Executive Summary

Analysis of the Social Security and Civil Servants Pension Agency Outturn in 2017

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Social Security budget outturn in 2017

The overall Social Security balance recorded a surplus of 1 652 M€ in 2017, net of the impact of the European Social Fund (ESF), the Fund for European Aid to the Most Deprived (FEAD) and the State Budget (SB) extraordinary transfer to the Insurance System. This resulted from a 1 123 M€ surplus on the Insurance System and a 529 M€ surplus on the Citizenship Social Protection System. Regarding the Insurance System, the balance on the Pay-as-you-go Insurance Subsystem, net of the European Social Fund and the State Budget transfers for the year, made the largest contribution to this favourable performance, and its surplus increased from 51 M€ in 2016 to 601 M€ in 2017.

Compared to 2016 there was an improvement of 564 M€ in the overall balance net of the aforementioned effects. That change reflects the 630 M€ improvement attributable to the Insurance System plus the 154 M€ attributable to the Citizenship Social Protection System.

Excluding the European Social Fund and the Fund for European Aid to the Most Deprived transfers, the growth in effective Social Security revenue was 3.8%, a change larger than the 2.6% forecast in the Social Security Budget (SSB). This outcome is explained above all by the performance of contributions, where the provisional outturn exceeds by 330 M€ the forecast in that budget programming document for 2017.

In 2017, effective expenditure, net of the impact of the European Social Fund, recorded significantly lower growth than forecast in the Social Security Budget for 2017, having risen by 1.6% compared to 2016, i.e. 2.9 p.p. less than the estimated 4.5%. Expenditure on social transfers grew by 1.6%, less than the forecast 3.4%, showing the improved performance of expenditure on social assistance, pensions and unemployment benefits. Spending on pensions rose by 2.2%, which was less than expected (3.1%).

Civil Servants Pension Agency budget outturn in 2017

In 2017 the Civil Servants Pension Agency (CGA) recorded a surplus of 73 M€, down on that achieved the previous year (87 M€), but higher than the forecast in the State Budget for that year (3 M€). This favourable deviation is explained by expenditure that was 75 M€ lower than forecast.

Effective CGA revenue remained practically stable compared to the previous year as the decrease in contributions received was offset by the increase in current transfers (which include the State Budget contribution designed to ensure the CGA's financial stability, which rose for the third year running) and in other current revenue. The decline in contributions compared to the previous year stemmed from the decrease in the number of subscribers, as the impact of the increase in the contribution base was insufficient to offset it. Compared to the State Budget for 2017, effective revenue was generally in line with the forecast since the unfavourable deviations in transfers and other current revenue were offset by a favourable deviation in contributions received.

Despite the decline in the number of pensioners in 2017, expenditure on pensions rose because of the following factors: the updating of pensions; the complete reversal of the measure restoring Civil Service pay which impacted at the beginning of the year; the increase in the number of new pensioners and the average value of the new pensions. Following a fall of 0.1% in 2016, expenditure on pensions and benefits payable by the Civil Servants Pension Agency increased by 0.1% in 2017, a lower sum than the 0.9% increase forecast. Growth in effective Civil Servants Pension Agency expenditure rose slightly from 0.1% in 2016 to 0.2% in 2017, a smaller change than the one forecast in the State Budget for that year (1.0%).

The negative difference between the number of pensioners and the number of subscribers increased once again, since the rate of decrease in Civil Servants Pension Agency subscribers was sharper than in total pensioners. Thus, the working/non-working ratio fell again in 2017, to give a figure of 0.94 working subscribers for every retired person (excluding survivor's pensions).

Budget for 2018

The Social Security Budget for 2018 points to a decrease of 1 178 M€ in the fiscal balance, from 2 082 M€ in 2017 to 903 M€ this year. This development is basically the result of the elimination of the State Budget extraordinary transfer and a forecast increase in expenditure (+1 603 M€) greater than that in revenue (+425 M€). The expected increase in effective expenditure is based on the rise in expenditure on social transfers (+1 211 M€) brought about by the updating of the value of such transfers (price effect) and the change in the number of beneficiaries (volume effect), especially as regards expenditure on pensions, other transfers relating to non-contributory schemes and a new supplement to fight poverty among people with disabilities. The estimated elimination of the State Budget extraordinary transfer affects the effective revenue development compared to the previous year. The remaining State Budget transfers are also expected to fall, particularly the transfer linked to the Social Security Framework Law (-83 M€). On the contrary an increase in contributions of 797 M€ compared to 2017, is foreseen.

As for the Civil Servants Pension Agency, the State Budget for 2018 points to a greater decline in the fiscal balance versus 2017, which means the balance will become a 42 M€ deficit, thus reversing the surplus recorded in the last three years. The rate of growth in expenditure forecast for this year (2.4%) should double the estimate for revenue (1.2%). The rate of growth in CGA pensions and benefits should climb in 2018, despite the forecast net fall in the number of retirement pensions. Revenue from contributions is expected to fall and will only cover 42.8% of expenditure on CGA pensions and benefits. As a result, the State Budget contribution should rise by 4% in 2018.