



**Conselho das
Finanças
Públicas**

SOCIAL SECURITY AND CGA BUDGET OUTTURN 2024 EXECUTIVE SUMMARY

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EXECUTIVE SUMMARY

Social Security budget execution in 2024

In 2024, Social Security recorded the highest surplus since 2010, reaching 5595 million € (M€), excluding operations related to the European Social Fund (ESF) and the Fund for European Aid to the Most Deprived (FEAD). This is an improvement of 108 M€ compared to 2023, due to the fact that the increase in effective revenue by 3891 M€ exceeded the increase in effective expenditure (the latter of 3783 M€). Also excluding the effect of the RRP, a slightly lower balance would be obtained, standing at 5591 M€. Regarding the analysis by system, as in previous years, the budget surplus results from the contribution of the Social Security System (Distribution and Capitalization) which recorded a surplus of 5840 M€, with the Social Protection System of Citizenship presenting a deficit of 245 M€.

The effective revenue of Social Security, adjusted for the ESF and the FEAD, increased by 3891 M€, i.e. 10.4%, compared to the previous year. The evolution of effective revenue was essentially determined by social contributions (+10.3%), reflecting the combined effects of developments in the labour market – with the growth of the number of workers with remuneration declared to Social Security – the dynamics of the economy and changes in wage policy, such as the increase in the Guaranteed Minimum Monthly Wage (RMMG) by 60 €, from 760€ in 2023 to 820 € in 2024, expanding the tax base of contributions. In 2024, transfers related to the Recovery and Resilience Plan (RRP) reached 154 M€. Excluding this effect, in addition to the European funds mentioned above, effective revenue would stand at 41,175 M€.

Effective expenditure, corrected of the aforementioned European funds, increased by 3783 M€, i.e. 11.8% compared to 2023. This behaviour reflects the increases in pension expenditure (13%) – which incorporates the regular update, which occurred at the beginning of the year, as well as the "extraordinary pension supplement", paid in October, a one-off benefit, which had a budgetary impact of 360 M€. It also reflects the increase in spending on social assistance (+18.2%), due to the update of the Commitment and Cooperation agreements defined in the Memorandum of Understanding between the Ministry of Labour, Solidarity and Social Security and the Social and Solidarity Sector. Additionally, it should be noted that the impact of the expenditure associated with the RRP reached 151 M€ in 2024. Without this effect, actual expenditure would stand at 35,584 M€.

Finally, it's important to highlight the evolution of extraordinary pension and supplement updates. Their share in effective expenditure has been increasing since the first allocation in 2017 (77 M€), reaching 986 M€ in 2024 (+51 M€ than in 2023).

Despite the improvement in the Social Security balance, it should be borne in mind that, for the first time in the last three years, in 2024 the growth rate of expenditure exceeded that of revenue.

Compared to what was foreseen in the Social Security Budget 2024 (SSB/2024), the budget surplus was 719 M€ higher. This difference is due to a better revenue execution by 2128 M€ vis-à-vis the budget, mainly driven by contributory revenue. This positive performance largely offset the increase in expenditure, which exceeded the amount initially foreseen in the budget by 1409 M€.

Civil Servants pension scheme budget execution in 2023

In the perspective of public accounting, Caixa Geral de Aposentações (CGA) recorded, in 2024, a budget deficit of 202 M€, contrasting with the surplus of 2713 M€ in 2023. It should be noted, however, that the result in 2023 was significantly influenced by a cash flow of 3018 M€, received as a compensation for the transfer of liabilities from the extinct Caixa Geral de Depósitos Staff Pension Fund (FPCGD). Excluding the effect of this extraordinary revenue, CGA's balance would have been negative by €305 million, so the 2024 budget balance would represent an improvement compared to the previous year.

CGA's effective revenue reached 12195 M€, which represents a decrease of 1825 M€ compared to 2023. However, excluding the aforementioned extraordinary revenue of 3018 M€ that occurred in 2023, the effective revenue would have increased by 1,193 M€. This evolution was largely driven by an increase in the State Budget contribution to ensure the financial balance of CGA (+823 M€; the largest increase since 2015). Contributions received increased by 278 M€ (or 6.9%), reflecting the growth in the wage bill subject to deductions (+4.0%), despite a 3.1% reduction in the average number of subscribers.

In 2024, CGA's effective expenditure reached 12,397 M€, an increase of 1090 M€ (+9.6%) compared to the previous year. This rise was primarily driven by expenditure on pensions and allowances (+1061 M€; 9.6%). In the case of expenditure on pensions and allowances under the direct responsibility of CGA, the increase was 922 M€. This reflects both an increase in the average number of retirees, but also in the average monthly value of retirement pensions (which rose from €1495 in 2023 to €1592 in 2024), largely due to the pension update that took place in 2024.

In 2024, the ratio between active subscribers and retirees worsened again, settling at 0.73 by the end of the year, down from 0.78 observed in 2023. This trend reflects the continued reduction in the active population covered by the CGA regime, which has seen an average annual decrease of 2.9% since 2015, while the number of retirees has remained relatively stable. This evolution results from the closure of the scheme to new registrations as of 1 January 2006.

Compared to the State Budget/2024 forecast, the budget deficit recorded by CGA was 126 M€ higher, than the 77 M€ which had been estimated. This unfavourable deviation is primarily due to an effective expenditure 259 M€ higher than the amount initially planned, an increase not fully offset by the positive deviation in effective revenues, which exceeded the estimated by 133 M€.

Budgeting process

Despite the surplus in the Social Security budget balance, the deviations from the initial Social Security Budget for 2024 – in both revenue and expenditure – along with those observed in the CGA, do not show a budgeting process in line with the best practices of public financial management.