

# Actuality and Perspectives on Accounting in the Public Pension System in Romania

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## **ABSTRACT**

Information disseminated through accounting reports in the public pension system makes the connection of over 8 million people (taxpayers and retired) and the state regarding its ability to meet the expectations for a reasonable income, that is set correctly for the period in which the age or ability to work do not allow them to work any longer. This paper proposes an investigation of public pension accounting system from the moment accrual accounting was adopted and until the present day, in the same time with the transformations that the public pension system has been subjected to and identify directions for its improvement, given the manifestation of Europeanization and Internationalization phenomena and the perfect character of any activity domain. In order to reach the goal, we had in mind: the national regulations on the public pension system and public institutions accounting, the international standards of accounting for the public sector, the opinions and ideas on this subject that were published in the specialized literature, the statistical and financial reports. The approach is one of an investigative nature, regulatory, and constructive which creates perspectives for an analytical exploring of the improvement possibilities of the public pension system and its accounting, both serving the public interest.

**Key-words:** *Public Pensions, Accrual Accounting, Actuality, Perspectives, Accounting Standards*

## **1. Introduction**

In a world of globalization, of a explosion in the field of information technologies, of some major changes and developments in any field, the accounting has its place defined by its mission to serve the public interest, to provide quality information, to be a tool used to steer efficient management of funds and to provide relevant information in order to make good decisions.

In the field of accounting, the economic globalization is represented by the implementation of international standards concerning the financial reporting at a global level.

In the public institutions in Romania, including those who manage the public pension system, the reforming process started since the 90s of the twentieth century followed by a giant leap in 2005 when it was given a legal instrument (Order no. 1917/2005) for restructuring

budgetary accounting by” cash flow accounting supplementation with accounting obligations”, which would become operational in all public institutions a year later.

This paper aims to develop a diagnostic of the implications that accounting reform process of public institutions in the public pension system had, and based on its results, to identify some directions for improving the quality of accounting information, careful monitoring the current liabilities and potential sources their coverage, empowering decision making on the future generations to come.

Among the arguments that justify such an approach we can mention at least the following:

- the accounting profession and the academic field of accounting have made several requests for critical evaluation of the process of adopting accrual accounting in the public sector, but the specifics of each field, including the one represented by the public pension system require an analysis of the specific elements;

- the rules concerning the introduction of accrual accounting and the rules concerning the budgeting are respected because”it was requested” and not because it is required by the mentality (Pitulice, 2013, p. 61);

- the magnitude and the dimensions of the reform involve much more than a simple change of the accounting techniques, beyond the fact that the accounts science is inevitably oriented towards the requirements of the society’s knowledge, where the users’ need for complex information becomes a priority;

- the not too long experience of the European countries on the use of accrual accounting in the public sector etc.;

- although it was extensive and it had positive implications (economic growth, competitiveness, increased circulation of capital, cultural enrichment, internationalization of production, encouraging political and economic reforms etc.), the phenomenon of globalization gives us the other side of the shield (emphasizing the external and internal inequalities, the impoverishment of the cultural and national values, distancing the poor from the rich, uncertainty about the nation state, regionalization);

- the existence of a regional arrangement at an European level generates controversy on the accounting globalization.

In order to achieve the proposed aim we considered appropriate to address the nature of the accounting transformations that take place in the public sector in implementing the accrual accounting, in the exposure of some of the public system pension coordinates in applying the accrual accounting, in offering a diagnosis of the accounting in this system and in identifying some ways to analyze and improve these aspects.

## **2. Literature review**

Accrual Based Accounting - ABAC was in 2002 one of the tools included in the European Commission’s action plan for the modernization of EU finance management, which was a tool that became operational in 2005. The Federation of the European Experts Accountants recommended the use of accrual accounting in order to increase responsibility and transparency in the financial reports, providing higher quality information for planning an efficient management of financial resources in the public sector.

At an international level, the International Public Sector Accounting Standards (IPSAS) are considered items of significant improvement in the quality of financial reporting for public sector entities and” are likely to strengthen public financial management, leading to more informed assessments of decisions in order to allocate public financial resources and increase the level of transparency and responsibility” (IPSASB, 2013, p. 22). The European Union has decided to apply IPSAS in its own financial statements since 2005. Also, the World Bank and International Monetary Fund recommend applying IPSAS in the countries in which they are involved.

National accounting regulations have undergone in the past a complex process of change for compatibility, in order to comply with the European accounting regulations and harmonization with the international accounting standards of the public sector.

Although on the second place in the reform accounting process (at least in terms of temporality), this trend was circumscribed at the public institutions level, including the ones that manage the pension system (the retirement homes) since 2006, the year before Romania joined the EU.

Regarding the content of the regulations, the views expressed in the specialized accounting literature (which generally include the public pension system) highlight the progress made in the implementation of accrual accounting and the adoption of IPSAS, showing that the reform is partial, but it will continue. Specifically, to support the previously stated ideas, there are a number of points of view which argue that „it is more about a convergence of the national rules with the International Standards of the Public Sector Accounting than about harmonization or compliance towards them” (Ilie & Alecu, 2011, p. 37), consequently that some IPSAS were taken partly in Romanian regulation<sup>1</sup> and „the legal regulations in force at the national level are inspired by the IPSAS, without making a direct reference to these standards” (AF. nr Fülöp & Crişan, 2013, p. 24).

In addition, “the adoption of accrual accounting as a basis for reporting financial performance in the public sector is uncertain. On the one hand we can argue this claim on the fact that the development of the public accounting program started in 2005 has not advanced so far, and, on the other hand, there are no coercive methods in order to oblige the Public sector to apply the International Accounting Standards. Consequently, information on financial performance are confusing and the decisions that were taken accordingly are poorly substantiated and unrealistic” (Stefanescu & Turlea & Vladu, 2010, p. 36).

The idea of partially taking over the IPSAS’s is supported by other authors, who state „the essential elements of IPSAS or the accrual accounting, the concepts, the structure of financial statements, the accounting situations, the professional judgment, although incomplete, were adopted on the background of some concepts from the old public accounting system (Năstase & Toader & Albu & Ştefănescu & Kiss, 2014, p. 53). There were also adopted some new principles in the public accounting, as well as the principle of prudence which involves predicting the likely losses, the principle of the independence of exercises required to be applied in the accrual accounting (Ristea & Jianu & Jianu, 2010, p. 185).

Accounting Reform in the public pension system entail increased responsibilities taken by the management of the institution that manages it (the retirement homes) and their

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<sup>1</sup> <http://ceccar.ro/ro/wp-content/uploads/2013/11/Rolul-Curtii-de-Conturi-a-Romaniei.pdf>

functionaries; the analytical organization of accounting by adding some elements to the technical tools (sector code, funding source, budget classification code); a better management of the public money; the transparency of public information.

The adoption of IPSAS, as an aim of accounting in the public pension system, is a desirable approach because of its many advantages: “significant increase in the quality of financial reporting (...); increase of the credibility and transparency in presenting the information; a better internal control and a greater transparency of assets and liabilities; more detailed information on costs in facilitating management oriented towards the results; useful information that facilitates the management of resources, providing effective benefits and achieving results; assessing the responsibility of all resources that the public institution manages; making decisions about providing resources or developing new activities; assessing the financial situation, the performance and the cash flows; a greater consistency and better comparability of financial statements because of the fact that each standard requires disclosure of uniform, detailed and specific information” (Tiron Tudor, 2012).

Although globalization is a phenomenon present in the forefront of the economic life, it may risk having a softer successor, the „cosmopolitanism”. Its aim is „the disclosure of the legal, cultural and ethical base and of the political order in a world where communities and political states matter, but it does not concern them exclusively. (Held, 2003 quoted by Diaconu & Coman & Gorgan & Gorgan, 2009, p. 37).

Does the cosmopolitanism mean that the accounting has passed the test of maturity?

### **3. Statistical coordinates on the Romanian public pension system**

Undertaking an investigation into the accounting of the pension system is a difficult task (and) because of the complexity of the system and because of the huge task that the accounting has to be the mirror of its accounts to help both the internal management as well as the other category of users in making decisions.

The year 2000 brought new legislative patterns for the public pension system in Romania. It was the year when the Law no. 19 was adopted, regarding public pensions and other social insurance rights, a law which became operational in April 2001. Among the reforming elements, we can mention the following:

- the gradual increase in the retirement age, 5 years for both women (60 years) and men (up to 65). Later, according to the Law 263/2010 regarding the unitary system of public pension it was set the standard retirement age for women at 63 years old;
- a way to determine the size of pension points inspired by the German system (in EU this system is used in France and Slovakia (Seitan & Arteni & Nedu, 2012, p. 79);
- considering the entire contributory period when calculating the size of the pension, and structuring working conditions into three categories: normal, special (heavy) and special (very heavy).

Funding public pension system is contributory and it is realized by the social state insurance budget, based on the social insurance contributions owed by employers, the insured people and those who provide voluntarily under an insurance contract.

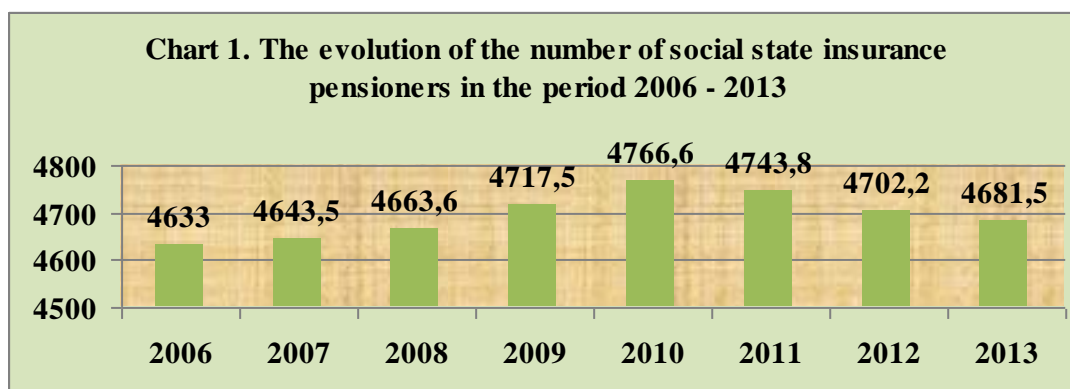
Subsequently, the Law 263/2010 on the unitary system of public pension, with subsequent modifications and completions provided an adjustment of the public pension system by:

- the modification of the conditions for granting early retirement (reducing with two years the number of years that exceeds the full contribution period in order to benefit from this pension);
- establishing new scores (lower by 0.05 points) for the potential contribution period for - the invalidity pensions);
- establishing a single coefficient (increased) to reduce the amount of partial early retirement, regardless of the number of anticipation months, meant to discourage people to choose this form of retirement;
- increasing the complete contribution stage by 5 years for women (so it became uniform for women and men, respectively 35);
- the possibility for children to accumulate the survivor's pension with other revenues from situations where insurance is compulsory, regardless of their size;
- the introduction of minimum social pension guaranteed as a form of social help for the retirees who have very small pensions, which was replaced in June 2010 by the social pension because it is not related by employment length in the public pension system, but more for social reasons etc.

Both good and bad, as in any field ... Only from a financial point of view we can appreciate the intention to reduce the financial burden for unsustainability risk by orienting towards the anticipated and partial pension and towards the women beneficiary of the pension.

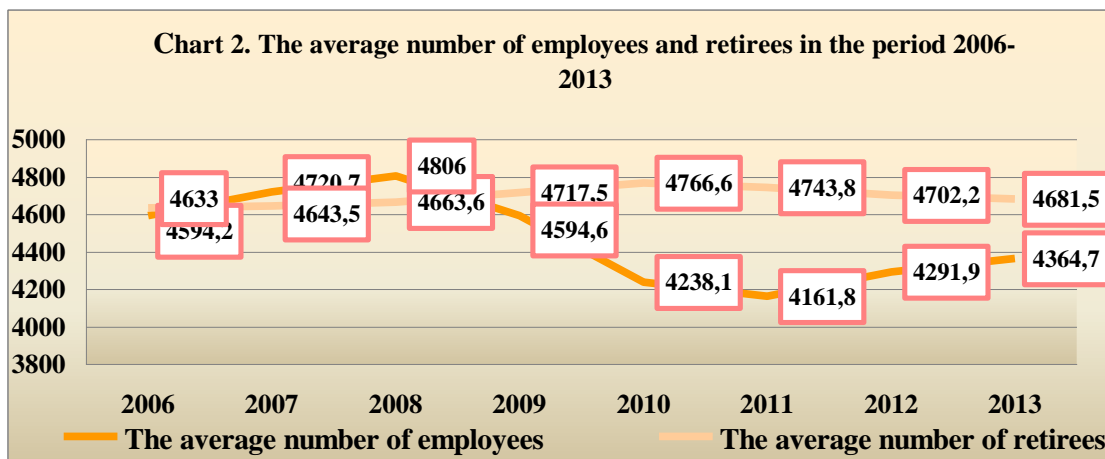
Naturally, the legislation, the demographics, the economic, social and political factors have determined the evolution of the parameters on which the public pension system is built, which we present in a chart over the period 2006 -2013.

So, the evolution of the number of social state insurance pensioners in the period 2006 - 2013 is reflected in the chart below:

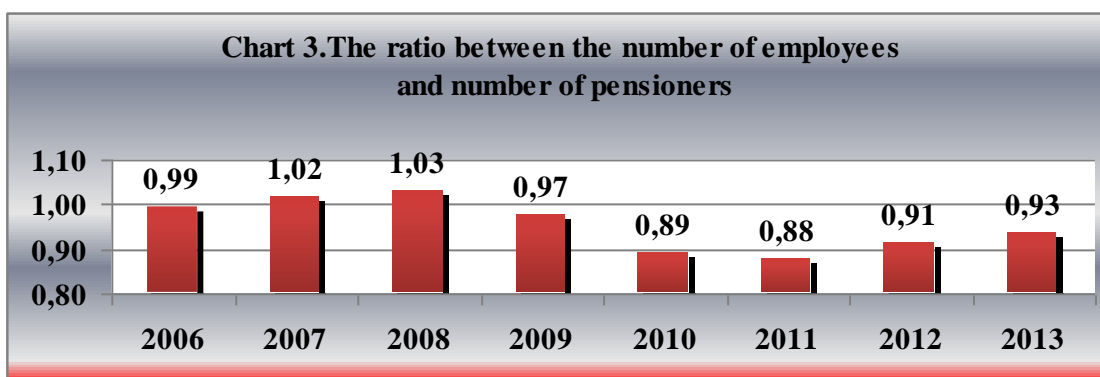


Source: <http://www.mmuncii.ro/i33/index.php/ro/transparenta/statistici/date-statistic>

The intergenerational aspect, which deals with the average number of employees and pensioners in the period 2006-2013, can be followed in the chart 2:

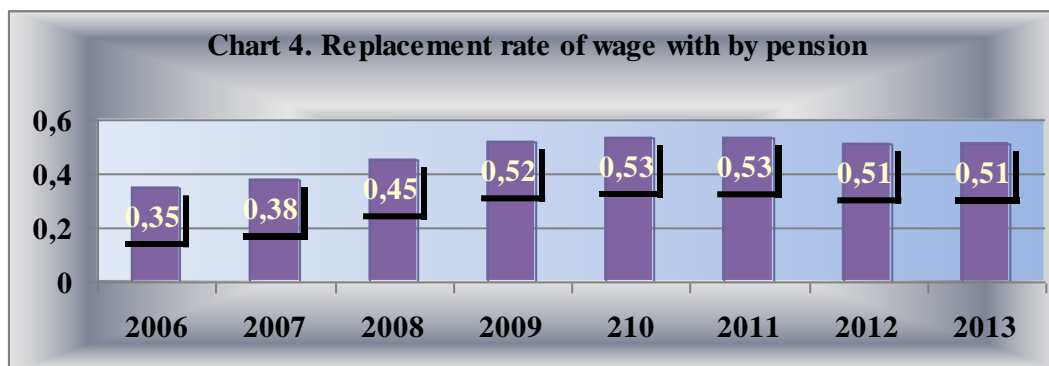


The ratio between the number of employees and number of pensioners is an important indicator in assessing the public pension system, given its contributory financing. The chart below shows the evolution of the ratio between the years 2006-2013:



Source: <http://www.mmuncii.ro/j33/index.php/ro/transparenta/statistici/date-statistic>

Public pension benefits constitute a sensitive subject, addressing individuals, who in addition to provide the basic needs, also need financial resources to take care of their health. In relation to the main source of income (the salary) of the active persons, the pension amount is as follows (chart 4):



Source: <http://www.mmuncii.ro/j33/index.php/ro/transparenta/statistici/date-statistic>

The financial sustainability of the public pension system is threatened by aging, caused by important factors, namely, the increasing of life expectancy of the population, the declining of birth rates, the increasing of migration, the economic development etc.

Life expectancy at the age of 65 is likely to increase in 2030 to 75.3 years for men and 81.6 years for women, and in 2050 the indicator is forecasted to 79.8 years for men and 85.1 years for women. Regarding the fertility rate, which in recent years was 1.3 children/woman, the EU estimates for Romania that this indicator stands below the European average, namely 1.45 children/woman in 2030 to 1.64 children/woman at the European level and under the natural replacement rate of 2.1? In 2050 the indicator for our country will have the value of 1.51. Although in previous years Romania has experienced a major stream of emigration, it seems, that this will change in the following years (Seitan & Arteni & Nedu, 2012, p. 89, 87, 90).

The legislative changes for the public pension system generate direct action on the decision factors. The legislative changes in the field require a constructive exchange of ideas between those who know the mechanisms of the public pension system and the ones who practice the accounting, between the theoreticians and practitioners in both fields, but also of related areas which influence the system to which we refer (demography, social protection etc.). It is necessary that the professional accountant knows in detail the functioning mechanisms of the public pension system in order to be able to make contributions to improve its accounting and therefore to have information on which the decisions that will affect the future generations are made.

#### **4. Diagnosis of the accrual accounting in the public pension system**

At the level of regulatory accounting in the public pension system, the budgetary accounting that reflects „what they knew better: income received and the expenses paid” (Dragan, 2005, p. 12) and is added (from 2005) the mission to observe the rights and obligations to reflect the evolution of the financial and patrimonial surplus or deficit heritage. Moreover, the very Accounting Law no. 82/991 provides the coexistence of the accrual accounting with the general accounting by specifying the components of the public accounting, which includes also the income and the expenditure accounting, and the general accounting based on the principle of establishing the rights and the obligations.

Making small steps, but in coordination with the accounting reforms at an European and international level, some “experimentation” of implementing the accrual accounting in the

public pension system has been made, since the beginning of 2013, due to the provisions of Order no. 1746/2002 approving the Methodological Norms regarding the organization and management of the accounting assets of public institutions (The National House of Pensions and Other Social Insurance Rights, from there on it stood among the public institutions designated to apply experimentally the accrual accounting). The results of this experience are not known, but probably the current accounting regulations were approved according to the results of this experience. There is a research on how the regulations of IPSAS (IPSAS 1 „Presentation of Financial Statements”, IPSAS 2 „The Statement of Cash Flows”, IPSAS 24 „Presenting the budget information in financial statements”, IPSAS 17 „Tangible” IPSAS 12 „Inventories”, IPSAS 14 „Events following the balance sheet” IPSAS 5 „the borrowing costs”) have been transposed (using the indirect method) in the Romanian regulations (Ilie & Alecu, 2011) and, consequently, they were applied in the accounting of public institutions.

Obviously, the issue is complex and it is also valid for the institutions that manage the public pension system, where there were noticed, among others, omissions regarding: failure to present items of income and expenses in the statement of financial performance, the simplistic method of preparation the cash flow, non-inclusion in the changes statement of the net assets/equity the modifying effects of the accounting politics and of the items of income and expense recognized in the net assets, the „neglect” of some cost elements of the assets, a differentiated accounting treatment in terms of increasing or decreasing the value of the assets depreciable and non-depreciable, the depreciation adjustments have an optional character, the voidness of information regarding the events which follow the date of the balance sheet and to what extent they require or do not require the adjustment of the financial statements.

Also we can notice the non-differentiation between heritage assets and the infrastructure assets, at least in the terminology level and the assumption of elements found in ISAS 9 „Revenue from exchange transactions”, IPSAS 23, „Revenue from transactions other than those of exchange (taxes and transfers)”.

Taking into account the nature of the activities undertaken in the public pension system, we cannot omit IPSAS 19, „Provisions, Contingent Liabilities, Contingent Assets”, which define the concepts of implied obligation, the onerous contract, the contingent liability, the contingent asset and which the national legislation and the accounting practice never took over.

According to IPSAS 19 a provision is a liability placed in time or with an uncertain value (IPSASB, p. 641), which can be recognized only if:

- an entity has the present obligation (legal or implicit) as a result of a past event;
- it is likely that in order to settle the obligation there is required an outflow of resources which embody economic benefits or potential services; and
- a reliable estimation of the obligation amount can be realized (IPSASB, p 643).

It is our belief that at least some of the following elements justify the establishment of provisions for pensions:

- achieving the minimum contribution period of 15 years by the insured and receiving from them the social security contributions, his insurance status or his successor’ generates a legal obligation;
- for the settlement of the obligation, public financial resources are required;



- accounting estimates „represent an approximation of the value of an element in the absence of precise means of measurement”<sup>2</sup>. The amount recognized as a provision is the best estimate of the costs required to settle the current obligation at the balance sheet date.

The estimation process involves judgments based on the latest information available at the time the estimate is performed. An estimate may need revision at each reporting date whether there are changes in the circumstances on which it was based as a result of new information provided or of a better experience.

According to the current progress in computer science, the electronic collecting of data about the insured, we may consider that an assessment of the amount that will be paid as pension, in order to rationally settle in the future these debts towards the current generation.

The problem is, however, the optional character of the provisions constitution at the level of pension houses, although their recognition would improve the image of pension system and its potential liabilities. The situation is similar to the case of claims for state social insurance budget which need adjustments for their depreciation, as long as the cashing degree is quite high (almost 40% in 2012, according to the Court of Auditors’ public report).

The International Public Sector Accounting Standards Board (IPSASB) aims to improve quality and transparency of financial reporting in the public sector, by providing better information for the financial management and the decision-making process (IPSASB, p. 11). In this respect it supports the convergence of national and international accounting standards for public sector as well as the convergence of statistical bases and accounting financial reporting.

The components of financial reports, including the ones for the public pension system are the following: financial statements, budget execution and statistic reports.

According to IPSAS 1 „Financial statements aim to meet the needs of users who are unable to demand reports adjusted in order to meet their need for specific information (IPSASB, p. 85).

Among the users of financial statements we can identify the taxpayers. They have access to the data that generates the financial position, as presented in the balance sheet, as well as those found in the budgetary account (income and expenditures, respectively in various stages of their realization/execution)<sup>3</sup>.

The other components of the financial statements, respectively, the result of the patrimonial account, the cash flow statement, and the statement of changes in the structure of net asset/equity and the notes are missing from the reach. This information may also contribute in creating an image of the evolution of public pension system.

We wonder also how can the insured assess to what extent the insured public pension system will be able to honor its obligations towards him?

It is true that there is statistical data about the evolution of the numbers of employees, the pensioners and the unemployed, the average of the benefits they get, the contribution rates, the evolution of the pension point etc., which obviously reflect the great progress made in the direction of improving the statistical reports of social nature. These data, however, depicts the past and allows us to have an image of the present, on the suppliers of public retirement benefits. In this context, we consider it absolutely necessary the intervention of the

<sup>2</sup> <http://auditeam.ro/wp-content/uploads/540-Estimari-contabile.pdf>

<sup>3</sup> <http://www.cnpas.org/portal/media-type/html/language/ro/user/anon/page/buget>

accounting professional and of the public management to provide information to the insured in order to ensure the financial sustainability of the system, to take measures in this direction, in correlation with demographic, economic projections etc.

By law (Law 263/2010, art. 50) the certified taxpayers are insured by the National House of Public Pensions and retirement sector homes, ex officio, every two years, the length of employment, expressed in days from the calendar. But it does not help to know the score and the length of employment, if there are not sufficient financial resources at the moment of retirement. In a period in which the activity areas are in an efficient communication, the public pension system accounting must be correlated not only with public finances, due to the role of social insured state budget, but also with internal audit, internal control, external audit exercised by Court of Auditors.

The internal audit ensures the efficient management of assets, liabilities, income and expenses of the public pension system to an accounting and an informatics' management reliable and effective in order to improve the activity of the institutions they manage. Practice shows that 20-25% of internal audit activities are subject to financial and accounting activities (Ghita, 2006).

The internal control allows the analysis of the real situation of the public pension system and the correction of identified errors. The analysis also aims the compliance with the current legislation, efficiency in the use of resources of the public pension system, the reliability of financial information, the prevention and control of risks, a good functioning of the internal activity. Accounting and financial internal control covers the entire process of obtaining and communicating accounting and financial information and contributes to a reliable and adequate of the legal requirements. Therefore, it is important that procedures and internal control standards are respected and followed very closely for them to be able to accomplish their mission.

The delicate situation of how public pension system is managed can be reflected in the public reports of the Court of Auditors. In the report for the year 2012<sup>4</sup> we can find, among others, several aspects which need improvement: incorrect determination of the patrimonial result by including in the reposted result some expenses for the current financial year; not collecting in the social state insurance budget some revenues from persons who qualified for compulsory insurance because of the lack of monitoring and coordination; illegal payment of pensions from the social state insurance budget for which there were not conducted the termination payment of pensions in the month following the death, illegal retirement pay for persons who have concurrently benefited from salary income, discrepancies between the financial data and the financial situations declared by the employers, reposting some erroneous claims from the social state insurance budget, maintaining unjustified debts representing uncollected duties; there were not applied all the procedures for compulsory enforcement of the social state insurance budget debts etc.

The foregoing considerations underscore the internationalization of accounting in the pension system, the inconsistency in the application of accrual accounting, and the need to harness the potential of accounting information, in correlation with the information offered by

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<sup>4</sup> [http://www.curteadeconturi.ro/Publicatii/Raport\\_public\\_2012.pdf](http://www.curteadeconturi.ro/Publicatii/Raport_public_2012.pdf)

its complementary fields (internal audit and control, financial auditing) to improve performance and an efficient management of public funds for pensions.

### **5. Some directions for improving the accounting information on the public pension system**

*Prudence and the need to recognize provisions for pensions and budget adjustments for depreciation of budget debts*

„Prudence is the art of controlling risk” (A. Paleologu). In terms of accounting prudence means reasonable assessment of the facts so as to avoid the risk of transfer in the future, the uncertainties of the present, which may strike an entity’s financial position and results.

Prudence requires taking into account all obligations and potential losses that arose during the financial year or during a previous exercise, even if such obligations or losses arise between the end of the year and the balance sheet date. Also, we need to consider the adjustments due to depreciation, whether the result of the exercise is a patrimonial surplus or a deficit (given the importance, the necessity and the urgency for the payment of pensions, the state social insurance budget execution must be balanced).

According to regulations in the public pension system must be prepared for a financial statement that gives a true and fair view of the assets, liabilities, net assets and of the financial performance and the patrimonial outcome. In theory all is said and done. But in reality? Is it a fair image of the public pension system without the acknowledgment of the possible debts and claims?

*Exploration and exploitation of information capabilities*

The informational society is a certainty of today’s world. The accounting information system „could help solve these problems” by ”integrating accounting in knowledge of economy” (Dimitriu, 2007) through better use of accounting information valences (it is considered that if its basic principles are properly applied there is no question of increasing their meanings but better use of their value) by using the appropriate computer products.

The informational system - accounting and its final component – the offer of accounting information - will be influenced by economic, political, social, legal factors, by the conflicts of interest between different stakeholders and by the conceptualization and normalization of accounting (Berheci, 2010).

In this context „there are more and more important the elements such as access to information, their transmission speed, speed in decision making, the staff mobility and the flexibility in managing accounting activities” (Ionescu & Prichici & Tudoran, 2014).

In order to improve the accounting informational system we do not exclude the possibility of operating the public pension system using the cloud accounting technology (accounting application that is accessible from anywhere there is internet connection, without the need to install and manage their own servers), identifying the causes that adversely affect the communication of information and some ways to avoid disruptions in supplying them, the psychological approach of information by analyzing the users’ reactions etc.

Modern and efficient information systems facilitate collaboration and communication between institutions, so that erroneous data is removed. They form the paths for transmitting,

analyzing and storing accounting information. The careful review of the existing IT systems is a key element of the reform<sup>5</sup>.

A step in this direction was made by implementing the project FOREXEBUG, the Ministry of Public Finance targeted „for a new form of reporting budget execution and financial statements (including information related to legal commitments) submitted monthly by each institution published, in an electronic format, standardized, secured, with increased reliability of the data collected by cross-validation with data from treasury and providing reliable information for internal use MFP, public institutions, of other relevant institutions and the public both the detail level and enhanced on various levels, in addition to their use for multi-criteria analysis and time series by creating a dedicated computer system and integrated information system of the MFP”<sup>6</sup>

It remains to analyze to what extent this „reporting form” electronics streamline will make work more efficient in the public pension system, by reporting financial statements and disclosure of details on the use of the public funds in accordance with budgetary classification.

#### *European standards for the public sector?*

The cosmopolitanism we have mentioned above, but at the same time harmonizing the use of these international accounting standards with current needs and requirements of the EU countries creates the premise of promoting European Financial Reporting Standards for the Public Sector (EPSAS).

There were established three steps to be taken in this regard: the first, which was concluded in mid-2014 aimed at communication and public consultations with Member States; the second phase, scheduled to take place by the end of 2015, aims to develop a framework regulation in which it would be established the structures and the governing procedures in EPSAS as well as a medium-term work program; the third stage, between the end of 2015, 2020 EPSAS is reserved for approval in the European Union and their gradual implementation in the Member States<sup>7</sup>.

The adoption of a harmonized accounting framework and integrated reporting at European level would make it possible to determine the public debt and direct deficit based on accounting data, in this way public accounting would gain strategic meanings.

A modern public accounting renovated and harmonized through the gradual integration of EPSAS standards, taking into account the legal and economic specifics in each country is a „fundamental common language of sound budgetary policy at national and European level” as the European Council President, Van Rompuy, has shown (Alecú & Baros, 2013).

## **6. Conclusions**

The public pension system is facing a difficulty in balancing the limited financial resources and the social obligation to provide pension benefits for the ones that supported the system in their in active period or for their followers.

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<sup>5</sup> [http://ec.europa.eu/budget/library/biblio/publications/modern\\_accounts/modernising\\_EU\\_accounts\\_ro.pdf](http://ec.europa.eu/budget/library/biblio/publications/modern_accounts/modernising_EU_accounts_ro.pdf)

<sup>6</sup> <http://codfiscal.net/40733/proiectul-forexebug-sistemul-electronic-de-raportare-situatiilor-financiare-din-sectorul-public>

<sup>7</sup> <http://ceccar.ro/ro/wp-content/uploads/2013/11/Rolul-Curtii-de-Conturi-a-Romaniei.pdf>

The reform of the public pension system should be made in the short term, so as to avoid unnecessary costs increase, because capping the structural deficits, as established by the Stability and Growth Pact and the EU Fiscal Treaty, obliges the EU states to take measures for a fiscal consolidation.

In this context, financial and accounting information are essential to effective management and providing quality information to users.

It is an obvious evolution of accounting under the influence of various factors: economic, social, cultural, political information in order to meet current requirements. Evolution of pension systems is also in a constant dynamic. Accounting must prove not only that it can reflect the true reality within them, but also to help identify solutions for a better management of resources and uses, the principle of intergenerational equity, increase of confidence, achieving global performance and so on.

Accounting for the public pension system follows the evolutionary accounting at the level of public institutions in terms of adopting accrual accounting and partial implementation of IPSAS. We believe that the accounting regulations are "those who set the tone" in the modernization and improvement of accounting in the public pension system. In our opinion, these provisions were applied in accounting public pension system, but their content should be substantially improved by connecting to the provisions of European and international accounting regulations. The reformer's giant leap made in 2005 was followed by a rather slow evolutionary process (several conceptual additions were necessary, on different accounting treatments, granting a stronger importance on the cash flow situation by increasing information relating to it, the same terminology with the terminology used in the private sector if possible etc.).

The aim is to enable real and reliable accounting information outlining appropriate measures of performance management, able to monitor the complex risks arising from activities undertaken in the public pension system. In this respect there should not be neglected the progress of information technologies that allow a better exploitation and valorization of the power of accounting information.

We also advocate for the active involvement of the professional accountant in accounting and financial reporting, in this way improving the public pension system, improving financial communication by presenting a true and fair view in both accounts and viable solutions for the effective management of all resources.

„Accountants are in the middle of a triangle, they must evaluate the reasoning of managements, to apply their own professional judgment and they will be judged by the regulatory bodies, by the public, by investors" (Ristea & Lepadatu & Dumitru, 2009, p. 52).

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