
Management of Pension and Disability Expenses and their Share in the Polish Defense Budget

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Abstract:

Purpose: The objective of this article is to identify and analyse social expenditure management at the Ministry of National Defense in 2014-2018. The share of pension and disability expenses in the Polish defense budget in 2014-2018 was subject to an in-depth analysis.

Design/Methodology/Approach: The article will present the history of pensions in Poland. The next part focuses on the reforms of the pension system that took place after the political transformation. On the other hand, own research presents a financial analysis of retirement and disability pension expenditure.

Findings: The result of the article is an analysis of pension expenditure in the budget of the Ministry of National Defense provided for as part of the defense expenditure of the Polish state.

Practical Implications: The article may be the basis for considering the exclusion of this type of expenditure from the budget of the Ministry of National Defense and inclusion in the universal system.

Originality/Value: The funds obtained in this way may constitute the actual Polish defense expenditure amounting to 2% of GDP.

Keywords: Retirement security, retirement pension, pension system, defense budget.

JEL codes: A13, G22, H72, M12.

Paper type: Research study.

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1. Introduction

The history of military pensions begins in antiquity. In the Roman Empire in 13 BC, a reform was introduced to define the duration of military service. Octavian Augustus introduced the rule that the period of service for legionnaires was to be 16 years, and for soldiers of the Praetorian Guard – 12 years. In 5 A.D., the length of the service has changed. From then on, the legionnaires were to serve for 20 years and the praetorians for 16 years. The “active reserve” was extended by one year to five years. In 6 A.D., Octavian decided to carry out another reform, this time related to the problem of material security for soldiers leaving the service. Veterans were to receive retirement benefits of 3,000 denarii in case of legionnaires, and 5,000 denarii for the praetorian guards. These tributes for soldiers were not legally regulated in any way and were often awarded to soldiers at the will of politicians who needed the support of the electorate of privileged services. To end this form of bribery, Emperor Octavian Augustus started a regular pension system for veterans. He established a military *aerarium*, a military treasury, i.e., a fund for the maintenance of the army, the provision of war invalids and the payment of pensions for veterans. On his account, Octavian transferred a one-time grant in the amount of 170 million sesterce. The treasury functioned throughout the Roman Empire. It was powered by the proceeds from public sales and the obligation of succession.

From the time of Emperor Claudius, a system of remuneration for soldiers leaving the service was established, in which a veteran of the city and praetorian cohorts received 5,000 denarii and a plot of land in Italy, a veteran of the legions 3,000 denarii and a plot of land in the provinces, a veteran of auxilia 1,000 denarii and Roman citizenship. These amounts did not change until the 3rd century AD, until the Emperor Caracalla, who raised the basic allowance to 5,000 denarii. The retirement severance pay was called *praemia*. A private legionnaire always received the lowest severance pay compared to non-commissioned officers, officers and other specialists who received 1.5-2 times higher severance pay, not to mention praetorians who had different rates. After retirement, the centurion of the first cohort (*primus pilus*) was automatically transferred to the Equites state. He could also become the prefect of the camp of one of the legions. *Primi pilus*, while becoming an eques, could also get a high function in the regional administration of the province. Moreover, when he retired, he received a much greater severance pay than other centurions lower in the command hierarchy (Herz, 163-164).

After the fall of the Roman Empire, military pensions were reintroduced in the modern era, when feudal armies were replaced by mercenary and conscript soldiers. Initially, the salaries were received by soldiers who had suffered injuries during the fights. Such benefits were introduced in England at the end of the 16th century and were treated as invalidity pensions, and not pensions. Pensions for veterans were introduced gradually in Europe starting in the 18th century. At the beginning of the 19th century, British, French, Spanish and Prussian veterans could count on retirement after complaining their military service. The highest pensions were

received by trusty old soldiers (<https://sjp.pwn.pl/slowniki/wiarus.html-06.06.2020>) in the service of Great Britain, the amount of which was 50% of the last salary.

The feudal system that rules the Commonwealth in the Middle Ages also provided for the compensation of knights. It was a fief. Knights, as a professional group of warriors, constituted an important layer of society alongside the clergy and working people. The material support for the knights was the land which was given to the knight by a wealthy lord. They were thus bound by a feudal knot. A knight, becoming a vassal of a wealthy person, received land and care in return for declaring military service to a certain extent and within certain limits. The fief committed to loyalty and obedience to his master.

As can be seen from the above analysis, soldiers were a privileged social group since the times of the Roman Empire, having its own separate pension system. Pension systems were treated somewhat differently in the general social sphere. It had a character of a capital and redistributive system called pay-as-you-go. A capital fund is one in which an employee pays contributions throughout the entire period of his professional activity, which are deposited in interest-bearing bank accounts. After retirement, the employee may dispose of all capital together with interest or only Ministry of National Defense the benefits derived from interest on capital, paid for life. After death, the capital may be inherited by the employee's family. Capital systems have been known since the 16th century when they were applied by various kinds of guilds and trade associations. In many countries, since the 17th century, bank deposits were used as a form of security for the future of minor children or the elderly.

The pay-as-you-go system operates on the basis of a social contract in which subsequent generations of working people keep current retirees to whom the benefits specified in the pension systems established for this purpose are paid. This system was first introduced in Germany, where the generation of working children financed the generation of parents receiving benefits. It works perfectly in young, demographically developing societies, when a large number of working people live on a relatively small number of pensioners from their contributions, the system is cheap and reliable. The most important advantage is the fact that it is resistant to sudden and unfavourable changes taking place on the financial markets. Moreover, due to the fact that there are no accumulated savings in the pay-as-you-go system, they cannot be lost (Rodzinka and Skica, 2018).

A separate pension system in Poland has existed since the interwar period. At that time, the sense of granting a special legal status to certain categories of employees included in the state service was limited to creating a professional corps through which the state could perform its functions. Ensuring military security required the state to create the maintained and disciplined military service. The imposition of special obligations and rigors on the army meant that they were granted privileges

and additional powers. This found expression in the provisions of statutes and regulations that shaped the pension security system (Babińska, 2008).

2. Reforms of the Military Pension System in Poland

The legal act that characterized retirement insurance for soldiers after the political transformation was the Act of December 10, 1993 on retirement provision for professional soldiers and their families (Journal of Laws 1994 no. 10 item 36). The act provided for several benefits and entitlements for pensioners, who included:

- a. military pension,
- b. military disability pension,
- c. military survivor's pension,
- d. pension supplements,
- e. funeral allowance,
- f. medical and social benefits,
- g. the right to place a military pension in a home⁴.

The military pension was available to a soldier who had 15 years of military service in the Polish Army. The periods from the outbreak of World War II, including activities in the resistance movement, excluding secret education, service in allied armies, and imprisonment or camps for interned soldiers, were equivalent to the military service in the Polish Army. On the other hand, the service in the years 1944-1956 in the Military Information, judiciary and military prosecutor's office was not included in the service, if the pensioner was proven to repress persons suspected of acting for the sovereignty of Poland⁵.

The right to acquire an old-age pension is acquired by a soldier on the basis of years of service, which is important for the amount of the benefit. The circumstances related to the conditions in which the service is performed, such as the place and type of service, or the way the service relationship was terminated, are also important. A professional soldier acquired the right to a military pension if he had 15 years of service on the day of his dismissal from service, the fulfilment of this condition guaranteed him the so-called partial pension, which amounted to 40% of the calculation basis. The pension increased for each subsequent year of service by:

1. 2.6% of the calculation basis for each subsequent year of military service,
2. 1.3% of the calculation basis for each year of contributory periods over the three-year contribution period referred to above,
3. 0.7% of the calculation basis for each year of non-contributory periods prior to service to retirement.

⁴ Art. 2 of the Act on old-age pensions for professional soldiers and their families.

⁵ *Ibid*, art. 13.

The full amount of the old-age pension with its allowances for serving in formations with an increased risk of life to soldiers (e.g., service on submarines, in combating physical terrorism, in the composition of personnel flying helicopters, as parachute jumpers and sappers, in the intelligence service abroad and in special units) may not exceed 75% of the calculation basis. A military pensioner who did not have the right to a full retirement pension and, after being released from military service, work not less than half of the working time in each profession, may add the time of employment to the retirement service if:

- he has reached 55 years of age or has become an invalid,
- his retirement service includes at least 20 years of military service.

On January 1, 1999, there was a reform of the universal pension system, which introduced new system solutions covering all professional groups, including professional soldiers and officers of the State Protection Office, Police, Border Guard, Government Protection Bureau, State Fire Service and Prison Service. Pursuant to the Act of December 17, 1998 on pensions from the Social Insurance Fund, the groups not covered by the reform were farmers and judges. The introduced contributory system was applied to professional soldiers who started service on January 1, 1999, which meant that, apart from the new system, there was also the existing system of a provisioning nature, covering current retirees and soldiers called up for service before the law came into force, i.e., December 31, 1998. Military Pensions Offices dealt with soldiers who remained in the pre-1999 pension system in terms of determining the right to a pension as well as the payment of the pension benefit. In addition, no pension insurance contributions are paid on the salaries of this group of soldiers. On the other hand, the salaries of soldiers who entered service after the introduction of the reform were grossed up by the contribution for retirement insurance, and they also had individual accounts to which their contributions are paid, including retirement and disability insurance (excluding accident and sickness insurance). During the period of illness, soldiers receive a full salary and not a sickness benefit.

In 2012, the act was amended regarding the retirement age. A retirement pension is granted to a soldier dismissed from professional military service who, on the day of his dismissal, is 55 years old and has at least 25 years of military service in the Polish Army. The old-age pension is 60% of the basis for its assessment for 25 years of military service and increased by 3% for each subsequent year. The old-age pension is increased by 0.5% of the basis of its assessment for each commenced Ministry of National Defense of service at the front during the war and in the war zone. The amount of the old-age pension without allowances may not exceed 75% of the calculation basis. A comparison of the basic issues of securing retirement benefits for professional soldiers of the Polish Army is presented in Table 1.

Table 1. Retirement benefits for professional soldiers of the Polish Army

No	Legal act	Basis for the pension assessment	Pension amount	Minimum length of military service	Minimum amount of old-age pension	Pension calculation principle	Comments
1.	Act of May 29, 1920 on temporary military pensions	Officers and peers, the sum of all salaries tied to the last actual rank held without field, functional and representation allowances, to non-commissioned officers – recently held pay, increased by a lump sum for benefits in kind, including provisions, uniforms and accommodation.	60%	10 years of service	40%	2.4% of the sum of all salaries for each subsequent year of service	time of service in the armies of the former partitioning states is calculated according to regulations in force in Germany and Austria-Hungary before November 1, 1918, and in Russia before November 1, 1917.
2.	Act of December 11, 1923 on retirement benefits for state functionaries and professional military personnel	Remuneration received recently in active service	Not to exceed 100%	10 years of service	40%	increases by 2.4% for each subsequent year of service	
3.	Ordinance of the Council of Ministers of March 26, 1924 on the implementation of the laws of December 11, 1923 and of February 13, 1924 on pensions for state functionaries and professional military.	No change, as above					
4.	Act of March 18, 1932 on the amendment of certain provisions on pensions for state functionaries and professional military personnel.	Remuneration received in the last position in active service	92%	15 years of service	40%	increases by 2.4% for each year up to and including year 25. and then increased by 2.8% for each subsequent year	
5.	Decree of September 18, 1954 on pensions for generals (admirals), professional officers and non-commissioned officers and their families.	Remuneration for the last position held	85%	15 years	50%	3% for each subsequent year of service	85% can be obtained after 25 years of service or reaching the age of 60.
6.	Announcement of the Minister of National Defense of November 30, 1963 on the publication of the uniform text of the Act of December 13, 1957 on retirement provision for professional and over-term soldiers and their families	Remuneration for the position held on the day of dismissal from military service	85%	15 years	40%	3% for each subsequent year	
7.	Act of December 16, 1972 on retirement provision for professional soldiers and their families.	Remuneration in the last position held	85%	15 years	40%	3% for each year of service	Conditions: a. man, 55 years old, woman, 50 years old, b. with 30 years of retirement service, c. is an invalid. If the pensioner does not meet any of the conditions, 25% is paid
8.	Act of December 10, 1993 on retirement provision for professional soldiers and their families	Remuneration due to a professional soldier in the last Ministry of National Defense of professional military service	75%	15 years	40%	2.6%	Remuneration due on the last official position or before being sent to service abroad, according to the rates applicable on the day of dismissal from professional military service.

9.	ACT of May 11, 2012 amending the act on pensions for professional soldiers and their families, the act on pensions for officers of the Police, the Internal Security Agency, the Foreign Intelligence Agency, the Military Counterintelligence Service, the Military Intelligence Service, the Central Anticorruption Bureau, the Border Guard, the Government Protection Bureau, State Fire Service and Prison Service and their families and certain other acts	Average remuneration due for 10 consecutive calendar years chosen by the soldier.	75%	25 years	60%	increased every year by 3%	55 years of age and at least 25 military service
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Source: Own study.

3. Own Research

The fundamental duty of the state under the applicable legal acts is to ensure the security of its citizens by maintaining the armed forces at an appropriate operational level. The functioning of the Armed Forces of the Republic of Poland, as well as the financing of their activities, is based on the legal analysis in force in all state institutions and bodies operating in the public sector.

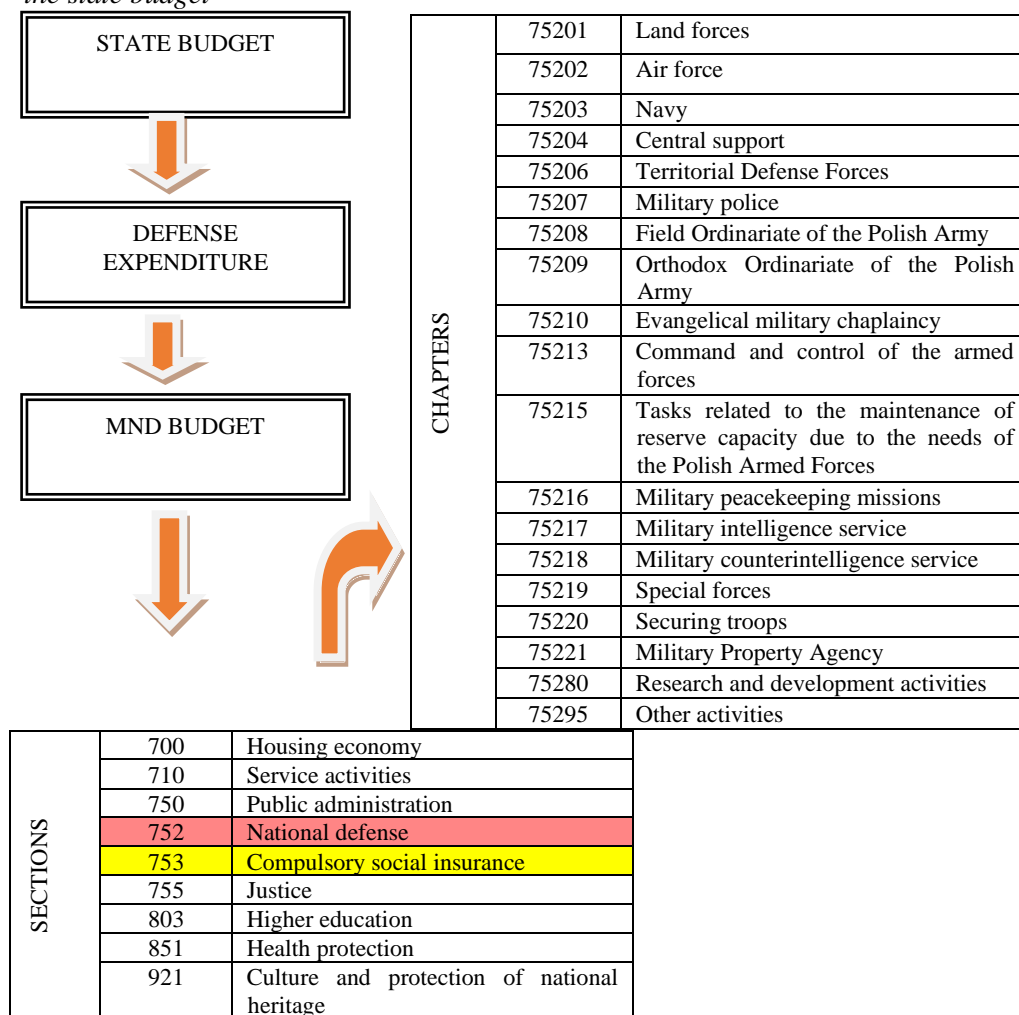
The military is a consumer of national income and carries out its tasks on the basis of financial resources provided for defense activities in the state budget. The budget of the Ministry of National Defense includes both funds for vegetative expenditure and investments. The vegetative (current) expenses include:

- expenses for the maintenance of the armed forces (salaries, meals, uniforms, accommodation, health care, cultural and educational activities, expenses for social and other purposes);
- training expenses (materials, training and combat training resources, the use of armaments and military equipment);
- current expenses (journeys, transport, telecommunications expenses);

The investment expenditure includes:

- purchases of weapons and military equipment;
- purchases of equipment, technical devices and other general purpose equipment;
- research and experimental work;
- construction for the needs of the armed forces.

The budget of the Ministry of National Defense is included in part 29 of the state budget and includes 9 sections, the most important of which is the section of “National Defense” divided into 16 chapters. The division classification of the Ministry of National Defence’s budget corresponds to the basic areas of activity and is essentially industry-specific. The general structure of the sections and chapters of the Ministry of National Defense budget is presented in Table 2.

Table 2. General structure and place of the Ministry of National Defense budget in the state budget

Source: Own study based on data from the Ministry of National Defense.

According to the material destination criterion, military expenses are divided into:

- personal expenses, including all wage components;
- benefits in kind in the field of maintaining personal status, such as food, uniforms, accommodation;
- purchases of weapons and technical and military equipment;
- purchases of general purpose equipment, fittings and materials;
- expenditure on research and development works;
- expenditure on the use and maintenance of armaments and equipment;
- expenditure on training, cultural and educational purposes, sports and others;

- military construction;
- telecommunications expenditure on travel and military transport;
- expenditure on pensions of former soldiers paid from the army budget⁶.

According to art. 7.1 of the Act of May 25. 2001 *on the reconstruction and technical modernization and financing of the Polish Armed Forces* (Journal of Laws 2001 No. 76 item 804, as amended), Polish defense expenditure should be at the level of at least 2% of the gross domestic product from the previous year⁷. The regulation contained in 7 sec. 1 of the act may be presented in the form of⁸:

$$WO_n \geq PKB_{n-1} \times 2\%$$

where:

WO_n – expenditure from the state budget of a given year for financing defense needs

PKB_{n-1} – Gross Domestic Product from the previous year.

After a simple transformation, we get the inequality:

$$\frac{WO_n}{PKB_{n-1}} \geq 2\%$$

Table 3. *The share of defense expenditure and the budget of the Ministry of National Defense in GDP in 2009 – 2018 (in PLN billion)*

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GDP	1,344	1,415.4	1,524.7	1,595.3	1,642.9	1,693.6	1,789.7	1,851.2	1,982.1	2,116.4
MND budget	26.17	27.03	29.66	30.80	31.40	33.03	37.88	35.42	36.76	41.89

Source: CSO data

In the presented period of a year, the GDP has increased from PLN 1,344 billion to over PLN 2,116.4 billion, which is an increase of over 63.5%, and thus the share of defense expenditure and the budget of the Ministry of National Defense also increased by over 60%. This calculation of defense spending is a methodological trick, as each “previous year” has a lower GDP than the previous one. Such solutions meant that the total expenditure on Polish defense, e.g., in 2013, was planned at PLN 31.4 billion, but because of the budget amendment adopted in September, they were reduced to PLN 28.2 billion. Thus, the

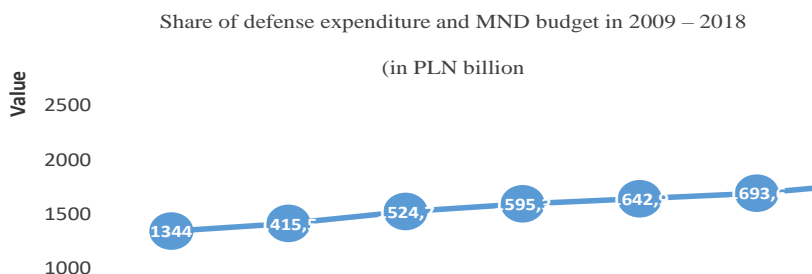
⁶A. Bursztyński, *Characteristics of the budget of the Ministry of National Defense in 2001–2008 in Scientific Papers of the Naval Academy YEAR XLX No. 3 (178)*, Naval Academy, Gdynia 2009, p. 59.

⁷Act of May 25. 2001 *on the reconstruction and technical modernization and financing of the Polish Armed Forces*, (Journal of Laws 2001 7 no. 76 item 804, as amended).

⁸T. Lubanski, *Financing Poland’s defense needs into the state and society*, no. 5. IX-X 2014, p. 116.

principle of allocating 1.95% of GDP to defense was suspended, because the actual GDP for 2013 was 1.76% in 2012⁹.

Figure 1. Graphical representation of the share of the Ministry of National Defense budget in GDP



Source: Own study based on CSO data

The act of May 25, 2001 on the reconstruction and technical modernization and financing of the Armed Forces of the Republic of Poland in 2001-2006 and its subsequent amendments, made it possible to ensure relatively stable financing of the activities of the Ministry of National Defense. The funds for national defense provided for in the government draft budget act for the coming years ensure the continuity of the directions of development and financing of the Polish Armed Forces adopted in the acts. An example of the structure of budgetary expenditure for 2015 is presented in Table 4.

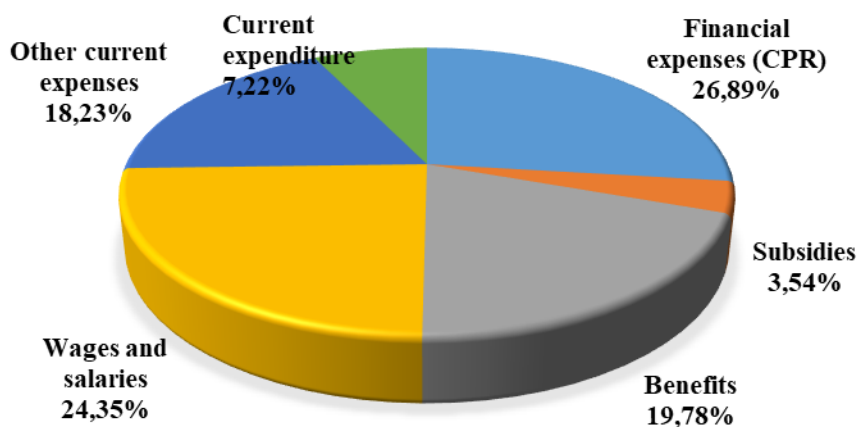
Table 4. The structure of the budgetary expenses of the Ministry of National Defense for 2018.

Specification	Amount of expenditure (in PLN million)	Percentage share of expenditure (in %)
Capital expenditure (CPR)	10,849.3	26.9
Subsidies	1,427.6	3.5
Benefits	7,979.7	19.8
Wages and derivatives	9,822.9	24.3
Other current expenses	7,357.0	18.3
Current expenditure	2,911.9	7.2
Total	40,348.4	100

Source: Own study based on data from the Ministry of National Defense.

⁹ K. Stańczyk, *Defense expenditure [in:] An outline of the economy of state security*, (ed.) J. Płaczek, Difin Publishing House, Warsaw 2014, p. 115.

Figure 2. Graphical structure of the budgetary expenditures of the Ministry of National Defense for 2018.



Source: Own study based on data from the Ministry of National Defense

As can be seen from the above data, the largest expenditure of 26.89% was allocated by the Ministry of National Defense to property expenditure. This is the Ministry of National Defense allocated to the purchase of military technology planned in the Central Material Plans (CPR). As part of these expenses, funds are provided for the purchase and implementation of new weapon systems and military equipment, as well as the restoration of the resources of the Military Equipment and Gear in use, as well as the collection and rotation of material and combat assets provided for by standards. Among all expenditures in the budget of the Ministry of National Defense, adequate financial amounts are provided for benefits of equal type for soldiers and former professional soldiers. These benefits include, among others, pensions, old age, and survivors' pensions. The expenditure for this purpose is presented in Table 5.

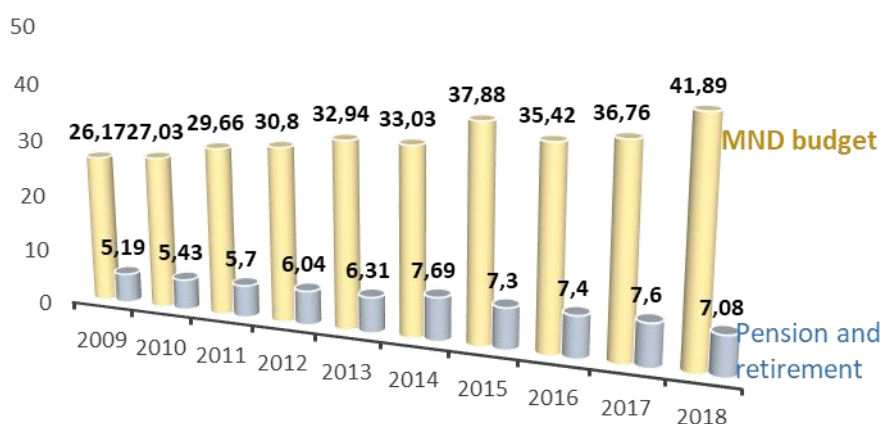
Table 5. Pension and retirement expenditure for 2014-2018 of the national defense resort

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
MND budget in PLN billion	26.17	27.03	29.66	30.80	32.04	33.03	37.88	35.42	36.76	41.89
Pensions and retirement in PLN billion	5.19	5.43	5.70	6.04	6.31	7.69	7.3	7.4	7.6	7.08

Source: Own study based on data from the Ministry of National Defense

Along with the increase in the budget of the Ministry of National Defense, the Ministry of National Defense also allocated to social benefits for former professional soldiers also grew proportionally (**Σφάλμα! Λανθασμένη αναφορά σελιδοδείκτη στον εαυτό του.**). If in 2000 the amount of more than PLN 3.37 billion was allocated for this purpose, in 2014 it more than doubled to PLN 7.69 billion. This year was a breakthrough year, as in the following years there is a decline in finances allocated to social expenses for former professional soldiers.

Figure 3. A graphic image of the Ministry of National Defence's pension and disability pension expenses for the years 2009-2018



Source: Own study based on data from the Ministry of National Defence.

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The expenditure of the Social Insurance Fund in 2015-2018 is presented in Table 6.

As follows from the above data, the Social Insurance Institution spends annually over PLN 196 billion (2014) as part of its pension and disability fund, and in 2018

this amount increased by PLN 30 billion. Including payments of old-age and disability pensions implemented under international agreements, old-age and disability pensions of people who also have the right to agricultural experience, accident pensions financed by the Social Insurance Fund, and paid by the Ministry of National Defense, Ministry of the Internal Affairs, the Ministry of the Interior and together with the amount of pensions financed from the Social Insurance Fund, and paid with pensions financed from a separate chapter of state budget expenditure.

Table 6. *Expenditure on cash benefits by funds distinguished under the Social Insurance Fund*

Specification	2015	2016	2017	2018
Total SIF	196 063 993	201 860 365	209 330 483	226 179 622
from the pension fund	127 720 086	132 274 430	138 452 252	154 367 002
from the disability fund	41 163 154	40 989 248	41 002 938	40 787 149
Total	168 883 240	173 263 678	179 455 190	195 154 191
Number of beneficiaries	7 274 thou.	7 313 thou.	7 358 thou.	7 642 thou.

Source: *Own study based on data from the Social Insurance Institution available on the website, <https://www.zus.pl/>, accessed on November 14, 2019.*

In the Ministry of National Defense the average number of beneficiaries was at the level of 7,300.000 people¹⁰. The Social Insurance Institution spent PLN 166,089.50 million on retirement and disability benefits in 2014, for over PLN 7,256.000 beneficiaries, which gives an average old-age or disability pension for over PLN 2,600, while in 2018 the average pension in Poland dropped to PLN 2,550. The percentage share of old-age and disability benefits in the budget of the Ministry of National Defense is presented in Table 7.

Table 7. *The share of old-age and disability benefits in the budget of the Ministry of National Defence*

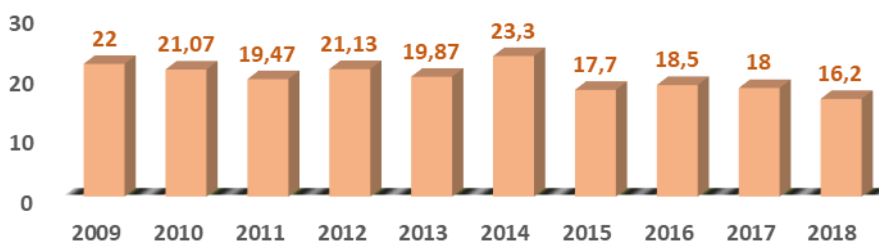
Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Percentage of pensions in the budget of the Ministry of National Defense	22.00	21.07	19.47	21.13	19.87	23.30	17.7	18.5	18.0	16.2

Source: *Own study based on data from the Ministry of National Defence.*

¹⁰ *Important information in the field of social insurance 2014, Social Insurance Institution, Department of Statistics and Actuarial Forecasts, Warsaw, June 2015. p.12, available at www.zus.pl.*

When we take a closer look at the structure of expenditures in part 29 – “National defense”, it turns out that in the entire decade, i.e., in 2009-2018, a total of over PLN 74.5 billion was entered in budgetary bills, in section 753 – “Compulsory social insurance”. This means that military pensions account for more than a quarter of all defense spending. These expenditures ranged from 22% in 2009 to over 23% of the expenditure of the Ministry of National Defense in 2014 and decreased to 16.2% in 2018.

Figure 4. A graphic image of the share of old-age and disability benefits in the budget of the Ministry of National Defense



Source: Own study based on data of the Ministry of National Defense

In the last decade, the Military Pension Office (MPO) distributed its financial resources according to the breakdown presented in Table

Table 8. MPO expenditure on retirement and disability benefits in 2009-2018. In the

Specification	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Pensions	3438717	3594843	3803779	4081045	4292931	5128870	4505168	4490235	4562720	473369
Invalidity pensions	567702	574614	578588	579640	573804	723890	549191	527845	505217	491001
Survivors' pensions	1013711	1081131	1142394	1203030	1257525	1589870	1333663	1349287	1362286	1385810
Total	5191648	5429466	5700191	6043173	6308125	7694870	6388022	6367367	6430223	6580179

total amount of almost PLN 52 billion in 2009, pensions accounted for almost 66% of expenditure (

Figure). MPO spent over PLN 5.7 billion in disability pensions, which accounted for 11% of the expenditure, survivors' pensions account for almost 20% of expenditure, and other social expenditure accounted for 3% of the total expenditure.

Specification	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Pensions	3438717	3594843	3803779	4081045	4292931	5128870	4505168	4490235	4562720	473369

Invalidity pensions	567702	574614	578588	579640	573804	723890	549191	527845	505217	491001
Survivors' pensions	1013711	1081131	1142394	1203030	1257525	1589870	1333663	1349287	1362286	1385810
Total	5191648	5429466	5700191	6043173	6308125	7694870	6388022	6367367	6430223	6580179

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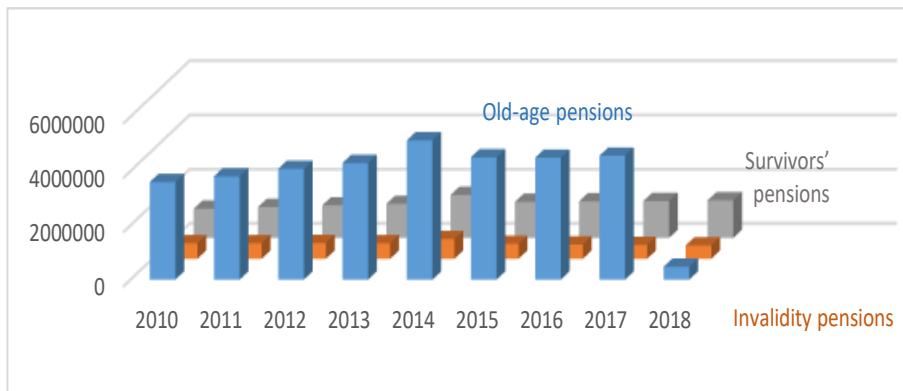
Source: Own study based on data of the Ministry of National Defense

Figure 6 shows the total expenditure of the Ministry of National Defense on the payment of social liabilities to former employees and soldiers in 2009–2018. The dotted line shows the trend curve, which shows that it has an upward trend.

The average annual number of beneficiaries in the Ministry of National Defense is presented in Table 9. As can be seen in Figure The average amount of retirement and disability benefits paid by the Military Pension Offices in 2009 – 2018 was above the amount paid by the Social Insurance Institution. The difference was around PLN 500 per month, but in 2018 the difference was around PLN 1,000 in favour of military pensioners.

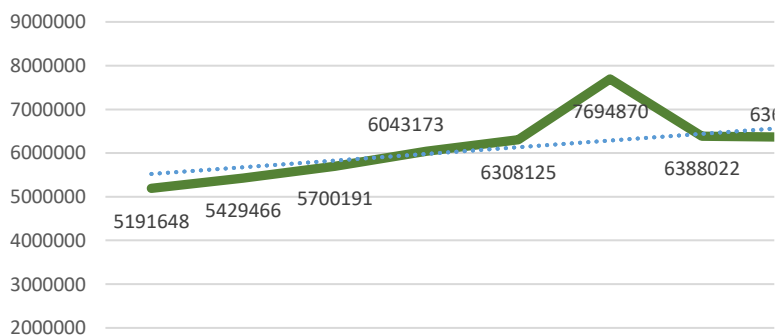
Figure , the number of beneficiaries in 2005 – 2014 increased slightly over 10,000 people. The highest increase was recorded in the recipients of military pensions, which exceeded the above-mentioned 10,000 people. On the other hand, the increase in survivors' pensions by over 5,000 families was compensated by a decrease in disability pensions.

Figure 5. MPO expenditure on retirement and disability benefits in 2009 – 2018.



Source: Own study based on data from the Ministry of National Defense

Figure 6. Social expenses in 2009 – 2018 of the Ministry of National Defense



Source: Own study based on data from the Ministry of National Defense.

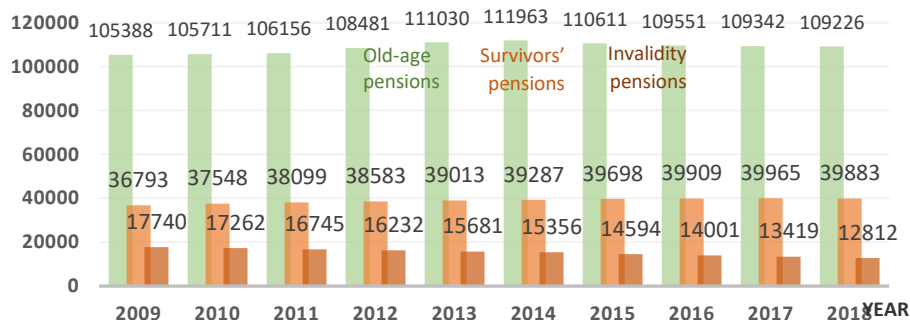
Table 9. Average annual number of beneficiaries

Specification	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Old-age pensions	105388	105711	106156	108481	111030	111963	110611	109551	109342	109226
Invalidity pensions	17740	17262	16745	16232	15681	15356	14594	14001	13419	12812
Survivors' pensions	36793	37548	38099	38583	39013	39287	39698	39909	39965	39883
Total	159871	160521	161000	163296	165724	166606	164903	163461	162726	161922

Source: Own study based on data from the Ministry of National Defense.

The average amount of retirement and disability benefits paid by the Military Pension Offices in 2009 – 2018 was above the amount paid by the Social Insurance Institution. The difference was around PLN 500 per month, but in 2018 the difference was around PLN 1,000 in favour of military pensioners.

Figure 7. A graphic image of the average annual number of social beneficiaries



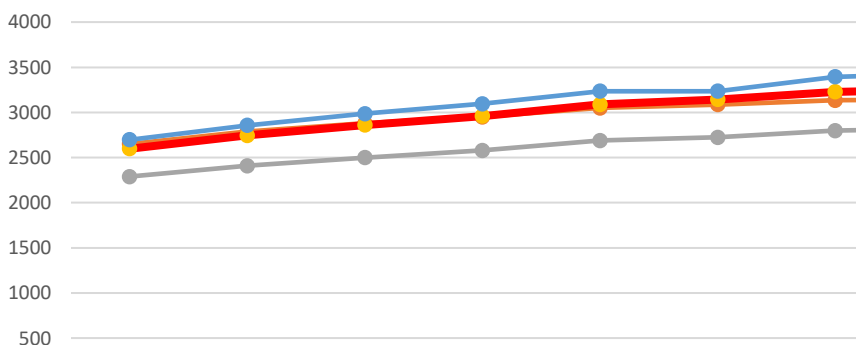
Source: Own study based on the data from the Ministry of National Defense.

Table 10. The average amount of retirement and disability benefits in 2009 – 2018

Specification	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Old-age pensions	2698,84	2857,10	2986,60	3096,47	3236,59	3236,59	3395,61	3431,76	3481,61	3621,17
Invalidity pensions	2652,65	2789,09	2879,47	2951,35	3051,01	3087,29	3135,79	3143,53	3145,26	3218,04
Survivors' pensions	2288,35	2410,19	2500,57	2579,08	2688,47	2724,83	2799,35	2819,28	2844,61	2929,62
Average benefit	2599,28	2745,24	2860,44	2959,79	3090,00	3143,44	3229,08	3257,54	3297,43	3418,94

Source: Own study based on the data from the Ministry of National Defense

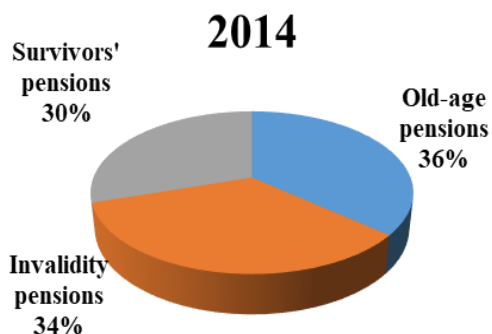
Figure 8. A graphic image of the average amount of retirement and disability benefits in 2009 – 2018.

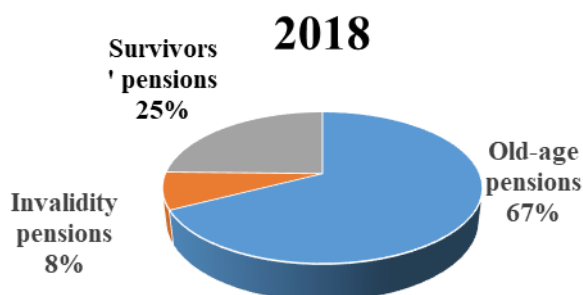


Source: Own study based on the data from the Ministry of National Defense.

In the initial period of the analysed data, i.e., until 2007, the amount of disability pensions granted exceeded the number of pensions. It was only in 2008 that this situation changed, and retirement benefits started to exceed those paid as invalidity pensions. To compare the amounts of the awarded retirement and disability benefits, the percentage share of the amount of benefits granted in 2014 and 2018 was presented (**Σφάλμα! Το αρχείο προέλευσης της αναφοράς δεν βρέθηκε.**).

Figure 9. Comparison of retirement and disability benefits





Source: Own study based on the data from the MPO, letter no. 3128/DSS of May 19, 2014 and materials provided by DSS Ministry of National Defense.

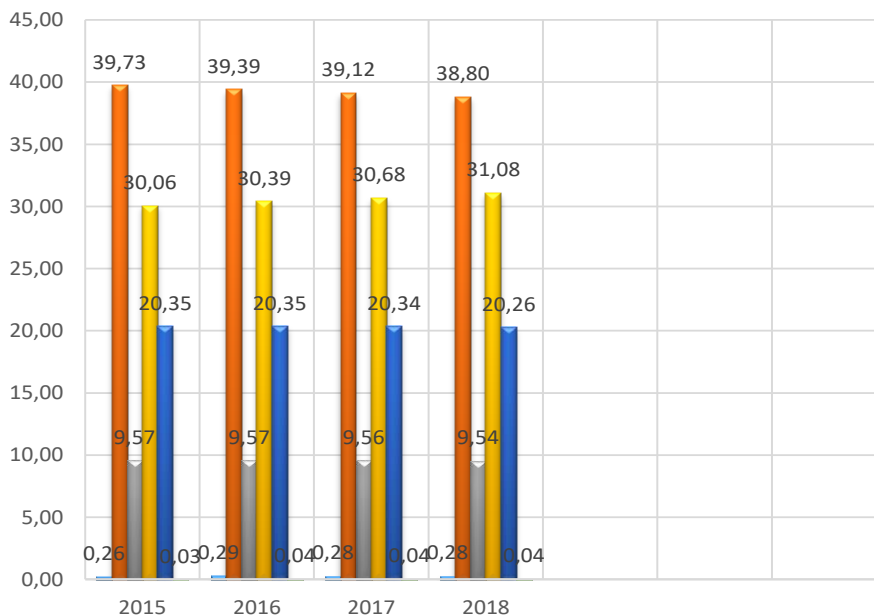
Therefore, a question arises. Who are military retirees? What personal groups do they come from? Pursuant to military regulations and other legal acts, the professional Staff of the Armed Forces is divided into:

- 1) a corps of professional officers, which includes:
 - a) junior officers,
 - b) senior officers,
 - c) generals and admirals;
- 2) a corps of professional non-commissioned officers, which includes:
 - a) junior non-commissioned officers,
 - b) non-commissioned officers,
 - c) senior non-commissioned officers;
- 3) a corps of professional privates¹¹.

Figure 1 shows the quantitative structure of military pensions according to the personal corps in 2015 – 2018.

Figure 1. Quantitative structure of military pensions according to the personal corps in 2015 – 2018

¹¹ Act of September 11, 2003 on military service of professional soldiers (Journal of Laws of 2003 no. 179 item 1750).



Source: Own study based on the data from the Ministry of National Defense.

As can be seen from the above figure, the largest group of military retirees are senior officers, almost 40%. The second group with the highest percentage in pensions are ensigns, over 30%, and the third group with over 20% in pensions are non-commissioned officers. The smallest group are generals and privates. This smallest number in the corps of generals is due to the fact that among the general posts in active military service there are only 87 of them. On the other hand, the privates' corps has only recently acquired pension rights, because the Polish Armed Forces have become a professional army since 2009.

4. Conclusions

At this point, it is worth trying to analyse the age of military retirees. Figure 11 shows the age structure of military retirees by the personnel corps in 2018. The image depicted covers the average age of a retiring soldier and the current average age of a military retired at the end of 2018 in individual personal corps.

Figure 11. Structure of military retirees by personnel corps

*Management of Pension and Disability Expenses and their Share
in the Polish Defense Budget*

974

Generals	10 269,47	10 924,14	11 089,43	10 347,30	10 613,65	11 251,33	11 144,28	11 718,04
Senior officers	4 309,59	4 510,67	4 563,06	4 338,47	4 371,92	4 636,53	4 520,52	4 846,46
Junior officers	2 495,36	3 021,55	3 056,06	2 509,83	2 537,26	3 099,74	2 622,15	3 242,40
Ensigns	2 535,28	2 806,67	2 842,79	2 548,84	2 573,73	2 884,66	2 661,38	3 029,16
Non-commissioned officers	2 150,43	2 362,92	2 376,36	2 163,67	2 181,67	2 400,79	2 260,39	2 492,41
Privates	1 894,10	1 781,79	1 801,38	1 918,39	1 930,15	1 819,11	2 028,97	1 878,81

Source: Own study based on the data from the Ministry of National Defense.

As can be seen from the above data, the highest level of military pensions occurs in the personal group of generals and amounts to over PLN 10,000. The size of pensions in this group of people has remained almost at the same level over the last three years. Retirement pensions in the senior officers' corps are over 155% lower and they range from PLN 4510,67 in 2015 to 4846,46 in 2018. On the other hand, junior officers have a pension lower than senior officers by approx. 34%. The lowest pension occurs in the private corps and amounts to almost PLN 1900.

The amount of disability pensions paid to former professional soldiers is like the number of pensions and the differences between the individual corps of personnel are similar to those in the analysis above. Summing up, it should be stated that in the structure of the budget of the Ministry of National Defense in part – “National defense”, in the legal acts regulating this issue, in section 753 – “Compulsory social insurance”, almost 25% of the expenses are retirement and disability benefits for former professional soldiers, i.e., more than a quarter of all defense spending.

Therefore, the question arises whether such expenses should be in the budget of the Ministry of National Defense, or should they be carried out by someone other than the Minister of National Defense due to the lack of connection of these expenses with the “army”, “military”, “armed forces” or “defense”. Perhaps, therefore, it would be advisable to refer defense expenditure only to the section – “National defense”.

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