

2. Old-age and Survivors' Insurance

A. General

Old-age and survivors' pensions constitute the first tier of the pension system in Israel and ensure a basic income for an elderly insured person and for his survivors after his death. Pensions from work constitute the second tier of the pension system, and, in conjunction with the old-age and survivors' pension, they are intended to ensure that the retired and the elderly have a reasonable minimum standard of living (see chapter 4 [2], Old-Age and Survivors' Insurance, NII Annual Survey for 2007).

An old-age pension is paid to every insured on a universal basis, with no means test (from either work or capital) at the age of eligibility (absolute age), and upon reaching retirement age (the conditional age) if the insured passes the means test. Up until June 2004, the retirement age was 60-64 for women and 65-69 for men. In mid- 2004, the Retirement Age Law came into effect, which gradually raised the eligibility age for an old-age pension for both men and women: the retirement age for men to receive an old-age pension was raised from 65 to 67, and therefore, their eligibility during the 67-to-69 age bracket was made conditional on a means test. The (absolute) eligibility age for men was not changed. The (conditional) retirement age for women was raised from 60 to 64 in two stages: initially to 62 and, according to the Retirement Age Law introduced in 2004, after a hiatus of 3 years, it was supposed to rise to 64, but in 2011 the Knesset decided to postpone the further rise in the retirement age for women for five years. The gradual process of increasing the retirement age for women from 62 to 64 will resume in 2017 after a hiatus of eight years. The (absolute) eligibility age for women was gradually raised in the Retirement Age Law from 65 to 70. In 2012, after a hiatus of three years, during which this age was 67, the eligibility age rose to 67 years and four months.

Increments for a spouse and dependent children are added to the basic old-age pension (according to criteria set forth in the law, such as the means test), as well as a seniority increment and a pension-deferral increment. Additionally, since April 2008, a special increment has been paid to insured persons upon reaching the age of 80. The **seniority increment** is payable to anyone who has been insured for more than ten years, and its rate is 2% of the pension for every year of insurance beyond the first ten years, up to a maximum of 50%. The **pension-deferral increment** is granted to anyone who defers taking his pension during the age bracket when receipt of a pension is contingent upon a means test of income from work or from capital (from the conditional age to the absolute age), due to having earnings from work. This increment is at the rate of 5% of the pension for each year of pension deferral. The rate of the **special increment for insured persons who have reached the age of 80** is 1% of the "basic amount."¹

An old-age pension is paid to every insured on a universal basis, with no means test (from either work or capital) at the age of eligibility (absolute age), and upon reaching retirement age (the conditional age) if the insured passes the means test

1 See Note 3, Chap. 1.

A **survivors pension** is paid to the survivors of an insured after his/her death. A seniority increment is added to the basic pension, and an increment for children who are defined as dependent, and, since April 2008, an increment has also been added for a survivor who has reached the age of 80, as stated above. A widower is defined as being eligible for a survivors' pension as long as he still has dependent children, or if he meets the means test, as required by law.

An **income supplement for the elderly and for survivors** is paid to recipients of old-age or survivors' pensions who have little or no income, up to the amount of the pension specified in the Income Support Law for this population, and in accordance with the rules prescribed in this law.

Pensions not prescribed under the National Insurance Law – The NII pays special pensions to the elderly and to survivors who are not eligible for a pension under the National Insurance Law. These special pensions are fully funded by the government.

Individuals who are eligible for these pensions are primarily new immigrants who were above the retirement age (according to the Retirement Age Law) on the day they immigrated to Israel and, consequently, are not insured under the National Insurance Law. The rates of basic pension paid to them are identical to the pension rates under the law, with eligibility usually conditional upon a means test. No seniority or pension deferral increments are added to these pensions; however, since April 2008, an increment has been paid to eligible new immigrants who reached the age of 80, as stated above. The maximum income supplement for recipients of these pensions is the same as that paid to pension recipients according to the law. Any changes in the eligibility age for a pension under the law also apply to recipients of pensions that are not prescribed by the law.

Counseling Service for the Elderly – Since the early 1970s, a Counseling Service for the Elderly has been operating within the framework of the NII, with elderly people volunteering to help their peers. As one of the NII's activities in the community, the counseling service supplements the activities of the funds for the development of services for diverse populations in Israeli society². In 2012, an average of approximately 4,400 volunteers took part in the counseling service each month and there were about 370,000 home visits. The service handled approximately 153,000 requests for counseling.

Death grant – is paid for a deceased who was eligible for an old-age or survivors' pension (under the National Insurance Law) and who is survived by a spouse, or, in the absence of a surviving spouse, by a child, as defined in the National Insurance Law.

Burial expenses – Every person who dies in Israel is entitled to be interred at no cost. The NII pays the burial expenses to a duly licensed burial society to cover the funeral expenses for every deceased who is interred in Israel. Population groups who

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 2 A description of the Counseling Service for the Elderly, its objectives and varied activities, is given in the NII Annual Survey for 2005.

customarily bury their dead without using burial societies may receive these funeral expenses personally. The tariff for funeral expenses is categorized according to the age of the deceased and the size of the community in which the burial society operates. In certain instances, the burial society is permitted to collect a fee for an interment (pre-purchase of a burial plot, purchase of a plot for a deceased in a particular location, and burial in a closed cemetery). If the number of paid interments exceeds the ratio specified in the regulations, the burial society is eligible for reduced payments. In 2012, burial expenses were paid for approximately 41,000 interments.

B. Legislative amendments

1. Legislative amendments to the rates of old-age and survivors' pensions

Pensions under the National Insurance Law – The Economic Efficiency Law for 2009 prescribed that the basic old-age and survivors' pensions would be gradually increased until 2011 at the rate of approximately 7.3%. The pensions were increased at a rate that maintained the difference (1% of the basic amount) between the pensions of those under the age of 80 and those aged 80 and above.

In August 2009, the pension for an individual was 17% of the basic amount; in January 2010, it was increased to 17.35% and, in January 2011, to 17.7% of the basic amount. The pensions for all other family compositions increased accordingly.

This increase in the pension rate is in addition to the increases in the pension rates in recent years. In July 2006, the pension was increased from 16% of the basic amount to 16.2%; in April 2008, from 16.2% to 16.5%, with a further increment of 1% of the basic amount for those aged 80 and above. In 2009, the rate of the increase in the old-age and survivors' pensions totaled approximately 3%, in January 2010 it was approximately 2.1%, and in January 2011, the increase to 7.3% was completed.

Old-age and survivors' pensions, including income supplements, also rose in line with the increase in the basic pension. Additionally, an age bracket (70-79) was added in August 2009, and those in this age bracket were paid an increment of approximately NIS 120 for an individual or approximately NIS 180 for those with dependents (this increment also includes the increase in the basic pension). Those aged 80 and above were paid an increment of NIS 75 for an individual, or NIS 107 for a person in this age bracket who has dependents. In 2010 and 2011, the rate of the pension including the income supplement rose according to the increase in the basic pension.

From January 2010, the pension for an individual eligible for income supplement was 29.9% of the basic amount for those under 70, 30.7% for those in the 70-79 age bracket, and 32.1% for those in the 80-and-above age bracket. As of January 2011, these rates were increased to 30.3%, 31.2% and 32.6% of the basic amount, respectively.

It should be noted that the increase in the rates of the old-age and survivors' pension, including income supplement, is in addition to increases in this pension in recent years.

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The pension for an individual, which was 25% of the basic amount, increased to 28.8% in April 2008

The pension for an individual, which was 25% of the basic amount until June 2005, increased to 27.3% in July 2005, to 28.5% in July 2006 and to 28.8% in April 2008. The rate for individuals in the 80-and-above age bracket was 30.8% of the basic amount until August 2009.

2. Legislative amendments to the eligibility criteria

The period for retroactive payment for those claiming old-age pensions after the eligibility age was extended: It is possible to receive retroactive payment up to a maximum of 48 months from the eligibility age, including up to 12 months after the retirement age. This amendment applies to claims submitted on or after February 1, 2008.

Payment of income supplement to women in shelters for victims of domestic violence: Women in shelters for victims of domestic violence will be eligible for payment of the income supplement according to predefined conditions and on condition that they received income supplement in the month prior to their move to the shelter.

The provision that ownership or regular use of a vehicle cancels the right to income support has been revoked and an alternative arrangement defined: Monthly income will be credited to a vehicle worth no more than NIS 40,000. Owners of a vehicle worth more than this amount will not be entitled to a pension supplement or an income supplement (excluding owners of vehicles for medical needs or mobility vehicles). The attributed income will reduce the increment for income supplement. The attributed income is 3% of the value of the vehicle above the value not taken into account. The vehicle value not taken into account is higher for one who works (whose income from work is more than 17% of the average wage): NIS 17,000 instead of NIS 9,000.

Amendment to the Income Supplement Law regarding attribution of income from property: The value of income from property will be according to the type of property (financial or real estate), taking into account a property value with a rate of yield according to market conditions, with an additional graduated increment, the composition of the family and the age of the claimant. The rate of yield of a financial asset has been determined according to the short-term loan rate for 12 months published by the Bank of Israel. The yield for real estate: agricultural land 0%; residential property 3% and commercial property 5%. The additional incremental bands ranging from 1.5% to 5% are specified in the Regulations. In addition, a mechanism for annual update of the rate of yield has been defined, for calculation of the value of the attributed income.

The conditions for payment of old-age pensions to all housewives have been extended: Since 1996, a housewife (a married woman whose spouse is insured and who does not work and is not self-employed) and a widow receiving a survivor's pension or a dependent's pension, who does not work and is not self-employed (a pensioned widow), who were born on or after 1931 and were residents of Israel during the 5 years prior to reaching eligibility age, have been eligible for an old-age pension at the eligibility age. From January 2013, housewives and pensioned widows who were born before 1931 may also be eligible for an old-age pension on the same conditions.

Old-age Pension for Housewives and Pensioned Widows

In early 1996, Amendment no. 7 to the National Insurance Law came into effect, which stipulated that a housewife or a widow receiving a survivor's pension or a dependent's pension (on account of an insured person who died due to a work accident) and who does not work and is not self employed, will be eligible for an old-age pension in her own right. Eligibility for the pension will apply to women born after 31.12.1930 (who were aged 65 or less when the law was introduced) on condition that they were residents of Israel for at least 5 years before the eligibility age.

A "housewife" for the purposes of the old-age pension is a married woman, excluding a "chained wife" (aguna), whose husband is insured with old-age and survivors pension under the National Insurance Law and who complies with the following conditions: she does not work and is not self employed and has not accumulated sufficient years of insurance as an insured worker to give eligibility for an old-age pension. Also eligible are widows who are eligible for a survivor's pension or a dependent's pension and who comply with the aforesaid conditions (**hereinafter: "pensioned widow"**).

The old-age pension to which housewives and widows are eligible as aforesaid is the basic pension with no increments (seniority increment, pension deferral increment, dependents' increment). The husbands of housewives are not eligible for survivor's pension after their death, but are eligible for a death grant, and their children are eligible for survivors' pension.

Housewives and pensioned widows who are eligible for survivors' pension are not eligible for a combination of old-age pension and half the survivors' pension after the death of their spouse, unlike other recipients of old-age and survivors' pensions, but can choose the higher pension of the two.

Over the years many laws have been proposed to extend the eligibility for old-age pensions to older housewives and pensioned widows. In the 17th Knesset two bills were tabled to extend the application of the Amendment, and there were three more bills in the 18th Knesset. In 2012, the application of Amendment 7 was extended, so that eligibility for a pension would apply to all housewives and pensioned widows, including those who reached the eligibility age before the amendment came into force, namely women born before 1931. The Amendment (no. 138) that was implemented on January 1, 2013, extends eligibility to women aged 82 and over.

The amendment was intended to extend the rights of housewives and widows, but eligibility for the old-age pension could affect eligibility for the income supplement, paid to those whose income from work, pension or other source is lower than the minimum income level necessary for survival, as defined in the law. The supplement entitles its recipients to various benefits, including discounts on medications, reduced health insurance payments, and discounts on municipal taxes and electricity.

Over the years many laws have been proposed to extend the eligibility for old-age pensions to older housewives and pensioned widows

The income supplement is paid to a family and determined by the income of both spouses. The old-age pension is deemed income for the purpose of the means test, and therefore its payment could lead to a cessation of eligibility for income supplement by increasing the level of family income. Before the amendment, the husband was eligible for an old-age pension including an increment for his spouse, but after the amendment, each spouse will be eligible for the old-age pension in his or her own right (Table 2). Removing eligibility for the income supplement could lead to a loss of eligibility for some of the associated benefits, and thus reduce the family's available income. Therefore the amendment states that couples who were eligible for associated benefits as recipients of income supplement will continue to be eligible for such benefits even if they are no longer eligible for the supplement.

The survivors' pension is paid to eligible widows according to the years of seniority accumulated by the couple plus a supplement for their dependent children (as defined in the law). Therefore most of them are eligible for a survivors' pension that is greater than the amount of old-age pension to which they are eligible under the amendment. We assume that in view of these facts, most of them will choose the survivors' pension paid to them on account of their husband, and not the old-age pension due to them in their own right.

Below are examples of the amounts of old-age pension paid to housewives and widows who were eligible for survivors' pension before and after the amendment to the law (2013 prices, Tables 1-4).

The Amendment adds for the families of housewives who are not eligible for income supplement (Table 1) an amount of NIS 172-832 per month, depending on

Table 1
Housewives: Old-age Pension* Without Income Supplement (NIS)

Pension components	Pension without seniority and deferral supplements		Pension with seniority and deferral supplements	
	Before 1996	After the 2012 amendment	Before 1996	After the 2012 amendment
Old-age pension for spouse aged 80 and over	1,587	1,587	1,587	1,587
Increment for spouse	755	0	755	0
Seniority increment (50%) and pension deferral increment (25%)	0	0	2,049	1,389
Old-age pension for housewife with supplement for those aged 80 and over	N/A	1,587	N/A	1,587
Total for the couple	2,342	3,174	4,391	4,563

* Amount of pension in 2013.

the supplements to which their husbands are entitled (excluding income supplement for the disabled). The smaller the amount of the supplements for the husband, the larger the family increment deriving from the amendment.

The families of housewives whose husbands receive the maximum seniority supplement and pension deferral supplement of 20% (Table 2) are not entitled to an income supplement after the amendment, but can retain the eligibility for associated benefits.

Regarding a widow who is eligible for a survivors' pension and is not eligible for income supplement (Table 3) – her choice will be affected by the supplements for which she was eligible on account of her husband. The larger the amount of seniority supplement, the greater the gap between the survivors' pension and the old-age pension. It must also be remembered that a widow with children who chooses the old-age pension will not be eligible for the children's supplement to which she would perhaps have been eligible with survivors' pension.

A widow who receives a survivors' pension and is eligible for income supplement (Table 4) will not lose her eligibility for income supplement if she chooses the old-age pension, even if her husband was eligible for the maximum seniority supplement.

To sum up, Amendment 138 that was introduced at the beginning of 2013 extends the eligibility for old-age pension to all housewives and pensioned widows irrespective of their year of birth. The amendment is intended to benefit those born before 1931, and therefore those who were eligible for income supplement before the amendment retain their eligibility for the associated benefits, even if their income increases following the old-age pension and they are no longer eligible for the income supplement. Thus the amendment ensures that the family's available income is retained and not eroded.

Amendment 138 introduced at the beginning of 2013 extends the eligibility for old-age pension to all housewives and pensioned widows irrespective of their year of birth

Table 2
Housewives: Old-age Pension* with Income Supplement (NIS)

Pension components	Pension without seniority and deferral supplements		Pension with seniority and deferral supplements	
	Before 1996	After the 2012 amendment	Before 1996	After the 2012 amendment
Old-age pension with supplement for spouse aged 80 and over	1,587	1,587	1,587	1,587
Increment for spouse	755	0	755	0
Seniority increment (50%) and pension deferral increment (20%)	0	0	1,874	1,270
Old-age pension for housewife with supplement for those aged 80 and over	N/A	1,587	N/A	1,587
Income supplement	2,044	1,212	170	Ineligible
Total for the couple	4,386	4,386	4,386	4,444

* Amount of pension in 2013

Table 3
Widows: Survivors' Pension* Without Income Supplement (NIS)

Pension components	Pension without seniority supplement		Pension with seniority supplement	
	Before 1996	After the 2012 amendment	Before 1996	After the 2012 amendment
Survivors' pension with supplement for widows aged 80 and over	1,587	0	1,587	0
Seniority increment (50%)	0	0	794	0
Old-age pension for housewife with supplement for those aged 80 and over	N/A	1,587	N/A	1,587
Total for the individual	1,587	1,587	2,381	1,587

* Amount of pension in 2013

Table 4
Widows: Survivors' Pension* With Income Supplement (NIS)

Pension components	Pension without seniority supplement		Pension with seniority supplement	
	Before 1996	After the 2012 amendment	Before 1996	After the 2012 amendment
Survivors' pension with supplement for widows aged 80 and over	1,587	0	1,587	0
Seniority increment (50%)	0	0	794	0
Old-age pension for housewife with supplement for those aged 80 and over	N/A	1,587	N/A	1,587
Income supplement	1,374	1,374	581	1,374
Total for the individual	2,961	2,961	2,961	2,961

* Amount of pension in 2013

C. Pension recipients

1. Recipients of old-age and survivors' pensions

In 2012, the NII paid old-age pensions under the National Insurance Law and special old-age benefits to approximately 701,000 elderly persons, and survivors' pensions to approximately 101,000 survivors on average per month. The recipients of old-age pensions included approximately 96,200 elderly persons who received a full old-age pension and half of the survivors' pension (see clause 3 hereunder), and approximately 42,200 disabled elderly persons who received a disability pension supplement (clause 4 hereunder). The number of recipients of an old-age pension under the National Insurance Law increased in 2012 by approximately 4.3%, while the number of recipients of a survivors' pension only (under the National Insurance Law) declined by 0.7%.

The number of recipients of benefits not under the National Insurance Law continued to decline in 2012 at the rate of 5.4%, after a decline of 5.0% in 2011 and 4.8% in 2010. The ratio of recipients of the special benefits to all recipients of old-age and survivors' pensions increased from 8.4% in 1990 to 18.7% in 1996. As of 1997, this rate gradually decreased to 7.7% in 2012. This development continues the downward trend in the pace of growth of this population since the second half of the 1990s. These trends are the result of the decrease in the number of elderly immigrants arriving in Israel and of the mortality rate among elderly new immigrants, which are expected to continue declining with the size of this population as time passes. The total number of recipients of old-age pensions, both under the National Insurance Law and not under the law, increased in 2012 by 3.4%, while the total number of recipients of old-age and survivors' pensions increased by 2.9%. These rates of growth are identical to those of the previous year.

The number of recipients of benefits not under the National Insurance Law continued to decline in 2012 at the rate of 5.4%, after a decline of 5.0% in 2011 and 4.8% in 2010

Table 1
Recipients of Old-Age and Survivors' Pensions, by Pension Category and Legal Basis (monthly average), 2009-2011

	Number of recipients (average)			Annual rate of growth	
	2010	2011	2012	2011	2012
Total	758,490	758,490	780,107	2.1	2.9
Old-age					
Total	656,034	678,134	701,289	3.4	3.4
Under the NI Law	587,949	613,476	640,110	4.3	4.3
Not under the NI Law	68,085	64,658	61,178	5.0	-5.4
Survivors					
Total	102,456	101,973	101,202	0.5	-0.8
Under the NI Law	102,026	101,590	101,842	0.4	-0.7
Not under the NI Law	431	383	360	11.1	-6.0

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

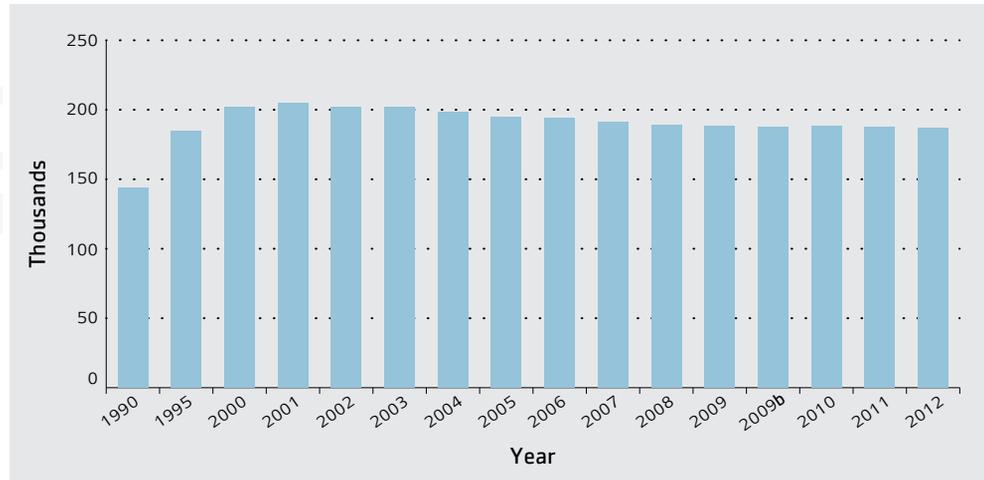
Recipients of old-age and survivors' pensions who have extremely little or no additional sources of income are eligible to receive a supplement to their pension by virtue of the Income Support Law. The number of recipients of an income supplement between the years 1990-2001 increased steadily as many new immigrants joined the system, but since 2008 it has gradually declined (Graph 1), primarily as a result of the decline in the number of new immigrants receiving special benefits.

The number of recipients of income supplement decreased slightly in 2012 – 186,800 recipients on average per month versus 187,300 recipients in 2011 – and thus fell below its 1996 level. Their ratio relative to all pension recipients also decreased slightly, from 24% in 2011 to 23.3% in 2012.

Table 2 presents the percentage of recipients of income supplement in December 2012, by category of pension and number of dependents (which determines the pension rate).

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Graph 1
Recipients of Old-Age and Survivors' Pensions
plus Income Supplement (thousands, monthly average), 1990-2012*



* Until 2009, recipients of split pensions were counted as a separate unit and since 2010, as a single unit. In order to enable a comparison over time, the data for 2009 are shown in both forms (2009 – as a separate unit, 2009.b. as a single unit).

The percentage of recipients of income supplement among all recipients of an old-age pension under the law fell slightly to 15.7% while among recipients of survivors' pension under the law it remained at its 2011 level of 27.8%

The percentage of persons who were eligible for income supplement among all recipients of old-age and survivors' pensions reached 23.0% in December 2012, compared with 23.7% in December 2011. The percentage of recipients of income supplement among all recipients of an old-age pension under the law fell slightly to 15.7% while among recipients of survivors' pension under the law it remained at its 2011 level of 27.8%.

As expected, the percentage of recipients of income supplement was highest among recipients of old-age and survivors' benefits not under the National Insurance Law, most of whom were new immigrants: 94.1% of these recipients of old-age benefit and 66.4% of these recipients of a survivors' benefit in December 2012 were eligible for income supplement. Since the payment of old-age and survivors' benefits not under the National Insurance Law is conditional upon a means test, it is not surprising that the percentage of persons eligible for income supplement among the immigrants is very high. Notwithstanding their high rate among the recipients of special benefits, there are signs of a decline in the ratio of recipients of income supplement even among these benefit recipients. In December 2011 they represented 94.4% of recipients of special old-age benefits and 69.1% of recipients of special survivors' benefits.

It should be noted that, between 2000 and 2006, there was a decrease in the percentage of recipients of an income supplement among recipients of old-age pensions under the National Insurance Law (Table 3). The increase in the rate of the pension including income supplement in recent years payable to the various age brackets (clause B above) contributed to the rise in the percentage of those eligible for this pension from 2006 to

Table 2
Recipients of Old-age and Survivors' Pensions by Category of Pensions and Number of Dependents*, December 2012

Type of pension	Total	Without dependents	One dependent	Two dependents	3 or more dependents
Old-age and survivors – total	813,947	689,669	67,078	6,079	4,570
% receiving income supplement	23.0	21.1	38.9	21.8	21.0
Old-age pension under NI Law	653,648	606,398	43,964	2,104	1,182
% receiving income supplement	15.7	13.8	39.6	34.5	50.4
Old-age pension not under NI Law	59,641	48,594	10,709	182	156
% receiving income supplement	94.1	94.7	91.8	90.7	94.2
Survivors' pension under NI Law	100,319	85,654	7,990	3,790	3,085
% receiving income supplement	27.8	30.2	14.7	14.7	10.5
Survivors' pension not under NI Law	339	277	32	14	16
% receiving income supplement	66.4	67.2	65.6	57.1	62.5

* Including spouse or partner – for Old-age, and children – for Survivors.

Table 3
Recipients of the Old-age Pension under the National Insurance Law with Income Supplement (monthly average), 2004-2012

Year	Recipients of old-age pension under the National Insurance Law		Percentage of recipients of income supplement
	Total	thereof: recipients of income supplement	
2004	527,363	81,271	15.4
2005	528,273	81,288	15.4
2006	539,265	84,127	15.6
2007	544,630	85,817	15.8
2008	555,508	88,011	15.8
2009*	570,854	91,139	16.0
2009**	568,424	90,288	15.9
2010	587,949	94,438	16.1
2011	613,476	97,598	15.9
2012	640,110	100,884	15.8

* Recipients of split pensions counted as a separate unit.

** Recipients of split pensions counted as one unit.

2010, and subsequently there was a decrease. The cumulative data indicate that, in years when the rate of the pension increased, the rise in the number of persons eligible for it is striking (for example, in 2006, 2008, 2009 and 2010).

3. Recipients of an old-age pension and half of a survivors' pension

Some recipients of old-age and survivors' pensions receive both an old-age pension and a survivors' pension (hereinafter: “**both pensions**”). The old-age pension is payable by virtue of the insured's own old-age insurance, while the survivors' pension is payable by virtue

of the spouse's insurance for survivors. Anyone who is eligible for both pensions receives the entire old-age pension for which he is eligible, as well as half of the survivors' pension for which he is eligible, irrespective of the primary type of eligibility. Only recipients of a pension **under the Law** are eligible for both pensions. Recipients of a benefit **not under the Law** receive their pension by virtue of an agreement, and not by virtue of insurance rights in the old-age and survivors' insurance branch.

In December 2012, 97,680 widows and widowers, 94.3% of them women, were eligible for both pensions, representing 14.9% of all recipients of old-age pension under the NI Law

In December 2012, 97,680 widows and widowers, 94.3% of them women, were eligible for both pensions (Table 4), representing 14.9% of all recipients of old-age pension under the NI Law. The high percentage of women among the recipients of both pensions is not surprising, for a number of reasons. (a) The percentage of insured men is higher than the percentage of insured women: only women who are insured because they are working can vest their spouses a survivors' pension (housewives cannot vest insurance to their spouses at all), while all men vest eligibility for insurance to their spouses. (b) The right to a survivors' pension for a widower without children is contingent upon a means test. (c) Women usually marry men who are older than they are, and women's life expectancy is higher than that of men. Therefore, the situation where women are eligible for both pensions is more prevalent.

The rate of increase in recipients of half the survivors' pension is lower than the rate of increase in all recipients of old-age pension under the law (3.2% and 4.3% annually, respectively). In December 2012, the average total of both pensions was NIS 3,034 approximately, one third of which is the survivors' pension. The average total of both pensions for which men are eligible is higher than that of women, because men's old-age pensions are usually higher, due to their higher seniority and pension-deferral increments.

As expected, the percentage of recipients of income supplement among recipients of both pensions is not high – only 7.6% – since the total of both pensions is itself usually higher than the total pension plus an income supplement. The ratio of male recipients of an income supplement is nearly double that of women, because widowers (without minor children) must pass the means test in order to be eligible for the survivors' pension, while widows are exempted from the means test. Since only widowers who meet the criteria of the means test are eligible to receive a survivors' pension, the economic situation of

Table 4
Characteristics of Recipients of Old-age Pension
and Half the Survivors' Pension by Gender, December 2012

	Total	Men	Women
Number of recipients	97,680	5,592	92,088
Percentage receiving income supplement	7.6	12.9	7.3
Average pension (NIS)	3,033.8	3,121.8	3,028.4
thereof: half survivors' pension (NIS)	1,035.7	888.5	1,044.6
Average age	78	79.6	77.9

widowers who are receiving a survivors' pension tends to be worse than the economic situation of widows, who are not obligated to pass the means test as a precondition for receiving a survivors' pension. Moreover, women are usually eligible for a higher survivors' pension than are men (NIS 1,044.6 compared to NIS 888.5), because their husbands usually accumulated more years of seniority.

The average age of recipients of both pensions is higher than the age of all persons eligible for an old-age pension under the law. The average age of men is 79.6, compared to 76.4 among all recipients of an old-age pension under the law, and among women it is 76.4, compared to 72.5, respectively.

4. Recipients of an old-age pension for the disabled

The National Insurance disability pension is paid to a disabled person until he reaches retirement age; subsequently, he is paid an old-age pension. As a result of the legislative amendments that were passed in 2002 to improve the disability pension system, the old-age pension paid to an elderly disabled person who reached retirement age after January 1, 2002 is the same as his disability pension, including **the additional monthly pension** (see the chapter on disability) which was paid to him prior to his reaching retirement age. The additional monthly pension is paid to a disabled person whose medical disability is at least 50% and whose earning incapacity is at least 75%, and, in most cases, in December 2012, this supplement ranged between NIS 244 and NIS 360 per month, depending upon the percentage of medical disability. During the transition to an old-age pension, the disabled elderly person receives, in fact, a sum that supplements his disability pension and the additional monthly pension, if he is so eligible, in addition to his old-age pension.

In December 2012, approximately 45,000 elderly disabled persons (49% of them women) received an old-age pension with a disability supplement or an additional monthly pension (or both), an increase of 12.9% compared to December 2011 (higher than the rate of increase in 2011) (Table 5). Approximately 85% of the elderly disabled persons also received an additional monthly pension. The average old-age pension for an elderly disabled person amounted to approximately NIS 2,763 in December 2012, and approximately one-fifth thereof constituted a supplement to the disability pension,

In December 2012, approximately 45,000 elderly disabled persons (49% of them women) received an old-age pension with a disability supplement or an additional monthly pension (or both), an increase of 12.9% compared to December 2011

Table 5
Characteristics of Recipients of Old-age Pension for the Disabled
by Gender, December 2012

	Total	Men	Women
Total recipients	44,859	23,050	21,809
thereof: recipients of additional monthly pension	38,826	20,066	18,760
Average pension (NIS)	2,763.4	2,806.5	2,718.7
thereof: supplement for disability + additional monthly pension (NIS)	524.7	438.3	613.9
Average age	68.9	71.5	66.2

including an additional monthly pension. 23.3% of the recipients of a disability supplement or an additional monthly disability pension were also eligible for income supplement, with a similar proportion of eligible men and women : 22.7% and 24% respectively.

5. Recipients of a seniority increment

A seniority increment to the old-age pension is granted to elderly persons who have been insured under national insurance for more than ten years. This increment is at the

Table 6
Recipients of the Old-age Pension Under the NI Law,
by Percentage Receiving Seniority Increment and Pension Deferral Increment
and the Average Rate of the Increment, 2008-2012 (December)

Year	Percentage of all recipients receiving increment			Average increment for all recipients of the pension		
	Total	Men	Women	Total	Men	Women
Seniority Increment						
2008*	80.4	92.9	71.5	29.4	41.0	21.3
2008**	83.7	94.4	77.7	29.9	39.3	24.6
2009*	80.1	93.1	72.6	29.7	41.2	21.8
2009**	88.4	96.8	83.2	32.9	43.1	26.6
2009*, ***	80.9	93.1	72.6	29.6	41.2	21.8
2009**, ***	88.4	96.8	83.2	32.9	43.1	26.6
2010*	81.5	93.4	73.8	29.9	41.5	22.5
2010**	87.7	97.6	82.0	33.3	44.7	26.7
2011*	82.2	93.7	74.8	30.3	41.7	23.0
2011**	89.2	98.2	83.6	34.2	44.6	27.7
2012*	83.0	94.0	76.0	30.7	42.0	23.7
2012**	90.9	98.2	85.9	35.0	44.0	28.7
Pension Deferral Increment						
2008*	80.4	92.9	71.5	29.4	41.0	21.3
2008**	12.8	18.5	9.6	2.5	3.6	1.9
2009*	13.5	14.8	12.7	2.3	2.5	2.2
2009**	13.8	19.2	10.5	2.5	3.3	2.0
2009*, ***	13.6	14.9	12.7	2.3	2.5	2.2
2009**, ***	13.8	19.3	10.5	2.5	3.2	2.0
2010*	13.4	14.7	12.5	2.3	2.5	2.2
2010**	10.0	11.9	8.9	1.9	1.9	1.9
2011*	13.2	14.5	12.5	2.3	2.4	2.2
2011**	11.4	11.1	11.6	2.0	1.4	2.4
2012*	13.1	14.2	12.5	2.3	2.3	2.2
2012**	11.1	10.4	11.6	1.8	1.2	2.2

* All recipients.

** Newly eligible

*** Up to 2009 recipients of split pensions were counted as a separate unit, and from 2010

rate of 2% of the basic old-age pension for every year of insurance beyond the first ten years of insurance, up to a maximum of 50% of the pension. Table 6 shows that, in 2012, the percentage of women and men who were paid a seniority increment continued to grow and reached 76% and 94% respectively. The average seniority increment paid to a recipient of a pension under the National Insurance Law also rose, from 30.3% of the basic pension in 2011, to 30.7% in 2012 (the average rate of seniority increment payable to those eligible for this increment is 37%). In other words, the percentage of recipients of a seniority increment rose, and the average number of years for which the increment is paid also increased. The average increment received by men was nearly double the average increment received by women – 42% compared with only 23.7%, respectively (the average rate of the seniority increment payable to those eligible for this increment is 44.6% and 31.2% respectively.)

The percentage of recipients of a seniority increment among newly eligible persons remained at the 2011 level for men, 98.2%, while the rising trend for women continued in 2012, reaching 85.9%. These percentages were higher than the percentages of men and women who received this increment in the total population of recipients. In 2012, the average seniority increment paid to newly eligible persons rose for women but fell for men, but the gap between the genders in respect of this increment remained wide: 44% for men and 28.7% for women. With the increase in participation of women in the labor force and the increase in the number of years they work, it is expected that the percentage of women receiving a seniority increment will increase, particularly the maximum seniority increment, and that their average seniority increment will increase.

Recipients of a survivors' pension are granted the seniority increment for which the deceased had been eligible. The majority of recipients of a survivors' pension (eligible for only survivors pension and eligible for half the survivors pension), 86.3%, are eligible for this increment, and, as expected, the percentage of women receiving the seniority increment accumulated by their deceased husbands is higher than the percentage of men receiving this increment – 87.4% compared with 70.5%, respectively. Furthermore, the average seniority increment for which women are eligible is higher than for men: women receive an average increment of 28.5%, while men are eligible for only 22.9%. The average increment among all recipients of a survivors' benefit is 30.2%, which represents a supplement for 15.1 years beyond the first ten years of insurance.

6. Recipients of a pension-deferral increment

The old-age pension for the age bracket between the retirement age and the absolute age of entitlement is conditional upon a means test. An individual whose income from work does not exceed 57% of the average wage is eligible for the full pension (for a couple – 76% of the average wage). Income from capital at various levels is also taken into account for the means test (as specified in the Law and the Regulations). For every additional shekel, 60 agorot are deducted from the pension (reduced pension) until the pension is

eliminated. An individual whose income is higher than this is not eligible for a pension and will receive a pension-deferral increment at the rate of 5% of the basic pension for each year of deferral. Anyone eligible for a reduced pension may opt not to receive the pension and thus be eligible for a pension-deferral increment. This increment is less significant than the seniority increment, both in terms of the number of recipients and in terms of its rate.

In 2012, the percentage of men who received a pension-deferral increment continued to decline slowly, to 14.2%

In 2012, the percentage of men who received a pension-deferral increment continued to decline slowly, to 14.2%. Part of the explanation lies in the deferral of the retirement age, thus reducing the potential number of years for accrual. The average increment paid to pension recipients decreased slightly for men, to 2.3%. The percentage of women who received this increment remained the same as in 2010 at 12.5%. The average increment paid to a woman also remained the same as in previous years, at 2.2%. In fact, the average increment paid to women has remained unchanged since 2003. The average increment for those who received this increment was 17.1%, representing an average retirement deferral of 3.4 years.

The percentage of newly eligible men and women showed a decrease in both respects: the rate of eligibility for the increment (total and men only; among women the percentage was unchanged), and in the average increment paid to recipients. The rate of those eligible for the increment fell from 11.4% the previous year to 11.1%, and the rate of increment paid fell to 1.8%. The rate of increment paid to all the newly eligible for pension deferral in 2012 was lower than the increment paid to all recipients: 1.8% compared to 2.3% respectively, and this also applies to the rate of eligibility for this increment: 11.1% compared to 13.1%. It appears that the new retirees are less likely than their predecessors to defer their retirement. A similar trend was also observed in 2010 and 2011, and it will be interesting to see if this trend continues.

However, men who joined this year and had deferred their retirement are eligible for an average increment of 11.9% – they postponed their retirement by an average of 2.4 years, that is almost the full deferral period of three years. Among women, the maximum deferral period is longer (see details below), and new joiners who deferred their retirement were eligible for an increment of 18.8%; in other words, for 3.8 years.

As a result of the Retirement Age Law, the rate of the increment among women is expected to grow. For the next 5 years the retirement age for women will remain 62, while the age of eligibility will continue to rise gradually, reaching 70 in the year 2020. Consequently, the number of years for which women can be eligible for the pension deferral increment will gradually increase from 5 to 8, thereafter returning to 6 years when the process of raising the retirement age is complete. On the other hand, the number of years by which a man can defer his pension is only 3, and therefore the gap between men and women in the rate of this increment among pension recipients is expected to close, and the average increment for women may even be higher than the average for men (as was already observed in the last two years among men and women joining the system.)

D. Payments

1. Pension rates

In 2012, the basic old-age and survivors' pensions (for an individual up to age 80 with no income supplement) rose relative to 2011 at the rate of 0.8% in real terms. The real increase in the pensions derives from an update of the pensions at the rate of 2.6% in January 2011, higher than the rise of 1.7% in the average price index in 2012. Old-age and survivors' pensions with income supplement also rose in 2012 at a real rate of 0.9%. The basic pension as a percentage of the average wage declined from 16.9% to 16.8% for an individual up to the age of 80.

In 2012, the basic old-age and survivors' pensions rose relative to 2011 at the rate of 0.8% in real terms, due to an update of the pensions at the rate of 2.6%

Table 7
Basic Old-age and Survivors' Pensions by Selected Family Compositions, 2008-2012

Year	Single individual		Elderly person with dependent spouse		Widow + 2 children*	
	2012 prices (NIS)	% of average wage	2012 prices (NIS)	% of average wage	2012 prices (NIS)	% of average wage
For those under 80 years of age						
2008	1,348	15.2	2,025	22.9	2,608	29.5
2009	1,387	16.1	2,083	24.2	2,680	31.1
2010	1,456	16.8	2,187	25.2	2,815	32.4
2011	1,469	16.9	2,207	25.4	2,846	32.7
2012	1,481	16.8	2,226	25.2	2,871	32.6
For those aged 80 and over						
2008	1,431	23.8	2,107	23.8		
2009	1,471	25.1	2,166	25.1		
2010	1,539	26.2	2,269	26.2		
2011	1,552	26.3	2,290	26.3		
2012	1,565	26.2	2,310	26.2		

* Not including child allowance.

2. Volume of payments

In 2012, the total payments of the old-age and survivors' insurance branch (excluding administrative expenses) increased at constant prices at the rate of 3.8%. Pension payments under the National Insurance Law rose at the rate of 4.9% in real terms, and pension payments not under the National Insurance Law decreased at the rate of 2.2% in real terms. The ratio of pension payments not under the law (which also include payments of income supplements to pension recipients under the National Insurance Law) to all payments of old-age and survivors' pensions was 15.6% in 2012. The total payments of National Insurance pensions (excluding administrative expenses) increased in 2012 by 5% in real terms, which was higher than the rate of the increase in payments made by the old-age and survivors' insurance branch. Therefore, the share of payments of the Old-age and Survivors' insurance branch in the total volume of payments by the NII in 2012 decreased to 37.5%, compared with 37.9% in the previous year.

In 2012, the total payments of the old-age and survivors' insurance branch (excluding administrative expenses) increased at constant prices at the rate of 3.8%.

Table 8
Pension Payments in the Old-age and Survivors Branch
(without administrative expenses; NIS million), 2008-2012

Type of benefit	2008	2009	2010	2011	2012
	In current prices				
Total payments	18,391	19,931	21,782	23,238	24,524
Under the NI Law	14,837	16,284	17,946	19,383	20,689
Not under the NI Law	3,554	3,647	3,837	3,855	3,855
	In 2012 prices				
Total payments	18,705	20,271	22,154	23,635	24,524
Under the NI Law	15,090	16,562	18,252	19,714	20,689
Not under the NI Law	3,615	3,709	3,903	3,921	3,835