ACCRUED-TO-DATE PENSION ENTITLEMENTS IN SOCIAL INSURANCE: FACT SHEET

Romania

Information as of February 2024

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1. Table 29 column A: Defined contribution schemes (funded, non-general government)

1. General description of the scheme and the calculation model

a. Coverage of the scheme

In the period 2005-2008 Romania implemented the strategy of reforming and updating pension system. The Romanian Pension System is governed by Law no. 263/2010, which entered into force on January 1st, 2011. Later changes related to shift of contributions (GEO 79/2017) entered in force with January 1st 2018.-adaugat Starting with 2019 in Romania entered in force Law 127/2019 which modified the Law 263/2010. Pillar II, the mandatory private pension scheme, is a defined contribution scheme, with a minimum investment guarantee, based on individual accounts (part of the individual accounts); The access has begun in 2008; the scheme is compulsory for all eligible persons aged up to 35 and voluntary for age group 35-45.

In 2012 in Romania were established 20 funds, out of which:

- 9 managed private pension funds, pillar 2-mandatory
- 11 pensions administered on a voluntary basis optional funds, pillar 3

Pillar 2 it is characterized by transferring a share of personal social insurance contribution, paid monthly to the public system, to private pension managed funds.

Once entered in the mechanism, as per legislation, there is no possibility to withdraw but transfers between funds are permitted.

All private pension funds had complete and submit to Romanian Financial Supervisory Authority (FSA) annual financial statements.

b. Institutional set-up	
Data sources/	Romanian Financial Supervisory Authority (FSA)
suppliers	
Which institution is	National Institute of Statistics
running/managing the	
calculations?	

2. Any other comments

Pillar III voluntary private schemes are not recorded in the supplementary Table 29 (Column A) because in Technical Compilation Guide for Pension mentions that: "Individual insurance policies related to pensions are policies that beneficiaries take out in their own names without being members of a scheme organized collectively for groups of employees, as in the case of social insurance. They are based on contracts which are (generally) made with individuals and which are not organised collectively. These individual insurance policies are not employment related and therefore are not recorded in the supplementary Table 29".

2. Table 29 column B: Defined benefit schemes and other non-defined contribution schemes (funded, non-general government)

This type of schemes does not exist in Romania.

3. Table 29 column D: Defined contribution schemes (funded, general government)

This type of schemes does not exist in Romania.

4. Table 29 column E: Defined benefit schemes (funded, for general government employees, classified in financial corporations)

This type of schemes does not exist in Romania.

5. Table 29 column F: Defined benefit schemes (funded, for general government employees, classified in general government)

This type of schemes does not exist in Romania.

6. Table 29 column G: Defined benefit schemes (unfunded, for general government employees, classified in general government)-

1. General description of the scheme and the calculation model

a. Coverage of the scheme

Military Pension System

It covers pensioners from Ministry of Defence, Ministry of Internal Affairs (police) and Romanian Intelligence Services: old age and early, disability and survivors. The contribution quota for Pillar 1 (public pensions) used to be 5.5% of the gross wage, to be supported half by the employee, half by the employer. As from 2018 on, the burden of social insurance contributions is transferred totally to the employee and the quota has changed to 25%. This shift of contributions was accompanied by an increase of the gross wages, so that the net wages and the total cost of the labour, supported by the employers, to remain unchanged. Pillar II (mandatory private pensions) is facultative for the military scheme, so that very few opted to register.

b. Institutional set-up			
Data sources/ suppliers	Romanian National House of Pensions, Romanian Sectoral Houses of Pension (Ministry of Defence, Ministry of Internal Affairs, Intelligence Services), National Institute for Statistics		
Which institution is running/managing the calculations?	Ministry of Finance, Romania		
c. Major formulas: Benefi	c. Major formulas: Benefit formula; Indexation of benefits		
Benefit formula	Benefit at retirement = average of the gross monthly salaries (excluding bonuses and monthly expenses that are not permanent) earned in the basic position in the last consecutive months of activity (this period is set to increase over time, up to 25 years in 2043), updated with the monthly consumer price index. In the old legislation, for Military pensions, the basis period for benefit calculation at retirement regarded 6 consecutive months of the last 5 years (which most probably would have been chosen to be the most advantageous).		

Indexation of benefits	Indexation rule:
	Inflation plus half of the real economy-wide wage growth, until mid-2017. Only
	inflation, starting 2017

d. Type and structure of the calculation model

Ministry of Finance estimations.

World Bank's PROST Model (used for calculation of PAYG system ADL) requires age/gender matrix for number of pensioners and income, which is unavailable (classified) for the military pension system.

2. Assumptions and methodologies applied

a. Discount rate

3% real rate for base years 2015

2% real rate for base years 2018, 2021

2.5% NBR target starting with 2013

5.5% nominal rate for base years 2015

4.5% nominal rate for base years 2018, 2021

b. Wage growth

European Commission's Ageing Working Group (AWG) macroeconomic assumptions 2017 for base years 2014, 2015, AWG macroeconomic assumptions 2020 for base years 2016, 2017, 2018 (4.4% for 2016, 4.4% for 2017, 4.6% for 2018, 4.9% for 2019...1.5% for 2070).

For the years 2019, 2020, 2021 (10.2% for 2019, -1.3% for 2020 and 1.0% for 2021... 3.5% for 2070)

c. Valuation method: ABO/PBO

PBO

3. Data used to run the model

a. Mortality tables:

European Commission's Ageing Working Group (AWG) 2020 macroeconomic assumptions 2020-2070

b. Entitlement statistics; other relevant statistics:

4. Reforms incorporated in the model

Basic law: 223/2015 State military pension law, later changes related to shift of contributions (GEO 79/2017) and to indexation formula (GEO 59/2017)

5. Specific assumptions

a. How are careers modelled?

b. How are survivor pensions calculated?

As percentage of the deceased's old age pension: 50% for a single survivor, 75% for two survivors, 100% for at least 3 survivors (spouse and children up to the age of 16 or completion of studies).

c. How is the retirement age modelled over time?

According to the provisions of Romania's State Military Pension Law 223/2015, the statutory retirement ages included in the calculations are set as follows:

Male 56.6 (2017) increasing to 60 (2030) then constant

Female 56.6 (2017) increasing to 60 (2030) then constant

d. Other specific features of the model

6. Any other comments

7. Table 29 column H: Social security pension schemes (unfunded)

1. General description of the scheme and the calculation model

a. Coverage of the scheme

Pillar I PAYG Public Pension System 100% Coverage or persons in active employment.

It covers indeed old age, disability and survivors. As from January 1st, 2017, there is no more threshold for earning pension rights (it used to be 5 pension points = 5 economy-wide average wages). Social insurance contribution rates were 10.5% employee + 15.8% employer (up to 2017). As from 2018 according to GEO 79/2017 on, the burden of social insurance contributions is transferred totally to the employee. The contributions rates for Pillar I are the above ones, less the quotas for Pillar II (5.1% in 2017, 3.75% in 2018). The latter is taken into account in the calculation model.

nanian National House of Pensions, Romanian Financial Supervisory Authority
istry of Finance, Romania
nula; Indexation of benefits
erage annual number of points achieved by the insured (N), multiplied the value of one pension point (PV).
e pension point value (PV) is set by Government's decision. As from
.0 on, this value is indexed annually according to the formula detailed ow.
ocation of points: For each career month of the insured, his gross nings are divided by the gross economy-wide average wage of that nth. This would be his number of points for that month. His annual mber of pension points is obtained as the average of the 12 monthly mbers of points. The total number of points accrued in an individual's eer is the sum of his annual numbers of points. The average annual mber of points is calculated as the total number of points accrued by individual along his career, divided by the statutory contributory iod corresponding to the individual's cohort. This value is finally eject to a correction index which is applied every year, only for the sons who retire during that specific year. This correction index resents a multiplying factor, for the average number of pension nots of that generation and is computed by dividing 43.3% of the shoomy-wide gross average wage from the previous year by the value the pension point for that specific year. The retiree than continues the this number of points (N) throughout all the years afterwards. TE: For switchers, the monthly number of points is adjusted with the o between the quota directed to Pillar I and the total contribution of (Pillar I + pillar II)

Indexation of benefits The average annual inflation rate plus 50 % of the real increase in the gross average wage, definitive indicators, known in the current year for the previous calendar year, communicated by the National Institute of Statistics (Swiss rule)

d. Type and structure of the calculation model

World Bank's PROST Model- computer-based toolkit to simulate pension systems over time

2. Assumptions and methodologies applied

a. Discount rate

3% real rate for base years 2015

2% real rate for base years 2018, 2021

- 2.5% NBR target starting with 2013
- 5.5% nominal rate for base years 2015
- 4.5% nominal rate for base years 2018, 2021

b. Wage growth

European Commission's Ageing Working Group (AWG) macroeconomic assumptions 2017 for base years 2014, 2015, AWG macroeconomic assumptions 2020 for base years 2016, 2017, 2018 (4.4% for 2016, 4.4% for 2017, 4.6% for 2018, 4.9% for 2019...1.5% for 2070).

For the years 2019, 2020, 2021 (10.2% for 2019, -1.3% for 2020 and 1.0% for 2021.....3.5% for 2070)

c. Valuation method: ABO/PBO

PBO

3. Data used to run the model

a. Mortality tables:

European Commission's Ageing Working Group (AWG) 2020 macroeconomic assumptions 2020-2070

b. Entitlement statistics; other relevant statistics:

4. Reforms incorporated in the model

Romanian Pension Law 263/2010

GEO 79/2017

Romanian Pension Law 127/2019 (statutory retirement ages, indexation formula, etc.)

5. Specific assumptions

a. How are careers modelled?

Labor force is derived as the product of population and labor force participation rate.

Employment results from deducting unemployment from labor force. The model does not differentiate contributors according to their career, age, wage, skills, level of education etc. but estimates the average length of service by gender.

b. How are survivor pensions calculated?

As percentage of the deceased's old age pension: 50% for a single survivor, 75% for two survivors, 100% for at least 3 survivors (spouse and children up to the age of 16 or completion of studies).

c. How is the retirement age modelled over time?

According to the provisions of Romania's Pension Law 263/2010, the statutory retirement ages included in the input are set as follows:

Male 64.5 (2013) increasing to 65 (2015) then constant

Female 59.5 (2013) increasing to 63 (2030) then constant

The model also estimates average effective retirement ages by gender.

The old age pension is granted to the insured that cumulatively fulfil the conditions of the standard retirement age and the minimum contribution period. The retirement age for men has been set to 65 since 2015, while the retirement age for women is currently on an ascending path (62 years in 2023, set to get to 63 years in 2030, according to the old Law 263/2010 and to 65 years in 2035, according to the new Law 360/2023). After 2035, the standard retirement (and the corresponding minimum and full contribution period) will be increased in relation to the evolution of the life expectancy in Romania (Law 360/2023).

d. Other specific features of the model

6. Any other comments

8. Table 29 column K: Entitlements of non-resident households

Data are not available.

9. Links to (national) publications providing further information on the pension schemes

We provide you links of the Romanian Financial Supervisory Authority:

For Primary Legislation > Law no. 204/2006 Voluntary Pension > Law no. 411/2004 on Privately Administered Pension Funds:

https://www.asfromania.ro/en/a/2026/legisla%C8%9Bie-primar%C4%83-pii

For Legislation > Sectorial Legislation > Private pensions market > Secondary Legislation > Rules:

https://www.asfromania.ro/en/a/2027/legisla%C8%9Bie-secundar%C4%83-pii

For Annual Reports FSA:

https://www.asfromania.ro/en/a/2474/raport-anual-asf-2021