

IOPS COUNTRY PROFILE: GEORGIA

DEMOGRAPHICS AND MACROECONOMICS



GDP per capita (USD)	4 256
Population (000s)	3 723
Labour force (000s)	1 524
Employment rate	41.1%
Population over 65 (%)	15.2%
Dependency ratio ¹	37.0

Data from 2020 or latest available year
 1. Ratio of over 65-year-olds / labour force.
 Source: National Statistics Office of Georgia and the World Bank

GEORGIA: COUNTRY PENSION DESIGN

STRUCTURE OF THE PENSION SYSTEM

Public pensions

- Government public system, providing flat-rate national pension and employment-related pensions (for particular public servants or for military personnel)
- Pension indexation mechanism from 2020, which means a guaranteed annual increase in pensions based on economic indicators.

Private pensions: personal mandatory

- Mandatory funded pension system (2nd pillar) based on individual accounts
- Pension fund (DC scheme) is managed by Pension Agency and covers public/private sector employees and self-employed people

Private pensions: occupational/personal voluntary

- Voluntary pension system (3rd pillar) is regulated under the "Law on provision of non-state pension scheme", the individuals have a right to receive a non-state pension. An agreement on the provision of non-state pensions is signed between the founder and the contributor. Under the agreement, the founder undertakes to provide the participant with a non-state pension in accordance with the procedure established by the pension scheme, and the contributor undertakes to pay pension contributions.

Source: OECD/IOPS Global Pension Statistic

GEORGIA: THE PENSION SYSTEM'S KEY CHARACTERISTICS

Georgia has a multi-pillar pension system that includes the following components:

PUBLIC PENSION

Government Public Pension:

Georgia established flat rate pension in 1995. Additional reforms were planned soon after; however, due to economic crisis at the end of 1990s and the fiscal uncertainty, reforms were never approved or implemented.

Another wave of reforms of the pension system commenced in 2004. A major change took place regarding the financing of the state social programs, including pensions. Until 2004 state pensions were financed by the State United Social Insurance Fund (SUSIF) based on social contributions of employer and employee. From 2004 social programs became financed from the general budget revenues. Since SUSIF lost one of its key functions - administering and collecting individual social contributions - it was reorganized into two new structures: 1) State Agency of Employment and Social Assistance and 2) Health and Social Programs Agency. By the end of 2010 these were merged to become the Social Service Agency (SSA). Today, the responsibility for allocating the state pension is under SSA, which is located under the Ministry of Labour, Health and Social Affairs.

From 2007 to August 2012, the pension amount included a long-service bonus distributed on top of the flat rate pension. The long-service bonus was an additional amount added to the pension based on the years of employment period.

Another change take place at the end of August 2012 and it was related to the source of disbursement and the amount of pension benefit. There are four main categories of pension disbursements in Georgia:

- **Old-age pensions**
- **Disability benefit**
- **Special category of pensions**
- **Survivor's benefit**

There is a fifth miscellaneous category which includes family members of those deceased during military operations and victims of political repressions.

Old-age pensions are granted on the basis of universal social assistance, available to all Georgian citizens. According to the state pension act of Georgia, all Georgian citizens, who reach retirement age of 65 for men and 60 for women, are entitled to a flat old-age pension. The payment of benefit is made from the general income and other taxes collected by the Government. It aims to provide coverage of the entire old-age population and distribute equal amounts to people in retirement. The only population segments that are not eligible for the universal pension are people with dual citizenship (receiving pensions abroad), those who continue in government employment after retirement (except for workers in political and religious organisations, teachers and other legally established categories) and Georgians permanently residing outside of the country. Early retirement option for old age pensioners is not available. It is only applicable to some categories of Special Pension (e.g. former military, policeman, etc.).

All disabled persons receive a social assistance. There are two (2) types of disability categories and the amount of benefit depends on the category of disability assigned to a person.

The state compensation pension is paid to special categories of public sector employees. It is a monthly pension calculated individually for each beneficiary and is typically higher than the flat rate pensions. These beneficiaries can choose to receive this benefit instead of the state pension, but not both.

And finally, **survivor's benefit** is distributed in case of death of bread-winner and can be claimed by every Georgian citizen under the age of 18.

It should also be noted that the pension indexation mechanism has been introduced in 2020, which means a guaranteed annual increase in pensions based on certain economic indicators.

PRIVATE PENSIONS: PERSONAL (MANDATORY)

In 2017, the Government of Georgia publicly presented a reform plan for the country's pillar 2 pension system and the Defined Contribution (DC) pension fund launched on 1 January 2019. The pillar 2 scheme is administrated by the Pension Agency of Georgia - which is responsible for the implementation, management and administration of the funded pension scheme and is organized to ensure the maximum security of participants' pension assets and long-term investment returns.

COVERAGE

Participation in the pension scheme is mandatory for employees under 40 years of age following the entry into force of the Law of Funded Pensions of Georgia. Workers over 40 years of age are auto-enrolled but have the option to opt-out during several months after enrolment. Self-employed people have the opportunity to join the scheme on a voluntary basis.

CONTRIBUTIONS

The total percentage of the instalment varies from 4% to 6%, depending on the annual taxable salaries and/or self-employed income (2% from the individual, 2% from the employer and 0%-2% from the state budget depending on the income bracket of the individual).

Amount of salary and / or self-employment income [GEL]	Amount to be contributed by an Employer [%]	Amount to be contributed by an Employee [%]	Amount to be contributed by the state [%]	Total[%]
Below 24,000 GEL	2	2	2	6
>24,000 and <60,000	2	2	1	5
Exceeding 60,000 GEL	2	2	0	4

Benefits

Pension withdrawals can be made via following options:

- Through programmed withdrawals, which involves dividing the accumulated pension amount by the expected life expectancy and receiving it in the form of a monthly pension;
- By purchasing an annuity insurance product with the pension assets accumulated in an individual pension account; this implies acquisition of a private pension insurance product by a participant and the receipt of a pension for the rest of their life;
- Through a lump sum payment of the total amount. Withdrawal by this method is possible only if the person joined the pension scheme not more than 5 years before retirement age, or if the participant is granted the status of a person with disabilities, or if the participant leaves Georgia and presents a duly certified document proving legal, permanent residence in another country.

Taxation

Tax Code of Georgia regulates the tax matters related to the scheme. It needs to be highlighted that the EEE tax regime is established as per the Law of Georgia on Funded Pensions and the Tax Code of Georgia.

PERSONAL VOLUNTARY PRIVATE PENSIONS

Voluntary pension system is regulated by the Law (find below key legislation), which defines the procedure for the provision of non-state voluntary pensions and the bases of their state regulation system, and regulates relations in this sphere.

MARKET INFORMATION

According to the data, there are four (4) non-state pension schemes, three of them are presented by insurance companies and one scheme is established by legal entity for its own employees.

Please, find the relevant information about the pension scheme, visiting the link below:

<https://www.insurance.gov.ge/en/page/Pension-scheme>

RECENT REFORM

The European Union's Association Agreement with Georgia, which came into force in 2016, requires fundamental changes to the legislative base for Georgian capital markets. Starting in January 2018, Georgia's tax code introduced tax benefits for bond investors to encourage participation.

In 2019, the Government also started implementing the pension reform—to bolster accumulation of savings outside the banking sector and support demand for securities issued by Georgian entities. The pension reform is expected to promote domestic savings and create an institutional investor base for long-term GEL-denominated assets.

Furthermore, new investment funds law was adopted in 2020 and investment fund regulatory framework modified to better accommodate the needs of the local and foreign investors, but also to align with international standards.

According to the European Union's Association Agreement with Georgia, Georgia is conducting the working process of voluntary pension scheme, in order to develop it on the basis of the EU directives and relevant regulations.

REFERENCE INFORMATION

KEY LEGISLATION

PUBLIC PENSION

The state pension system is regulated by the -
<https://matsne.gov.ge/en/document/view/27946?publication=26>

PRIVATE PENSIONS: PERSONAL (MANDATORY)

The funded pension system is regulated by the:

- [Law on Funded Pensions](#) which was enacted in July 21, 2018. The Law regulates the relationships related to the management and financing of the funded pension system.
- [Regulations](#) prescribed by National Bank of Georgia (NBG) that regulates activities of asset management companies and specialized depositaries.
- [Tax Code of Georgia](#) regulates the tax matters related to the scheme
- Besides, the laws of Georgia on employment, inheritance, disabilities etc. are also considered in the course of administration and management of funded pension scheme.

The voluntary occupational pension tier is regulated by the:

- [Law of Georgia on the provision of non-state pensions \(1988\)](#), which defines the procedure for the provision of non-state pensions and the bases of their state regulation systems, and regulates relations in this sphere; non-state pension schemes and insurance of individuals shall be implemented independently from the state pension scheme.
- [Law of Georgia on Insurance \(1997\)](#) regulates relations between the insurance organizations, and individuals in the sphere of insurance, as well as defines general principles of insurance activity regulation by the state; licensing the insurance activity, in order to carry out non-state pension, to provide and register non-state pension scheme and founders in accordance with law of Georgia “On the provision of non-state pensions insurance”.

KEY REGULATORY AND SUPERVISORY AUTHORITIES

National Bank of Georgia: <https://nbg.gov.ge/en>

National Bank of Georgia (NBG) regulates, monitor and supervises financial activities of mandatory pension fund. NBG also regulates banks, non-bank institutions, investment funds, asset management companies, specialised depositaries and etc. NBG also analyses data, submitted by supervised entities and publish periodic reports to general public.

Insurance State Supervision Service of Gergia (ISSSG) <https://www.insurance.gov.ge/en>

Insurance State Supervision Service of Georgia (ISSSG) is empowered to carry out the registration, cancellation of the registration of non-state pension schemes founders and pension schemes, and state supervision over the functioning of the pension scheme (including special measures, sanctions).

KEY OFFICIAL STATISTICAL REFERENCE AND SOURCES ON PRIVATE PENSIONS

For mandatory pension fund information is published on Pension Agency website-
<https://pensions.ge/>

www.insurance.gov.ge

Source map: Central Intelligence Agency, The World Factbook, the United States