

**Statement on the 2019 Draft Budget of the State
Social Security System**



TABLE OF CONTENTS

Introduction.....	2
Basic Parameters	2
Basic Policies	3
Conclusion	6

Introduction

The Draft of the Budget of the State Social Security System is elaborated according to the package of normative acts which determine the activities of the State Social Security System next year:

- Policies in the Social Security System following the changes made in the Social Security Code;
- Basic assumptions regarding the updated 2019-2021 Medium Term Budget Forecast, which fixes main parameters of the State Social Security System;
- Implementation of Decision № 51 of the Council of Ministers of the Republic of Bulgaria regarding budget procedure for the year 2019 and instructions of the Ministry of Finance for the preparation of draft budgets of the "First-Level Authorizing Officers" for 2019;
- The estimates in the Draft of the Budget of the State Social Security System are coordinated with the National Revenue Agency regarding the mandatory social security contributions;
- The Draft of the Budget of the State Social Security System was discussed in the Supervisory Board of the National Social Security Institute;
- The procedure for discussing the Draft at the National Council for Tripartite Cooperation is forthcoming.

Basic parameters

Basic parameters for the preparation of the Draft of the Budget of the State Social Security System for the year 2019 are as follows:

Table 1. Basic parameters 2014-2019

	2014	2015	2016	2017	2018	2019*
Average insurable earning	683	722	768	820	893	968
Minimum insurable earnings for self-employed persons	420	420	420	460	510	560
Maximum insurable earnings	2400	2600	2600	2600	2600	3 000
Average amount of all pensions	308	320	331,6	343,9	362,7	386
Minimum wage	340	360	420	460	510	560
Average annual number of pensioners in thousands	2179,9	2178,9	2185,2	2179,9	2170,6	2 154.80
Average annual number of insured persons in thousands	2735,1	2753,8	2763,3	2767	2768,1	2 792.20

Source: Fiscal Council` calculation. Data: National Social Security Institute

The data presented in Table 1 shows, that, unlike previous years, a significant

increase of basic parameters is envisaged: the average insurable earning by 9.7%; maximum insurable earnings – by 15.4% (BGN 400 – in absolute term); minimum wage by 9.1% (BGN 50 - in absolute term).

The tendency of keeping the number of insured people the same remains, and the average number of the pensioners decreases insignificantly as a result of the foreseen increase of the retirement age.

Basic policies

2.1 Revenue Policy

- The total amount of revenue from insurance contributions and transfers provided from the central / state budget to cover the shortage of funds for the social security system for 2019 is BGN 11 759.7 million. These funds ensure minimal increase of the revenue as compared with the 2018 budget - with an expected implementation level of BGN 11 104.6 million, the increase is 5.8 per cent.
- It is envisaged, to have income from social security contributions (excluding transfers) in the amount to BGN 7 528, 1 million. The increase compared to the expected for the year 2018 - BGN 6 796,1 million, is BGN 732,0 million or 10, 1 per cent. The increase is achieved as a result of the envisaged significant increase of the average insurable earning (9.6 per cent), with the number of the insured persons being the same. Furthermore, additional revenue is expected from wage increases in the budget sector, an increase in the minimum wage and in the maximum insurable earnings.
- A transfer from the central / state budget to cover the shortage of funds for the social security system amounting to BGN 4 231.7 million is estimated.

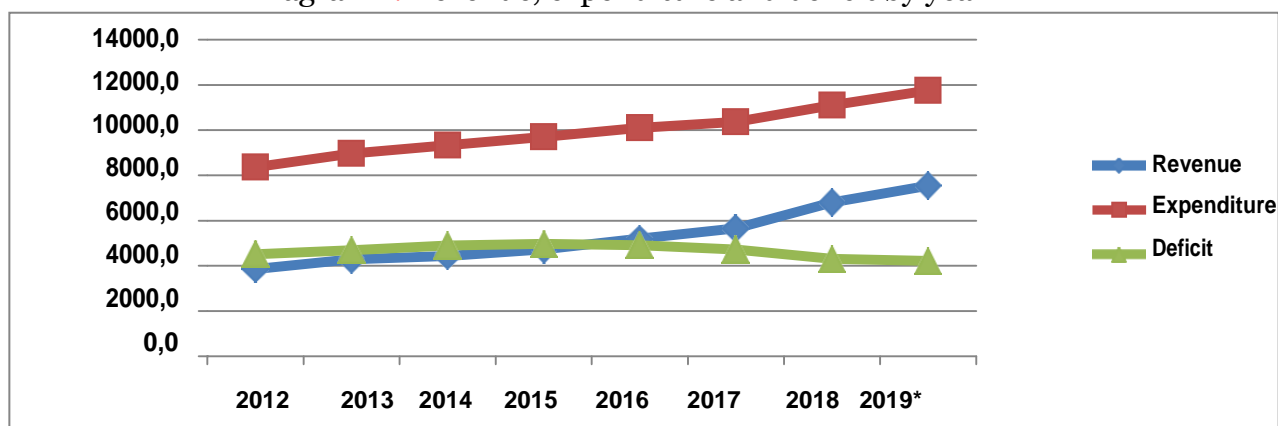
The dynamics of the total amount of revenue from insurance contributions and received transfers for covering shortage of funds for the period 2014-2019 is as follows:

Table 2. Revenue, expenditure, deficit 2014-2019 /in million/

	2014	2015	2016	2017	2018	2019*	
Revenue	4 427,30	4 715,50	5 185,50	5 652,00	6 796,10	7 528,10	
Expenditure	9 332,30	9 694,20	10 103,20	10 368,20	11 104,60	11752.3	
Deficit	4 905,00	4 978,70	4 917,70	4 716,20	4 308,50	4 224,20	35.94%

Source: Fiscal Council` calculation. Data: National Social Security Institute

Diagram 1. Revenue, expenditure and deficit by year



Source: Fiscal Council` calculation. Data: National Social Security Institute

The data in Table 2 and Diagram 1 show that the established lasting trend for a **decrease of the deficit of the system and for reduction of the amount of the transfer** from the state budget to cover the shortage of funds of the State Social Security System continues. In the Draft of the Budget, the deficit in the system decreases to **35.94%** as compared to 37.8% in 2018

2.2 Expenditure policy

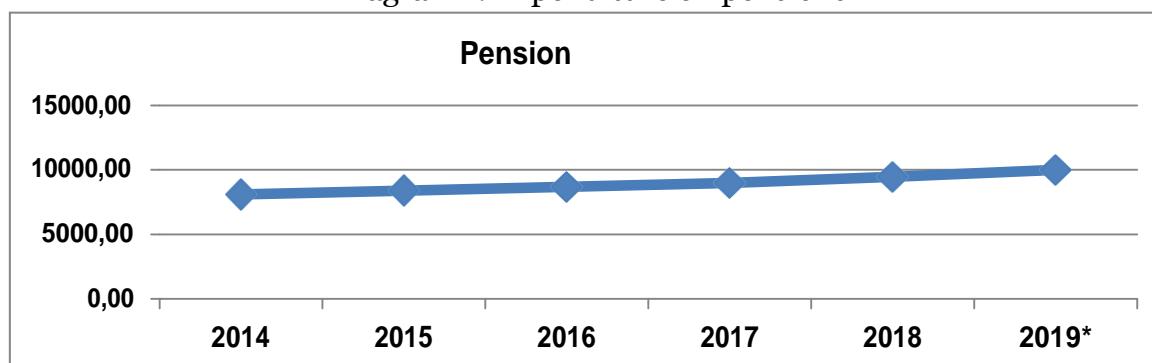
Estimated expenditure for pensions for the year 2019 is BGN 9 988.2 million. Pension funds are foreseen to be 5.6 per cent higher than the expected pension expenditure for 2018. The dynamics of pension expenditure by age is shown in Table 3 and Figure 2.

Table 3. Expenditure on pensions 2014-2019 /in million/

	2014	2015	2016	2017	2018	2019*	2019/2014
Expenditure on pensions	8 084,10	8 381,20	8 680,00	8 975,8	9 454,40	9 988	23,6%

Source: Fiscal Council` calculation. Data: National Social Security Institute

Diagram 1. Expenditure on pensions



Source: Fiscal Council` calculation. Data: National Social Security Institute

Expenditure policies include the following changes:

- The average amount of pension per person in 2019 is estimated to reach BGN 386.3, compared to the expected average amount in 2017 - BGN 363.8. It is an increase of 6.2 per cent. The increase of the average income comes as a result of the policy for indexing pensions with the amount of 5.7 per cent.
- Despite these positive trends, serious changes occur in the structure of pensions received concerning their size.
- The gross income replacement ratio for 2019 is expected to be 39.9 per cent and the net ratio is expected to be 51.4 per cent.
- A positive action is taken to increase the ceiling of the pensions received up to BGN 1,200, on account of the funds received in the State Social Security System following a change in the maximum amount of the insurance income.

In recent years the trend of decreasing the share of total expenditure on pensions in the GDP remains. The pension expenditure in 2019 is expected to be about 8.6 per cent of the GDP as compared to 9.2 per cent in 2015.

The negative trend of increasing funds that are paid for compensation continues. It is estimated to reach BGN 570.7 million for the account of the State Social Security System for 2019, an increase of 5.9 per cent as compared to the previous year (Table 4). These funds do not include funds paid by employers for the first 3 days, which for 2019 are expected to be over BGN 200 million.

Table 4. Amounts paid by NSSI/BGN/

	2014	2015	2016	2017	2018	2019	2019/2014
Amount paid	351 591 196	390 822 122	445 920 019	486 175 066	536 840 000	570 500 000	62,3%

Source: Fiscal Council` calculation. Data: National Social Security Institute

In our opinion, the funds for the account of the employers and of the National Social Security Institute in 2019 will reach over BGN 700 million.

During 2019 the number of days for compensation are 14 594.6 thousand. If we add the estimated 6 500 thousand days, the compensations for the account of the employers will reach 21 000 thousand days, and this is an average of 7.7 days per each insured person.

The still outstanding **problems related to the disbursement of disability pensions for general illness** and to the expertise of employability, retain the tendencies for a high share of the expenditures intended for them, by the Pensions Fund. They account for about 38 per cent of pensions granted.

Further to the recommendations made so far in the statements of the Fiscal Council to increase the efficiency of the State Social Security System funds by solving the problems related to disability pensions for general illness, the expertise of the working capacity and the reduction of the abuses related to hospital data sheets, the National Social Security Institute informs us that the recommendations made gave rise to a series of meetings at expert and management levels, and those recommendations on which consensus has been reached are reflected in the Draft and the Law on State Social Security Budget for 2019. Workgroups have been set up and they continue their work focusing on further reform of the system.

Conclusion

The Fiscal Council expresses its positive opinion on the Draft of the Budget of the State Social Security System for the year 2019 and approves the proposed measures and policies. The proposed Draft is realistic and covers all criteria for stability in the social security system for 2019.

CHAIRMAN OF THE FISCAL COUNCIL:

Prof. Dr. Boris Grozdanov