

Position of the Fiscal Council: The estimate of long-term fiscal effects of the amendments to the pension legislation indicates an additional increase in the cost of ageing, which must be presented by the Government publicly and transparently and which requires the adoption of comprehensive measures to provide sustainable public finances in the long term.

At the end of July 2019 the Fiscal Council published its position with regard to the amendments to the pension legislation¹, in which it called upon the Government to transparently present the calculations of the long-term fiscal consequences of individual provisions of the proposed Act Amending the Pension and Disability Insurance Act.

The calculations submitted to the Fiscal Council by the Ministry of Labour, Family, Social Affairs and Equal Opportunities are similar to the estimates made by the Fiscal Council and indicate that the proposed legislation would have a significant impact on the long-term increase in the general government expenditure. The projections of the 2018 Ageing Report² indicate that the cost of ageing in Slovenia is expected to increase by almost 5 percentage points of GDP by 2040. After the adoption of the proposed legislation it is expected to increase by an additional 1 percentage point of GDP and will increase further in the years to come. In the absence of an economic policy response, the measures from the proposed Act are expected to increase the general government deficit immediately after the adoption of the legislation, and from around 2040 onwards by even 1 percentage point of GDP each year. Consequently, the general government debt would also additionally increase by 1 percentage point each year thereafter. Due to the deterioration of long-term sustainability position, the medium-term budgetary objective could increase a few years after the adoption of the proposed legislation, which could have an impact on the reduction of public finance resources available for other purposes.

The Fiscal Council believes that the Government should present the impact of the fiscal effects of the proposed legislation publicly and transparently for a period that exceeds the usual time frame of presenting the fiscal consequences of legislation. The proposed amendments include measures whose financial impact is relatively small in the short term, also because the measures are being introduced gradually, the impact, however, cumulates over time and becomes significant over a longer period.

The introduction of measures to improve the financial situation of new pensioners and place males and females in an equal position with regard to obtaining pensions should be urgently accompanied by a broader policy concept, such that it would provide for the sustainability of public finances in the long term. The increase in expenditure resulting from such measures namely requires measures to offset their financial consequences. These measures should therefore not only address the reform of social security systems' parameters but also a wide range of areas that would comprehensively tackle the challenges of a long-lived society.

¹ The proposed Act is available at <https://www.gov.si/novice/2019-07-16-spremembe-pokojninske-in-zakonodaje-s-podrocja-trga-dela-v-javni-razpravi/> (Slovene only).

² Available at https://ec.europa.eu/info/sites/info/files/economy-finance/ip079_en.pdf