Information

on the major benefit regulations and organizational structure of the Hungarian pension insurance system

August 2012

Central Administration
of National
Pension Insurance

Published by
Central Administration of National Pension Insurance
1132 Budapest, XIII. Visegrádi u. 49.
Postal address: 1392 Bp., Pf.. 251.
Phone: +36-1-270-8000
www.onyf.gov.hu

Responsible for publishing:
Prof. Dr. József Mészáros
Director General

Compiled by:
Department of Administration
Department of Economic Analyses
Department for Pension Administration and Systems Organization

Publication design:
DUNA-MIX KFT.

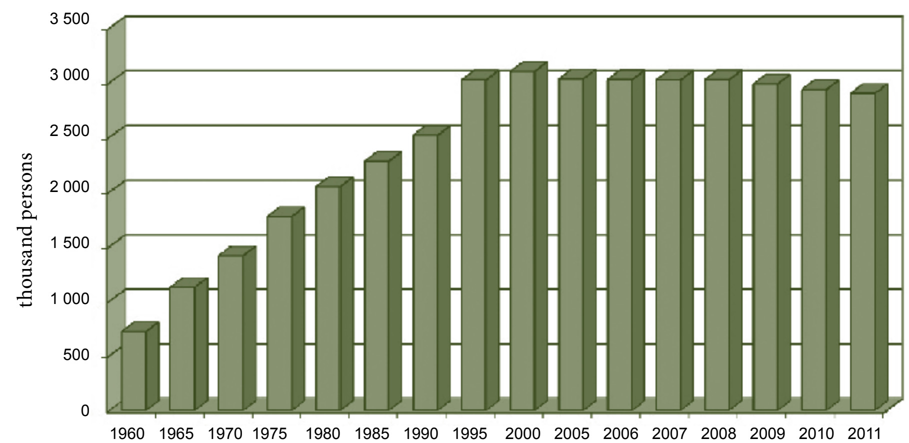
Printed in 200 copies

Introduction

The Hungarian statutory pension insurance system

The statutory pension scheme (organized and guaranteed by the State) was established in January 1, 1929. Since then it has undergone many changes and has gradually been extended to include everyone making a living through work, both employees and the self-employed (entrepreneurs). The vast majority of the population over the retirement age became entitled to some type of social security pension benefit or social benefit. The figure below shows the total number of beneficiaries below and above the retirement age (concerning benefits disbursed by the pension payment administrative body).

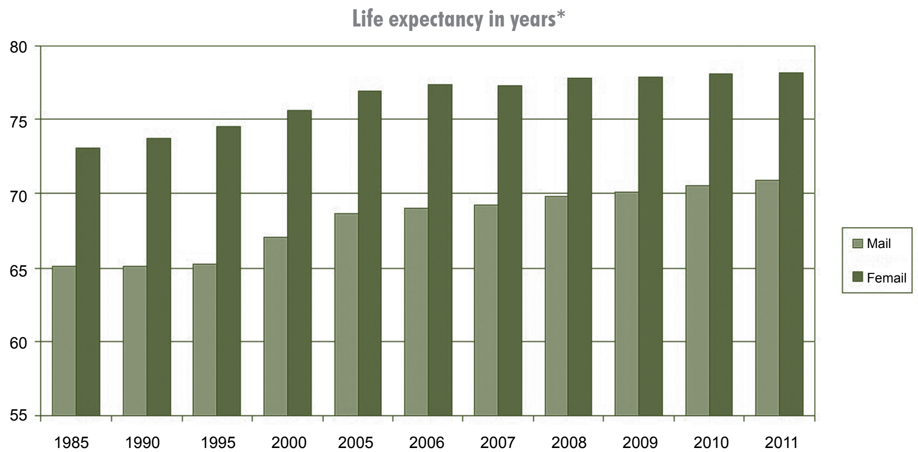
The average number of recipients of pensions and pension-type benefits
thousand persons



The income security of elderly and people with ill health is mainly provided through insurance-based benefits. However, a fundamental change occurred in this aspect in 2012 and since then, the income security of people with changed working capacity (people with ill health) has become based on health insurance benefits instead of pension insurance benefits. Income security for the elderly continues to be provided mainly by the pension insurance benefits. Nevertheless, there are some other benefits independent or partly independent of social insurance. Their scope has also been enlarged by 2012 due to the fact that – apart from certain exceptions detailed thereunder – only social benefits can be awarded for those under the retirement age instead of pensions. As a consequence, the scope of pension insurance benefits has been restricted to old-age pensions above retirement age and survivors' benefits.

The system of pension insurance has gone through some structural changes in recent decades. The theoretical launch of the most recent pension reform, which began in 1991 with a resolution by Parliament and subsequent statutory amendments, has a pivotal role and was the driver of significant changes within the Hungarian pension system. Thus, for example, the length of service (insurance) time necessary for eligibility was raised, the number of years taken into account when calculating average income as the basis of awarding pensions has been continuously increasing. Simultaneously with extending the calculation period, the valorisation of incomes serving as the basis of pensions was introduced and the insurance income ceiling was built into the system for the purpose of determining the standard of incomes accepted as part of statutory insurance (being under the protective shield of insurance safeguard).

Changes were particularly notable in 1997 and 1998 when statutory regulations raised the retirement age (1997) and introduced the two-pillar statutory pension system which contains the funded pension element as second pillar (1998). However, this two-pillar system has been re-transformed into one-pillar system due to the multi-step changes of 2011-2012. The rules of pension calculation changed significantly in 2008, whereas the new process of increasing the retirement age was announced in 2010. In 2010-2012, the method of pension increase was modified from mixed indexation to a pure price-tracking system. In the meantime, eligibility criteria of early retirement (i.e. old-age pensions under the retirement age) had been gradually tightened and as rule of thumb – with certain exclusions – the institution of early retirement was terminated in 2012, at last. The other major change of 2012 is that handling the risk of invalidity through the mechanism of the pension system has also been terminated; the providing system has become part of the health insurance system. Each of the aforementioned measures – besides other objectives – aims at serving the long-term sustainability of the pension system the significance of which is emphasized by periodic demographic processes such as the falling number of live births and the increase in life expectancy.



*HCSO data

I. The structure of the Hungarian pension system

The statutory pension system in Hungary exists in the form of a one-pillar, pay-as-you-go social security pension scheme, supplemented by the voluntary private pension scheme established in 1993 and by several other pension saving schemes (e.g. business insurances, pension pre-saving customer accounts).

The capitalized private pension scheme was regarded as part of the statutory pension scheme from 1998 to 2011. However, it did not meet the requirements – due to reasons detailed thereunder –, deteriorated the budget balance on a long-term basis and significantly exacerbated the increase in public debt.
As a consequence of measures taken in stages during 2010-2012 the number of private pension funds members decreased to a fragment of the former one; since 2012 the statutory payments of contributions are duly concluded into the social security pension system. As a result, the private pension system does not operate as a part of the statutory scheme any longer. The 70,000 people who stayed members fulfill to pay the membership fee on a voluntary basis.

II. The providing system

The former structure of Hungarian social security pension system had covered old-age, disability pensions and bereavement (survivors') pensions. As of 2012 the providing structure has been profoundly transformed: benefits for persons with changed working capacity have been placed onto new legal grounds and have been transferred from pension insurance into health insurance. With regard to some correlations this information booklet gives a summary on such benefits as well, though.

Number of recipients of pensions, allowances, annuities and other types of benefits, January 2012	
Benefits	**Number (persons)**
1. Old-age pensions	**1 959 202**
1.1. old-age pensions above the retirement age	1 884 583
of which: disability pensions above the retirement age recently classified as old-age pensions	396 886
1.2. old-age pensions under the retirement age (professionals of military organizations born prior to 1955)	11 664
1.3. old-age pensions for women with 40 years of eligibility period	62 955
2. Benefits prior to retirement age	**201 986**
3. Disability and rehabilitation benefits	**473 360**
3.1. disability benefits	252 959
3.2. rehabilitation benefits	192 331
3.3. rehabilitation annuity	25 791
3.4. health damage annuity for miners	2 279
4. Widow(er)'s and Parental pensions*	**118 770**
4.1. temporary widow(er)' pensions	8 910
4.2. widow(er)'s pensions above the retirement age	89 963
4.3. widow(er)'s pensions under the retirement age	19 828
4.4. parental pensions	69
5. Orphans' allowances	**93 916**
NPension benefits in total (1.+3.3+4.+5.)	**2 197 679**
6. Agricultural co-operatives annuities	**3 795**
7. Work-accident annu	**10 654**
8. Invalidity annuity	**32 560**
9. Spouse supplement, spouse income supplement	**22 558**
10. Other benefits	**2 358**
Benefits in total (1.-10.)	**2 919 159**

* Those who receive widow(er)'s pension apart from their pension on own right amounts to a further 656 770 persons.

1. Old-age pension

1.1. Eligibility criterion: retirement age

Changes in the 1997-2011 period

In Hungary, the retirement age had remained unchanged for a long period of time, fixed at 60 years for men and 55 years for women. In order to adjust to the long term demographic changes and to the sustain continuous financing capacity of the pension system, in the first half of the 1990s a decision to gradually increase the retirement age and for harmonizing the retirement age of both sexes was adopted. According to this decision the retirement age for men increased by one year in 1998 and 2000 respectively, thus reaching 62 years. The retirement age of women increased by one year every second year until 2008. For example, women born in 1942 could retire at the age of 57, those born in 1943 at 58, and those born in 1944 at the age of 59. The progress of increasing the retirement age for women continued accordingly: the retirement age of 62 first applies to those born in 1947.

At the same time, in addition to the increase in the retirement age, so-called flexible retirement was introduced. In the framework of flexible retirement, so-called advanced pension was accessible for those who had completed a long service time. In order to be eligible for early retirement, men had to be 60 years old, from the time when the new system was introduced to 2011. Until 2000 inclusively, the age criterion for advanced pension was 55 years of age for women which increased to 56 in 2001 and to 57 in 2003. As of 2009 women's advanced age increased to 59 years of age, which applied to for those born in 1952.

As of 2008, another eligibility criterion for advanced pension and advanced pension with reduced sum was defined by the Act: claimants must terminate their legal relationship serving as the basis for insurance. (Nevertheless, they can establish a new legal relationship as pensioners.) Since January 1, 2010, terminating the legal relationship as basis for insurance is not only the eligibility criterion regarding those who would claim for advanced pension, but also in cases of old-age pension claimed upon reaching retirement age or above. for the same holds true those having legal relationship in an EEA Member State or in a country under the jurisdiction of a bilateral social security agreement.

In the first half of 2009, the Parliament adopted an act on the gradual increase of the retirement age from 62 to 65 years of age and that of the same eligibility criterion of advanced pension up to 63 years of age with a commencement in 2012. As a main rule, increase refers to an increase by half a year for every birth year group. The reason for adopting additional, transitional provisions was that the women's advanced retirement age had not reached 60 years of age (it was raised from 57 to 59 years of age in 2009).

The respective age-groups are affected by the increase in the retirement age as follows.

The retirement age of those born in 1952 is 62 years and 183 days, 63 years for those born in 1953, 63 years and 183 days for those born in 1954, 64 years for those born in 1955, 64 years and 183 days for those born in 1956, and 65 years for those born in 1957 or later. This applies for both genders.

Regulations effective from 2012

The statutory amendment adopted by the Parliament at the end of 2011 with effect from 2012 has not affected the increase in retirement age, but fundamentally altered the eligibility criteria of pensions prior to retirement age. As it offered the award of old-age pensions only for those above the retirement age, it seriously 'overwrote' the formerly projected mechanism of gradual aggravation of early retirement. In lieu of aggravation a set of regulations has been established by which early retirement had been almost utterly eliminated.

The theoretical starting point of the changes of 2012 is that pensions prior to retirement age cannot be claimed as of 2012 onwards. The only permanently existing, systematic exception has been the award of old-age pension regardless of any age criteria for women with an eligibility period of at least 40 years, which was introduced in 2011. Eligibility period refers to a narrower category than the generally applied term of service time in the pension insurance system, as only the enabling period of performing gainful activity and the disbursement period of child raising benefits are accepted under this term. As a further criterion, the exact time of enabling period of performing gainful activity within the at least 40 years of eligibility period may not be less than 32 years. (In cases when 5 or more children are raised, this condition may be softened to 25 years.) The new retirement alternative is a reward for women who had worked all their active lives and had mostly raised children as well.

Early retirement pensions awarded before 2012 for those under the retirement age on January 1, 2012 were transformed into social benefits – for a transitional period until reaching the retirement age. Their amounts have not been altered and they remained under the scope of regular annual pension increase. However, they cannot be deemed as pensioners until reaching the retirement age, i.e. they are not entitled to certain pensioners' privileges. Early retirement pensions had been awarded in the form of advanced pensions, early retirement pensions, early retirement pensions due to hazardous working conditions, miners' pensions, artists' pensions and some other special early retirement benefits prior to 2012. It is worth mentioning the transition of service pensions for professionals of military organizations awarded

under especially favorable conditions and – as a main rule – the significant decrease in their amounts until reaching the retirement age.

When reaching the retirement age, these so-called benefits prior to retirement age will be 'reverted into old-age pensions. Provided that the beneficiary has been performing gainful activity during the disbursement of such social benefit for at least one year, they become entitled to have their pensions awarded again, their newly gained service time and income also taken into account instead of getting back the 'old' (but increased) pension amount. (If it is more agreeable, certainly.)

Under a determined and increasingly reduced scope and with transitional effect the new regulation enables the people involved to claim for these newly established social benefits from 2012 as well. (Thus, these benefits may not only be awarded as those transformed from benefits awarded before 2012, but also as newly awarded benefits.) In the future, two special types of benefits i.e. the temporary miners' annuity and life annuity for ballet dancers, which involve only a small amount of people, may be awarded without time restrictions.

The changes in 2012 – except for the special alternative retirement for women – guarantee that the age center (i.e. the exact age reached at retirement) of old-age retirement approaches or even meets the retirement age. In essence, this age center had been equivalent to the age criterion of advanced pension so far. As a result, measures facilitate the long-term sustainability of the pension system to a great extent and, at the same time, terminate the diverse former varieties of early retirement alternatives.

The average retirement age according to the awarding year by gender and type of benefit

Type of benefit	gender	2000	2004	2008	2011*
Old-age and old-age-type pensions	men	60,0	60,1	59,8	60,4
	women	55,9	57,6	57,3	58,4
	total	57,4	58,9	58,3	59,0
Disability and accident-related pensions	men	49,3	50,1	51,9	51,8
	women	47,4	48,7	50,5	50,6
	total	48,5	49,5	51,3	51,3
Rehabilitation annuity	men	-	-	44,5	47,0
	women	-	-	44,1	47,1
	total	-	-	44,3	47,1
Összesen	**férfi**	**53,2**	**56,0**	**56,9**	**57,9**
	nő	**52,1**	**54,5**	**55,7**	**57,3**
	együtt	**52,6**	**55,3**	**56,2**	**57,5**

1.2. Eligibility criterion: service time

In the first approach, service time is equivalent to insurance periods. According to general rules service time can be acquired by establishing various legal relationships with the purpose of working (i.e. performing gainful activity). Moreover, service time includes the disbursement period of child raising or unemployment benefits, and also periods covered by agreements concluded with the purpose of acquiring service time. As a basic principle, only insurance periods for which pension contribution has been paid can be recognized as service time. However, the Pensions Act in force as of January 1, 1998, in view of acknowledging the rights obtained, renders it possible to deem certain periods acquired prior to January 1, 1998 as service time, even if no pension contribution was paid over such periods. Such periods are, first of all, those spent in higher education and compulsory military service.

> Service time also includes the disbursement period of child care leave (GYES), introduced on January 1, 1968. The actually accumulated service time of mothers whose children were born in the years preceding the introduction of child care leave must be increased by 365 days for every child born. This measure serves the elimination of disadvantages arising from law.

In Hungary, one of the eligibility criteria of old-age pension is acquiring at least 15 years of service time. Providing that service time reaches 20 years, the awarding pension will be under the safeguarding net of old-age pension minimum. It is experienced though that almost 100% of the newly awarded old-age pensions have a higher amount than that of the pension minimum, thus it is not required to apply the minimum rule.

1.3. Calculating the pension amount

The pension amount is calculated as a percentage of the average income (salary) as basis for pension contributions, according to a scale determined by length of service (insurance).

The average salary as basis for pension is to be calculated – as a general rule – from salaries and incomes received from January 1, 1988 to the date of retirement. The period of income to be calculated for pension purposes is extended annually by one year, so pensions are to be progressively calculated on the basis of salaries over a whole lifetime.

The amount of average income shall be determined on the basis of the net amount of incomes gained in each year. Thus, gross incomes shall be deducted by the proportion of individual contribution and personal income tax with effect in the relevant year of gaining income. (In the course of calculation personal income tax shall be determined with regard to the income deducted by individual contribution – differently as pursuant to general tax regulations.

When assessing average income, net incomes of years prior to retirement are valorised. It means that incomes gained during the second year prior to retirement and those gained before that shall be multiplied to the income level of the calendar year prior to retirement on the basis of the growth in national average net income.

The amount of pensions when having 15 years' service (insurance) time amounts to 43% of average income calculated for pension purposes. In cases where a qualifying period is more than 15 years the ratio increases by two percentage points a year up to 25 years' service (insurance) time when reaching 63%; thereafter it increases by 1 percentage point a year up to 36 years' service time, reaching 74 % after 36 years of service; if the length of service is more than 36 years, there is an increase of 1.5 percentage point, and with more than 40 years of service the rate increases by 2 % a year. Thus, with 50 years of service, the amount of pension equals to the full amount of the average income, even though further years of service do not increase the amount of benefit.

In the Hungarian pension scheme, there is a so-called minimum pension that occurs when awarding pensions. This minimum pension applies only to a full pension (acquired after at least 20 years of service). Its amount is determined annually; in 2012 the smallest amount of old-age pension is HUF 28.500 forming 30,2 % of the average old-age pension (94.427 HUF) in January 2012. However if the average monthly income as basis for pension is so low that it does not reach the amount of a minimum pension, the pension amount will be 100% of average monthly income.

Persons who have 20 years of service required for old-age pensions but do not claim for pension when reaching the relevant retirement age and acquire an extra service time of at least 30 days, are entitled to pension increase (bonus) which amounts to 0,5% of the awarded pension per each 30 days.

As of 1 April 2007 those working while retired shall also pay pension contributions after their incomes. As an offset, upon request, pensions must be raised after each 365 days of service acquired, by 0.5 percentage – i.e. by 1/12 – of the average monthly amount of the salary or income serving as the basis for calculating the pension contribution. It equals therefore to the 1/2400 of the annual contribution basis.

The disbursement of old-age pensions and early retirement pensions transformed into social benefits of those under the retirement age shall be suspended, if the income gained apart from the pension in the same calendar year exceeds an amount eighteen times the minimum wage. Suspension lasts up to the end of the relevant calendar year, whereas disbursement of the benefit restarts at the beginning of the following year. (In case of benefits transformed from pensions awarded prior to 1 January 2008, this rule applies to incomes gained since 1 July 2012 onwards. After reaching retirement age, gaining income simultaneously with the receipt of pensions are not sanctioned.

Pensions and benefits awarded from 2012 onwards are exempt from taxes.

2. Benefits for persons with changed working capacity

As of January 1, 2012, the Hungarian system providing benefits for persons with changed working capacity has changed. The option for awarding disability pension expired. The formerly awarded disability pensions have been transformed into health insurance – i.e. disability or rehabilitation – benefits. Such benefits may be claimed by persons who have suffered recent changes in their working capacity.

The main objective of the changes is to consistently enforce the rehabilitation approach. According to the new conditions pecuniary benefits may only be awarded when a person with changed working capacity is unable to make a proper living of their work incomes. The criteria of the new benefits motivate to rehabilitation and reintegration into the labor market. The exercise of the vested working capacity is enforced through closely governed rehabilitation proceeding.

Formerly awarded disability pensions transformed into benefits depending on age and state of health. Under constant terms persons who had been disability pensioners before 2012 and reached the retirement age by the end of 2011 i.e. are above 62 years of age are now receiving old-age pensions. Those who have not reached the retirement age but are above 57 years of age (i.e. were born in 1954 or earlier) and/or had been disability pensioners with completely lost working capacity are receiving disability benefit as of January 1, 2012. The main criteria of such benefit are equivalent to those of the former disability pension.

Disability pensions of those who did not reach 57 years of age by the end of 2011 (i.e. were born after 1954) and have had vested working capacity have transformed into rehabilitation benefits. The ultimate form of such persons' benefits is determined after the complex assessment of the state of their health. Provided that the state of their health is assessed above 60%, they are not entitled to benefits any longer. When having an assessed state of health at a maximum of 60% and they are 'accessible to rehabilitation', rehabilitation benefit may be awarded to them. Provided that rehabilitation is not recommended by the reviewing administrative body regarding a state of health of more than 60%, such benefits shall be continuously disbursed in the form of disability benefit.

Conditions of social benefits disbursed for those with changed working capacity, who had been receiving pension-type social benefits in lieu of pensions, had also been altered by January 1, 2012. There has been a complete change concerning regular social annuity and temporary invalidity annuity. Such benefits for persons who reached 57 years of age by the end of 2011 are paid in the form of disability benefit, whereas benefits for younger people are paid in the form of rehabilitation benefit. In the latter case, the ultimate form of benefit shall also be determined following the complex assessment.

For persons with changed working capacity, who have recently submitted their applications and the state of their health remained under 60% but can be employed via rehabilitation or permanent work rehabilitation, rehabilitation benefit shall be awarded. It may be provided for the length of rehabilitation, but for no longer than a maximum period of 3 years.

Disability benefit shall be awarded in cases where rehabilitation of persons with the state of health of a maximum degree of 60% is not recommended by the competent administrative body. This benefit shall also be awarded in cases where the claimant receives – besides 60% as a maximum degree of their state of health – is classified as 'accessible to rehabilitation', but will reach the retirement age within 5 years following the date of submitting the application.

A further eligibility criterion of rehabilitation or disability benefits is having an insurance legal relationship for at least 1095 days within 5 years before submitting the claim. The amount of benefit is equal to the percentage of the average income of the previous year prior to the award of benefit depending on the state of health and the level of accessibility to rehabilitation. The amount of benefits are confined within lower and upper bounds – also depending on the state of health and the level of accessibility to rehabilitation – determined as a percentage of the minimum wage.

Disability benefits amount to 40-70% of the average income, whereas rehabilitation benefits amount to 35-45% of that. The lowest amount of the awarded benefits is equal to 30% of the minimum wage, whereas the highest amount is equal to 150% of that in cases of disability benefit for those completely inaccessible to rehabilitation.

Providing that a person's state of health or accessibility to rehabilitation, receiving rehabilitation benefit or disability benefit, is above the level required for entitlement, benefit shall be terminated. In case of performing any gainful activity, disbursement of rehabilitation benefit shall be suspended. If a person receiving disability benefit earns income, which exceeds 150% of the minimum wage with regard to the average of three constant months respectively, their benefit shall be terminated.

Rehabilitation and disability benefits are exempt from personal income tax. Rehabilitation benefits awarded as a new benefit – i.e. not as a transformation of disability pensions – from 2012 are subject to pension contribution, thus the length of its disbursement shall be accepted into the acknowledgeable length of service concerning old-age pensions.

Through the transformation of the providing system, the type of benefit introduced in 2008 for those persons with changed working capacity who are accessible to rehabilitation, i.e. the rehabilitation annuity has been gradually terminated. As of January 1, 2012, such benefit cannot be awarded. However, formerly awarded benefits shall be disbursed until the date determined in the awarding resolution. Due to the maximum length of three years, this benefit will be utterly terminated by the end of 2014.

3. Survivors' (bereavement) benefits

An essential condition of survivors' benefits is that the owner of rights (the deceased) must have acquired the necessary service time required for old-age pensions or died as an old-age or disability pensioner. If the right holder had not reached the retirement age at the time of their death, the required service time shall be determined accordingly to the age reached at the time of death.

Widow's or widower's pension may be granted to the spouse, the divorced spouse and the domestic partner (hereinafter referred to as spouse).

A widow(er) is – as a main rule – entitled to a temporary widow(er)'s pension up to one year after the death of a spouse. Widows/widowers are entitled for temporary widow's/widower's pension if they care for a child who is younger than one and a half years and is entitled, on the basis of the deceased's rights, for orphans' allowance, until the orphan turns 18 months old. If the child is disabled or permanently ill, the temporary widow's/widowers' pension may be disbursed until the third birthday of the child.

Eligibility for a permanent widow's or widower's pension becomes due after the temporary widow's/widower's pension has ended, where the applicant has reached the retirement age for old-age pension, has a changed working capacity, or looks after at least two orphans (or an orphan with disability or permanent illness) of the owner of rights. Entitlement to a permanent widow's/widower's pension also arises if any of the aforementioned conditions is met within 10 years of the death of a spouse.

The temporary widow's/widower's pension amounts to 60% of any pension that was due, or would have been due to the deceased. The permanent widow's/widower's pension also amounts to 60% if the widow or widower does not dispose of pension on own right. If the widow/widower receives pension on own right, the widow's/widower's pension amounts to 30% of the pension of the owner of rights. The surviving spouse is entitled to the latter amount irrespective of the amount of the awarded pension on own right.

Children – including children living in a household of married parents or parents in domestic partnership, children from previous marriages or domestic partnerships and adopted children –, as well as siblings and grandchildren – including great-grandchildren and great-great-grandchildren, if the deceased party was raising them in their own household and such child has no other maintenance debtor, are entitled to orphans' allowances.

Orphans' allowance is paid to children under the age of 16 or until they complete full-time education, but up to the age of 25. Orphans' allowance amounts to 30% of the owner of rights' pension and to 60% in the event of both parents dying or if the surviving parent is disabled. The amount of orphans' allowance may not be less than an annually determined minimum, i.e. HUF 24,250 in 2012.

The pension system also includes parental pension, as a dependents' benefit. In order to be eligible for this, beyond the general eligibility criteria, the following must apply: it was predominantly the child, who, during the last year before his /her death, supported the parent involved who was disabled at the death of the child or they already reached the age of 65. (The number of recipients of parental pension is less than 100 persons, at present.)

The above also applies for dependents (widow/widower, orphan, and parent) of the insured person dying as a result of an industrial accident (occupational injury).

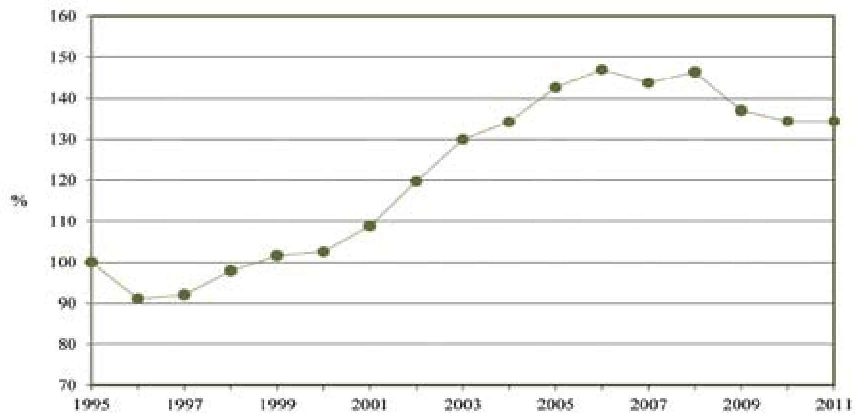
4. Pension increase

The level of pension increase has been determined exclusively by the inflation flows of the relevant economic year in Hungary since 2012. Pension benefits are increased accordingly to the level of consumer price-index (hereinafter referred to as 'CPI') planned for the relevant economic year and defined in the annual budgetary act. Provided that the planned annual level of CPI exceeds the planned level with regard to the interim flows, a supplementary measure is taken in November retroactively to January of the same year. Regarding to such measure, the planned inflation in the pensioners' consumer basket shall be taken into consideration if this is higher than the general CPI.

When determining the level of pension increase the alteration of average net income had also been taken into consideration apart from inflation before 2012. Until 2009 the level of pension increase had been defined by the average of the growth of average net income and that of the consumer price for the relevant economic year. Pursuant to regulations for 2010-2011 the alteration of average net income must have been considered if the planned annual growth of GDP reached 3%. Concerning the supplements in November as well, though, the level of increase in average net income during these years was not to be applied.

Providing that the measure in November is at 1% or is higher than that, it shall be implemented in the form of supplementary pension increase. (Thus, such measure will be built in pensions paid in November.) Provided that the amount of supplement is lower than 1%, the difference in pension increases shall be paid in the form of one-off payment. In such cases the supplement will be built in pensions during the following year (i.e. the joint effect of the level of January increase and the difference shall be exercised).

The real terms of pensions correlated to 1995



III. The reform of the two-pillar statutory pension system in 2010-2012

The Hungarian statutory pension system had operated as a two-pillar scheme since 1998. Approximately three-quarters of pension insurance contributions was paid into the state pillar operating on a pay-as-you-go basis, whereas the rest i.e. one-quarter of such contributions was paid into private pension funds operating on a funded basis. Therefore, the regulations on benefits were accordingly defined in the relevant laws.

The membership in the mixed funded pension system was mandatory for those who commenced their career after 30 June 1998. Meanwhile, for those who had paid contributions i.e. who had already been insured during an earlier period of time, also had the opportunity to voluntarily join it. If they joined this mixed funded pension system, they automatically waived a quarter of their pension rights already acquired prior to the access.

The two-pillar statutory pension system in operation since 1998 had increasingly failed to meet the requirements. Numerous elderly insured people joined the mixed system without thinking of the consequences, however, the investment performance of funds could not live up to expectations. These processes had dramatically deteriorated the benefit prospects for the majority of fund members. Meanwhile, the transitional costs of the reform and the reimbursement obligation concerning the shortfall of social security revenues burdened the state budget. As a result, the operation of the two-pillar system considerably contributed to the growth in state debt and the deficit in public finances.

Experiencing the unfavorable processes, the Hungarian Parliament decided on the reform of the two-pillar statutory pension scheme which was gradually implemented in 2010-2012. The major measures were as follows:

- decision in November 2010 on
  - the termination of the career starters' obligatory access to the private pension funds and on
  - the suspension of membership fee payments for 14 months (between October 1, 2010 and November 30, 2011);
- In December 2010 the Parliament adopted the provisions of the step-back from the private pension funds. Accordingly, members could initiate to sustain their membership at any pension insurance directorate until 3 January 1, 2011. In the lack of such initiative, membership ceased automatically on 1 March 2011. The former members' assets were reimbursed for the Hungarian State. At the same time, former members became entitled to full social security pension, thus their future benefits will not be reduced because of the membership. (They are regarded as if they had never been fund members.) Besides, former members were entitled to the non-obligatory additional membership fee paid during the membership and to the investment yield noted on the individual account which was gained by exceeding the inflation rate (they could also receive it in cash);
- an act with effect from 2012 was adopted on diverting all the normatively regulated obligatory contribution payment into the Pension Insurance Fund i.e. into the pay-as-you-go pillar of the Hungarian pension system;
- since August 1, 2012 an act is in force on obtaining social security pension rights for those sustaining their memberships. Accordingly, since the date of suspension of the payment of statutory fund membership fees i.e. since October 1, 2010, fund members are fully entitled in the social security pension scheme as well.

As a result of the implemented changes, the Hungarian statutory pension system became a one-pillar system since 2012. The private pension scheme continues to operate as a voluntary pillar with a considerably reduced number of members (from 3,115,000 persons in 2010 to 74,000 persons). 97.6% of fund members decided on taking a step-back into the purely social security pension system.

IV. The voluntary private pension scheme

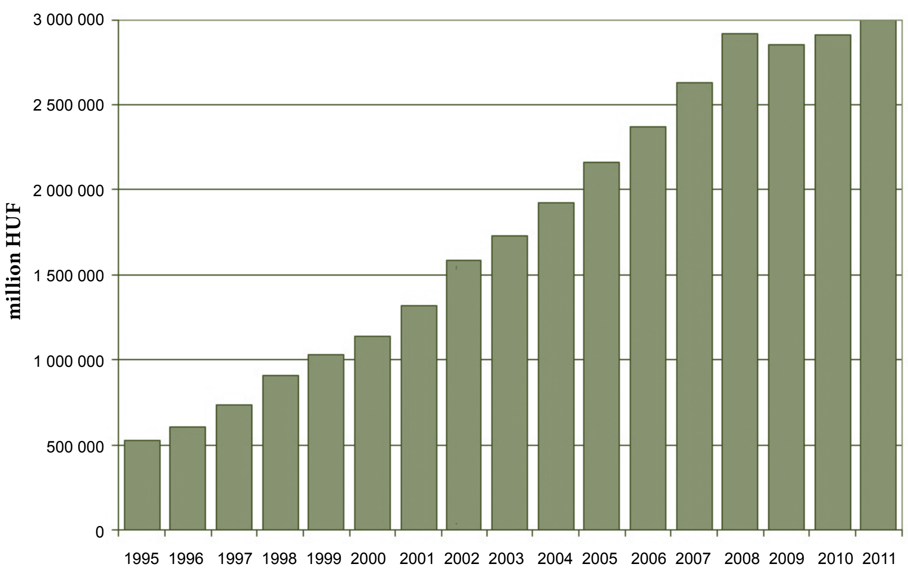
Since December 1993, there has been legal provision in Hungary for the setting up of voluntary pension funds. The aim is to establish an organized framework for voluntary pre-savings to future pension supplements. Such savings are usually supported by employers and supplemented from their own resources. Fund members are entitled to claim tax relief on payments made to a voluntary fund, recorded in the members' individual accounts. Employers may pay a monthly sum equivalent to the minimum wage on behalf of fund members, supported with tax allowances.

The number of voluntary pension funds and members has seen a dynamic growth and by 1999 there had already been around 250 funds in operation. According to data of March 2012, this number has fallen to 55 due to the concentration process. However, the number of members was 1.245 million i.e. 32.3% of the total number of insured people have had voluntary funded savings. Their assets have exceeded HUF 82 billion.

V. Financing the pension system

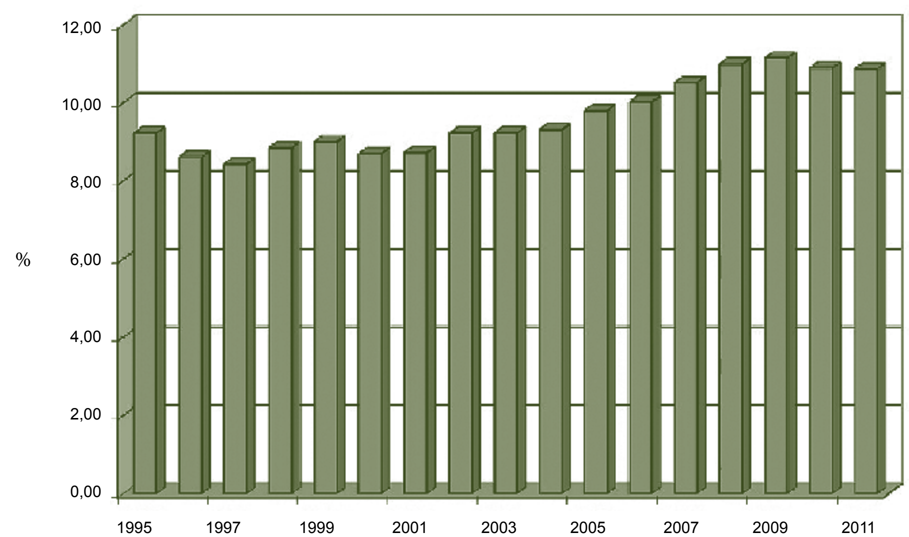
The social security pension scheme, introduced in 1929, started or functioned as (to use modern terminology) a fully funded, benefit defined system. However, its accumulated capital (reserve) was lost as a result of the devastation of World War II and inflation, so a change to the pay-as-you-go system, still in effect today, became inevitable.

Expenditure on pension benefits



Expenditures are mainly covered by employers' and individual contributions. Contributions paid by employers are significantly higher than those paid by individuals; employers pay 27% of incomes serving as basis for contributions in the form of social contribution tax, 24 percentage points of which are due to the Pension Insurance Fund. Employees shall pay 10% in the form of pension contribution. Payment by employees shall be exercised up to a certain limited amount (so-called 'ceiling') which is annually raised. Its current sum amounts to 3 times the national average gross income.

We have already demonstrated the reform on benefits prior to retirement age and the disability pension system. In accordance with this reform financing provisions have also been amended. As of 2012, the Pension Insurance Fund has only been funding the expenditures of old-age and survivors' pension benefits. Early retirement pension benefits have been transformed into social benefits and are financed by the National Family and Social Policy Fund, whereas benefits for persons with changed working capacity are financed by the Health Insurance Fund. (The partial coverage of such benefits is gained by the rearrangement of a certain part of Pension Insurance Fund revenues in 2012.)



International pension transactions

The arrangement of international pension transactions includes pension cases of individuals falling under the scope of the coordination regulations of the European Union (EU) and the European Economic Area (EEA) and the bilateral social policy and social security agreements as well as of those living in third countries.

Individuals under the scope of the coordination regulations of the EU/EEA

Hungary joined the EU and the EEA on May 1, 2004, therefore Community regulations governing social security shall be applied when evaluating applications for pensions in relation to Hungary and another EU/EEA country.
These include:

- Council Regulation (EEC) No. 1408/71 on the application of social security schemes to employed persons, to self-employed persons and to members of their families moving within the Community
- Council Regulation (EEC) No. 574/72 laying down the procedure for implementing Regulation (EEC) No 1408/71
- Regulation (EC) No 883/2004 on the coordination of social security systems
- Regulation (EC) No 987/2009 down the procedure for implementing Regulation (EC) No 883/2004

The coordination regulations governing Community social security apply to the following persons:

- citizens of EU member states falling within the scope of one or several member states' social security systems
- refugees and displaced persons residing within the EU falling within the scope of one or several member states' social security systems, and
- family members and surviving relatives of the aforementioned persons.

The Community's coordination regulations governing social security deal with provisions offered within the framework of the statutory social security system, that is, with sickness and maternity benefits, invalidity benefits, old-age pensions, pensions due to survivors, provisions available upon industrial injuries and occupation-related diseases, death, unemployment benefits and family benefits.

On May 1, 2010 Council Regulation (EEC) No. 1408/71 on the application of social security schemes to employed persons, to self-employed persons and to members of their families moving within the Community and Council Regulation (EEC) No. 574/72 laying down the procedure for implementing Regulation (EEC)

No. 1408/71 (hereinafter referred to as former regulations) were replaced by Regulation (EC) No 883/2004 on the coordination of social security systems and Regulation (EC) No 987/2009 down the procedure for implementing Regulation (EC) No 883/2004 (hereinafter referred to as new regulations) with regard to EU member states. With regard to Switzerland, the new regulations shall be applied as of April 1, 2012, whereas they have been in force as of June 1, 2012 with regard to the three EEA Member States (Iceland, Lichtenstein, Norway).

From the date of accession, the former bilateral social policy and social security agreements Hungary had concluded with Member States and countries that joined the EU along with Hungary (special Hungarian-German, Hungarian-Austrian, Hungarian-Polish, Hungarian Czechoslovakian, Hungarian-Holland bilateral agreements and, in respect of Slovenia, the Hungarian-Yugoslavian agreement) have been replaced by the coordination regulations of the Community.

On January 1, 2007, Romania and Bulgaria also became members of the EU, thus the coordination regulations must be applied in respect of these countries as well, replacing the Hungarian-Romanian and the Hungarian-Bulgarian social security agreements.

Coordination aims at eliminating disadvantageous situations that may arise from the differences of the systems operating in Member States as well as acknowledging and maintaining the rights obtained, and implementing cooperation between the Member States.

With the entry into force of the new regulations, the practical implementation of a regulation system stipulating increased cooperation, in line with the requirements of the 21st century and based on fundamental principles ensuring social security rights, and the maintenance of such rights, for migrant workers that have determined the coordination of social security systems for decades began.

- Service time accumulated in member state pension systems shall be taken into account in order to acquire eligibility for pensions in the context of pension assessments.
- Competent member state institutions shall determine and disburse the amount based on the total service time accumulated by the applicant/insured person and the portion of the pension, calculated based on the provisions of national legislation (theoretical pension), determined in proportion to the service time accumulated in the member state at issue and the total service time (pro rata pension).
- The pension determined for pensioners residing in EU member states, and if an application to this effect has been submitted, such pensions shall be disbursed in the member state of residence, different from the member state obliged to make the pension payment (direct transfer).
- The insurance facts occurring on the territory of EU/EEA and relevant from the perspective of eligibility for benefits and the amount of benefit shall be taken into account as if they had occurred on the territory of the member state that established the pension benefit or within the scope of its insurance system.

Within the application of Community regulations, the following Hungarian pension benefits may have been awarded prior to January 1, 2012 :

- Old-age pension (advanced pension, advanced pension with reduced sum, early retirement pension, artists' pensions, miners' pension),
- Disability pension,
- Rehabilitation pension,
- Dependent's benefits (widow's/widower's pension, orphans' allowance, parents' pension),
- Accident disability pension,
- Accident benefit.

As of January 1, 2012 according to the newly adopted Hungarian statutory amendments, Hungarian pension-type benefits that may be awarded within the application of the EC regulations are as follows:

- Old-age pensions (benefits prior to retirement age, miners' temporary annuities),
- Survivors' pensions (widow(er)'s pensions, orphans' allowances, parental pensions, widow(er)'s annuities),
- Work-accident-related survivors' pensions,
- Work-accident annuities.

In accordance with the provisions of the coordination regulations, applications for the various benefits must be submitted at the competent institution of the Member State of residence. This Member State institution will send the forms filled in according to the application, along with the certificate proving the service/insurance time acquired in the given Member State, to the competent institution(s) of the Member State(s), in which the applicant has accumulated additional service/insurance time. Via a single application, the applicant will be entitled to the given benefits in all Members States, in which he or she has met the eligibility criteria. In the case of claims for old-age pension, the postponement of the settlement of claims may be requested from the institution of the Member State in which the applicant would otherwise be eligible for the benefits. In this case, or, if one became entitled to benefits in another Member State only at a later date, a new application must be submitted.

The competent institution of each Member State evaluates applications in accordance with its own internal laws and the provisions of the coordination regulations. If an applicant is eligible for benefits on own right in line with the internal regulations of a given Member State, the benefits must be calculated according to a so-called double settlement procedure:

1. The benefits due according to national regulations must be calculated on the basis of the service time acquired and the salary received in the given Member State.

2. The proportionate pension must be calculated according to the following:
- the theoretical amount of the pension must be calculated, that is, the pension amount that would be due if the applicant had acquired all his or her service time (actually accumulated in several Member States) in this Member State;
- the proportionate pension must be then calculated so that the ratio of service time acquired in the given Member State to total service time shall be applied to the theoretical amount.

3. Of the two benefits, the one that is more advantageous i.e. the higher amount will be awarded and disbursed.

If the claimant is not eligible for national benefits on own right, only the proportionate pension may be calculated.
Benefits due from different Member States is disbursed to the beneficiary separately, in accordance with the regulations in force in the Member States involved.

Pension issues based on European Union coordination regulations, by country *

Country**	Number of lodged new applications			Number of awarding resolutions ***		
	2009	2010	2011	2009	2010	2011
Austria	1 695	1 885	2 223	772	641	662
Belgium	59	53	42	35	35	16
Bulgaria	82	85	71	18	27	27
Cyprus	17	15	31	1	8	3
Czech Republic	65	54	47	45	29	19
Denmark	16	14	19	13	9	3
United Kingdom	147	167	222	64	104	67
Estonia	1	4	2	1	2	3
Finland	28	42	48	13	25	20
France	111	166	144	63	81	53
Greece	87	73	65	39	26	15
Netherlands	83	105	138	48	53	41
Ireland	18	36	56	5	13	18
Iceland	0	0	2	0	0	0
Poland	184	183	187	71	46	31
Latvia	2	3	7	0	2	1
Liechtenstein	0	1	3	1	0	0
Lithuania	5	7	4	0	0	1
Luxembourg	18	10	16	5	8	1
Malta	5	2	1	0	2	2
Germany	4 291	4 382	5 041	1 880	1 785	1 418
Norway****	33	38	39	17	21	14
Italy	153	162	179	65	73	67
Portugal	2	2	5	1	0	0
Romania	3 955	3 971	4 579	1 064	1 359	1 302
Spain	27	59	57	14	20	22
Switzerland****	270	273	212	167	226	111
Sweden	469	388	348	375	316	156
Slovakia	914	971	1 062	399	381	386
Slovenia	20	40	32	4	18	14
Non-classified countries*****	0	0	0	77	1	110
Total:	12 757	13 191	14 882	5 257	5 311	4 583

* Without the data of the Pension Payment Directorate (NYUFIG)
** The country where the last foreign entitlement acquisition occurred prior to retirement
*** The coordination proceeding is considered concluded when the issue is closed in every Member State.
**** Not a Member State, but applies the rules of coordination regulations
***** Resolutions where the contacted foreign administrative body did not certify service time

Bilateral agreements

Over the last decades, Hungary concluded bilateral social policy and social security agreements with several countries, a number of which has been replaced by EU coordination regulations, as it has already been mentioned.
The agreements can be divided into the following groups:

1. Social policy agreements based on the territorial principle (Hungarian-Soviet agreement)

The essence of the agreement is that claims are settled by the competent institution of the state in which the applicant resides on the basis of the service/insurance time acquired in both countries.

The scope of the Hungarian-Soviet agreement includes the former Soviet Successor States, with the exception of Latvia, Estonia, Lithuania, Uzbekistan, Moldavia, Belarus and Azerbaijan.

The Hungarian-Romanian agreement, in force from November 25, 1961 to October 31, 2006, had been based on a similar principle. It was repealed by the new type Hungarian-Romanian agreement on social security, which in turn has been replaced by the EU/EEA coordination regulations as of January 1, 2007.

2. Pro-rated agreements on social policy (Hungarian-Czechoslovakian, Hungarian- Yugoslavian agreements)

The core concept of the agreements founded on the principle of pro-rated assumption of charges is that the service time acquired in the two countries is added up in all cases; however, the competent organs of each country only establish and disburse the pension part appropriate to the ratio of the service time acquired in the given country to total service time.
With respect to the successor countries (Serbia, Montenegro, Macedonia, Bosnia-Herzegovina, Slovenia, Croatia) the provisions of the Hungarian-Yugoslavian agreement must be applied with the following exceptions. As regards Slovenia, the EU coordination regulations shall apply as of May 1, 2004.
In respect of Croatia, the provisions of the Hungarian-Croatian agreement on social security must be applied as of March 1, 2006.
In respect of Montenegro, the provisions of the Hungarian-Montenegrin agreement on social security must be applied as of April 1, 2009.

In respect of Bosnia-Herzegovina, the provisions of the Hungarian-Bosnian agreement on social security must be applied as of August 1, 2009.
The Hungarian-Bulgarian agreement on social policy was in force from January 1, 1962 to June 30, 2006. After this date, the Hungarian-Bulgarian agreement on social security was applicable, and, as of January 1, 2007, the coordination regulations of the EU apply.

- 1. Agreements on social security (Hungarian-Canadian, Hungarian-Croatian, Hungarian-Montenegrin, Hungarian-Bosnian, Hungarian-Korean, Hungarian-Québec and Hungarian-Mongolian agreements)
  The main point of these agreements is that if one is eligible for provision under the national law of the given country, then it is national entitlement that will be established. If an applicant is not eligible on their own right for national benefits, the service time acquired in the two countries will be added up and the pension portion appropriate to the ratio of the service time acquired in the given country to total service time will be established and disbursed.

Pension issues based on bilateral social policy and social security agreements by country*

Country**	Number of lodged new applications			Number of awarding resolutions ***		
	2009	2010	2011	2009	2010	2011
Austria	0	0	0	4	2	0
Bosnia and Herzegovina	4	8	3	4	5	3
Bulgaria	0	0	0	6	0	0
Czech Republic	1	0	0	1	0	0
South Korea	1	0	1	0	0	0
Croatia	48	70	54	18	24	31
Canada	331	249	255	312	248	169
North Korea	0	1	0	0	0	0
Poland	0	0	0	0	0	1
Macedonia	4	1	3	4	1	1
Montenegro	0	2	3	0	0	0
Germany	0	0	0	34	8	4
Russia and the Soviet Successor States (with the exception of Ukraine)	232	248	267	107	92	85
Quebec	17	12	26	26	23	15
Romania	1	1	0	132	36	7
Switzerland	0	0	0	12	5	5
Serbia	409	427	492	169	152	164
Slovakia	0	0	0	3	0	1
Ukraine	851	981	1242	416	418	467
Non-classified countries****	0	0	0	6	0	3
Total:	1 899	2 000	2 346	1 254	1 014	956

* Without the data of the Pension Payment Directorate (NYUFIG)
**The name of the partner country pursuant to an Agreement
***Resolutions of first instance without resolutions on acknowledging service time
**** Resolutions where the contacted foreign administrative body did not certify service time

Individuals living in third countries

A person is considered to be living in a third country

- if, with respect to the coordination regulations, they live outside the territories of the EU/EEA Member States or Switzerland,
- if, with respect to bilateral agreements, they live outside Hungary or the territory of a country which is party to the given Agreement.

Applications lodged by a person who emigrated, lives or resides abroad according to the above have been investigated by the Pension Payment Directorate since May 1, 2012. If the application is not submitted personally, the applicant's identity and signature must be certified on the form used for filing applications (Application form for individuals living abroad) by a public notary or a foreign representation body of Hungary.

Taking into account that neither the scope of the coordination regulations, nor that of the bilateral agreements includes the abovementioned individuals, only the service/insurance time acquired in Hungary may be considered when investigating entitlement.

Number of newly received applications and awarding decisions*

Name	2009	2010	2011
New applications received	**16 014**	**16 462**	**18 162**
According to bilateral social policy and social security agreements	1 899	2 000	2 346
According to European Union coordination regulations	12 757	13 191	14 882
Persons living in third countries	303	314	281
International legal remedy	1 055	957	653
Awarding resolutions**	**6 773**	**6 573**	**5 834**
According to bilateral social policy and social security agreements	1 254	1 014	956
According to European Union coordination regulations	5 257	5 311	4 583
Persons living in third countries	207	194	189
International legal remedy	55	54	106

* Without the data of the Pension Payment Directorate (NYUFIG)

***Resolutions of first instance without resolutions on acknowledging service time

Pension issues of individuals living in third countries by country*

Country where the claimant has residence	Number of lodged new applications			Number of awarding resolutions**		
	2009	2010	2011	2009	2010	2011
Algeria	0	1	1	0	0	1
United States of America	182	187	189	129	120	127
Argentina	1	0	0	1	0	1
Australia	68	78	57	42	50	40
Austria	1	0	0	2	0	1
Republic of Guinea-Bissau	0	0	1	0	0	0
Brazil	2	0	2	0	1	1
Chile	3	0	0	3	0	0
Cyprus	1	0	0	1	0	0
Costa Rica	0	0	1	0	0	1
South Africa	1	1	5	1	0	1
United Kingdom	2	2	1	2	1	0
France	0	1	0	0	0	0
Ghana	1	0	0	0	0	0
Greece	0	0	0	1	0	0
Netherlands	0	2	0	0	0	0
Croatia	0	0	0	1	0	0
Israel	21	22	12	19	17	9
Ireland	1	0	3	0	0	0
Canada	0	1	0	0	0	0
China	0	1	0	0	1	0
Poland	1	0	0	0	0	0
Mexico	1	0	0	1	0	0
Moldavia	0	1	0	0	0	0
Mongolia	1	0	0	0	1	0
Germany	4	8	1	1	1	1
Italy	4	4	2	1	2	3
Russia	1	0	0	0	0	0
Romania	1	0	0	0	0	0
Spain	1	0	1	1	0	0
Switzerland	0	1	1	0	0	0
Sweden	1	0	0	0	0	0
Slovakia	1	0	1	0	0	0
Thailand	0	1	0	0	0	0
Turkey	0	0	1	0	0	0
Tunesia	2	0	0	0	0	0
New Zealand	1	1	1	1	0	2
Uzbekistan	0	1	1	0	0	1
Venezuela	0	1	0	0	0	0
Total:	303	314	281	207	194	189

* Without the data of the Pension Payment Directorate (NYUFIG)

** Resolutions of first instance without resolutions on acknowledging service time

Key pension systems and pension benefits laws

All substantial and significant rules of the Hungarian pension system are regulated by laws and the procedural and technical issues are contained in government decrees on implementation. Naturally, the Community Regulations effective from May 1, 2004 shall be applied automatically.

Relevant Acts:

Act XCVI of 1993 on Voluntary Mutual Insurance Funds. This Act regulates the scope of activity, organization, management, organizational changes and supervision of the voluntary funds.

Act LXXX of 1997 on persons entitled to social security provision and private pensions and on funding these services. This Act determines who the insured parties are, the extent of contributions, the method of contribution payments and obligations to keep records and supply data.

Act LXXXI of 1997 on social security pension benefits. This Act determines the criteria for pension entitlement and the extent of benefits.

Act LXXXII of 1997 on private pensions and private pension funds. This Act regulates the foundation, organization, operation, management, services and supervision of private pension funds.

Act CLXXIII of 2005 on raising pensions with the purpose of adjustment;

Act LXXXIV of 2007 on rehabilitation pension;

Act CLXVII of 2011 on the termination of early retirement pension, on the benefits prior to retirement age and on the benefits of the official members of the armed forces;

Council Regulation (EEC) No 1408/71 on the application of social security schemes to employed persons, to self-employed persons and to members of their families moving within the Community and Council Regulation (EEC) No 574/72 of March 1972 laying down the procedure for implementing Regulation (EEC) No 1408/71 on the application of social security schemes on employees, self-employed persons and their relatives moving within the Community;

European Parliament and Council Regulation (EC) No 883/2004 on the coordination of social security systems and European Parliament and Council Regulation (EC) No 987/2009 down the procedure for implementing Regulation (EC) No 883/2004.

Management of the Pension Insurance Fund and the state administration of pensions

The central office performing the central administration of statutory social and pension insurance is the Central Administration of National Pension Insurance (ONYF), controlled and supervised by the Government via the Minister for social and labor affairs who is in charge of political issues regarding retirement.

The Central Administration of National Pension Insurance manages the Pension Insurance Fund supervised by the Government and controls the performance of administrative and official tasks set forth by legislation, as well as the altogether seven regional pension insurance directorates executing these tasks, the Pension Payment Directorate and the Directorate for Central Pension Record and Informatics.

In the area of social insurance pensions, it is the Central Administration of National Pension Insurance that acts as a liaison body in accordance with Council Regulations (EC) No 883/2004 and (EC) a 987/2009,/and with the agreements on social security and social policy in force.

Regional pension insurance directorates assess claims for pensions and other benefits based on territorial competence, according to the residence of the applicant. Their professional supervision is exercised by CANPI.

Directorate for Central Pension Record and Informatics is responsible for central recording and the supervision of IT-systems; guarantees the IT-services necessary for the operative tasks of CANPI and its central administrative bodies, the pension insurance directorates of county government offices which belong to its jurisdiction; safeguards for the IT operations properly adapted with regard to the specifications of the constant organization of the relevant systems.

The Pension Payment Directorate's main task is the disbursement of pensions, with exclusive competence. In addition, it investigates claims of survivors, where the insured person died as a pensioner, and it disburses a number of non-social security benefits, as well. It is also responsible for managing international pension affairs, investigating pension claims and awarding pensions.

CANPI functions as administration body of second instance when judging appeals concerning official cases of pension insurance administration bodies.

The efficient utilisation of the funds of the Pension Insurance Fund, that is, of the contributions paid by employees and employers and those assumed by the budget as well as of other payments is supervised by the Pension Insurance Controlling Body in accordance with the stipulations set forth in Act XXXIX of 1998.

Administrative Bodies of International Pension Cases

The executive body for fund management and the liaison organization appointed by the Government:

Central Administration of National Pension Insurance (CANPI)
1132 Budapest, XIII. Visegrádi u. 49.
Postal address: H-1392 Budapest, Pf. 251.
Phone: (+36-1) 270-8000
Fax: (+36-1) 270-8151
Website: www.onyf.gov.hu
E-mail address: onyf@onyf.hu
Director General: Prof Dr. József Mészáros
Deputy Director Generals:
Dániel Beleznai (Deputy Director General of Financial and Economic Affairs)
Zsolt József Kiss (Deputy Director General of IT-systems)

Administrative body responsible for investigating international pension claims:

Pension Payment Directorate (NYUFIG)
1081 Budapest, VIII. Fiumei út 19/a
Postal address: H-1428 Budapest, Pf. 39.
Phone: (+36-1) 323-6000
Fax: (+36-1) 323-6116
E-mail address: interoffice@onyf.hu
Director: István Haudinger
Deputy Director of Pension Investigation: Márta Molnárné dr. Balogh
(for international cases)

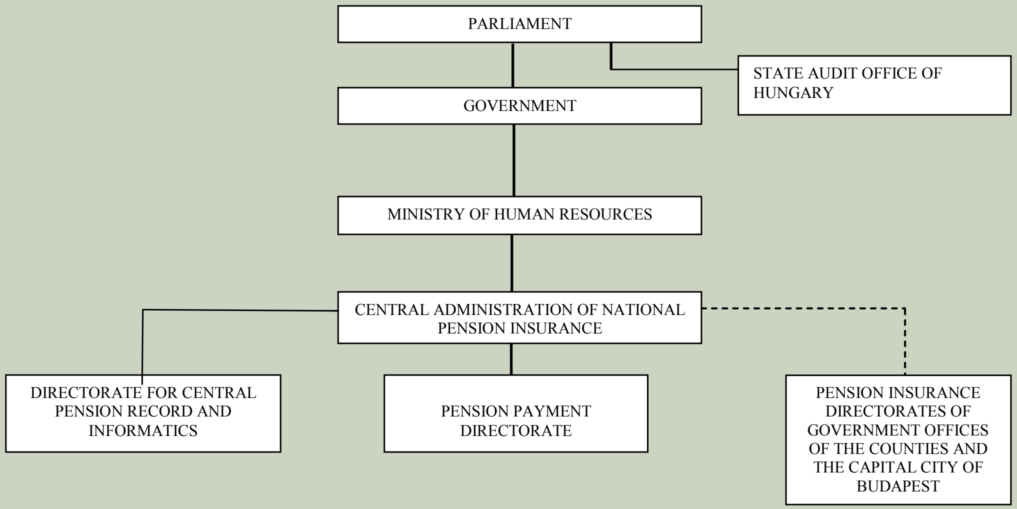
Administrative body responsible for disbursement of awarded benefits:

Pension Payment Directorate (NYUFIG)
1139 Budapest, XIII. Váci út 73.
Postal address: H-1820 Budapest
Phone: (+36-1) 350-2355, 350-0155, 350-2755, 350-8580
Fax: (+36-1) 320-9815
E-mail address: nyufig@onyf.hu
Director: István Haudinger

Administrative body of appeals:

Department of Appeals
Central Administration of National Pension Insurance (CANPI)
1132 Budapest, XIII. Visegrádi u. 49.
Postal address: H-1392 Budapest, Pf. 251.
Phone: (+36-1) 270-8000
Fax: (+36-1) 270-8151
Website: www.onyf.gov.hu
E-mail address: onyf@onyf.hu

Annex 2



Annex 3