

IOPS COUNTRY PROFILE: BULGARIA



DEMOGRAPHICS AND MACROECONOMICS

GDP per capita (USD)	8,579
Population (000s)	7,050
Labour force (000s)	3,357
Employment rate	66.9
Population over 65 (%)	21.0
Dependency ratio ¹	32.5

Data from 2017

1. Ratio of over 65-year-olds / persons aged 15-64 years calculated in percentage

Source: Nacional Statistical Institute, Bulgaria.

BULGARIA: COUNTRY PENSION DESIGN

STRUCTURE OF THE PENSION SYSTEM

Public pension

- The state pension system, covering both employed and self-employed
- Contribution is required from both the employer and employee. In the case of self-employed, the contribution is entirely at the expense of the self-employed
- It is a pay-as-you-go type of system

Private pension: personal (mandatory)

- Two pension schemes, i.e. universal and professional
- Universal scheme, covering all employees regardless of job category and self-employees. It is a fully funded DC scheme
- Professional scheme for those working in hazardous environment. It is a fully funded DC scheme

Private pension: occupational (voluntary)

- Introduced in 2007
- The collective agreement/collective bargaining agreement determines the coverage

Private pensions: personal (voluntary)

- Fully funded DC scheme
- Normally based on a contract between the individual and a pension fund managing company; employer contributions and contributions by third parties are also possible

Source: OECD Global Pension Statistic

BULGARIA: THE PENSION SYSTEM'S KEY CHARACTERISTICS

PUBLIC PENSION

The retirement age under the public state pension scheme is 64 years and 1 month for men and 61 and 2 months for women provided that the requirements for length of contributory service are met. These are 38 years and 6 months of contributory service for men and 35 years and 6 months of contributory service for women.

The retirement age for men is gradually increasing by 1 month per calendar year, until 65 years of age are reached. Until 31 December 2029, the retirement age for women is gradually increasing by 2 months per calendar year, and by 3 months per calendar year as of 1 January 2030, until 65 years of age are reached.

The length of contributory service is gradually increasing by 2 months per calendar year until attainment of 37 years of contributory service in the case of women and 40 years of contributory service in the case of men. Where the length-of-service requirements are not met, the retirement age is 66 years and 2 months for both men and women with 15 years of actual contributory service. This age is gradually increasing by 2 months per calendar year, until 67 years of age are reached.

The minimum amount of the contributory-service and retirement-age pension is BGN 207.6 (from July 2018). As of 1 July 2018 the social old age pension is BGN 125.58.

As of 1 January 2018 the persons who have reached the age of 70 are entitled to a social pension where the annual income per family member as at the date of reaching this age is lower than the sum total of the guaranteed minimum income established in the country for the last 12 months. The amount of the social pension for old age, as well as the conditions for receiving it, are determined by the Council of Ministers upon a proposal from the Ministry of Labour and Social Policy and the National Social Security Institute (NSSI).

The insured person pays 8.78% of gross earnings for pension insurance, with the self-employed contribution 19.8% of declared income. Employers contribute 11.02% of payroll. The minimum monthly earning for contributions is BGN 510 and the maximum BGN 2600.

The gross replacement rate for 2017 for the average worker, according to NSSI data, is 46.2% (59.2% net).

PERSONAL MANDATORY (PROFESSIONAL)

Coverage

Persons working under the conditions of work categories I and II, which are insured in the Pensions Fund of the State Social Insurance, are mandatorily insured at a professional pension fund for an early-retirement pension.

The members are entitled to change once their insurance to the public state pension scheme in case they have not started receiving an early-retirement pension from the professional pension fund.

Mandatory professional funds provide:

- a fixed-period early-retirement pension to those working under the conditions of work categories I and II (those working in hazardous environments);
- a lump-sum or programmed withdrawal of up to 50 per cent of the funds accrued on the individual account in case of working capacity permanently reduced by more than 89.99 per cent;
- a lump-sum payment or programmed withdrawal to the survivors of a deceased insured person or of a pensioner.

Professional funds are fully-funded, defined contribution schemes with individual capitalization accounts. In 2018 the coverage rate was 8% of the active population.

Contributions

Only employers contribute to the professional pension funds and the contribution level amounts to 12% for persons working under the conditions of work category I and 7% for work category II.

The fixed-period early-retirement pension is based on the funds accrued on the individual account, the period of receipt and the technical interest rate, as approved by the Financial Supervision Commission.

Benefits

Members of the professional pension funds become entitled to an early-retirement pension if the following conditions are met:

1. they have at least 10 years of contributory service after 31 December 1999 under the conditions of work category I and they have reached an age 10 years shorter than the statutory retirement age;
2. they have at least 15 years of contributory service after 31 December 1999 under the conditions of work category II and they have reached an age 5 years shorter than the statutory retirement age.

Workers receive the early-retirement pension until they become entitled to retirement benefits under the public and universal pension schemes. The workers in category I and II may also retire earlier than the general statutory retirement age from the public scheme in case they have not become entitled to a pension from the professional pension fund. In this case the money in the individual account of the member in the professional pension fund is transferred to the National Social Security Institute.

Taxation

Contributions to professional funds and investment income are tax-exempt.

PERSONAL MANDATORY (UNIVERSAL)

Coverage

These funds provide retirement benefits to all employees regardless of job category. Universal pension funds cover employees and the self-employed. Participation is mandatory for all workers born after 31 December 1959.

Members can change their insurance to the public state pension scheme and back to the universal pension fund until they reach an age 5 years lower than the statutory retirement age in case they have not started receiving an old-age pension from the public state pension scheme.

Contributions

Universal pension funds are fully-funded, defined contribution schemes with individual accounts. Employers and employees make contributions to universal pension funds. The contributions are paid together with social security contributions and then redirected toward the account of the respective universal pension fund named by the pension insurance company which manages it. The contribution level to universal pension funds amounts to 5%, with the employer responsible for 2.8% and the employee for 2.2%. The self-employed must pay the entire 5% contribution themselves. Additional voluntary contributions are not permitted.

Benefits

Benefits are paid by the pension fund itself normally as a life-long pension. Early retirement is allowed up to five years before the statutory retirement age described above, provided that the member's savings are sufficient for a pension at least equal to the minimum amount of the contributory-service and retirement-age pension provided by the Public Social Insurance system.

In addition to life-long pension mandatory universal pension funds also provide:

- a lump-sum or programmed withdrawal of up to 50 per cent of the funds accrued on the individual account in case of working capacity permanently reduced by more than 89.99 per cent;
- a lump-sum payment or programmed withdrawal to the survivors of a deceased member or of a pensioner.

Taxation

Same as mandatory professional funds.

OCCUPATIONAL VOLUNTARY

On 1 January 2007, voluntary occupational schemes were introduced. The collective bargaining agreement or the collective agreement determines the coverage. Voluntary schemes provide pensions to participants aged 60 for women and men or up to 5 years before reaching this age in accordance with the rules stipulated in the collective bargaining agreement or the collective agreement. Benefits are taxed identically to those from the voluntary pension funds.

In 2017 there were two authorized funds (DSK-Rodina and Allianz Bulgaria) for supplementary voluntary pension insurance under occupational schemes of which only one has members (DSK-Rodina).

Social insurance under occupational pension schemes entitles members to:

- a fixed-period old-age pension;
- a lump-sum payment or programmed withdrawal of the funds accrued on the

- individual account;
- a lump-sum payment or programmed withdrawal to the survivors of a deceased insured person or of a pensioner.

PERSONAL VOLUNTARY

Coverage

Participation is open to all those aged 16 and over.

Contributions

Contribution levels are determined in a contract between the pension fund managing company and the contributor (an individual, employer or another contributor); there are no legal limits. Vesting of contributions is immediate and the account is portable.

Benefits

Benefits are paid directly by the fund. They can be paid out in the form of a life-long pension, a fixed-period pension, a lump sum or programmed withdrawals.

Tax

Employers and individuals receive tax benefits on contributions. Investment income and pensions are exempt from taxation.

Fees

The managing company may charge a fee for early withdrawals, which cannot exceed BGN 20.

MARKET INFORMATION

Professional mandatory

By the end of December 2017, there were nine mandatory professional funds and some 297 323 participants. Doverie (23.4%), Allianz Bulgaria (15.7%) and Saglasie (14.7%) held the largest market shares in terms of participants. The nine mandatory professional funds held BGN 1 057 million in net assets, of which Doverie (252.9 million), Allianz Bulgaria (191.7 million) and Saglasie (182.4 million) held the largest portions: 23.9%, 18.1% and 17.2%, respectively. Over 2017, members made a total of BGN 102.7 million in contributions. The average monthly contribution per member for 2017 was BGN 86.9, while that figure was BGN 88.2 over 2016. Members have no individual portfolio choice.

Universal mandatory

There were nine universal pension funds offering mandatory pensions to 3 667 851 participants in December 2017. Doverie (27.1%) and Allianz Bulgaria (20.5%) held the largest market shares in terms of members. Total net assets were BGN 10 535 million as of December 2017, with Doverie (26.8%) and Allianz Bulgaria (21.6%) holding the largest market shares. Total contributions over 2017 amounted to BGN 1 161 million, while members made an average monthly contribution of BGN 49.40.

Personal voluntary

In 2017 there were nine voluntary pension funds, offering pensions to 614 761 members. Allianz Bulgaria (35%) and Doverie (23.8%) held the largest market shares in terms of membership. Total net assets in the voluntary pension fund market amounted to BGN 1 055 million, with Allianz Bulgaria holding 45.5% of all assets. Participants made a total of 138.9 million in contributions during 2017 (39.8 million more than 2016). Members made an average monthly contribution of BGN 179. The figure of total investments by the nine funds stood at BGN 994.7 million at the end of 2017. Of those investments, 40.7% were made in government guaranteed securities, while 39.9% were made in securities traded on the financial market.

Occupational schemes voluntary

In 2017 there are two authorized funds DSK-Rodina and Allianz Bulgaria for supplementary voluntary pension insurance under occupational schemes of which only one has members – DSK-Rodina with 7 788 members and BGN 14 million net assets at the end of the year. The average monthly contribution per member is BGN 30.8.

POTENTIAL REFORM

The legislation on the payout phase from the private pension funds should be developed.

REFERENCE INFORMATION

KEY LEGISLATION

All forms of old-age pension provision discussed in this chapter are regulated by the Social Insurance Code.

KEY REGULATORY AND SUPERVISORY AUTHORITIES

Financial Supervision Commission: www.fsc.bg.