PARLIAMENTARY ASSEMBLY OF THE BLACK SEA ECONOMIC COOPERATION
PABSEC

Doc. GA53/CC52/REP/19

FIFTIETH-THIRD PLENARY SESSION OF THE PABSEC GENERAL ASSEMBLY

CULTURAL, EDUCATIONAL AND SOCIAL AFFAIRS COMMITTEE

REPORT*

"Pension Systems in the BSEC Member States"

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* *The text was considered at the Supplementary Meeting of the Cultural, Educational and Social Affairs Committee in Baku, on 19 June 2019 and adopted at the Fifty-Third General Assembly in Baku, on 21 June 2019*

I. INTRODUCTION

1. The pension systems are a key issue in the political debates in the most BSEC Member States. The reforms, initiated in the past few years by the countries in the Region and Europe, both must respond to two big challenges: the demographic trend towards the ageing of the population and the impact of the financial crises on the incomes of the elderly. The adequate pension systems contribute positively towards creating a stable and prosperous economy.

2. The Parliamentary Assembly of the BSEC considers that there are worrying trends in the pension levels and the standards of living of the retired persons in some of the BSEC countries. The pensioners in a number of BSEC Member States are facing significant difficulties in supporting themselves, particularly because of unsatisfactory pensions.

3. However, the PABSEC appreciates the efforts of the Member States to ensure that their economic development keeps pace with social sustainability by prioritizing social policies, particularly with regard to the improvement of the social conditions and the fight against poverty among the most vulnerable groups in society - the elderly people in retirement. In this relation, the Cultural, Educational and Social Affairs Committee decided to discuss "The Pension Systems in the BSEC Member States" as the main agenda item of its 52nd Meeting.

4. At the global level, 68 % of the people in retirement age receive a pension. However, the right to social protection of older persons is not yet a reality for many. In most low-income countries, less than 20 % of the older persons in retirement age receive a pension. In many developing countries, a large proportion of older persons still depend heavily on family support arrangements. In the BSEC Region, the statistic shows that more than 80 % of the retired receive pensions, but in some cases the amount is not adequate to provide decent life for them.

5. In the spirit of the European Social Charter, the Assembly considers, and regularly reiterates, that social protection is essential for achieving social cohesion. The sustainable social protection system should provide elderly persons with *"adequate resources enabling them to lead a decent life and play an active part in the public, social and cultural life"*. A well-designed system needs to be affordable for today`s workers and sustainable for the future generations, to ensure that all financial promises will be met in the context of the global financial crises and challenges.

6. The objective of this Report is to focus on the current state of the retirement systems in the BSEC Members States. It will also provide the Member States with guidelines for guaranteeing decent pensions for all and will identify the main areas where sharing of good practices could prove useful in the future.

7. The fundamental objective of the Organisation of the Black Sea Economic Cooperation is the transformation of the Black Sea into an area of peace, stability and prosperity. Along with the economic integration of the BSEC Region, the social well-being of its peoples was acknowledged as a main factor of development towards the achievement of this vision. The "BSEC Economic Agenda: Towards an Enhanced BSEC Partnership", (adopted in Istanbul in June 2012), refers to the promotion of the social well-being as a major BSEC priority.

8. During the last years the quality of life in the BSEC Member States has gone through various changes but at the same time it starts to gradually improve in terms of prosperity and well-being of the people of the Black Sea region. Promoting a recovery in the living standards by continuing positive macroeconomic trends, accompanied by structural reforms and programs to reduce poverty, is now one of the greatest challenges confronting the governments of the BSEC Member States. Since its inception, the PABSEC has discussed several topics on social issues and adopted relevant recommendations:

- Improving social, economic and civil rights of people with disabilities (77/2004);
- Improvement of the quality of life in the BSEC Member States (100/2007);

- Social cohesion within the BSEC Member States: contribution to political stability (103/2008);
- The impact of globalization on the social policies in the BSEC Member States (106/2008);
- Social welfare reforms in the BSEC Member States (130/2012);
- Youth unemployment and employment policies in the BSEC Region: the need to empower the young generation (139/2014);
- Problems of refugees, displaced persons and irregular migrants in the BSEC Member States – social aspects (151/2016);
- Social protection and benefits for young families in the BSEC Member States (160/2017).

9. Contributions to the current Report were received from the national delegations of Armenia, Azerbaijan, Bulgaria, Greece, Moldova, Romania, Russia, Serbia, Turkey and Ukraine. Reference material was obtained from the official websites of the UN, the EU and other relevant international organizations such as ILO, the Council of Europe, OECD, etc.

II. RETIREMENT SYSTEM CHALLENGES

10. The international experts generally agree that the first big challenge that governments have to address with regard to the retirement pensions is the demographic trend towards an ageing population. The increasing life expectancy and the falling birth rate lead to a smaller workforce supporting an ever-growing population of retirees.

11. Since the middle last century, the life expectancy has been increasing rapidly. On average, it has been increasing by one year, every five years. By 2050, the global population segment aged 65 and older will double from 10% to 20%. While increase longevity is a positive step for individual and societal productivity, this change has a profound impact on the social protection systems that are designed to support the people in their old age.

12. With continued declines in fertility and mortality, the global aging population will accelerate. Older adults' share (ages 65+) of the global population increased from 5 % in 1960, to 9 % in 2018 and is projected to rise to 16 % by 2050, with the segment ages 85 and older, growing the fastest. At the same time, children's share (ages 0 to 14) is falling, from 37 % in 1960, to 26 % in 2018, with a projected decrease to 21 % by 2050.

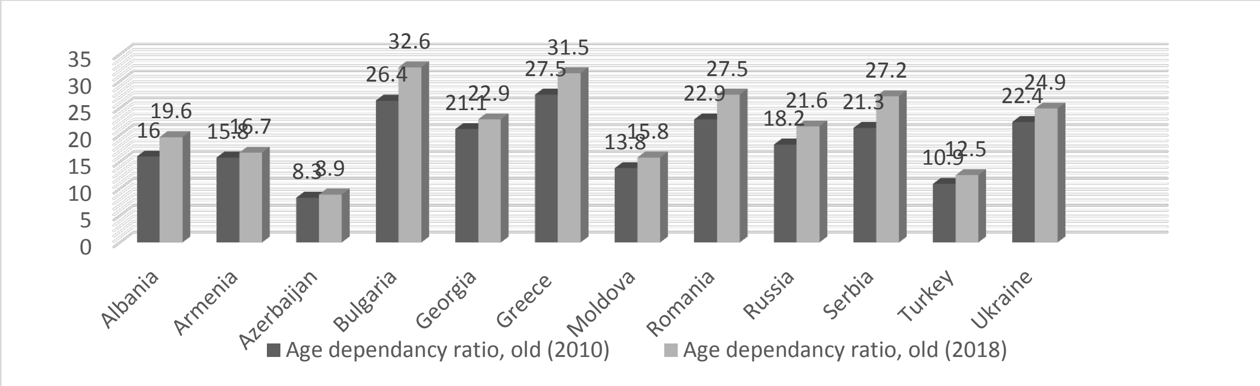
13. The pension systems in the BSEC Member States are facing an imminent challenge of improving their financial stability and a long-term concern with sustainability in the face of the anticipated demographic change. The demographic trends in most of the Black Sea countries are similar to those in Europe as a whole, characterised by the aging of the population and declining birth rates.

14. The rapid aging of the population in most of the BSEC Member States will put even more pressure on the existing pension systems. Hence it is of utmost importance to include any policy to support the pension systems in a wider framework of economic and social policies.

15. The value for Age dependency ratio, old (% of working-age population) [1] in the world was 12.96 % as of 2016 and 11.65 % as of 2010. Over the past 56 years this indicator reached a maximum value of 12.96 % in 2016 and a minimum value of 8.59 % in 1960.

Nowadays, in all of the countries in the Black Sea region, the age dependency is high and, in all cases, rising (table 1).

[1] Age dependency ratio, old, is the ratio of older dependents - people older than 64 to the working-age population, those ages 15-64. Data are shown as the proportion of dependents per 100 working-age population.



16. There are several additional factors that are putting increasing strain on the global retirement systems: lack of easy access to pensions – over 50% of the workers globally are in the informal/unorganized sector. The self-employed, informal sector workers and those working at smaller companies are least likely to have access to a workplace saving plan and their ability to accumulate savings is restricted.

17. Low levels of financial literacy are very low worldwide. This represents a threat to pension systems, which are more self-directed and which rely more on private savings in addition to employer or government-provided savings. Inadequate savings rates – the need to support a reasonable level of income in retirement. Research shows that between 10% - 15% of an average annual salary needs to be saved. Today, individual savings rates in most countries are far lower.

III. STRUCTURE OF THE PENSION SYSTEMS

18. The pensions for older women and men are the most widespread form of social protection in the world, and a key element in the Sustainable Development Goals 1.3, which says that economies should *implement nationally appropriate social protection systems and measures for all, including floors (ILO Recommendation No. 202, 2012), and by 2030 achieve substantial coverage of the poor and the vulnerable.*

19. The pension systems are designed to provide income in the event of old age, disability and premature death of the primary beneficiaries. They also contribute to promote long-term savings, which in return stimulate economic growth. The retirement systems by their long-term mature change very slowly. If the governments continuously review, assess and take measures over time, they are more likely to meet the needs of today's retirees and afford the promises to today's workers.

20. According to the international experience, pension systems can be organized in many different ways. The vast majority of countries provide pensions in the form of a periodic cash benefit through at least one scheme and often through a combination of different types of contributory and non-contributory schemes.

21. Most of the countries have put in place a multi-pillar pension system or have modified the existing pillar-based system. Pension schemes and the different pension pillars face a number of risks to varying degrees, including financial, longevity, behavioural and regulatory risks. For all pillars, careful attention to detailed design is important.

22. The classification of pension systems by pillars therefore requires further explanation. This way of organising pension systems by pillars is based, *inter alia*, on the normative approach suggested in the report published in 1994 by the World Bank's research department. The World Bank considers that the multi-pillar model is the best approach to pension reform and proposes a three-pillar structure: a compulsory public pay-as-you-go pillar, to ensure a minimum income; a compulsory privately managed and funded pillar, based on capitalisation, to replace income from employment; a voluntary privately managed and funded pillar based on capitalisation.

23. The World Bank therefore rules out a model based exclusively either on a pay-as-you-go system or a funded system. The same position is adopted by other international institutions and organisations, which nevertheless propose a slightly different classification.

24. The OECD has developed a classification based on four pillars: the first is a public pillar designed to guarantee a minimum income; the second is a contributory pay-as-you-go social pillar meant to substitute for an income from employment; the third comprises collective funded schemes; and the fourth is based on voluntary individual savings.

25. While the great majority of European countries, including most of the BSEC Member States, have put in place pension systems based on pillars (usually three), each of them has adopted different arrangements and combinations of pillars.

26. The historical development of pension systems has led to complex systems across the Black Sea Region, making it difficult to classify them consistently and therefore to evaluate their functioning in a comparative way. It is possible to identify divisions among the social welfare systems, but only to a limited degree.

27. In the context of the future reforms to be undertaken by countries that have to involve the private sector still more in their pension system, or introduce funded elements, it will therefore be important to ensure that the systems in question are made able to withstand the future crises.

28. According to the OECD, the best method for governments and individuals, given the economic, demographic, financial and social uncertainties, would be a mix of sources of retirement income and the development of balanced multi-pillar pension systems, as it is already the case in many countries today.

IV. INTERNATIONAL FRAMEWORK AND EXPERIENCE

Global level

International standards on old-age pensions

29. The rights of older persons to social security and to an adequate standard of living to support their health and well-being, including medical care and necessary social services, are laid down in the major international human rights instruments, such as the Universal Declaration of Human Rights (UDHR), 1948, and (in more general terms) the International Covenant on Economic, Social and Cultural Rights (ICESCR), 1966, the Declaration of Philadelphia (1944) and Conclusions concerning social security (adopted by the International Labour Conference, 89th session, 2001).

International Labour Organisation

30. The legal instruments of the International Labour Organisation (ILO) provide basic social rights in ratifying States, including the minimum coverage and level of old-age benefits (The Social Security (Minimum Standards) Convention, 1952 (No 102), the Old-Age, Invalidity and Survivors' Benefits Convention, 1967 (No 128).

31. Conventions No 102 and No 128 envisage the provision of income security to people who have reached the pension age through earnings-related contributory pensions (guaranteeing minimum benefit levels, or replacement rates corresponding to a prescribed proportion of an individual's past earnings – in particular for those with lower earnings) and/or by flat-rate non-contributory pensions which can be either universal or means tested. Among the BSEC Member States, Convention No.102 has been ratified by Albania, Bulgaria, Greece, Romania, Serbia and Turkey and Ukraine. The Convention will enter into force for the Russian Federation on 26 Feb 2020.

32. The Social Protection Floors Recommendation 2012 (No. 202) provides guidance to Member States in building comprehensive social security systems and extending social security coverage by prioritizing the establishment of national floors of social protection accessible to

all in need. Reaffirming that social security is a human right and a social and economic necessity, this document provides guidance to the countries, in establishing and maintaining national social protection floors as a fundamental element of the national social security systems.

33. In order to ensure effective access to essential health care and basic income security throughout the life cycle, the national social protection floors should comprise at least the following social security guarantees, as defined at the national level: access to essential health care, including maternity care; basic income security for older persons; basic income security for children, providing access to nutrition, education, care and any other necessary goods and services; basic income security for persons in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability.

Regional level

Council of Europe

34. The Council of Europe's European Social Charter (1961) refers to the ILO Convention No 102. The European Social Charter is a Council of Europe treaty which was adopted in 1961 and revised in 1996. Ratified by all BSEC Member States, the Treaty guarantees social and economic human rights, including the right to social security, social welfare and social services.

35. Furthermore, the Council of Europe has defined common European social security standards through international standard-setting conventions, namely the European Code of Social Security, its Protocol and the European Code of Social Security (revised). These legal instruments provide orientation in the reform process going on in many countries of the Council of Europe by setting standards in the social security field on the basis of minimum harmonisation of the level of social security. These standard-setting instruments set out the underlying principles of what is referred to as the European social security model.

European Union

36. The Charter of Fundamental Rights of the European Union recognises the entitlement to social security benefits in old age, in accordance with the rules laid down by Union law and the national law and practices. The Treaties stipulate that the EU supports Member States and encourages their cooperation in social security, including pensions, respecting the national competence over their fundamental principles and financial equilibrium.

37. The EU legislation protects the pension rights of people who move between EU countries. EU legislation coordinates how national pension rules are applied to mobile workers (Regulation (EC) No 883/2004 on the coordination of social security systems) and regulates some aspects of supplementary pension provision, notably the activities of pension funds (Directive 2003/41/EC on the activities and supervision of institutions for occupational retirement provision) and the rights of mobile workers (Directive 2014/50/EU on the acquisition and preservation of supplementary pension rights). Given their budgetary impact and importance for income stabilisation, pensions are central to the stability of the euro area.

38. The pension policy is decided and implemented by each EU country at the national level. The EU supports national efforts to ensure a high level of social protection, including pension adequacy, by facilitating mutual learning and exchange of best practices. This support includes: The 2018 Pension Adequacy Report of the Commission and the Social Protection Committee, which provides an overview of pension policies, focusing on the adequacy of old-age incomes today and in the future; Ageing Report on the sustainability of ageing-related public expenditure; a High-level group of experts on supplementary pensions to explore the potential contribution of supplementary pensions to adequate old-age incomes. In the European Semester economic coordination cycle, pensions are a priority area, given their role in the wellbeing of the Europeans and in the sustainability of the public finances.

The BSEC

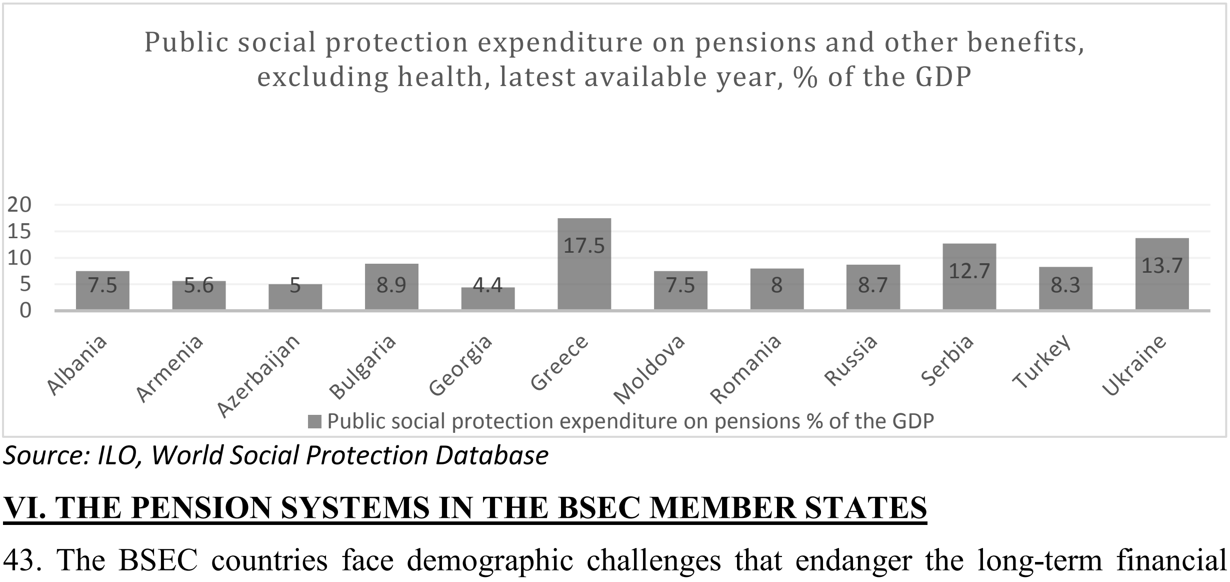
39. The BSEC Economic Agenda: "Towards an Enhanced BSEC Partnership" is a roadmap that defines the framework for joint actions necessary to give a new impetus to economic growth in the Region and emphasizes the importance of the sustaining development. This document puts forth the following objectives: ensuring the sustainable development of human resources with due consideration to the prevailing demographic trends in the region and their impact on employment, education and training, health and social services, gender equality, child protection, migration and social inclusion; recommending continuation of adopting the principles and practice of sustainable development into the national legislation, public policies and institutional mechanisms of the Member States as long-term objectives.

V. EXPENDITURE ON SOCIAL PROTECTION FOR OLDER PERSONS

40. The level of expenditure on the income security of older persons is a useful measure for understanding the development level of the pension systems. The national public pension expenditure levels are influenced by a complexity of factors, comprising demographic structure, effective coverage, adequacy of benefits, relative size to GDP and the variations in the policy mix between public and private provision for pensions and social services.

41. In general, the higher-income countries are allocating a higher ratio of their GDP to the income security needs of older persons. The expected higher population ratio of older persons in developed countries and achievements in terms of adequacy and effective coverage (the proportion of older persons receiving pension benefits) are key contributors to the observed trend. Countries with a strong social welfare background are also expected to exhibit higher social protection expenditure trends.

42. Public social security expenditure on pensions and other non-health benefits earmarked for older persons amounts on average to 6.9 % of GDP, globally. Public non-health social protection expenditure for older persons takes the highest proportion of GDP in Northern, Southern and Western Europe, at 10.7 %. Central and Western Asia has relatively high average expenditure ratios at 6.8 %. Northern America has the same average GDP expenditure rate as Central and Western Asia. The average level of the expenditure on pensions in the BSEC Member States amounts for 8.9 % of the GDP of the Region, which is higher in comparison to the world average and a positive trend, comparing to the world.



Source: ILO, World Social Protection Database

VI. THE PENSION SYSTEMS IN THE BSEC MEMBER STATES

43. The BSEC countries face demographic challenges that endanger the long-term financial stability of their pension systems. Increasing longevity places a greater burden on financing current and future pension benefits, whereas decreasing fertility has cut the number of workers able to pay social security contributions.

44. Most of the BSEC Member States reformed their pension systems in the 1990s, by changing their pay-as-you-go systems and introducing funded pension pillars. In most cases, new pension funds emerged as mandatory institutions managed by private pension fund companies. This is an example of public-private partnership – whereas administration and asset management are outsourced to commercial companies, pension contributions have been carved out from the mandatory pension systems.

45. All over the BSEC Region, the demographic, economic and social environments within which the national social security systems are operating, are continuously changing – and these changes obviously raise challenges for the societies and their social transfer systems.

46. In the recent years, the BSEC Member States have embarked upon large-scale social welfare reforms, either by developing and extending existing schemes or by introducing new ones. As it is shown below, numerous measures have been taken by all countries in order to face urgent social needs created by the economic crisis. During this process, long-standing problems affecting the adequacy of social protection systems came to light, creating thus an opportunity to proceed to deeper, long-term reforms of the social protection systems.

47. The increase of the ageing population in the countries and the high percentage of the elderly population from the total population in many of the BSEC countries have been also preconditions, which necessitated the implementation of the pension reforms. These reforms include the establishment of a legal framework for the advanced pension model, introduction of a short-term and long-term measures for the financial stability of the pension system and improvement the adequacy of pensions.

48. The adopted changes in many of the BSEC Member States are related to: increase in revenues in the social security system; optimizing of expenditure in the social security system; strengthening adequacy of pensions; development and improvement of the three-pillar pension model; other changes which clarify and further develop the existing provisions.

49. The future pension reform will naturally address the sustainability problem through modifications of key scheme parameters, such as: the benefit level, retirement age, pension indexation and contribution rates. However, in view of the dominant role of the pension system in poverty reduction for the elderly, attention should also be paid on how to ensure the adequate benefit level under the financial constraint.

50. The pension system of ***the Republic of Armenia*** includes a state pension, a funded component and a component of voluntary pension. The law provides for the following types of labour pensions: age, preferential conditions, long service, disability, partial loss of the breadwinner. A retirement pension is granted to a person over 63 years of age, if the seniority of this person is at least 10 calendar years. All the workers' pensions are calculated as the amount of the basic pension (determined by the government) and labour pension (calculated on the basis of work experience, whose amount is also established by the government). The labour part of the pension is calculated on the basis of the work experience, the cost of one year of work experience and the personal rate of the pensioner.

51. The size of the basic pension and the cost of one year of work experience are established by the Government of the Republic of Armenia. The new draft law of the Republic of Armenia "On Amendments and Additions to the RA Law "On State Pensions" introduces a new instrument into the state pension system - the minimum pension. After the adoption of the law, the minimum pension established by the government increased from 1 January 2019, and the minimum amount equals 25,500 drams (48 EUR). The program of the Government, approved by the National Assembly of the Republic of Armenia, envisages a periodical increase of the amount of the state pensions and the assurance of the average pensions.

52. Within the mandatory funded component necessarily participate (paying social contributions): employees, notaries, individual entrepreneurs, born on 1 January 1974 or later,

employees born before 1974, individual entrepreneurs, if they have submitted applications for a mandatory pension fund in the prescribed manner. The mandatory accumulative pension funds are: a balanced fund, according to which the weight of equity securities acquired for the purpose of a hedge fund derivatives assets does not exceed 50%; a conservative fund, according to which the weight of equity securities and derivatives acquired in order to hedge them in the assets of the fund cannot exceed 25%; a stable income fund, according to which assets cannot be invested in equity securities and derivatives based on them.

53. In recent years, state pension provision measures have aimed at improving the quality of services provided, improving the electronic information system of pensions, reducing the existing risks with regard to pensions, benefits, ensuring access to services, and simplifying administration of determining and paying pensions and benefits. The Republic of Armenia concluded the Agreement on the Guarantees of the Rights of Citizens of the Member States of the Commonwealth of Independent States on 13 March 1992 in the field of pensions, which regulates the pensions of citizens of the States parties to the Agreement, as well as the mobility of pensions with the mobility of people between the signatory countries.

54. In the framework of the Black Sea Economic Cooperation agreements were signed with the Russian Federation and with Ukraine. Currently, work is underway to sign an intergovernmental agreement on pensions with the EurAsEC Member States. The Republic of Armenia also discusses regularly, issues related to the pension system, with the countries of the European Union.

55. As an important component of the pensions system of ***the Republic of Azerbaijan***, the pension schemes are changed in conformity with the Law of the Republic of Azerbaijan "On Labour pensions" (the Law) that became effective in 2006. In accordance with the Law, the pensions system is based on the individual record system and the principles of pension insurance. In order to be entitled to the pension, every employee opens an individual account in the system and according to the established standards makes social security payments from personal income with further calculation of accumulated funds and insurance capital adjustments.

56. According to the Law, there are 3 types of labour pensions: old-age, disability and survivor's pensions. The structure of the old-age and disability pension consists of the insurance and cumulative components, while the survivor's pension includes only the insurance component. At the same time, in special cases, there may be increase in the insurance component of retirement pension and increase of pensions with due regard to the years of service. Veterans and War Victims, as well as the families of the lost in war are eligible for insurance allowances, while former civil servants, military personnel, persons of special rank and pensioners of this category, who worked in other government bodies, are eligible for supplementary payments for retirement pensions.

57. The insurance component of labour pensions is increased once a year in accordance with the rate of increase in the minimum wage. The pension, which includes supplementary payments for the years of service, is increased as a result of the recalculation of the wage increases that pensioners received at the end of their service on certain positions. As of 1 January 2019, there are 1.3 million beneficiaries of labour pensions in the country, and the average amount of labour pension per month is 227 Manat (120 Euro). 58.3 % of pensioners receive an old-age pension, 30.1 % – disability pension, and 11.6 % – survivor's pension. Last year, the average amount of labour pension per month was increased by to 6.8 %, while the average old-age labour pension was increased by 7.3 %.

58. On 1 January 2019, the Law "On Amending the Law of the Republic of Azerbaijan "On Labour Pensions" entered into force. With the aim to meet the needs of the citizens, the enforced amendments to the Law allow to implement reforms in two areas of pensions system. In Azerbaijan, it is possible to become eligible for pension without submitting any application

or document, and the retirement right is established in an electronic format within one day and on the same day person receives the respective notification (on the amount of pension, time and bank branch where a bank card will be issued) by means of a SMS, an email or an official letter.

59. Persons who in 2019-2020 reached the age of receiving a labour pension but could not accumulate sufficient work experience or pension capital are under the risk of being deprived of the right to pension. In such cases, the assigned retirement pension will also include the 25-year social insurance (automatically assessed length of service) before 1 January 2006 with the condition that the pension capital of such persons is placed on an individual account (regardless of the amount) until 1 July 2018.

60. As a result of the implemented reforms it is expected that the program of automatic accumulation of pensions by 2019 will allow granting the pension right to 70 % of population (36 thousand people). In 2019, up to 19.5 thousand people has taken the advantage of automatically assessed length of service and together with the assigned retirement allowances the total income will be increased by 48 %. As a result of the new initiative set forth by the Head of State with the aim to significantly increase the minimum labour pension, as of 1 March of the current year, the amount has been increased by 38.5 % and instead of 116 Manat (60 Euro) (and for the most of the categories instead of 80 Manat (42 Euro)) it became 160 Manat (85 Euro).

61. The main normative act of ***the Republic of Bulgaria***, the provisions of which regulate the pension system of the country, has been in force since 1 January 2000. By entry into force of the Social Insurance Code (SIC), the three-pillar pension model was introduced – the system for compulsory pension schemes (Pillar I), supplementary compulsory pension schemes (Pillar II) and supplementary voluntary pension schemes (Pillar III). The social system for compulsory pension schemes of pay-as-you-go type (Pillar I) introduced a close link between the amount of benefits/pensions received and the personal financial contribution of insured persons.

62. The supplementary compulsory pension insurance (Pillar II) is implemented through capital-based pension schemes, based on defined social contributions, accumulated and capitalised in an individual pension account. Supplementary voluntary pension insurance (Pillar III) is capital-based and allows, by means of voluntary contributions paid either on one's own expense or jointly with the employer, or only by the employer without the participation of the insured person, to secure a third life-long or time limited personal pension for old age or disability, as well as a survivor's pension in case of death of the insured person, respectively, of the person receiving a voluntary pension.

63. State Social Insurance (SSI) provides benefits, allowances and pensions on the ground of temporary incapacity for work, temporary reduced capacity to work, disability, maternity, unemployment, old age and death. The persons, which are subject to State Social Insurance, depending on their work activity, contribute to: the General Disease and Maternity Fund; the Pensions Fund; the Pensions for Persons under Art. 69 Fund; the Labour Accident and Occupational Diseases Fund and the Unemployment Fund.

64. In 2017 and 2018, the labour-based pensions were recalculated by the higher burden per one year's length of contributory service. On July 1, 2019, labour-based pensions will be recalculated by 5.7 %. From 2020, pensions will be updated again on the basis of the provision Art. 100 of the Social Insurance Code, according to which the pensions granted until 31 December of the previous year shall be updated by a percentage annually with effect from 1 July by a decision of the Supervisory Board of the National Social Security Institute.

65. Another measure directly related to the increase of the amount of part of the pensions is the increase of the maximum amount of the insurance income, depending on which the maximum amount of the pension is determined. Thus, from 1 July 2019, the maximum amount of one or

more pensions received without the allowances to them will increase from 460 to 620 Euro.

66. In ***Greece***, law No 4387 of 2016 establishes equality, through the effective consolidation of the existing social security scheme in one organization, called EFKA, with the adoption of uniform rules for old and new insured persons and the recalibration of the amount of the pensions of all pensioners. Uniform rules are necessary because, in the face of the basic risks of life, all insured persons must enjoy the same level of social solidarity. Exceptions are provided only to protect the most vulnerable groups of the society (e.g. disabled). In the case of farmers, there are also beneficial provisions, because the average agricultural income is much lower than the average of employed persons and there would be an objective inability to cover contributions from a significant part of the rural population.

67. Starting from 1 January 2022 the retirement age for the entitlement to a full old age pension are set at 62 years of age (with 40 years or 12,000 days of insurance) or 67 years of age (with 4,500 days or 15 years insurance). The retirement age depends on the change in life expectancy of the population of the country. Starting from 1 January 2017 every three years, the National Actuarial Authority (which is an independent body) prepares actuarial study, which is endorsed by the Committee on Economic Policy of the European Union, scoping the continuous monitoring of the evolution of the national pension expenditure.

68. Supplementary or auxiliary insurance, together with primary insurance, comprise the first pillar of the Greek social security scheme. The providing body is the auxiliary social security branch of the Unified Auxiliary Social Security and Lump Sum Benefits Fund. Supplementary pension (retirement, invalidity or death pension) constitutes an additional periodic benefit, further to the one provided by the principal security institution and is not funded by the State, but mainly by the employees' and employers' contributions (in the case of private and public sector salaried employees) or by those of self-employed or free-lance professionals (paying contributions on a mandatory or voluntary basis).

69. Private and public sector employees are under the obligation of supplementary or auxiliary insurance, regardless of their employment relationship (part- time or full-time, fixed contract employees or employees with contracts of indefinite duration), whereas regarding self-employed or free-lance professionals, supplementary or auxiliary insurance is mandatory for some categories and voluntary for others. Occupational pension funds, operating on a voluntary membership basis and governed by special regulatory frame, provide additional security benefits and constitute the second pillar of the Greek social security scheme.

70. In 2017, the pension system reform was launched in ***the Republic of Moldova***. The aim of the reform was to ensure the functioning of a fair and sustainable pension system guaranteeing decent living to pension beneficiaries. In order to achieve this goal, a number of important actions were undertaken, among which: consolidation of the conditions and methods of pension calculation for all categories of population; implementation of a new calculus formula for age pensions, ensuring the interdependence between paid social contributions and the size of the future pension.

71. The introduction of a new calculus formula was meant to increase the replacement ratio (ratio between the average pension and average salary) in order to reach the 40% indicator recommended by the European Code of Social Security; value adjustment of age and disability pensions, established until 1 April 2017 (adjustment of the guaranteed income obtained in the past taking into consideration the changes in money value occurring between the time when the income is obtained and the time when the pension is established).

72. Other actions included: Gradual increase of the retirement age up to 63 years, both for men and women. The retirement age annually increases by 4 months, until 1 July 2019, for men and by 6 months annually, until 1 July 2028, for women; Gradual consolidation (by 6 months annually) of the qualifying years of contributions for women and men up to 34 years; Age

pensions review for the beneficiaries who continue to work after the pension has been determined; Increase by 10 % of the determined pensions, which size does not exceed the subsistence minimum for pensioners equivalent to 335 Euro (as of 1 January 2019).

73. The Republic of Moldova expresses its willingness and availability to start bilateral negotiations on a draft agreement in the field of social security between the Republic of Moldova and the Hellenic Republic. The aim of this agreement should be to protect social insurance rights, especially the right to pension, of the citizens of the Republic of Moldova who work or have worked in the Hellenic Republic.

74. The ***Romanian*** pension system is regulated by the Law No 263/2010 on the unitary public pension system, which entered into force in January 2011. The mandatory public pension scheme (Pillar I) is organized and based on the principle of contributiveness, according to which the social security funds are based on the contributions from individuals and legal entities participating in the public pension system, the social security benefits being due under the social security contributions paid. Starting with January 2015 the standard retirement age for men is 65 years old, and until January 2030 the women's standard retirement age will increase gradually from 60 to 63 years old. The minimum contribution period is 15 years for both women and men. The full contribution period is 35 years, for both women and men.

75. The disability pensions consist of three levels (level I, II and III) and it is payable to the persons who lost their capacity to work, totally or partially (at least half) due to work accidents or occupational illnesses, or due to other illnesses or accidents which are unconnected with their work. Survivors' pension is paid to the children and surviving spouse if the deceased person who supported them was a pensioner or met the requirements to receive any type of pension paid from the public pension system. Children aged up to 16 receive a survivor's pension unconditionally. Children aged between 16 and 26 are entitled to a survivor's pension until the date when they complete their studies if they are in a form of education.

76. Surviving spouses who are entitled to a pension and also meet the requirements to receive a survivor's pension for their deceased spouse may choose to receive the larger of the two pensions. Survivors' pensions are calculated as a percentage of the old-age pension or old-age pension with reduced standard age, in case the deceased was a beneficiary of or would have been eligible to an old-age pension. The percentage depends on the number of entitled survivors of the deceased person and is 50% for one survivor, 75% for two survivors and 100% for three or more survivors.

77. The mandatory private pension (pillar II) is compulsory for all eligible persons aged up to 35 and voluntary for age group 35-45, provided they are ensured under the public pension system and have an individual contribution to the public pension system. Starting with 1 January 2018 the contribution share to the pensions fund is 3,75%. The voluntary private pension (pillar III) is a defined contribution scheme with voluntary participation, based on individual accounts.

78. In ***the Russian Federation*** the pension system includes compulsory pension insurance, state pension and additional non-state pension. Insurance pension is the most common type and is based on the payments that an employer makes for each employee. The average rate for the payment of insurance premiums for insurance pensions is about 20 percent. The compulsory pension insurance in the Russian Federation is provided by the insurer, which is the Pension Fund of the Russian Federation.

79. The social priorities of the state policy in the field of compulsory pension insurance are determined by the Long-Term Development Strategy for the Pension System of the Russian Federation of 25 December 2012. The implementation of the measures set forth in the Strategy ensured the fulfilment of the main objectives of the development of the pension system during 2012-2017: ensuring the socially acceptable level of pension insurance, ensuring the balance and long-term financial sustainability of the pension system, maintaining the tariffs at

acceptable level. The measures taken to optimize the pension system (increasing the minimum length of service for assigning pensions from 5 to 15 years, introducing a minimum participation requirement in the pension system at 30 individual pension ratios, the value of which depends on the size of a salary of a citizen, etc.) led to the stabilization of the transfer towards the compulsory pension insurance.

80. The coverage of the Russian population by the pension system is 100 percent, i.e. all citizens of Russia either receive pensions or are entitled to receive it upon meeting the requirements (pension insurance or social pensions). The number of recipients of the insurance pension as of 1 January 2019 was 40.1 million people. About 3.9 million people are recipients of state pensions and about 3.2 million pensioners are recipients of social pensions. The state pension is financed from the state budget and is paid to those who are involved in the federal civil service.

81. The state social policy aims at raising the level of pensions for senior citizens. The key issue of compulsory pension insurance in Russia is the size of wages out of which insurance premiums and pensions are calculated. At the same time, the size of the pension of a concrete pensioner depends on the labour contribution, i.e. the duration of the total length of service, the amount of the salary, as well as the amount of insurance premiums paid by the employer to the personal account of the insured person. There are no pensioners in Russia with a monthly income below the subsistence minimum for a pensioner in the region of the residence. All non-working pensioners receive a social supplement to their pensions to reach the level of the subsistence minimum in the region of the residence.

82. In order to improve pension system the amendments have been made to certain legislative acts of the Russian Federation on the assignment and payment of pensions (Federal Law No 350-FZ of 3 October 2018). The Federal law implies the following: - change the principles of indexation of insurance pensions for the period 2019-2024 (pensions will be indexed above the level of the inflation); - gradual increase (from 1 January 2019) in the generally established retirement age to 65 and 60 years (for men and women, respectively), reaching which allows granting of the old-age pension; - granting to persons who have an insurance experience of at least 42 and 37 years (for men and women, respectively) the right to receive an old-age insurance pension two years before reaching the generally established retirement age; - granting mothers of many children the right to early retirement if they have 15 years of insurance experience (for women who have given birth and raised three children, pensions will be assigned at 57 years of age, women who gave birth and raised four children - at 56 years of age, women who gave birth and raised five or more children, pensions will be assigned at the age of 50), etc.

83. The pension system in ***the Republic of Serbia*** consists of a system of compulsory pension and disability insurance and one of voluntary pension funds and pension plans. The system of compulsory pension and disability insurance is based on the principle of intergenerational solidarity and current financing (pay-as-you-go). Compulsory insurance covers employees (including civil servants, members of the military, police and security services), self-employed persons (including members of the free professions), farmers, as well as persons who are automatically involved in compulsory insurance.

84. The second part of the pension system, the system of voluntary pension funds and pension plans started functioning on 1 April 2006. This system provides additional pension security based on the voluntariness of the members, the allocation of investment risk and the accumulation of assets. It is implemented through voluntary private pension funds. An employer, an association of employers, a professional association or a union may conclude a pension plan with a management company in order to pay a pension contribution for its employees or members.

85. In the years prior to the beginning of the reform, and during the implementation of various stages of it, the pension system faced major problems in financing its obligations, which was reflected in the following: the ratio of insured and pension beneficiaries drastically decreased; expenditures for financing the costs of the pension system, as well as their participation in the GDP of Serbia, significantly increased; delay in the payment of pensions; the participation of the number of disability pensioners was unjustifiably high.

86. Due to the abovementioned, the reform of the pension system, which has been implemented in several stages since 2001, significantly changed the characteristics and structure of the system. Regular payment of pensions and other benefits was established and all debts to pensioners incurred before 2000 were paid off. This restored confidence in the pension system and the social position of pensioners was also improved. The reform of the compulsory insurance parameters has gradually adjusted the conditions for acquiring the right to old age pension with demographic changes in the society and the economic potential of the state. Raising the age limit for exercising the right to old age pension has been carried out in three stages, but in a relatively short period of time. For a period of only 10 calendar years, the age limit for both genders have been raised for 5 years.

87. The process of reforming the pension administration is being executed in order to improving services, reducing the administrative costs of the system, improving the records and controlling the social security contributions collection. Voluntary pension insurance is still under development. The Republic of Serbia has concluded 29 agreements on social security in order to protect the rights of the citizens who work abroad. Regarding the BSEC Member States, such agreements have been concluded with Bulgaria, Romania, the Russian Federation and Turkey.

88. The general structure of the social security in ***the Republic of Turkey*** is based on the principles of insurance, along with the perspective of a social state. The cases and amounts of insurance benefits to be provided to insured individuals are specified in advance, with services being provided for long and short-term insurance branches. In this context, all the risks imposed by socio-economic and demographic changes are assumed by the system. The Turkish insurance system is financed through the premiums collected, with the premiums paid by the active insured being used to cover the payments to all insured individuals.

89. In 2006, the social security framework was consolidated under a single organization, followed by the consolidation of the regulations governing the social security regimes concerning the civil servants, labourers, and businessmen in 2008. The justification for the reforms implemented in 2008 was due to the change in the population, problems concerning financing and the lack of a consistent set of norms governing the social security rights and responsibilities. In this context, the reform implemented through the Social Security Agency Law no. 5502 and the Social Insurances and Universal Health Insurance no. 5510 intended to reorganize the social security system, to bring about a participatory and sustainable structure. Through the “Social Security Reform”, which ranked among the most important and substantial reforms in the history of the social security worldwide, in 2006, SSK, Bağ-Kur and the Pension Fund for Civil Servants, which hitherto served on the basis of different norms and standards, were unified under a single umbrella.

90. As a result of the reforms made in 1999 and 2008 with respect to the social security regulations, the requirements for entitlement to pension as well as monthly pension parameters were revised. The changes were applied gradually, with reference to the starting date of the insurance, with a view to preventing a loss of existing entitlements. In this context, those who were registered in the system before 08.09.1999, between 08.09.1999 and 30.4.2008, and 01.05.2008 are subjected to the requirements for entitlement to pension and the monthly pension parameters stipulated in the laws which were in force as of the date they were registered in the system. The age requirement for entitlement to pension is set to be gradually increased from 2036 on, rising to 65 for both men and women, by the year 2048.

91. In addition to the age requirement and the number of days of premium payment, the update factor used in pension calculations, the pension entitlement rates and the average earnings to serve as the basis of the pension are the other leading parameters covered by the reforms. Furthermore, the rule to update the pension payments on the basis of the inflation rates in January and July of each year was also introduced. When calculating the updated earnings to serve as the basis of the pension payments, all earnings achieved throughout one's whole career are now being taken into account, whereas the update factor is established in accordance with the inflation and the development rate. Moreover, the pension entitlement rate for each year covered in the pension calculations is set to 2 %, through a gradual change.

92. To ensure adequate standards of life for the pensioners, with respect to the social security payments, article 55 of the Law no. 5510 regulates the minimum earning and pension figures. The said article also stipulates the updating of the pensions in January and July of each year on the basis of the inflation rate which occurred in the preceding 6-month period, so as to prevent the gradual purchasing power of the pension in the face of inflation. The pension figures were increased universally for all insured on various occasions, regardless of the minimum limits stipulated in law. Within the framework of the procedure introduced in 2018, the pensioners are provided a bonus payment of TRY 1000 (appr. 170 EUR) on each Eid. Moreover, the regulation to update the monthly pensions to ensure that no pension is less than TRY 1000 (appr. 170 EUR) entered into force in January 2019.

93. In accordance with the Law No 1058-IV "On Mandatory State Pension Insurance" of 09.07.2003 (hereinafter - the Law 1058), the pension system in ***Ukraine*** consists of three levels. The first level is the joint system of mandatory state pension insurance, based on the principles of solidarity and subsidies. The second level is the accumulative system of compulsory state pension insurance. The third one is the non-state pension system, which is based on the principles of voluntary participation of citizens, employers and their associations in the formation of pension savings in order to receive pension payments by citizens on the conditions and in accordance with the norms prescribed by the legislation on non-state pension provision. The first and second levels of the pension system in Ukraine constitute the system of mandatory state pension insurance.

94. Since October 2017 the average pension increased by 29.7 %. Since January 2018, persons with an insurance record of at least 25 years have the right to a retirement pension upon reaching 60 years of age. Every year the length of the professional service increases by 1 year. In 2028, the required work experience for the appointment of a pension after 60 years will be 35 years. From 2019, if the insurance period reaches 25-35 years, the age-based pension is granted upon 63 years of age, while when the insurance period is 15-25 years the right to retirement will be granted at the age of 65 years.

95. The minimum pension at retirement experience of 35 years for men and 30 years for women is the minimum subsistence level for people who lost their working abilities, while for non-working pensioners reaching 65 years of age - 40 percent of the minimum wage. The maximum amount of pension payments, taking into account allowances, increases, supplementary pensions, targeted cash assistance, pensions for special services to Ukraine, indexation and other supplements to pensions established by law, except for supplements to allowances for certain categories of persons with special services to the home country, cannot exceed ten times the minimum subsistence level established for disabled persons. In 2017, the minimum pension increased by 16.4%, and in 2018 - by 3.1%.

96. In March - April 2018, with the aim to implement the Resolution No. 103 of the Cabinet of Ministers of Ukraine of 21 February 2017, recalculations of previously granted pensions were carried out in accordance with the Law of Ukraine "On Pension of Persons Discharged from Military Service and Other Persons" based on the up-to-date information on financial support. During 2018, the average pension increased by 6.7%.

97. As for the cooperation in the implementation of an effective pension policy at the international level, Ukraine fulfills its obligations under the international treaties in the field of social security of citizens concluded with the following BSEC Member States: the Republic of Bulgaria, the Republic of Armenia, Russian Federation, the Republic of Azerbaijan, Georgia, the Republic of Moldova. Work is carried on for drafting bilateral international treaties in the field of social security with Romania, the Hellenic Republic, the Republic of Serbia and the Republic of Turkey.

VII. CONCLUDING REMARKS

98. The trend towards ageing of the population is clearly the greatest challenge facing European retirement systems. The sustainable development of pension systems, which includes a long-term perspective, will be vital to ensure that the systems in place are strong enough to withstand the future crises.

99. Pensioners, the disabled and the elderly in the BSEC countries have found themselves among the most socially vulnerable sections of the population adversely effected by the economic recession, growing poverty and demographic changes. There is an imperative need for urgent action to preserve minimum social protection, centred on the most vulnerable sections of the population, particularly on the elderly.

100. However, situations vary widely from one country to another. The challenge for the BSEC countries is to strike a balance between pay-as-you-go and funded systems. The Assembly considers that it is important for the societies to employ development strategies where the pension systems are designed to alleviate poverty and provide economic security for elderly people. Having security in the system, people can cope with life’s major risks or the need to quickly adapt to changing economic, demographic and societal circumstances.

101. Ensuring that the public has confidence in the system and that the promised benefits will be met, allows individuals to continue to consume and spend through their working and retired years. If this hard-earned confidence is lost, there is a significant risk that retirees will moderate their spending habits and consumption patterns. Such moderation would have a negative impact on the overall economy, particularly in the countries where the size of the retired population continues to grow.

102. Reforms of the pension systems of the BSEC Member States must be continuously implemented in accordance with the demographic changes and economic opportunities of each country. However, it is important to point out that the development of the national economy through the growth of GDP, employment and citizens’ standards of living, is a key factor in achieving the long-term economic sustainability of the pension system.

103. Cooperation at regional level is of vital importance and could envisage exchange of information and good practices, training programmes for experts, social partners and NGOs. Moreover, constant interaction on social issues in the BSEC framework could be a means for deepening the existing cooperation and for contributing to building confidence among the peoples of the Region. The BSEC Member States are open to any kind of exchange of experiences on the characteristics of the pension systems, implemented and planned reforms in the BSEC Region, since most countries face similar challenges in the field of the pension insurance.