



**Conselho das  
Finanças  
Públicas**

# **SOCIAL SECURITY AND CGA BUDGET OUTTURN IN 2022 EXECUTIVE SUMMARY**

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# EXECUTIVE SUMMARY

## *Social Security budget execution in 2022*

In 2022, Social Security recorded the largest budget surplus in more than a decade, reaching 4059 million €, excluding operations related to the European Social Fund (ESF) and the Fund for European Aid to the Most Deprived (FEAD), representing an improvement of 1711 million € compared to 2021. Towards this result contributed the increase of 2220 million € in effective revenue, surpassing the 508 million € increase in expenses. An analysis by system shows the budget surplus results exclusively from the contribution of the Insurance and Capitalization Social Security System which recorded a surplus of 4167 million €, since the Social Protection System of Citizenship presented a deficit of 108 million €.

The fiscal position of Social Security in 2022 continued to reflect the adoption of measures implemented in previous years due to the pandemic crisis, as well as by the adoption of new measures in the context of the geopolitical shock. The impact on expenditure of the measures implemented under COVID was 607.4 million €, with 616 million € allocated to their funding. However, in the case of the measures adopted following the geopolitical shock, it is only possible to determine the global amount of these measures (1326.2 million €), and not the corresponding financing, thus, it is not possible to expunge their effect on the balance. The absence of such information on revenue undermines the transparency of the budget implementation of this subsector, since it does not make it possible to verify whether or not these measures, which should be neutral on the social security balance, have been fully financed by the State Budget (SB).

In 2022, the effective revenue of Social Security, excluding the ESF and the FEAD, increased by 6.9% compared to the previous year. The evolution of effective revenue is essentially determined by the item of social contributions (+11.8%), which translates the increase in remunerations declared to Social Security and the net creation of employment, due to the favourable macroeconomic environment, and by the increase of the Guaranteed Minimum Monthly Remuneration (RMMG) by 40€ (from 665€ in 2021 to 705€ in 2022), which increased the minimum amount of the relevant tax base for social contributions.

The adjusted expenditure increased by 1.7% compared to the previous year. The spending behaviour reflects not only the impact of some of the measures adopted in the context of the pandemic

crisis (599.2 million €), which were still in place in 2022, but also the implementation of new measures aimed at mitigating the effects of the geopolitical shock (1309.6 million €), totalling 1908.8 million €. Excluding the impact of these measures, the actual expenditure would have decreased by 4.7% compared to 2021. Also noteworthy are the increases in pension expenditure (6.6%) – essentially justified by the creation of the exceptional pension supplement and the extraordinary pension update portion – and the other benefits (+123.1%), which aggregate the measures of the geopolitical shock, social action (+10.9%), parenting benefits (+12.4%), family allowance (+3.9%) and allowances and sickness supplements (7.3%).

The extraordinary updating of pensions and supplements has been increasing their weight in actual expenditure. In fact, in 2017, the first year of implementation, it amounted to 77 million €, having reached 896 million € in 2022.

### *Budget execution of Civil Servants Pension Scheme in 2022*

Civil Servants Pension Scheme (CGA) recorded a 196 million € budget deficit in 2022 on a cash basis. This entity had not incurred a deficit situation since 2014. This balance reflects a 277 million € deterioration compared to the surplus of 81 million € achieved in 2021, with expenditure growth (5.1%) more than double that recorded in revenue (2.4%).

CGA's effective revenue totalled 10 611 million € in 2022, 245 million € more than in the previous year. This increase is influenced by the transfer of the State Budget intended to finance the policy measure concerning the payment of the exceptional supplement to CGA pensioners. Without this extraordinary effect, the revenue would have decreased by 94 million € due to the behavior of the contributions to CGA (-111 M€ or -2.7%), owing to, among other factors, the decrease in 3.8% of the average number of subscribers and also to the reduction of 0.9% of the salary bill subject to the application of the contribution for the CGA.

CGA's effective expenditure amounted to 10 808 million € in 2022, 522 million € more than in the previous year. This development is influenced by the 339.1 million € exceptional supplement payment to pensioners. Without this extraordinary effect, the expenditure would have increased by 183 million €, of which 141 million € related to pensions and allowances under CGA responsibility. This evolution was due not only to the increase in the average number of retirees (+1198, standing at 482,276), but also by the average amount of total retirement pensions (from 1352 € in 2021 to 1375€/month in 2022).

The negative difference between the number of retirees and the number of subscribers has increased again, with the ratio of active to inactive at the end of 2022 standing at 0.80 active subscribers per

retiree, which compares with 0.83 at the end of 2021. Since the end of 2015, the subscriber population has declined at an average annual rate of 2.9%, while the population of retirees and retirees has declined at an average annual rate of just 0.1%. This development is determined by the fact that the CGA regime has been closed to new subscribers since 1<sup>st</sup> January 2006.

Compared to what was foreseen in the SB/2022, the budget deficit recorded by CGA was higher by 105 million €. This unfavourable deviation results from the combined effect of the expenditure exceeding the initial forecast by 364 million € and the revenue being 259 million € higher than expected. Although not contemplated in the SB/2022, the exceptional supplement for pensioners, financed by the SB and paid in October 2022, had no impact on the CGA balance. However, it affected the evolution of revenue and expenditure: revenue increased by 2.4%, in contrast to the decrease of 0.1% that was implied in the SB/2022 and expenditure recorded a growth (5.1%) much higher than the underlying figures in the SB/2022 (1.5%).