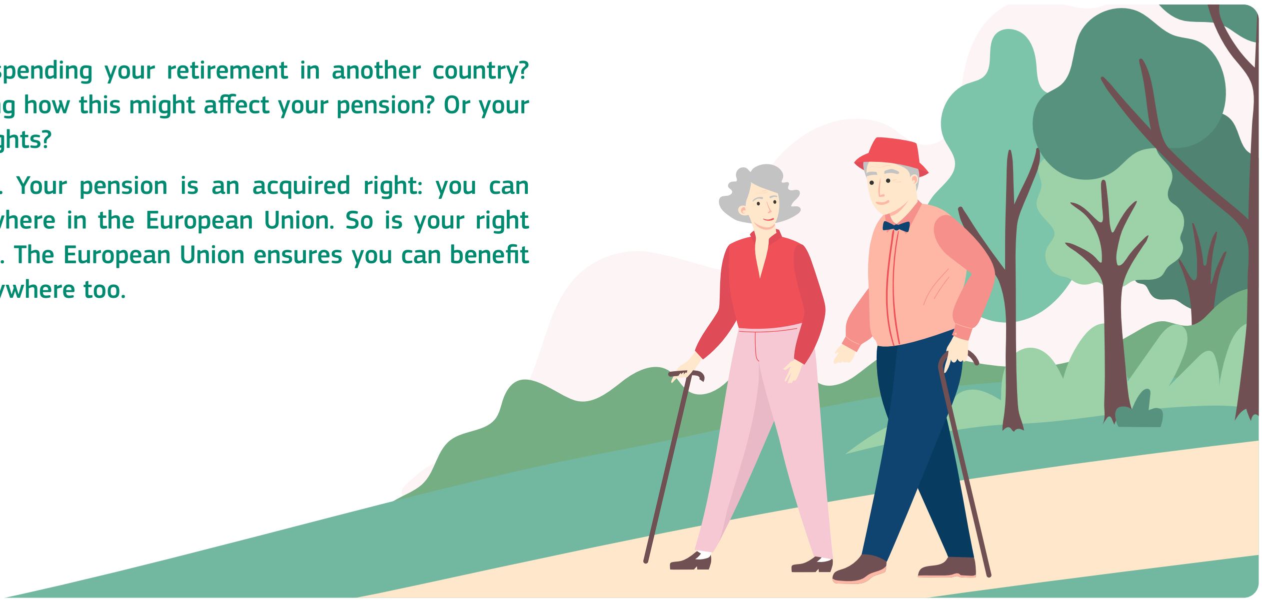
European Commission

Retirement abroad

How the European Union protects your pensions and healthcare rights

Considering spending your retirement in another country? And wondering how this might affect your pension? Or your healthcare rights?

Rest assured. Your pension is an acquired right: you can claim it anywhere in the European Union. So is your right to healthcare. The European Union ensures you can benefit from that anywhere too.



Many people choose to retire to a Member State other than the one where they spent their working life. More than 5.5 million pensions are paid each year to retirees who have done that. This is 4.1% of all pensions. So you are not alone.

All these pensioners would probably have been reluctant to change countries when they retired if it meant forfeiting their right to their pension, either in part or in full. This does not happen. Any pension rights accrued from living or working for at least one year in another Member State are recognised (provided that the conditions under national law[1] are met). A pension cannot be cut, changed, suspended, withdrawn or annulled just because the institution paying out the pension is not in the Member State the pensioner is living in.

HOW YOUR STATUTORY PENSION RIGHTS ARE GUARANTEED

EU law[2] guarantees migrant pensioners an unrestricted right to the export of old-age, survivor and invalidity pension benefits.

A number of provisions of EU law[3] specifically protect the rights of **individuals who are subject to the legislation of two or more Member States**. You only need to have been insured for one year

NOTE THAT...

The information and principles explained in this article refer only to statutory pension schemes [i.e. schemes established by law and financed, as a rule, by a pay-as-you go (PAYG) system]. They do not extend to supplementary pension schemes (i.e. schemes established by the social partners or by an employer and financed by capitalisation). PAYG and capitalization financing methods refer to different ways of funding retirement benefits for workers.

In a PAYG system, current workers pay into the pension system, and those funds are used to pay benefits to current retirees. When the current workers retire, the next generation of workers will pay into the system to fund their benefits. The idea is that the system is self-sustaining, and benefits are paid out as contributions come in.

In a capitalization system, workers make contributions into individual retirement accounts, which are invested to generate returns. When workers retire, they draw down on the accumulated funds in their accounts to pay for their retirement. The idea is that workers have more control over their retirement savings, and the funds accumulate over time through investment returns.

The main difference between the two systems is in how retirement benefits are funded. In a PAYG system, benefits are paid out of current contributions, while in a capitalization system, benefits are paid out of accumulated savings. PAYG systems are typically used by governments to provide pensions for the general group of retired workers, while capitalization systems are more commonly used in private sector retirement schemes.

1 The conditions which have to be fulfilled are the pensionable age, the number of periods of insurance or a minimum duration of residence. These requirements are a prerequisite for the entitlement to a pension benefit (partial pension benefits) acquired in different Member State by a former migrant worker. They have to be fulfilled in each Member State for each partial pension.

2 Art 7 of Regulation 883/2004/EC (also called the Basic Regulation).

3 See Chapter 5 of the Basic Regulation which addresses the coordination of old-age and survivors' pensions (Articles 50-60); Chapter 4 (Articles 44-49) covers provisions related to the coordination of invalidity pensions.

to be eligible to collect your pension in another Member State[4]. You become eligible as soon as you reach the pensionable age in the country you are living in at the time.

HOW AND WHERE TO CLAIM YOUR PENSION FROM A MEMBER STATE WHERE YOU HAVE WORKED ALL YOUR LIFE

If you are claiming an old-age, survivor, or invalidity pension, you can **submit a claim to the pension authority in the Member State of your residence or the pension authority in the Member State where you were last insured** (either one will be known as your '**contact Member State**'). If you are claiming from a Member State where you have never had pension insurance, then the contact Member State is either the Member State **where you were last insured or last employed**. The contact Member State forwards the claim and the accompanying documents to the pension authority of the Member State where you were previously insured, which calculates and pays out the pension.

WHAT IF YOU HAVE WORKED IN SEVERAL MEMBER STATES ?

If you have been subject to the legislation of more than one Member State, during your working life, you will receive a pension from each of those Member States. You submit your claim in the same way as someone who has worked all their life in one Member State, i.e. you can submit a pension claim to a 'contact Member State'. The 'contact Member State' forwards the claim and the accompanying documents to every other pension authority concerned, which in turn then notify the contact Member State of their decision on the claim.

Once the contact Member State pension authority has received all the decisions, it will send you and the other Member States involved a summary of those decisions, typically using a form known as Portable Document P1. This summary, known as the **PD P1 'Summary note'**, provides an overview of the decisions made by the various Member States in response to your pension claim.

Example: *Former bank employee Sophia was insured for 45 years in three different Member States. She was insured for three years in Germany, 22 years in Belgium and 20 years in Luxembourg. Sophia currently resides in Belgium but was working in Luxembourg when she retired. Sophia can submit a claim either to the competent institution in Belgium (i.e. her Member State of residence) or in Luxembourg (i.e. the Member State in which she was last insured).*

In this situation, two principles of EU social security coordination apply to calculation of the pension amount each Member State will pay: 'aggregation of insurance periods' and the 'pro rata pensions calculation method'[5]. This works as follows:

- **Independent pension calculation:** Each Member State in which you meet all pension requirements (such as pensionable age and the qualifying period) first calculates the pension you would receive based solely on their national legislation. It only takes into account the completed periods of insurance in that Member State relative to the number of contribution years required. This is called the "independent pension".
- **Theoretical pension calculation:** In the second stage, each of the Member States concerned calculates what the pension would have been if the claimant had spent all their working life (i.e.

NOTE THAT...

The minimum period of insurance, residence, or work required to be eligible for old-age pensions differs between Member States. Aggregation of periods can be used to meet the required minimum period of insurance, residence, or work to qualify for an old-age pension. This means that periods of insurance, residence, or work in different Member States can be combined and treated as a single period. This may enable individuals to meet the required minimum period and become entitled to an old-age pension for which the required minimum insurance period is higher. To find out the qualifying period in a particular Member State, you can check the Missoc Comparative Tables, Table 6 Old-Age.

4 According to Article 57 of the Basic Regulation, a Member State is exempt from the obligation to provide an old-age benefit if the duration of insurance, employment, self-employment, or residence is less than one year; thus, no right to benefit is accrued for periods of less than one year under that legislation.

5 Article 52 of the Basic Regulation.

all accrued all periods of insurance) in that Member State, e.g. if you worked for 20 years in one Member State and 20 in another, this calculation assumes that you worked for 40 years in each Member State. This is the theoretical pension.

- **Pro-rata pension calculation:** In the third stage, each Member State divides the theoretical pension amount by its share of the total number of insurance periods, i.e. the proportion of the theoretical pension that applies to that Member State. This is the pro-rata pension.

Finally, the independent pension and the pro-rata pension are compared and you receive the higher amount. The pension you receive in the end consists of a number of 'partial' pensions, each based on the completed periods of insurance acquired in the Member State concerned.

Example: *In Sophia's case, only Belgium and Luxembourg calculate the independent pension. Germany has a qualifying period of five years and she does not meet that requirement. However, Belgium, Luxembourg and German all calculate the theoretical pension and the pro-rata pension. Belgium and Luxembourg award whichever is higher of the independent or the pro-rata pension. Germany pays the pro-rata pension.*

YOUR RIGHTS TO HEALTHCARE

As a cross-border pensioner, you are entitled to the package of publicly funded healthcare available in your Member State of residence[6]. It will ultimately be paid for by the Member State which is considered to be what is known as the 'competent Member State' in your case.

You may find yourself in one of the following situations:

- **You are a pensioner who receives a pension (or a partial pension) from the Member State of residence, which is a country you once worked in.**

  In this case, the Member State of residence (i.e. the Member State which pays a pension) is what is known as the **'competent Member State'**. This means that your healthcare is provided by and at the expense of the Member State of residence.

  Example: *You are a Spanish pensioner who receives a pension from Germany, Austria and Spain and you reside in Spain. Spain is the "competent state" even if you only receive a partial pension from this State.*

- **You are a pensioner who does not receive a pension from the Member State of residence, i.e. you have retired to a country that you never worked in.**

  In this case, the **'competent Member State'** is the Member State which pays a pension.

  If, during your working life, you have been insured in more than one Member State, the **competent Member State** is the Member State of your longest period of insurance.

  Example: *You are a Spanish pensioner receiving a pension from Germany, Austria and Spain and you reside in Portugal. Your longest insurance period was in Germany. As Germany is the country where you were part of a statutory insurance scheme for longest, Germany is the "**competent state**" and will pay for your healthcare in the country you are living in, i.e. Portugal.*

The competent Member State fully reimburses the cost of the healthcare provided in the Member State of residence[7] (by means of Portable Document S1).

You will need a European Health Insurance Card (EHIC) to cover medically necessary healthcare during a (temporary) **stay** outside your country of residence, the competent Member State will issue it. This does not apply to stays in the competent Member State.

6 Articles 23-30 of the Basic Regulation.

7 Article 35 of the Basic Regulation.

Thus, if you need healthcare cover during temporary stays, you may find yourself in one of the two situations below:

- **A stay outside the competent Member State while residing in another Member State:**

  Example: *You are a German pensioner residing in Italy (with no pension entitlements there) but on holiday in Spain. If you need medically necessary healthcare in Spain, you will need to show the Spanish authorities an EHIC issued by Germany as the competent Member State.*

- **A stay in the competent Member State while residing in another Member State:**

  Example: *You are a German pensioner, you reside in Spain and you are staying for a couple of days in Germany to visit family. During this time, you need to see the doctor urgently. You are entitled to medical care as if you were living in Germany.*[8]

Happy and healthy retirement!

THE FUTURE IS DIGITAL

The digitalisation of social security coordination is underway and progressing fast now. Digital tools will soon facilitate the procedures to claim your pension(s) from abroad. The implementation of the Single Digital Gateway Regulation requires that by the end of 2023, EU citizens should be able to access and complete 21 key administrative procedures online and obtain the result electronically.

One of the procedures listed is claiming a pension. The result of this procedure is the summary of pension decisions (PDP1).

Thanks to the Electronic Exchange of Social Security Information (EESSI), social security institutions across the EU are able to exchange information rapidly, securely and accurately, including in the field of pensions.

8 Annex 4 of the Implementing Regulation (Reg. 987/2009).

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