

ROMANIA - AN OVERVIEW OF EMPLOYEE BENEFITS

State and Mandatory Benefits	Retirement age is 64 for men and 59 for women. This is increasing to 65 for men and 63 for women in 2014. Some categories of employees have lower retirement ages. Full or partial retirement is also possible up to five years early. Retirement benefits are provided from the state and from mandatory individual accounts introduced in 2007. The mandatory accounts apply to employees who were under age 36 on 1 January 2008, and were voluntary for employees aged 36 to 45. The state retirement pension is based on the employee's average lifetime pension points multiplied by the pension point value. The pension points earned each year are based on the employee's average monthly wage divided by the national average monthly wage. The average lifetime pension points are the total pension points at retirement divided by the number of years of contributions. The pension point value is RON 732.8 (January 2011). The mandatory individual accounts operate on a defined contribution basis and provide an annuity at retirement. The state also provides disability and survivors' pensions. Medical benefits are provided by local health insurance funds. All employers must provide an annual medical check for all employees.
Typical New Private Plan	Employees can set up voluntary pension funds, operating on a defined contribution basis. The funds must guarantee a minimum return. Total employee and employer contributions are limited to 15% of earnings. Some employers also provide personal accident, group life and medical insurance but the preferred benefit is a subscription agreement to private healthcare
Typical Costs	Employers contribute 20.8% of employees' earnings for state benefits. Employees contribute 10.5% or 7.5% plus 3% to the mandatory system. Contributions to the mandatory system are due to increase to 6% in 2016, but some of the increases have been deferred. In addition, employers contribute 5.2% for medical benefits and employees contribute 5.5%.
Tax Implications	Mandatory pension fund contributions are tax deductible. Contributions to voluntary pension funds by employers and employees are tax exempt up to EUR 400 a year each. Investment income is tax exempt. Private medical insurance premiums are tax deductible for employers up to EUR 250 per employee a year. Annual medical check ups are tax free. Employer contributions for other benefits are not tax deductible for the employer and are treated as taxable income for employees. Insured benefits are tax free. Pensions are taxed as income.
Labour Law Issues	Mandatory pension funds are managed by pension management companies and must have at least 50,000 members after one year. Voluntary pension funds can be run by pension management companies, insurance companies or asset managers. Pension funds must be licensed by the private pension system supervisory commission (CSSPP). Investments are strictly regulated.
Pooling Potential	Insured benefits can be included in multinational pooling arrangements.
International Financial Reporting	EU/EEA rules apply. International Financial Reporting Standards are required for banks and permitted for companies that have applied for stock exchange listing or whose parent uses IFRs. They are prohibited in the separate statements of other companies.
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