

Opinion
**on the Draft Law on the State Social Security Budget for
2026**

July 6, 2026



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Introduction

This opinion has been prepared in accordance with the provisions of Article 6 of the Law on the Fiscal Council and Automatic Corrective Mechanisms (FCACM), which requires the Fiscal Council of Bulgaria to prepare a reasoned opinion and recommendations on the Draft Law on the State Social Security Budget for 2026, prepared by the National Social Security Institute (NSSI). The draft was submitted to the Fiscal Council by letter Ref. No. 1029-40-3958/June 25, 2026.

Key Parameters

The planned key parameters of the 2026 State Social Security Budget, as well as their changes since 2021, are shown in the table below:

Table 1: Key Parameters by Year (euro)

Parameter\Year	2021	2022	2023	2024	2025	2026	2026/ 2025
Average Social Security Income	597.7	667.2	749.6	833.4	933.6	No data available	
Min. TI self-employed individuals	332	363	399	477	550.7 ¹	620.23 ²	+12.6 %
Maximum taxable income	1,534	1,738	1,738	1,917	2,112 ³	2,300 ⁴	+8.9%
Average amount of all pensions	274.4	345.3	402.9	451.5	498.6	543.5	+9%
Minimum Wage	332	363	399	477	550.7	620.2	+12.6 %
Average annual number of retirees (thousands)	2,080.4	2,050.7	2,026.3	2,038.6	2,059.8	2,070.7	+0.53 %
Average annual number of insured persons (thousands)	2,761.1	2,794.2	2,791.6	2,831.7	2,845.0	No data	

Source: FC based on data from the NSSI and CITUB

Table 1 shows that the minimum and maximum social security income are increasing, but the information provided by the National Social Security Institute (NSSI) lacks data on the expected average social security income, as well as on the average annual number of insured persons. On the one hand, the average insured income is influenced by the increase in the minimum wage, the minimum insured income for self-employed individuals and farmers to 620.2 euros—a rise of 12.6%—as well as the increase in the maximum insured income to 2,300 euros, or 8.9%. On the other hand, it is also influenced by developments in the labor market. These are linked to employment trends and increased competition among employers when hiring staff. The policy of raising wages in the public sector also creates

¹ as of April 1, 2025

² as of August 1, 2026

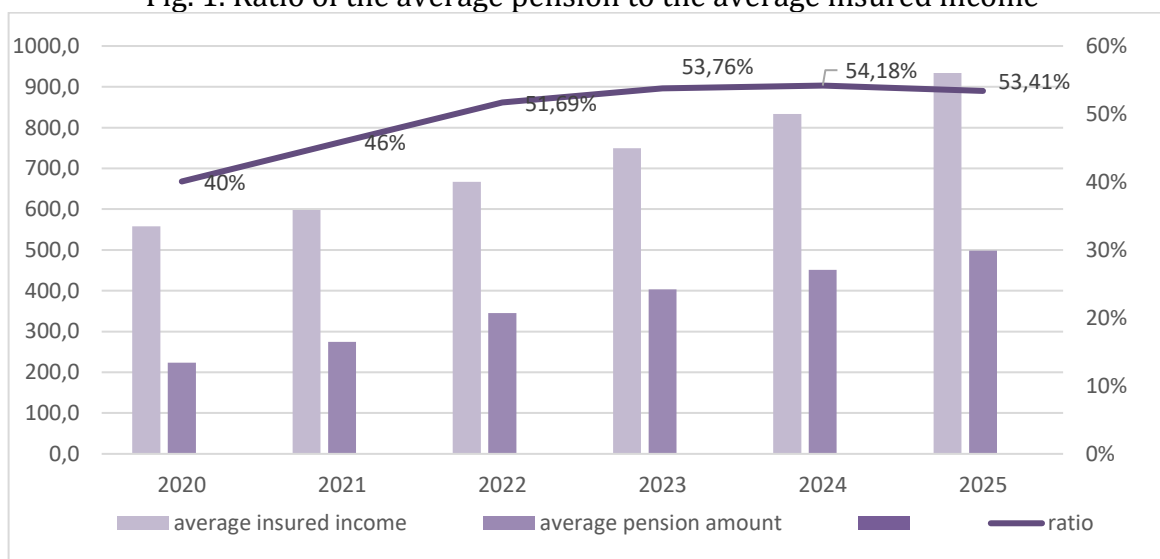
³ as of April 1, 2025

⁴ as of August 1, 2026

pressure for wage increases in the private sector.

For the third consecutive year, the average annual number of retirees in the country is projected to increase. In 2026, the number of retirees will rise by 0.53%. The nominal increase in the average pension amount will be 9%. In 2026, the average pension per retiree is projected to rise to 543.5 euros. Taking expected inflation into account, the real growth in pension income amounts to 4.5% (compared to 7.9% in 2025). In 2020, the average pension was 40% of the average insured income, and in 2025 it is 53.4% (no data available for 2026!). The rate of growth during the 2020–2023 period accelerated significantly as a result of measures to increase pension income, but subsequently stabilized at around 53–54%.

Fig. 1. Ratio of the average pension to the average insured income



Source: FC based on NSSI data.

A significant increase in pensions is again projected for 2026. This will be achieved through the application of the Swiss rule. Due to high inflation and the rapid growth of the average insured income, the Swiss rule ensures a high rate of pension growth. The accelerated rate of pension growth in recent years is due to several key factors. It began with supplements introduced as an anti-crisis measure during the pandemic. Subsequently, these supplements were increased, and what was originally a one-time measure

was effectively transformed into a permanent one by integrating them into the pensions themselves. An additional increase was implemented in line with the policy established in 2021 to maintain a minimum pension that is higher than the poverty line. The maximum pension was also raised to 3,400 BGN, bringing it in line with the maximum insured income.

The Fiscal Council has emphasized that the challenge of low pension incomes should be addressed through targeted policies. However, the preferred approach in recent years—generating a higher deficit financed by taking on additional debt—is not sustainable in the medium term. The rapid increase in pensions is leading to a larger shortfall in the state social security budget.

Key Policies

Revenue Policy

- Total revenue from social security contributions and transfers from the state budget to cover the social security system's funding shortfall for 2026 amounts to 15,265.8 million euros, compared to 14,004 million euros in the 2025 budget or an increase of 1,262 million euros, representing a 9% rise.
- Revenue from social security contributions (excluding transfers) is projected to amount to 8,352 million euros. The increase compared to the 2025 budget (7,710.45 million euros) is 641.6 million euros. In percentage terms, the growth is 8.3% (compared to 18.5% in 2025). The main factors contributing to the higher social security revenue are the 12.6% increase in the minimum social security income and the 8.9% increase in the maximum social security threshold.
- Social security revenue is growing at a slower rate than expenditures (8.3% versus 9%), but revenue from the transfer of funds from the second to the first pillar of the pension system increases significantly (2.7 times, or by

100 million euros), which offsets this, and ultimately the growth in total revenue exceeds that of expenditures. As a result of this, but primarily due to the higher GDP forecast, the system's deficit decreases from 5.44% to 5.17% of GDP (Fig. 2). In nominal terms, the deficit increases by 8.3% compared to 2025.

- The degree to which the social security system's expenditures are covered by revenues is decreasing—revenues cover 57% of expenditures in 2026, while in 2025, the coverage rate is 57.3%.

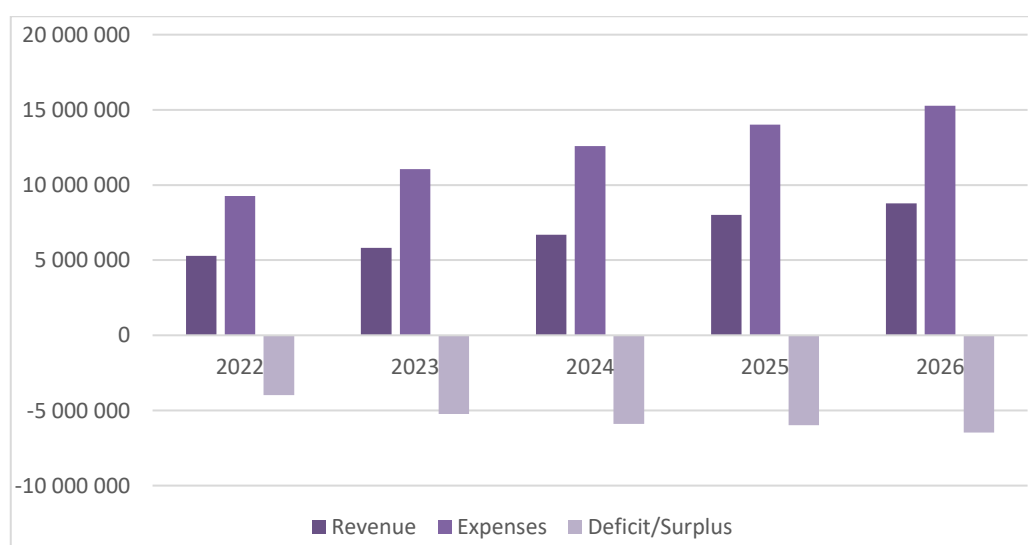
The trends in total revenue and transfers received to cover the funding shortfall for the period 2022–2026 are presented in Table 2.

Table 2: Revenues, Expenditures, and Deficit by Year

Indicators (thous. EUR)	2022 Report	2023 Report	2024 Report	2025 BSSSSA	2026 BSSSSA
REVENUE	5,282,504	5,823,529	6,697,573	8,018,944	8,786,119
<i>change</i>		10.24%	15.01%	19.73%	9.57%
EXPENSES	9,265,373	11,048,768	12,588,504	14,003,963	15,265,782
<i>change</i>		19.25%	13.94%	11.24%	9.01%
DEFICIT	-3,982,869	-5,225,240	-5,890,931	-5,985,019	-6,479,664
DEFICIT/GDP	4.59%	5.28%	5.40%	-5.44%	-5.17%

Source: FC based on NSSI data.

Fig. 2. Revenue, Expenditures, and Deficit by Year, in thousands of euros



Source: FC based on NSSI data

Expenditure Policy

In 2026, planned expenditures for the social security system amount to 15,265.8 million euros, which is 1,262 million euros more than the 2025 plan (a 9% increase). The Social Security Fund's budget for 2026 accounts for 26.9% of total expenditures in the consolidated fiscal program.

Pension Expenditures

The nominal amount of planned pension expenditures for 2026 is 13,505 million euros, compared to 12,325 million euros in the 2025 budget. The largest increase is planned precisely in this area. These expenditures are set to rise by 1,180 million euros, representing a 9% increase. For the sixth consecutive year, a significant increase in pension expenditures is projected.

Until 2019, there was a downward trend in the share of total pension expenditures in GDP, which reached 8.2%. Due to growth outpacing nominal GDP growth, this share is projected to rise from 9.3% in 2022 to 10.8% in 2026.

The growth in pension expenditures is primarily driven by the nominal increase in pension amounts, as the number of pensioners is expected to rise by only 0.53%. The annual trend in pension expenditures is shown in Table 3.

Table 3: Pension Expenditures by Year.

	2021	2022	2023	2024	2025	2026*
Pension expenditures, million euros	6,671.3	7,993.9	9,777.5	11,078.6	12,335.6	13,504.8
Rate of change, %	23.4%	19.8%	22.3%	13.3%	11.3%	9.6%
% of GDP	10.2%	9.3%	10.3%	10.7%	10.63%	10.8%

*plan

Source: FC based on NSSI data

The average pension will increase by 9% to 543.5 euros, up from 498.6 euros in 2025. Over the past few years, the increase in the average pension has been achieved primarily through accelerated indexation of the lowest

pensions, which undermines confidence in the pension system. The way this policy has been implemented has led to a convergence in pension income levels among people who have made different individual contributions to the social security system. Due to the accelerated growth rates of average insured income, there is also a significant disparity between the pensions of retirees who retired within a short time frame. The Fiscal Council supports the policy of increasing pensioners' incomes but believes this should be done in a fair and financially sustainable manner through the necessary reforms of the pension insurance model.

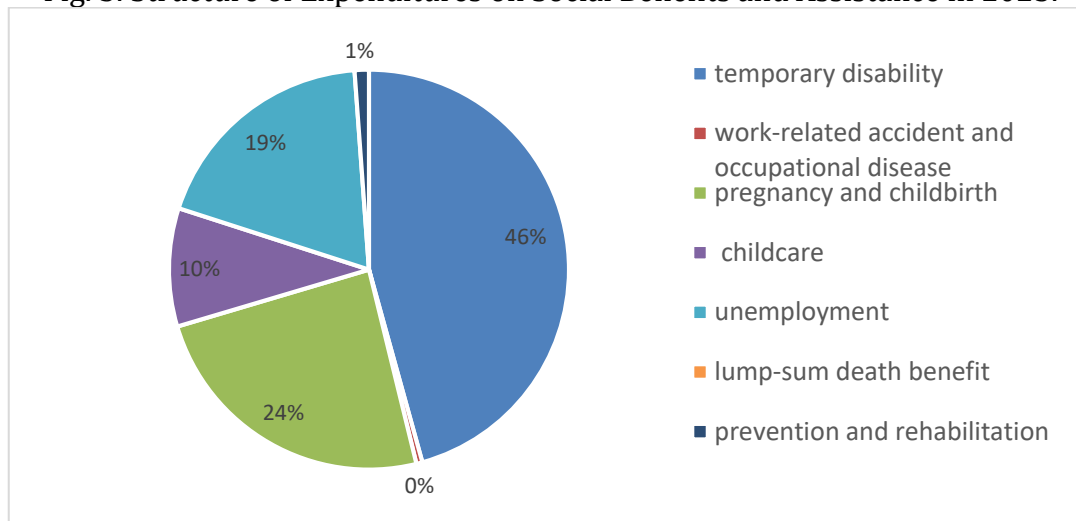
With regard to income replacement rates for 2026, the gross replacement rate decreases from 53.6 to 51.9 percent, and the net replacement rate decreases from 69 to 66.8 percent.

The “Pensions” Fund accounts for 80% of the State’s Social Security consolidated expenditures. Traditionally, this fund has run a deficit, but in 2026, the difference between its expenditures and revenues is expected to exceed 6.6 billion euros, indicating that 54% of pension expenditures are not covered by social security revenues (the same as in 2025).

Expenditures on Social Assistance and Benefits

Planned expenditures on social assistance and benefits in 2026 amount to 1,653.6 million euros, representing an increase of 81.901 million euros compared to the 2025 plan (5.2%, compared to 20.7% growth in 2025). As a share of GDP, social assistance and benefits remain at 1.3% (compared to 1.24% in 2024).

Fig. 3. Structure of Expenditures on Social Benefits and Assistance in 2025.



Source: FC, based on NSSI data

As shown in the graph (Fig. 3), 46% of expenditures are for temporary disability benefits. Funding for these benefits has shown a steady upward trend over the past few years. Following a record increase of 34.2% in the 2025 budget, the planned increase for 2026 is 15%, with expenditures reaching 755.1 million euros.

The number of days for which temporary disability benefits are expected to be paid in 2026 is decreasing—from 22,004 thousand days in 2025 to 21,132.1 thousand days (a 4% decrease). The average daily benefit is growing more slowly but still at a high rate—it is increasing by 19.5% (compared to a 29% increase in 2025) and is projected to be 35.73 euros, up from 29.9 euros last year.

The relative share of expenditures on pregnancy and childbirth remains at 24%, but the share of unemployment expenditures shrinks to 19%. Child-rearing expenditures shrink to 10%.

Maintaining a balanced social security budget is possible thanks to a transfer from the state budget to cover the shortfall. Despite the increase in social security revenues in 2026, the outpacing growth of expenditures requires the transfer to finance the shortfall to increase by 8.3% in nominal

terms compared to 2025. (as a share of GDP, it decreases from 5.4% to 5.2%).

Conclusions and Recommendations

- Expenditures in the 2026 Social Security Budget are increasing by 9% compared to the expenditures approved by the Social Security Budget Act for last year. A slowdown in the rate of increase is observed after 2023; however, the increase in social expenditures over the past five years—which has outpaced the usual growth in the incomes of insured persons—is straining the social security system.
- The pressure from these expenditures will inevitably lead to the need to increase the social security contribution rate, specifically in the “Pensions” fund, where the shortfall is greatest. The unfavorable demographic situation in Bulgaria will continue to intensify this pressure.
- Expenditures are growing at a faster rate (9%) than the projected growth in revenue from social security contributions (8.3%), which increases dependence on additional funding from the central budget.
- There is significant equalization in the amount of pensions received (primarily the minimum pensions). The link between contributions to the social security system and the amount of the pension received is not sufficiently taken into account. In this regard, the Fiscal Council recommends that the reform of the pension model focus on stimulating the development of the second pillar and strengthening the funded component of pension income.
- We believe that maintaining the amount of the child-rearing allowance for children up to age 2 at the 2023 level, given rising inflation, is unfair and fails to fulfill its social purpose. In this regard, the failure to adjust the daily unemployment benefit amounts also leads to a restriction of

insured persons' rights when the risk of unemployment materializes, while at the same time the tax base is broadened and contributions increase.

- The Fiscal Council welcomes the government's intention to align the social security burden for civil servants and judges with that of other employed persons in the economy, but believes that military personnel and police officers should also be included in the scope as of August 1 to avoid a dual system and create divisions among workers by sector. We also believe that the government should take advantage of the change in the social security regime to achieve fiscal consolidation and to reduce, to some extent, the already excessively inflated personnel costs. Moreover, it was precisely in these two sectors—which remain outside the scope of the changes for now—that salaries were drastically increased last year. This is why the Fiscal Council does not believe that compensation should be provided to cover the personal social security contributions of those affected by the change.

Conclusion

The Fiscal Council approves the Draft Consolidated Budget for State Social Security for 2026.

CHAIRMAN OF THE FISCAL COUNCIL:

DR. SIMEON DYANKOV