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Center for Research on Pensions and Welfare Policies
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THE TERMS OF THE GOVERNMENT-UNIONS AGREEMENT ON PENSIONS

On July 21 the Italian Government reached an agreement with the Trade Unions over a pension reform package, with the following terms:

- **Eligibility for retirement:**

Starting 1st January 2008 the minimum eligibility for retirement, given 35 years of contributions, will gradually increase and will be calculated through a “quota system”, i.e. a combination of age and seniority, as follows:

	Employees		*Self -employed*	
Date	*Age*	*Combination of age/seniority*	*Age*	*Combination of age/seniority*
01/01/2008	**58**		**59**	
01/07/2009	**59**	**95** (59+36 or 60+35)	**60**	**96**
01/01/2011	**60**	**96** (60+36 or 61+35)	**61**	**97**
01/01/2013	**61**	**97** (61+36 or 62+35)	**62**	**98** (62+36 or 63+35)

The plan replaces a law drawn up by the previous Government, foreseeing an immediate increase to age 60 from 2008 (the so called *“scalone” – big step*).

- **Workers excluded by the reform**

The planned changes will not affect 1.4 billion workers involved in hard and hazardous activities, such as miners, production line workers, night-shift workers. They will benefit from a 3-year retirement age discount.

- **Exit windows**

Four exit windows per year will be established for workers with at least 40 years of contributions (old age pensions).

- **Transformation coefficients**

A Commission will be established to study how to implement the transformation coefficients. The revised coefficients will be applied starting from 2010, and automatically updated every three years.

- **Financial coverage**

The reform is expected to cost 10 billion euros over the next 10 years. Funding for the planned reform should come from savings due to reorganization of pensions bodies (with a “safeguard provision” of increasing contribution rates for all workers by 0.09% if this measure will not have been judges successful in 2011) as well as by an increase in the payroll tax rate of non-typical workers starting from 2008.