultural Social Insurance Institution (KRUS) resulted in reduction in a number of 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 2008 the medical rehabilitation covered more than 14.3 thousand farmers and ca 1800 children from rural families.

Farmers' social insurance scheme is financed by contributions payable by farmers and by the State budget allocation.

In 2008 budgetary expenditure on tasks exercised by KRUS amounted to ca PLN 15.6 billion, accounting for 6.1% of the State budget. In 2009, in accordance with the Budgetary Law, expenditure on these tasks will amount to PLN 16.6 billion, accounting for 5.1% of the State budget.

Expenditure on pensions is the highest item in the plan of KRUS expenditure and in 2008 it equalled PLN 13.6 billion.

Expenditure on tasks exercised by KRUS in 2008

Specification	Kind of benefits	Amount (in thousand PLN)
I. Pension Fund of which:		16 793 810
pension benefits	— pensions — death grants	13 290,984 343 667
contribution to health insurance, financed by the State budget		2 758 753
current expenditure	— deduction for the Administrative Fund — costs of servicing tasks commissioned to KRUS	380 000
II. Contributory Fund of which:		577 196
lump-sum compensation in respect of work accident		62 075
sickness allowances		310 444
maternity allowances		83 703
allowances in respect of childbirth		—
expenditure on development of mutual insurance		—
deduction for the Administrative Fund		49 904
deduction for the Prevention and Rehabilitation Fund		27 724
other		43 346

Revenues of the Pension Fund amounted to PLN 16 185 292 thousand in 2008. The share of complementary allocation in Fund revenues amounted to 92%, the share of incomes from contributions to – 7.6%, the share of other incomes – 0.4%. Revenues met the demand for cash required to pay benefits and covered the deduction for the Administrative Fund.

The administration of the farmers' social insurance scheme is provided by the Agricultural Social Insurance Institution (KRUS), established by the Law of 20 December 1990.

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 among insured persons of the principles of life and health protection in rural holding, 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 their complete incapacity for work on a farm, if there is a good prognosis as to restoration of their earning capacity in result of medical treatment and rehabilitation, assistance in taking advantage of various forms of medical rehabilitation and in training or retraining in a new occupation,
- initiating and promoting the development of voluntary insurance,
- settlement of accounts in respect of contributions to health insurance of farmers and their household members as well as pensioners, recording contributions on insurance accounts, providing an institution competent for health insurance with information on insured persons and health insurance contributions paid for them,
- collecting prepayments on personal income tax on paid pensions, and – after the end of the tax year – calculation of the personal income tax or drawing up information of income received in respect of a pension,
- payment of structural pensions granted before 31 December 2003 by virtue of the Law of 26 May 2001 on structural pensions in agriculture (Journal of Laws No. 52, Text 539 as amended),

- performance of tasks resulting from Community regulations on the coordination of the social security systems and international social security conventions.

The Agricultural Social Insurance Institution 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 composing public staff resources, 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 and it is equipped with the control powers in relation to KRUS.

Presently the Agricultural Social Insurance Institution operates on the basis of a statute appended as an annex to a regulation No. 10 of the Minister of Agriculture and Rural Development of 30 May 2008 on granting the statute to the Agricultural Social Insurance Institution (Official Journal of the Ministry No. 10, Text 12) 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 Institution. KRUS organisational structure includes: Headquarters, 16 regional branches and 256 field offices. KRUS owns 5 farmers' rehabilitation centres, 1 training and rehabilitation centre and 1 recreation and rehabilitation centre.

7. UNIVERSAL HEALTH INSURANCE

The universal health care system reform was introduced in Poland in 1999. It was aimed at resignation of health care financing directly by the State budget. For the purpose of implementation of the health care system, 16 regional health insurance funds and 1 branch fund for uniformed services of the national range have been operating since 1 January 1999. As from 1 April 2003 (in place of health insurance funds) the National Health Fund has been established, with regional branches (16 Fund branches). Branches have been created in accordance with territorial division of the State. Local representatives may be appointed in branches.

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 Law of 25 June 1999 (see: item 4.10).

The universal **health insurance** means a system of benefits of the preventive, diagnostic, therapeutical 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 Law of 27 August 2004 on health care benefits financed by public funds (consolidated text: Journal of Laws of 2008, No. 164, Text 1027 as amended), which has come into force from 1 October 2004.

Compulsory sickness insurance covers persons defined in Article 66 par. 1 of the Law on health care benefits financed by public funds, including persons who meet the conditions for being covered by social insurance or social insurance of farmers. Other persons may join the health insurance on a voluntary basis, if they meet the requirements defined by the Law on health care benefits.

Members of families of persons covered by the universal health insurance are also entitled to benefits from this system.

The main source of financing health care are revenues from health insurance contributions.

Since 1 January 2007 contributions have been paid at a rate of 9% of the basis for contributions' assessment. In accordance with Art. 81 par. 6 of the Law on health care benefits, the basis for assessment of the health insurance contribution is reduced by amounts of contributions to

the pension and sickness insurance, financed by insured persons not being contribution payers, which have been deducted from resources of the insured persons by virtue of the Law on the social insurance system.

Persons who may join the universal 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 (for whom contributions have to be paid to ZUS) are collected by the Social Insurance Institution and transferred to the National Health Fund.

For a very large group of citizens not being the payers of the health insurance contribution, contributions are financed by the State budget. This group includes inter alia: individual farmers and members of their household, unemployed persons without the right to benefit, recipients of social assistance allowances, pupils and learners of teacher training institutions, children staying in social rehabilitation, education or care institutions or in social welfare facilities, combatants, students and participants of doctoral studies, homeless persons implementing an individual programme of ending homelessness.

Health care tasks are in part still financed by the State budget. They include 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 of central character, medical schooling and – in part – health care benefits.

In 2008 the Social Insurance Institution transferred to the National Health Fund a total amount of PLN 45.8 billion in respect of contributions to the universal health insurance.

8. BENEFITS IN RESPECT OF UNEMPLOYMENT

The Law of 20 April 2004 on employment promotion and labour market institutions has come into force from 1 June 2004 (Journal of Laws No. 99, Text 1001 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), poviát 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 Law 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, supplementary training allowances, unemployment benefits.

Measures of preventing unemployment and mitigating its effects are financed by the Labour Fund, composed mainly of contributions to the Labour Fund 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 2008 contributions accounted for 96.3% of a total Fund revenue, incomes from the European Union – 2.1%, and other incomes – 1.6%.

In 2008 the following were the main groups of costs in the structure of total expenditure of the Labour Fund: programmes of counteracting unemployment (58.4%) and expenditures on unemployment benefits, activating supplements and integration benefits (33.2%).

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 in the period of 18 months before the day of registration in the labour office met one of the following conditions:

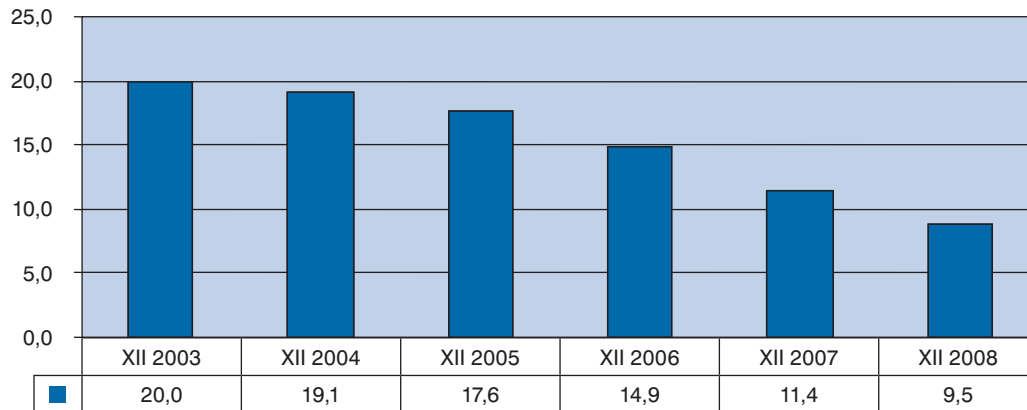
- was employed and received remuneration equal at least to minimum wage/salary, on which a compulsory contribution was paid to the Labour Fund,
- performed work on a basis of outwork contract, if he or she reached in this respect income amounting to at least minimum wage/salary,
- provided services on 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 of 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.

Unemployment benefit rates valid from 1 June 2008

Employment period	% of basic benefit	PLN monthly
below 5 years	80 (reduced)	441.50
from 5 to 20 years	100 (basic)	551.80
more than 20 years	120 (increased)	662.20

As of the end of 2008 there were 221 375 persons entitled to unemployment benefits.

Unemployment rate in Poland in 2003-2008



In December 2008 the unemployment rate amounted to 9.5%. As compared to 2007 it was lower by 1.9 percentage points.



For more information on ZUS
and social insurance scheme
consult the website

www.zus.pl