YOUR PENSION

A Quick Guide for Women

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YOUR PENSION

The journey to your pension begins when you're young. Saving for retirement happens throughout your life, and it's a good idea for you to keep tabs on it, make changes in it if necessary, and, in general, take charge of it.

The information in this guide follows possible stages in a woman's life. The idea is to provide you with enough information so that you ask the right questions, know what to watch out for, and make the right decisions as changes occur in your family life or career. This guide is not a substitute for professional, individualized advice about your pension or taxes – indeed, we encourage you to consult with professionals.

YASMIN SAVES FOR RETIREMENT: HOW TO USE THIS GUIDE

Yasmin is an imaginary person. We're using Yasmin to tell the story of changes that a woman may experience in her life, and to illustrate the significance of pension-related decisions that a woman has to make at various stages.

We look at the main turning-points at which Yasmin has to make decisions about her pension: finding a job or becoming self-employed, having a child, losing a job, retiring, and so on.

You can read this guide straight through, or you can focus on the current phase of your life. If you choose to focus on a particular phase, please take time to read the first section: A pension for employed women: Things you should know.

A PENSION FOR EMPLOYED WOMEN: THINGS YOU SHOULD KNOW.

A pension fund is the most basic and least expensive type of pension plan. It's the right one for most employed women, especially those who don't earn a particularly high salary.[1]

So why are there other, more expensive types of pension plans, such as *bituah menahalim* (so-called "managers' insurance")? Imagine that you want to buy some new clothes. What do you do? Most women go to a store and choose clothes off the rack that fit and are flattering. Selecting ready-made clothes at a store generally meets a person's needs. But even if the clothes fit well, they're never perfect. So some women want clothes that are custom made. Naturally these will be more expensive, but if you have the money or if the clothes in the store aren't right for you because you have special needs, you might prefer to have them custom made.

If you already have *bituah menahalim*, get professional advice before you change over to a pension fund, if that's what you'd like to do.

A pension fund offers a package that is set in advance, and you can choose various options within it, just as you would choose different clothing sizes. *Bituah menahalim* is like a custom made dress. It can be fitted to the needs of an individual woman, but it's more expensive.

1. For a brief description of two other types of pension plans – *bituah menahalim* (so called "managers' insurance") and a provident fund – see the Glossary on page 45.

Yasmin asks

How much money is deducted to a pension fund each month?

The amount deducted for your pension fund is based on your gross salary. The gross salary recognized for pension purposes includes all the fixed components of the monthly salary, such as the base salary, seniority supplement, family allowance, departmental increment, and professional increment.

Compulsory pension deductions:

-> You contribute 5.5% of your gross salary to your pension fund.

-> Your employer contributes 6% of the gross salary to your pension fund and another 6% of the salary to a severance pay fund.

-> All told, as of 2014, the minimal contribution to your pension fund is 17.5%. This is the lowest amount that must be deposited monthly into the fund, and some pension plans call for larger deposits.

Example: How much money is deducted for one's pension?

If your gross monthly salary is NIS 4,000, these are the minimal deductions that should be made on your behalf:

-> The (minimum) amount that you must contribute from your salary to your pension fund is NIS 220 (as of 2014).

-> The (minimum) amount your employer must contribute to your pension fund is NIS 240, to which your employer must add NIS 240 for severance pay. In total, you and your employer contribute NIS 700.

The portion contributed by your employer is paid separately from your salary. Your contribution, however, is deducted from your gross salary, and you can see this deduction on your pay slip (see a sample pay slip example on page 46—47). When applying for a job, it's a good idea to make sure that your new employer intends to give you all the benefits to which you're entitled, including contributions to a pension plan.

Yasmin asks

My employer offered to pay part of my salary "without a pay slip" (meaning "under the table"). That way, he said, I will pay less National Insurance and income tax, and I'll be left with more money in my pocket. This is a good idea, isn't it?

No, it's not! It might be good for your employer, but it's not good for you. Generally, this means that you are saving your employer from having to make payments on the unreported part of the salary (the part that's "under the table") for National Insurance, pension, and severance pay. If you agree, you won't be insured for the part of your salary that doesn't appear on your pay slip. Your pension savings will be smaller and so will the amount designated for severance pay. And, if you're injured and need a disability allowance, the amount you get will depend upon what's written on your pay slip, and it will not include what you received "under the table".

How are the deductions made? Who handles this?

In most places of work, the employer or someone appointed by the employer (an accountant, insurance agent, or pension agent) handles the administrative work and is in touch with the insurance company. This is generally done for all the employees as a group.

Be as well informed as possible before you attend a meeting with a pension fund representative, because knowledge is power, and power is worth money. Not all places of work use an agent (pension fund representative) – many employers work directly with the pension fund company. But every pension fund company has a customer service department that can give you information and answer your questions. Note that working directly with a pension fund company generally costs less in fees than working through an agent. It's a good idea to check into working directly with a fund.

Most places allow an employee to join a "group plan": This means there will be no meeting with a representative or agent of the pension fund, but you join by virtue of the fact that a premium is automatically paid for you. In such cases, you will have no idea what the pension plan is, what the options are, or the size of the management fee. It's a good idea to ask for information about these matters.

In negotiating with the pension plan companies, size is an advantage. If your place of work has many employees, the employer can sometimes – though not always – negotiate better terms and conditions, such as lower management fees and other insurance benefits.

You have a choice. You're the one making the decision about where your pension savings will go. If you're already paying into a pension plan and you're satisfied with their service and management fees, you can ask your employer to continue contributing to that plan. The employer is not supposed to refuse this request.

Furthermore, if the agent or agency does not get you the terms you had negotiated on your own or with a previous employer, you can ask your new employer to make sure that the agent does his or her best for you.

If you want to know more about your pension, the Finance Ministry website has a wealth of information about pension-related matters, including explanations of common terms, instructional videos, and links to websites of pension funds and insurance companies. http://www.pensia.mof.gov.il (This information is in Hebrew).

A pension is also an insurance policy

Saving for a pension does more than ensure that you are financially secure when you retire.

Pension plans are a package deal that has three elements:

- Savings for life after retirement (at the legal eligibility age of retirement or in accordance with the relevant collective wage agreement). After retirement, money will be paid to you as an "allowance" – a set amount that you receive each month.
- In the event of your death, survivors' insurance (for a spouse or children under the age of 21).
- Disability insurance.

Compared to other insurance products, these are considered inexpensive when they come as part of a pension savings package.

Death – In the event of death, your survivors (spouse or children under the age of 21) will receive part of your savings. "Survivors" is a term used by pension funds. According to the definition of a pension fund, a survivor is generally a widow/er or orphan – someone who remains after you die and was related to you as family or financially dependent on you. The "survivor" will receive a monthly allowance or lump sum after your death in accordance with your pension plan.

Example: Let's say that our friend Yasmin earns NIS 4,000 a month and chose a general option for her pension fund. If she passes away, her "survivor", who is her spouse (if she has one), will receive NIS 2,030 a month for the rest of his life, while a child (if she has one) will receive NIS 1,350 a month (until age 21).[2]

Yasmin asks

But what if I don't have a husband or children? I'm too young to get married and have kids – why the pressure?

Good that you mentioned this. Make sure you're listed with the pension fund as single without children. Why? To make sure you're not paying for survivors' insurance, and that more of your money is applied toward savings.

By the way, the pension fund companies are sure that even if you're single today, you'll be married in the near future. Therefore, they automatically change your status to "married" after two years. So it's a good idea to update your family status once every two years if you're single or not living with anyone.

2 The amount is limited.

Yasmin asks

What if I'm married and have a child, but I never listed anyone as a "survivor". What will happen to the money?

In pension funds, the "survivor" listing is automatic. Your spouse and any children under the age of 21 are your "natural heirs" and will receive a survivors' pension if you pass away.

Disability – Every pension deduction from your salary also pays for insurance in the event you become unable to work following an accident or illness. If that happens, you'll receive up to 75% of your insured salary, depending on the option you chose. There are several options and the amount of compensation differs for each. The monthly premium also changes depending on which option you chose.

While receiving disability allowance, your pension savings are not harmed, as the pension fund continues to contribute to your account whatever you and your employer together were supposed to contribute each month. This is the case if you're fully disabled. If your disability is partial, the monthly pension premium will have to be paid by you.

YOU’RE ALREADY 20 – NOW’S THE TIME TO START…

At age 20, it’s a good idea to begin saving for your pension, which can turn out to be your largest source of capital – savings that belong to you and you only.

In fact, from age 20 you and your employer are **legally obligated** to deduct a monthly amount **for you and in your name** and deposit it into a pension plan (this applies to all employed women, even those who didn’t serve in the army. The law applies to women from age 20 and men from age 21).

Just starting to work? After 6 months on the job, you’re entitled to have contributions made on your behalf to a pension fund. Some places of work are obligated by collective wage agreements to begin these contributions earlier.

If you held down a prior job, you’re entitled to pension contributions after only 3 months (payment is retroactive to the day you began work).

Pension plans include compensation in the event of death or disability, which means that they also have insurance components.

-> **You decide**: It’s your right to decide and tell your employer in which plan you want to have the money deposited.

-> **You decide** whether to choose a pension fund or another type of plan, such as *bituah menahalim* or a provident fund. See page 45.

And because you’re the one who decides, you should be well informed.

If *you* don’t make these decisions, someone else will make them for you.

Now – while you're young!

"Pension savings" are associated with old age and wrinkles, and you might not feel like dealing with that right now when you're just getting started in a career.

Perhaps that confusing term should be changed because **now** is when a pension plan and pensionary savings should begin. The law also mandates it.

The first years of savings – until you're about 30 – have a huge impact on the size of your pension after retirement, because the amounts contributed in the first years grow significantly thanks to cumulative interest.

Some examples to illustrate the significance of starting to save at age 20-30
Before presenting the examples, we need to make a few qualifications: The calculations below are based on the assumption that a woman's salary remains stable throughout her working years. Often, however, a woman's salary will increase with age and experience, though sometimes it later declines with advancing age.

Furthermore, these calculations are based on other assumptions, which may not be true: (1) that there are no gaps in a woman's career when full pension contributions are not made; and (2) that severance pay has not been taken.

Finally, the forecast is based on a pension simulator. Simulators assume an average annual return on investments of 4.25%. Keep in mind that the Finance Ministry periodically changes its forecast, and may very well lower the forecast in the future.

Example 1: What happens with a salary of NIS 4,000?

Let's say that Yasmin began work at age 24, and continued to make pension contributions until age 64 (40 years). Throughout these years, she maintained a monthly salary of NIS 4,000 gross.

-> At retirement, Yasmin's pension will be **NIS 3,370** a month. This pension is very close to what Yasmin had been earning (**84%** of the salary she had received)[3]. In addition, she will receive a state old-age pension[4] from the National Insurance Institute.

-> However, if Yasmin begins to work and contribute to a pension plan from age 34, and continues to age 64 (30 years) at the same salary of NIS 4,000 monthly, her pension at retirement will be **NIS 2,030** monthly (**51%** of what she had received).[5] In addition, she will receive a state old-age pension from the National Insurance Institute.

Example 2: What happens with a salary of NIS 6,000?

Let's say that Yasmin began work at age 24, and continued to make pension contributions until age 64 (40 years). Throughout these years, she maintained a monthly salary of NIS 6,000 gross.

-> At retirement, Yasmin's pension will be **NIS 5,050** a month. This pension is very close to what Yasmin had been earning (**84%** of the salary she had received)[6]. In addition, she will receive a state old-age pension from the National Insurance Institute.

-> However, if Yasmin begins to work and contribute to a pension plan from age 34, and continues to age 64 (30 years) at the same salary of NIS 6,000 monthly, her pension at retirement will be **NIS 3,050** monthly (**51%** of what she had received).[7] In addition, she will receive a state old-age pension from the National Insurance Institute.

3 If she contributes NIS 700 a month to her pension fund in a general plan for a salaried woman, her disability allowance would be NIS 3,000 and her survivor's allowance could be as high as NIS 3,390.
4 For information about the state old-age pension, see page 40.
5 If she contributes NIS 700 a month to her pension fund in a general plan for a salaried woman, her disability allowance would be NIS 2,045 and her survivor's allowance could be as high as NIS 2,045.
6 If she contributes NIS 1,050 a month to her pension fund in a general plan for a salaried woman, her disability allowance would be NIS 4,500 and her survivor's allowance could be as high as NIS 5,090.
7 If she contributes NIS 1,050 a month to her pension fund in a general plan for a salaried woman, her disability allowance would be NIS 4,500 and her survivor's allowance could be as high as NIS 3,700.

Example 3: What happens with a salary of NIS 10,000?

Let's say that Yasmin began work at age 24, and continued to make pension contributions until age 64 (40 years). Throughout these years, she maintained a monthly salary of NIS 10,000 gross.

-> At retirement, Yasmin's pension will be **NIS 8,400** a month. This pension is very close to what Yasmin had been earning (**84%** of the salary she had received)[8]. In addition, she will receive a state old-age pension from the National Insurance Institute.

-> However, if Yasmin begins to work and contribute to a pension plan from age 34, and continues to age 64 (30 years) at a salary of NIS 10,000 monthly, her pension at retirement will be **NIS 4,860** monthly (**51%** of what she had received).[9] In addition, she will receive a state old-age pension from the National Insurance Institute.

In summary, even though there is a difference of only 10 years of work, if Yasmin starts saving for her pension at age 34 rather than 24, her pension at retirement will be only 51% of her salary rather than 84% – a significant difference when translated into shekels.

Age pension savings begin	Monthly salary	Pension allowance at retirement	**Allowance as a % of the salary**
24	4,000	3,370	**84%**
	6,000	5,050	
	10,000	8,400	
34	4,000	2,030	**51%**
	6,000	3,050	
	10,000	4,860	

Our tip: Start as early as possible and keep up payments.

8 If she contributes NIS 1,750 a month to her pension fund in a general plan for a salaried woman, her disability allowance would be NIS 7,500 and her survivor's allowance could be as high as NIS 8,400.

9 If she contributes NIS 1,750 a month to her pension fund in a general plan for a salaried woman, her disability allowance would be NIS 5,145 and her survivor's allowance could be as high as NIS 5,100.

YASMIN STARTS HER OWN BUSINESS

The good news: If Yasmin is self-employed, she's not required to set aside savings for her pension.

And more good news: Self-employed people who set money aside in a pension fund (or an in-service training fund) can pay fewer taxes.

Contributions to a pension fund (or an in-service training fund) are expenditures recognized for income tax purposes, which reduces the amount of tax you have to pay.

In terms of your pension, there are additional advantages to being self-employed. First, you don't need an employer's agreement to start an in-service training fund. Like a pension fund, this is a recognized expense for income tax purposes.

The bad news: No one shares the financial burden with you. There is no employer, so no contributions are made by an employer into your pension fund. The contribution of a self-employed woman to her pension fund is 16% of her income to a yearly maximum that is set annually. You'll have to decide what level of pension you are guaranteeing for retirement (proportionate to your actual earnings, of course), and make sure you get advice from an accountant, tax advisor, or pension consultant. You can also work directly with one of the insurance or investment companies that have their own pension funds.

A standing order at the bank saves you indecision and procrastination. Remember: If you don't have a pension plan, you're not insured.

Keep on saving! Self-employed persons are always tempted to think, "I'll start a pension fund next year, first I'll invest in the business," or "now times are hard – I won't make a deposit this month."

In the long range, it doesn't pay to put off saving for retirement.

Yasmin asks

If I'm self-employed, how do I arrange for a pension fund?

You can get advice from a tax advisor or a pension consultant (better to use an independent one, not a consultant affiliated with a bank or insurance company). One important factor in choosing a pension fund is the management fee. The maximum management fee is 6% of the monthly contribution to the pension and 0.5% of the cumulative annual total in your savings fund. Some funds take the maximum fee and others are willing to lower the fee to attract new clients. It's a good idea to shop around and negotiate!

As noted, you're not obliged to go to an agent or outside consultant; you can work directly with a pension fund company. An in-service training fund can also be opened at a bank or investment house.

If you're knowledgeable about investments, you can decide by yourself how to invest your savings. That would save you the management fees and you can decide on your own how much to invest. Information about provident funds and various investment tools can be found at the website of the Forum of Israelis Saving for Retirement: http://www.pension.org.il/page.cgi?ira (In Hebrew).

YASMIN GETS MARRIED

Got married? We wish you and your husband years and years of happiness!

Yasmin asks

Now that I'm married, do I have to inform the company that manages my pension fund?

-> Yes. The pension funds assume that single women will get married within two years, so when two years are up, they automatically add survivors' insurance to your pension payments. If you married before two years have passed from when you began the pension fund, you should inform the pension company of your marriage and give thought to adding survivors' insurance. This will cost money, of course, and reduce the pension paid at retirement, but it will provide your spouse with a survivors' pension if you pass away.

-> If two years have already passed since you opened your pension fund, survivors' insurance has already been added to your payments by the pension company, as noted. Now's the time to seek advice from pension fund experts about your options for survivors' insurance.

-> Same-sex couples and unmarried people living together are considered to have "common law marriages".

-> The same rules apply to same-sex partners and common-law couples as to married men and women if the couple lives together for some length of time and jointly manages a household.[10]

For more information: http://goo.gl/VeKCV3

10 There's no legal definition of a "common law spouse". Recognition is based on the character of the relationship between the couple.

YASMIN HAS A BABY

Yasmin is joyous – she had a baby girl! Mazal tov!

If you have been working at your job for more than six months prior to giving birth, you're entitled to a maternity allowance from the National Insurance Institute: For 14 weeks, you will receive these payments in the same amount as your salary. To find out how much you're entitled to, see the website calculator of the National Insurance Institute:

http://www.btl.gov.il/Simulators/Pages/DmeyLedaCalc.aspx (In Hebrew).

For complete information about the maternity allowance:

http://www.btl.gov.il/benefits/maternity/childbirth_allowance/Pages/default.aspx (In Hebrew).

Yasmin asks

What happens to my pension payments while I receive maternity allowance?

- During the period of paid maternity leave (14 weeks), the employer is supposed to continue the contributions (yours and his) into your pension fund. When you return to work, you are expected to repay the employer what he paid on your behalf.
- Don't forego your right to receive your pension fund contributions from your employer while you're on paid maternity leave!

Yasmin asks

And what if I decide to extend my maternity leave?

If you decide to extend your maternity leave beyond 14 weeks, contributions to your pension fund will stop and you will have less money in your pension fund when you retire. The fund will continue to generate returns subject to the performance of the capital market.

It's important to avoid gaps in your pension payments and to retain your pension rights. If there's a change in your health during the period that you're not making payments, the fund may refuse to take you back as a client, or it may accept you under different terms, such as a higher premium. However, most pension funds have an arrangement called "risk coverage" for up to 5 months. There's no need to make special deposits: The insurance money is deducted from the accumulated savings. Also you can extend this arrangement up to two years, but not beyond the number of consecutive months you have been insured by the fund. Pension funds have a minimum rate for a limited period that can make it easier for you to contribute smaller amounts to avoid breaks in your payments.

As noted, when payments are not made into your pension fund, your cumulative savings for old age are reduced. So when you give birth, this is a good time to seek professional guidance and advice. The pension fund can tell you under what conditions your rights remain protected.

If your family's financial situation allows, you can continue to pay your share into your pension fund; ideally, you would also pay the employer's share until the end of the extended maternity leave.

Yasmin asks

Have the terms of my pension changed because I became a mother?

-> When you return to work after your maternity leave, you should inform your pension fund and consider whether you want to make changes. You may, for example, want to add your daughter as a beneficiary in the survivors' insurance or raise the amount of your premium.

YASMIN IS SICK AND STOPS WORKING FOR A SHORT WHILE

The family doctor told Yasmin to take sick leave for two months.

Yasmin asks

How can we make ends meet during this period? My husband and I have financial obligations that we have to meet every month. Will my employer pay my salary until I recuperate?

First of all, get well soon!

-> If you've been working full-time, you're entitled to 18 days of paid sick leave a year. Most employees don't use up all their sick leave unless they incur an illness that requires a long convalescence. An employee can accrue up to 90 days of paid sick leave. Your pay slip should show how many days of sick leave you have left. If you're ill, ask your employer to pay your salary during this period out of the sick leave you have accrued.

More information about your right to sick leave can be found on the All Rights website:

http://www.kolzchut.org.il/he/%D7%A2%D7%9E%D7%95%D7%93_%D7%A8%D7%90%D7%A9%D7%99 (In Hebrew).

-> You may have accrued not just sick leave, but also annual vacation leave (every full-time employee is entitled to at least 12 days of paid vacation a year). You can also ask your employer how many days of annual paid leave you're entitled to.

-> Another source of income during your convalescence can be the general disability allowance of the National Insurance Institute, especially if recuperating takes longer than expected. The general disability allowance is primarily intended to assist those whose income-earning capacity has dropped by more than 50%.

Pay a visit to your local office of the National Insurance Institute and find out if you're entitled to a temporary general disability allowance. To be eligible, you'll have to present documents showing your medical diagnosis.

More information about whether you are eligible for a disability allowance can be found at the National Insurance Institute website:

http://www.btl.gov.il/benefits/Disability/Pages/default.aspx (In Hebrew).

Yasmin asks

What will happen to my pension fund while I'm out due to illness?

-> During the period of paid sick leave or paid vacation due you, your employer will make the usual deductions and contributions to the pension fund.

-> If you're not entitled to paid vacation or sick leave, your employer will not make any contributions to the pension fund (as happens during unpaid maternity leave). The National Insurance Institute will also not make deductions from your disability allowance, if you receive one.

-> During this period, the responsibility for contributing to your pension fund is yours alone. If you can continue payments to the pension fund from the disability allowance you receive, that's worth doing. If not, at least the pension fund will continue to be invested and have a return on the investment. There may be several months during which you will not be adding money to the fund, and naturally it will accrue less money during this period.

-> One more thing: While you're on sick leave, get in touch with your pension fund to find out how to ensure that you don't lose your rights to disability and survivors' insurance. After 3 months of absence due to a recognized disability, some pension companies may contribute the comprehensive pension payments in place of you and your employer. They will also pay a disability allowance depending on the options you have chosen.[11]

11 Disability payments from the pension fund will generally be offset by the disability payments of the National Insurance Institute.

YASMIN IS UNEMPLOYED

Meanwhile, Yasmin gave birth to a boy – congratulations! Now she has two children and is delighted. Yasmin returns to work at the end of her maternity leave, works for two months, and then loses her job due to cutbacks.

When people are fired, severance pay is often the first thing that crosses their mind. They forget that severance pay monies are part of the pension fund. An employee who is fired and takes the severance pay to which she's entitled is reducing her pension payments at retirement.

In Israel many people believe that taking severance pay is always a good idea, because if you don't take it, the employer gets to keep it. This is no longer true: Today severance pay is part of the pension package and it is held in your name.

Yasmin asks

I'm no longer employed. How can I support myself? Am I entitled to unemployment compensation? What should I do?

-> **First:** Ask your employer for a letter of termination of employment as well as a release letter to the pension funds, the in-service training funds (if you have such), and the insurance plans (if you have any), as well as Form 161.

-> **Second:** Go to the Employment Bureau to search for a new job that suits you. Show them the termination letter and bring a resumé. Also register as unemployed with the National Insurance Institute, and file a claim for unemployment insurance. During your period of unemployment, you are obliged to show up at the Employment Bureau once a week to register and look for a job.

Yasmin asks

Am I entitled to severance pay?

-> If you were employed for at least one year at the same place before you lost your job, you're entitled to severance pay of one month's salary for every year of work there. First find out from your pension company how much money is in your severance pay fund. If the balance is less than the amount to which you're entitled (based on the calculation of one month's salary for every year you worked there), you can demand that your employer make up the difference, unless your job contract includes "Article 14".[12] Under "Article 14", you'll have to make do with the amount already accrued in the pension fund for severance pay.

-> You have the option of withdrawing all the severance pay accrued in your fund or you can withdraw part of it. Now you have to make a decision: If you withdraw the severance pay, your pension fund will diminish and you'll have less money in your pension for retirement. If you withdraw the entire amount, you'll be exempt from income tax on your severance pay (up to a certain amount), but you may be reducing the tax exemption on your retirement pension. Severance pay is tax exempt up to NIS 12,360 for every year you worked (as of January 2014). If you decide to withdraw the severance pay in your fund, you should consult an accountant or tax advisor, and consider various options that can help you reduce the tax on your severance pay.

Yasmin asks

Do I have to withdraw all the severance pay?

-> No, you can withdraw some of it or none of it; the balance remains in your pension fund. We urge you to talk to a tax or pension consultant or to a representative of your pension fund company.

12 Paragraph 14 describes a different way of calculating severance pay: Under this system, the employer deducts 8.33% of your salary every month for as long as you work there. Thus, there is no concern that the payment from the employer will be insufficient when the time comes. On the other hand, if your salary was raised over the years, you will be getting a smaller amount than you would have received had the calculation been done according to your most recent salary.

- -> Remember: In the past, severance pay funds were held by central severance pay trusts, and only when an employee was fired could she receive severance pay from her employer. At the time, it was believed that withdrawing severance pay was always a good idea, as otherwide the employer would get to keep the money. Since then the rules have changed, and today severance pay is part of the savings accrued in the pension fund. Now the severance pay component is considered part of the capital accrued for pension payments at retirement.

Yasmin asks

What happens to my pension fund when I'm unemployed?

As noted, your fund will diminish if you withdraw your severance pay. The balance will continue to be invested and earn interest subject to the performance of the capital market.

The pension fund companies are aware of the fact that when someone is unemployed, her income is greatly reduced or even nil, therefore they offer the following options:

- -> To continue to pay into the pension fund the very same amount that you and your employer contributed on your behalf until you were fired;
- -> To pay into the pension fund less money than was paid before you were fired;
- -> To pay only the insurance components into the pension fund. This is a relatively small amount called "temporary risk" that is paid to ensure continuity of the disability insurance and survivors' insurance (for a husband and children). You can pay "temporary risk" for a period of two years or, if you worked at the job less than two years, for the amount of time you contributed to the pension fund.

If you stop paying, you can generally retain the right to your disability insurance and survivors' insurance for five months (check with your pension fund), and the insurance can be resumed.

YASMIN FINDS A NEW JOB

Three months after losing her job, Yasmin finds new and more promising employment. Thanks to her experience, she finds a job with opportunities for promotion and professional development.

Congrats to Yasmin!

Yasmin asks

I have a new job. What should I do to ensure my pension rights?

The law states that if you had a pension plan in your previous job, the new employer must make payments into that plan as of your first month on the job. The employer has the right to make this payment retroactively up to three months after you began working there (from the day you began the job). When you begin your new job, provide your employer with information about your pension fund.

Yasmin asks

When I begin a job in a new place of work, does my pension fund remain with the same company, or must I transfer it to the company recommended by my employer?

Some places of work have an agreement with a pension agent or agency and sometimes are given better terms and lower management fees. However, you can choose to remain with your previous pension fund – the one to which you had made pension contributions in the past. Even if your employer grumbles about this, it's your right to choose your own pension fund.[13]

If you decide to switch to a new pension fund, you may have to sign an agreement with the new company. Sometimes the employer will invite a representative of the company to the office so you can sign, but in many places of work, you automatically become a member of a "group plan" without meeting with an agent or representative of the pension fund.

In a group plan, the employee does not receive information about the pension plan, its options, the management fee, or other details. It's a good idea to ask, and you can call the company and speak to one of its representatives.

Naturally the employer must see to it that contributions are being made to the pension fund, and this should appear on your pay slip (see a pay slip sample on page 46—47).

13 When you start work at a new place, the pension fund has the right to change its management fee.

YASMIN RESIGNS TO TAKE UP A BETTER POSITION

Yasmin has been employed for 10 years in the same place, but she wants a change. She looks for a job for half a year, and then finds one that seems right for her and she's hired. Yasmin gives a month's notice to her previous employer that she's planning to leave.

Yasmin asks

I'm leaving my job of my own free will. Am I entitled to severance pay?

Your severance pay monies are part of a "package" that includes the pension fund. The severance payments that your employer contributed to your pension fund make up part of your pension savings, and therefore your employer is not allowed to take them back: They remain in your pension fund. On the other hand, you may not withdraw these funds as severance pay unless your employment contract (or the collective wage agreement that applies to your place of work) states that this money may be withdrawn even if you resign.

Yasmin asks

Does my resignation have any effect on my pension fund?

Don't worry, the monies that have accrued continue to be held in your name. The pension fund remains yours and continues to earn interest. Contributions to it can still be made by your new employer or on your own. If you continue to contribute the same amount (via the new employer or on your own), your pension at retirement and the insurance that comes with it will maintain their value. Though you left one job, you have begun another, and both you and your new employer will contribute to your pension fund every month.

Yasmin asks

I started a new job. Do I continue with the same pension fund, or do I have to switch to the company recommended by my employer?

-> The answer is clear: You have the right to choose which company will manage your pension fund. You should check with your new employer, however, about whether the new place of work has an agreement with its pension company to charge lower management fees. It pays to ask! If you don't like what you hear, you can remain with the same pension fund to which you have been contributing. Even if the agent or employer grumbles about this, you have the right to choose your pension fund.

-> If you decide to switch to a new pension fund, you may be asked to sign an agreement with them. Some employers will invite a representative of the company to the office for your signature. In many workplaces, however, becoming a member of a "group plan" takes place automatically without meeting an agent or representative of the pension fund.

-> Often the employee is not given any information about the plan she's joining – the options, management fee, etc. Don't hesitate to ask!

YASMIN SEPARATES FROM HER HUSBAND

After 12 years of marriage, Yasmin and her husband decide to divorce.

Yasmin asks

Does the property acquired during our marriage get split equally between my husband and me when we divorce? How is the division done?

Yes, that's the general principle, and it's called "equitable distribution". This division will take place unless you and your husband signed a prenuptial agreement before your marriage that defined a different division of property.

Yasmin: *No, we didn't sign a prenuptial agreement. Actually we don't have any property besides a house and a car. Did I forget anything?*

It's very possible that you do have more property: Common property includes not just the things you see such as a house, car, furniture, jewelry, and art, but also things you don't see, such as your and your husband's pension fund, in-service training fund, *bituah menahalim* or life insurance, savings plans, and insurance and investment portfolios. Information about any property owned by you or your husband will be contained in the quarterly and annual reports sent by the insurance and investment companies. If you don't have the most recent report, you can ask them to send one, which they will do at no extra charge. Note that common property includes your debts and loans, which also have to be shared equitably between the divorcing partners.

To sort this out, it's a good idea to get help from someone such as an accountant, mediator, lawyer, or a neutral friend of the family who respects you both. The mediator (or arbitrator) can help you compile a list of property. It's a good idea to submit all the required reports to the mediator so that the value of each item can be ascertained.

Although we're discussing pensions here, the principles are the same for other types of savings and insurance. In most cases, the husband has accrued more pension savings than the wife, due to a higher salary and fewer childbirth-related gaps in his work. The law mandates the following, more equitable, approach: Add together your and his combined pension savings, and then divide the total into two equal parts. You can get this information – the total savings of each of you – from the most recent pension reports. The one with more savings (usually the man, as noted, though not always) then has to compensate the one who has fewer savings.

This redistribution can be done in a number of ways: Sometimes there are enough savings or other capital so that some can be transferred to the name of the woman (based on a calculation of future value). A larger share of the value of the apartment or other financial asset can also be demanded. If no other assets are available, one can receive a portion of the future pension payment upon retirement.

Note: Those named as beneficiaries in insurance policies, pension plans, and in-service training funds take precedence over beneficiaries recorded in a divorce agreement or will. Therefore it's important to update the correct names in savings plans or insurance policies.

Yasmin asks

Should I make any changes in my pension plan as a result of the divorce?

Definitely! Let the pension company know that you're no longer married. The premium you pay for survivors' insurance will decrease and cover your children only, if they are of eligible age.[14] The amount you save will now enlarge the pension portion of your fund.

How do I inform them?

A few minutes of bureaucracy now are worth a lot of money in the not-too-distant future. Most companies have forms on their websites for changing your personal information. Make sure you visit the website and update your information!

14 If you have *bituah menahalim* or a provident fund, you can delete the name of your husband from the beneficiaries. If you don't delete his name, he will receive the money in the event of your death.

YASMIN REMARRIES

Yasmin remarries, and this is also her new husband's second marriage. Both have children from their previous marriages. In such cases, the couple often signs a prenuptial agreement prior to the marriage. Yasmin and her future husband will sign a prenuptial agreement to protect the financial rights of both of them.

Yasmin asks

Does the prenuptial agreement have anything to do with my pension?

-> Yes! First, ask yourself if the survivors listed in the pension plan have to be changed. If you already deleted the name of your ex-husband from the list of survivors, your children will now be listed as the sole survivors, and you can leave it this way. If you remarry, your husband will automatically be listed as a "survivor" in your pension fund.

-> A second option is for you to make sure your husband is listed as a survivor in your pension plan, and that you are listed in his.

As noted, pension funds generally add the husband as a "survivor" to a single (or divorced) woman's insurance policy two years after she starts her pension savings or after the most recent change. If fewer than two years have passed, you should initiate the listing of your husband as a survivor, if that's what you want to do. This process should be mutual! As noted, what is written in the pension plan takes precedence over any will or prenuptial agreement.

In second marriages, some couples choose to keep their assets separate, including their bank accounts. If you decide to do this, you will have sole access to your state old-age pension as well as your own pension when the time comes. Another advantage to keeping separate accounts: In the event of your husband's death, there will be no problem of having your joint bank account blocked until completion of probate or a court order to execute the will.[15]

15 If you decide to have a joint account, there's a solution to the problem of a blocked account: Sign a "long-life form" at the bank. Each of you can sign this form, which says that in the event of the death of one of you, the account will remain in the hands of the other without the need to await probate.

YASMIN REACHES PENSION AGE

Happy Birthday, Yasmin!

You're almost at the age of eligibility for your retirement pension and your state old-age pension. This doesn't mean that you have to leave your job! By law, retirement age for both men and women is 67, and many continue to work past this age. Also, some workplaces have wage agreements that set different ages of eligibility for a pension.

The eligibility age is currently 62 (January 2014),[16] but this may be changing. It's a good idea to check with the National Insurance Institute to determine your eligibility age.

If you have a job that's wearing you out, perhaps you'd like to stop your paid labor and receive a state old-age pension and your retirement pension. Maybe you'd like to start a business or develop your musical talent.

Yasmin asks

What do I have to do to receive my state old-age pension?

You may have already received a form to file a claim with the National Insurance Institute, generally sent to women as they are about to turn 62. If you haven't received the form, you can find one at the nearest branch of the National Insurance Institute (during their office hours), or download one from their website (Form 480): http://www.btl.gov.il/benefits/old_age/pages/default.aspx

-> When filling out the form, make sure to list all the places you have worked, so that the National Insurance Institute will know that you have worked, say, 35 years. Because you worked (and made payments to the National Insurance Institute) for 35 years, you will receive an additional 50% to the state old-age pension. Instead of

16 For an explanation of eligibility age, see page 43.

getting NIS 1,531 a month, your state allowance will be NIS 2,296 a month (as of 1 January 2014). The calculation: 2% are added for every year of work above 10 years to a maximum of 50%.

Anyone who retires after having worked less than 10 years and made payments during that period to the National Insurance Institute is entitled to a basic state old-age pension of NIS 1,531 a month. If someone worked for 10 years or more, he or she receives 2% more than the basic amount for every additional year of work, to a maximum of 50%.

-> Upon receipt of confirmation of your allowance from the National Insurance Institute, make sure the amount is set at NIS 2,296 monthly (if you worked 35 years) and paid from the very first month after your 62nd birthday.

-> If so, you can celebrate.

-> If not, write a letter to the National Insurance Institute informing them of the error.

Information about the state old-age pension can be found on the website of the National Insurance Institute: https://www.btl.gov.il/benefits/old_age/Pages/default.aspx (In Hebrew).

Yasmin asks

What do I have to do to get my retirement pension payments?

-> As your retirement approaches, get in touch with your pension company and inform them of your intention to retire. It's a good idea to let them know 3 months in advance. If the company has a Pensioners' Department, you may be invited to a meeting where they explain the various pension options and ask you to choose the one that suits you best.

In any event, you will receive a pension payment for the rest of your life.[17] The choices to be made are related to the rights of your husband. In some options, your husband will not be accorded a survivors' pension if you die before him; in others, he may receive, for example, 60% or 40% of your pension. The more you increase the amount received by the survivor after your death, the less you will receive during your lifetime.

Yasmin asks

How is my pension payment calculated?

-> The basic calculation is as follows: The total sum accumulated in the pension fund is divided by what is called a "conversion coefficient". This takes into account an estimate of the annual return on your money and also the yearly management fee. The survivors' pension option that you choose is also taken into account.

-> Both the state old-age pension from the National Insurance Institute and the payment from your pension fund are deposited into your bank account every month.

Contributions to the pension
+
Returns on the investment
−
Management fee
−
Insurance premium
=
Total
÷
Conversion coefficient
=
Monthly payment

Yasmin asks

Do I pay income tax on my pension?

-> Pension is income, just like a salary. As a pensioner, you'll have to fill out Form 101 (an "Employee's Card") for the pension fund, and if you have additional sources

17 If your monthly pension comes out to be less than 5% of the average wage, you will receive a lump sum rather than a monthly payment.

of income, also file a "tax coordination" report to the authorities. If you do have additional sources of income, these will be combined with your pension payment for calculating your income tax bill.

-> The tax threshold for a woman is about NIS 6,000 (in 2014). You should also be aware that withdrawing severance pay during the 32 years prior to retirement could harm your tax exemption on your monthly pension.

-> And one more thing: Pensioners who reach the "absolute age for receiving a state old-age pension" (70 for men and 68-70 for women) are not required to make National Insurance Institute payments if they are still working.

Yasmin asks

What if I want to keep on working instead of retiring?

No problem! You can continue to work and delay receipt of your retirement and state old-age pension. It's also possible to continue to work and receive your retirement and state old-age pensions. If that's what you choose to do, you'll pay taxes on your retirement pension and wages (but not on your state old-age pension) if your total income exceeds the tax exemption.

If you haven't yet reached the absolute age for getting a state old-age pension (68-70), the National Insurance Institute will take into consideration how much you earn in deciding whether you're entitled to a state old-age pension.

You are eligible for a state old-age pension if:

-> You have no spouse and your gross salary does not exceed NIS 5,181 monthly.

-> You do have a spouse, but your gross salary does not exceed NIS 6,908 monthly (as of 1 January 2014).

-> You have reached the absolute age (68-70) for a state old-age pension, regardless of how much you earn.

\+ You can draw your retirement pension and continue to work, even in the same job, in which case your income tax will be calculated on the combined sum of your retirement pension and salary. Talk to your pension fund representatives about what effect your continued work will have on the amount of pension you receive.

Sometimes postponing your pension is a good idea

If you reach the age of eligibility for your retirement and old-age pensions and you decide to delay receipt of the payments and continue to work, you'll be getting larger payments for both your state old-age and retirement pensions when you do decide to retire.

How can that be?

- With respect to the state old-age pension paid by the National Insurance Institute, for every year you delay receipt of this payment (up to age 68-70), you will receive 5% more money (including the seniority supplement), to a maximum of 25% more.

With respect to the retirement pension, the monthly payment increases for two reasons:

-> 1. If you and your employer continue to make monthly contributions to your pension, this enlarges the total amount in the fund and its potential profitability (subject to the market's performance);

-> 2. Every month you earn a wage is a month less of receiving your retirement pension, hence the money accrued for your pension is divided by a smaller coefficient, resulting in higher monthly payments.

- If you're considering retirement, seek advice about all the alternatives from an independent pension consultant or a company that deals with retirement planning.

YASMIN'S HUSBAND PASSES AWAY

Sincere condolences: Yasmin's husband died at age 70 and Yasmin is 67 years old. Before he passed away, both Yasmin and her husband had retired. They were living off their combined retirement and state old-age pensions, and they also had some savings.

Yasmin asks

How can I support myself without my husband's retirement and old-age pensions? My own retirement and old-age pensions aren't enough to maintain the standard of living we had together. Will I have to use up all my savings? Will nothing remain for my heirs? Will I become a burden to my children?

-> Yasmin, while it's true that your total income will decrease, you will not have to make do with your own pensions. You're entitled to a survivors' pension from the National Insurance Institute and a survivors' pension from your husband's pension fund.

-> With respect to the survivors' pension from a husband's pension fund, the wife is usually entitled to 60% of her husband's monthly payment. Some retirement plans give a higher survivors' pension, others give less.

-> With respect to the state old-age pension from the National Insurance Institute, wives or husbands are entitled to 50% of the old-age pension of the spouse who passed away.

-> In the event of the death of one's spouse, death certificates should be provided to the National Insurance Institute and the pension fund company.

Yasmin asks

I have no survivors. If I die tomorrow, heaven forbid, will the monies in my pension fund go to waste?

If you have no survivors, Yasmin, you can record the name(s) of beneficiaries into your pension fund who will receive a lump sum payment when you pass away. For this to happen, you have to choose a particular pension option. Talk to your pension advisor about this.

GLOSSARY OF SELECTED TERMS

State Old-age Pension

The state old-age pension is the first layer of income for a woman (or man) after retirement.

This old-age pension, paid by the National Insurance Institute, is provided to every permanent resident of Israel, and therefore it is more important than a pension for most people. The most effective way to enhance the welfare of older women is to increase the state old-age pension.

The basic old-age pension in Israel is NIS 1,531 (as of January 2014), which is 17% of the average wage. In most countries of Western Europe, it is 25-30% of the average wage. In other words, the old-age pension paid in Israel by the state is quite low.

Most women receive a larger state old-age pension – they get about NIS 2,000 (March 2013), which constitutes 22% of the average wage.

The state old-age pension = a monthly payment made to a woman in two circumstances:

First: You reach the age of 62 – the "eligibility age" – and have stopped working outside the home (or you still work, but your income from the job is less than NIS 5,181 a month, if you are not married, or NIS 6,908 a month if you are – as of 2014). To receive this pension, file a claim with the National Insurance Institute.

Upon reaching eligibility age, the National Insurance Institute will send a claim form to your home. You will be asked to cite all the jobs you held since you began work. This information is important because if you got married, you may have worked previously under another last name. The National Insurance Institute has a record of all the jobs filed under your name while employed. The number of years you worked is a significant factor in determining the amount of the payment you receive, so it's a good idea to submit an accurate list of all your jobs.

Second: You reach the age of 68-70 – the "absolute age" (expected to rise to 70 in the future). At this age, the woman (or man) is entitled to a state old-age pension even if she has income from work, regardless of the amount of that income.

The state old-age pension is provided for the rest of your life.

During the years you held down a job, or were single or divorced and not employed, you were making payments to the National Insurance Institute. Some of this was designated to pay for your old-age pension. In other words, for most women who worked outside their home, the old-age pension is the product of National Insurance Institute payments they made most of their lives.

For women who were not salaried or, for various reasons, made no payments to the National Insurance Institute, the state finances the old-age pension so that every woman will have an income when she reaches "eligibility age".

Women who make payments to the National Insurance Institute for more than ten years will receive a larger old-age pension. The basic old-age pension (as of January 2014) is NIS 1,531. For every year over 10 years that National Insurance Institute payments were submitted, a woman will receive 2% more to a maximum of 50% more than the basic rate (NIS 2,296).

Another way to enlarge one's old-age pension is to delay receipt of the pension beyond the eligibility age. For every year of delay, the pension (including seniority supplement) increases by 5% to a maximum of 25%.

Income Support

If your income is low, you may be eligible for a supplement to your state old-age pension.

-> A woman who lives alone is entitled to income support if she has no income besides the old-age pension and any additional monthly income is less than NIS 1,818 from work and less than NIS 1,182 from a retirement pension (as of January 2014). The state old-age pension combined with income support ranges between NIS 2,803 and NIS 3,016 depending upon one's age (as of 2014).

-> For a married woman, households are entitled to income support in addition to a state old-age pension if the combined income of the husband and wife from work does not exceed NIS 2,181 a month and the retirement pension is not in excess of NIS 1,863 a month. The state old-age pension combined with income support ranges between NIS 4,164 and NIS 4,469, depending on the age (as of 2014). For more information, see the website of the National Insurance Institutes. http://www.btl.gov.il (In Hebrew).

Survivors’ Insurance for Widows

Survivors’ insurance from the National Insurance Institute is a payment (usually made monthly) to a woman whose husband has passed away. There are several types of survivors’ pensions:

- A pension for widows who have reached eligibility age (62).
- A pension for widows with children under the age of 18.
- A pension for widows aged 50 or more who do not have children and have not reached eligibility age.
- A pension for widows under the age of 50 who do not have children.
- A pension for widows under the age of 40 who do not have children.
- A pension for widows 80 years old or over.

The pension payment for widows who have reached eligibility age depends upon the size of the state old-age pension their husbands had received. A widow who reached eligibility age will receive half the amount of her husband’s state old-age pension, had he remained alive. This is in addition to the regular state old-age pension to which the woman is entitled. This also applies to common-law wives.

Qualifications

- Women who are housewives (i.e., they do not work outside the home) who reach retirement age are not entitled to a survivors’ pension (unless they have children under the age of 18).
- The pension for widows older than 40 with children younger than 18, or for widows older than 50 who have not reached eligibility age, is NIS 1,531 a month (as of January 2014).
- The pension for widows without children (minors) who have not yet turned 50 is NIS 1,150 (as of January 2014).
- For widows younger than 40 with no children, the National Insurance Institute makes a one-time grant of 36 times the pension to widows with children, which amounts to NIS 55,116 (as of January 2014).
- Widows aged 80 or over receive a monthly pension of NIS 1,617.

Retirement Age

The law sets the retirement age at 67. This is the same for women and men. Some collective wage agreements set a lower retirement age.

Public discussion sometimes confuses “retirement age” with “eligibility age”.

Eligibility Age

Eligibility age (set by law) is the age when one can begin to receive one’s retirement pension and the state old-age pension from the National Insurance Institute. At present (April 2014), the eligibility age for women is 62 and for men is 67.

Calculator to determine eligibility age for a state old-age pension: https://www.btl.gov.il/benefits/old_age/Pages/RetirementCalculation.aspx

Absolute Age for a State Old-age Pension

The absolute age for receiving a state old-age pension refers to the age one is entitled to a state old-age pension regardless of a means test, i.e., unrelated to one’s income. Currently the absolute age is 70 for a man and 68 for a woman. As noted, the absolute age for women is gradually being raised to 70.

Pension Consultants and Pension Salespeople

A variety of professionals can provide advice in choosing a pension plan: There are pension salespeople, who work for insurance companies and investment houses and therefore are not entirely objective. There are also pension consultants who work for banks. And there are independent pension consultants, who are considered the most objective. It is considered preferable to seek advice from an independent pension consultant, even if it costs money.

The problem with pension salespeople who work for insurance companies is that they sometimes have different interests than the woman saving for a pension. The problem with pension consultants who work for banks is that their services indirectly cost money – although the bank is paid by the pension fund and not the client, the monies paid to the bank by the pension fund ultimately lead to higher management fees that the individual will have to pay.

Another significant difference is that pension salespeople sell the products of the company they represent, while independent insurance consultants sell products of all the companies with which they work.

One more tip: When talking with a professional, ask to see what kind of license he/she has.

Management Fees

Management fees are the fees charged to the person insured (or the pensioner) by the insurance company or investment house for managing a pension fund, provident fund, or *bituah menahalim*. Management fees are deducted from the pension savings; hence, the lower the management fee, the larger the pension. Pension funds are generally recommended because their management fees are usually lower than those charged by provident funds or *bituah menahalim*.

In-service Training Fund

The in-service training fund is a savings instrument originally intended to finance training courses taken by the employee. These days it serves as a general, medium-range (6 years) savings plan. This remains the only non-long-term savings channel that is exempt from taxes. Like a pension fund, the in-service training fund is created by contributions from the employee and the employer. The tax exemption applies to contributions from the employee that do not exceed 2.5% of the employee's regular salary and contributions from the employer that do not exceed 7.5% of her regular salary. Furthermore, for purposes

In our opinion, the management fees of the new pension funds (which are the only ones now available) are still too high. The Ministry of Finance set a maximum for pension fund management fees: 6% of the monthly contribution and 0.5% of the annual accrued amount. In general, individuals or employees of small organizations are in a poor bargaining position, and have to pay the maximum. Employees of large organizations usually pay much less.

The management fee for pensioners is 0.5% of the annual accrued amount, which is also too high.

How can this be changed?

-> Shop around before you choose a pension fund and negotiate for a lower management fee.

-> Advocate for the government to lower the management fees.

-> Establish not-for-profit pension funds to compete with the existing pension funds.

of an exemption, the employer's contribution must not exceed three times that of the employee. There is also a maximum monthly salary to which exemptions apply, and this amount is periodically updated.

Bituah Menahalim (so called "manager's insurance")

Bituah menahalim is one of the pension savings instruments in Israel, and it is more expensive than a pension fund.

Bituah menahalim is a contract between an individual and an insurance company. Because this is a contract, most of the terms are set and cannot be changed during the insurance period. For example, the insurance company can raise the premium (the payment for the service) only for new clients, not for those with whom a contract (policy) has already been signed.

In *bituah menahalim*, the individual pays the company a monthly premium for the insurance coverage (death or disability, as in a pension fund). If the client dies, the insurance company pays the insured amount to the beneficiaries (heirs) named by the client in her policy. In the event of disability, the client will receive a monthly allowance in place of a salary.

Insurance companies that marketed *bituah menahalim* policies promised that the pension payments would not be affected by changes in actuarial tables, even if the expected mortality of the entire population increased. In other words, the pension payment at retirement would not diminish because life expectancy increased, as could happen with a pension fund.

Today *bituah menahalim* policies that guarantee the premium will not be changed in the event of increased life expectancy can no longer be sold. Those sold in the past remain valid.

Provident Fund

Provident funds are another instrument for pension savings in Israel. The management fees of provident funds are usually higher than for pension funds. With a provident fund, one can save money for retirement and enjoy tax benefits, as in a pension fund and *bituah menahalim*, but there is an important difference between them: A provident fund does not provide disability insurance or survivors' insurance as part of the pension savings. In the past, a provident fund allowed pension payments to be made after 15 years of savings, before an individual retired, but the system has changed and today you can receive pension payments deposited after 2008 only at retirement age.

Sample Payslip of Michpal Software (other software payslips exist)

Additional data:

- Work days: How many days did the employee actually work this month?
- Work hours: How many hours did the employee actually work this month?
- Hours absent (if relevant for this workplace)
- Hours per day: How many hours a day did the employee work at this workplace?
- Regular credit points: For a woman, 2.75 points for herself and the following points for children: For a child born or reaching 18 in the tax year – 0.5 credit points; per child aged 1-5 – 2 credit points; per child aged 6-17 – 1 credit point. In 2014, a credit point was worth NIS 218. Thus, income tax is reduced by NIS 218 per month for every full credit point.
- Tax rate: The highest (marginal) tax bracket of the employee (%)
- Edition code: The version of the bookkeeping software
- Year-to-date calculation: Is income tax calculated according to the cumulative annual total?
- Payment method: Directly to the employee or another way? There are three codes in the Michpal software: 1 = direct, meaning by cash or check to the employee; 2 = bank, meaning wire transfer to the employee's bank account; 3 = other, meaning transfer to a third party (if there is a lien on the salary, for example)
- Company work days: The standard number of workdays that month for the company
- Company work hours: The standard number of work hours that month for the company
- Salary base for NII: Salary base upon which National Insurance Institute payments are calculated
- Pensionable salary: Pensionable salary and basis for severance pay
- Salary for in-service training: Salary base on which in-service training payments are calculated (if any)
- Pension – employer paid: Employer's contribution to pension fund
- Other – employer paid: Employer's contribution to other pension funds (if any)
- NII – employer paid: Employer's contribution to National Insurance Institute on behalf of the employee
- Minimum monthly wage: Minimum monthly wage set by law
- Minimum hourly wage: Minimum hourly wage set by law

Total year-to-date

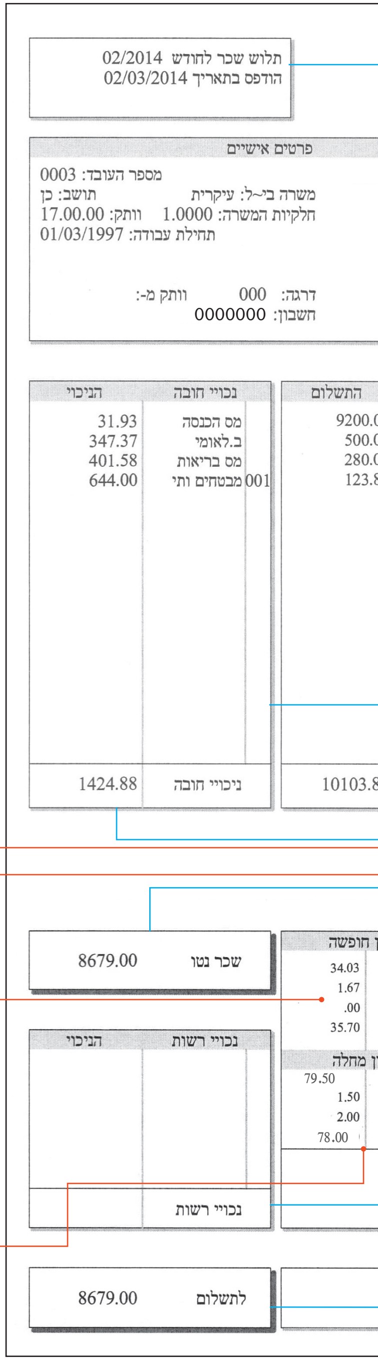
- Payments: Total wages paid to the employee from the beginning of the year
- Salary for NII payments: Total contributions to the National Insurance Institute from the beginning of the year
- Income tax: Total income tax paid by the employee from the beginning of the year
- NII: Total payments to the National Insurance Institute made by the employee from the beginning of the year
- Health tax: Health tax payments made by the employee
- Mivtachim: Pension fund contributions made by the employee

Vacation days

- Previous balance: Accrued vacation days available prior to the current month
- Accrued this month: Vacation days accrued during the current month
- Used this month: Vacation days used up in the current month
- New balance: Vacation days available as of the current month

Sick leave days

- Previous balance: Accrued sick leave days prior to the current month
- Accrued this month: Sick leave days accrued in the current month
- Used this month: Sick leave days used up in the current month
- New balance: Sick leave days available as of the current month



חברה
כתובת
ישוב

מספר זהות:
ס.משרה: 1-יחידה
בסיס השכר: חודשי
מחלקה: 000
מצב משפחתי: נ+2
דרוג: 000
בנק: 00/000

לכבוד

שווי למס	גילום	תעריף	כמות	תאור התשלום	
00				משכורת	001
00				נסיעות	004
00				הבראה חודש	006
38	83.00			מתנות חודש	010
38				סה"כ תשלומים	

חשבו		נתונים מצטברים		נתונים נוספים			
יתרה קודמת		20207.75	תשלומים	22	י"ע בחברה	20	ימי עבודה
צבירה ח.ז.		20207.75	שכ.ב.לאומי	160.0	ש"ע בחברה	168.0	שעות עבודה
ניצול ח.ז.		62.85	מס הכנסה	10103.88	שכר ב.לאומי	0.00	שעות העדרות
יתרה חדשה		694.74	בט. לאומי	9200.00	שכר מבוטח	8.00	שעות ליום
חשבו		803.16	מס בריאות	0.00	בסיס קרה"ש	4.75	נק. רגילות
יתרה קודמת		1288.00	מבטחים ותי	1242.00	גמל מעביד	21%	אחוז מס שולי
צבירה ח.ז.				214.36	אחר מעביד	9.85ל	קוד מהדורה
ניצול ח.ז.				502.06	ב.לאומי מעביד	כן/1	חישוב מצטבר
יתרה חדשה				4300.00	שכר מינ.חודש	ישירות	אופן תשלום
				23.12	שכר מינ.שעה		

Information about the employer: Name, address, tax identification number, company identification number

Month of salary and date of printing of the payslip

Personal information about the employee, including family status, level (if any), scope of position (full- or part-time), seniority, and date employment began

Salary components, which include the basic wage, compensation for travel to and from work, and other components, if any. The sample payslip shows convalescence pay to which an employee is entitled annually as of her second year of employment, divided by 12 and paid monthly. Holiday gifts are also divided by 12 and paid monthly. These fringe benefits are not always handled in this manner.

Compulsory deductions from the salary, which include income tax, payments to the National Insurance Institute (NII), health tax, and pension (in this case, the Mivtachim Pension Fund).

Total payments to the employee: Gross salary

Total deductions from the employee

Net salary: Total payments less all deductions

Optional deductions: such as a salary advance or a return of loan made to the employee by her place of work

Net pay: The amount the employee will actually receive

مركز أدفا מרכז אדוה
Adva Center
Information on Equality and Social Justice in Israel

Studio Noam Tamari