



Is it right to punish the hard working and financially responsible?

The consequences of being industrious and show foresight

Who am I?



- ▶ My name is Gísli Páll Pálsson
- ▶ 57 years old from Iceland - worked as a CEO in the field of elderly care from 1990
- ▶ Bachelor degree in Business administration and Masters degree in Health Economics
- ▶ Acting Chairman of the board of Grund nursing homes
- ▶ There are three Grund nursing homes with 380 residents
- ▶ We also rent out 152 apartments to people 60 years and older
- ▶ I have been a member of EURAG since 1994, president in 2008 - 2011 - including our last visit to Israel in 2010
- ▶ Married to Alda Pálsdóttir - we have together seven children and eight grandchildren
- ▶ In my spare time I like golfing, hunting and enjoying the outdoors

Topic of the day



- ▶ The topic for the conference is vast and a lot that needs to be discussed
- ▶ The situation of the elderly population in Iceland is relatively good compared to most other countries in the world
- ▶ But, it is always possible to do better
- ▶ There has been a lot of discussion about the pension system in Iceland and the reduction in payments to those who make their own money
- ▶ Outside factors like the war in Ukraine, inflation and the growing energy prices have not had a huge impact on the financial situation of the elderly population in Iceland
- ▶ Energy prices, thankfully, have not exceeded more than the price trend over the past few years

The Icelandic pension system



- ▶ Based on three institutions
 - ▶ Social Security - a pension system including all citizens and is funded with taxes (tier 1)
 - ▶ Pension funds - everyone working in Iceland have an obligation to pay a mandatory contribution. Based on cumulative funds (tier 2)
 - ▶ Supplementary pension savings - voluntary savings that can be inherited (tier 3)

Reduction of pension payments



- ▶ Income from a pension fund - the regular (2) one or the supplementary pension (3) fund, do reduce the standard payments from the social security pool (1)
- ▶ Income from work, from bank interests and rental income also reduce the payments from the social security pool
- ▶ It has been a long standing battle for the Association of Senior Citizens in Iceland to eliminate this reduction of payments from the social security pool
- ▶ A double-edged sword - with no limits - state social security spending will rise significantly
- ▶ The tax burden falls on those who are already working and will be working for the next decades
- ▶ They probably feel they are paying enough taxes as it is

Reduction of pension payments, cont.



- ▶ Reductions of payments impact the incentive to work for those who have reached a retirement age but still want to work a little bit
- ▶ Iceland has been in need of able working hands these past years
- ▶ Quite a lot of foreigners have moved to Iceland to work - which is good
- ▶ But at the same time, it would be good to allow the elderly to work part time without it impacting their income from social security
- ▶ Unemployment in Iceland is 2.8% which means that those who want to work are able to get work
- ▶ The amount of money is besides the point because a living wage in Iceland is considerably higher than in most European countries
- ▶ Will not spend time on numbers

The situation of pensioners



- ▶ The situation of pensioners in Iceland is mostly good
- ▶ Without a doubt most people want to have more income - whether it is income from work or from social security and pension funds
- ▶ Payments from the state social security (tier 1) are rather low - but there are only a few that only rely on them
- ▶ Authorities have been encouraging to have higher payments from workers to pension funds, both the funds tied to work (tier 2) and the voluntary funds (tier 3)
- ▶ This has been done by incentives and tax reduction for those who pay more than the legal limit requires
- ▶ In that manner authorities have tried to minimize government spending and steer away from added need for taxing or reduction in other services

Age composition and how few we are in Iceland



- ▶ The Icelandic nation is relatively young compared to most European nations
- ▶ But we are aging as a nation very fast
- ▶ Longevity is one of the highest in the world, 81 for men and 84 for women
- ▶ And how many do you think live in Iceland?
- ▶ 400.000 😊
- ▶ Very few people supposed to sustain a whole country and a welfare system

The question that hasn't been answered yet...



- ▶ Should we look at the reductions of payments from that state social security (tier 1) as a punishment or a positive effort to minimize government spending?
- ▶ The answer is undoubtedly influenced by the status of the respondent - if number one; he/she is a pensioner who suffers a reduction in the public sector payments or number two is a young worker who may have to pay higher taxes if the payments are not reduced
- ▶ This is a fairly well-known situation and is often referred to as intergenerational combat
- ▶ The younger ones are paying for the care of the elderly in need
- ▶ The older ones have already paid this money with decades-long tax payments and are entitled to this money – to them, it's a matter of principle and justice, not necessarily that they need the money

My opinion



- ▶ My opinion is possibly influenced by two factors
- ▶ On one hand, the fact that I have paid handsomely in private pensions for more than 30 years and have never anticipated receiving a government pension
- ▶ On the other hand I am still working and not fond of paying higher taxes to fund intact basic rate pensions (tier 1) from the public sector to everyone, regardless of their budget and income by other means, including tier 2 and tier 3
- ▶ So, I go for the “punishment” - reductions from tier 1 because of income from tier 2 and tier 3
- ▶ But, having said that, of course, everyone may have their own opinion, disagree with me and discuss further
- ▶ And finally, my opinion might change when the time comes for me to retire and receive pension payments 😊



“Aging is an extraordinary process where you become the person you always should have been.”

—David Bowie

