



Update on

ROMANIAN PRIVATE PENSION SYSTEM

- Tour d'Horizon -

IOPS Technical Committee Meeting
February 2018, Dublin, Ireland

ROMANIAN PRIVATE PENSION SYSTEM



Pillar I

- public, “pay as you go”
- managed by the National Public Pension House (CNPP)

Pillar II (mandatory)

- since September 2007: private, personal accounts, hybrid (DC with nominal guarantees)
- managed by private entities - Pension Fund Management Companies (PFMCs)
- 7 PFMCs managing 7 pension funds

Pillar III (voluntary)

- since June 2006: private, personal accounts, DC
- managed by private entities: PFMCs, Insurance Companies, Asset Managers
- tax incentives - 400 EUR / year both for employer and employee
- 8 pension fund managers (PFMCs - 6, Insurance Company - 1, Asset Manager -1) managing 10 pension funds

Statistics (December 2017):

- Employees: 4.85 million;
- Employment rate: 65.30%;
- Unemployment rate: 4.7%;
- Retirees: 4.69 million

PRIMARY LEGISLATION DEVELOPMENTS

Labour

- All social contributions collected on salary were transferred from the employer to the employee,
- Contribution rate to Pillar II was reduced from 5.1% to 3.75% (in correlation with the previous measure).

Fiscal

- A fixed tax rate of 10% applies to all income sources,
- Pension income below RON 2,000 is tax free,
- No health contributions collected on pension income,
- Pillar III deductibility non-operational for small enterprises.

Private Pensions

- Legislation amended in order to implement EMIR Regulation.

REGULATORY DEVELOPMENTS

- SECONDARY LEGISLATION -

Enrollment

- Biometric signature.

Pay-out

- Monthly programmed withdrawals for up to 5 years;
- Pay-out legislation developed by the FSA together with the Ministry of Labour.

Fit & proper

- Implementation in progress of new fit and proper requirements, in line with the common EBA, ESMA and EIOPA guidelines.

Corporate Governance

- New Regulation issued by FSA in order to improve corporate governance in all entities supervised entities.

SUPERVISORY DEVELOPMENTS

- CORPORATE GOVERNANCE -

Starting
2014

- Introduction of corporate governance requirements;
- Establishment of an internal control system and responsibilities of key functions.

Starting
2017

- The Authority set up procedures to permanently monitor and assess each entity on compliance with the requirements for the board, executives and key functions, strategy and responsibilities, internal control system, including risk management.

CG
Supervision

- Principles-based: on-going principles based supervision by which the entity can be evaluated;
- Rules-based: the supervised entity must submit a declaration by which it acknowledges that it has complied with certain governance aspects.

**THANK
YOU!**