**Bulgaria - Pension System** **Overview**

             Bulgaria has adopted the World Bank 3-pillar model. Supplementary pension insurance is implemented by participation in *mandatory universal and/or professional pension funds, supplementary voluntary pension funds and/or supplementary voluntary pension funds with occupational schemes*, which are established and managed by pension insurance companies (PICs) licensed by Financial Supervision Commission (FSC).

***I.   Mandatory Pension - 2nd pillar – Universal pension funds (UPF), Professional pension funds (PPF).***

              There are two types of *mandatory* pension funds in Bulgaria, universal and professional. Public and private-sector employees and self-employed persons born in 1960 or later must become members of a universal pension fund. Each employee, working under specific conditions (labor categories I and II - under heavy and hazardous conditions) must, regardless of their age, become a member of a professional pension fund in addition to the universal pension fund. Professional pension funds are not organised by the employer and individuals may join the fund of their choice. Both the universal and professional pension funds are independent legal entities created and managed by a licensed joint-stock company, called a pension insurance company (PIC).

              Each PIC may establish and manage only one universal and one professional pension fund. The PIC must obtain a license from the FSC and have a minimum required capital. For each fund must also be granted an authorisation by the Deputy Chairperson of the FSC. The fund is represented by the PIC, which also manages the benefit payment.

              The contribution to the mandatory private pension schemes is a part of the total social security contribution collected by the National Revenue Agency which transfers the parts of the contributions to the respective funds. Members or employers cannot make contributions above the legally defined levels.

               The contribution for mandatory pension funds is a percentage of the monthly insurance income. This percentage is determined in advance by the law. The basis for the contribution calculation cannot be under the minimum insurance income and cannot exceed the maximum monthly amount of the insurance income. The contribution for the universal fund is divided between the employer and the insured person, except in the case of the self-employed persons who pay the whole amount. The contributions for the professional pension funds are entirely paid by the employers.

***IІ.  Voluntary Pension - 3rd pillar - Supplementary voluntary pension funds (VPF), Supplementary voluntary pension funds with occupational schemes (VPFOS).***

      Supplementary voluntary pension insurance is implemented in supplementary voluntary pension funds and in supplementary voluntary pension funds with occupational schemes.

Pension insurance in the supplementary voluntary pension funds is carried out on a fully-funded principle on the basis of defined contributions.

Every natural person, who has reached the age of 16, may *voluntarily* insure himself or herself or be insured in supplementary voluntary pension funds.

Supplementary voluntary pension insurance is personal. Each person insured at a supplementary voluntary pension fund and at a supplementary voluntary pension fund with occupational schemes has an individual account. The participation in a supplementary voluntary pension fund starts from the moment of the conclusion of a pension insurance contract.

*Supplementary voluntary pension funds with occupational schemes -* Every natural person, who has reached the age of 16, may be insured in a supplementary voluntary pension fund with occupational schemes. The coverage of the insured persons in these funds is stipulated in a collective bargaining agreement or in a collective contract between the sponsoring undertaking and the persons.

              The main consideration to adopt this type of insurance into the national legislation is the necessity to transpose the EC Directive 2003/41 (IORP Directive). EC Directive 2003/41 was transposed in its entirety into the national legislation in 2006, and entered into force on 1 January 2007.

  The Supplementary mandatory pension insurance (Universal and Professional pension funds) and the Supplementary voluntary pension insurance (Supplementary voluntary pension funds and Supplementary voluntary pension funds with occupational schemes) are regulated by Part two of the Bulgarian Social Insurance Code and by several ordinances of the FSC.

***III. Recent changes and current situation on the supplementary pension insurance market.***

**During the year one new pension company has been licensed and presently the number of pension companies is 10. As at the beginning of 2015 the newly licensed company is in process of receiving a permission to operate pension funds.**