

CONSIDERATIONS ABOUT THE PENSION SYSTEM IN ROMANIA

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Abstract: *This article refers to certain aspects on the pension system in Romania. This system is made of: public pension system (mandatory pension system) and voluntary private pension system. The first one requires a comprehensive reform taking into consideration the economic situation of crisis which Romania faces today. This study appears as a result of the researches from the project "Qualifications and European standard in social work", contract POSDRU/18/1.2./G/11966.*

Keywords: *pension, sustainability, mandatory pension, voluntary private pension*

Introduction

Social insurances constitute those social – economic relations with the help of which, within the process of distribution of the Gross Domestic Product (GDP), there are formed, spread, managed and used those money funds, necessary for defending the insured persons by means of state social insurances (for employees, retired persons etc.). Within the framework of the state social insurance systems, the main roles for defending the citizens are the material and financial aids, coming from the state budget in order to ameliorate the material status of the disadvantaged persons.

The state social insurance systems in Romania comprise:

A. The retirement public system and other social insurance rights.

- **The retirement public system.** According to the legal regulations, the right to pension is indefeasible. Thus, any person meeting the legal conditions regarding the right to pension can apply, at any moment, this right irrespective the period of time that has passed from the date it came into being. The payment for the retirement does not apply retrospectively. The law also states that the right to pension can not be given, totally or partially to anyone else being thus un-assignable.
- **Other rights to social insurance:**
 - a) *Indemnity for temporary work incapacity*, caused by common diseases or accidents out of the working place;
 - b) *Providing illnesses and the recuperation of the working capacity;*
 - c) *Maternity allowance;*
 - d) *Allowance for child breeding or taking care of a sick child;*
 - e) *Death allowance.*

B. Unemployment insurance system

In the case of the unemployed people, the contribution to the social insurance system is totally supported from the budget of the Unemployment Payment Fund, at the established level for the normal working conditions, except the compensation payments and of the compensation incomes given to the employees working for the defense industry during the period of temporary activity reduction.

The contribution to the social insurance for the persons which beneficiate of compensation payments is supported by the Unemployment Payment Fund, at the level of a third part from the established share for the normal working conditions.

C. The health insurance system

The social - health insurance system has the advantage of being a simple way of medical and financial control. The incomes necessary to finance the system for health defending is build up from the state budget funds, dues for illness insurance, money resources coming from the population and external aid.

According to the Emergency Ordinance no. 150 from October 31 2002 regarding the organization and functioning of the social health insurances in Romania, social health insurances are mandatory and act as a unitary system, based upon principles.

In Romania the system of pensions is based upon the pay as you go principle that means the pensioners are paid from the contribution of the current employees, creating thus dependence between pensioners and the active population. Within this system the main important factor influencing the level of pensions is the ratio between the number of contributors (employees) and the number of pensioners.

Until the year 1990 the dependence ration was situated around the value of 3.42, being a normal one, permitting the existence of a satisfactory fund. But after 1990 the situation worsed, registering a falling rhythm, the dependence rate arriving under 1, generating a crisis within the actual system.

The factors generating the actual crisis are numerous:

- ✓ The aging of the population (marriages to more mature ages, a high number of divorces)
- ✓ The migration of the labor force, leading to a dramatic lowering in the number of employees;
- ✓ The increasing of the number of pensioners from 3.5 millions in 1990 to 9.2 millions nowadays;
- ✓ The before term retirements (in order to reduce the level of unemployment the state issued more regulations permitting the retirement when registering a reduced work length service and before term);
- ✓ The no - declaring of the real incomes (expenses coming from the social assistance have a high influence within the budget of each company. Consequently, the employers searched for some solutions in order to avoid the payment of such expenses: moonlight work paid through the means of off –shores, civil conventions, the physical authorized persons etc.);
- ✓ The late introduction of the private retirement system (pillars II and pillar III).

Under these circumstances, the only way to put an end to this crisis is the reformation of the retirement system. For the first time, the retirement system was modified in 2000 when the Law 19 was adopted, a law regarding the public retirement system and other social insurances. Based upon this law and upon the Government Decision no. 158/2001 it was founded The National Retirement and Other Social Insurance Home (NROSIH). The same year it was made a correction to the calculating formula taking into account the level of the wages of the entire working period.

In 2002 there was adopted the Law 338 which modified the law 9 from 2000. In 2002 there were also adopted several Government Decisions about the semester indexation of the pensions. In 2003 there came into application the Emergency Ordination 147/2002 aiming to modify all the social – insurance contributions.

Until 2002 the system had three components:

- The state pensions based upon the pay as you go principle;
- The capitalized funds obtained from the mandatory contributions, and being privately managed;
- The optional private funds.

Currently the pensions can be structured as follows:

- ✓ State pensions (Pillar I);
- ✓ Mandatory private pensions (Pillar II);
- ✓ Optional private pensions (Pillar III).

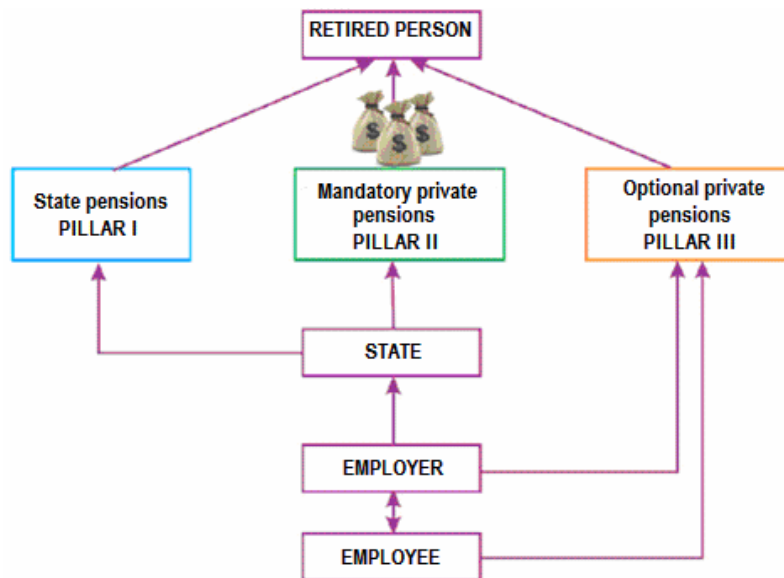


Figure 1. The structure of the pensions system in Romania

State social insurance pensions

Within the public system there are insured physical persons having the quality of insured people, which can be Romanian citizens, other state citizens or stateless, during the period they have the domicile or residence in Romania. According to the law, the task for the contribution to the social insurance fund belongs to the employer, the contribution of the employees to the feeding of the fund being reduced only to the supplementary pension and unemployment insurance. The contribution to the social insurances belonging to the employees being transferred to the supplementary pensions fund.

Within the public system there are the following categories of pensions:

a) The pension for age limit

It is awarded to the insured employees that cumulate at the date of retirement the conditions regarding the standard age and the minimum stage of membership fee achieved within the public system.

The standard age for retirement is currently (April 2010 – July 2010) of 58 years and 10 months for women and 63 years and 10 months for men. This age is to increase progressively, until the year 2015, at 60 years for women and 65 for men. The standard age for retirement is settled according to the date of birth.

The minimum stage of membership fee is currently (April 2010 – July 2010) of 12 years and 8 months both for women and men. It is going to increase gradually, until the year 2015, up to 15 years.

The complete stage of membership fee is currently (April 2010 – July 2010) of 27 years and 8 months for women and of 32 years and 8 months for men. This stage is going to increase gradually until the year 2015, at 30 years for women and 35 years for men.

It constitutes membership fee stage the periods during which the persons paid contributions to the social insurances within the public system in Romania, and in other countries, under the circumstances established by the international agreements or conventions at which Romania is a part member. Within the public system the stage of membership fee is constituted from the sum of periods in which the contribution was paid to the social insurance budget by the employer and the insured person.

b) The anticipation pension

As long as the anticipation pension is regarded, the Law no. 19/2000 states that “the insured persons that overpass the complete stage of membership fee by 10 years can solicit anticipation pension with maximum 5 years before the standard age of retirement”.

When settling the stage of membership fee in order to award the anticipation pension there are not taken into account the periods in which the insured person:

- has benefited of invalidity pension;

- has attended higher education full-time courses, organized according to the law, and graduated them;
- has satisfied the army service, as soldier in term or soldier in reduced term, concentrated, mobilized or as prisoner.

The reduction of the standard age of retirement of 5 years specific to the anticipation pension, do not cumulate with any other reduction provided by the law. The anticipation pension can not be cumulated with any other professional incomes. The value of the anticipation pension is settled within the same conditions as those of the age limit pension.

When having the standard age for pension provided by the law, the anticipation pension becomes the pension for age limit and it is recalculated by adding the assimilated periods and the eventual membership fee stages realized during the period of anticipation.

c) Partial anticipation pension

The insured people which realized the complete stages of membership fee, as well as those who over-passed it up to ten years can solicit partial anticipation pension with the reduction of the standard age of pension by at most five years.

d) The invalidity pension

There is a right for invalidity pension for the insured people which lost totally or at least half the capacity of work caused by:

- labor accidents, according to the law;
- professional diseases or tuberculosis;
- common diseases and accidents that have no connection to working place.

There is also a right for invalidity pension for:

- the insured people, including also those satisfying military duties according to the law, which lost totally or at least half of the labor capacity, because of labor accidents, professional diseases, tuberculosis, common diseases and accidents which have no connection with the working place;
- college students, trainees and students which lost totally or at least half of the labor capacity because of accidents or professional diseases appeared during and because of the professional practice;
- people which lost totally or partially the labor capacity and people with severe mutilations, as a result of their participation to the fight for the victory of the Revolution in December 1989 or in other events connected to this revolution, which were comprised within a system of social insurances previous to the date of the invalidity appearance;
- persons which, at the date of the invalidity appearance do not any longer possess the quality of being insured, but fill the conditions provided by the law in order to obtain the invalidity pension.

e) Survivor's pension

There is a right for survivor's pension for the children and the survivor husband, if the died person was a pensioner or filled the conditions to get a pension.

The children have the right to survivor's pension:

- up to the age of 16 years old;
- if they continue their studies in an education organization according to the law, until they graduate without over – passing the age of 26;
- during the whole period of invalidity of any degree, if this appeared within a period in which they were in one of the two previous situations.

The surviving husband has the right to survivor's pension:

- all along the life period when having the standard age of pension, if the marriage duration was at least of 15 years. In case of a marriage less than 15 years, but at least of 10 years, the quantum of survivor's pension due to the surviving husband diminish with 0,5% for each month, respectively 6,0 % for each marriage lacking year.
- irrespective the age, during the invalidity period of degree I or II, if the length of the marriage was of at least of one year;
- irrespective the age and the length of the marriage, if the death of the survivor husband produced as a result of labor accident, of a professional disease or tuberculosis and if the person does not realizes monthly incomes form a professional activity for which the

insurance is obligatory or these incomes are less than a quarter from the gross average salary, used for building up the budget of the state social insurances;

- if the person does not fulfill the conditions stipulated by the law, within a period of 6 months from the date of the death, if during this period the person does not realizes monthly incomes from a professional activity for which the insurance is obligatory or these are less than a quarter of the gross average salary, used for building up the budget of the state social insurances;
- if the person is taking care at the date of the survivor's death one or many children aged until 7, up to the day in which the last child is 7, during the periods in which the person does not realizes monthly incomes form a professional activity for which the insurance is obligatory or these ones are lower than a quarter of the gross average salary, used for building up the budget of the state social insurances. The surviving husband which has the right to a pension and fulfills the conditions stipulated by the law for obtaining the survivor's pension after the death of the husband can choose the most convenient pension.

The private pensions system in Romania

The economic crisis demonstrated that the development of the private pension systems represent a viable alternative. Although the Romanian private system was recently implemented (the Pillar II is actively from May 2008, and Pillar III from the second half of the year 2007), their evolution is over the initial expectations.

In December 2009 the obligatory pension funds managed privately registered a number of 4,9 million participants, a 8,4 growth compared to the end of the year 2008. The net assets managed by the pension funds tripled compared to the end of the year 2008. In the year 2010 the contribution of the employee re-directed from the Pillar I is 2,5%. In the present conditions (the current law of pension) the value of the contribution of the Pillar II will grow as presented in the table below:

Table 1. The Diminishing of the contribution of the pension public system

	2010	2011	2012
Contributions directed to Pillar 2	1.761	2.239	2.809
Percentage Pillar 2 in GDP, %	0,33 %	0,39 %	0,45 %

Source: Ministry of Public Finance

The growth of the level of pensions but also the effects of the automatic stabilizers upon the expenses of social protection led to a growth of the budgetary deficit of the social insurances which needs some transfers from the state budget. Taking into consideration these evolutions but also the recommendations of the European Commission, Romania engaged in reforming the public pension system on sustainable bases and in encouraging the development of the private pension systems. On medium and long term, the evolution of this system is negatively influenced by the demographic unfavorable perspectives, more precise, by an insufficient birth rate and the growth of life hope and the aging process of the population.

The mandatory private pensions (Pillar II)

The private pensions, Pillar II or the obligatory private pensions are characterized by the directing of a quota of the personal contribution to the social insurances, paid monthly within the public system towards privately managed pension funds. The contributions are paid all along the period in which the person has the quality of contributor to the public pension system.

The adhering to this system is obligatory for the employees with the age up to 35 years and optional for those being between 35 and 45 years old. Once registered within this system, there is no possibility to get out of the private managed pension system, but there is the possibility of transfer between funds.

In Romania, during the first 6 months of the year 2010 have been characterized by slight evolution of the private pensions system, the main indicators, the number of participants and net assets, continued to register constant growths, keeping the tendency registered during the second part of the last year, but significantly smaller than those in the first semester of the year 2009, within the intern and international background marked by the effects of the financial crisis.

Thus, according to the data offered by the Private Pension Supervising Commission, in June 2010, 5055.1 thousand persons contributed to the private managed pension funds – Pillar II, a growth of 2.9% compared to December 2009 (figure 2). The value of the net assets registered by the private managed pension funds were of 3379.4 million lei (774 million Euros), a growth of 41.7% during the first 6 months of the year. Under the circumstances in which during the first quarter 2010 (the month of March, current year) there has been registered a growth of the contribution quota from 2% to 2.5% of the gross income realized, during the semester I 2010 there has been registered a growth of the total sum transferred towards the pension funds at 767 million lei (176 million Euros), respectively a growth of 18.7% compared to the year 2009 – semester II and 13.0 % - semester I.

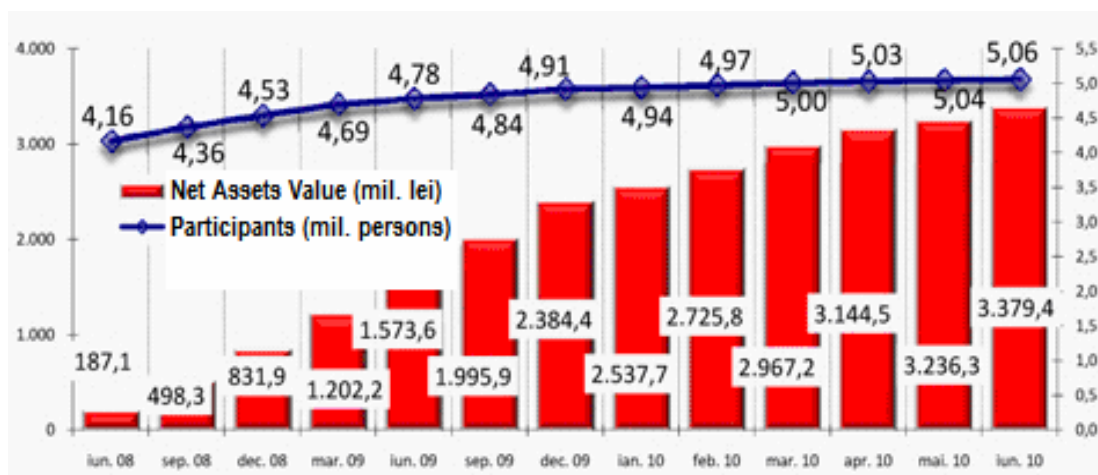


Figure 2. The evolution of the number of the participants and the net assets within the private managed pension system

At the end of the first semester 2010 there were active 9 private managed pension funds: ALICO, ARIPI, AZT VIITORUL TAU, BCR, BRD, EUREKO, ING, PENSIA VIVA and VITAL (table 2)

Table 2. The main indicators of the private managed pension funds (Pillar II) on 30th of June 2010.

Crt. no.	Fund	Asset Value Total	Net Asset Value	Value per unit Net Asset	Number of participants (according to Rule no. 22/2009)
1	EUREKO	182.592.967,20	182.484.668,72	13,1734	357.025
2	PENSIA VIVA	223.739.063,26	223.628.461,64	12,9092	371.528
3	BCR	170.226.647,57	170.129.464,09	13,3056	318.097
4	AZT VIITORUL TAU	793.926.544,49	793.491.569,23	13,6834	1.273.858
5	ING	1.324.318.197,10	1.323.658.399,64	14,3877	1.642.608
6	ARIPI	272.976.543,13	272.823.478,14	13,7151	481.959
7	VITAL	88.646.011,68	88.593.385,20	12,9434	165.590
8	BRD	82.862.079,74	82.809.150,67	12,5601	128.590
9	ALICO	241.900.032,54	241.774.516,32	13,8918	315.847
	TOTAL	3.381.188.087	3.379.393.094		5.055.102

The optional private pensions (Pillar III)

Within the optional private pensions system, compared to the obligatory ones (privately managed) the law offer the possibility to transfer the contributions by the employer or by the participants (employee), into the account of the pension fund specified into the individual adhering document. The contribution to the optional pensions fund can be of maximum 15% of the gross salary incomes of the participant and there exists a benefit of fiscal deduction with a limit of 400 Euros for the employees, and another 400 Euros for the employer, for any fiscal year, according to the legal

provisions. Participants can at any moment modify, suspend or cease the contribution to the optional pension fund, sending a notification to the administrator or to the employer.

In Romania, during the first 6 months of the year 2010, the optional pension funds – Pillar III registered fewer growths than in the year 2009.

On June 30 2010, the number of participants was of 201,908 persons, with 7.9% more than in December 2009, and the net assets were of 264.4 million lei (61 million Euros), respectively a growth of 29.6% in the first months of the year (figure 3).

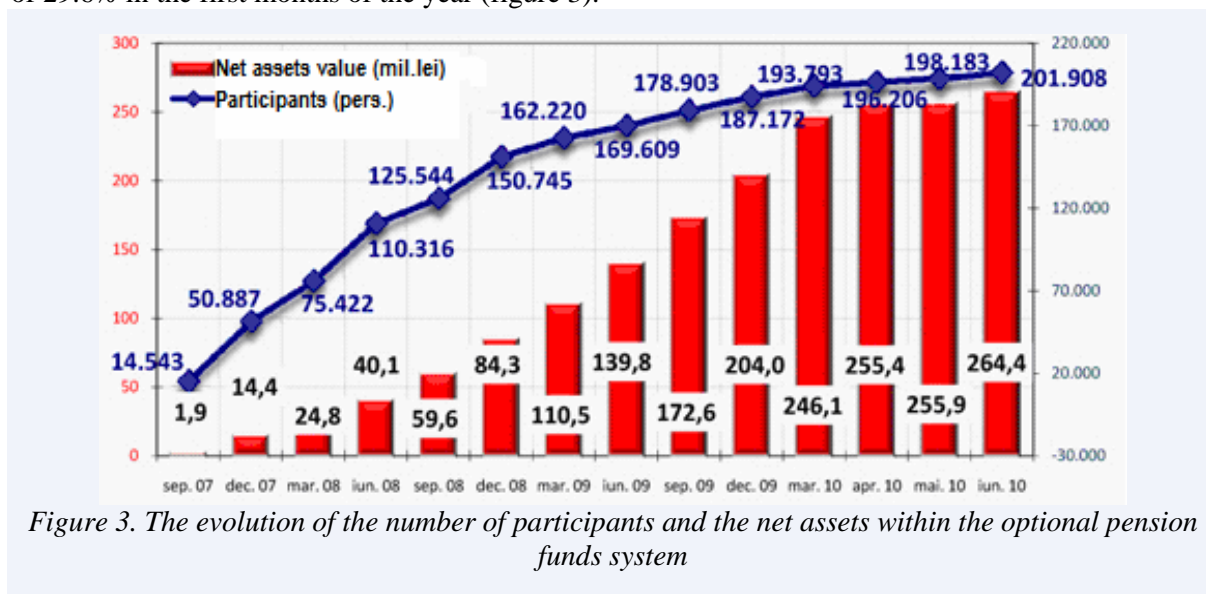


Figure 3. The evolution of the number of participants and the net assets within the optional pension funds system

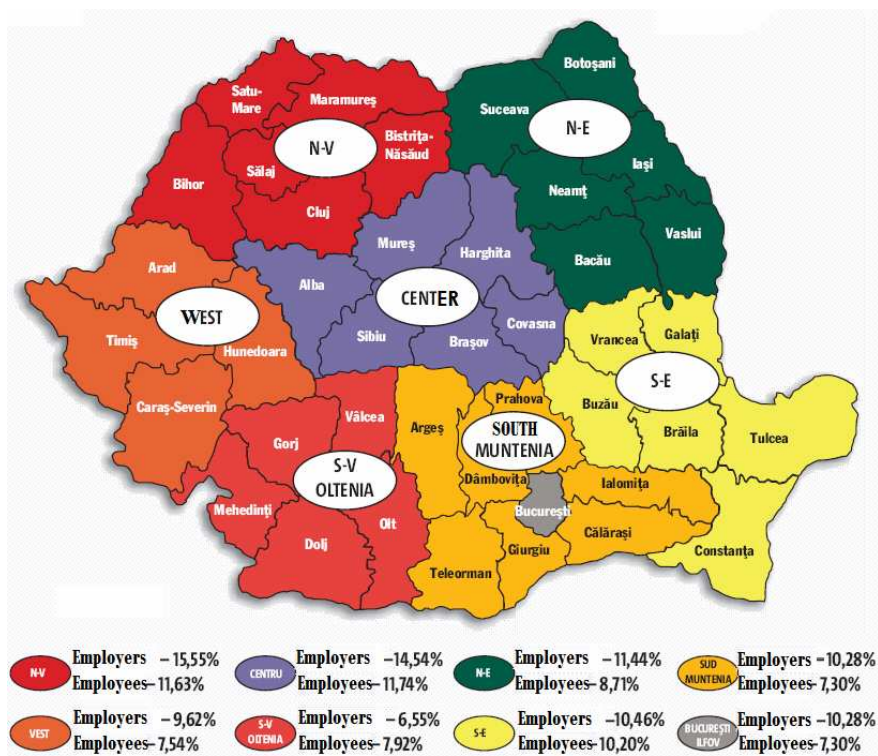
At the end of the first semester 2010 there were active 13 optional pension funds: : AZT Moderato, AZT Vivace, BCR Prudent, BRD MEDIO, BRD PRIMO, Concordia Moderat, Eureka Confort, ING Clasic, Ing Optim, OTP Strateg, Mea Pension, Raiffeisen Accumulation and Stable and 10 National Retirement and Other Social Insurances Home authorized administrators (Table 3).

Table 3. The assets value and the number of participants within the Pillar III system on June 30 2010

Crt. no.	Optional pensions fund	Asset Value Total	Net Asset Value	Value per unit Net Asset	Number of participants
1	ING CLASIC	37.377.886,51	37.330.332,19	13,605946	23625
2	AZT MODERATO	41.362.366,23	41.297.977,73	12,646812	27352
3	PENSIA MEA	15.924.791,56	15.886.061,78	12,062727	9797
4	BCR PRUDENT	51.609.965,41	51.504.214,35	12,201211	52488
5	AZT VIVACE	20.398.730,42	20.352.151,84	11,974871	18058
6	ING OPTIM	78.165.068,54	78.069.422,37	14,040437	53693
7	OTP STRATEG	274.650,40	273.750,36	9,345632	302
8	RAIFFEISEN ACUMULARE	13.983.490,08	13.953.582,26	13,239396	6761
9	CONCORDIA MODERAT	302.661,05	302.287,21	12,537181	260
10	EUREKO CONFORT	940.758,00	940.716,71	8,902267	3142
11	STABIL	740.736,10	739.730,59	11,316891	2069
12	BRD MEDIO	1.819.625,81	1.816.425,66	10,755670	1806
13	BRD PRIMO	1.929.356,33	1.926.410,23	10,744309	2555
TOTAL		264.830.086	264.393.063		201908

Depending on the development regions of Romania, the spread of the participants to the optional pension funds was, at the end of the first semester 2010, as follows: in Bucharest there were the most of the participants (employees): 33.57%, and the most represented development regions from this point of view there were: Bucharest – Ilfov – 34.96% and the Central Development Region – 1.74% and the North – West Development Region – 11.63%, these representing about 58% of the

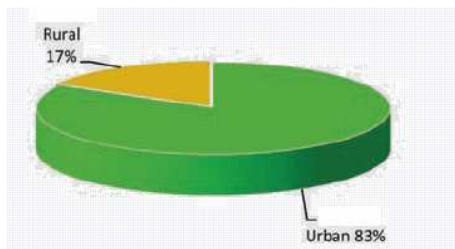
participants, the other regions of Romania summing up 42%, with shares of 7 – 10% of the total (figure 4).



Source: The Commission for supervising the Private pension System: Information Bulletin, Semester I 2010, Year III, No. 6, 2010

Figure 4. Pillar III – Participants –The Structure of the Development Regions, June 2010

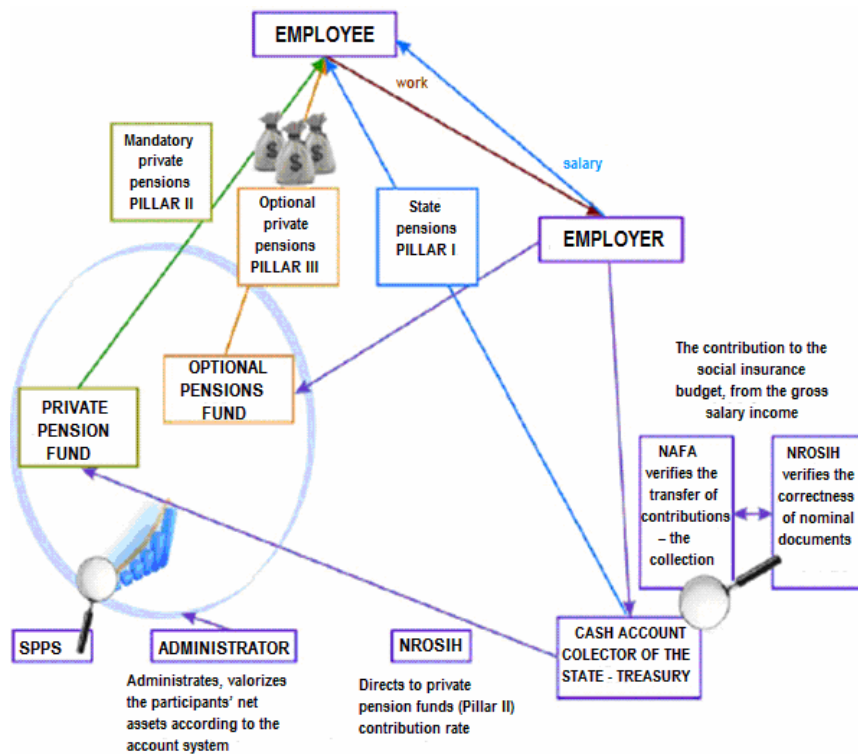
Depending upon the location of the employer, the distribution of the participants was in June 2010 as follows: 83% in urban and 17% in rural (figure 5), similar values with those registered during the year 2009.



Source: The Commission for supervising the Private pension System: Information Bulletin, Semester I 2010, Year III, No. 6, 2010

The distribution of participants for the Pillar III, depending upon the location of the employer.

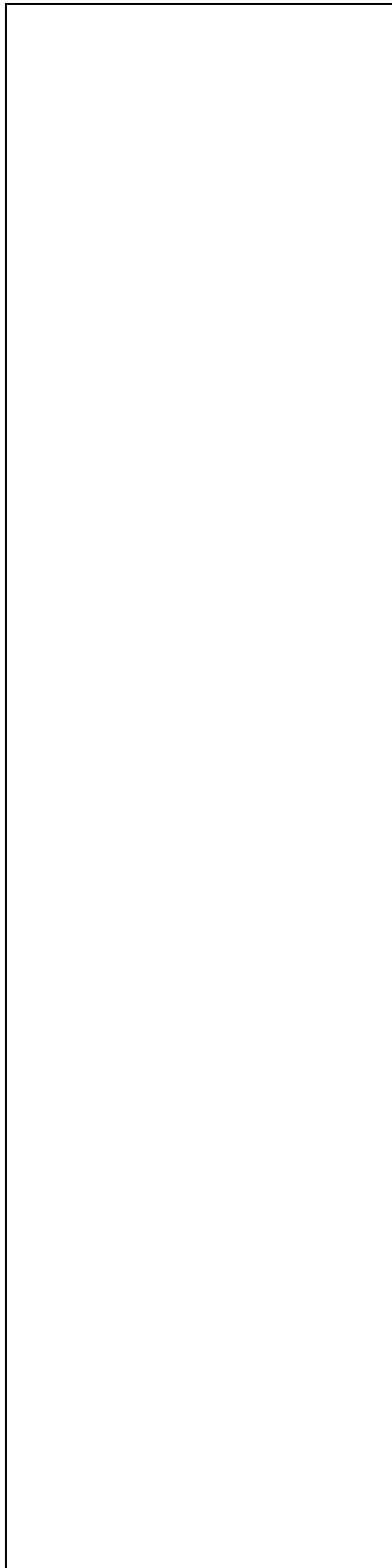
The relationships between the entities of the Romanian Private Pensions System are presented in figure 5.



Source: *The Supervising commission of the Private Pensions System, The Participant Guide*
 Figure 5. *The relationships between the entities of the private pension system in Romania*

Making a synthesis, the content of the pensions system in Romania is presented in Table 4:

PILLAR I THE PUBLIC PENSIONS SYSTEM	PILLAR II THE MANDATORY PRIVATE PENSIONS	PILLAR III THE OPTIONAL PRIVATE PENSIONS
<ul style="list-style-type: none"> • Law no. 19/2000 regarding the public pensions system and other rights to the social insurances, with the modifications and the subsequent completions • Publically administrated • The institution of administration and system management: The National House of Pensions and Other Social Insurance Rights. • PAYG – re – distributive, based upon solidarity between generations • Social Insurance Contribution is paid by the employer and employee (10.5% employee and 20.8% employer) • The contribution is transferred into the state social insurance budget • Obligatory, through the law effect, for the categories expressly provided by the law. Optional, through insurance contract • Benefits – the pensions are calculated according to an algorithm based upon the pension points • The possibility of anticipation retirement • Other types of benefits: invalidity pension, survivor pension • The standard age of retirement; 65 years for men and 60 years for women 	<ul style="list-style-type: none"> • Law no. 411/2004 regarding the private managed pension funds, with the modifications and the subsequent completions. • Privately managed • The supervising and control institution: The Private Managed Pension System • Definite contribution type • The contributions are paid exclusively by the employer from Social Insurance Contribution of 10.5%, (2.5%) currently up to 6% in 2016) • There is no financial obligation – there is no supplementary fee • Based upon capitalization, respectively the investment and the accumulation of contributions • The listing of the participants' contributions into individual accounts • The participants: insured persons of the public system, and also the insured persons having an insurance contract • Mandatory for the persons aged up to 35 years; • Optional for persons between 35 and 45 years old, • There is not allowed to leave the system after choosing it or the random repartition, but only through retirement 	<ul style="list-style-type: none"> • Law no. 204/2006 concerning the optional pensions, with subsequently modifications and completions • Privately managed • The control and supervising institution of the Private pensions system • Definite contribution type • The contributions are paid by the employee maximum 15% of the incomes • The employer can have a part of the contribution. • Sets financial obligations – it appears a supplementary payment • Based upon capitalization, respectively the investment and the accumulation of the contributions. • The evidence of the participants contributions in individual accounts. • Optional without age limit. • Participants: employees, public clerks or persons certified to undertake an independent activity, the members of a cooperative society, and also any other person realizing incomes from professional or agricultural activities. • The payment of the contributions can be suspended or can be



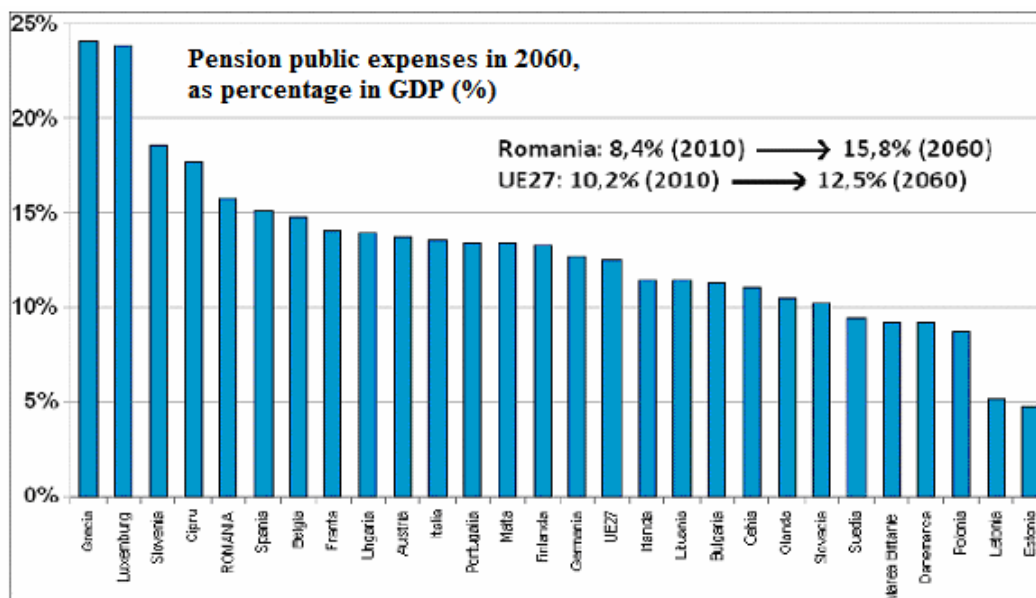
- It is permitted the transfer between funds, under the conditions settled by the norms
- A person can not be participant, at the same time at several privately managed pension funds
- The conditions and terms are settled within the prospectus of the retirement schema
- The retirement fund is constituted through civil society. It is authorized by the Supervising Private Pensions System
- If the minimum number of participants gets smaller (50000) during a quarter The Supervising Private Pensions System withdraws the certification of the pensions fund
- It can not be declared bankrupt
- The administration of funds – an administrator, a pensions society, certified by The Supervising Private Pensions System (SPPS)
- The separation between the administrator and the fund from an accounting point of view
- Taxation system: the contributions - free
- Guarantee system: Certification/notice and supervising by The Supervising Private Pensions System of the entities
- The depositor of the funds' assets, the fund's Auditor and the administrator, Special supervising, special administration, Guarantee fund
- The retiring age: the standard retirement age in the public system of pensions
- The payment of pensions – set by law
- *The total due sum for the private pension can not be lower than the value of the contributions paid, diminished by the transfer penalties and the legal commissions*

- ceased. The person remains participant until the age of the retirement from the system.
- It is possible the transfer of funds
- A person can be participant, at the same time at several optional pension funds, but the monthly contributions added together can not overpass 15% of the gross salary income.
- The conditions and the terms are set in the pension schema prospect.
- The pension fund is constituted by civil society by the first 100 participants. It is authorized by the Supervising Private Pensions System. If the number lowered under 100 during a quarter the Supervising Private Pensions System withdraw the authorizing of the pensions fund.
- It can not be declared as bankrupt.
- The administration of the funds – an administrator, a pension society, an insurance company, an investment administration society authorized by the Supervising Private Pensions System.
- The separation between the administrator and the fund from an accounting point of view.
- Taxation system: the tax deductible contributions, within the limit of 400 Euros per year for the employee, 400 Euros per year for the employer.
- Guaranteeing system: Authorizing/ noticing and supervising by the Supervising Private Pensions System of the entities
- The depositor of the fund's assets the Auditor of funds and the administrator, special supervising, special administration, guaranteeing fund.
- Payment conditions: the age of the 60 for the women and men, minimum 90 monthly contributions paid, the personal assets being at least equal to the necessary sum in order to obtain the minimum optional pension , set by the Supervising Private pensions System

Conclusions

The public pension system in Europe is more and more unsustainable, and the costs associated to the aging of the population will become within the next 50 years more and more burdensome, as it is showed in the Sustainability report, edition 2009, published by the European Commission. According to this study, the budgetary impact of the population aging will overpass by several times the total cost of the actual financial, economic crisis, making the effects of the today crisis seem insignificant by making a comparison. The public expenses with pensions (the state ones) will grow in average, at the level of the entire European Union, from 10,2% of the Gross Domestic Product (in

2010) at 12,5% (2060), on the background of reducing natality, aging and reduction of the population.



Within this general context, Romania is among the countries registering the most unsustainable public pension budgets in the European Union, the share in the Gross Domestic Product produced by the expenses with state pensions being going to double until the year 2060, from 8,4% in 2010 at 12,4%.

Thus in 50 years Romania will be situated on the 5th place in the European Union on the list of the states having the largest share in the Gross Domestic Product of the expenses caused with pensions, being over passed only by Greece, Luxemburg, Slovenia and Cyprus. The report of the European Commission shows that Romania has a deficit of sustainability of 9,1% of the Gross Domestic Product, that means it has to adjust, in long term, the budgetary executions with this percentage, in order to arrive at a situation in which the public finances be sustainable and healthy. The largest part of this deficit of sustainability (7,4% of 9,1% of the Gross Domestic Product) comes from the growth with the expenses with the payment of state pensions.

Romania has to reform the social protection system (especially the public pension system and the health system) in order to slow down this growth of expenses caused by the aging of the population. In 2060, the population of Romania will be of only 16.9 million inhabitants (compared to 21.3% in 2010), from which only 53.6% will be at the age of working (15 – 60 years old), compared to 70% in 2010. Thus the dependence rate of the aged people (the number of persons above 65 years old and the number of persons aged 15 – 60 years old) will grow from 21.3% in 2010 at 54% in 2060. All these demographic unfavorable evolutions will put enormous pressures upon the public pension budget.

Practically, if the public pension system is maintained at the present day parameters, Romania will arrive in 50 years spending half of the general consolidated budget only for the payment of the public pensions.

In order to prevent this situation there are recommended several parametrical reforms in the public system and the fast development of the private pensions system, a situation also available for other states of the European Union. Thus Romania must develop rapidly the private pensions system, and this objective can be achieved by applying two simple measures: the fast grow of the contribution paid to Pillar II and stimulating through larger tax deductions of the volunteer contributions to the optional Pillar III.

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