

2. Old-age and Survivors' Insurance

A. General

Old-age and survivors' pensions of the National Insurance Institute constitute the first tier of the pension system in Israel and ensure a basic income for those who retire from a life of active work as well as for the survivors of an insured person upon his death. Pension from work constitutes the second tier of the pension system and, together with the NII old-age and survivors' pensions, they are designed to secure a reasonable minimum living standard for the retired and for the elderly. Worthy of note here is the mandatory comprehensive pension agreement in Israel, signed by the New Federation of Labor (Histadrut) and the Bureau of Coordination among the Financial Organizations in July 2007, which the Minister of Industry, Trade and Labor expanded to all workers who had previously no beneficial pension insurance. For a description of this agreement and topics concerning its implications, see the Box in this chapter.

An old-age pension is universally paid to every insured person, without a means test (derived from work or capital) at the *absolute age*, and with a means test at the *conditional age*. Until June 2004, the *conditional age* was 60-65 for women and 65-70 for men and the *absolute age* was 65 for women and 70 for men. In mid 2004, with the implementation of the Retirement Age Law, the age of entitlement to old-age pension was gradually raised for both men and women. The *conditional age* for men was raised from 65 to 67 and therefore their entitlement at ages 67-70 is conditional on a means test, while the *absolute age* for men did not change. The *conditional age* for women was raised from 60 to 64 in two stages: first to 63, and after a break of 3 years, to 64, while the *absolute age* for women was gradually raised from 64 to 70, so that entitlement at ages 62 (or 64) to 70 is conditional on a means test.

Under the Retirement Age Law, during 2007 men/women who turned 66/61 and four months in that year were eligible for an old-age pension. This group includes men and women who turned 65/60 through January-August 2006 and were eligible for an old-age pension in May-December 2007. *Housewives* who turned 66 and four months in 2007 (the *absolute age*) were also eligible for their pensions in that year.

The process of postponing the age of entitlement to old-age pension is detailed in the National Insurance Institute's Annual Survey for 2002-2003.

An increment to the basic old-age pension is paid for a spouse and for children, as well as a *seniority increment* and a *deferred pension increment*. In addition, under a recently approved government decision, a special increment is paid beginning in April 2008 for an insured person who turned 80 years old (*80+ increment*).

The *seniority increment* is paid to a person who has been insured under Old-age and Survivors' insurance for over 10 years. The rate of increment per each year of insurance beyond the initial 10 years is 2% of the pension, and its accumulated rate does not exceed 50%. The *deferred pension increment* is paid to a person who deferred the receipt of his/her pension to the range of ages from

the *conditional age* to the *absolute age*. The rate of this increment is 5% of the pension per each year of pension deferral. The rate of the *80+ increment* is 1% of the *basic amount*¹.

A **survivors' pension** is paid to the insured person's survivors after his death. The basic pension is paid with an increment for children, and beginning in April 2008, also an increment for a survivor aged 80 or over. A widower is defined as being eligible to a survivors' pension if he has children and passes the means test as required by law.

Income supplement to the elderly and to survivors is paid to low-income recipients of old-age or survivors' pensions, up to the amount of income required for minimum subsistence, as defined in the Income Support Law regarding this population.²

Benefits not under the National Insurance Law – the National Insurance Institute pays *special benefits* fully funded by the government to those elderly and survivors who are not eligible for a pension under the National Insurance Law. These persons are mainly new immigrants who were over the retirement age (under the Retirement Age Law) on the day of their arrival in Israel, and are therefore not insured under the National Insurance Law. The basic rates of benefits paid to them are identical to the rates of pension under the National Insurance Law, and entitlement is routinely conditioned on a means test. *Seniority increment* and *deferred pension increment* are not paid for these benefits, but the *80+ increment* is paid. The maximum *income supplement* for recipients of these benefits is equal to that paid to pension recipients under the National Insurance Law. The above-mentioned changes to the age of entitlement to pensions under the law also apply to recipients of benefits not under the law.

In January 2007 there was no change to the *basic amount* for purposes of determining old-age and survivors' pensions, and they were thus not adjusted. In January 2008 they were adjusted by 2.8%, in accordance with changes in price levels.

In March 2008, the Knesset approved a government bill to increase the rate of the old-age and survivors' pensions. Under the bill, beginning in 2008 the basic pension for an individual shall increase by 1.9% (from 16.2% of the *basic amount* to 16.5% thereof) and a special increment at a rate of 1% of the *basic amount* shall be paid to eligible persons aged 80 or over. Moreover, old-age and survivors' pensions with income supplement shall increase according to age: by NIS 29 on average for persons under 80 and by NIS 200 on average for persons aged 80 or over.

1 The amount on which basis most benefits are calculated since January 2006. This amount is updated on January 1st each year, at the rate of the Consumer Price Index increase in the preceding year. The *basic amount* has three different rates for the purpose of updating the various benefits. For most benefits, the *basic amount* in 2007 was NIS 7,240; for child allowances it was NIS 152, and for old-age and survivor's pensions it was NIS 7,352.

2 Beginning in March 2008, income from work over 20% of the *basic amount* (for a single person) or 24% (for a couple) and income from a pension over 13% of the *basic amount* (for a single person) or 20.5% (for a couple) is deducted from the income supplement. Income from work over the above amounts is deducted at a rate of 60% only; income from a pension over the above amounts is deducted in full; income from other sources, including old-age or survivors' pensions, and incomes from capital, are deducted in full from the income supplement beginning with the first shekel, without exemption of any kind.

Counseling Service for the Elderly – The Counseling Service for the Elderly operates as part of the national insurance system since the early 1970's on the basis of voluntary activity by elderly persons for the benefit of other elderly persons. The service, funded from the budget of the Old-age and Survivors' branch and presently in the process of being anchored in law, is part of the Institute's activity in the community and is in addition to the network of funds for developing services for various population groups in Israel. A description of the Counseling Service for the Elderly, including its diversified goals and operation, may be found in the National Insurance Institute's Annual Survey for 2005. In 2007, 4,500 volunteers worked in the Service, about 426,000 home visits were conducted and about 124,000 applications for counseling were handled.

Box 9

Mandatory Comprehensive Pension in Israel

The transition from an active working life to retirement and the change of income components are among the chief characteristics of old age. Various pension insurance plans as described in the NII Annual Survey for 2004 are practiced in the West and are intended to secure an adequate standard of living at times of retirement and old age. Israel, along with a small group of Western countries such as Holland and Ireland, ensure its citizens a basic tier only at times of retirement and old age as part of its national social security scheme. An old-age pension is paid in Israel to every insured person and/or a survivors' pension to the survivors of an insured person. In addition, low-income recipients of old-age or survivors' pension receive an income supplement up to the amount required for minimal subsistence as defined in the Income Support Law. In the second tier of the pension system – not integral to the national social security system – a pension from work is paid to each retiree who accumulated pension rights during his working life, and in the third tier – voluntary and negligible – a pension or a pecuniary amount is paid to each private saver.

Examination of the pension coverage in Israel among the elderly and among workers paints a sad picture. Only 32.6% of the elderly¹ in Israel had an income from a work pension in 2005, with substantial gaps between the genders and among population groups, as was expected (Table 1). The percentage of women and Arabs who received pension from work was particularly low (27.8% and 13.3%, respectively), and the percentage of new immigrants who received such a pension was extremely low (1.7%). The average level of pension for those who had this income was NIS 3,900 (in 2005 prices), constituting 54% of the *average wage per employee post*. The gaps in pension coverage between the genders and among population groups are evident regarding the pension level as well.

From another perspective, the social survey of the Central Bureau of Statistics for 2002 provides unique data on pension programs for Israeli workers. Only half of low-wage Israeli workers (earning up to NIS 4,000) are covered for their retirement under at least one of the following pension programs: seniority pension, pension fund, directors' insurance, life insurance with savings, and provident funds². 67.7% are covered under one pension program and 26.6% are covered under two programs.

1 Men aged 66 or over, and women aged 61 or over.

2 See the Central Bureau of Statistics, **Social Survey 2002 – Pension and Savings Arrangements Toward Retirement, Social Indicators**, Publication No. 9 Jerusalem, August 2005.

Elderly Persons who Received Current Income from Pension, and the Average Pension (NIS), by Gender and Population Group, 2005

Gender and population group	Percentage of elderly persons who received current income from pension	Average pension level	
		NIS	Percent of average wage per employee post
Total	32.6	3,900	54.0
Gender			
Men	40.6	4,698	65.1
Women	27.8	3,220	44.6
Population group			
Veteran Jews	45.4	3,965	54.9
Arabs	13.3	2,748	38.1
New immigrants	1.7	1,773	24.6

Source: The Income Survey of the Central Bureau of Statistics, 2005.

On this background of pension coverage in Israel, the New Federation of Labor (Histadrut) and the Coordination Bureau of the Financial Organizations signed a collective agreement in July 2007 with the aim of implementing mandatory pension coverage (pension fund or directors' insurance) to working men aged 22 and over and to working women aged 20 and over who did not previously have any beneficial pension arrangement. The Minister of Industry, Trade and Labor expanded the agreement to apply to all workers who did not have pension coverage, including those not associated with the Histadrut – workers who earn the minimum wage or even less. The agreement came into force in January 2008 and shall be gradually implemented through five years. In 2013, at the end of the process, the total rate of remittance shall reach 15%, of which 5% will be remitted by the worker. The ensured wage for pension is the basic wage plus supplements determined under the Severance Compensation Law, up to the rate of the average wage in the economy. The agreement is primarily designed to increase the number of persons who shall receive an income from work pension (the second tier of the pension insurance scheme) once they retire, and secure for each retiree an adequate income from pension by virtue of savings accumulated during his working years. In the long run, application of the agreement is meant also to bring about the attainment of central economic and social goals, such as reduction in poverty among the elderly – while increasing participation on the part of the individual and the employer in the former's livelihood after retirement (the agreement is based on the principle of self-financing in the long run) – and a reduction in inequality of income distribution. With the increase in life expectancy and drop in fertility, the share of elderly persons in the total population in Israel shall grow, leading to a reduction in poverty in the population as a whole. Moreover, the agreement shall bring about an increase in pension savings with a resulting rise in production capital stock, leading to an increase in employment and economic growth. The attainment of these goals shall allow a reduction in income supplement payments to the elderly.

It worthy of note that some individuals may be adversely affected by this agreement, such as low-wage workers in the process of accumulating pension rights and older workers (hereafter: *mid-life*

generation) who as a result of the agreement shall accumulate a small pension only due to late entry into the pension system. The current living standard of low-wage workers shall be lowered due to remittance of a premium (5%) and erosion of the net wage shall become even further distanced from the adequate minimal standard of living. This adverse effect may also influence the planned negative income tax and curtail its efficiency. The *mid-life generation* as well shall be unable to sustain itself in dignity without proper intervention, which shall probably be provisional in nature, since with time most persons insured under a pension scheme shall gain maximum seniority. The mandatory pension agreement is therefore intended to secure a reasonable minimum living standard to all elderly persons in the long run. The *mid-life generation* shall not have sufficient time to accumulate enough pension to secure the living standard sought for in the long run. Hence, policymakers should consider a solution for these individuals who are bound to be hurt by the agreement.

In addition to the mandatory pension agreement, other fundamental changes were introduced in recent years to each of the two tiers of the pension system in Israel without coordination among them and without a clear purpose, such as fixing a minimal exchange ratio at time of retirement and reducing poverty among the elderly to a certain level. It is true that the two tiers operate in separate frames, but policymakers should coordinate the changes through the two tiers in order to attain pre-determined goals.

B. Recipients of old-age and survivors' pensions

In 2007, the National Insurance Institute paid old-age pensions under the National Insurance Law and special old-age benefits to about 623,700 elderly persons, as well as pensions to about 105,200 survivors per month on average. In the count of old-age pensions recipients, about 83,200 elderly persons (in December 2007) who receive a full old-age pension and half a survivors' pension are included, as well as about 22,600 disabled elderly persons who receive a supplement for disability (see part E below). The number of old-age pension recipients under the National Insurance Law grew in 2007 by 1%, while the number of survivors' pension recipients remained unchanged.

Table 1
**Recipients of Old-age and Survivors' Pensions, by Type of Pension and Law
 (monthly average), 2005-2007**

	Number of recipients (average)			Annual growth rate		
	2005	2006	2007	2005	2006	2007
Total	719,920	727,516	728,891	-0.3	1.1	0.2
Old age						
Total	614,886	622,335	623,692	-0.5	1.2	0.2
Under NI Law	528,273	539,266	544,631	0.2	2.1	1.0
Not under NI Law	86,613	83,069	79,061	-4.3	-4.1	-4.8
Survivors						
Total	105,034	105,181	105,199	0.6	0.1	0.0
Under NI Law	104,457	104,623	104,659	0.6	0.2	0.0
Not under NI Law	577	558	540	0.9	-3.3	-3.2

The number of special benefits (not under the National Insurance Law) continued to decline in 2007 at a rate of 4.8%, after a 4.1% decline in 2006. This development comes in the wake of decelerated growth in this population beginning in the second half of the 1990's. These trends are the result of a decline in the extent of immigration to Israel and of mortality among elderly immigrants. Due to the reduced immigration, this population shall steadily grow smaller over the years. The share of special benefit recipients out of total old-age pension recipients grew from 8.4% in 1990 to 18.7% in 1996. This rate gradually went down after 1997, reaching 12.7% in 2007. The total number of old-age pension and special old-age benefits grew by 0.2% in 2007, and the number of all old-age and survivors' pensions recipients' grew at an identical rate.

C. Recipients of old-age and survivors' pensions plus income supplement

Recipients of old-age and survivors' pensions who do not have additional income sources or whose income from other sources is extremely low are eligible for a supplement to their pension under the Income Support Law. The number of income supplement recipients through 1990-2001

grew steadily due to the addition of many new immigrants in those years. Through 2002-2007 the number gradually went down, mainly as a result of the decline in the number of immigrants who receive special benefits. Table 2 shows the percentage of persons who receive income supplement by type of pension and number of dependants (on the basis of which the pension level is determined) in December 2007.

Table 2
Recipients of Old-age and Survivors' Pensions, by Type of Pension and Number of Dependants*, December 2007

Type of pension	Total	Number of dependants			
		No dependants	1	2	3 or more
Old-age and survivors' pensions – total	737,554	647,723	78,534	6,675	4,622
% of income supplement recipients	25.9	23.3	47.4	24.2	25.9
Old-age pension under NI Law	555,115	500,606	51,225	2,172	1,112
% of income supplement recipients	15.7	13.3	38.0	34.9	55.3
Old-age pension not under NI Law	77,601	58,705	18,307	318	271
% of income supplement recipients	95.1	96.6	90.3	89.6	97.4
Survivors' pension under NI Law	100,465	84,951	8,361	4,010	3,143
% of income supplement recipients	29.0	31.8	14.1	13.8	9.5
Survivors' pension for children under NI Law	3,854	3,028	599	155	72
% of income supplement recipients	4.8	5.2	4.2	0.0	5.6
Survivors' benefit not under NI Law	519	433	42	20	24
% of income supplement recipients	75.0	75.1	73.8	80.0	70.8

* The number of persons dependent on the person entitled to pension, including the entitled person himself.

In December 2007 25.9% of persons were entitled to an income supplement out of the total number of old-age and survivors' pensions recipients, as compared to 26.6% in the preceding year. The percentage of income supplement recipients out of the recipients of old-age pensions and out of recipients of survivors' pensions went down slightly as well, reaching 15.7% and 29%, respectively. The percentage of income supplement recipients – including mostly new immigrants – among recipients of old-age and survivors' benefits not under the National Insurance Law was very high: 95.1% of these old-age pension recipients and 75% of these survivors' pension recipients in December 2007 were entitled to income supplement.

D. Recipients of old-age pension and half the survivors' pension

Among the recipients of old age and survivors' pensions, there are those who receive both types of pension – old age and survivors together (hereafter: *the two pensions*). The old-age pension is paid by virtue of the old-age insurance of the insured person himself, whereas the survivors' pension is paid by virtue of the survivors' insurance of the spouse. Regardless of the pension to which the person was initially entitled, a person entitled to *the two pensions* receives the full old-age pension to which he is entitled plus half the survivors' pension to which he/she is entitled. Only persons who receive a pension **under National Insurance Law** may be eligible for *the two pensions*. Persons who receive a pension **not under the National Insurance Law** receive their pension by virtue of an agreement and not by virtue of insurance rights in the Old-Age Insurance branch.

In December 2007, 83,210 widows and widowers (94.5% widows), constituting about 15% of old-age pension recipients under the NI Law, were entitled to *the two pensions* (Table 3). There are several reasons for the high rate of women among recipients of *the two pensions*. Firstly, the percentage of insured men is higher than that of insured women; only women who are insured as workers insure their spouse under survivors' insurance (*housewives* do not insure their spouse), while all men insure their spouse; secondly, a widower's entitlement is conditional on a means test; and thirdly, women usually marry men older than them, and their life expectancy is higher than that of men, so that it is more common for women to be entitled to this pension than it is for men.

In December 2007, the average level of *the two pensions* combined was NIS 2,266, about a third of which constitutes a survivors' pension. As expected, the rate of income supplement recipients in this group is not high – only 7.1% – since the amount of *the two pensions* by itself is usually higher than the amount of a pension coupled with an income supplement.

The rate of men who receive an income supplement is double the rate of women for two reasons: firstly, widowers who receive a survivors' pension must undergo a means test, as opposed to widowers, who are exempt from this test. Secondly, women are usually entitled to a survivors' pension at a higher amount than are men (NIS 784 and NIS 671, respectively) since the men in respect of whom their wives receive the survivors' pension had more years of seniority than did the women in respect of whom their husbands receive a survivors' pension (This difference was observed among total recipients as well). This difference between the genders is also discernable in the level of *the two pensions*. The average level of *the two pensions* to which men are eligible is higher than that for women; for the same reason – their old-age pension is higher as a result of a higher *seniority increment* and a *pension deferral increment*.

The average age of *the two pensions* recipients is higher than that of total persons entitled to an old-age pension under the National Insurance Law. The average age for men is 79 as compared to 75.6 among total recipients, and among women – 76.8 as compared to 72.1 among total recipients.

Table 3
Characteristics of Persons Receiving *the Two Pensions*, by Gender, December 2007

	Total	Men	Women
Number of recipients	83,210	4,535	78,675
Percent of income supplement recipients	7.1	13.9	6.7
Average pension (NIS)	2,277	2,353	2,273
Thereof: half the survivors' benefit (NIS)	778	671	784
Average age	76.9	79.0	76.8

E. Recipients of old-age pension to disabled person

The National Insurance Institute pays a disability pension to disabled persons until they reach retirement age, after which they are paid an old-age pension. Following amendments to improve benefits to the disabled introduced in 2002, the old-age pension paid to a disabled person who reached retirement age after January 1, 2002 is at the same rate of his disability pension, including the *additional monthly pension* he received prior to reaching retirement age. The *additional monthly pension*, paid to a disabled person whose degree of medical disability is at least 50% and whose degree of incapacity to earn is at least 75%, today ranges between NIS 214 - NIS 316 per month, in accordance with the degree of medical disability (see chapter on General Disability). Thus, when switching to an old-age pension, the disabled person in fact receives a supplement to the disability pension, and *additional monthly pension* if he is entitled to it, in addition to the old-age pension.

In December 2007, 22,647 elderly disabled, 49% of whom were women, received an old-age pension plus a supplement for disability (Table 4). 79% of the elderly disabled also received an *additional monthly pension*. The average level of the old-age pension for the disabled elderly was NIS 2,292 in December 2007, a quarter of which constituted the supplement for disability and the *additional monthly pension*. As expected, the rate of income supplement recipients in this group was lower than their rate among total recipients of old-age pension under National Insurance Law: 14.1% and 15.7%, respectively. The rate of disabled men who receive an income supplement was higher than that of women (15% and 13%), even though their average pension was higher. Examination of the family status of elderly persons who received an old-age pension for disabled person in December 2007 shows that only 55% of the women were married compared to 79% of the men. Since the family composition determines the rate of the old-age pension plus income supplement, the difference in family composition between genders probably brought about an incongruity between the level of pension and the rate of income supplement recipients.

Table 4
**Characteristics of Persons who Receive Old-age Pension for Disabled Person ,
 by Gender, December 2007**

	Total	Men	Women
Total recipients	22,647	12,485	10,162
Thereof: receive additional monthly pension	17,977	10,534	7,443
Percent of income supplement recipients	14.1	15.0	13.0
Average pension (NIS)	2,292	2,387	2,176
Thereof: supplement for disability and additional monthly pension (NIS)	597	576	624
Average age	66.3	68.6	63.5

F. Seniority increment

Seniority increment to the old-age pension is paid to those elderly who were insured for over ten years. Its rate is 2% of the basic old-age pension for each year of insurance in excess of the initial ten years, up to a maximum of 50% of the pension. In 2007 the percentage of women who received a *seniority increment* continued to rise, reaching 78.8%, while the number of men who received this increment remained stable at 92.9%. The average *seniority increment* paid to a recipient of a pension under the National Insurance Law continued to grow, albeit slightly, reaching approximately 29.4% of the basic pension in 2007 (The rate of the average *seniority increment* is 36.6%). The average increment the men received was double that paid to women: 41.0% and 20.8%, respectively.

In 2007, the percentage of men and women who received a *seniority increment* grew among the new eligible persons, reaching 94.4% and 78%, respectively – higher than the percentages of men and women who received this increment out of the population as a whole. The average *seniority increment* paid to new entitled persons also continued to grow among men and women alike in 2007, but the gap remained wide between the two genders: 41% for men and 25.2 for women. Due to the rise in the rate of women in the work force and the raising of the retirement age, the percentage of women who shall receive a *seniority increment*, in particular the maximum *seniority increment*, is expected to increase, as is the average *seniority increment*.

Table 5
Recipients of Old-age Pensions under the National Insurance Law, by Rate of Seniority and Pension Deferral Increment Recipients, and Rate of Average Increment (percentages and averages), 2002-2007 (December)

Year	Percent of increment recipients*			Average increment per pension recipient		
	Total	Men	Women	Total	Men	Women
Seniority increment						
2002	79.3	93.5	67.8	28.2	40.3	18.6
2002**	75.8	86.4	65.3	29.5	38.0	21.2
2003	79.1	93.2	68.1	28.4	40.4	19.0
2003**	80.0	90.1	70.6	31.2	38.9	24.0
2004	79.4	93.1	68.8	28.7	40.6	19.6
2004**	82.6	92.1	73.9	32.1	40.5	24.5
2005	79.5	93.0	69.3	28.8	40.6	20.0
2005**	81.9	91.5	73.4	31.2	38.8	24.6
2006	79.8	92.9	70.0	29.1	40.8	20.4
2006**	84.2	92.9	76.5	32.0	39.8	25.0
2007	80.1	92.9	70.8	29.4	44.0	20.8
2007**	85.7	94.4	78.0	31.6	41.0	25.2
Pension deferral increment						
2002	13.8	15.0	12.8	2.3	2.5	2.1
2002**	10.6	9.5	11.7	1.9	1.6	2.1
2003	13.7	14.6	13.0	2.3	2.4	2.2
2003**	12.3	9.4	15.0	2.1	1.6	2.5
2004	13.7	14.5	13.1	2.3	2.4	2.2
2004**	11.4	11.4	11.5	2.0	2.0	1.9
2005	13.7	14.5	13.1	2.3	2.4	2.2
2005**	13.2	14.3	12.2	2.3	2.6	2.1
2006	13.7	14.5	13.1	2.3	2.5	2.2
2006*	12.6	14.7	10.7	2.4	2.8	2.0
2007	13.5	14.4	12.9	2.3	2.4	2.2
2007**	10.4	13.2	8.4	2.0	2.5	2.6

* Total number of recipients.

** New recipients.

G. Pension deferral increment

A *pension deferral increment* is paid to a person who reaches retirement age, for each year in which he did not receive a pension due to income from work. Its rate is 5% of the basic pension for each year. This increment is less significant than the *seniority increment*, in terms of both number of recipients and rate.

The percentage of men and women who received a *pension deferral increment* went down in 2007, after remaining stable in the three preceding years, and reached 14.4% of men and 12.9% of women. The percentage of men and women among the new recipients who received this increment in 2007 declined at a faster rate, reaching 13.2% and 8.4%, respectively. The average increment paid to a pension recipient in 2007 remained unchanged: 2.4% for men and 2.2% for women; and the average increase for the recipients of this increment was 16.8%, i.e., pension deferral for 3.4 years. The *pension deferral increment* paid to new recipients in 2007 was slightly higher than the increment paid to total recipients, 2.5% and 2.6%, respectively. The rate of increment too is higher on average among the new increment recipients than among total increment recipients – 19.2% as compared to 16.8%. This means that new retirees work slightly more years beyond retirement age than do retirees as a whole. Following the Retirement Age Law, the rate of increment among women is expected to grow, whereas the number of years by which they can defer their retirement shall increase by 6 years once the process of raising their retirement age to 64 years, and the absolute age to 70 years, is completed – compared to 5 years before the law.

H. Benefit levels

The basic old-age pension continued to grow in 2007, by a real increase of 0.9%. However, this pension was depreciated slightly as a percentage of the *average wage*, reaching 15.2% in 2007. The accumulated rise in the basic old-age pension through 2005-2007 was 4.2%, as a result of canceling the 4% reduction of June 2002 and the increase in the basic pension. The old-age pension coupled with income supplement continued to grow in 2007, registering a real increase of 1.5%. The accumulated real increase in this pension through 2005-2007 reached 12% as a result of increasing this pension through 2005-2006.

The basic survivors' pension showed a real, yet slight, increase in 2007; however, survivors' pensions coupled with income supplement continued to grow in 2007. Thus for example, this pension for a widow with one child registered a real increase of 1.3%, and for a widow with two children – 1%.

The old-age and survivors' pensions continued to increase in April 2008: the basic pension for a single person increased by 1.9% (from 16.2% of the *basic amount* to 16.5%), and a special increment of 1% of the *basic amount* is paid to eligible persons aged 80 or over. Moreover, old-age and survivors' pensions coupled with an income supplement increased in accordance with the age of the eligible person: by NIS 29 on average for persons under 80, and by NIS 200 on average for persons aged 80 or over.

Table 6
**Basic Old-age and Survivors' Pensions,
 by Selected Family Compositions, 2002-2007**

Year	Single person		Couple		Widow with two children*	
	2007 Prices (NIS)	Percent of average wage	2007 Prices (NIS)	Percent of average wage	2007 Prices (NIS)	Percent of average wage
2002	**1,141	15.6	1,711	23.3	2,254	30.8
2003	**1,107	15.6	1,661	23.4	2,235	31.5
2004	**1,112	15.2	1,668	22.8	2,244	30.6
2005	**1,127	15.2	1,690	22.8	2,235	30.2
2006	**1,149	15.3	1,723	23.0	2,243	29.9
2007	1,159	15.2	1,738	22.8	2,247	29.5

* Not including child allowances.

** After a 4% reduction. Beginning May 2005, the reduction went down to 1.5%, and in June it was canceled.

I. Scope of payments

In 2007, the amount of payments in the Old-age and Survivors branch increased by 1.2% in set prices. This increase resulted from both a growth in the number of persons entitled to old-age and survivors' pensions and from the full effect of the legislative changes of the second half of 2006: increase to the rate of the basic pension, cancellation of the reduction in old-age pensions and increase of the pension with income supplement. Benefit payments under the National Insurance law registered a real increase – of 1.6% – and benefit payments not under the National Insurance Law registered a real decrease of 0.4%. The share of benefit payments not under the law (also including payments of income supplement to recipients of a benefits not under the National Insurance Law) reached 20.3% of total payments of old-age and survivors' pensions in 2007. The total payments for National Insurance benefits in 2007 registered a higher real increase than that of the Old-age and Survivors' branch. Thus the share of the Old-age and Survivors' branch in total NII payments went down to 37.9%.

Table 7

Benefit Payments in the Old-age and Survivors Branch (not including administration expenses), current prices and 2007 prices, 2002-2007

Type of pension	2002	2003	2004	2005	2006	2007
Current prices (NIS million)						
Total payments	15,449	15,551	15,780	16,257	17,165	17,461
Under NI Law	12,137	12,296	12,615	12,910	13,628	13,920
Not under NI Law	3,310	3,255	3,165	3,347	3,537	3,541
2007 prices (NIS million)						
Total payments	16,129	16,107	16,408	16,688	17,258	17,461
Under NI Law	12,669	12,735	13,117	13,252	13,702	13,920
Not under NI Law	3,460	3,371	3,291	3,435	3,556	3,541