
THE BALANCE BETWEEN THE STATE BUDGET AND SOCIAL SECURITY BUDGET REGARDING SOURCES OF PENSION FUNDING

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Abstract

The balancing the social security budget from sources coming from the state budget can take place under the conditions in which the social insurance budget registers a deficit that can not be covered from its reserve fund.

Besides this, in the Public Pension System in Romania, there are categories of pensions for which, according to the legal provisions, the sources of financing are provided by both budgets.

In the context of frequent legislative changes, the correct determination of the social security pension component is a guarantee for the beneficiary of the pension entitlement to retain his retirement pension rights in the future on the basis of his own contributions.

The pension categories referred to in this article are special pensions and pensions, which must include the increase in scores for groups I and II, respectively for special and special working conditions. The correct and timely implementation of the provisions of the Law no.221 / 2018 is necessary for the beneficiaries, as well as for the correct and correct financing of pensions on account of the social security budget.

Keywords: *pensions, special conditions, special pensions, working groups, civil aviation*

JEL Classification: J21, J26, J61

Introduction

Starting with 2018, the revenues of the state social security budget (hereinafter referred to as the BAS) were based on the contribution of the employees, by paying the social insurance contribution of 25%, as well as by the employers' contribution that supplements the social insurance contributions by 4- 8% if they have people employed under special and special working conditions. The other BAS sources of funding, such as interest and penalties, are sources associated with social security contributions generated by late payment of taxpayers' sums, as well as income from interest payments related to the keeping of available funds in the accounts.

The main destination of the financial resources collected in the state social insurance budget is for the payment of social insurance benefits from the public pension system. In order to cover well-founded situations, the social security reserve fund is constituted.

In the situation where there is a current deficit of the state social insurance budget, the deficit is covered by the reserve fund..

Exceptionally, the BAS balances from sources from the state budget in the situation where the state social insurance budget deficit can not be covered by consumption of the reserve fund. In this case, the revenues of the state social insurance budget shall be filled in with sums allocated from the state budget.

The collection of social security contributions due by employees, employers and insured persons is important for the realization of the BAS.

There is a *conceptual difference* between the amount due as a social security contribution and the amount paid. Between the two indicators there is a report called a collection of contributions. It expresses the proportion of the amount of contributions collected and the amount of contributions that should have been paid.

The ideal case is when the ratio of the collection of contributions¹ is 1, which corresponds to the situation where all employers, employees, self-employed and other insured persons would pay the due contributions.

The calculation formula is:

$R_{pc} = \frac{C_p}{C_d}$, where R_{pc} is the ratio of the collection of contributions, $C_p = \sum C_p$, the amount of contributions paid by participants in the system, $R_{pc} = \sum C_d$ is the amount of contributions to be paid by policyholders, employers, other natural or legal persons.

Literature review

Social insurance in Romania has been dealt with in specialized works by well-known authors. Among these, they mention the contribution of the authors Anghelache, Verejan, Patachi (2006), which laid the foundation for actuarial analysis in insurance.

Anghelache, Carp (2016) addressed the issue of voluntary contributions to the social security system.

Manole, Anghelache, Carp (2016) and others analyzed the private pension system in Romania as a complementary system to the public pension system. Starting in 2012, Carp has devised an alternative pension model, which has as its main element the provision of a basic pension, determined

1. Ana Carp – Methods of assessing the cost of social security - Romanian Statistical Review Supplement, no.1/2019, pp. 49-69

on the basis of contributions collected over 25 years and a supplementary pension for the surplus of contributions collected above the standard level. In this model, the benefits are correlated and the contribution test is applied.

Research methodology, data, results and discussions

In order to achieve the proposed theme, we approached the following issues:

- Current Issues of State Social Insurance Pensions
- Service pensions - special
- Applying Law No.221 / 2018 to seafarers
- Completion of social security pensions below the guaranteed minimum level.

• Current problems of state social insurance pensions

By Law no. **192/2015** for completing the Law no. **263/2010** was inserted article 169¹.

According to this legal provision „(1) The pensioners of the public pension system whose pension rights were established according to the legislation prior to January 1, 2011, who have carried out activities in Group I and / or Group II employment according to the legislation prior to 1 April 2001, namely activities in special employment conditions and / or special conditions, according to the law, benefit from an increase in the annual scores achieved during these periods, as follows:

(a) by 50% for periods in which they have been employed in work-related employment or workplaces in special conditions;

(b) 25% for periods spent in work-related employment or in special-purpose employment.”

This legal provision was also applicable to pensioners whose pension rights were opened before January 1, 2011 and **who did not benefit from the increase of the annual scores** for Group I and II on the basis of OUG no.10 / 2008, Oug 209 / 2008, of the Law no. **218/2008** and the provisions of article 78² of Law no. **19/2000**, as well as by the provisions of art.169 of the present law, as well as by **the increase of the score for the periods completed under special working conditions** after 1 April 2001.

The legislator provided in this law also the situation in which, although an **additional score is added**, the recalculated pension is lower than the pension in payment. For some people, **it may seem unexplained**, how to add an additional score but not increase the amount of that pension. The explanation lies in the fact that **this „engineering” formula** of recalculation of pensions took into account the complete contribution periods from the date

of recalculation, ie 2015, and not the complete retirement benefits provided by the retirees, ie the internships the date of the opening of the pension rights. Thus, the increase of the pensions starting with 2016 was an illusion, over which the legislator returned in 2018¹ by amending and completing the Law no.263 / 2010.

Awaiting pension decisions, many categories of retirees should be optimistic in the sense that the effect of recalculation based on Law no.221 / 2018 will be real and in favor of them.

When applying this law, the balance of the state budget - social insurance budget is inclined towards the social security budget. What is to be remembered is that the recalculation formula provided for in this law is logical and leads to concrete advantages for the persons who have had their contribution periods lower than the full contribution periods stipulated in Annex no.5 to the Law no. 263/2010.

• **Occupational pensions - special**

Pensions with a double funding are service pensions. Currently, service pensions are:

- Pensions² of magistrates, judges and prosecutors
- Pensions of auxiliary³ specialized staff of the courts and prosecutors' offices
- Pensions of members of the Diplomatic⁴ and Consular Corps
- The pensions of parliamentary civil servants, senators⁵ and deputies
- Pensions of professional civil aviation aircrew⁶
- Court of Accounts staff pensions⁷.

It is specific to these types of pensions the filling of the amount of the service pension from the state budget source, in case the social insurance

1. LAW no. 221 of 27 July 2018 for amending and completing the Law no. 263/2010 on the unitary pension system

2. LAW no. 303 din 28 iunie 2004*) on the Status of Judges and Prosecutors - Republican

3. LAW no. 130 of 3 June 2015 for the completion of Law no. 567/2004 regarding the status of auxiliary specialized personnel of the courts and prosecutor's offices attached to them and of the staff working within the National Institute of Forensic Expertise

4. LAW no. 216 of 21 July 2015 regarding the granting of the service pension to the members of the Romanian diplomatic and consular corps

5. LAW no. 215 of 21 July 2015 for amending and completing the Law no. 7/2006 on the status of the public official

6. LAW no. 83 of 21 April 2015 for the completion of Law no. 223/2007 on the Status of Civil Aviation Civil Aviation Personnel in Civil Aviation in Romania

7. Law no.7 / 2016 amending and supplementing Law No.94 / 1992 on the organization and functioning of the Court of Accounts

component is less than the service pension. The amount to be allocated from the state budget for replenishment is the difference between the service pension and the social security pension.

In case the social insurance component is not updated according to the legal provisions in force, the amount to be allocated from the state budget is usually higher than the actual amount determined.

The formulas for calculating these pensions lead to higher pensions than the social security component due to persons receiving a special pension.

A distinct category of service pensions is the service allowance for civil aviation personnel. The particularity is that the pension due to contributory benefit is increased by the effect of the additional score due for the groups and special working conditions in which they have worked as employees, as well as by the effect of using a full contribution period lower than the standard.

• **Applying Law No. 221 / 2018 to seafarers**

The pension laws that have been implemented in Romania, starting with 1912 and up to now, have provided additional benefits for civil aviation personnel, as civilian professional civil servants have carried out their work under special conditions of work. The advantages provided by the law refer to the reduction of the standard retirement age, to the contribution periods lower than the standard contribution periods, to the granting of a percentage increase for the years of activity carried out in special groups and conditions of work, which result in higher pensions for the social insurance component.

In the last 10 years, for the working groups in which they have been employed as employees, benefits have been granted to pensioners who have worked in civil aviation, but also to pensioners who have worked in the sector mining, the steel sector and other sectors of activity.

Beginning with 2010, seafarers, and beyond, were usually in a position to claim and to be recognized their social security pension rights through the Courts. As long as the social security legislation did not specify the full contribution periods, the granting / not granting the additional points for the higher working groups in which they worked until 2001, as well as for the special conditions in which they have carried out the activity starting with April 2001, the social security **disputes have solved these cases differently, but in favor of pensioners in civil aviation and other sectors of activity.**

In view of the application of the provisions of the Law no.221 / 2018, the professional civilian personnel should benefit from the 50% increase of the annual scores achieved starting with April 2001, or 25% as the case may be, regardless of the contribution period retained in the pension decisions or in court decisions.

Thus, **the component based on contributory value is appreciated considerably**, and the difference between the service and the social security pension is **substantially reduced or eliminated, as the case may be**.

The timely calculation of the social security component for civil aviation personnel is a legal obligation and a correct implementation in the equation of balance of sources of financing.

- **Completion of social security pensions below the guaranteed minimum level**

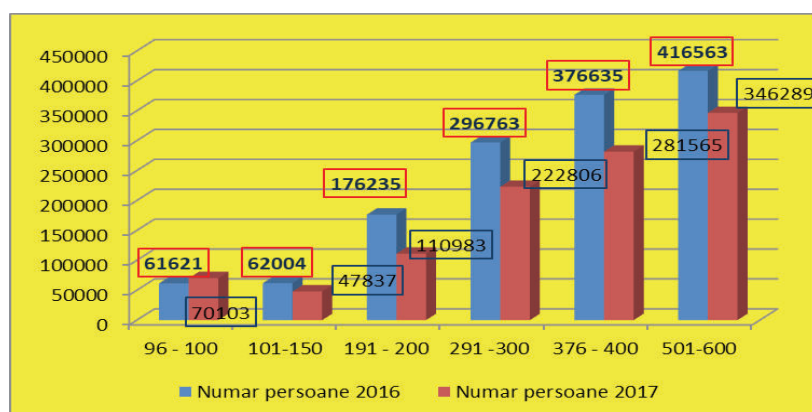
The connection between the state budget and the social insurance budget is also manifested in the case of the small pensions, respectively in the case of the state social insurances pensions that are below the statutory minimum guaranteed level, which is currently 640 lei.

Thus, according to statistical data registered in 2016-2017, in 2016 there were 1,389,821 persons who were social security pensioners, respectively 1,079,583 persons in 2017, who had social insurance pensions under the limit of 640 lei, for which , supplementing pensions to this amount from the state budget is mandatory.

Knowing that at the level of 2016, the total number of state social security pensioners was 4.680.544 persons and the obligation to supplement the pensions from the state budget was for 1.389.821 persons, it is found that the numerical proportion of the persons below the level of the amount of the guaranteed pension is significant. At the level of 2017, the number of pensioners in this situation has been reduced to 1,079,583, which can be explained by increasing the value of the pension point from 871.7 lei to 2016 per 1000 lei as it was in 2017, as well as by the completion by these persons of supplementary contribution periods or by recalculation and addition of untaken income initially.

Distribution of the number of persons per years and categories of pensions lower than the guaranteed minimum level in the payment

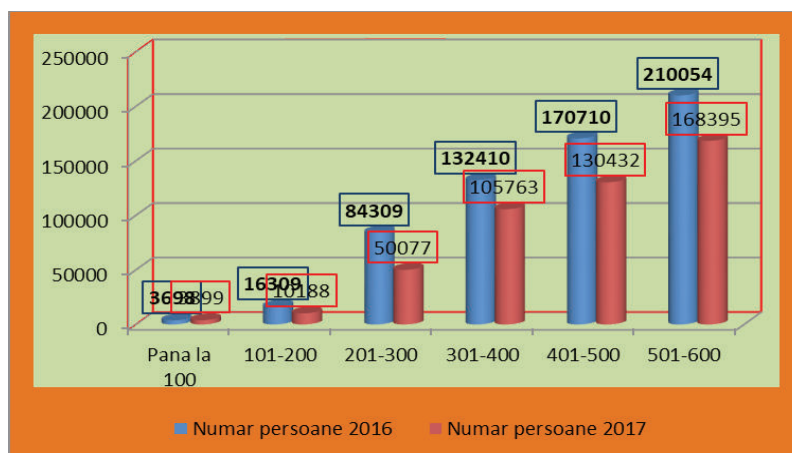
Figure 1



Of the total number of persons with pensions under the guaranteed minimum level, old-age pensions registered 617,490 persons in 2016, respectively 468,754 persons in 2017, according to the distribution in figure no. 2. It is important to note that these persons have made the full majority of the full contribution periods provided by the law.

Distribution of the number of retirees with pensions for the age limit, by years and categories of pensions lower than the guaranteed minimum level in the payment

Figure 2



Therefore, it is remembered that the balance of state budget and social insurance budget is in favor of the social insurance budget as a result of completing these pensions up to the guaranteed minimum level in payment.

Conclusion

There is a balance between the state budget and the social security budget. Social security budget balancing is done temporarily, in exceptional situations where the social security budget can not cover the expenditures foreseen annually from its own sources.

In the Public Pensions System there are also pension categories, where the sources of financing are made from both budgets.

The timely calculation of the social insurance component for civil aviation personnel is a legal obligation and a correct equalization of the sources of financing in the equation.

In the case of special pensions, if the social insurance pension is not updated according to the legal provisions in force, the amount to be allocated from the state budget is usually higher than the actual amount determined.

For the correct BAS-state budget equation, it is imperative that the pensions in these situations be correctly calculated and updated in a timely manner.

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