

Agency for Supervision of Fully Funded Pension Insurance
(MAPAS)

REPORT

On the Developments in the Fully Funded Pension Insurance in 2013

Skopje, April 2014

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Foreword



Dear reader,

It is my honor and pleasure to present the eight annual Report on the Developments in the Fully Funded Pension Insurance of the Agency for supervision of Fully Funded Pension insurance. This report is a witness of the accomplished results and the advantages of the reformed pension system. Upon completion of 2013 we have marked the eight anniversary of the completely operational mandatory fully funded pension insurance (or second pillar) and the fourth anniversary of the voluntary fully funded pension insurance (or third pillar).

As per the Law on Mandatory Fully Funded Pension Insurance, the Agency for Supervision of Fully Funded Pension Insurance (MAPAS) is obligated to prepare and publish an annual report on the developments in this type of insurance in the Republic of Macedonia. This Report is prepared by the Research and International Cooperation Sector in MAPAS and it is adopted by the Council of Experts of MAPAS. It consists of a description of the features of the fully funded pension insurance, information on the fully funded pension insurance, assessment on the enforcement of regulation in the fully funded pension insurance and other data of relevance for this type of insurance.. This report refers to the developments in 2013, and it elaborates in detail both components of the system, the second and the third pillar. The membership in the mandatory fully funded pension insurance continued on a regular basis in 2013, and the number of members reached 350,000. The investments of the second pillar assets reached 27 billion denars (or approximately 400 million euro), which represents around 5.65% of the GDP. The investment portfolio of the mandatory private pension funds is consisted of investment in domestic government securities, deposits and shares, as well as investments abroad in shares and investment funds' participation units. As a result of the performance in the past seven years, at the end of 2013, the mandatory pension funds reached an average weighted return in the nominal value of 5.31%, or 2.27% of average weighted return in real annual value.

By the end of 2013, the voluntary private pension funds had 18,500 members (as individual members or as members of occupational schemes), where the numbers of members in occupational schemes is dominant (around 73% of the total membership). The investment portfolio of the voluntary private pension funds is consisted of investment in domestic government securities, deposits and shares, as well as investments abroad.

At the end of 2013, the investments of the third pillar assets reached 318 million denars (or approximately 5 million euro), which represents around 0.07% of the GDP. As a result of the performance in the past four years, at the end of 2013, the voluntary pension funds reached an average weighted return in the nominal value from 6.08% to 6.52% or an average weighted return in real annual value from 3% to 3.42%.

One of the most important features of pension savings is that this is a long-term saving (having in mind that the average career length of a person is from 30 to 40 years), so the accomplishments of any pension system should be evaluated from this prism. In any case, the developments in such systems must be continuously monitored in order to be able to take measures, which would enhance and improve the system towards better protection of the interests of the pension funds members and their old-age savings.

The Agency for supervision of Fully Funded Pension Insurance shall continue to supervise the pension companies, pension funds and custodians and shall work on the promotion of the system and on the enhancement of the public's awareness. The Agency will cooperate with relevant institutions in the financial area, all in the direction to accomplish its Mission, which is to protect the interests of the pension funds members and to enhance the development of the fully funded pension insurance towards safer retirement days for the citizens of the Republic of Macedonia.

I believe that the readers of this very extensive report will find interesting and useful information in it, and that the report will offer a clearer picture for the second and third pillar in our country.

*Chairman of the Council of Experts
Bulent Dervishi, PhD*



1

Fully Funded Pension Insurance Structure

1.1 Description of the pension system in the Republic of Macedonia

1.2 The role of the fully funded pension insurance in the pension system

1.3 Institutional infrastructure of the fully funded pension insurance

1.1 Description of the pension system in the Republic of Macedonia

The pension system in the Republic of Macedonia is part of the comprehensive social insurance and it has the following structure:

- Generational solidarity – based insurance (first pillar)
- Mandatory fully funded pension insurance (second pillar)
- Voluntary fully funded pension insurance (third pillar)

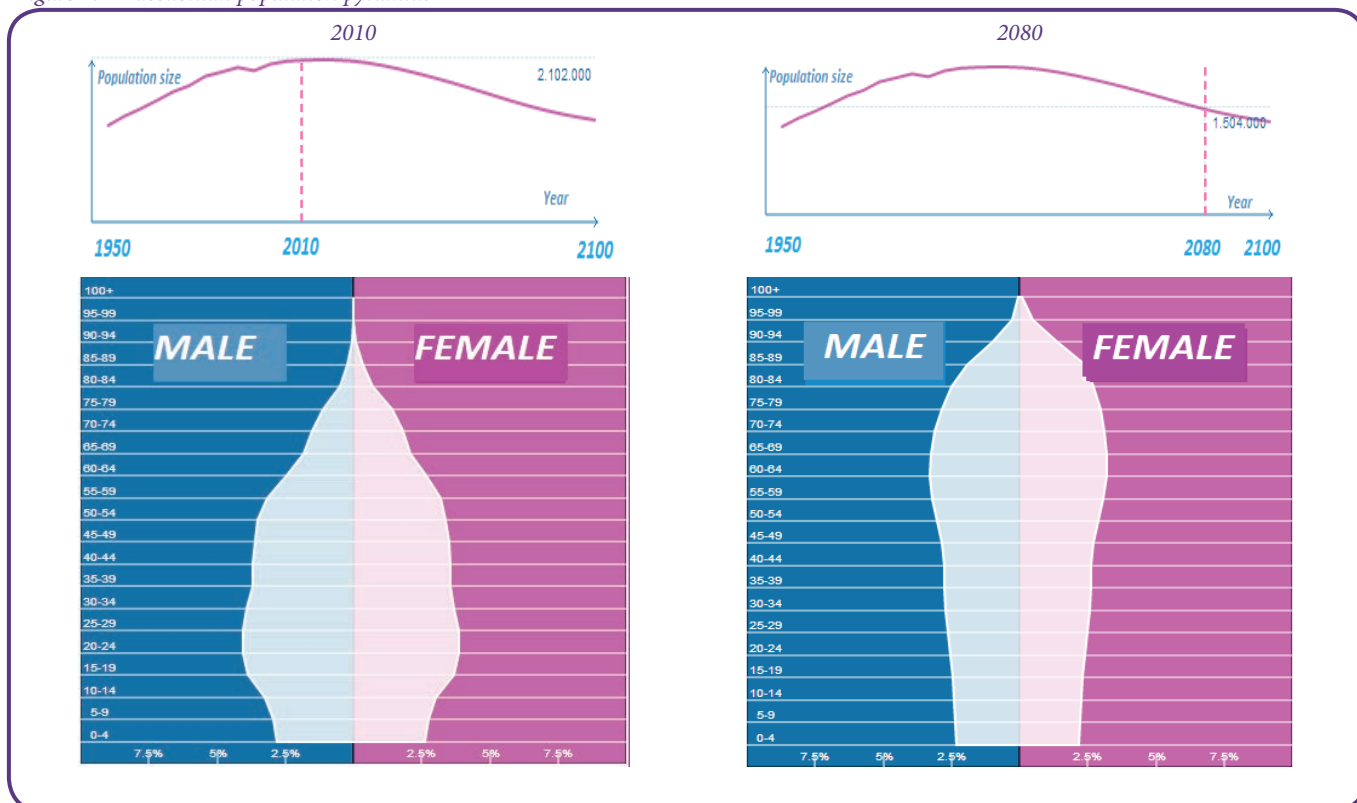
This structure is the product of a thorough reform of the pension system, which had been prepared for several years and before its legal framework had been actually established in 2000. The pension system in the Republic of Macedonia is regulated with four key laws and numerous secondary regulations. These regulations are: the Law on pension and Disability Insurance („Official Gazette of the Republic of Macedonia” No. 98/2012, 166/2012 and 15/2013), the Law on Mandatory Fully Funded Pension Insurance („Official Gazette of the Republic of Macedonia” No. 29/2002, 85/2003, 40/2004, 113/2005, 29/2007, 88/2008, 48/2009, 50/2010, 171/2010, 36/2011, 98/2012, 13/2013, 164/2013 and 44/2014), Law on Voluntary Fully Funded Pension Insurance („Official Gazette of the Republic of Macedonia” No. 7/2008, 124/2010, 17/2011

и 13/2013), the Law on Payment of Pensions and Pension Benefits from the Fully Funded Pension Insurance („Official Gazette of the Republic of Macedonia” No. 11/2012) and the secondary regulations that further regulate relevant areas of the pension system.

The Macedonian pension system has a long history of existence; it has a rather extensive coverage of the labor force and in the provision of pension benefits for the retirees. However, the social and economic turmoil at the beginning of the 90s left their mark on the pension system, causing financial difficulties within the system. These difficulties were caused by the unfavorable developments of the economy and the reduction of the active insured members of the system, reduced contribution collection and increased number of retired persons. This led to increased costs for the payout of pension benefits.

Demographics have strong influence over the pension system. On one side, due to improved living and medical conditions, people tend to live longer, all over the world, and, on the other side, the number of newly-born is constantly

Figure 1.1 Macedonian population pyramids



Source: United Nations, Department of Economic and Social Affairs, Population Division) (2012

decreasing, which leads to the overall result of older population participating more in the total population of the world.

Population pyramids as shown on Figure 1.1, illustrate the change in the population structure by age groups, for the period from 2010 to 2080 (projections).

From the above projections, it is obvious that the young population in Macedonia in 2080 will be significantly lower in comparison to 2010, while the older population is growing in the same span of years. Namely, in 2010, the age groups between 20 and 29 years have the highest participation, however in 2080, the highest participation in the total population belongs to the age group from 60 to 65 years.

In addition to this, the projections of the Actuarial Unit in the Pension and Disability Insurance Fund demonstrate that this trend shall persist in the future. One of the most common indicators for measuring the aging of the population is the ratio of old population (above 65 years of age) to the active population (at the age from 18 to 64). The Figure 1.2 shows both groups in numbers and in relation to each other.

It is expected that in 2060, the ratio of these two groups shall increase from the current 17.68% to 53,03%, while in 2080 it will decrease to 47.34%, which means that on a long-run one third of the population above the age of 18 years will be old population.

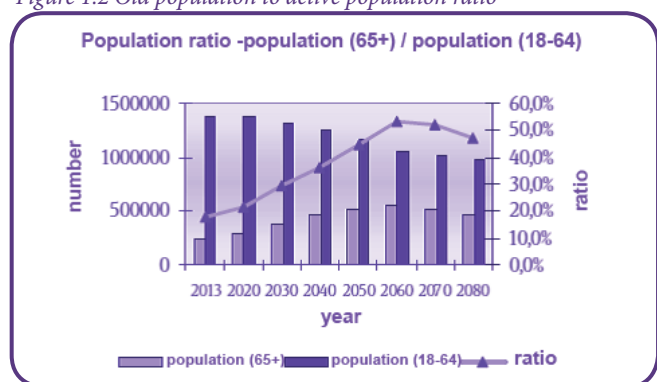
For the pension system, such demographic movements mean that the number of retired persons shall increase and the number of years in which such persons shall be pension beneficiaries shall increase as well. At the same time, this means that the number of insured persons shall decrease. The actuarial projections, which were prepared in the period of contemplation of the pension reform, demonstrate that on a long run, such factors might have huge negative impact on the solvency of the Pension and Disability Insurance Fund and, without reforms, the system might face a huge and increasing deficit over the years.

In order to meet the expected changes, the pension and disability insurance in our country was thoroughly reformed, which resulted in the introduction of a three-pillar pension system. This system includes a combined financing of the future pension benefits and diversification of the economic and demographic risks, which should provide for a safer retirement income for the current and future generations of pensioners and a long-term stability of the pension system as a whole.

The first pillar is financed on a generational solidarity basis (PAYG), which means that the pension benefits for the current pensioners are paid out from the contributions of the current insured persons. This pillar is defined benefit pillar, which means that it provides the benefits according to a predetermined formula. The first pillar pays out the following benefits: old-age, disability and survivors pension benefits, as well as the minimum pension benefit. The third and the second pillars are newly introduced and they mark the introduction of the fully funded pension insurance, which capitalizes the paid in contributions on the insurers' accounts. These two pillars are defined contribution pillars, which means that the contribution is predefined, while the pension benefit is determined based on the accumulated amount on the insurer's account. The second pillar pays out part of the old-age benefit. The third pillar provides protection from old age, disability and death.

The reform of the pension system and the introduction of the fully funded pension insurance should bring long-term stability of the system and safety in the provision of pension and disability entitlements. This should be realized through the long-term gains for the individual members, for the pension system and for the economy as a whole. This is an expectation, because such a reformed system brings higher safety to the individual participant, who will get the pension benefit from more than one source, when retired. This way of financing is safer because it provides for risk diversification. At the same time, the reform provides for more transparency and information for the members of the pension funds. The reform should lead to a solvent pension system, increased savings and boost for the investments and therefore the economic growth.

Figure 1.2 Old population to active population ratio



Source: PDIF – Report on the pension system in the Republic of Macedonia with actuarial projections (short version – December 2013)

1.2 *The role of the fully funded pension insurance in the pension system*

The difference between the fully funded pension insurance and the PAYGO insurance is radical in terms of treatment and recording of contributions, as well as in terms of benefit payouts. In this insurance, each member has his individual account on which the assets are recorded and which provides the base for the future pension benefit, based on the amount of paid in contributions. This is a type of insurance that is based on accumulation of assets from contributions, on individual accounts, which assets are further invested and the return from the investments, decreased for management expenses, is added to the assets accumulated on the individual account. Therefore, the future pension depends on the amount of accumulated assets and the life expectancy upon retirement.

It is very important for this type of pension saving that it is a long-term saving, it develops gradually, by continuous increase of the savings, where at the start, while the member is very young, the savings are small, but, in the future, when the member reaches retirement age, the savings are significantly higher.

Private and competitive management of assets characterizes this type of insurance, where licensed pension companies, which manage the pension funds, invest the paid in contributions. Thereby, it is guided by economic goals, which determine the investment strategy, creating the possibility for maximizing the entire return, in the best interest of the pension fund members. One of the main features of this type of insurance is the investment risk diversification (including international diversification).

Another important feature of the fully funded pension insurance is the right to personal choice and the initiative of the individual. Namely, all persons employed before January 1, 2003, were given the opportunity to join the second pillar

and to choose the pension fund of their preference, while the newly employed were given the chance to choose the private pension fund in which they wanted to be members. The membership in the voluntary pension funds is also by choice of the individual or by participation in an occupational scheme, sponsored by the employer or by a citizens' association.

The portability of assets is another important entitlement of the fully funded pension insurance. All members of the mandatory or voluntary pension funds have the right to transfer from one to another pension fund, together with their savings. When a person is participating in an occupational scheme, he has the right to transfer his savings to another occupational scheme or on his individual account, in case of change of employer.

The fully funded pension insurance provides for high level of transparency, which is one of the most important characteristics and a novelty for the pension system, in general. The pension companies have the legal obligation to inform their members in writing, at least once a year, for the balance of their accounts, on the dates of payments of contributions, and on the transfers of assets, also, on the paid fees and the conversion of assets into accounting units. At least once a year, the pension companies submit to the members and the retired members, data on the value and the participation units of the pension fund assets invested in various types of securities, including data on the issuers, and data on the transaction fees. Also, once a year, the pension companies publish an informative prospectus with information on the pension fund and the company, including data on the supervisory and management boards of the company, the basic investment principles, charged fees, investments, net assets, realized rates of return etc.

1.3 Institutional infrastructure of the fully funded pension insurance

The following institutions are participating in the pension system:

- Ministry of Labour and Social Policy – responsible for creation and implementation on the pension and disability insurance policy and for supervision of the legality of operations within this insurance.
- Agency for Supervision of Fully Funded Pension Insurance (MAPAS) – regulatory and supervisory body of the fully funded pension insurance
- Pension Company – joint stock company founded by financial institutions with large capital and experience, whose sole activity is managing pension funds' assets. The reformed pension system offers the opportunity for establishing three types of pension companies:
 - Mandatory Pension Company - manages only mandatory pension funds
 - Voluntary Pension Company - manages only voluntary pension funds
 - Joint Pension Company - manages mandatory and voluntary pension funds
- Custodian of pension fund assets – safely keeps pension funds' assets, on a separate account, divided from the assets of the Pension Company.
- Pension and Disability Insurance Fund of Macedonia (PDIF) and the Public Revenue Office (PRO) – PRO undertakes centralized contribution collection and submits to the PDIF total contributions for pension and disability insurance.

MAPAS is a regulatory and supervisory body, established to protect the interests of the pension funds' members, retired pension funds' members and to enhance public awareness on the characteristics of this type of insurance and to instigate the development of the fully funded pension insurance. MAPAS initiates and passes regulations and acts, grants licenses to pension companies and approvals for pension fund management, performs off-site and on-site supervision of the pension companies, pension funds and custodians, organizes exams and registration of sales agents, performs pro-active controls over the activities of the pension companies etc. For its performance, MAPAS reports to the Parliament. MAPAS charges a fee from the pension companies, which is calculated as a percentage of the contributions paid in the pension funds. For 2013, this percentage was 0.8.

The PDIF allocates the pension and disability contributions between the first and the second pillar, and transfers the contributions and the relevant data on the members to the selected mandatory private pension fund in the second pillar. Until June 2013, the PDIF charged a fee from the pension companies, calculated as a percentage from the paid in contributions in the

mandatory private pension funds. Until May 2013 this percentage was 0.1%, while from June 2013, the PDIF stopped charging the fee.

A pension company is a joint stock company, which is established and operates as per the Law on Companies and the Law on Mandatory Fully Funded Pension Insurance or the Law on Voluntary Fully Funded Pension Insurance. A mandatory pension company is established to manage only mandatory pension funds, a voluntary pension company is established to manage only voluntary pension funds, while a joint pension company is established to manage mandatory and voluntary pension funds. A joint pension company must have a share capital of at least 1.8 million Euro in denar counter-value; a mandatory pension company's share capital should be 1.5 million euro in denar counter-value, while a voluntary pension company's share capital should be 0.5 million Euro. In case of increased assets under management, the pension company is obligated to increase the share capital. The sole activity of the pension company is pension fund management, its representation in front of third parties and other activities, which derive directly from the pension fund management. The main responsibilities of the pension company are: membership, assets management, risk management and risk mitigation, administration and record keeping, abiding laws and secondary regulations, regular reporting to members, public and MAPAS, payout of programmed withdrawals to the retired members etc. A pension company operates according to the rule of good corporate governance and it has a fiduciary duty to work only in the best interest of the members and the retired members of the pension fund under management. This fiduciary duty is rendered thorough high level of ethics and integrity and without any conflicts of interest. For performing these functions, the pension companies charge three types of fees (More details in Chapters 4.6 and 5.6)

A pension fund (mandatory or voluntary) is an open-end pension fund, which is established and operates according to the Law on Investment Funds if not otherwise regulated with the Laws on Mandatory or Voluntary Fully Funded Pension Insurance. A mandatory pension fund is consisted of contributions and assets of the members, assets of the retired members and returns on the invested contributions and assets, reduced for the fees charged from the mandatory pension fund. A voluntary pension fund is consisted of voluntary contributions paid in the name and on behalf of the members, assets of the members, assets of the retired members and returns on the invested contributions and assets, reduced for the fees charged from the voluntary pension fund. The owners of the pension fund are its current and retired members, and their individual ownership entitlements are determined with the amounts of their accounts. The pension fund assets cannot be subject to claims, nor can they be subject to execution by the pension company's creditors.

As regulated, at the beginning of the fully funded pension

insurance, pension companies are allowed to manage only one pension fund, mandatory or voluntary, or in the case of a joint pension company, it can manage only one mandatory and only one voluntary pension fund. This limitation is foreseen only for the start-up years of the fully funded system, while it is expected that in the future a pension company will be allowed to manage with more than one mandatory or voluntary pension fund, according to the structure of their investment portfolios.

At the beginning, MAPAS granted only two licenses for pension fund management, by means of public tender. This decision was based on the size of the financial market in Macedonia and the projections of the expected number of members. However, in 2008, based on the developments of the pension market and the capital market it was decided that

there are conditions for opening the pension fund market to more companies. In order to decrease the costs of the system, and to increase the expected pension benefits, it was decided that the competition should be boosted on the pension market, by allowing more pension companies to enter it. At the same time, the voluntary pension insurance, brought a new type of pension companies on the market, such as the joint pension companies. In 2005, MAPAS granted two licenses for establishment of pension companies, and in 2009, those same pension companies were granted licenses and approvals to manage voluntary pension funds.

Thus, today we have two pension companies, which manage one mandatory, and one voluntary pension fund each¹ as seen on Figure 1.3.

Both pension companies have a mixed ownership of domestic (49% share) and foreign (51% share) shareholders, as shown on Figure 1.4.

Pension fund assets are completely separated from the assets of the pension company managing that pension funds, and those assets are kept with a custodian bank. This segregation of assets is essential to the safety and control of the transactions with the pension funds' assets. Any commercial bank, meeting the statutory requirements and having a contract with the pension company, may be a custodian bank for the mandatory and the voluntary pension funds' assets.

Each pension company has a selected custodian for the mandatory and for the voluntary pension fund under management, as shown on Figure 1.5.

For their custodial service, the custodian charge fees from the pension companies.¹ Table 1.1 gives the list of fees charged by the custodians from the pension companies. These fees are calculated as percentage from the pension funds' assets.

Figure 1.3 Pension companies and pension funds in the Republic of Macedonia

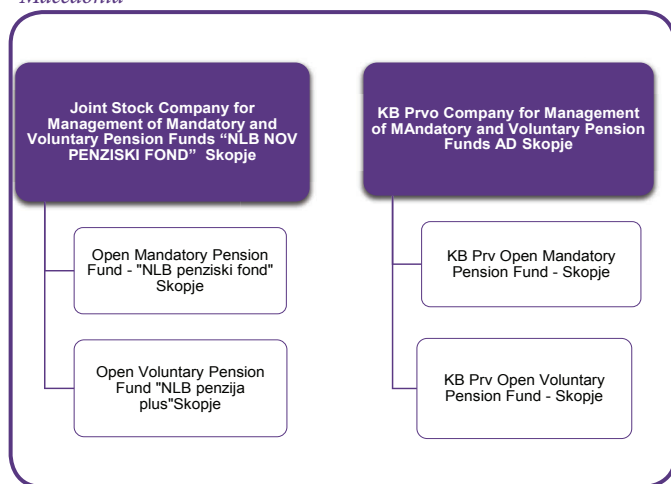


Table 1.1 Fees charged by the custodians from the pension companies for custody of pension funds' assets

For mandatory pension funds		For value of assets (in million Euro)
NLB Tutunska banka AD Skopje. as custodian of KBPz assets	0.074%	Up to 100
	0.069%	from 100 up to 200
	0.064%	from 200 up to 300
	0.060%	from 300 up to 400
	0.054%	from 400 up to 500
	0.050%	from 500 up to 600
	0.048%	From 600
Komercijalna banka AD Skopje. as custodian of NLBz assets	0,084%	up to 100
	0,079%	from 100 up to 200
	0,074%	from 200 up to 300
	0,070%	from 300 up to 400
	0,064%	from 400 up to 500
	0,060%	from 500 up to 600
	0,058%	from 600
For voluntary pension funds		For value of assets (in million Euro)
NLB Tutunska banka AD Skopje. as custodian of KBPd assets	0.25%	up to 50
	0.20%	from 50
Komercijalna banka AD Skopje. as custodian of NLBd assets	0.25%	up to 50
	0.20%	from 50

¹ Herein after for the names of the Pension Companies, mandatory and voluntary pension funds the following abbreviations shall be used: NLB for Joint Stock Company for Management of Mandatory and Voluntary Pension Funds "NLB NOV PENZISKI FOND" Skopje, KB Prvo for KB Prvo Company for Management of Mandatory and Voluntary Pension Funds AD Skopje, NLBz for Open Mandatory Pension Fund - „NLB penziski fond" Skopje, KBPz za KB Prv Open Mandatory Pension Fund – Skopje, NLBd for Open Voluntary Pension Fund "NLB penzija plus" Skopje and KBPd for KB Prv Open Voluntary Pension Fund - Skopje

Figure 1.4 Shareholders of pension companies in the Republic of Macedonia

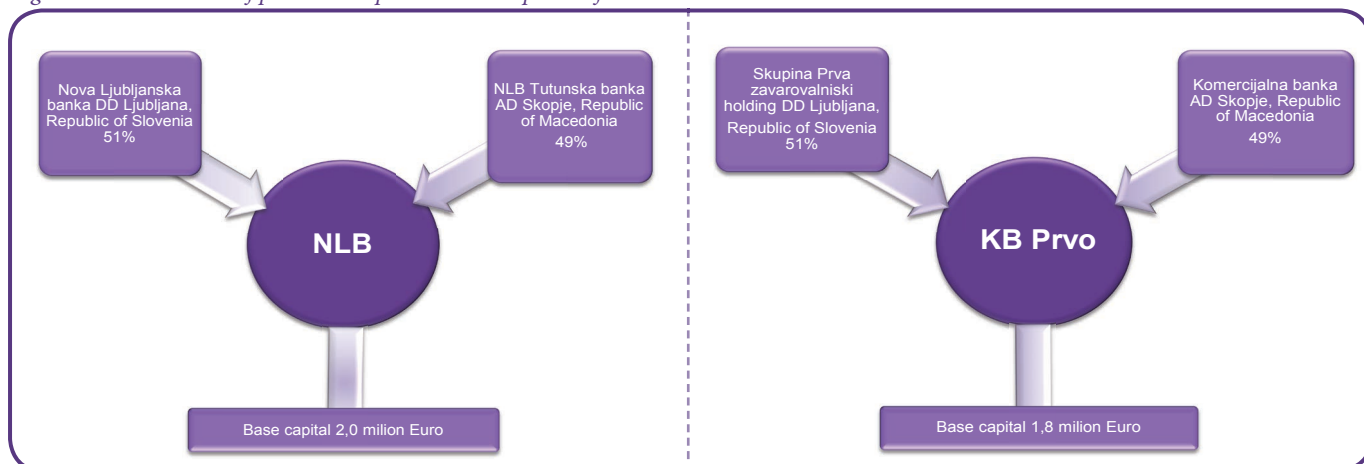
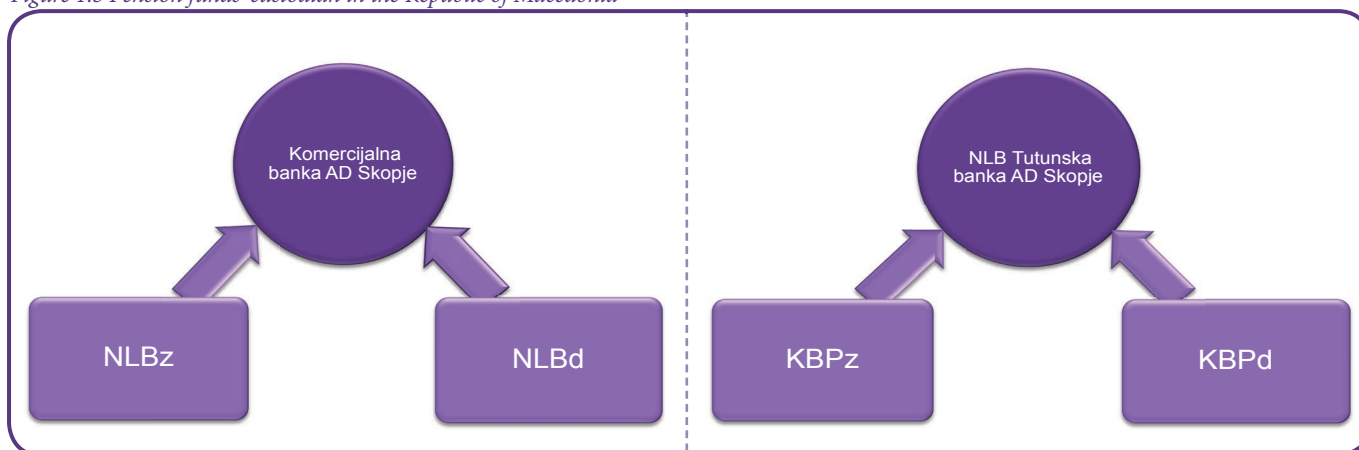


Figure 1.5 Pension funds' custodian in the Republic of Macedonia



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2

Main amendments and additions to the legislation and secondary legislation regulating the mandatory and the voluntary fully funded pension insurance

During 2013, the Law on Mandatory Fully Funded Pension Insurance was amended twice, and the Law on Voluntary Fully Funded Pension Insurance was amended once. Also, in 2013, the Council of Experts in MAPAS passed 28 secondary regulations or amendments to existing secondary regulations for the fully funded pension insurance.

The amendments to both Laws in January 2013 introduced the risk-based supervision and harmonized both Laws to the Law on Payment of Pensions and Pension Benefits from the Fully Funded Pension Insurance.

Namely, these statutory amendments set the base for efficient control mechanisms in the pension companies, in order for timely identification of potential risks and for undertaking measures for mitigation of all risks that influence the interests of the pension funds' members. At the same time, the principles of good corporate governance were enhanced together with the requirements for internal audit in the pension companies.

These amendments also introduced the fiduciary duty of each member of the management and supervisory boards, as well as of each management staff of the pension company, according to which they should operate, solely in the best interests of the active and retired pension funds members. This fiduciary duty should be discharged with the application of the utmost ethics and integrity standards and without any conflicts of interest.

Simultaneously, the investment principles are enhanced, connected with the investment of pension funds assets for highest return solely in the best interest of the members and through diversification and due diligence aimed at mitigating the loss risk. It is very important that while managing and controlling the investments, pension companies apply a level of care, efficiency and skill characteristic of a prudent man, just like on one's own behalf.

Another important amendment is the harmonization of the return to nominal and real values for a period of 7 years, expressed on an annual level. With such an amendment, the calculation period is increased in order to give more power to the longevity of the pension savings. At the same time, the return is calculated in nominal value, but also in real value, which takes into consideration to costs of living.

Having in mind the increase of assets under management and in order to protect the interest of the pension fund members, the amendments foresee gradual decrease of the maximum amount of fees charged by the mandatory pension companies.

In order for the pension companies to be able to discharge their newly appointed functions – payout of pensions and pension benefits by programmed withdrawals – they were given the obligation to hire a licensed actuary, who would be skilled to calculate such pensions and pension benefits and to verify the liquidity of the pension fund.

Upon the establishment of the risk-based supervision principles, part of MAPAS responsibilities were transferred

to the pension companies and the custodians, while MAPAS maintains its controlling function. Thus, the supervisory procedures and measures discharged by MAPAS have been adjusted to the new features of the system. The measures that MAPAS should undertake are divided into three groups which depend on the two main risk aspects: probability and damage. Therefore, the supervision is very much proactive, directed towards prevention of risk materialization.

The amendments to the Law on Mandatory Fully Funded Pension Insurance in November 2013, introduced the new type of examination of sales agents, in order to provide better transparency and objectivity to the process, and which shall be effective within a year from the passing of the amendment.

During 2013, MAPAS amended existing and passed new secondary regulation, that regulate the mandatory and the voluntary fully funded pension insurance. Those are:

1. Rulebook on amendments and additions to the Rulebook on valuation of mandatory and voluntary pension funds' assets
2. Rulebook on mandatory pension fund membership
3. Rulebook on amendments and additions to the Rulebook on investing mandatory pension funds' assets
4. Rulebook on amendments and additions to the Rulebook on investing voluntary pension funds' assets
5. Rulebook on control procedures
6. Rulebook on good corporate governance of pension companies
7. Rulebook on sales agents of pension companies
8. Rulebook on amendments and additions to the Rulebook on type and manner of delivering trainings in the field of fully funded pension insurance for the pension companies' representatives
9. Rulebook on amendments and additions to the Rulebook on merger of pension companies and merger of pension funds
10. Rulebook on amendments and additions to the Rulebook on joining of pension companies and joining of pension funds
11. Rulebook on delivering education and the format and contents of the invitation to education
12. Rulebook on amendments and additions to the Rulebook on the procedure for withdrawal or cancellation of the approval to manage a mandatory and/or voluntary pension fund
13. Rulebook on amendments and additions to the Rulebook on managing a mandatory and/or voluntary pension fund after the withdrawal or cancellation of the approval to manage a mandatory and/or voluntary pension fund from the pension companies.

14. Rulebook on voluntary individual and occupational scheme accounts
15. Rulebook on reporting to the Agency for Supervision of Fully Funded Pension Insurance
16. Rulebook on amendments and additions to the Rulebook on membership in a voluntary pension fund
17. Rulebook on pension company licensing
18. Rulebook on individual accounts
19. Rulebook on the manner and procedure of granting approvals to the amendment of documents submitted upon licensing.
20. Rulebook on the manner and procedure of electing a member of the management and supervisory boards of a pension company
21. Rulebook on the manner and procedure of marketing of pension companies
22. Rulebook on the manner and procedure of transfer of assets to the PDIF.
23. Rulebook on the verification with an opinion from the authorized actuary
24. Rulebook on the manner and procedure of assessment of employees in the Agency for Supervision of Fully Funded Pension Insurance
25. Rulebook on the procedure for selecting domestic legal entities for delivering services with securities
26. Rulebook on good corporate governance of pension companies

27. Rulebook on mandatory pension funds fees

28. Rulebook on transfer of assets between mandatory pension funds

These amendments to the rulebooks were necessary for the harmonization of the secondary legislation with the amendments to the Laws on Mandatory and Voluntary Fully Funded Pension Insurance and the Law on Payment of Pensions and Pension Benefits from the Fully Funded Pension Insurance. Most part of the amendments were necessary for the harmonization with the Law on Payment of Pensions and Pension Benefits from the Fully Funded Pension Insurance, especially because of the introduction of the category “retired member”. Surely, the most important amendments are done in the acts regulating the areas of control, investments, safe-keeping and evaluation of assets, reporting, transfer of assets, membership etc, for harmonization with the stator changes introducing the risk-based supervision. Also, one of the more important changes was in the rulebook regulating the manner and procedure of pension fund marketing, since it prescribed a new form and contents of the reports for the pension savings, which are distributed to the pension fund members. This rulebook marked the introduction of the green envelope, which should be easily recognizable by the citizens.

In 2013, MAPAS prepared and passed the following instructions:

1. Instruction on the manner and procedure of allocation of insured persons in a mandatory pension fund.
2. Instruction on the filling in of reports on pension savings.



3

Financial data of the Pension Companies

3.1 Revenue of pension companies for 2013

*3.2 Expenditures of pension companies for 2013 **

3.3 Financial results of the pension companies

3.4 Share capital, initial capital and own assets of pension companies

3.5 Indicators

3.1 Revenue of pension companies for 2013 ²

Basis	NLB		KB Prvo	
Revenue from management of mandatory pension fund				
Contributions Fee	73,732,214	46.11%	84,594,321	48.39%
Assets Fee	62,353,635	38.99%	72,288,528	41.35%
Transfer Fee	0	0.00%	0	0.00%
Total revenue from management of mandatory pension fund	136,085,849	85.10%	156,882,849	89.74%
Revenue from management of voluntary pension fund				
Contributions Fee	1,515,179	0.95%	1,938,395	1.11%
Assets Fee	1,560,104	0.98%	1,014,218	0.58%
Transfer Fee	0	0.00%	0	0.00%
Total revenue from management of voluntary pension fund	3,075,283	1.92%	2,952,613	1.69%
Revenue from participation in investment and revenue from other investments	18,379,116	11.49%	14,866,182	8.50%
Other revenue of the Pension Company	2,373,520	1.48%	117,748	0.07%
Total revenues	159,913,768	100.00%	174,819,392	100.00%

3.2 Expenditures of pension companies for 2013 *

Basis	NLB		KB Prvo	
Expenditures from management of mandatory pension fund				
Sales agents	3,858,152	3.79%	3,954,558	3.91%
Marketing	5,537,131	5.43%	5,298,959	5.23%
Transactions	723,840	0.71%	562,789	0.56%
MAPAS	15,228,881	14.94%	17,288,851	17.08%
Custodian	8,760,705	8.60%	8,420,608	8.32%
PDIF	855,635	0.84%	864,241	0.85%
Other expenditures for pension fund management	50,774	0.05%	224,562	0.22%
Total expenditures for mandatory pension fund management	35,015,118	34.36%	36,614,568	36.17%

² Source: Unaudited financial annual reports of Pension Companies for 2013

Expenditures from management of voluntary pension fund				
Sales agents	347,498	0.34%	1,344,118	1.33%
Marketing	1,812,117	1.78%	721,111	0.71%
Transactions	313,414	0.31%	361,298	0.36%
MAPAS	362,854	0.36%	541,320	0.53%
Custodian	326,088	0.32%	284,059	0.28%
Other expenditures for pension fund management	35,344	0.03%	156,852	0.15%
Total expenditures for voluntary pension fund management	3,197,315	3.14%	3,408,758	3.37%
Pension company management expenditures				
Wages and fees for employees	41,030,780	40.26%	32,658,329	32.26%
Non-material expenditures	14,003,004	13.74%	7,068,794	6.98%
Material expenditures	1,473,843	1.45%	2,008,330	1.98%
Depreciation	2,482,306	2.44%	3,357,292	3.32%
Financial expenditures	263,016	0.26%	40,472	0.04%
Other operational costs	4,360,727	4.28%	16,065,623	15.87%
Reservation of expenses and risks	78,098	0.08%	0	0.00%
Total expenditures for pension company management	63,691,774	62.50%	61,198,840	60.46%
Total expenditures	101,904,207	100.00%	101,222,166	100.00%

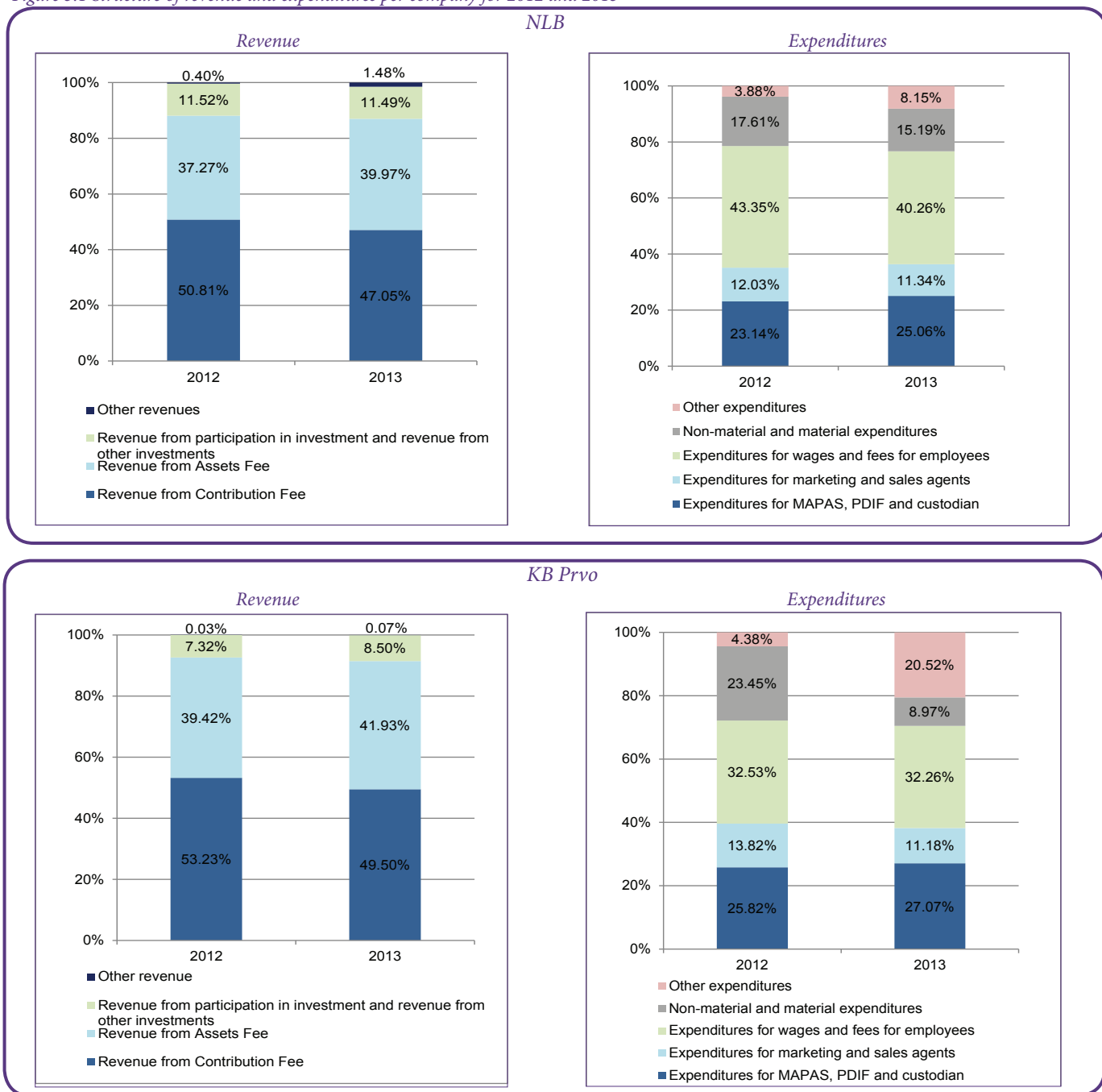
* Some data cannot be shown separately. In order to isolate some data, the pension company uses the number of members in the mandatory or voluntary pension fund, as a weight

Most of the revenues of the pension companies come from fees from contributions in the mandatory and voluntary pension funds (around 47% for NLB and 50% for KB Prvo), the second largest source is the fee from the assets of the mandatory and voluntary pension funds (around 40% for NLB and 42% for KB Prvo). In respect to the previous year, the percentage participation of the revenue from fees in the total revenue has been decreased for approximately by three percentage points in favor of the increased participation of the revenue from assets. The revenue from participation in investment and revenue from other investments has slightly increased and it is around 12% for NLB and 9% for KB Prvo.

On the expenditure side, pension companies spend mostly on operations of the pension company (around 63% for NLB and 61% for KB Prvo), with highest participation of wages and fees for employees, followed by non-material and material expenditures.

In respect to the previous year, the percentage participation of the wages in NLB has been decreased for three percentage points, while KB Prvo kept them on the same level. In 2013, other expenditures have increased the most in the total expenditures of the pension companies. These expenditures refer to pension fund management (around 38% for NLB and 40% for KB Prvo). Out of those, the expenditures for sales agents are 11% for both pension companies, thereby slightly decreasing in respect to the previous year (1 percentage point for NLB and 3 percentage points for KB Prvo). Around 25% in NLB and 27% in KB Prvo of the expenditures are a result of payment of fees to MAPAS, PDIF and the custodians.

Figure 3.1 Structure of revenue and expenditures per company for 2012 and 2013



3.3 Financial results of the pension companies

Description	NLB	KB Prvo
Profit (for 2013)	58,009,561	73,597,227
Profit after tax (for 2013)	57,615,858	73,285,131
Nonrecurring costs	0	0
Net profit (for 2013)	57,615,858	73,285,131
Other comprehensive income*	55,000	0
Total comprehensive income*	57,670,858	73,285,131
Accumulated profit (as of 31.12.2013)	91,032,617	102,102,405

Source: Audited financial statements of pension companies for 2013

Both pension companies ended 2013 with profit, and had earned a net profit and a comprehensive income, as well as accumulated profit with the end of the year. KB Prvo's net profit is higher than NLB's, which is due to the fact that KB Prvo has more revenues than NLB, considering that the expenditures are the same for both companies.

Compared to 2012, both companies have earned higher net profit, where the increase is more notable for NLB (55%) and to some extent smaller for KB Prvo (34) %. The profit increase is due to the increased revenues in respect to the previous year and unchanged expenditures. The increase in revenues for both pension companies is almost the same; however, KB Prvo has marked an increase in expenditures as well, while NLB kept them on the same level.

3.4 Share capital, initial capital and own assets of pension companies

Description	NLB	KB prvo
Share capital and reserves	292,728,587	307,938,364
Initial capital	130,001,478	110,459,024
Excess of share capital beyond statutory minimum	25.25%	31.76%
Own assets*	262,765,574	280,616,329
Excess of own assets beyond statutory minimum	124.86%	140.13%

*The own assets are calculated according to the Rulebook on the Methodology for Calculation of Own Assets of the Pension Company

As a statutory obligation, for KB prvo from April 2013 and for NLB from December 2013, pension companies are required to maintain increased share capital in the amount of

3.8 million Euro (in denar counter-value), considering that the assets under management in both pension funds have grown beyond 200 million euro.

3.5 Indicators

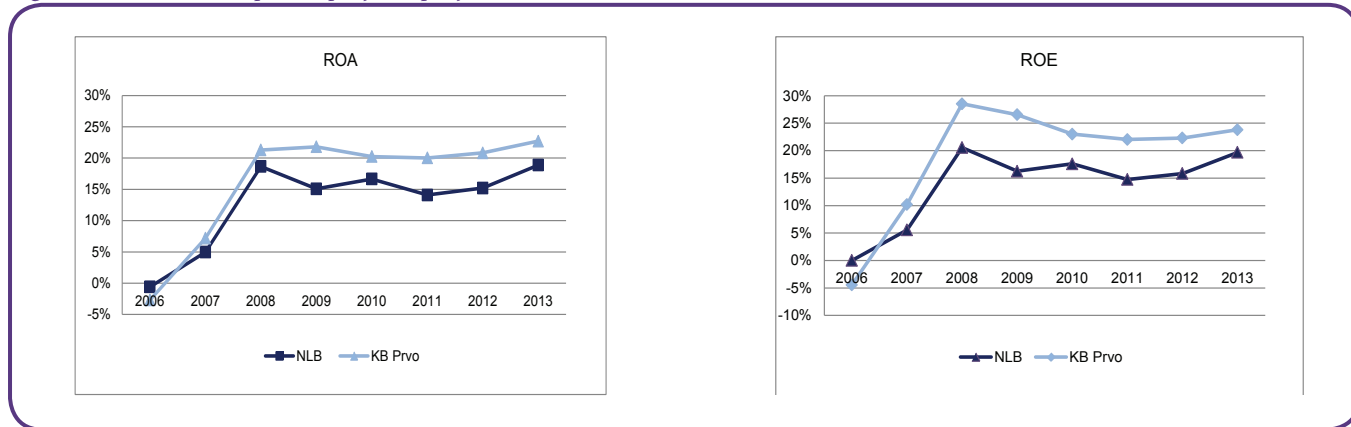
Description	NLB	KB prvo
Indicators for revenues and expenditures per member		
Average revenues per member	961.43	951.60
Average expenditures per member	612.67	550.99
Profit per member	348.76	400.61
Efficiency indicators		
Efficiency coefficient (total expenditures / total revenues)	63,72%	57,90%

From the above indicators it can be noticed that the average indicators per member are approximately the same for both pension companies, while NLB has higher average expenditures per member. Compared to 2012, both companies mark an increase in the average revenues per member, while for the expenditures - for KB Prvo those are kept at the same level, and NLB marks a slight decrease. Both companies have earned an increased profit per member for 33% and a drop in the efficiency coefficient for 10%.

Figure 3.2 shows the movement of profitability indicators, ROA (net profit/total assets and ROE (net profit/capital), compared for both companies for the period 2006-2013

Compared to 2012, we can notice that in 2013 both companies have higher rates of return on assets and on capital.

Figure 3.2 ROA and ROE per company and per year



4

Information on mandatory pension funds

4.1 Membership in mandatory pension funds

4.2 Transfer of members from one to another mandatory pension fund

4.3 Contributions in the mandatory pension funds

4.4 Investments and portfolio structure of mandatory pension funds

4.5 Net assets, accounting unit and rate of return of the mandatory pension funds

4.6 Mandatory pension fund fees

4.7 Payout of pensions from the mandatory fully funded pension insurance

4.1 Membership in mandatory pension funds

An insured person may be entitled to a membership in a pension fund upon:

- signing a membership contract and upon registration in the Membership Register kept by MAPAS;
- allocation in a mandatory pension fund by MAPAS i.e. the PDIF, when the insured person is obligated to become a member but had not signed a membership agreement in the prescribed period for selecting a mandatory pension fund.

There are two global categories of second pillar members:

- Mandatory members – insured persons who got employed, and entered the mandatory pension and disability insurance for the first time after January 1, 2003
- Voluntary members – insured persons who were employed for the first time before January 1, 2003

Insured persons as per Chapter VII - Acquisition and realization of entitlements of certain categories of insured persons under special conditions of the Law on Pension and Disability Insurance (employees with increased pension service in the Ministry of Interior, Penitentiary-Corrective institutions, the Macedonian Army and similar) and individual farmers cannot be members of the second pillar. As an exception, if the persons belonging to the above-mentioned categories change their status, they can sign a membership contract with a pension fund by their choice, within three months from the status change. Also, persons that have already joined the second pillar and afterwards have changed their status into one of the above-mentioned categories have the right to switch back to the mono-pillar system within three months from the status change.

On September 20, 2005 the membership in the second pillar started. The voluntary members had the possibility to make their choices until December 31, 2005. Mandatory members are obligated to sign a membership contract within three months from their first employment. Once these categories of insured persons are employed, MAPAS i.e. PDIF temporary allocates them to a randomly chosen mandatory pension fund, in order for their assets to be invested immediately after their employment. The mandatory members who will not sign a membership contract with the expiration of the statutory deadline, shall remain members in the pension fund to which they were temporarily allocated.

MAPAS prescribes the weight, which is used for allocation of members to pension funds. This is done each working day of the month, according to the following formula:⁴¹

$$P_i = 0,3 * \frac{1}{\sum_{j=1}^n \frac{1}{N_j}} + 0,7 * \frac{R_i}{\sum_{j=1}^n R_j} \text{ , when all } R_i > 0$$

⁴¹This formula is applied from April 2013

i.e

$$P_i = 0,3 * \frac{1}{\sum_{j=1}^n \frac{1}{N_{ji}}} + 0,7 * \frac{R_i + |R_{\min}| + 0,01}{\sum_{j=1}^n (R_j + |R_{\min}| + 0,01)} \text{ , when there is at least one } R_i \leq 0$$

where

$i=1, \dots, n$

P_i is the weight for the mandatory pension fund i

n is the number of mandatory pension funds

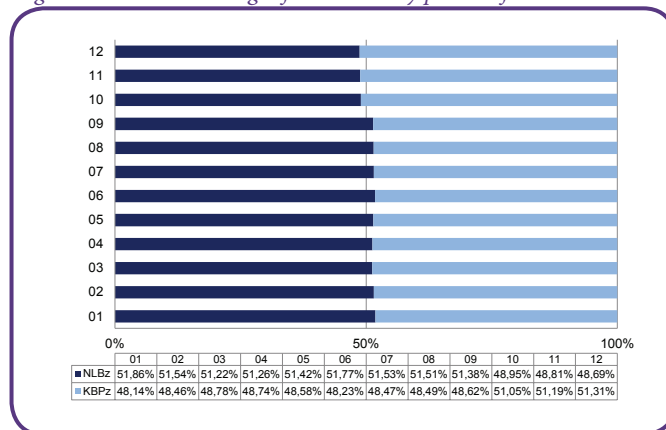
N_i is the fee from contributions charged from the company managing the mandatory pension fund i in the previous month

R_i is earned return in nominal amount of the mandatory pension fund as of the last day of the previous month, for the previous 84 months, presented annually. (If the fund i operates less than 84 months and more than 12 month, the return in nominal value shall be calculated for all months in which the fund is operational, presented if the fund i works less than 12 months, then as a value for R_i is taken the average of the nominal returns of the existing mandatory pension funds).

R_{\min} is the minimum earned return of all mandatory pension funds ($R_{\min} = \min(R_i)$).

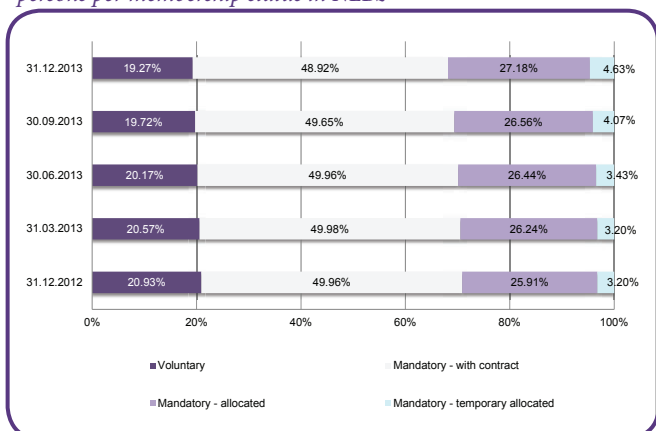
Figure 4.1 demonstrates all weights used for allocation of insured persons in mandatory pension funds during 2013.

Figure 4.1 Allocation weight for mandatory pension fund members



Just like in the previous years, in 2013 the number of allocated members between the two mandatory pension funds is almost equal. Considering that the value of both weights is around 50% (i.e. in the range between 48% to 52%). The weight depends on the value of the fee paid by the pension company and on the nominal return earned by the pension fund, where the return has bigger influence (70%) in respect to the fee (30%). Even though the fees have been reduced, we need to take into consideration that both companies charge the same fee from contributions, and the nominal return for both companies is almost the same, thus the weights have almost equal values. Still, there is a slight change in the weights per funds throughout the year, as KBPz demonstrates a slight increase in respect to NLBz.

Figure 4.2 Structure of members and temporarily allocated insured persons per membership status in NLBz



The total number of members and temporarily allocated members in the mandatory pension funds as of December 31, 2013 is 350,040, which is an increase of 26,560-second pillar members or 8% in respect to 2012. This means that 66% of the total insured persons with the PDIF are members of the two-pillar system. Therefore, as of 31.12.2013, 52% of the members and temporarily allocated members are in KBPz, while 48% are in NLBz. This percentage of allocations is almost the same as last year.

Out of the total number of second pillar members, 69,572 or 20% are voluntary members, while 280,468 or 80% are mandatory members. Out of the total number of members, 169,231 members have signed a membership agreement, while 95,808 did not sign it and remained in the pension funds as allocated by MAPAS, and 15,429 are insured persons temporarily allocated by MAPAS and PDIF. Out of those persons who were employed for the first time in 2013 and whose deadline for selecting a pension fund had expired, 50% signed the membership agreement while the other 50% did not sign it and remained as allocated by MAPAS.

In terms of the structure of members and temporarily allocated insured persons, there were no unexpected or significant changes in 2013. This structure is shown on the Figures 4.2 and 4.3.

It is noticeable that with every quarter the participation of voluntary members is decreasing, while that of the mandatory members is increasing. This is expected because each year the number of newly employed is increasing, which automatically increases the mandatory membership. Also, it is evident that the number of mandatory members who signed membership agreements is slightly decreasing in each quarter, unlike permanently allocated members whose participation is growing in the total membership in each following quarter.

The analysis of the membership structure by age demonstrates that the largest group of members is those of young age, for whom the second pillar is most favorable. The mandatory members are young people, at the age from 26 to 30 years, while voluntary members are slightly older at the age from 36 to 40 years. The average age of mandatory members is 31 years for men and 32 for women, of the voluntary members the average age is 40 years, and of all members 33 years. The membership structure of the two-pillar pension system per age, per gender and per membership category is shown on Figure 4.4.

Figure 4.3 Structure of members and temporarily allocated insured persons per membership status in KBPz

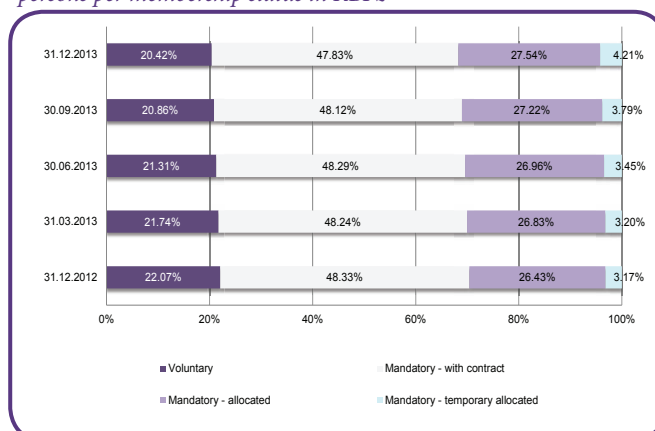


Figure 4.5 shows the second pillar membership structure per years of career of members upon their membership in the second pillar.

Figure 4.4 Membership structure of the two-pillar pension system per age, per gender and per membership category

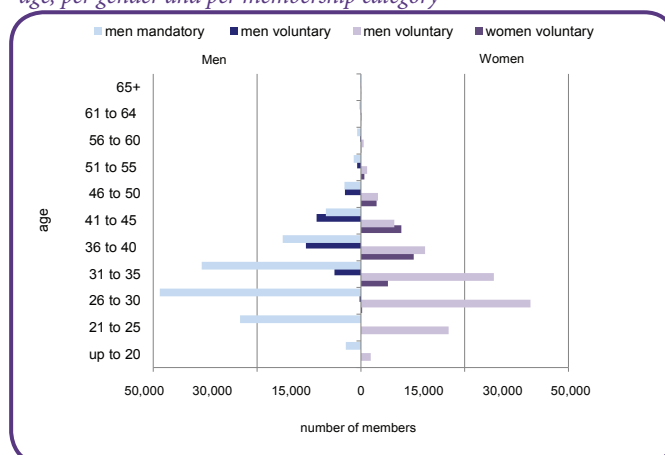
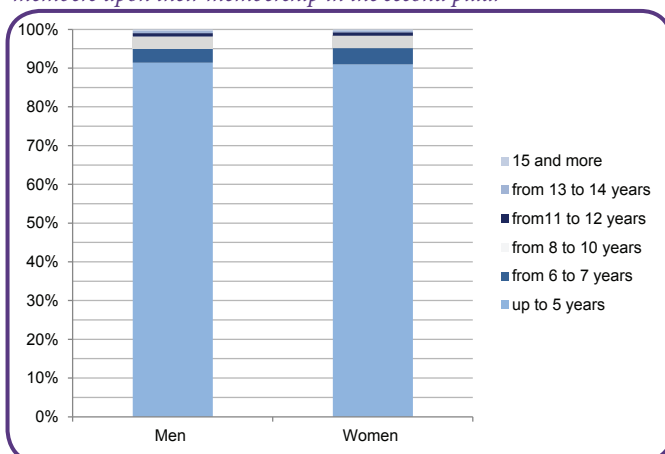


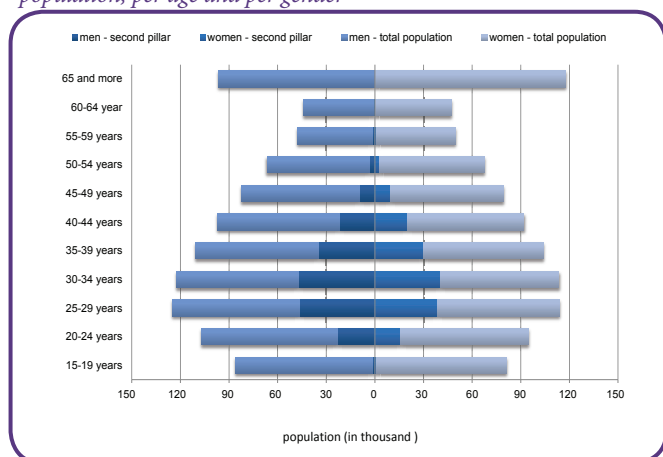
Figure 4.5 Second pillar membership structure per years of career of members upon their membership in the second pillar



The figure demonstrates that most of the second pillar members have maximum five years of career upon membership (92%), while the smallest percentage of members are those with years of career above 15 (0.3%).

According to the projections of the State Statistical Office, the total population of the Republic of Macedonia at the end of 2012 is 2,062,294. Out of the total number, 323,480 persons are members of the two-pillar pension system, which represents 16% of the total population of the country. The membership structure of the second pillar out of the total population, per age and per gender, as of 31.12.2012 is demonstrated on Figure 4.6.

Figure 4.6 Membership structure of the second pillar out of the total population, per age and per gender

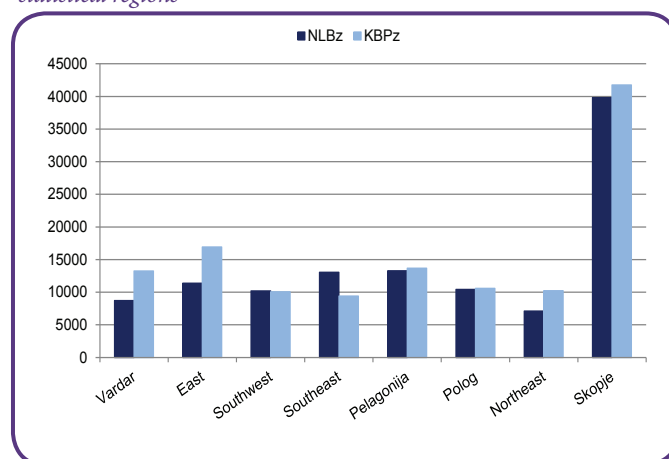


Source: MAPAS and State Statistical Office - Statistical data basa – Statistics by regions- Population– Population projectionse

This figure demonstrates that still only a small percentage of the population participates in the two-pillar pension system and the majority of the members are young persons, at the age from 25 to 34 years. This is the case because the reformed pension system is still very young and it has been operational only for eight years.

The membership structure of mandatory pension funds per statistical regions⁵ in the Republic of Macedonia is given on Figure 4.7.

Figure 4.7 Membership structure of mandatory pension funds per statistical regions



4.2 Transfer of members from one to another mandatory pension fund

Each member of a mandatory pension fund is entitled to transfer to another mandatory pension fund if the member is not satisfied with the pension fund or with the pension company managing that pension fund. If a person had been a member in a mandatory pension fund shorter than 24 months, he is obligated to pay a transfer fee; otherwise, the transfer is free of charge. Upon such transfer, all of the assets on the members' account are transferred to the other pension fund.

Table 4.1 gives data on the number of members who transferred from one to another pension fund and the amount of assets that were transferred with the members, throughout 2013

Table 4.1 Transfer of members from one to another mandatory pension fund

Fund	Members who have transferred FROM a mandatory pension fund	Transferred assets FROM a mandatory pension fund	Members who have transferred TO a mandatory pension fund	Transferred assets TO a mandatory pension fund
NLBz	79	14,371,670	29	3,792,195
KBPz	29	3,792,195	79	14,371,670

Still the number of persons who have changed the mandatory pension fund is very small. During 2013, the total number of persons who have transferred from one to another mandatory pension fund is 108, which is 0.03% of the total number of members. It is notable, that the number is much higher of those who transferred from NLBz to KBPz. Namely, in 2013, 79 members transferred from NLBz to KBPz, and only 29 members transferred from KBPz to NLBz. Upon such transfers, around 14 million denars had been transferred from NLBz to KBPz, while from KBPz to NLBz only 4 million denars had been transferred.

⁵ The statistical regions are defined by the State Statistical Office – as territorial units, the nomenclature of the territorial units is based on the territorial organization of the local self-government in the Republic of Macedonia and it is harmonized with the EU classification

4.3 Contributions in the mandatory pension funds

The obligation for payment of the pension and disability contribution is to the taxpayer – which is the employer on behalf of the employee. The Public Revenue Office is in charge of the integrated collection of the social insurance contributions (pension and disability insurance, health insurance and employment), as well as of the personal income tax.

For those who are members only in the mono-pillar system, their contributions remain with the PDIF (which for 2013 was 18% of the gross wage). For those persons who are part of the two-pillar system the PDIF divides the contribution between the first and the second pillar. The contribution transferred to the mandatory pension fund is 6% of the gross wage and the rest of the contribution remains with the PDIF (for 2013 it was 12% of the gross wage; $12\% = 18\% - 6\%$).

The PDIF transfers the contributions of the mandatory pension fund members to their individual accounts, immediately upon payment, or maximum within five working days after receipt of the contributions, under the condition that with the receipt of the contributions the PDIF received the relevant data that would enable the PDIF to perform such allocation

During 2013, 4 billion denars were transferred to the mandatory pension funds, which broken down by months is it is shown in Table 4.2.

Figure 4.8 Schematic presentation of the payment and allocation of contributions

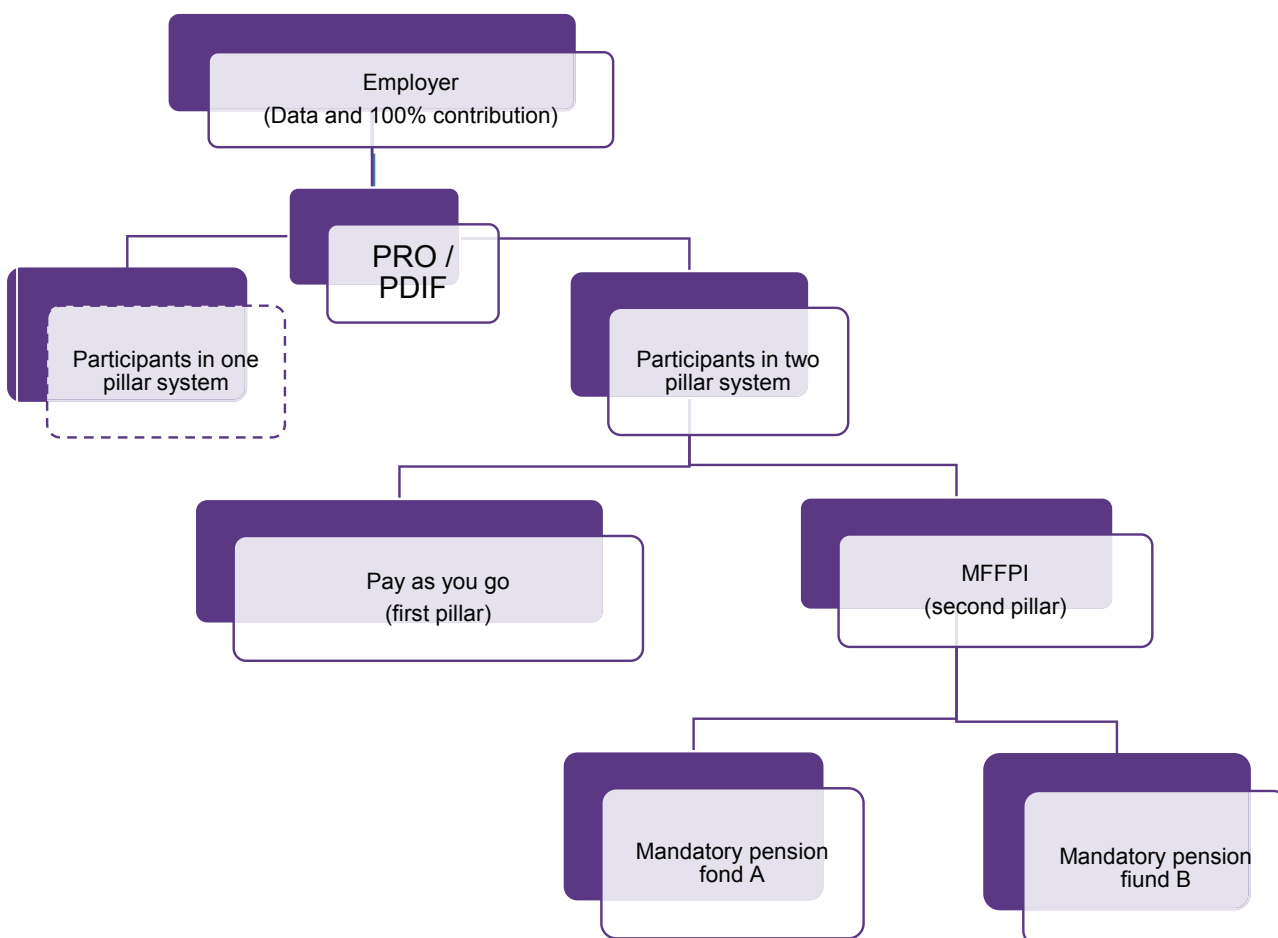


Table 4.2 Paid in contributions in the second pillar

(in million denars)

	Total 2012	Jan	Feb	March	April	May	June	July	Aug	Set	Oct	Nov	Dec	Total 2013
NLBz	1,779	152	152	154	155	154	157	163	161	156	164	160	189	1,916
KBPz	2,015	172	174	175	175	173	179	185	181	179	187	183	210	2,174
Total	3,794	324	325	328	330	327	336	348	342	335	351	343	399	4,090

Figure 4.9 shows all contributions (in million denars) paid in the second pillar, each month, from the beginning of the system until 31.12.2013 and the total number of members at the end of each month, in the same period.

It is evident that with the increase of membership the paid contributions grow as well (though the trend of payments is not linear, but it has certain peaks and valleys in certain months).

Figure 4.9 Paid contributions and second pillar members

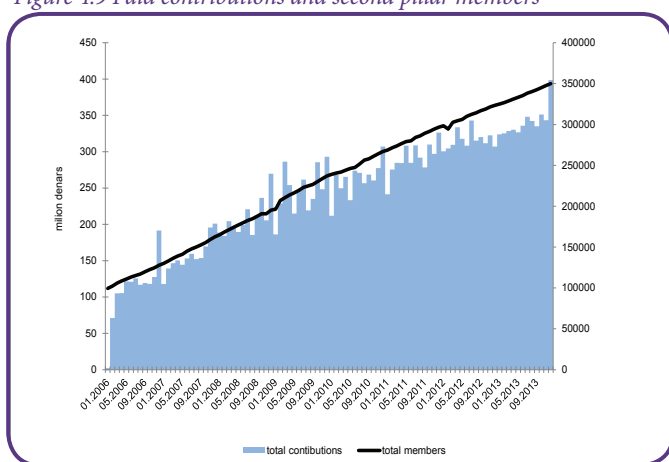
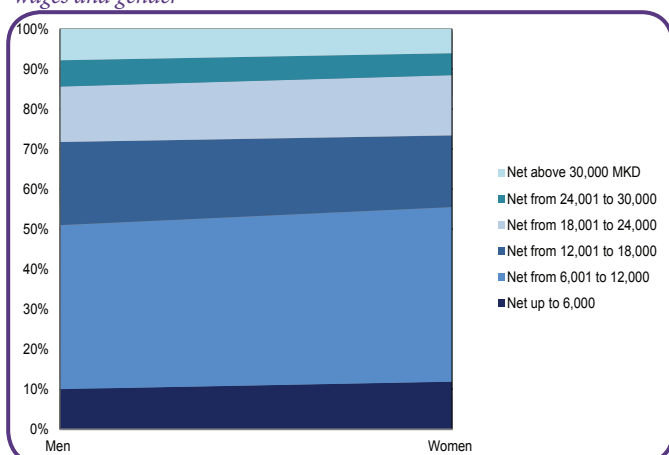


Figure 4.10 demonstrates the allocation of members in the second pillar per the amount of monthly wages (net wages) and gender.

Figure 4.10 Second pillar membership structure per monthly net wages and gender



The Figure demonstrates that the largest number of members fall in the category of recipients of net wages between 6,001 to 12,000 denars, the second largest category is of those who have wages between 12,001 and 18,000 denars, the third group is of those with wages between 18,001 and 24,000 denars, and then follow all other categories. The allocation per gender is almost equal; however, women's participation in the categories of lower wages is higher.

In 2013, one part (156.5 million denars) of the paid in contributions was returned to the PDIF for several reasons:

- Disability pension benefits entitlements
- Termination of membership contracts or cancellation of misallocation of a member due to outdated records
- Excess of paid contributions in the second pillar due to technical errors of excess of payments by employers

The returned assets to the PDIF are larger than those in 2012. This is mostly due (90% of the returned assets) to the statutory time limitation for the persons who are members of the second pillar and who afterwards became employees with increased service in the police, military or correction penitentiaries, and who had the right to terminate the membership in the mandatory pension fund by August 9, 2013.

The structure of the returned assets to the PDIF is shown in Table 4.3.

Table 4.3 Structure of returned assets to PDIF, after mandatory pension funds

Reasons	Mandatory pension fund	
	NLBz	KBPz
Entitlements	6,025,484.	8,667,689
• Disability pension	2,907,091	4,934,401
• Survivors pension	3,118,393	3,733,288
Termination of contracts and cancellation of allocations	65,918,819	75,574,702
Excess payment of contributions	59,807	70,687
Total	72,004,110	84,313,078

4.4 Investments and portfolio structure of mandatory pension funds

It is very common for mandatory fully funded pension systems to introduce proactive control and quantitative and qualitative investment limits in the initial stages of implementation. Thus, the law and secondary regulations define the investment principles and goals, as well as the allowed types of investment instruments, the conditions that the regulated secondary markets must meet in order for the pension funds assets to be traded on such capital markets, the quality of instruments, countries or groups of countries in which pension funds assets may be invested, investment limits per instruments and per issuers, prohibited investment, allowed excesses over investment limits etc.

The pension company is obligated to invest the assets of the mandatory pension fund in accordance with the legal provisions and its investment strategy in order to earn the highest return only in favor of the active and retired members. Also it is obligated through diversification and due diligence to minimize the risks from losses which might occur due to default of the issuer or the other contractual party, from the influences of the domestic or foreign markets, losses in the real value for the mandatory pension fund assets due to inflation and losses due to selling of assets for securing liquidity of the mandatory pension fund. In doing so, the members of the management and supervisory boards are obligated to employ care, efficiency and skills of prudent men upon discharging their duties of control and management over the investment of the pension funds' assets. Each member of the management or supervisory board of the pension company must meet his obligations in accordance with his fiduciary duties and he must provide for their application by each employee or contractor of the company.

The law and the secondary regulation stipulate that the pension fund assets may be invested in bank deposits, bonds or other debt securities, shares and commercial notes issued by issuers with headquarters in the Republic of Macedonia or abroad, in the countries of the EU or OECD. Having in mind that it is necessary to achieve a certain level of diversification among different types of investment, there are maximum limits for investing in one company and maximum limits on the amounts that might be invested in certain types of instruments. In order to prevent investing in instruments that might be disadvantageous to mandatory pension funds, the law prohibits investments in shares, bonds and other securities that are not traded on official markets or that are not publicly traded, instruments that are not legally disposable, instruments that cannot be assessed, most types of property that cannot be immediately assessed and other items with uncertain values, like antiques, art etc.

Pension funds' assets are constantly growing, which enable the pension funds to trade on foreign market, since the domestic market is becoming smaller for the needs of the pension funds, and since foreign market provide for diversification and bigger choice for investing.

Figures 4.11 and 4.12 give the investment structure of the mandatory pension funds from the beginning of the system (for the period 2006-2012, and for 2013 the structure is given on a quarterly basis).

Table 4.4 Maximum investment limits

Type of instrument	Maximum limit
Investment abroad (EU and OECD)	50 %
<ul style="list-style-type: none"> • bonds and other securities issued by foreign governments and central banks • securities issued by non-state foreign companies, banks or investment funds 	50 % 30 %
Securities issued or guaranteed by RM on the domestic market or NBRM	80 %
Bank deposits, deposit certificates, mortgage backed securities, and other securities issued by domestic banks	60 %
<ul style="list-style-type: none"> • bank deposits 	30 %
Bonds issued by local self-government and domestic joint stock companies, which are not banks and, commercial notes from domestic joint stock companies, which are not banks	40 %
<ul style="list-style-type: none"> • bonds issued by local self-government 	10 %
Shares issued by domestic joint stock companies	30 %
Participation units and shares of open-end, close-end and private investment funds in RM	5 %
<ul style="list-style-type: none"> • participation shares in private investment funds 	1.5%

Figure 4.11 Investment structure for NLBz

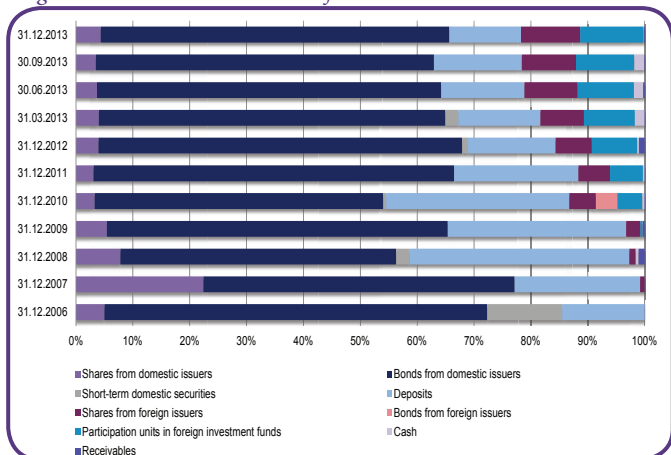
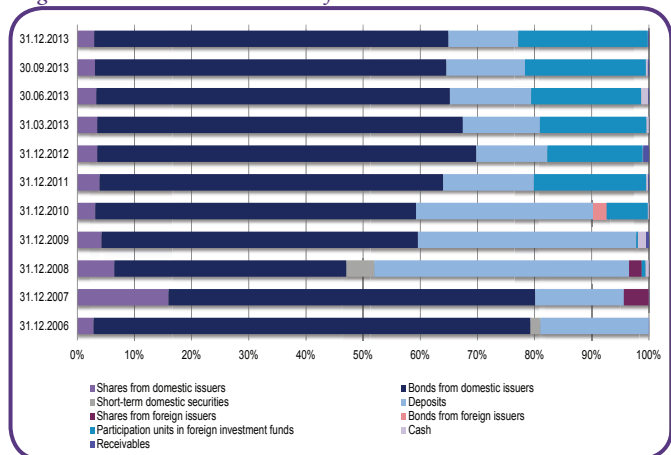
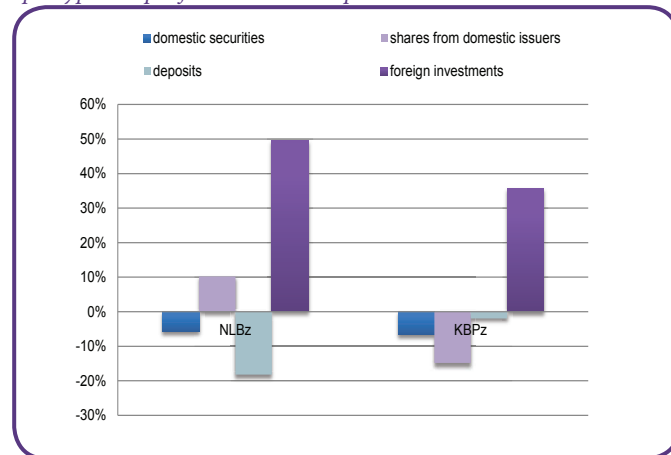


Figure 4.12 Investment structure for KBPz



In the first year (2006) of the mandatory fully funded pension system, most of the assets were invested in government securities, in deposits and smaller part in shares. In 2007, the participation of shares in the overall investments was increased, while that of the deposits slightly decreased and the investments abroad started to roll out slowly. However, in the following couple of years (2008 and 2009) the pension companies employed a more conservative investment policy and again, increased the investments in deposits and government securities. In 2010, the pension funds increased the investments abroad, and in 2011 and 2012, the participation of the government shares in the overall investments was again increased, while the deposits decreased in respect to previous years. In 2013, the participation of domestic government shares has decreased and it was 61.68%. The participation of bank deposits has also decreased in respect to 2012 and it is 12.38%. Domestic shares participate with 3.60% in the investment portfolio, almost the same as the previous year, cash and cash equivalents are participating with 0.05% and receivables with 0.16%. In 2013, the investments abroad have increased in respect to 2012 and they were 22.14%, out of which investments in foreign shares are 4.84% and 17.30% are investments in participation units of foreign investment funds.

Figure 4.13 Changes in the percentage participation of investments per type and per fund in 2013 compared to 2012



The changes in the percentage participation of investments per type and per fund in 2013 compared to 2012 is given in the Figure 4.13.

The figure demonstrates slight decrease in the percentage participation on investments in government securities for around 6-7%. The investments in bank deposits have markedly decreased for NLBz – for 18%, while for KBPz this decrease is only 2%. NLBz had increased the investments in domestic issuers for 10%, while KBPz decreased these type of investments for 15%. Both pension funds mark increased investments abroad, NLBz for 50%, and KBPz for 36%.

In 2013, just like in 2012, pension companies did not invest a lot of the pension funds’ assets in shares of domestic issuers. In 2013, NLBz increased its exposure to shares in respect to 2012, while KBPz decreased it. Considering that this exposure is very limited, the changes in the Macedonian

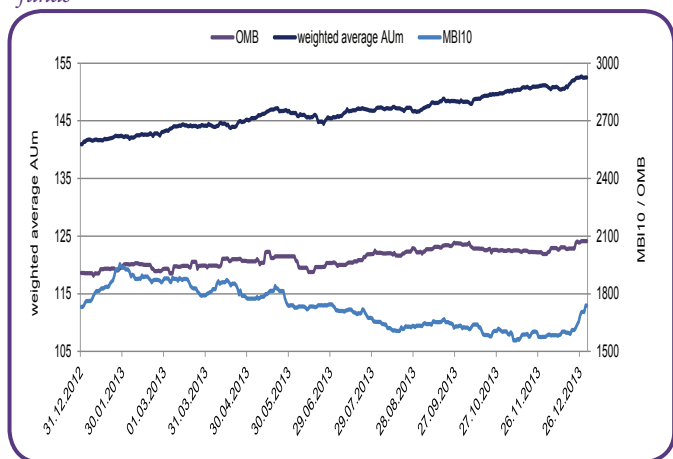
stock Exchange Index (MBI 10) did not have any significant impact on the average value of the account unit of the mandatory pension funds. Namely, in 2013, MBI 10 marked an increase of 0.44% , while the average⁶ increase in the value of the accounting unit of the mandatory pension funds was 8%.

Also, the value of bonds index of the MSE – OMB, does not have a significant impact on the average value of the account unit, considering that only 2.2% of the assets are invested in domestic bonds traded on the Macedonian Stock Exchange. The rest of the portfolio is invested in domestic bonds which are art of the continuous domestic bonds. In 2013, OMB increased for 4.65%, while the average increase in the value of the accounting unit of the mandatory pension funds was 8%.

The comparison in the movements of the MBI10, OMB and the average value of the accounting unit of the mandatory pension funds is given on the Figure 4.14.

⁶The average value is calculated as weighted average of the accounting unit of mandatory pension fund to the mandatory pension funds net assets

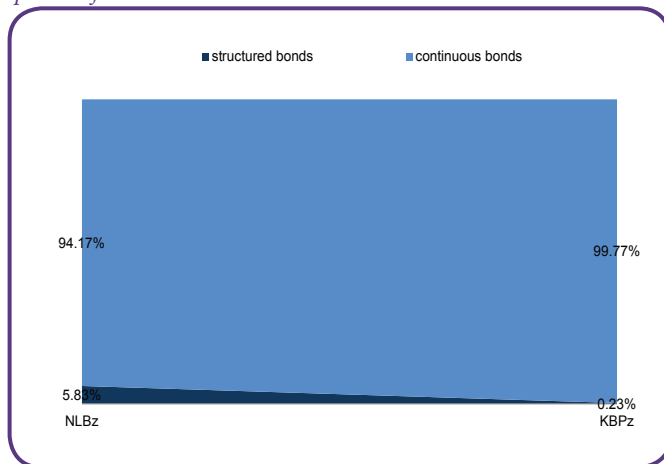
Figure 4.14 Comparison in the movements of the MBI10, OMB and the average value of the accounting unit of the mandatory pension funds



Source: MAPAS and Macedonian Stock Exchange – Annual Statistical Bulletin 2013

Most of the mandatory pension funds assets are invested in domestic securities. This includes long-term bonds (mostly continued bonds and structured bonds). Namely, NLBz has 61.33% of the total assets invested in domestic securities, out of which 94.17% are investments in continued bonds and 5.83% in structural bonds. KBPz has 61.99% of the total assets invested in domestic securities out of which 99.77% investments in continued bonds and 0.23% in structural bonds. Figure 4.15 shows the allocation of domestic securities per type.

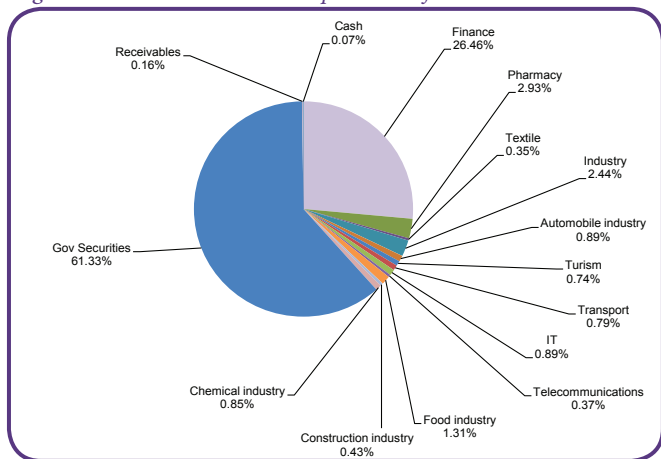
Figure 4.15 Allocation of domestic securities owned by mandatory pension funds



services (9.88% for NLBz), while the lowest participation is of shares in domestic and foreign banks (0.59% for NLBz and 0.44% for KBPz). Mandatory pension funds invest in other sectors as well: pharmacy, food, transportation, tourism, textile, IT, telecommunications, chemical industries, construction, automobile industries etc, however with very low participation (from 0.23% to 2.93%).

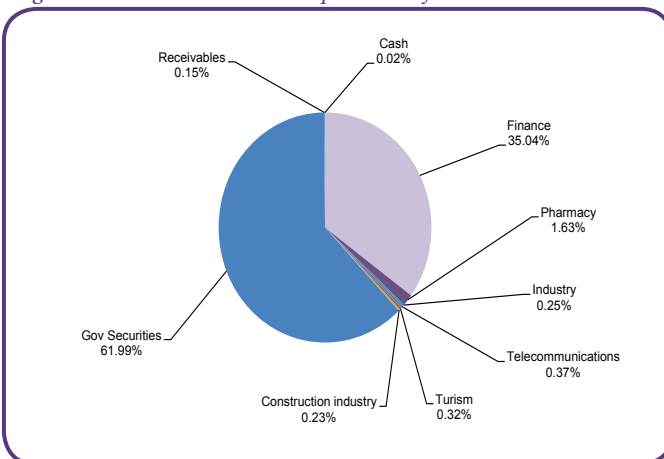
Per the currency structures of the mandatory pension funds' assets (as shown on Figures 4.18 and 4.19), it can be noticed that the largest amount of the both funds' assets are invested in Euros (44.38% for NLBz and 64.82% for KBPz).

Figure 4.16 Investment structure per sectors for NLBz



The next largest category of investments is instruments from issuers/ shareholders from the financial sector – in which NLBz invests 26.46% and KBPz 35.04% of the total pension funds' assets. In this category, domestic bank deposits have the largest participation (47.61% for NLBz and 34.80% for KBPz), though lower than the previous year. What follows are the participation units in foreign investment funds (41.92% for NLBz and 64.76% for KBPz) and financial

Figure 4.17 Investment structure per sectors for KBPz



For NLBz it is noticeable that there is a decrease in the investment in instruments in Euro, compared to the previous year, while for KBPz this participation is almost the same. Investments in instruments in domestic currency are lower for both pension funds (39.22% for NLB and 23.98% for KBPz), while the investments in US dollars have increased in respect to 2012 (15.07% for NLBz a 11.20% for KBPz). Small part of the NLBz assets are in invested in CHF (0.82%) and GBP (0.50%).

Figure 4.18 Currency structure for NLBz

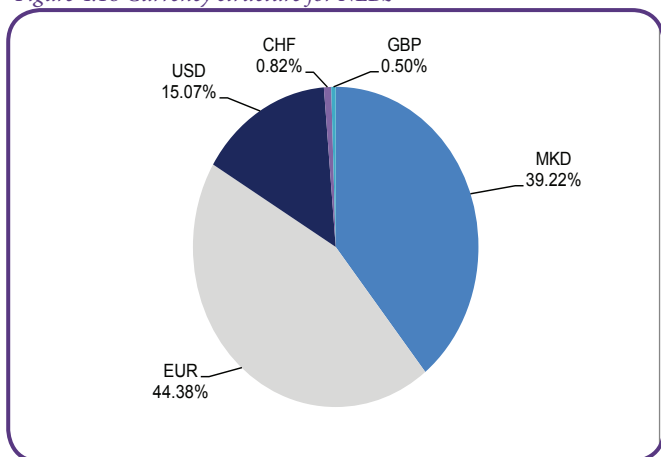
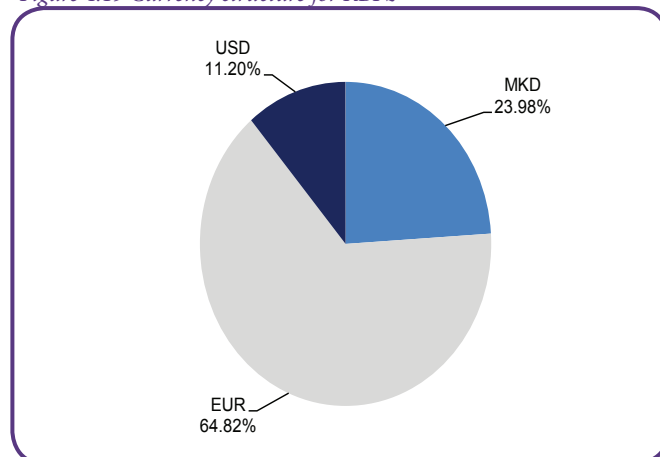
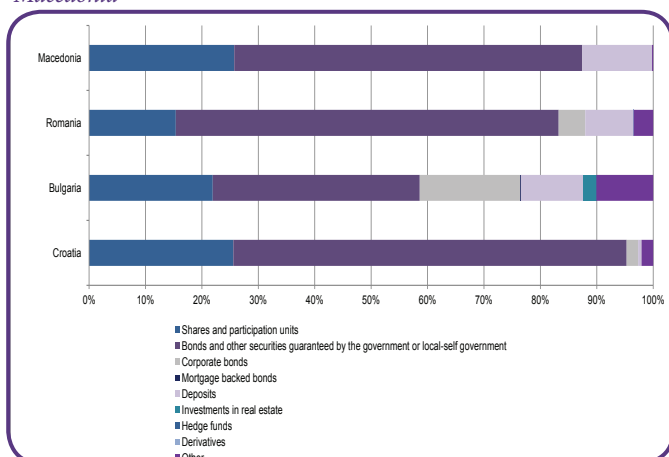


Figure 4.19 Currency structure for KBPz



Compared to global experiences or to countries with similar pension systems, we can notice some similarities and some differences with our system in terms of investment portfolios. Figure 4.20 shows the pension funds portfolios (equal to the Macedonian pension funds) in several other countries and in Macedonia, as of 31.12.2013.

Figure 4.20 Pension funds portfolios in several countries and in Macedonia



Source: www.hanfa.hr ; www.fsc.bg ; www.csspp.ro and own calculations

If we give a look at the portfolios from types of instruments perspective it can be noticed that least investments were made in bonds and other securities guaranteed by the government or the local authorities in Bulgaria (37%). On the other hand, the rest of the countries invested 60% in bonds and other securities guaranteed by the government or the local authorities (Croatia 70%, Romania 68% and Macedonia 62%). The rest of the assets were invested in various ways. Most of deposit investments can be placed in Macedonia (12%) and Bulgaria (11%), then Romania (9%) and Croatia (0.61%). Most investments in shares and units can be seen in Croatia (26%) and Macedonia (26%), followed by Bulgaria (22%) and Romania (13%). Unlike pension funds in Macedonia, the pension funds in other countries invested in corporate bonds (Bulgaria 18%, Romania 5% and Croatia 2%), but still it should be noted that the Macedonian market is scarce in such instruments. Only Bulgarian pension funds invested in mortgage-backed bonds and in real estate (2%) (in other countries this instrument is mostly prohibited), while Romania is the only one investing in hedge funds (0.02%). The portfolio structure from the perspective of investing at home or abroad demonstrates the largest exposure of Bulgarian funds (45%), then Macedonian (22%), Croatian (13%), Romanian (5% in EU and 0% in third countries).

4.5 Net assets, accounting unit and rate of return of the mandatory pension funds

The contributions in the mandatory pension funds, reduced for the fee from contributions are invested. The earned return is allocated in the mandatory pension fund i.e. on the members' individual accounts. Once a month, pension companies charge a management fee, as percentage from the pension funds' assets. Also, transaction fees are charged from the pension fund upon each transaction. The valuation of the pension funds assets is done on a daily basis. It is done based on the market value of each asset, or based on the depreciated value of the assets if the instrument is kept until maturity or in a portfolio available for sale or if it is not possible to determine the market value.

The assets of the mandatory pension fund might change throughout the year for the following reasons:

- inflow of contributions,
- reduced fees and transaction commissions,
- inflows as a result of transfers from another pension fund (for persons who were temporarily allocated to another pension fund and have signed a contract with the current pension fund and for persons that were members in another pension fund and then transferred to the current pension fund),
- outflows due to transfers to another pension fund (for persons who were temporarily allocated to the current pension fund and have signed a contract with the other pension fund and the persons that were members of the current pension fund and then transferred to another pension fund),
- outflows of persons who have terminated the membership contracts, surplus of paid contributions or entitlements to disability or survivor pension),
- outflows due to payouts of inheritance,
- outflows as lump sums for persons who were not entitled to old age pension,
- (none) realized incomes or loses from investments .

The starting point are the net assets at the end of the previous year, to which are added all the changes mentioned above, which gives as a result the net value at the end of the current year (shown on Table 4.5).

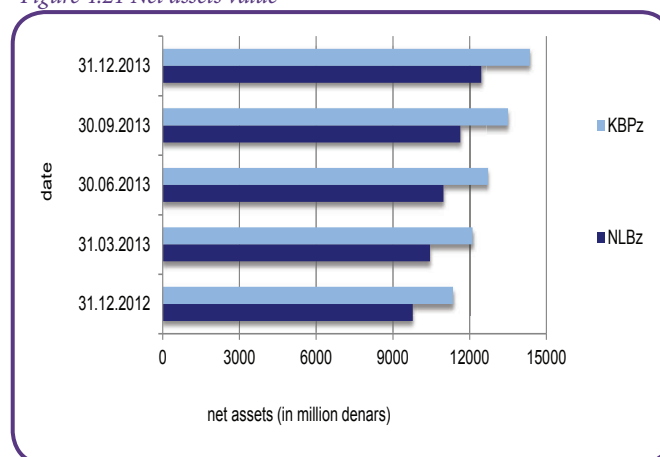
Total net assets of mandatory pension funds as of 31.12.2013 are approximately 27 billion denars or around 436 million euro, which is equal to 5.65% of GDP.⁷

Table 4.5 Changes in the assets of the mandatory pension fund (in million denars)

	НЛБз	КБПз
Net assets as of 31.12.2012	9,774.67	11,349.43
Contributions	1,915.72	2,174.01
Fees from contributions	73.73	83.68
Contributions reduced for fees from contributions	1,841.99	2,090.33
Fees from assets	62.35	72.29
Revenues for intermediary commissions	2.66	1.05
Transfers from another fund	5.30	15.53
Transfers to another fund	15.53	5.30
Transfers to PDIF due to termination, return of contributions or retirement	72.00	84.31
Inheritance pay out	0.56	1.98
Lump sum payouts	0.13	0.59
Gross profit from investments	979.10	1,062.11
Net profit from investments	914.09	988.76
Net assets as of 31.12.2013	12,447.83	14,351.87

The development in the value of the net assets of the mandatory pension funds for 2013 is given in the Figure 4.21, by quarters.

Figure 4.21 Net assets value



⁷ Source for GDP: State Statistical Office – estimated data

Figure 4.22 Growth of the net assets of NLBz in percentages

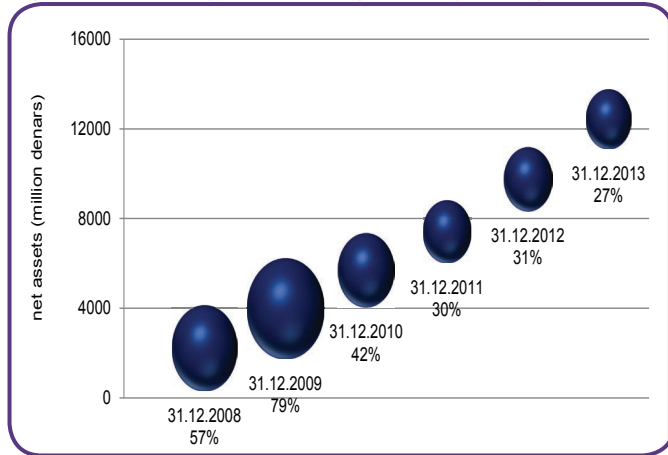
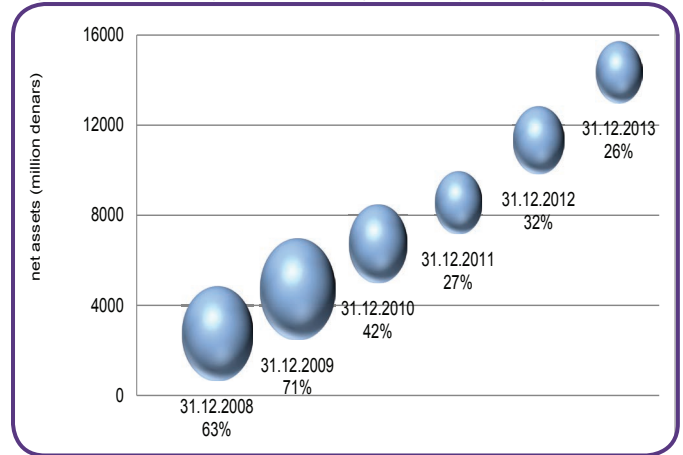


Figure 4.23 Growth of the net assets of KBPz in percentages



Figures 4.22 and 4.23 show values of net assets at the end of each year and their increase in percentages in respect to the net assets in the previous year. It is evident that the net assets of both mandatory funds grow with almost the same pace. The biggest growth is marked in 2008 and 2009.

The developments in the value of the net assets and the cumulative contributions, the paid in contributions and net assets for both mandatory fund from the start of the system (from first payment on 01.01.2006) until 31.12.2013 are shown on Figures 4.24 and 4.25. It is evident that during the first years the total net assets grow proportionally with the cumulative contributions with proportionality coefficient of one, while in the last few years the assets of the fund grow faster than the contributions

For both mandatory pension funds, the net assets and the cumulative contributions have been growing since the start of the system. The biggest growth of net assets (around 150%) and of paid cumulative contributions (around 40%) has been noticed in 2007 for both pension funds. This is followed by a decrease in the net assets and the cumulative aid contributions. Trends stabilize over the years, where in the last three years it is evident that there is an average of 30% increase in the net assets and an average of 10% in the cumulative paid contributions. In 2013, the growth of the net assets is 27% for NLBz and 26% for KBPz, while the growth of the cumulative paid contributions is 8% for NLBz and KBPz.

Accounting units are used for record keeping of the mandatory pension funds assets. One accounting unit is a proportionate share of the total net assets of the fund. The value of the accounting unit is equal to the value of the net assets divided by the number of accounting units on all individual accounts and sub-accounts. The starting value of the accounting unit was 100 denars. Pension funds, Macedonian ones as well, are subjects to cyclical movements, which mean growths and declines in values of accounting units, depending on the investments and the movements in the instruments in which the assets are invested, as well as the dynamics of collecting contributions and fees.

These movements in the accounting units in 2013 are demonstrated on the below Table 4.6 and Figure 4.26. In 2013, the accounting unit had a continuous growth and similar trend for both pension funds, so by the end of the year the accounting unit marked a significant growth in respect to the previous year.

The account unit has a growing trend from the beginning of the system until the present day. These movements are given in Table 4.7 and Figure 4.27.

Usually, the return of the pension funds is calculated for several years, presented on annual level. So, the Macedonian pension system, calculates the return for a seven-year period

Figure 4.24 Net asset growth compared to paid in contributions in NLBz

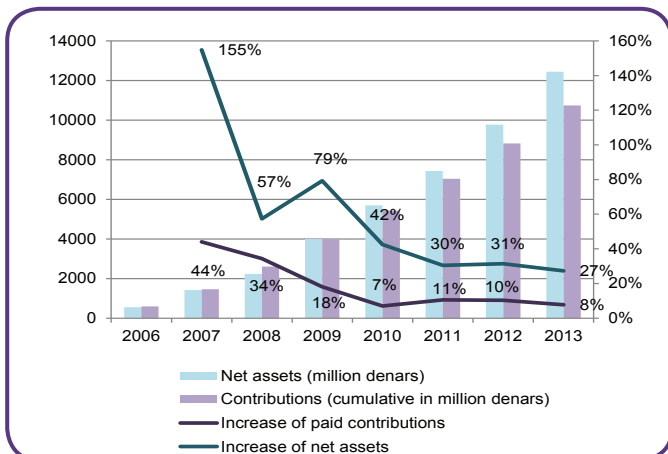


Figure 4.25 Net asset growth compared to paid in contributions in KBPz

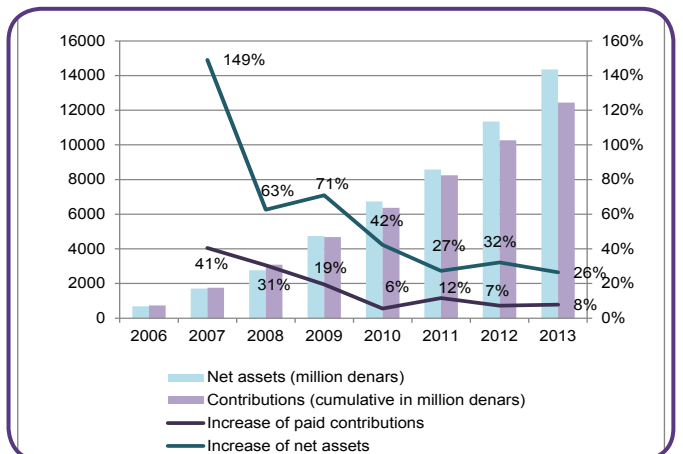


Table 4.6 Value of the accounting unit in 2013

Date	Value of the account unit	
	NLBz	KBPz
31.12.2012	139.225567	142.372582
31.03.2013	142.525567	145.584739
30.06.2013	143.762985	146.896022
30.09.2013	146.340119	149.760760
31.12.2013	151.117506	153.757419

(calculation period), presented annually in real and nominal value. In case a pension fund is younger than 84 months, but older than 12, the return is calculated at the end of June and at the end of December. In such case, the calculation period is 78, 72, 66, 60, 54, 48, 42, 36, 30, 24, 18 or 12 months.

The nominal return is the change (growth) in percentage in the value of the accounting unit, on the last valuation date of the calculation period and the value of the accounting unit on the last day of the month preceding the first month of the calculation period, converted into equivalent annual nominal rate of return. The nominal return is expressed in percentage with two decimals and it is calculated by the following formula:

$$R_{nom} = \left(\frac{SE_t}{SE_0} \right)^{\frac{365}{t}} - 1$$

where,

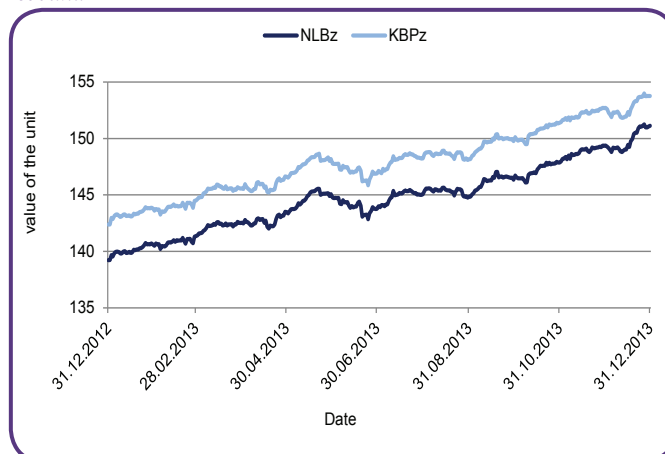
R_{nom} is the nominal rate of return for the calculation period,
 SE_t is the value of the accounting unit on the last day of the calculation period ;
 SE_0 е вредноста на сметководствената единица на pocis the value of the accounting unit at the last day of the month preceding the first month of the calculation period;
 t is the number of days in the calculation period.

Table 4.7 Accounting unit value from the beginning of the system

Date	Value of the accounting unit	
	NLBz	KBPz
31.12.2006	105.929336	106.265900
31.12.2007	115.511364	115.303221
31.12.2008	100.155213	107.116421
31.12.2009*	116.874672	120.667142
31.12.2010	125.009646	129.590887
31.12.2011	129.003093	130.697013
31.12.2012	139.225567	142.372582
31.12.2013	151.117506	153.757419

* In the second half of 2009, both pension companies decided to reclassify the financial instruments held to maturity, into financial instruments available for sale. In this procedure, the pension companies actually re-evaluated the financial instruments, by allying fair value and have determined the value of assets, net assets, value of accounting units and number of accounting units, which caused a significant correction in the value of the accounting unit.

График 4.26 Вредност на сметководствената единица во 2013 година



The real return for each calculation period, converted into equivalent annual real rate of return is calculated based on the annual rate of return in nominal value and the change in the living costs of the calculation period, on annual basis. The calculation is done according to the following formula:

$$R_{real} = \frac{1 + R_{nom}}{\left(\prod_k \left(1 + \frac{i_k - 100}{100} \right) \right)^{\frac{365}{t}}} - 1$$

where,

R_{real} is the real rate of return for the calculation period ,

R_{nom} is the nominal rate of return for the calculation period,

t is the number of days in the calculation period

i_k is the costs of life index, published by the State Statistical Office, at the end of June and at the end of December of each year and refereeing to the June and December of the previous year, starting from the year of calculation and going backwards for all the years in the calculation period and the last semester in the calculation period in case such period is consisted of 78, 66, 54, 42, 30 or 18 months.

Figure 4.27 Accounting unit value from the beginning of the system

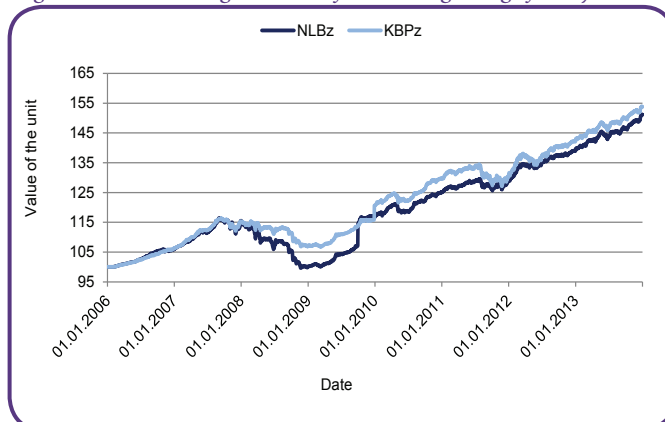


Table 4.8 Return of the mandatory pension funds

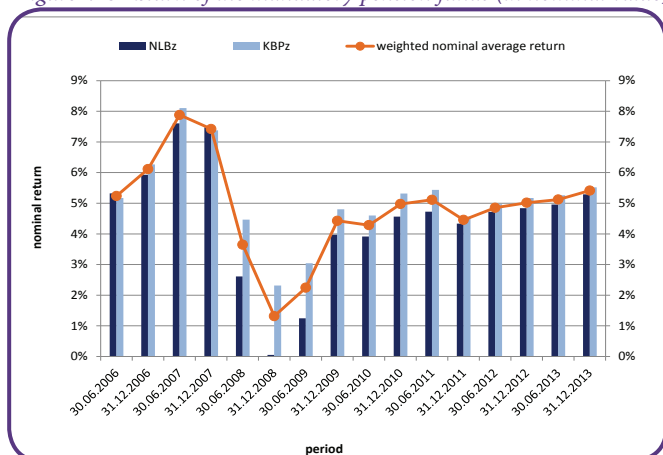
Period*	NLBz		KBPz	
	In nominal value	In real value	In nominal value	In real value
01.01.2006 - 31.12.2008	0.05%		2.32%	
31.12.2006 – 31.12.2009	3.33%		4.32%	
31.12.2007 – 31.12.2010	2.67%		3.97%	
31.12.2008 – 31.12.2011	8.80%		6.86%	
31.12.2009 – 31.12.2012	6.00%		5.66%	
31.03.2006 – 31.03.2013	5.05%	1.99%	5.37%	2.31%
30.06.2006 – 30.06.2013	4.93%	1.80%	5.27%	2.12%
30.09.2006 – 30.09.2013	4.81%	1.65%	5.28%	2.11%
31.12.2006 – 31.12.2013	5.20%	2.16%	5.41%	2.37%
Почеток** -31.12.2013	5.29%	2.24%	5.52%	2.46%

* Until the amendments to the Law on mandatory, fully funded pension insurance in 2013, the return was calculated for a period of 3 years, only in nominal value.

** For NLBz and KBPz the start is on 1.1.2006

The return of the mandatory pension funds per periods, presented on annual level, is shown in the Table 4.8.

Figure 4.28 Return of the mandatory pension funds (in nominal value)

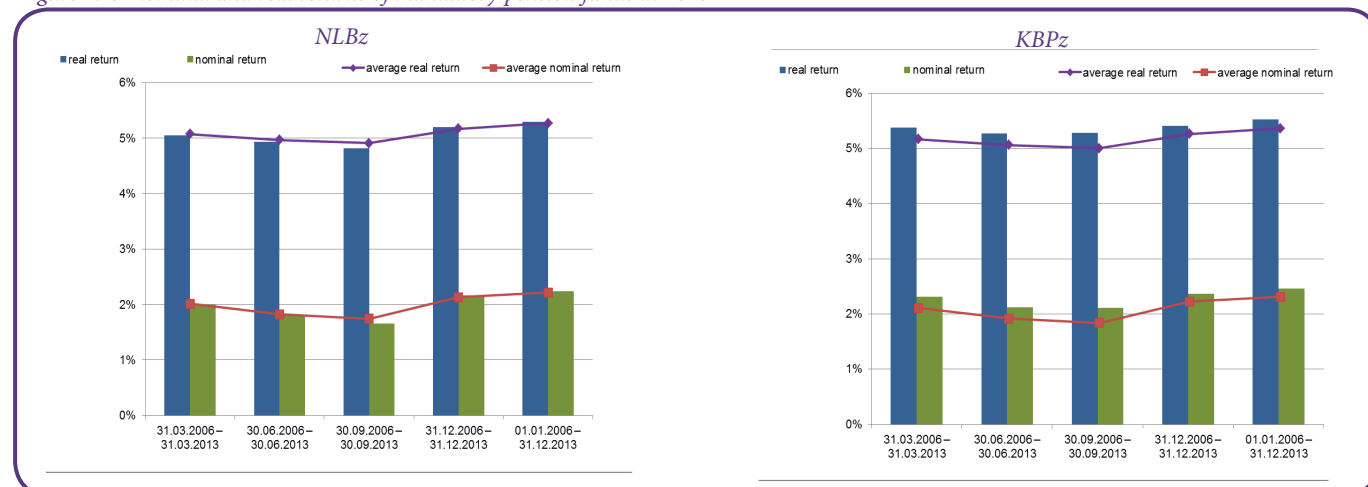


The return on the individual account is variable and it depends on the return of the mandatory pension fund and the fees charged by the pension company. The return or the yield is a parameter, which cannot be predicted realistically because it depends on the conditions on the capital markets and the economy as a whole

Considering the long-term nature of the pension insurance, it is beneficial to calculate the return from the start of the system (eight years) and in average⁸ it is 5.42% in nominal value and 2.35% in real value

The movements of the return in its nominal value in the eight years of the system's existence is shown in Figure 4.28, where the returns per periods are demonstrated, from the start until 31.12.2013, per funds and the weighted average return. At the beginning of the system, the return is growing, so by the end of 2006 and 2007 the rates are high, while by the end of 2008 the rates are at their lowest, due to the negative impact of the domestic and foreign financial markets. By the end of 2009, the rates recover and start growing by 2010. In 2011 again, there is a slight decrease in respect to 2010. However, 2012 and 2013 already demonstrate growths in the rates of return.

Figure 4.29 Nominal and real returns of mandatory pension funds in 2013



⁸ The average rate per the accounting unit is calculated with the same formula used to calculate the rate of return of mandatory pension fund, where instead of the accounting unit, the weighted average of the accounting unit is used in respect to the net assets.

The movements in the real and nominal rates of return for 2013 for the period of seven years, per mandatory pension fund and compared to the average return are shown on Figure 4.29. In 2013, there were no significant variations of the returns. The nominal return is from 5% to 5.5%, while the real return is from 1.8% to 2.4%. The lowest values are noticed in the returns for the period 30.09.2006 – 30.09.2013.

The pension funds have earned more returns than the benchmarks set in their investment strategies for 2013. Thus, for NLBz, the inflation rate for Macedonia, increased for one percentage point is the basic benchmark for satisfactory return from investments. So, the earned annual return in nominal value for the previous seven years is 1.22 percentage points above the benchmark. For KBPz, the benchmark is set to two percentage points above inflation, which means that the earned return in nominal value for the previous 7 years is 0.43 percentage points above the benchmark for 2013. It should be noted that KBPz has set a higher benchmark than NLBz for one p.p.

Table 4.9 Comparison of earned income in nominal value to benchmarks set in the investment strategies of the mandatory pension funds

Mandatory pension fund	Earned annual return in nominal values (31.12.2006 – 31.12.2013)	Average inflation*	Benchmark	Difference (return - benchmark)
NLBz	5.20%	2.98%	3.98%	1.00 p.p.
KBPz	5.41%	2.98%	4.98%	0.43p.p

*Calculated through the change in the costs of life index for 2007, 2008, 2009, 2010, 2011, 2012 and 2013, presented don annual level (State Statistical Office)

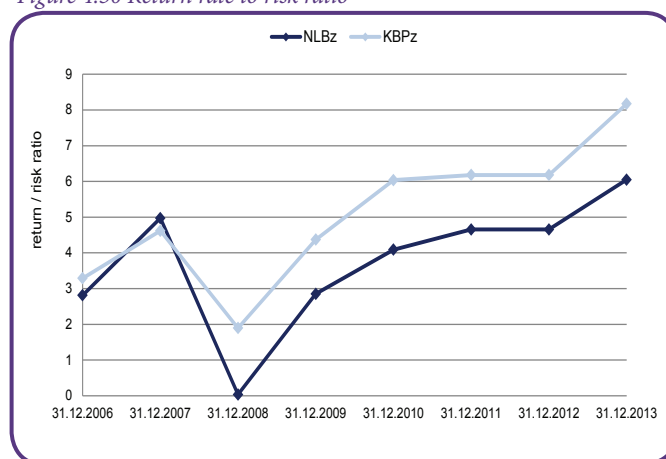
The earned returns per fund are one of the ways to measure the success of the fund, but what is important for the individual member are the returns on his individual account.⁹ This return is usually different from the return of the fund. Namely, members enrol at various times into the pension funds and remain with the pension fund for various periods of time. On the members' accounts, the contributions are paid in different amounts and with different frequencies. Thus, for each member the return on the individual account will give a personalized picture on the return for that particular member. Also, this calculations include the influence of the fees from contributions. Namely, one of the calculations is used with total number of paid contributions per member, and the other one is done by using only the contribution that enters the fund (i.e. total paid contribution decreased for the fee from contributions).

⁹ The rate of return on the individual account is calculated by IRR, which measures the return on investments i.e. the return on investments from contributions and the balance on the individual account as of 31.12.2013, as property of the member

As of 31.12.2013, some calculations were made on randomly chosen individual accounts, which have different start up periods (2006, 2007, 2008, 2009 and 2010), which indicates different years of membership in the fund. The calculations demonstrate that members have various returns, which depend on the time of the start of contributions on the account, time of period of payment, as well as the amounts and frequency of payments. So, members who enrolled in 2006 and 2007, have an average return of 4.5%, while members who enrolled in 2008 – 5.2%, those who enrolled in 2009 have an average of 4.9%, and those in 2010 – 4.3%. The same calculation done with contributions decreased for the fee from contributions gives somewhat higher rates of return. So, members who enrolled in 2006 and 2007, earn an average rate of 6.2%, members who enrolled in 2008 and 2009, earn an average of 7.1%, while those who enrolled in 2010 – 7.0%.

The main goal of investing the assets of the pension funds is to make them grow, while doing so always minding the investment risks. The risk is actually the unknown components of whether or not the projected rerun will be reached. The ratio of the risk to the return is direct, which means that higher risk bring higher return and vice versa. The nominal return to risk¹⁰ (calculated by one of the possible calculation methods) from the start until 2013 is shown on Figure 4.30.

Figure 4.30 Return rate to risk ratio



The higher the ratio - return/risk - the better the investment performance of the fund, and the higher the potentials of the fund for higher returns per risk unit.

¹⁰ The return is calculated on annual level from the start of the system through the growth of the accounting unit, and the risk represents the volatility of the accounting unit and it is calculated as annualized standard deviation of the pension funds return.

4.6 Mandatory pension fund fees

According to the Law, pension companies charge three types of fees: fee from contributions, fee from assets and fees for transfers. They use these fees to cover the following functions: manage the mandatory pension funds assets, valuation of assets, membership, keeping of individual accounts, reporting to members, payment of fees to MAPAS and the custodian and covering of own expenses.

This type of financing of pension companies is common for pension systems similar to ours. The entry fee (fee from contributions) is the most common fee. The management fee (percentage from the pension fund's assets) is the second most common fee, which is usually charged on a monthly basis. The third most common fee is the performance fee. Usually, pension companies charge a combination of these three fees, or all three fees. Also, in some countries the entrance fee is charged as a one-off fee, as a percentage from the contributions in the first years, and an exit fee, charged upon withdrawal of the assets upon retirement.

The contribution fee is charged once, upon payment of contributions and then it is invested until withdrawal of assets. The management fee is charged at the end of each month from the total assets under management. The burden of the contribution fees is felt at the beginning, since these are relatively high in the beginning years. Management fees however, are more burdensome at the end, since the accumulated assets are much bigger towards retirement¹¹. On a long run, the contribution fee will give insignificant impact on the amount of the pension benefit, and the law to a very low percentage limits the assets management fee, since it is charged from the assets

Table 4.10 Fees charged by pension companies

Type of fee	NLB	KB Prvo
Fee from contributions	3.75%*	3.75%*
Monthly fee from the assets of the mandatory pension fund	0.045%**	0.045%**
Transfer fee		
Number of days***	Amount of transfer fee	Amount of transfer fee
number of days ≤ 720	15 Euros	15 Euros
number of days > 720	Transfer fee not charged	Transfer fee not charged

*Amount equal to the maximum amount prescribed by law for 2013 (previously it was 4% for both - NLBz and KBPz)

**Previously it was 0.05%

***The number of days is calculated from the day in which a person became a member of the existing pension fund (or in case of first membership, the first day in the month in which the contributions started for the member in the current pension fund) until the deadline in which the member should submit to MAPAS the transfer form and the proof of payment of the transfer fee.

and those grow with the years of membership. However, at the beginning of the system, the impact of the contribution fee on the individual accounts is quite evident. This is expected, since in the start-up years the assets of the pension fund are limited and, the company has a lot of set-up expenses, which are covered from the company's own assets and from the fees charged from the members. As the system develops in the future, the assets of the mandatory pension fund will grow and it can be expected that they will earn more profit for the individual accounts of the members. The short-term results are of no significance, because the system is designed for savings that are accumulated for a period of 30 to 40 years. The members start saving while they are young, and get their pension at 64 (for men) or 62 (for women). Thus, the focus on the advantages of this type of insurance is to be looked on a long run.

The fees charged from the pension funds in 2013 are shown in the Table 4.10.

The first contribution fee was set by a public tender procedure and it was 8.5%. Further on, with the development of the system, of fees charged by the state authorities participants in the system decreased, and with the growth of the contributions and the assets, this fee was continuously reduced. The fees from contributions from the beginning of the system until 2013 are shown in Table 4. 11.

Table 4.11 Contribution fees charged by pension companies in the second pillar

Pension company	Fee	Valid from
NLB	9.90%	Tender
	8.50%	Beginning of the system (2006)
	7.90%	July 2007
	6.90%	February 2008
	6.50%	May 2009
	5.50%	January 2010
	4.50%	January 2011
	4.00%	January 2012
	3.75%	June 2013
	KB Prvo	9.90%
8.50%		Beginning of the system (2006)
7.90%		July 2007
6.80%		February 2008
5.50%		January 2010
4.50%		January 2011
4.00%		January 2012
3.75%		June 2013

¹¹Administrative Charges for Funded Pensions: An International Comparison and Assessment, Edward Whitehouse, June 2000

The fee from assets was set in the Law, and until May 2013, it was 0.05% from the net assets of the mandatory pension fund. From June 2013, it was reduced to 0.045%.

Table 4.12 Maximum amounts of contribution and management fees, stipulated by law.

Year	Fee from contributions	Monthly fee from assets
June 2013	3.75%	0.045%
2014	3.50%	0.045%
2015	3.25%	0.040%
2016	3.00%	0.040%
2017	2.75%	0.035%
2018	2.50%	0.035%
2019	2.25%	0.030%
2020	2.00%	0.030%

From 2013, the law prescribes maximum amount of the contribution fee and the asset management fee and it foresees their gradual reduction in time. So, the maximum amount of the contribution fee will not surpass 2%, while 0.03% is the maximum for the asset fee, which will be implemented from 2019-2020. Until these amounts are finally reached, the fees will be reduced gradually from their current values, as seen in Table 4.12. The collection of fees (in million denars) by pension companies is given in Table 4.13.

Transaction fees for acquisition or transfer of assets to a mandatory pension fund are charged from the pension fund and paid to selected legal entities, which render services with securities. These fees are calculated as a percentage from the value of each transaction. The pension fund is also charged for each transaction on the Macedonian Stock Exchange, to the Macedonian Stock Exchange and the Central Securities Depository.

The transaction fees charged in 2013, are shown in the Table 4.14.

Table 4.13 Collection of fees in 2013 by pension companies (in million denars)

	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
NLBz- total	11.03	11.13	11.33	11.48	11.56	10.80	11.11	11.13	11.06	11.45	11.42	12.59	136.09
From contributions	6.08	6.07	6.15	6.20	6.15	5.88	6.09	6.03	5.86	6.16	6.00	7.07	73.73
From assets	4.95	5.06	5.18	5.28	5.42	4.92	5.02	5.10	5.20	5.30	5.42	5.52	62.35
KBPz - total	12.64	12.82	13.02	13.14	13.22	12.40	12.76	12.71	12.73	13.14	13.14	14.25	155.97
From contributions	6.89	6.96	7.00	7.02	6.94	6.70	6.95	6.80	6.69	7.00	6.86	7.87	83.68
From assets	5.75	5.87	6.01	6.11	6.28	5.70	5.82	5.92	6.03	6.14	6.28	6.38	72.29

Table 4.14 Transaction fees charged from the mandatory pension funds in 2013

NLBz				KBPz			
Broker	Type of instrument		Amount (in thousand denars)	Broker	Type of instrument		Amount (in thousand denars)
	Shares	Bonds			Shares	Bonds	
Ilirika Investments	0.1% to 31.07.2013	0.1% to 31.07.2013	159	Ilirika Investments	0.20% to 20.05.2013	0.20% to 20.05.2013	214
	1.17% from 01.08.2013 to 07.10.2013	1.17% from 01.08.2013 to 07.10.2013			0.05% from 21.05.2013	0.05% from 21.05.2013	
	0.09% from 08.10.2013	0.09% from 08.10.2013					
Fershped Broker	0.1% to 04.07.2013	0.1% to 04.07.2013	7	Eurohaus	0.20% to 20.05.2013	0.20% to 20.05.2013	1
Eurohaus	0.09% from 05.07.2013	0.09% from 05.07.2013	102		0.05% from 21.05.2013	0.05% from 21.05.2013	
Komercijalna banka		0.04%	433	NLB Tutunska banka*		0.04% to 12.03.2013	190
Halk bank SKOPJE*		0,03% (max 12,500 MKD)	138			0.03% (max 12,000 MKD) from 13.03.2013	
Foreign brokers			492	Foreign brokers			183
Other transaction costs**			1,326	Other transaction costs**			466
Total:			2,656	Total:			1,053

*for buying government securities on the primary market

**costs for CSD, domestic stock exchange, foreign institutions (foreign stock exchanges)

4.7 Payout of pensions from the mandatory fully funded pension insurance

Retirement conditions are the same for the first and for the second pillar: age – 64 for men and 62 for women, and at least 15 years of career.

The payouts from the first pillar are the following: part of the old age pension, survivors, disability and minimum pensions. The pension from the first pillar is calculated as a defined benefit per a predefined formula (percentage depending on the career years multiplied by the pension basis from the valorised wages from the entire career).

The second pillar pays out the rest of the old age pension, upon the member's choice:

- as a pension annuity of the entire amount of money accumulated on the individual account; the annuity is paid out for the rest of the member's life by an authorised insurance company; or
- as programmed withdrawals provided by the pension company managing the pension fund in which the person is a member upon retirement, or
- as a combination of both.

The provision of the pension annuities and the programmed withdrawals is regulated with the Law on payment of pensions and pension benefits from the fully funded pension insurance.

In case an insured person is entitled to a disability pension and is a member of the second pillar, the total amount of assets on the member's account is transferred to the PDIF and the payout of the total amount of the disability pension is done by the PDIF. As an exception, if the amount of assets on the member's account is higher than the amount for disability pension regulated with the Pension and Disability Insurance Law, than the member can choose to receive a second pillar pension benefit instead of the disability pension from the PDIF.

In case a second pillar members passes away and his/her family members are entitled to a survivors pension, the total amount of assets on the member's account is transferred to the PDIF and the payout of the total amount of the survivors pension is done by the PDIF. As an exception, if the amount of assets on the member's account is higher than the amount for survivors pension regulated with the Pension and Disability Insurance Law, than the member can choose to receive a second pillar pension benefit instead of the survivors pension from the PDIF. In 2013, 81 disability pensions and 64 survivor's pensions were acquired by the second pillar

Table 4.15 Pension entitlements for second pillar members

Type of pension/ Mandatory pension fund	NLBz	KBPz	Total
Disability	31	50	81
Survivors	28	36	64

members i.e. close family members of the deceased members. Their accumulated assets were transferred to PDF that pays the disability and survivors' pensions.

Table 4.15 gives a detailed overview on the acquired pension entitlements for the second pillar members per mandatory pension fund.

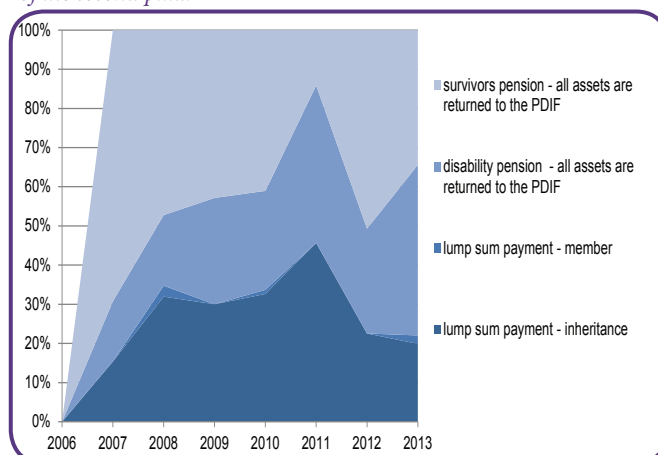
Additionally, the legislation envisages payouts from the members individual accounts without entitlements to a pension, in the following cases:

- when a deceased pension fund member has no family members entitled to a survivors pension, and the assets on that member's account become a part of his/her property and will be managed in accordance with the Law on Inheritance.
- when a pension fund member has not acquired the entitlement to an old-age pension according to the Law on Pension and Disability Insurance because he/she does not have 15 years of service, he/she can buy monthly pension annuity if the amount of that annuity is equal or higher than 40% of the minimum pension. In case the calculated amount of pension annuity is lower than 40% of the minimum pension, the mandatory pension fund shall pay a lump sum of the accumulated assets on his/her account. Buying off the pension annuity and payment of the total accumulated assets in these cases can be done after reaching 65 years of age.

In 2013, the inheritance for 37 deceased members was paid out from the individual accounts, out of which 10 were members of NLBz and 27 were members of KBPz. Also, there were pay out to members who did not acquire the entitlement to an old age pension per the law on Pension and Disability Insurance, to 3 NLBz members and 1 KBPz member.

Figure 4.30 gives the structure of entitlements and payouts from the second pillar in its 8 years of existence. The number of payout is low, because its members are young persons. Most of the payouts are for survivors pensions due to death of second pillar members, followed by disability pensions and least lump sum payments.

Figure 4.30 Structure of entitlements and payouts from the beginning of the second pillar



5

Information on the voluntary pension funds

5.1 Goal of the voluntary fully funded pension insurance

5.2 Membership in the voluntary pension funds

5.3 Transfer of members from one to another account in the same or other voluntary pension fund

5.4 Contributions in voluntary pension funds

5.5 Investments and portfolio structure of voluntary pension funds

5.6 Net assets, accounting unit and rate of return of the voluntary pension funds

5.7 Voluntary pension fund fees

5.8 Payout of pension benefits from the voluntary fully funded pension insurance

5.1 Goal of the voluntary fully funded pension insurance

The primary goal of the voluntary fully funded pension insurance is to provide higher old-age income at retirement to the insured persons who are already insured in the mono-pillar and/or in the two-pillar pension system; to provide a pension for those individuals who are not covered by the mandatory pension system for themselves or from other persons and to provide conditions for establishment of occupational pension schemes in the process of the harmonization of the Macedonian social insurance with the European Union systems. The basic principles of this insurance: to provide an additional old-age income, membership on a voluntary base, voluntary fully funded insurance, on defined contribution basis, investment of assets based on safety, diversification of risk and maintaining of adequate liquidity, as well as transparency.

The voluntary fully funded pension insurance offers coverage for a larger group of the population in the Republic of Macedonia, as well as for persons that are not citizens of the Republic of Macedonia. As it provides for additional old-age income, this type of insurance increases the material security in the retirement days. Many European countries have occupational pension schemes sponsored by the employers or the citizens associations, which provide and finance additional pension insurance for their employees or members. The third pillar enables this in the Republic of Macedonia as well. Due to the ever increasing pressure over the European systems of social insurance, the occupational pensions will play more

significant role in the provision of old-age income. Therefore occupational pensions have to be developed additionally to the social insurance, in order to ensure reliable, permanent and efficient social insurance, one that will provide for a decent life after retirement. In the third pillar, an employer or a citizens association (sponsor) can organize and finance occupational pension schemes and pay the contributions in the voluntary pension funds for their employees or members. A group of employers or citizens associations can organize and finance occupational pension schemes together. Thus, the sponsor signs a contract with the chosen pension company that manages the pension fund in which the occupation scheme of the sponsor shall be included.

With the voluntary fully funded pension insurance the savings of the population will increase, investments will be boosted and this will additionally stimulate and deepen the capital markets, the demand for new instruments and new financial services will increase, etc. These are all expected benefits for the economy from the introduction of the third pillar.

The voluntary fully funded pension insurance became operational in the second half of 2009 and the current pension companies were granted licenses for management of voluntary pension funds. Therefore, Open Voluntary Pension Fund “NLB penzija plus” Skopje has started on July 15, 2009 while KB Prv Open Voluntary Pension Fund – Skopje on December 21, 2009.

5.2 Membership in the voluntary pension funds

A person may become a member of a voluntary pension fund by:

- signing a contract for membership in a voluntary pension fund with the Voluntary Pension Company or Joint Pension Company and by opening a voluntary individual account
- signing a contract for membership in a voluntary pension fund with a third person, who shall pay in the name and on behalf of the person (payer) and the company and by opening of voluntary individual account
- participating in an occupational pension scheme organized by his/her employer or association where he/she is a member and by opening of occupational account.

One person can have only one voluntary individual account and one occupational account. These accounts can be in the same or in different voluntary pension funds.

As of 31.12.2013, the third pillar has 18,525 members, or 1,770 members more than on 31.12.2012. This means that

the third pillar membership has grown for 10.56% in one year. Out of the total membership, 5,065 members or 27.34% have individual accounts and 13,460 members or 72.66% are participants in occupational schemes. On 31.12.2013, 34.29% of the members are from NLBd and 65.71% are from KBPd.

Figures 5.1 and 5.2 show the membership structure in the voluntary pension funds per membership type, from the start of the system. It is evident from the figures that there is a significant difference in both types of membership for both voluntary pension funds. NLBd has more members with individual accounts (60.85%), while KBPd has more members in occupational schemes (90.15%).

The membership structure per age, gender and type is shown on Figure 5.3. This figure demonstrates that most members are young people (at the age from 31 to 40). Still, compared to the second pillar, the third pillar has more mature members. Members with occupational accounts are older than those with individual accounts. The average age of the members with individual accounts

Figure 5.1 Membership structure per voluntary pension fund and per membership type in NLBd

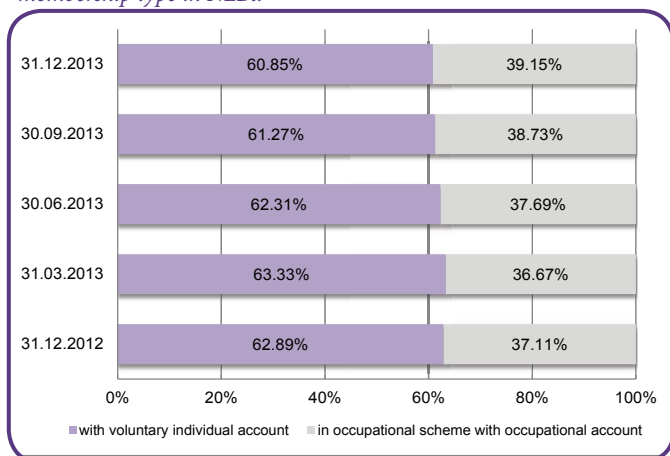
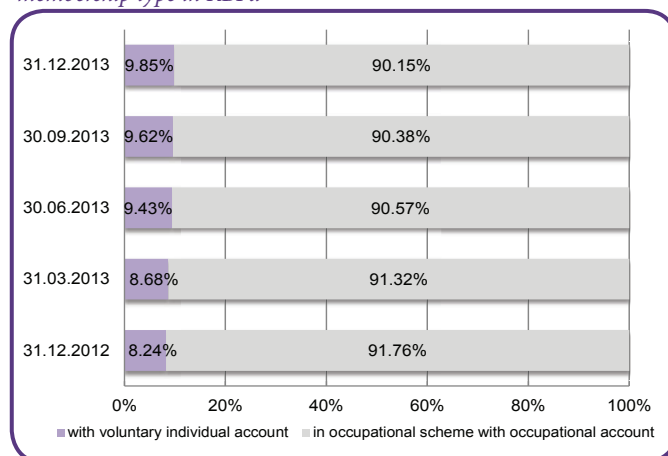


Figure 5.2 Membership structure per voluntary pension fund and per membership type in KBPd

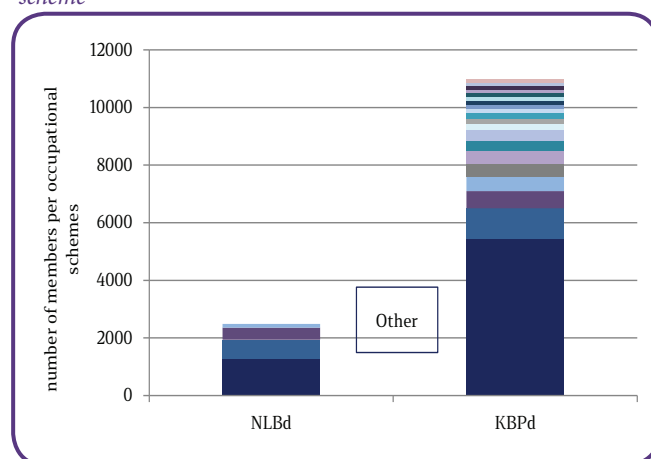


is 38 for men and 37 for women; while for the members with occupational accounts is 43 for men and 42 for women. The average age for all members is 41.

From the short experience so far, the members with individual account mostly pay their own contributions, while in very few cases a third party (payer) pays their contributions (out of 5,065 members with individual accounts only 275 members have a third party payer). The third pillar allows members who are not Macedonian citizens, however only a very small number of the members are not Macedonians (0.02% out of the total number of members).

In NLBd 2,487 members participate in occupational schemes, and in KBPd 10,965 members participate in 2,048 occupational schemes. Some schemes have many members, while other have only 1 or 2 participants. Out of the total number of occupational schemes, 21 of them have over 100 members and only one scheme has over 1,000 members. The average number of members per scheme is 5. The allocation of members per occupational scheme per fund is given on the Figure 5.4, which gives individually only schemes of over 100 members, while the rest is given in the category "other".

Figure 5.4 Allocation of third pillar members per occupational scheme



Least members for NLBd are located in the Polog region – 254. Least members for KBPd are to be found in South-eastern region – 448.

The structure of the third pillar membership per statistical regions¹² is given on the Figure 5.5.

Most members are located in the Skopje region, where KBPd has 5,116 members and NLBd has 2,792 members.

Figure 5.3 Third pillar membership structure per age, gender and membership type

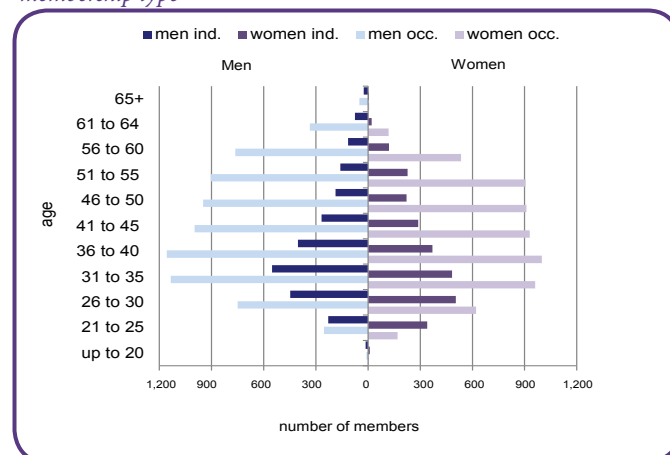
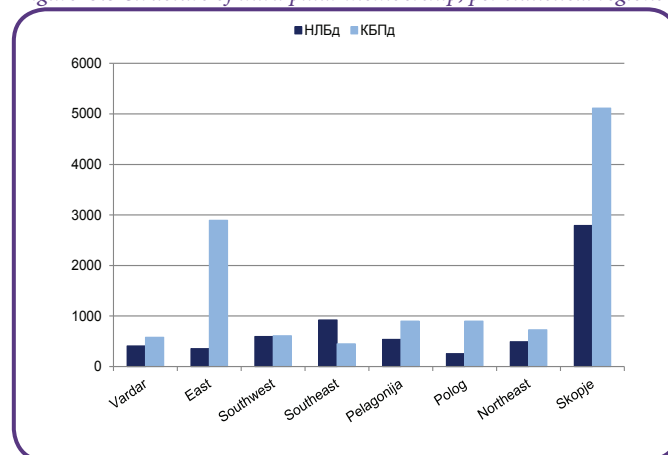


Figure 5.5 Structure of third pillar membership, per statistical regions



¹²Statistical regions are defined by the State Statistical Office – as territorial units, the nomenclature of the territorial units is based on the territorial organization of the local self-government in the Republic of Macedonia and it is harmonized with the EU classification

5.3 Transfer of members from one to another account in the same or other voluntary pension fund

A person has the right to choose a voluntary pension fund and to change it any time. If the member has stayed with one voluntary pension fund less than 12 month, he will be required to pay a transfer fee upon transferring to another fund. Otherwise, transfers are free of charge. When a member transfers to another fund, all the assets from his account are transferred as well. When a participant in an occupational scheme changes employers he has the right to transfer the savings from his occupational account to another occupational account or to an individual account, in case the

new employer does not have an occupation scheme or does not wish to include the person in his occupational scheme. A participant in an occupational scheme has the right to transfer his assets to an individual account in case he remains unemployed or is not associated with any citizens association.

In 2013, none of the members transferred funds, only there were transfers within the same pension fund but from one to another occupational scheme and from occupational to an individual account.

5.4 Contributions in voluntary pension funds

Only a person that meets the membership requirements as per the Law on Voluntary Fully Funded Pension Insurance can make the payment of the voluntary contribution. The member can do the payment of the voluntary contribution in the name and on behalf of a member who owns a voluntary account and/or by a payer. Only a sponsor may do the payment of the voluntary contribution for a member who has an occupational account. The payments are done from the transaction account of the member and/or the payer or the sponsor. The voluntary contribution is paid on a special account of the voluntary pension fund, kept with the custodian, from where the assets are allocated to the individual or to the occupational account of the member, depending on the type of membership, and only after he had met the membership requirements.

The member, the payer and the sponsors are free to determine the amount of the contribution and the dynamics of payments and, the change in the amounts of payment or the termination of payments do not influence the right to membership in the voluntary pension fund. The amounts of voluntary contributions are set by the sponsor for all participants in his occupational scheme and are set as a percentage from the wages of the occupational scheme members.

During 2013, in voluntary pension were paid 113 million denars, or per months as shown in Table 5.1.

In 2013, more contributions were paid in KBPd than in NLBd. In respect to 2012, the growth in contributions is higher for KBPd (61%), unlike NLBd (occupational account (84.78%). The allocation of payments per type of account, on a monthly basis is given on the Figure 5.6.

Figure 5.6 Allocation of third pillar payments per type of account

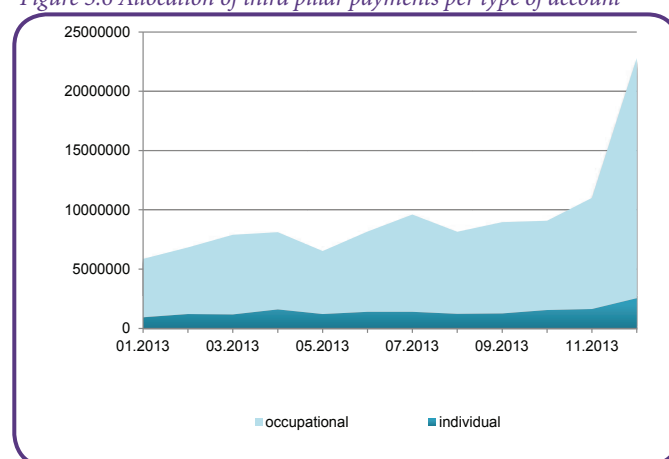


Table 5.1 Contributions in the third pillar per months and per funds

(in thousand denars)

	Total 2012	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec	Total 2013
NLBd	37,602	1,787	2,906	2,725	2,779	2,019	2,331	4,213	3,665	3,609	4,218	4,544	10,561	45,357
KBPd	42,068	4,088	3,918	5,178	5,333	4,507	5,836	5,388	4,482	5,359	4,865	6,470	12,242	67,665
Total	79,670	5,875	6,824	7,904	8,112	6,526	8,167	9,601	8,146	8,967	9,083	11,014	22,802	113,022

5.5 Investments and portfolio structure of voluntary pension funds

Voluntary fully funded pension insurance, just like the mandatory one, employs proactive control and, qualitative and quantitative investment limits in its start-up stage. Thus, the law and secondary regulations define the investment principles and goals, as well as the allowed types of investment instruments, the conditions that the regulated secondary markets must meet in order for the voluntary pension funds assets to be traded on such capital markets, the quality of instruments, countries or groups of countries in which voluntary pension funds assets may be invested, investment limits per instruments and per issuers, prohibited investment, allowed excesses over investment limits etc.

The pension company is obligated to invest the assets of the voluntary pension fund in accordance with the legal provisions and its investment strategy in order to earn the highest return only in favor of the active and retired members. Also it is obligated through diversification and due diligence to minimize the risks from losses which might occur due to default of the issuer or the other contractual party, from the influences of the domestic and foreign markets, losses in the real value for the voluntary pension fund assets due to inflation and losses due to selling of assets for securing liquidity of the voluntary pension fund. In doing so, the members of the management and supervisory boards are obligated to employ care, efficiency and skills of prudent men upon discharging their duties of control and management over the investment of the pension funds' assets. Each member of the management

or supervisory board of the pension company must meet his obligations in accordance with his fiduciary duties and he must provide for their application by each employee or contractor of the company.

However, the voluntary fully funded pension insurance has more liberal investment rules in respect to the mandatory one.

The law and the secondary regulation stipulate that the voluntary pension fund assets may be invested in bank deposits, bonds or other debt securities, shares and commercial notes issued by issuers with headquarters in the Republic of Macedonia or abroad, in the countries of the EU or OECD. Besides these, it is also allowed to invest into debt securities issued by the European Central Bank, European Investment Bank, the World Bank, as well as in securities issued by local authorities. Having in mind that it is necessary to achieve a certain level of diversification among different types of investment, there are maximum limits for investing in one company and maximum limits on the amounts that might be invested in certain types of instruments. In order to prevent investing in instruments that might be disadvantageous to voluntary pension funds, the law prohibits investments in shares, bonds and other securities that are not traded on official markets or that are not publicly traded, instruments that are not legally disposable, instruments that cannot be assessed, most types of property that cannot be immediately assessed and other items with uncertain values.

Table 5.2 Maximum investment limits

Type of instrument	Maximum limit
Investments abroad (EU, OECD)	50%
<ul style="list-style-type: none"> bonds and other securities issued by foreign governments and central banks and other debt securities issued by the European Central Bank, European Investment Bank and the World Banks 	50%
<ul style="list-style-type: none"> debt securities issued by the local-self government, non-state foreign companies or banks, shares issued by foreign companies or banks or participation units, shares and other securities issued by investment funds 	30%
Securities issued or guaranteed by RM on the domestic market or NBRM	80%
Bank deposits, deposit certificates, mortgage backed securities, and other securities issued by domestic banks	60%
Bonds issued by local self-government and domestic joint stock companies, which are not banks and, commercial notes from domestic joint stock companies, which are not banks	40%
<ul style="list-style-type: none"> bonds issued by local-self government 	10%
Shares issued by domestic shareholders	30%
Participation units and shares in Macedonian investment funds	5%

Figure 5.7 Voluntary pension fund investment structure - NLBd

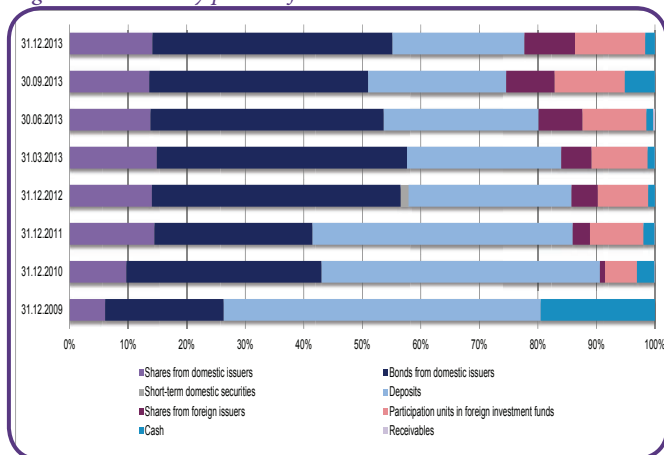
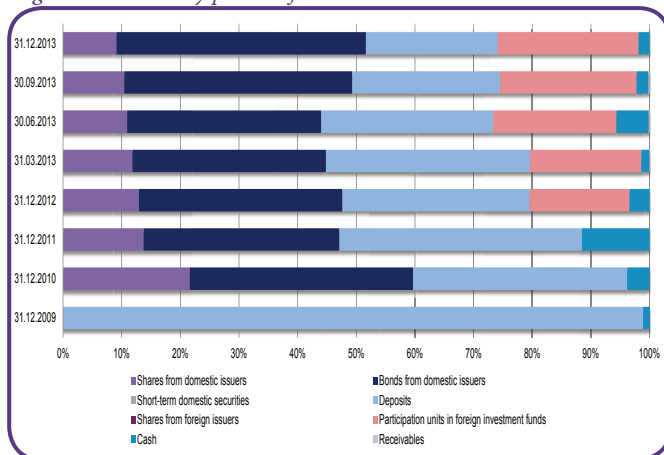


Figure 5.8 Voluntary pension fund investment structure - KBPd



The voluntary pension funds investment structure from the beginning of the system is shown on Figures 5.7 In the start-up year, most of the voluntary pension funds assets were invested in deposits, then in cash and bonds from domestic issuers and very small part in domestic shares. In 2010 and 2011, this trend reversed, as deposits participation started to decline and the investments in shares started to grow. Also, in 2011, NLBd started investing abroad. In 2012, KBPd started introducing new classes of instruments. Domestic bonds have the highest participation in the investment portfolio, followed by domestic deposits and domestic shares and investments abroad. In 2013, both voluntary pension funds invested mostly in bonds (41.75%), then in deposits in domestic banks (22.52%), abroad (17.81% in investment funds participation units and 4.44% in shares of foreign issuers), 1.76% of the investments are in cash and 0.01% are receivables.

for 30%. Both voluntary pension funds have increased their investments abroad, NLBd for 57% and KBPd for 41%.

The percentage participation of the investments through the years per type of investment and per fund in 2013 in respect to 2012 is given on Figure 5.9. It is evident that KBPd (23%) increased the percentage participation of investments in government securities, while for NLB (-6%) there is a decline in such investments. The investments in deposits continue to decline in respect to 2012, for 19% for NLBd and for 30% for KBPd. The investments in domestic shares have increased for 1% for NLBd, and for KBPd they have declined

Voluntary pension funds have a slightly higher exposure to domestic shares (12%) than the mandatory pension funds. However, the changes in the Macedonian stock exchange index - MBI10 - did not affect the average value of the accounting unit of the voluntary pension funds. In 2013, MBI10 had a slight rise for around 0.44% , while the average value of the accounting unit of the voluntary pension funds¹³ grew for 9% in 2013 in respect to 2012. Compared to the mandatory pension funds, the voluntary ones are more exposed to domestic bonds traded on the Macedonian Stock Exchange (around 8%). The remainder of the portfolio invested in domestic bonds refers to continuous domestic bonds. Still, the value of the domestic bonds index of the Macedonian Stock Exchange – OMB, does not have a significant influence over the average value of the accounting unit of the voluntary pension funds. In 2013, OMB, grew for 4.65%, while the average value of the accounting unit grew for 9%. The Figure 5.10 shows the comparison in the movements of the value of MBI10, OMB and the average value of the accounting unit of the voluntary pension funds during 2013.

Figure 5.9 The percentage participation of the investments through the years per type of investment and per fund in 2013 in respect to 2012

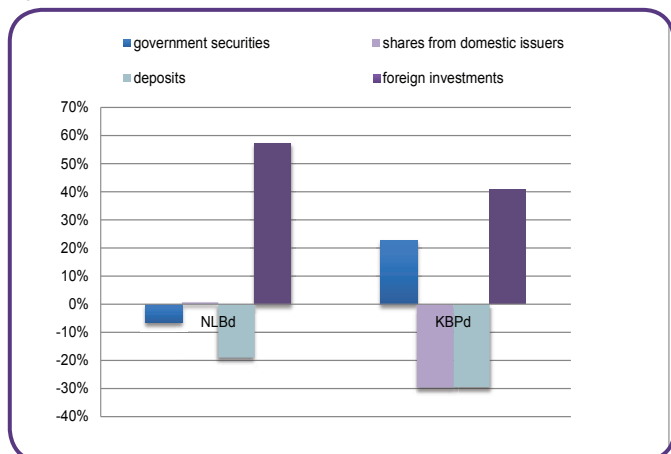
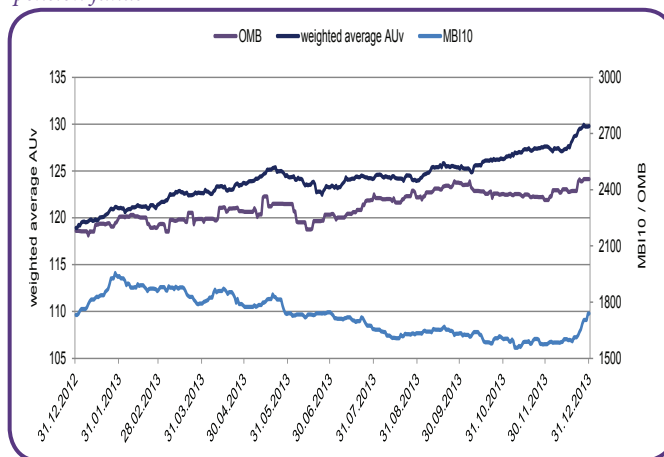


Figure 5.10 MBI10, OMB and average accounting unit of voluntary pension funds



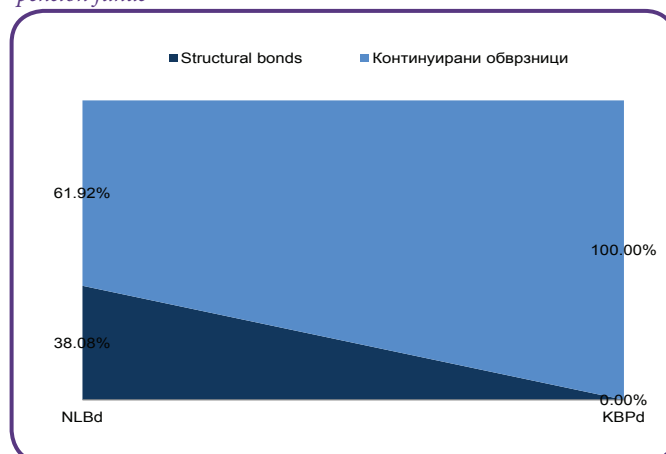
Source: MAPAS and Macedonian Stock Exchange – Annual Statistical Bulletin 2013

¹³ Average value is calculated as a weighted average of the accounting units of the voluntary pension funds in respect to the net assets of the voluntary pension funds

Around 40% of the voluntary pension funds' portfolio (41.01% NLBd and 42.54% KBPd) is invested in domestic securities. The structure of investments in domestic securities includes only long-term bonds, such as continuous bonds and structural bonds. So, out of the total assets invested in domestic securities, NLBd holds 61.92% in continuous bonds and 38.08% in structural bonds. As for KBPd, out of the total assets invested in domestic securities, almost all of them are invested in continuous domestic bonds. Figure 5.11 shows the allocation of domestic securities per type owned by the voluntary pension funds.

The assets of the voluntary pension funds are mostly invested in domestic securities (NLBd 41.01% and KBPd 42.54%) and instruments from issuers/shareholders in the financial sector (36.84% for NLBd and 46.64% for KBPd). Within this sector, the highest participation in the NLBd investments have the domestic bank deposits (61.21%), followed by participation units in foreign investment funds (32.58%). While for KBPd the participation units in the foreign investment funds have the highest participation (51.44%), followed by domestic bank deposits (48.23%). In this sector, financial services participate with 5.17% in NLBd portfolio, while for both funds the lowest participation is that of the shares in domestic banks (NLBd 1.04% and KBPd 0.34%). Voluntary pension funds invest in other sectors, such as: pharmacy, food, tourism, telecommunications, trade, construction and other industries, however with much smaller participation (1.03% to 7.21%).

Figure 5.11 Allocation of domestic securities owned by the voluntary pension funds



According to the currency structure of voluntary pension funds assets, Figures 5.14 and 5.15, show us that the most of the NLBd assets are invested in domestic currency 48.17%, followed by 35.29% of investments in Euros. While for KBPd the prevailing currency is the euro with 51.01%, followed by the domestic currency with 37%. Part of the investments are made in US dollars (15.74% for NLBd and 11.99% for KBPd) and a very small part in Swiss francs (0.79% for NLBd).

Figure 5.12 Investment structure per sectors for NLBd

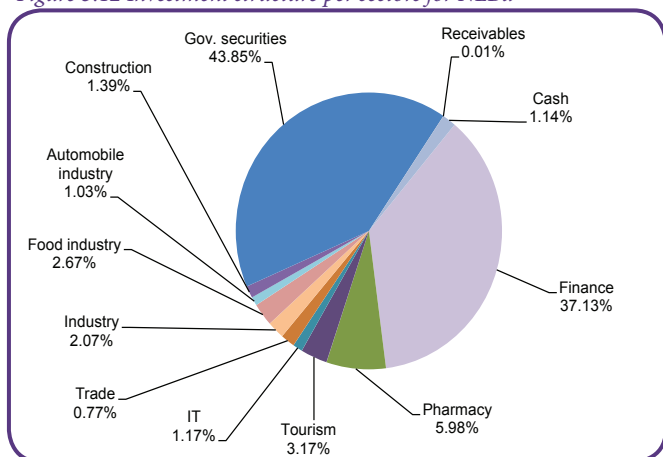


Figure 5.13 Investment structure per sectors for KBPd

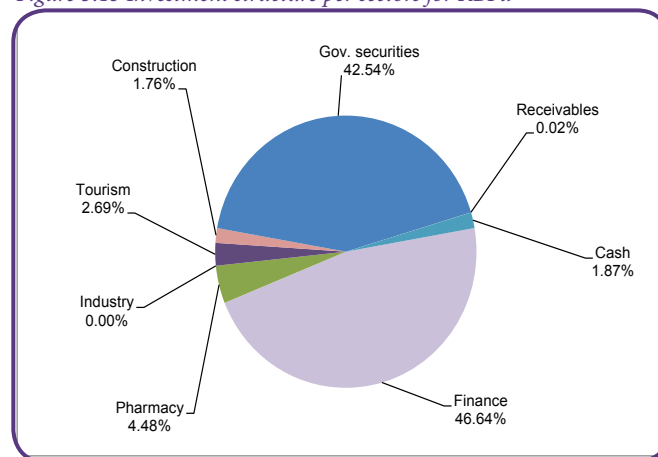


Figure 5.14 Currency structure for NLBd

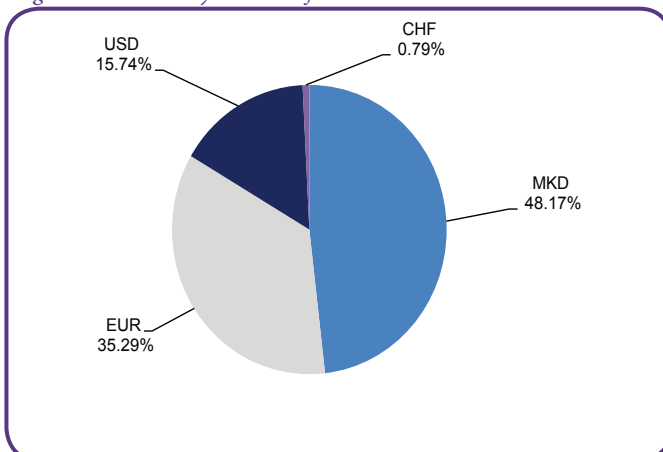
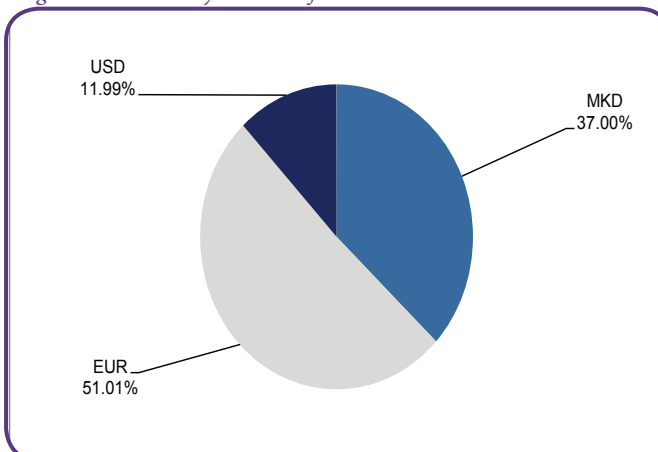


Figure 5.15 Currency structure for KBPd

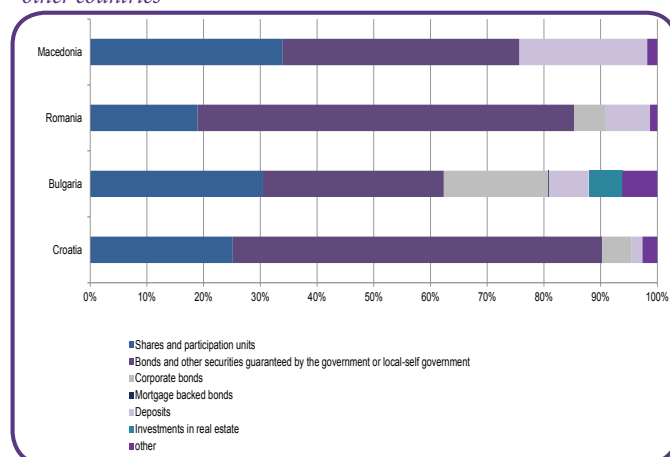


The Macedonian investment portfolios of the voluntary pension funds have many similarities but they also have differences with similar pension systems. Figure 5.16 compares investments of voluntary pension funds assets in Macedonia in 2013 with the investments of such assets in other countries in the region.

The portfolios of most countries consist of mostly government bond and other securities guaranteed by the state or the local self-government (in Romania 66%, Croatia 65%, and Bulgaria 32%). In Macedonia, the exposure to such instruments is 42%, while the exposure to bank deposits is 23%. Unlike Macedonia, the exposure to bank deposits in the other countries is lower: Romania (8%), Bulgaria (7%) and Croatia (2%). When it comes to shares and participation units, Macedonia has the highest percentage (34%), then Bulgaria, (30%), Croatia (25%) and Romania (19%). The Figure shows that most countries invest in corporate bonds (Bulgaria 18%, Croatia and Romania 5%), except for Macedonia where such instruments lack on the markets. Only the pension funds in Bulgaria invest in real estate (6%), while in other countries this instrument is generally prohibited.

Regarding investments abroad, Bulgaria has the highest exposure of 43%, followed by Macedonia with 22% and Croatia 12%, while Romania invests only 7% abroad (all 7% in EU countries).

Figure 5.16 Voluntary pension funds portfolios in Macedonia and other countries



Sources: www.hanfa.hr; www.fsc.bg; www.csspp.ro and own calculations

5.6 Net assets, accounting unit and rate of return of the voluntary pension funds

The calculations of the net assets, the accounting unit and the rate of return are the same as the mandatory pension funds.

The assets of the voluntary pension fund might change throughout the year for the following reasons:

- inflow of contributions,
- reduced fees and transaction commissions,
- inflows from personal tax returns,
- inflows as a result of transfers from another pension fund (for persons who were members in another pension fund and have transferred to the current pension fund),
- outflows due to transfers to another pension fund (for persons who were members in the current pension fund and have transferred to another pension fund),
- outflows due to contribution payment errors,
- outflows due to persons who have terminated the membership contracts,
- outflows due to payouts of pension benefits (old age and inheritance),
- (none) realized incomes or loses from investments .

The starting point are the net assets at the end of the previous year, to which are added all the changes mentioned above, which gives as a result the net value at the end of the current year (shown on Table 5.3).

On 31.12.2013, the total net assets of the voluntary pension funds were approximately 318 million denars or 5.2 million euro, or 0.07% of the GDP¹⁴.

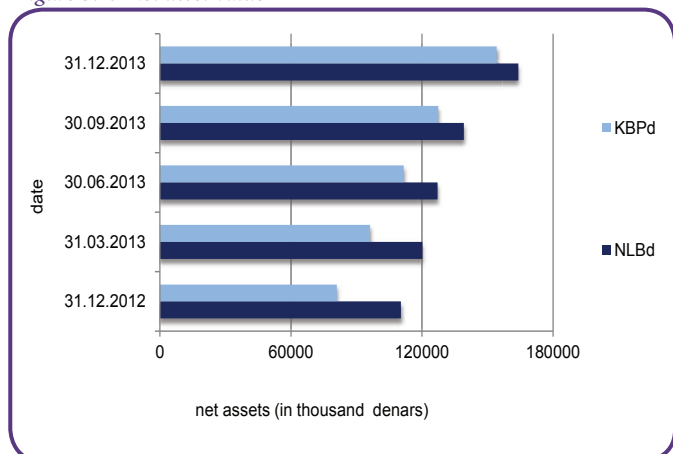
Table 5.3 Changes in the voluntary pension funds assets (in million denars)

	NLBd	KBPd
Net assets as of 31.12.2012	110.38	81.02
Contributions	45.36	67.66
Fees from contributions	1.52	1.94
Contributions reduced for fees from contributions	43.84	65.73
Payments on individual accounts from personal tax returns	0.31	0.16
Returns of erred contributions	0.18	0.89
Terminated membership contracts	0.00	0.00
Fees from assets	1.56	1.01
Expenditures for intermediary commissions	0.10	0.03
transfers from another fund	0.00	0.00
Transfers to another fund	0.00	0.00
Inheritance payout	0.19	0.40
Payout of old-age pension benefits – lump sum	2.73	1.16
Gross profit form investments	14.32	10.80
Net profit from investments	12.66	9.75
Net assets as of 31.12.2013	164.08	154.22

¹⁴Source for GDP: State Statistical Office – estimated data

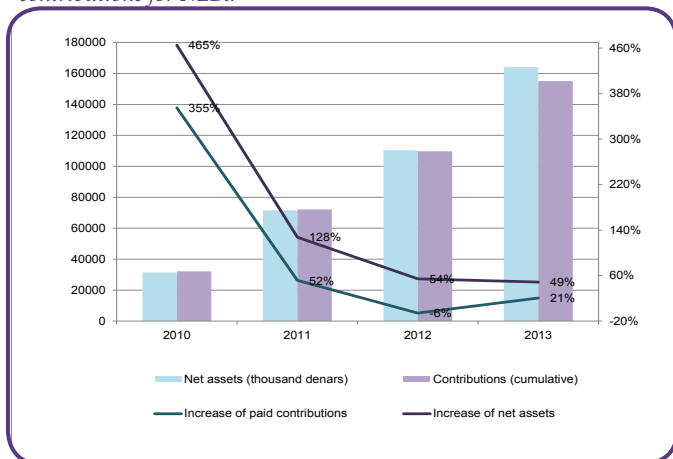
The movement of the value of the net assets of the voluntary pension funds per quarters is given on the Figure 5.17.

Figure 5.17 Net asset value



The movements of the net assets and the cumulative contributions, as well as the growth of paid contributions and the growth of the net assets for NLBd and for KBPd are shown on the Figures 5.18 and 5.19.

Figure 5.18 Growth of net assets compared to the growth of the paid in contributions for NLBd



From the start of its operations in 2009 until 2010, NLBd earned a huge growth in the net assets (465%) and of the paid in contributions (355%). In 2011 compared to 2010, the net assets grew for 128%, and the cumulative paid contributions for 52%. In 2012 compared to 2011, the growth of the net assets was 54%, while the cumulative paid contributions had a fall of 6%. In 2013, compared to 2012, the net assets for NLBd grew for 49% and the paid in contributions for 19%. In the period from 2010 to 2011, KBPd had a growth of net assets of 222% and 125% of growth of the paid in contributions. In 2012 compared to 2011, the growth of the net assets is 102%, while the growth of the cumulative contributions is 50%. In 2013, compared to 2012, KBPd has a much higher growth than NLBd in paid contributions (61%) and of net assets (90%).

The movements of the accounting units of the voluntary pension funds for 2013 are given in the Figure 5.20 and Table 5.4.

The movements of the accounting units of the voluntary pension funds for 2013 are given in the Figure 5.20 and Table 5.4.

It is evident that the accounting units had a significant growth in 2013 in respect to previous years. The movement of the accounting units from the start-up of the system until the end of 2013 in is given in Table 5.5 and Figure 5.21.

Figure 5.19 Growth of net assets compared to the growth of the paid in contributions for KBPd

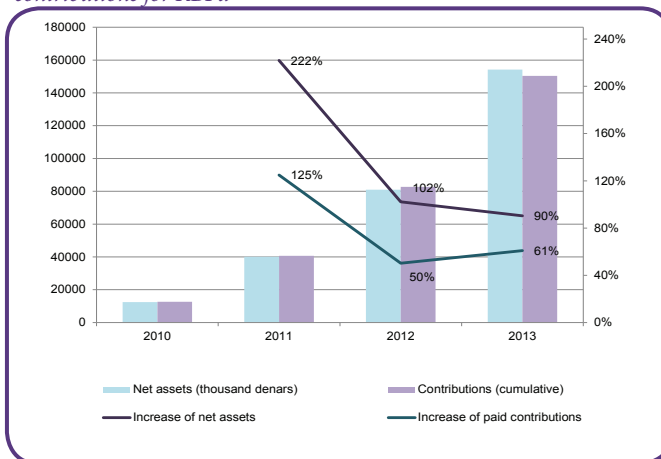


Table 5.4 Value of the accounting units in 2013

Date	Value of the accounting unit	
	NLBd	KBPd
31.12.2012	118.742851	119.129537
31.03.2013	122.601457	122.701004
30.06.2013	123.133296	123.429792
30.09.2013	125.096825	125.358823
31.12.2013	130.511147	129.015451

Figure 5.20 Value of the accounting units for 2013

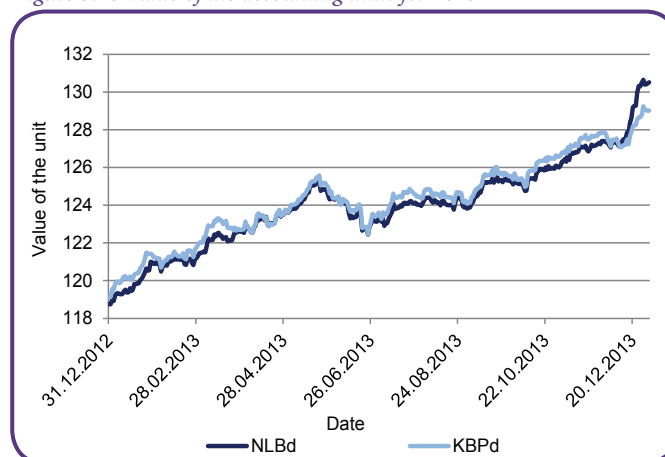


Table 5.5 Value of the accounting unit from the beginning of the voluntary pension insurance

Date	Value of the accounting unit	
	NLBd	KBPd
15.09.2009	100.000000	
21.12.2009	102.815757	100.000000
31.12.2009	103.061825	100.204385
30.06.2010	105.341097	103.075243
31.12.2010	107.592926	106.891617
30.06.2011	112.063231	112.822674
31.12.2011	111.854726	112.639593
30.06.2012	116.301719	115.898048
31.12.2012	118.742851	119.129537
30.06.2013	123.133296	123.429792
31.12.2013	130.511147	129.015451

The return of the voluntary pension funds per periods presented annually is given in Table 5.6.

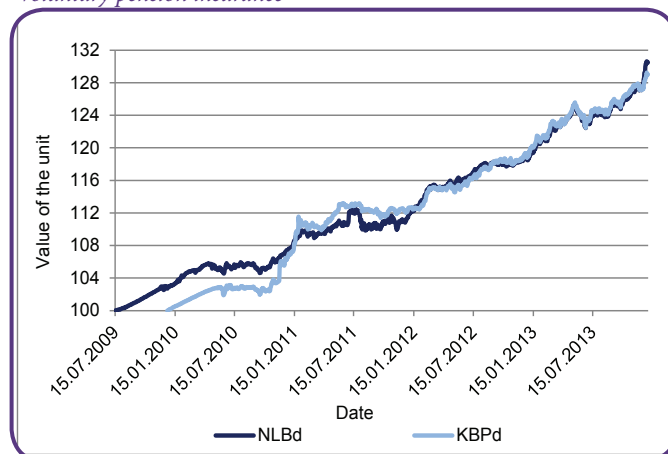
The return on the individual account and/or occupational account is variable and it depends on the return of the voluntary pension fund and the fees charged by the pension company. The return or the yield is a parameter, which cannot be predicted realistically because it depends on the conditions on the capital markets and the economy as a whole.

The return of the voluntary pension funds is calculated the same way as the return of the mandatory pension funds.

Considering the long-term nature of the pension insurance it is useful to calculate the return of the voluntary pension funds from their beginning, and present it annually. So, for NLBd the return is 6.7% in nominal value and 3.29% in real value, while for KBPd it is 6.52% in nominal value and 3.42% in real value.

Figure 5.22 shows the movements of the nominal return in the last four years, giving the returns per periods from 31.12.2009 until 31.12.2013, per funds and the average weighted return. At the beginning of the voluntary system, the return is growing, so, at the end of the first half of 2011, both funds have the highest

Figure 5.21 Value of the accounting unit from the beginning of the voluntary pension insurance



returns, while at the end of 2011, the returns start to fall. Then in 2012 and 2013, the returns start to pick up slowly.

The movements of the return in nominal and in real values for 2013, per periods, and presented annually per voluntary pension funds and compared to the average return are given on the Figure 5.23. In 2013, the returns are rather stable, without major oscillations. The return in nominal value is between 5.6% to 6.3%, while the real return is between

Figure 5.22 Voluntary pension funds returns (in nominal value)

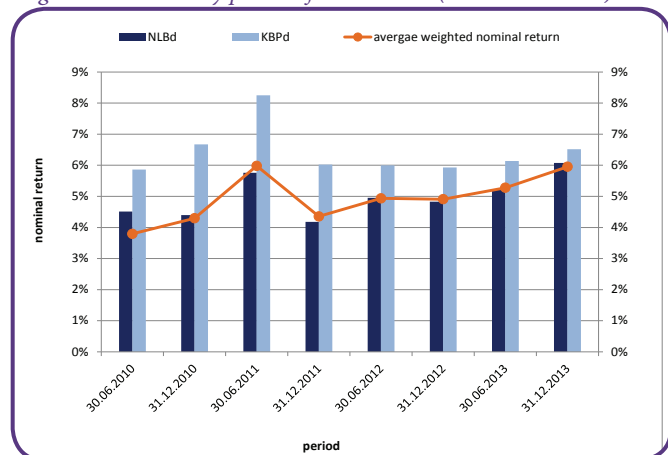


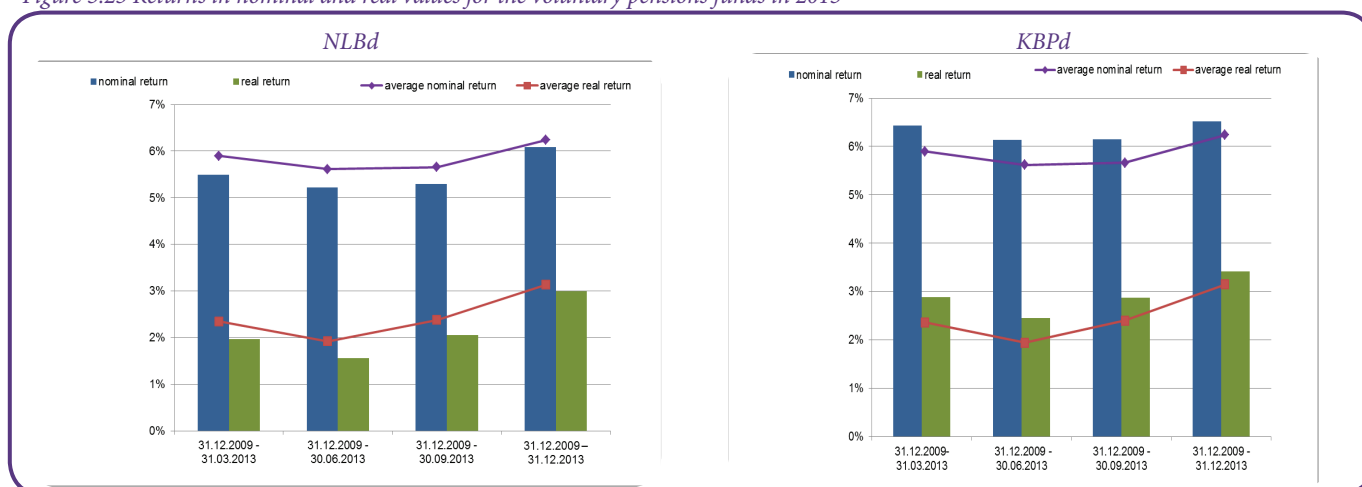
Table 5.6 Voluntary pension funds return

Period*	NLBd		KBPd	
	In nominal value	In real value	In nominal value	In real value
31.12.2009 - 31.12.2010	4.40%		6.67%	
31.12.2009 - 31.12.2011	4.18%		6.02%	
31.12.2009 - 31.12.2012	4.83%		5.93%	
31.12.2009 - 31.03.2013	5.49%	1.97%	6.43%	2.88%
31.12.2009 - 30.06.2013	5.22%	1.56%	6.14%	2.45%
31.12.2009 - 30.09.2013	5.30%	2.05%	6.15%	2.87%
31.12.2009 - 31.12.2013	6.08%	3.00%	6.52%	3.42%
Start** -31.12.2013	6.17%	3.29%	6.52%	3.42%

* Until the amendments to the Law on voluntary, fully funded pension insurance in 2013, the return was calculated for a period of 3 years, only in nominal value.

** The start is on 15.07.2009 for NLBd and on 21.12.2009 for KBPd

Figure 5.23 Returns in nominal and real values for the voluntary pensions funds in 2013



2.0% and 3.2%. the lowest value of the returns is noticed for the period 31.12.2009 – 30.06.2013.

The voluntary pension funds have earned more returns than the benchmarks set in their investment strategies for 2013. Thus, for NLBd, the inflation rate for Macedonia, increased for two percentage points is the basic benchmark for satisfactory return from investments. So, the earned annual return is 1.69 percentage points above the set benchmark for 2013. For KBPd, the benchmark is set to three percentage points above inflation, which means that the earned return is 1.13 percentage points above the benchmark for 2013.

Table 5.7 Comparison of earned returns with the benchmarks set in the investment strategies of the voluntary pension funds

Voluntary pension fund	Earned annual return (31.12.2009-31.12.2012)	Average inflation rate*	Benchmark	Difference (return-benchmark)
NLBd	6.08%	2.39%	4.39%	1.69p.p.
KBPd	6.52%	2.39%	5.39%	1.13p.p.

*Calculated by the change in the cost of life index for 2010, 2011, 2012 and 2013, presented annually (State Statistical Office)

Just like for the mandatory pension funds, for the voluntary ones the earned return is a performance indicator. Still, more important for the individual members is the return on his account¹⁵ (individual and occupational). This return usually differs from the return of the pension fund. Namely, members enrol at various times into the pension funds and remain with the pension fund for various periods of time. On the members' accounts, the contributions are paid in different amounts and with different frequencies. Thus, for each member the return on the individual account will give a personalized picture on the return for that particular member. Also, this calculations include the influence of the fees from contributions. Namely, one of the calculations is used with total number of paid contributions per member, and the other one is done by using only the contribution that enters the fund (i.e. total paid contribution decreased for the fee from contributions).

There are calculations as of 31.12.2013 on randomly chosen members in the voluntary pension funds who started to pay the contributions in 2010, and have relatively regular payments of

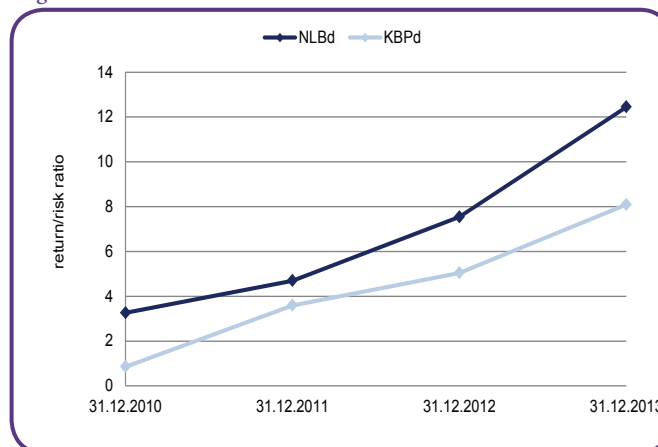
¹⁵The return on the individual account is calculated by calculating the IRR, which measures the yield or the return on the investments made as contributions and balance of the account on 31.12.2013, as property of the member

contributions. Namely, the third pillar exists only for four years, and considering the long-term nature of the pension system, it would be best if its performances were measured on a long-run as well. Therefore, the calculations are made on members who are longest with the third pillar. These calculations' show that the members have different amounts of contributions on their accounts, which depend on the period when they started paying them, the frequency of payment, the longevity of payment and the amounts. So, the members who enrolled in 2010, have an average return of 5%. When the same calculation is done with the contributions reduced for the fee from contributions, the return is slightly higher and it is 6.8%.

The main goal of investing the assets of the voluntary pension funds is their growth. So, the return is a performance indicator. However, pension funds should be mindful of the investment risks. The risk is consisted of the unknown components of whether or not the projected return will be reached. The ratio of the risk to the return is direct, which means that higher risk bring higher return and vice versa. The nominal return to risk¹⁶(calculated by one of the possible calculation methods) from the end of 2010 until 2013, as shown on Figure 5.24.

The higher the ratio return/risk the better the investment performance of the fund, and the higher the potentials of the fund for higher returns per risk unit.

Figure 5.24 Return to risk ratio



¹⁶The return is calculated on annual level from the start of the system through the growth of the accounting unit, and the risk represents the volatility of the accounting unit and it is calculated as annualized standard deviation of the pension funds return.

5.7 Voluntary pension fund fees

According to the Law, voluntary pension companies charge three types of fees: fee from contributions, fee from assets and fees for transfers. They use these fees to cover the following functions: manage the voluntary pension funds assets, valuation of assets, membership, keeping of individual accounts, reporting to members, payment of fees to MAPAS and the custodian and covering of own expenses.

The contribution fee is charged upon payment of contributions before it is converted into accounting units. This fee is charged in the same percentage from all members of the voluntary pension fund, except those who are members in occupation schemes or in case of multi-year membership. The monthly fee is a percentage of the value of the net assets in the voluntary pension fund and it calculated on each valuation

day of the voluntary pension fund's assets (in accordance with the secondary regulation each day is a valuation day) and it is charged once a month. The transfer fee is charged in case of transfers of members from one to another pension fund, in cases when the members who are transferring have been members in the current pension fund less than a year.

The Law stipulates the maximum amounts and the pension companies have the freedom to determine the amounts they will charge within the given statutory maximum amount.

Fees charged by the pension companies that manage the voluntary pension funds in the Republic of Macedonia are given in Table 5.8.

Table 5.8 Fees charged by the pension companies that manage voluntary pension funds

Type of fee	NLB	KB Prvo
Fee from transfer*	3.80% ¹⁷	2.90% ¹⁸
Monthly fee from the net assets of the voluntary pension fund	0.10% ¹⁹	0.075% ²⁰
Transfer fee		
Number of days**	Transfer fee	Transfer fee
Number of days ≤ 360	10 euro	10 euro
Number of days > 360	Free of charge	Free of charge

* for members in occupational schemes the pension company may set fees lower than this fee

** Number of days is calculated based on the number of days passed from the date the member became a member in the current pension fund until he signed a membership agreement with the future pension fund

From the day it became operational NLBd charged a fee of 5.25% form paid contributions, until March 2011, when this fee was reduced to 3.80%. KBPd started with a 5.5% contribution fee, which was reduced to 4% on April 24 and on June 2013 it was reduced once again to 2.90%. Also, in 2011 both companies reduced the asset management fee to 0.10% for NLB and 0.075% for KBP.

Table 5.9 gives us the fees charged by the pension companies managing the voluntary pension funds (in thousand denars), for 2013, per month and per type of fee.

Transaction fees for acquisition or transfer of assets to a voluntary pension fund are charged from the pension fund and paid to selected legal entities, which render services with securities. These fees are calculated as a percentage from the value of each transaction. The pension fund is also charged for each transaction on the Macedonian Stock Exchange, to the Macedonian Stock Exchange and the Central Securities Depository.

Table 5.9 Fees charged by pension companies for 2013 (in thousand denars)

	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec	Total
NLB – total	175	219	216	221	196	210	266	256	254	286	297	480	3,075
From contributions	63	104	97	99	71	83	136	123	117	144	150	327	1,515
From assets	112	115	118	122	125	126	130	133	137	141	147	153	1,560
KB Prvo – total	195	201	230	245	225	234	232	209	240	231	279	433	2,954
From contributions	133	135	159	171	146	152	145	119	146	133	176	325	1,940
From assets	62	66	71	74	79	82	86	90	94	98	103	109	1,014

¹⁷From March 1, 2011 (previously it was 5.25%)

¹⁸From June 1, 2013 (previously it was 4.00%)

¹⁹From March 1, 2011 (previously it was 0.15%)

²⁰From January 1, 2011 (previously it was 0.15%)

Table 5.10 Transaction fees charged from the voluntary pension fund assets for 2013

NLBz				KBPz			
Broker	Type of instrument		Amount (in thousand denars)	Broker	Type of instrument		Amount (in thousand denars)
	Shares	Bonds			Shares	Bonds	
Ilirika Investments	0.1% to 31.07.2013	0.1% to 31.07.2013	13	Ilirika Investments	0.20% to 20.05.2013	0.20% to 20.05.2013	2
	1.17% from 01.08.2013 to 07.10.2013	1.17% from 01.08.2013 to 07.10.2013			0.05% from 21.05.2013	0.05% from 21.05.2013	
	0.09% from 08.10.2013	0.09% from 08.10.2013					
Fershped Broker	0.1% to 04.07.2013	0.1% to 04.07.2013	0.4	Eurohaus	0.20% to 20.05.2013	0.20% to 20.05.2013	0
Eurohaus	0.09% from 05.07.2013	0.09% from 05.07.2013	5		0.05% from 21.05.2013	0.05% from 21.05.2013	
Halk bank*		0.03% (max 12,500 MKD)	2	NLB Tutunska bank*		0.04% to 12.03.2013 0.03% (max 12,000 MKD) from 13.03.2013	13
Foreign brokers			12	Foreign brokers			6
Other transaction costs**			72	Other transaction costs**			10
Total:			104	Total:			31

*For buying government securities on the primary market

**Costs for the Central Securities Depository, domestic stock exchange, foreign institutions (foreign stock exchange)

5.8 Payout of pension benefits from the voluntary fully funded pension insurance

Third pillar is more liberal than the second pillar in terms of conditions for payouts of pension benefits. Still, third pillar savings are old-age savings. Therefore, the assets on the accounts may be withdrawn not sooner than ten years before the statutory retirement age, as per the Law on Pension and Disability Insurance. At this moment, this means that the assets may be withdrawn at 54 for men and at 52 for women. In addition, when the Commission for Assessment of Working Capacity in the Pension and Disability Insurance Fund of Macedonia assess a member to be generally incapacitated to further his career, that member, regardless of the age, is entitled to withdraw the assets. In case of death of a voluntary pension fund member, the assets on the member's account shall form part of his/her estate and will be managed in accordance with the Law on Inheritance.

A third pillar member may chose from the following types of benefit payout:

- lump sum payment or payments in several instalments;
- pension annuity as life-time annuity paid from an authorized insurance company;
- programmed withdrawals provided by the pension company that manages the voluntary pension fund where the insured person is a member on the day of retirement; or
- a combination of the above mentioned methods.

The provision and payout of pensions and pension benefits from the second and third pillar is regulated with the Law for Payment on Pensions and Pension Benefits from Fully Funded Pension Insurance.

In 2013, there have been 105 payouts of pension benefits from the third pillar. Most of the payouts are old-age benefits paid as lump sums, while less are payouts in cases of death or inheritance. Out of these, 30 are paid from individual accounts and 75 from professional accounts. Table 5.11 gives the details on the third pillar payouts.

Table 5.11 Pension benefit entitlements and payouts from the third pillar

Type of pension benefit / voluntary pension fund	NLBd		KBPd		Total
	Ind. account	Occ. account	Ind. account	Occ. account	
Old age – lump sum	14	14	13	58	99
Inheritance	2	2	1	1	6



6

Marketing and sales agents of pension companies

The protection of the interests of current, future and retired members of the fully funded pension insurance is a primary concern. In that light, the provision of fair and objective information to the public is essential. Therefore, the marketing of the pension companies must be rendered in a regulated environment and in accordance with the laws and secondary regulation.

The marketing of the pension companies entails all activities for advertising the pension companies and the pension funds, information and signing of membership contracts with the pension funds and payout of assets from the pension funds. These activities include more specifically: advertising the pension companies and pension funds under their management; information on the characteristics of the mandatory and voluntary fully funded pension insurance; information on the fees and transactions commissions; information on the mandatory and voluntary pension funds returns; information on the mandatory and voluntary pension funds' investments portfolios; information on the individual accounts, voluntary individual accounts and occupational accounts; enrolment and transfer of members from one to another mandatory pension fund; enrolment and transfers of members from one to another voluntary pension fund; signing of contracts for programmed withdrawals, lump sum payouts and payouts in instalments, as well as advertising activities and provision of information related to the pension companies and the pension funds. A pension company may perform marketing activities of pension funds in its premises, in the premises of its business associates, directly or via appropriate forms of communication (telephone, fax, Internet). The premises where such marketing activities take place must meet certain conditions prescribed by law.

MAPAS controls all marketing activities of the pension companies. For that purpose, the pension companies must submit all marketing material to MAPAS in photocopy, or on appropriate medium, not later than three days after the material has been published. In case MAPAS finds some marketing materials or advertisements to be misleading, it can prohibit their further publication or distribution and it request alterations to the material in a given deadline.

A person who performs the marketing activities on behalf of he pension company is called a sales agent. This person may be employed by the pension company or otherwise contractually engaged by the pension company. Such sales agent may perform marketing activities for the pension fund and/or sign membership or payout agreements but only for those pension funds which are managed by the pension company for which the sales agent is working. A sale agent must be present upon the signing of the agreements for membership, transfer programmed withdrawals, lump sum payout, or payouts in instalments. Also, the sales agent is obligated to make personal contacts with members, retired members, potential members and he must not subcontract

the signing of the agreement to another person. The sale agent plays an important role in the selection of the type of pension benefit payout, therefore he is obligated to present the options to the member who submitted a quotation request and must explain in detail all characteristics and assumptions for all types of payouts.

A person can perform marketing activities after he is registered in the Sales Agent Register kept by MAPAS. MAPAS prescribes the sales agent exam's methodology and procedure as well as the registration in the Sales Agents Register.

Two types of exams were organized in 2013 – additional and complete exam. These exams took place in three examination sessions, where out of 55 candidates, 20 candidates or 36% passed the complete exam. Out of 511 candidates for the additional exam, 299 candidates or 59% passed this exam. The additional exam included topics regarding the payout of pensions and pension benefits from the fully funded pension insurance. This exam as organized for those candidates that had already passed the sales agent exam and are registered sales agents; however, they had the obligation to pass this additional exam in order to be able to re-register until March 1, 2014 and to continue operating as sales agents for the pension companies.

In 2013, 11 agents were registered, out of which 1 for KB Prvo and 10 for NLB, then 34 agents were re-registered, out of which 2 agents for KB prvo and 32 agents for NLB. Also, 762 agents had their annual registration renewal, out of which 318 agents of KB Prvo and 444 of NLB. In 2013, terminated their sales activities (due to cancelation of their registration by MAPAS, or termination of employment contract with the pension company), out of which 42 agents of KB Prvo and 10 agents of NLB.

The Figure 6.1 gives us the frequency of signed contracts by sales agents. It is evident that the most contracts were signed in 2005, as this was the stat-up year, until 31.12.2005, which was the deadline for the voluntary members to join the two-pillar system by signing a membership contract with a sales agent. In the following years, the number of agents who sign membership agreements is decreasing, while the number of contracts per agent is increasing, from 18 in 2006 to 36 in 2012. In 2013, the average number of contracts per agent decreased to 26.

The Figure 6.2 gives the overview of signed contracts for the voluntary pension funds. It is evident that the average number of contracts per agent is highest in 2009, while the average is more or less the same for 2010 and 2011, where in 2011 the number of agents has dropped significantly. In 2012, the average number of signed contracts is slightly higher than 2011, and the number of agents has also increased. In 2013, the agents signed more contracts in average than in 2012; however, the number of agents has decreased.

Figure 6.1 Number of agents that signed membership contracts for mandatory pension funds and average number of contracts per agent.

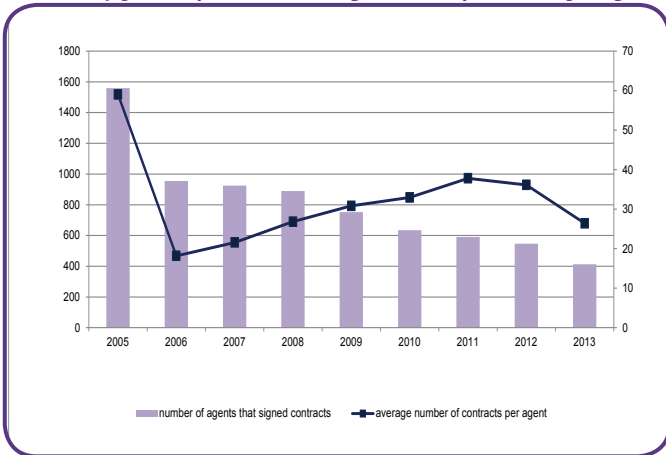
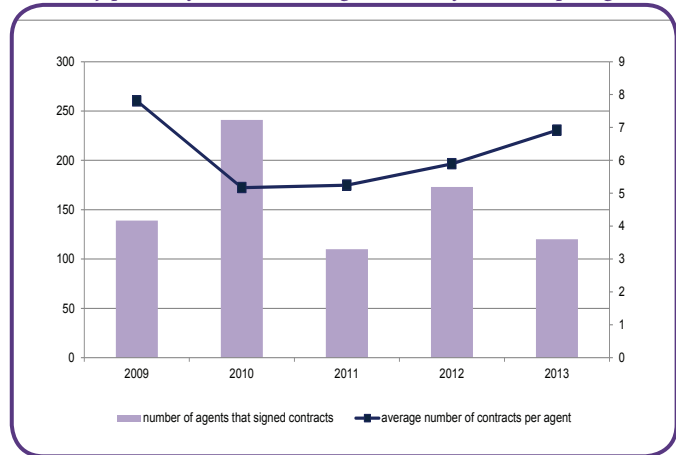


Figure 6.2 Number of agents that signed membership contracts for voluntary pension funds and average number of contracts per agent.



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7

Compliance with laws and secondary regulation

One of the main tasks of MAPAS is to supervise the operations of the pension companies, pension funds and custodians. This is done as on-site and off-site supervision.

In 2013, MAPAS performed a continuous off-site supervision over the pension companies' operations, the mandatory and voluntary pension funds, based on the submitted reports and information submitted from the pension companies and from the other institutions included in the system, the custodians and the PDIF. Subject to supervision from the pension companies' operations were the following fields: marketing. Membership, accounting and financial reports of pension companies, solvency, own assets and shareholder capital of pension companies, internal audit etc. In supervising the pension funds the following areas are of interest to MAPAS: payment of contributions and record keeping of occupational schemes, payments of fees, investments of pension funds assets, transfers of assets between pension funds, payouts from pension funds assets, accounting and financial reports of pension funds, investment strategy and investment policy of pension funds, reports submitted by custodian, reports from actuaries and internal auditors etc.

As part of the on-site supervision, MAPAS issued three notices and one warning to the pension companies regarding their marketing activities, two notices regarding the information to the persons with increased pension service employees of the Ministry of Interior and the Army and two notices due to delayed submission of files with membership data. Also, MAPAS passed one decision for removal of illegal activity – published marketing material with information of future returns of a mandatory pension fund.

After regular and extraordinary controls over the sales agents and the signing of membership contracts for the voluntary pension funds, MAPAS ruled to cancel the registrations of 18 sales agents, due to their illegal operations and started a settlement procedure with two sales agents. For such breaches by the sales agents, MAPAS started settlement procedures with the pension companies and the members of their Management boards. After this MAPAS issued recommendations to both pension companies with specific measures on how to mitigate the risks upon signing membership contracts with voluntary second pillar members.

In the other areas of supervision everything was regular.

In 2013, the regular on-site supervision included control over the pension companies' operations (institutional control) and control over the pension funds operations (financial control), as well as control over the custodians of the voluntary and mandatory pension funds.

The control of the pension companies included the following: pension company management, membership and contribution record keeping, personal data protection, prevention of money laundering, operation and security of IT systems, members account integrity of data, investment activities of the company with the pension funds assets and payouts.

During the on-site control of the pension companies, no irregularities were discovered. However, in light of good business customs and the need for continuous improvement of the pension companies' operations and enhancement of the fully funded pension insurance, which ultimately leads to better protection of the members' interests, MAPAS issued 45 recommendations and 3 notices to the pension companies. These were given as guides for improvement of the pension companies operations and mitigation of the risks regarding the strategies of the pension companies, for enhancement of their internal procedures and controls, sales agents' trainings, improvement in the risk management documentation, data safety, investment strategy etc.

The on-site control of the custodians did not reveal any irregularities. Still, in light of improving their operations, MAPAS issued four recommendations on mitigation of the risks referring to the enhancement of internal procedures and setting of additional controls with the custodians upon submission of reports to MAPAS.

In 2013, MAPAS conducted one extraordinary on-site control in one pension company due to established inadequate risk level in the record-keeping of voluntary pension fund membership. The control revealed irregularities and inadequate internal controls and process in the membership record keeping, and MAPAS undertook a settlement procedure with the pension company and its Management Board members.

Table 7.1 Measures undertaken by MAPAS per pension company and custodians in 2013

No	Measures for the pension company	NLB	KB Prvo	TOTAL
1	Recommendations			47
	• From on-site control	25	20	45
	• From off-site control	1	1	2
2	Warnings		1	1
3	Notices			10
	• From on-site control		3	3
	• From off-site control	4	3	7
4	Settlement procedure			15
	• With the pension company	1	2	3
	• With responsible personnel of the pension company	4	6	10
	• With sales agents	1	1	2
5	Decision for discovered incontinency		1	1
6	Decision for cancelation of registration from the Sales Agents Register	10	8	18
	Measures for the custodian	Komercijalna bank	NLB Tututnska bank	TOTAL
1	Recommendations			
	• From on-site control	3	1	4



8

Overview of world pension trends with special accent on the fully funded pension insurance

The role of the pensions systems all over the world is gaining in significance, not only as a system for protection of the population but also as a vehicle for boosting national savings. This has become ever more real as the population is growing older and the elderly participate even more in the overall population in many countries²¹.

In the last decades pension system underwent continuous reforms. Even though pension systems have various designs, the main goal of all reforms is the same – to provide for a sustainable pension system and provide for adequate all age income for pensioners upon retirement. The experience with the reforms so far has demonstrated that there is no unique solution for all systems in all countries. This is because various systems use various combinations of elements in order to build an effective system, which depends on the economic and social conditions in each country.

Usually pension systems are multi-pillar systems in order to obtain the risk diversification that affect the pension system. The general framework is usually consisted of three pillars: basic pension (as a minimum protection for all employees or elderly people), mandatory additional savings (state or private fully funded financing) and voluntary additional saving (private fully funded financing that may include various types of contracts). The main challenge is how to combine all these components into a sustainable pension system on a long run, which will be sufficiently fair for all generations. In order to accomplish the goal of a pension system – old age insurance – the system must be fiscally acceptable on a short-term and sustainable on a mid and long-term and finally provide for adequate pensions for old-age.

The reforms of the basic pay-as-you-go systems usually increase the retirement age. So, most of the OECD members, by the middle of this century, will have increased the retirement age to at least 65 or 67 (for men and for women). This is an average increase of 3.5 years for men and 4.5 years for women. Another trend is the decrease of the pension benefits or changes in the indexations of pension. Of course, one of the significant endeavours is the encouragement of extending the scope of the pension system and the stimulation for regular payments of pension contributions.

In parallel with the abovementioned, the role of the private fully funded components is increasing, through the introduction of private pension funds or through activities and measures for improving their operations towards provision of adequate old age income. So, in 18 OECD countries, there are mandatory or partly mandatory private pension systems, while in 8 countries there are voluntary pension systems (organized individually or through occupational schemes) which have a significant scope of the population. Reforms take different directions, so some countries decided to introduce defined contribution pension schemes (Czech Republic, Israel and the UK), while two countries (Poland and Hungary) reduced or completely closed the privately managed DC components of their pension systems.

²¹Used sources: Reports from OECD IOPA, World Banks, FIAP and IOSP, and own analyses

Generally, reforms have positive impact on the pension systems towards provision of long-term stability and safety of entitlements. From the research in the Latin America experts deduce that pension reforms influence the growth and the development of the capital markets, the economy, savings and investments and stimulate the modernization of the financial sector.

Private pension systems play an increasing role due to size of their assets and the coverage of the population. After the financial crisis, the pension funds are constantly growing, from 2009 until present day. In 2012, the private pension systems in the OECD area accumulated 32.1 trillion USD, consisted of: pension funds (67.9%), banks and investment companies (18.5%), insurance companies (12.8%) and employers' reserves (0.8%). For the period 2009-2012, the pension funds assets had an average annual growth of 7.4%.

The weighted average of pension assets, as a percentage of the GDP in the OECD countries grew from 73.5% of the GDP in 2011 to 77% of GDP in 2012. The Netherlands has the highest percentage of pension assets as percentage of the GDP – 160.2%. This ratio varies from country to country; in three countries, it is higher than 100%, but still in most OECD countries, it is lower than 20%. In non-OECD countries, there is also a significant accumulation of assets, amounting to 33% of GDP, which is less than OECD countries (77% of GDP). A small number of countries have assets higher than 20% of GDP, which is considered to be a condition for meeting the definition of “mature” pension market and, most countries have less than 10% of GDP in pension assets, which gives space for further growth and development.

After the negative real returns in 2011 in the OECD countries, in 2012 the pension funds in almost all OECD countries started to pick up on the returns and reach 5% of rel return in 18 OECD countries. The weighted average of the real returns grew from 0.2% in 2011 to 4.4% in 2012. Also, the non-OECD countries had improved returns in 2012 in respect to 2011, when their real returns were negative.

The challenges of the private fully funded system remain to be the improvement of their investment outcomes and the reduction of the administrative costs and fees.

The main issues evolve around the investments and investment strategies of defined contribution pension funds. Namely, the fully funded pension component of the pension system resolves the demographic risk but the challenge from the uncertainty of the investments remains as the main concern for the member. Therefore, the OECD advises that defined contribution pension systems should pay more attention to the investment risk. Hence, the goal of the policy makers should be to improve the designs of the standard investment strategies, where the investment risks will decrease as the member approaches retirement. This life-cycle related investment strategies should be regulated carefully in order to provide the members with sufficient diversification and protection against market shocks. Therefore, a burning issue in the pension area were the multi-funds, which are chose automatically when the member does not choose a specific fund or portfolio. Two major trends in the pension industry

are the expansion of defined contribution systems and the vast choice of investment opportunities. Based on the experience and data provided from the members of IOPS (International Organizations of Pension Supervisors), IOPS proposes that the design should take into consideration the purpose of the fund, the demographic structure of the members, the risk appetite or the risk tolerance of the members, investment goals, the need for liquidity and cash flows, diversification, costs, conditions in the market and the management. The EIOPA research shows that the supply of multi-funds is high in the EU countries and usually it is left to the free will of the members to choose the portfolio options, rather than to impose it as a legal obligation.

The costs and the fees are a continuous challenge for the pension systems, as these have a significant influence on the pension income of the future pensioners. One of the indicators for the efficiency of the pension system is the assessment of the overall operational costs. Total operational costs of the pension funds are consisted of all administrative costs and investment management costs (marketing, collection and transfer of contributions to the funds, account record keeping, information to the members, investment of assets, conversion of assets on accounts to pensions and payout of pension). This is the reason why pension supervisors' major concerns are these costs, and this explains their pressure towards reduction of fees charged by pension companies. Supervisors insist on transparency of the structure and publication of costs so that members have insight into the costs and fees and they are able to compare the fees charged by different pension companies.

Another hot topics, globally, is the payout of accumulated assets, with special attention on the linkage of the accumulation stage with the payout stage, the design of the payout stage, types of payouts and the longevity risk. Contemporary payout designs include programmed withdrawals and lifetime annuities, where the member makes the definite choice. However, purchasing an annuity is nothing like purchasing any other product, because members have one chance only and they do not have the possibility to learn from experience or to correct the mistake, and that is why this is one of the most important decisions of their lives. So, pension supervisors pay huge attention to this and they always point out that it is very important that members get the correct information so they can make an informed decision when the time comes. On the other hand, pension funds that give programmed withdrawals and insurance companies, which sell lifetime annuities, face the longevity risk of their members or insured persons. Namely, members may live longer than expected upon retirement, which requires good management of the longevity risk. One of the measures for protection against such risk is for the pension funds and the insurance companies to take into consideration future receivables connected to mortality and to increased life expectancy.

Another popular topic in 2013 was educating the population on pension and generally on financial issues. In this respect, the supervisors step in, by providing pension related education to the current and future pensioners in order to explain the pension system and to work on building

the confidence in the system, to encourage the population to save more and longer, to assist with the investment decisions etc. FIAP and EIOPA reports indicate that this issue is especially important for the individually financed program, where the members have the rights and the freedom to make decisions through the entire membership stage – from the enrolment, to accumulation and payouts – which will influence their future retirement incomes. There is a reallocation of risks and responsibilities among occupational schemes organizers and the members. Namely, now members bear more risks and their decisions have direct influence over their potential pensions. Hence, potential members and potential pensioners must understand the importance of the system in general, and, their personal role in it, as presented through their decisions. Members must know how to make the right choice in relation to their needs for the future and the acceptable risk level. Unfortunately, there is a general agreement on the insufficient and very limited financial and pension culture of the average pension fund member, in the contexts of increased individual responsibility. Generally, several problems come up upon analysis of the financial education that should be provided to the members. Firstly, what are the data that the members must know in order to be able to make the right choices. Then, what methods should be used in order to increase the pension culture and increase the interest and understanding of information by the members so that they can use them upon making a decision. And thirdly, what is the role and responsibility of the sales agents as intermediaries between the insured persons and the providers of pension insurance. The solution to these questions should be long lasting; it should include systematic efforts of the pension companies and authorities towards improvement of the pension education and culture of the population.

For 2013, the main accent for IOPS was on the risk-based supervision, and this is reflected in the pension regulations. Pension supervisors throughout the world follow the financial sectors and move towards risk based supervision in order to have a proactive role and to prevent the highest risks. This is a process, which identifies potential risks that pension funds and schemes face, assesses the risks and the potential negative financial impact on the membership and gives the measures for mitigation of those risks. One of the main goals of the risk based supervision is to provide adequate risk management on institutional level, taking into consideration the quality of the risk management and the accuracy of the risk assessment. Besides specific approaches for each country, IOPS and OECD find that it is feasible to set general good practices for the pension fund risk management, which will be of great assistance to pension supervisors.

Summary for 2013

With 2013 ending, we have completed the eighth year of the implementation of the mandatory fully funded pension insurance in Macedonia. As of 31.12.2013, the mandatory fully funded pension insurance counts around 350,000 members. The assets in the mandatory pension funds for the first eight years have reached 27 billion denars (around 440 million Euros). The payments of the contributions into the mandatory pension funds started with the payment of the January 2006 wages, when the investment of these assets started to take place. The pension companies started with investments in deposits and government securities and then gradually they moved to domestic securities and investments abroad, which contributed to the increased diversification in the investments of the mandatory pension funds assets.

The third pillar became operational in 2009, with two voluntary pension funds, which have been continually growing in the last four years. As of 31.12.2013, the third pillar has around 18,500 members. The third pillar's occupational schemes were more attractive to the citizens in Macedonia. At the end of 2013, the assets in the voluntary pension funds were around 318 million denars (or 5 million euro).

The law that regulates the payments and the types of pensions and pension benefits from the second and the third pillar was passed at the beginning of 2012. The amendments to the Laws on mandatory and voluntary fully funded pension insurance in January 2013, gave grounds for the introduction of the risk-based supervision. These amendments also harmonized both Laws with the Law on payment of pensions and pension benefits from the fully funded pension insurance. In 2013, most of the secondary regulation was amended and harmonized with the Laws on mandatory and voluntary fully funded pension insurance and mostly with the Law on payment of pensions and pension benefits. The most significant amendments were made to the Rulebooks regulating the areas of control, investments, custody, valuation of assets, reporting, transfer of assets, membership etc., in order to harmonize this areas with the introduction of the risk-based supervision. Also, one of the most significant amendments in 2013 were made in the Rulebook on Marketing.

The public poll on the reformed pension system, which started in 2012, was finalized in 2013. The goal of this poll was to analyse the public awareness and knowledge of the pension system with the rights and obligations of the second and third pillar members. Also, the analysis aimed at providing information to the institutions of the pension system, so that they would take additional activities to improve their operations and meet the interests of the members. After the poll was completed, the results were reviewed together with the Ministry of Labor and Social Policy and the pension companies in order to find solutions to the problems of the members. This resulted into several activities, like cooperation with the universities and organizing resonations for the students in the senior years, increased activity of MAPAS on the social networks, preparation and submission of e-bulletin to the members, organizing of open house for the members etc. Also, one of the more significant activities were the amendments to the secondary regulation for keeping the membership better informed on their pension savings and on the improved role of MAAS as a regulatory and supervisory body.

Planned activities for 2014

MAPAS will continue to monitor the second and the third pillar in the direction of their improvement.

In 2014, MAPAS will work on amendments of the existing and on creation of new secondary regulation based on the amendments of the laws regulating the fully funded pension insurance. Especially, 2014 will be crucial for the secondary regulation based on the Law on payment of pensions and pension benefits from the fully funded pension insurance, as well as defining of the relevant processes in order to make this legislation operational.

As per the legal obligations, MAPAS will continue to communicate with the public on order to provide continuous education in the field of the fully funded pension insurance. So, for 2014, another public poll will take place, concentrating on the second and third pillar members, which should give the level of their knowledge on the rights and obligations form their membership. The poll should give insight into the additional activities that will taken towards improving the public's awareness and the pension companies' operations.

MAPAS will continue to supervise the pension companies, the pension funds and the custodians, on a daily basis. Also, MAPAS will promote the fully funded pension insurance and will work on building the public's awareness on the features of such insurance. MAPAS will continue to follow the developments on the domestic and on the global markets, relevant to the pension system, and act accordingly, in doing so, MAAS will cooperate with all institutions involved in the pension system, as well as the institutions from the financial industry and the capital markets. When needed MAAS will initiate amendments to the laws and secondary regulations in order to improve the fully funded pension insurance and to protect the interests of the pension funds members.

Chairman of the Council of Experts,

Bulent Dervishi, PhD



Appendix
Statistical data

Mandatory pension funds

Members and temporary allocated insured persons per status and pension fund, per quarter

Mandatory pension fund	Voluntary	Mandatory				Total
		With contract	Allocated	Temporary allocated	Total	
31.12.2012						
NLBz	32,080	76,570	39,705	4,903	121,178	153,258
KBPz	37,566	82,275	44,992	5,389	132,656	170,222
Total	69,646	158,845	84,697	10,292	253,834	323,480
31.03.2013						
NLBz	32,090	77,974	40,943	4,997	123,914	156,004
KBPz	37,572	83,388	46,369	5,523	135,280	172,852
Total	69,662	161,362	87,312	10,520	259,194	328,856
30.06.2013						
NLBz	32,078	79,466	42,056	5,459	126,981	159,059
KBPz	37,555	85,112	47,520	6,073	138,705	176,260
Total	69,633	164,578	89,576	11,532	265,686	335,319
30.09.2013						
NLBz	32,075	80,770	43,205	6,618	130,593	162,668
KBPz	37,544	86,618	48,998	6,830	142,446	179,990
Total	69,619	167,388	92,203	13,448	273,039	342,658
31.12.2013						
NLBz	32,050	81,369	45,213	7,697	134,279	166,329
KBPz	37,522	87,862	50,595	7,732	146,189	183,711
Total	69,572	169,231	95,808	15,429	280,468	350,040

Members and temporary allocated insured persons, per age, gender, status and mandatory pension fund (31.12.2013)

Age	NLBz				KBPz				Total
	Men		Women		Men		Women		
	Voluntary	Mandatory	Voluntary	Mandatory	Voluntary	Mandatory	Voluntary	Mandatory	
to 20 years	0	1,783	0	1,162	0	1,834	0	1,216	5,995
from 21 to 25 years	0	13,643	0	10,120	0	15,436	0	11,031	50,230
from 26 to 30 years	145	23,192	147	19,850	164	25,253	159	21,027	89,937
from 31 to 35 years	3,223	18,628	3,021	15,539	3,126	19,703	3,516	16,481	83,237
from 36 to 40 years	6,264	9,094	5,831	7,189	6,989	9,740	6,899	8,273	60,279
from 41 to 45 years	4,915	3,967	4,172	3,711	5,748	4,443	5,597	4,328	36,881
from 46 to 50 years	1,736	1,869	1,652	1,843	2,083	2,087	2,131	2,266	15,667
from 51 to 55 years	392	801	402	708	486	898	458	799	4,944
from 56 to 60 years	71	421	44	321	88	466	57	377	1,845
from 61 to 64 years	22	177	9	120	11	225	6	145	715
65 and above	1	91	3	50	3	104	1	57	310
Total	16,769	73,666	15,281	60,613	18,698	80,189	18,824	66,000	350,040

Members and temporary allocated insured persons per career years at the moment of enrolment, per gender and per mandatory fund (31.12.2013)

Career	NLBz			KBPz			Total		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
To 5 years	83,399	70,046	153,445	89,604	76,112	165,716	173,003	146,158	319,161
from 6 to 7 years	3,177	2,811	5,988	3,861	3,890	7,751	7,038	6,701	13,739
from 8 to 10 years	2,520	2,096	4,616	3,272	3,174	6,446	5,792	5,270	11,062
from 11 to 12 years	677	521	1,198	1,015	834	1,849	1,692	1,355	3,047
from 13 to 14 years	426	295	721	715	581	1,296	1,141	876	2,017
15 and above	236	125	361	420	233	653	656	358	1,014
Total	90,435	75,894	166,329	98,887	84,824	183,711	189,322	160,718	350,040

Members with signed contracts per pension fund, status and month of registration in the Register of mandatory pension fund members

Date	NLBz		KBPz		Total		Total
	Voluntary	Mandatory	Voluntary	Mandatory	Voluntary	Mandatory	
from 31.12.2012	32,152	75,743	37,633	81,550	70,265	157,293	227,558
1.01 - 31.01.2013	379	679	8	566	387	1,245	1,632
1.02 - 29.02.2013	5	379	6	328	11	707	718
1.03 - 31.03.2013	4	458	7	423	11	881	892
1.04 - 30.04.2013	4	521	11	662	15	1,183	1,198
1.05 - 31.05.2013	6	528	10	559	16	1,087	1,103
1.06 - 30.06.2013	5	494	3	545	8	1,039	1,047
1.07 - 31.07.2013	3	578	6	467	9	1,045	1,054
1.08 - 31.08.2013	7	561	2	700	9	1,261	1,270
1.09 - 30.09.2013	3	303	3	394	6	697	703
1.10 - 31.10.2013	1	124	1	412	2	536	538
1.11 - 30.10.2013	2	229	4	399	6	628	634
1.12 - 31.12.2013	0	226	0	415	0	641	641
TOTAL	32,571	80,823	37,694	87,420	70,745	168,243	238,988
TOTAL (per fund)	113,394		125,114		238,988		

Members and temporary allocated insured persons per municipality, gender and mandatory pension fund (31.12.2013)

Municipality	NLBz			KBPz			Total			Total (%)		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
BEROVO	266	282	548	356	416	772	622	698	1,320	0.33%	0.43%	0.38%
BITOLA	3,482	3,584	7,066	2,887	2,852	5,739	6,369	6,436	12,805	3.36%	4.00%	3.66%
BOGDANCI	255	214	469	321	389	710	576	603	1,179	0.30%	0.38%	0.34%
BOGOVINJE	304	75	379	99	30	129	403	105	508	0.21%	0.07%	0.15%
BOSILOVO	184	82	266	154	107	261	338	189	527	0.18%	0.12%	0.15%
BRVENICA	149	96	245	139	85	224	288	181	469	0.15%	0.11%	0.13%
VALANDOVO	573	696	1,269	196	188	384	769	884	1,653	0.41%	0.55%	0.47%
VASILEVO	147	88	235	114	105	219	261	193	454	0.14%	0.12%	0.13%
VEVCHANI	96	90	186	23	36	59	119	126	245	0.06%	0.08%	0.07%
VELES	2,492	2,648	5,140	1,587	1,510	3,097	4,079	4,158	8,237	2.15%	2.59%	2.35%
VINICA	637	597	1,234	679	786	1,465	1,316	1,383	2,699	0.70%	0.86%	0.77%
VRANESHTICA	16	2	18	14	5	19	30	7	37	0.02%	0.00%	0.01%
VRAPCHISHTE	313	126	439	133	55	188	446	181	627	0.24%	0.11%	0.18%
GEVGELIJA	1,065	1,096	2,161	864	892	1,756	1,929	1,988	3,917	1.02%	1.24%	1.12%
GOSTIVAR	2,375	1,580	3,955	2,070	1,199	3,269	4,445	2,779	7,224	2.35%	1.73%	2.06%
GRADSKO	89	42	131	41	39	80	130	81	211	0.07%	0.05%	0.06%
DEBAR	155	90	245	322	165	487	477	255	732	0.25%	0.16%	0.21%
DEBARCA	91	48	139	31	25	56	122	73	195	0.06%	0.05%	0.06%
DELCHEVO	471	507	978	618	891	1,509	1,089	1,398	2,487	0.58%	0.87%	0.71%
DEMIR KAPIJA	118	92	210	157	156	313	275	248	523	0.15%	0.15%	0.15%
DEMIR HISAR	187	213	400	167	149	316	354	362	716	0.19%	0.23%	0.20%
DOLNENI	158	155	313	50	75	125	208	230	438	0.11%	0.14%	0.13%
DOJРАН	147	32	179	81	18	99	228	50	278	0.12%	0.03%	0.08%
DRUGOVO	20	31	51	55	40	95	75	71	146	0.04%	0.04%	0.04%
JEGUNOVCE	149	82	231	110	72	182	259	154	413	0.14%	0.10%	0.12%
ZHELINO	216	53	269	82	19	101	298	72	370	0.16%	0.04%	0.11%
ZAJAS	38	10	48	115	39	154	153	49	202	0.08%	0.03%	0.06%
ZELENIKOVO	67	42	109	42	11	53	109	53	162	0.06%	0.03%	0.05%
ZRNOVCI	73	124	197	62	79	141	135	203	338	0.07%	0.13%	0.10%
ILINDEN	235	235	470	171	133	304	406	368	774	0.21%	0.23%	0.22%
KAVADARCI	508	584	1,092	2,896	2,643	5,539	3,404	3,227	6,631	1.80%	2.01%	1.89%
KARBINCI	51	88	139	107	128	235	158	216	374	0.08%	0.13%	0.11%
KICHEVO	478	542	1,020	1,223	990	2,213	1,701	1,532	3,233	0.90%	0.95%	0.92%
KONCHE	105	34	139	13	11	24	118	45	163	0.06%	0.03%	0.05%
KOCHANI	1,828	2,178	4,006	1,870	2,086	3,956	3,698	4,264	7,962	1.95%	2.65%	2.27%
KRATOVO	303	211	514	244	310	554	547	521	1,068	0.29%	0.32%	0.31%
KRIVA PALANKA	696	508	1,204	581	950	1,531	1,277	1,458	2,735	0.67%	0.91%	0.78%
KRIVOGASHTANI	83	49	132	45	30	75	128	79	207	0.07%	0.05%	0.06%
KRUSHEVO	102	99	201	205	301	506	307	400	707	0.16%	0.25%	0.20%
KUMANOVO	2,639	2,229	4,868	4,001	3,924	7,925	6,640	6,153	12,793	3.51%	3.83%	3.65%
LIPKOVO	271	69	340	96	45	141	367	114	481	0.19%	0.07%	0.14%
LOZOVO	61	32	93	65	53	118	126	85	211	0.07%	0.05%	0.06%

Municipality	NLBz			KBPz			Total			Total (%)		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
MAVROVO I ROSTUSHA	85	33	118	110	28	138	195	61	256	0.10%	0.04%	0.07%
MAKEDONSKA KAMENICA	90	198	288	281	278	559	371	476	847	0.20%	0.30%	0.24%
MAKEDONSKI BROAD	81	48	129	330	284	614	411	332	743	0.22%	0.21%	0.21%
MOGILA	99	65	164	17	12	29	116	77	193	0.06%	0.05%	0.06%
NEGOTINO	489	376	865	1,269	1,054	2,323	1,758	1,430	3,188	0.93%	0.89%	0.91%
NOVACI	38	34	72	18	7	25	56	41	97	0.03%	0.03%	0.03%
NOVO SELO	126	94	220	127	88	215	253	182	435	0.13%	0.11%	0.12%
OSLOMEJ	53	27	80	91	37	128	144	64	208	0.08%	0.04%	0.06%
OHRID	2,267	2,182	4,449	2,251	2,346	4,597	4,518	4,528	9,046	2.39%	2.82%	2.58%
PETROVEC	120	79	199	54	37	91	174	116	290	0.09%	0.07%	0.08%
PEHCHEVO	79	111	190	151	93	244	230	204	434	0.12%	0.13%	0.12%
PLASNICA	13	2	15	44	3	47	57	5	62	0.03%	0.00%	0.02%
PRILEP	2,398	2,178	4,576	3,039	2,957	5,996	5,437	5,135	10,572	2.87%	3.20%	3.02%
PROBISHTIP	322	312	634	586	829	1,415	908	1,141	2,049	0.48%	0.71%	0.59%
RADOVISH	1,587	1,483	3,070	517	450	967	2,104	1,933	4,037	1.11%	1.20%	1.15%
RANKOVCE	74	36	110	25	27	52	99	63	162	0.05%	0.04%	0.05%
RESEN	254	230	484	429	464	893	683	694	1,377	0.36%	0.43%	0.39%
ROSMAN	33	36	69	180	88	268	213	124	337	0.11%	0.08%	0.10%
SVETI NIKOLE	475	449	924	618	859	1,477	1,093	1,308	2,401	0.58%	0.81%	0.69%
SKOPJE	20,478	18,474	38,952	21,810	19,250	41,060	42,288	37,724	80,012	22.34%	23.47%	22.86%
SOPISHTE	41	24	65	51	21	72	92	45	137	0.05%	0.03%	0.04%
STARO NAGORICHANE	37	32	69	18	14	32	55	46	101	0.03%	0.03%	0.03%
STRUGA	2,143	1,433	3,576	929	711	1,640	3,072	2,144	5,216	1.62%	1.33%	1.49%
STRUMICA	2,695	2,211	4,906	2,516	2,245	4,761	5,211	4,456	9,667	2.75%	2.77%	2.76%
STUDENICHANI	191	49	240	109	24	133	300	73	373	0.16%	0.05%	0.11%
TEARCE	273	118	391	115	79	194	388	197	585	0.20%	0.12%	0.17%
TETOVO	2,613	1,594	4,207	3,727	2,232	5,959	6,340	3,826	10,166	3.35%	2.38%	2.90%
CENTAR ZHUPA	5	2	7	8	5	13	13	7	20	0.01%	0.00%	0.01%
CHASHKA	136	47	183	29	11	40	165	58	223	0.09%	0.04%	0.06%
CHESHINOVO-OBLESHEVO	112	129	241	237	248	485	349	377	726	0.18%	0.23%	0.21%
CHUCHER-SANDEVO	66	52	118	74	33	107	140	85	225	0.07%	0.05%	0.06%
SHTIP	1,405	1,597	3,002	2,969	3,278	6,247	4,374	4,875	9,249	2.31%	3.03%	2.64%
Unknown	29,864	22,524	52,388	33,072	24,695	57,767	62,936	47,219	110,155	33.24%	29.38%	31.47%
Total	90,435	75,894	166,329	98,887	84,824	183,711	189,322	160,718	350,040	100%	100%	100%

Note: The column Total (%) gives the percentage participation per columns from Total Men, from Total Women and from Total members)

Members and temporary allocated insured persons per business activity, gender and mandatory pension fund (31.12.2013)

Business activity	NLBz			KBPz			Total			Total(%)		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
Crop and animal production, hunting and related service activities	2,067	1,207	3,274	2,555	1,396	3,951	4,622	2,603	7,225	2.44%	1.62%	2.06%
Silviculture and other forestry activities	250	75	325	349	155	504	599	230	829	0.32%	0.14%	0.24%
Fishing and aquaculture	42	13	55	35	18	53	77	31	108	0.04%	0.02%	0.03%
Mining of coal and lignite	23	6	29	17	0	17	40	6	46	0.02%	0.00%	0.01%
Extraction of crude petroleum, Extraction of natural gas	24	0	24	7	2	9	31	2	33	0.02%	0.00%	0.01%
Mining of metal ores	234	27	261	406	36	442	640	63	703	0.34%	0.04%	0.20%
Other mining and quarrying	207	184	391	322	250	572	529	434	963	0.28%	0.27%	0.28%
Manufacture of food products	2,894	1,940	4,834	3,014	2,522	5,536	5,908	4,462	10,370	3.12%	2.78%	2.96%
Manufacture of tobacco products	1,255	856	2,111	963	646	1,609	2,218	1,502	3,720	1.17%	0.93%	1.06%
Manufacture of textiles	502	1,045	1,547	994	1,635	2,629	1,496	2,680	4,176	0.79%	1.67%	1.19%
Manufacture of wearing apparel, except fur apparel	2,061	8,611	10,672	3,241	12,728	15,969	5,302	21,339	26,641	2.80%	13.28%	7.61%
Tanning and dressing of leather; Manufacture of luggage, handbags and the like, saddlery and harness; dressing and dyeing of fur	795	1,642	2,437	829	1,855	2,684	1,624	3,497	5,121	0.86%	2.18%	1.46%
Manufacture of wood and products of wood and cork; except furniture; manufacture of articles of straw and plaiting materials	1,118	249	1,367	979	276	1,255	2,097	525	2,622	1.11%	0.33%	0.75%
Manufacture of pulp, paper and paperboard	363	187	550	312	201	513	675	388	1,063	0.36%	0.24%	0.30%
Printing of reproduction of recorded media	777	478	1,255	837	543	1,380	1,614	1,021	2,635	0.85%	0.64%	0.75%
Manufacture of coke and refined petroleum products	23	10	33	40	23	63	63	33	96	0.03%	0.02%	0.03%
Manufacture of chemicals and chemical products	158	171	329	275	341	616	433	512	945	0.23%	0.32%	0.27%
Manufacture of rubber and plastic products	918	499	1,417	994	609	1,603	1,912	1,108	3,020	1.01%	0.69%	0.86%
Manufacture of other non-metallic mineral products	685	129	814	703	109	812	1,388	238	1,626	0.73%	0.15%	0.46%
Manufacture of basic metals	581	93	674	1,444	168	1,612	2,025	261	2,286	1.07%	0.16%	0.65%
Manufacture of fabricated metal products, except machinery and equipment	1,874	355	2,229	1,993	371	2,364	3,867	726	4,593	2.04%	0.45%	1.31%
Manufacture of machinery and equipment n.e.c.	434	118	552	587	118	705	1,021	236	1,257	0.54%	0.15%	0.36%
Manufacture of computers and peripheral equipment	285	152	437	281	132	413	566	284	850	0.30%	0.18%	0.24%

Business activity	NLBz			KBPz			Total			Total(%)		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
Manufacture of machinery and equipment n.e.c.	469	221	690	614	234	848	1,083	455	1,538	0.57%	0.28%	0.44%
Manufacture of radio, TV and communication equipment and appliances	105	44	149	108	37	145	213	81	294	0.11%	0.05%	0.08%
Manufacture of instruments and appliances for measuring, testing and navigation; watches and clocks	67	43	110	48	47	95	115	90	205	0.06%	0.06%	0.06%
Manufacture of motor vehicles; manufacture of trailers and semi-trailers	60	27	87	159	101	260	219	128	347	0.12%	0.08%	0.10%
Manufacture of other transport equipment	116	20	136	50	2	52	166	22	188	0.09%	0.01%	0.05%
Manufacture of furniture and other products n.e.c.	1,300	368	1,668	1,441	402	1,843	2,741	770	3,511	1.45%	0.48%	1.00%
Recycling	189	48	237	244	106	350	433	154	587	0.23%	0.10%	0.17%
Electricity, gas, steam and air conditioning supply	314	104	418	470	135	605	784	239	1,023	0.41%	0.15%	0.29%
Water collection, treatment and supply	376	92	468	653	125	778	1,029	217	1,246	0.54%	0.14%	0.36%
Construction	7,724	1,509	9,233	8,917	1,541	10,458	16,641	3,050	19,691	8.79%	1.90%	5.63%
Wholesale and retail trade and repair of motor vehicles and motorcycles	1,836	581	2,417	2,100	587	2,687	3,936	1,168	5,104	2.08%	0.73%	1.46%
Wholesale trade, except of motor vehicles and motorcycles	3,306	1,872	5,178	2,517	1,511	4,028	5,823	3,383	9,206	3.08%	2.10%	2.63%
Retail trade, except of motor vehicles and motorcycles; repair of appliances for personal and household use	16,358	18,635	34,993	15,916	17,520	33,436	32,274	36,155	68,429	17.05%	22.50%	19.55%
Hotels and restaurants	5,313	3,858	9,171	5,234	3,854	9,088	10,547	7,712	18,259	5.57%	4.80%	5.22%
Land transport and transport via pipelines	4,584	1,294	5,878	5,175	1,389	6,564	9,759	2,683	12,442	5.15%	1.67%	3.55%
Water transport	8	13	21	12	6	18	20	19	39	0.01%	0.01%	0.01%
Air transport	20	27	47	20	20	40	40	47	87	0.02%	0.03%	0.02%
Support activities for transportation; tourist agent activities	552	397	949	718	400	1,118	1,270	797	2,067	0.67%	0.50%	0.59%
Postal activities and telecommunications	649	445	1,094	804	556	1,360	1,453	1,001	2,454	0.77%	0.62%	0.70%
Financial service activities, except insurance and pension funding	772	1,160	1,932	930	1,418	2,348	1,702	2,578	4,280	0.90%	1.60%	1.22%
Insurance, reinsurance and pension funding, except compulsory social security	186	220	406	325	337	662	511	557	1,068	0.27%	0.35%	0.31%
Activities auxiliary to financial services and insurance activities	40	33	73	17	14	31	57	47	104	0.03%	0.03%	0.03%

Business activity	NLBz			KBPz			Total			Total(%)		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
Real estate activities	123	82	205	108	70	178	231	152	383	0.12%	0.09%	0.11%
Renting and leasing of other machinery, equipment and tangible goods for personal and household use	123	49	172	105	63	168	228	112	340	0.12%	0.07%	0.10%
Computers and related activities	1,023	536	1,559	806	442	1,248	1,829	978	2,807	0.97%	0.61%	0.80%
Research and development	75	59	134	91	47	138	166	106	272	0.09%	0.07%	0.08%
Other business activities	6,811	5,684	12,495	7,717	5,759	13,476	14,528	11,443	25,971	7.67%	7.12%	7.42%
Public administration and defence; compulsory social security	3,080	1,629	4,709	3,444	2,078	5,522	6,524	3,707	10,231	3.45%	2.31%	2.92%
Education	2,663	4,687	7,350	3,442	6,467	9,909	6,105	11,154	17,259	3.22%	6.94%	4.93%
Health and social work	1,524	3,966	5,490	1,642	4,728	6,370	3,166	8,694	11,860	1.67%	5.41%	3.39%
Waste disposal; sanitary and similar activities	243	34	277	614	104	718	857	138	995	0.45%	0.09%	0.28%
Organizational activities based on membership	510	461	971	452	517	969	962	978	1,940	0.51%	0.61%	0.55%
Sports activities and amusement and recreation activities	2,089	1,526	3,615	2,099	1,452	3,551	4,188	2,978	7,166	2.21%	1.85%	2.05%
Other service activities	449	825	1,274	540	929	1,469	989	1,754	2,743	0.52%	1.09%	0.78%
Activities of extraterritorial organisations and bodies	75	115	190	125	149	274	200	264	464	0.11%	0.16%	0.13%
Unknown	9,733	7,183	16,916	10,053	7,543	17,596	19,786	14,726	34,512	10.45%	9.16%	9.86%
Total	90,435	75,894	166,329	98,887	84,824	183,711	189,322	160,718	350,040	100%	100%	100%

Note: The column Total (%) gives the percentage participation per columns from Total Men, from Total Women and from Total members)

Membership structure per net wage, gender and mandatory pension fund (June 2013)

	NLBz			KBPz			Total			Total (%)		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
Net to 6000 MKD	5,709	5,787	11,496	5,996	6,546	12,542	11,705	12,333	24,038	10.00%	11.89%	10.89%
Net from 6,001 MKD to 12,000 MKD	23,165	21,183	44,348	24,758	24,019	48,777	47,923	45,202	93,125	40.96%	43.57%	42.19%
Net from 12,001 MKD to 18,000 MKD	11,240	8,814	20,054	13,051	9,768	22,819	24,291	18,582	42,873	20.76%	17.91%	19.42%
Net from 18,001 MKD to 24,000 MKD	7,411	6,923	14,334	8,807	8,721	17,528	16,218	15,644	31,862	13.86%	15.08%	14.43%
Net from 24,001 MKD to 30,000 MKD	3,463	2,672	6,135	4,217	3,020	7,237	7,680	5,692	13,372	6.56%	5.49%	6.06%
Net above 30,000 MKD	4,478	3,070	7,548	4,706	3,226	7,932	9,184	6,296	15,480	7.85%	6.07%	7.01%
Total	55,466	48,449	103,915	61,535	55,300	116,835	117,001	103,749	220,750	100.00%	100.00%	100.00%

Note: The column Total (%) gives the percentage participation per columns from Total Men, from Total Women and from Total members)

Investment structure of mandatory pension funds assets

(in million denars)

Investments	31.12.2012			30.06.2013			31.12.2013		
	NLBz	KBPz	Total	NLBz	KBPz	Total	NLBz	KBPz	Total
Shares from domestic issuer	384.88	394.14	779.02	406.59	420.94	827.53	539.99	424.16	964.16
Bonds from domestic issuers	6,259.95	7,534.10	13,794.05	6,671.07	7,876.33	14,547.41	7,640.42	8,901.20	16,541.63
Short-term securities from domestic issuers	99.31	0.00	99.31	0.00	0.00	0.00	0.00	0.00	0.00
Deposits	1,507.14	1,413.20	2,920.34	1,613.53	1,807.04	3,420.57	1,569.45	1,750.98	3,320.43
Shares from foreign issuers	625.69	0.00	625.69	1,032.54	0.00	1,032.54	1,298.38	0.00	1,298.38
Bonds from foreign issuers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Participation units from foreign investment funds	781.16	1,898.50	2,679.66	1,087.82	2,453.78	3,541.60	1,381.65	3,258.43	4,640.08
Cash	28.72	6.72	35.44	179.87	153.71	333.58	9.27	2.95	12.21
Receivables	96.83	113.75	210.58	27.21	16.11	43.32	19.47	22.25	41.72

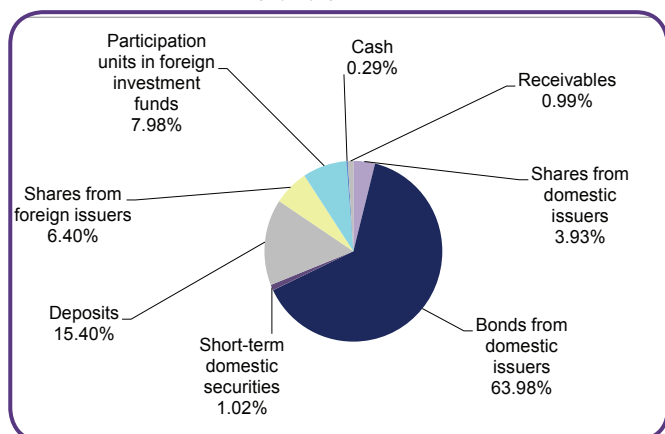
(in percentage)

Investments	31.12.2012			30.06.2013			31.12.2013		
	NLBz	KBPz	Total	NLBz	KBPz	Total	NLBz	KBPz	Total
Shares from domestic issuer	3.93%	3.47%	3.68%	3.69%	3.31%	3.48%	4.33%	2.95%	3.60%
Bonds from domestic issuers	63.98%	66.32%	65.24%	60.54%	61.88%	61.26%	61.33%	61.99%	61.68%
Short-term securities from domestic issuers	1.02%	0.00%	0.47%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Deposits	15.40%	12.44%	13.81%	14.64%	14.20%	14.40%	12.60%	12.19%	12.38%
Shares from foreign issuers	6.40%	0.00%	2.96%	9.37%	0.00%	4.35%	10.42%	0.00%	4.84%
Bonds from foreign issuers	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00	0.00	0.00
Participation units from foreign investment funds	7.98%	16.71%	12.67%	9.87%	19.28%	14.91%	11.09%	22.69%	17.30%
Cash	0.29%	0.06%	0.17%	1.63%	1.21%	1.40%	0.07%	0.02%	0.05%
Receivables	0.99%	1.00%	1.00%	0.25%	0.13%	0.18%	0.16%	0.15%	0.16%

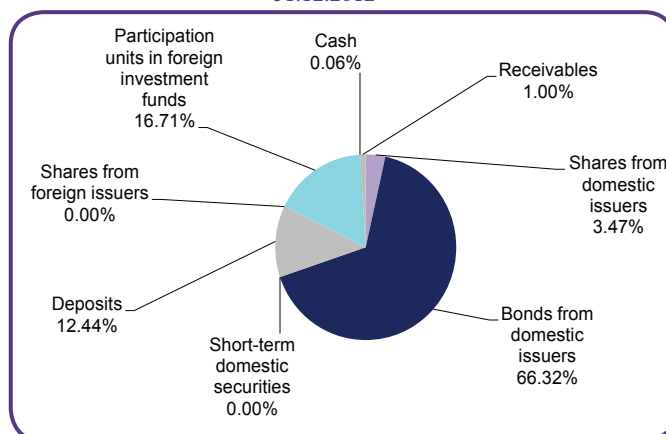
Investments Structure for NLBz

Investments Structure for KBPz

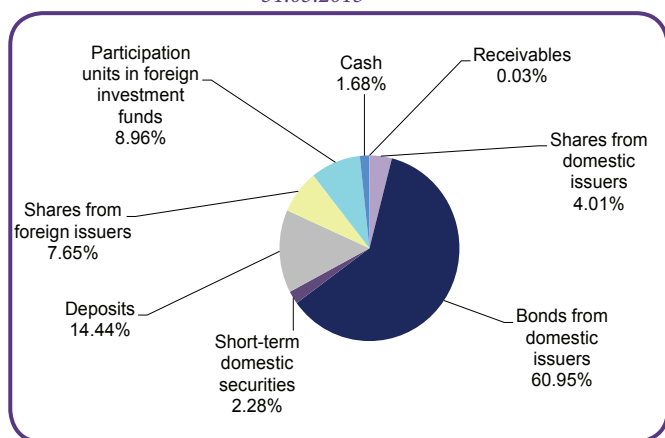
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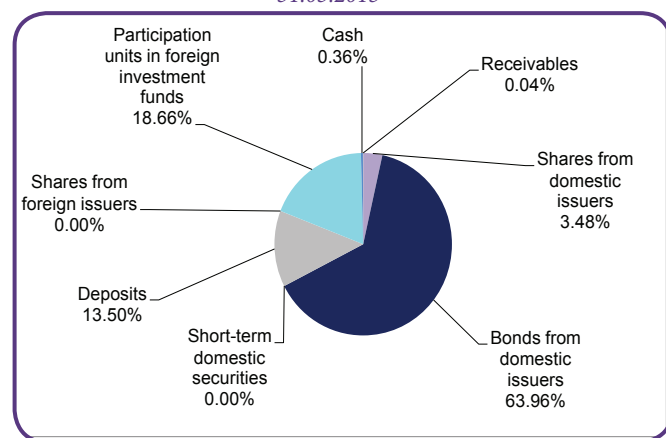
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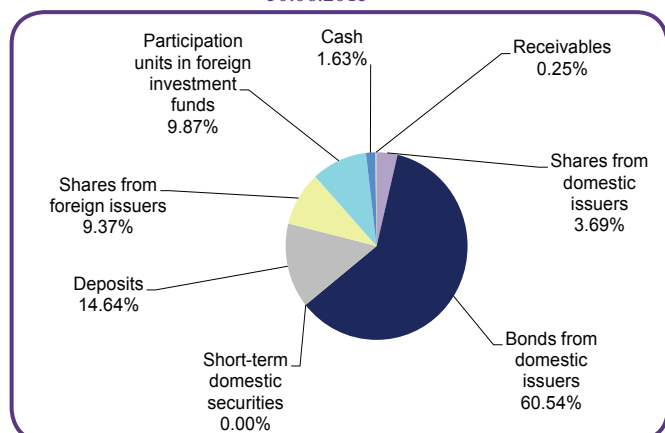
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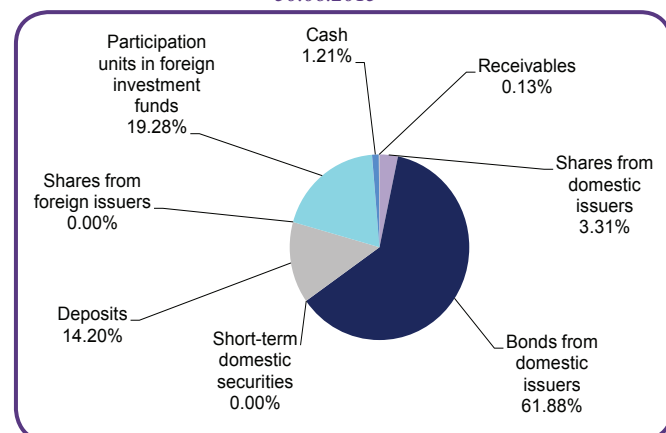
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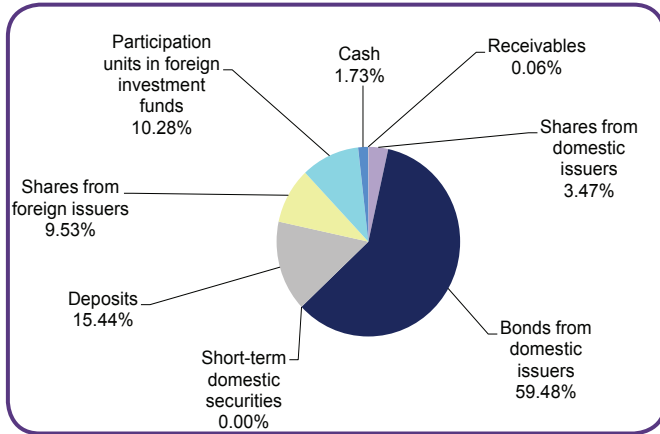
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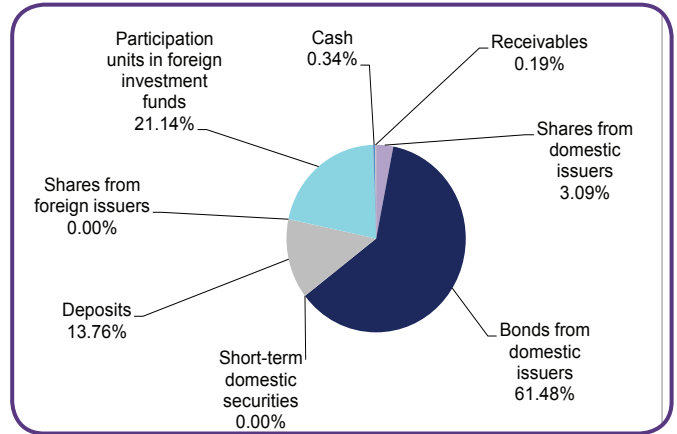
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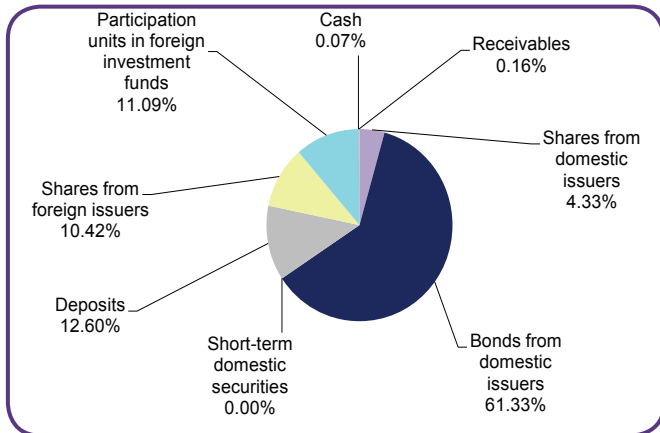
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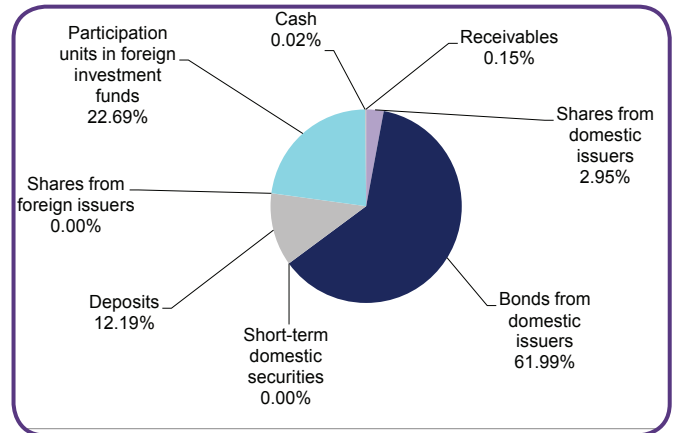
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31.12.2013



Mandatory pension funds' portfolio (31.12.2013)

NLBz- portfolio (31.12.2013)					
ISSUER	INSTRUMENT	CURRENCY	Nominal value / number of shares	Value in MKD	% from total assets
DOMESTIC INSTRUMENTS					
BONDS					
Domestic government bonds					
Republic of Macedonia	Denationalization bond; RMDEN03; 10 years; 2.00%; 01/06/14	EUR	441,227	26,435,472	0.21%
Republic of Macedonia	Denationalization bond; RMDEN04; 10 years; 2.00%; 01/06/15	EUR	1,539,006	94,356,331	0.76%
Republic of Macedonia	Denationalization bond; RMDEN05; 10 years; 2.00%; 01/06/16	EUR	720,941	43,225,192	0.35%
Republic of Macedonia	Denationalization bond; RMDEN06; 10 years; 2.00%; 01/06/17	EUR	1,041,205	62,235,036	0.50%
Republic of Macedonia	Denationalization bond; RMDEN07; 10 years; 2.00%; 01/06/18	EUR	77,738	4,503,134	0.04%
Republic of Macedonia	Denationalization bond; RMDEN08; 10 years; 2.00%; 01/06/19	EUR	432,956	25,212,891	0.20%
Republic of Macedonia	Denationalization bond; RMDEN09; 10 years; 2.00%; 01/06/20	EUR	2,297,982	133,114,734	1.07%
Republic of Macedonia	Denationalization bond; RMDEN12; 10 years; 2.00%; 01/06/23	EUR	983,997	56,427,686	0.45%
Republic of Macedonia	Continuous bond 5yrs; 5.7% 29/09/2016	MKD	200,000,000	202,907,747	1.63%
Republic of Macedonia	Continuous bond 5yrs; 5.5% 29/09/2016	EUR	150,000,000	152,120,035	1.22%
Republic of Macedonia	Continuous bond 5yrs; 5.7% 19/12/2016	MKD	1,000,000,000	1,001,930,794	8.04%
Republic of Macedonia	Continuous bond 5yrs; 5.5% 26/03/2017	EUR	200,000,000	208,443,439	1.67%
Republic of Macedonia	Continuous bond 5yrs; 5.5% 25/06/2017	EUR	370,000,000	379,746,501	3.05%
Republic of Macedonia	Continuous bond 3yrs; 5.3% 05/07/2015	MKD	210,000,000	215,422,952	1.73%
Republic of Macedonia	Continuous bond 5yrs; 5.7% 09/08/2017	MKD	1,055,000,000	1,078,362,418	8.66%
Republic of Macedonia	Continuous bond 5yrs; 5.5% 16/08/2017	EUR	8,536,516	535,756,365	4.30%
Republic of Macedonia	Continuous bond 5yrs; 5.5% 06/09/2017	EUR	1,804,834	112,945,316	0.91%
Republic of Macedonia	Continuous bond 5yrs; 5.5% 20/09/2017	EUR	2,438,826	152,298,115	1.22%
Republic of Macedonia	Continuous bond 5yrs; 5.5% 04/10/2017	EUR	1,950,982	121,589,409	0.98%
Republic of Macedonia	Continuous bond 5yrs; 5.5% 18/10/2017	EUR	1,951,128	121,349,472	0.97%

Republic of Macedonia	Continuous bond 5yrs; 5.5% 01/11/2017	EUR	1,951,178	121,104,102	0.97%
Republic of Macedonia	Continuous bond 5yrs; 5.5% 23/11/2017	EUR	6,861,789	424,488,535	3.41%
Republic of Macedonia	Continuous bond 5yrs; 5.4% 09/02/2018	EUR	431,000,000	453,748,575	3.64%
Republic of Macedonia	Continuous bond 5yrs; 5,6% 09/01/2018	MKD	185,000,000	195,121,248	1.57%
Republic of Macedonia	Continuous bond 5yrs; 5,35% 24/01/2018	MKD	60,000,000	63,012,152	0.51%
Republic of Macedonia	Continuous bond 5yrs; 5.15% 28/02/2018	EUR	973,762	62,491,903	0.50%
Republic of Macedonia	Continuous bond 5yrs; 5.15% 07/03/2018	EUR	1,297,421	83,176,071	0.67%
Republic of Macedonia	Continuous bond 5yrs; 5.15% 14/03/2018	EUR	1,459,066	93,449,074	0.75%
Republic of Macedonia	Continuous bond 5yrs; 5.15% 04/04/2018	EUR	1,297,526	82,863,581	0.67%
Republic of Macedonia	Continuous bond 5yrs; 4,90% 25/04/2018	EUR	973,394	61,878,875	0.50%
Republic of Macedonia	Continuous bond 5yrs; 4,90% 30/05/2018	EUR	2,920,182	184,786,071	1.48%
Republic of Macedonia	Continuous bond 5yrs; 4,60% 18/07/2018	EUR	1,945,368	122,165,537	0.98%
Republic of Macedonia	Continuous bond 5yrs; 4,60% 25/07/2018	EUR	973,457	61,074,124	0.49%
Republic of Macedonia	Continuous bond 5yrs; 4,60% 30/08/2018	EUR	3,008,345	187,904,429	1.51%
Republic of Macedonia	Continuous bond 5yrs; 4,60% 03/10/2018	MKD	3,901,963	242,693,391	1.95%
Republic of Macedonia	Continuous bond 5yrs; 4,60% 17/10/2018	EUR	975,589	60,578,629	0.49%
Republic of Macedonia	Continuous bond 5yrs; 4,60% 31/10/2018	EUR	1,300,760	80,634,659	0.65%
Republic of Macedonia	Continuous bond 5yrs; 4,60% 21/11/2018	EUR	2,276,116	140,732,522	1.13%
Republic of Macedonia	Continuous bond 5yrs; 4,60% 05/12/2018	EUR	1,462,898	90,297,556	0.72%
Republic of Macedonia	Continuous bond 5yrs; 4,60% 26/12/2018	EUR	1,621,644	99,839,255	0.80%
Total domestic government bonds				7,640,423,329	61.33%
DEPOSITS					
Alfa bank SKOPJE	6.35%; 09/04/10-09/04/15	MKD	54,000,000	54,291,231	1.57%
	6.35%; 07/04/10-07/04/15	MKD	20,000,000	20,107,863	
	6.25%; 23/04/12-23/04/13	MKD	120,000,000	120,636,986	
Halk bank SKOPJE	7.40%; 09/04/10-09/04/15	MKD	85,000,000	85,000,000	2.63%
	7.40%; 15/04/10-15/04/15	MKD	19,000,000	19,000,000	
	6.20%; 02/02/12-02/02/14	MKD	50,000,000	50,008,493	
	5.40%; 15/05/13-16/05/16	MKD	45,000,000	45,006,658	
	5.30%; 01/07/13-01/07/16	MKD	23,000,000	23,003,340	
	5.30%; 24/07/13-25/07/16	MKD	65,000,000	65,009,438	
	6.70%; 04/04/12-04/04/15	MKD	40,000,000	40,205,589	
Ohridska banks OHRID	6.20%; 11/04/12-11/04/14	MKD	40,000,000	44,376,355	2.61%
	6.00%; 25/12/12-25/12/15	MKD	70,000,000	70,078,268	
	6.00%; 03/01/13-04/01/16	MKD	139,000,000	147,292,965	
	6.00%; 11/01/13-04/01/16	MKD	35,000,000	37,040,820	
	5.50%; 15/05/13-16/05/16	MKD	25,000,000	25,861,633	
Procredit bank SKOPJE	10.30%; 07/04/10-07/04/15	MKD	45,000,000	45,317,466	0.36%
Stopanska bankBITOLA	7.20%; 01/02/10-01/02/14	MKD	30,000,000	30,177,534	0.66%
	7.20%; 03/02/10-03/02/14	MKD	20,000,000	20,110,466	
	7.20%; 22/03/10-22/03/14	MKD	15,000,000	15,026,630	
	2.8%; 19/12/12-19/03/14	MKD	16,000,000	16,805,278	

Stopanska bank SKOPJE	6.8%; 17/07/07-17/07/16	MKD	5,000,100	5,156,596	2.56%
	6.80%; 18/07/07-18/07/16	MKD	5,000,100	5,155,665	
	6.80%; 27/07/07-27/07/16	MKD	5,000,000	5,147,178	
	6.80%; 06/08/07-06/08/16	MKD	5,000,000	5,137,863	
	6.80%; 07/08/07-06/08/16	MKD	5,000,000	5,136,932	
	6.80%; 02/10/07-04/10/16	MKD	10,000,000	10,169,534	
	5.40%; 05/06/13-06/06/16	MKD	25,000,000	25,797,671	
	6.80%; 10/06/08-10/06/16	MKD	10,000,000	10,381,918	
	6.80%; 30/05/08-30/05/16	MKD	6,500,000	6,761,567	
	6.80%; 03/06/08-03/06/16	MKD	15,000,000	15,592,438	
	6.80%; 04/06/08-04/06/16	MKD	20,000,000	20,786,192	
	6.80%; 18/06/08-18/06/17	MKD	20,000,000	20,734,027	
	6.80%; 23/06/08-23/06/17	MKD	5,000,000	5,178,849	
	6.80%; 26/06/08-26/06/17	MKD	7,000,000	7,246,477	
	6.80%; 01/10/08-03/10/17	MKD	10,000,000	10,171,397	
	6.80%; 04/08/08-04/08/17	MKD	10,000,000	10,279,452	
	6.80%; 15/08/08-15/08/17	MKD	15,000,000	15,388,438	
	6.80%; 05/09/08-05/09/17	MKD	15,000,000	15,329,753	
	6.8%; 17/09/08-19/09/17	MKD	15,000,000	15,296,219	
5.70%; 09/05/13-09/05/16	MKD	100,000,000	103,799,726		
TTK bank SKOPJE	6.20%; 06/05/11-06/05/14	MKD	55,000,000	57,405,579	1.99%
	5.50%; 14/02/12-14/02/14	MKD	65,000,000	65,162,291	
	6.50%; 14/02/12-14/02/15	MKD	35,000,000	35,133,740	
	5.50%; 05/04/13-05/04/16	MKD	40,000,000	40,041,093	
	5.25%; 27/06/13-27/06/16	MKD	50,000,000	50,028,045	
Tutunska bank SKOPJE	9.50%; 16/01/08-16/01/14	MKD	2,000,000	2.182.192	0.23%
	9.50%; 22/04/08-22/04/14	MKD	2,300,000	2.452.052	
	9.50%; 14/05/08-14/05/14	MKD	1,500,000	1.590.575	
	9.50%; 04/02/08-04/02/14	MKD	2,000,000	2.172.301	
	9.50%; 04/07/08-04/07/14	MKD	5,000,000	5.235.548	
	9.50%; 29/07/08-29/07/14	MKD	4,000,000	4.162.411	
	9.50%; 13/08/08-13/08/14	MKD	2,000,000	2.073.397	
	9.50%; 12/09/08-12/09/14	MKD	2,500,000	2.572.226	
	9.50%; 27/02/08-27/02/14	MKD	2,500,000	2.700.411	
9.50%; 01/04/08-01/04/14	MKD	3,300,000	3.536.199		
Total deposits in domestic banks				1,569,452,968	12.60%
SHARES					
Komercijalna bankSKOPJE	common shares	MKD	6,546	11,716,489	0.09%
Toplifkacija SKOPJE	common shares	MKD	5,044	4,632,712	0.04%
Alkaloid SKOPJE	common shares	MKD	36,689	164,983,095	1.32%
Fershped SKOPJE	common shares	MKD	561	98,540,211	0.79%
Granit SKOPJE	common shares	MKD	148,497	53,458,920	0.43%
Makedonijaturist SKOPJE	common shares	MKD	27,570	92,359,500	0.74%
Ohridska bank OHRID	common shares	MKD	7,345	7,712,250	0.06%
Replek SKOPJE	common shares	MKD	724	34,028,000	0.27%

Tetex TETOVO	common shares	MKD	10,697	4,920,620	0.04%
Winery TIKVESH SKOPJE	common shares	MKD	6,010	9,015,000	0.07%
VitaminkaPRILEP	common shares	MKD	736	3,687,360	0.03%
ZK Pelagonija BITOLA	common shares	MKD	3,370	8,425,000	0.07%
Macedonian Telecom SKOPJE	common shares	MKD	119,219	46,513,293	0.37%
Total domestic shares				539,992,450	4.33%
TOTAL DOMESTIC INSTRUMENTS				9,749,868,748	78.26%
SECURITIES ISSUED BY ISSUERS FROM EU AND OECD					
SHARES					
General Electric CO	common shares	USD	46,700	58,418,620	0.47%
MICROSOFT CORP.	common shares	USD	31,300	52,284,804	0.42%
The Coca Cola Co.	common shares	USD	29,250	53,925,277	0.43%
Nestle SA	common shares	CHF	14,859	48,685,795	0.39%
Bayerische Motoren Werke AG	common shares	EUR	11,320	59,339,361	0.48%
Volkswagen	common shares	EUR	4,276	51,789,095	0.42%
Novartis AG	common shares	CHF	15,111	53,984,949	0.43%
Henkel AG & Co KGAA	common shares	EUR	13,500	62,811,649	0.50%
SIEMENS AG	common shares	EUR	10,120	61,807,465	0.50%
Mastercard INC	common shares	USD	1,655	61,707,077	0.50%
Google INC	common shares	USD	1,160	58,017,973	0.47%
Halliburton Com	common shares	USD	23,000	52,092,500	0.42%
Rockwell Automation Inc	common shares	USD	6,000	31,639,750	0.25%
AXA SA	common shares	EUR	51,987	64,627,295	0.52%
Sanofi	common shares	EUR	11,711	55,554,073	0.45%
Allianz SE	common shares	EUR	7,100	56,927,785	0.46%
LVMH Moet Hennessy Louis Vuitton SA	common shares	EUR	4,817	39,289,371	0.32%
Wells Fargo & Co	common shares	USD	21,525	43,612,434	0.35%
Diageo PLC	common shares	GBP	26,494	38,968,912	0.31%
ABBVIE INC	common shares	USD	13,972	32,929,570	0.26%
BASF SE	common shares	EUR	9,046	43,117,855	0.35%
JP Morgan Chase & Co	common shares	USD	18,414	48,058,125	0.39%
Procter & Gamble Co	common shares	USD	11,277	40,971,574	0.33%
Apple Inc	common shares	USD	2,150	53,839,099	0.43%
BNP Paribas S.A	common shares	EUR	7,800	27,179,998	0.22%
Standard Chartered PLC	common shares	GBP	23,500	23,504,311	0.19%
Allergan Inc	common shares	USD	4,700	23,299,417	0.19%
Total foreign shares				1,298,384,134	10.42%
INVESTMENT FUNDS					
iShares MSCI Japan Index Fund	participation units in investment funds	USD	78,500	42,495,386	0.34%
Ishares S&P Global Technology Sector Index Fund	participation units in investment funds	USD	27,572	102,487,989	0.82%
Ishares MSCI France Index Fund	participation units in investment funds	USD	93,219	118,358,112	0.95%
iShares MSCI Sweden Index Fund	participation units in investment funds	USD	57,079	91,271,351	0.73%
Ishares MSCI Germany Index Fund	participation units in investment funds	USD	144,600	204,955,748	1.65%

iShares Dow Jones US Energy	participation units in investment funds	USD	31,600	71,203,898	0.57%
iShares MSCI Turkey Invesatble Market Index	participation units in investment funds	USD	28,785	61,225,394	0.49%
SPDR Barclays Capital High Yield Bond ETF	participation units in investment funds	USD	27,500	49,778,517	0.40%
iShares DAX (DE)	participation units in investment funds	EUR	23,433	123,599,561	0.99%
iShares iBoxx Investment Grade Corporate Bond Fund	participation units in investment funds	USD	21,100	107,546,902	0.86%
iShares MSCI Spain Index Fund	participation units in investment funds	USD	42,850	73,758,450	0.59%
iShares MSCI Italy Index Fund	participation units in investment funds	USD	148,264	103,155,680	0.83%
iShares Dow Jones US Consumer Services Sector Index Fund	participation units in investment funds	USD	17,668	96,022,869	0.77%
iShares S&P North American Technology-Software Index Fund	participation units in investment funds	USD	19,284	70,630,596	0.57%
iShares MSCI EAFE Index Fund	participation units in investment funds	USD	21,773	65,161,810	0.52%
Total shares and participation units in foreign investment funds				1,381,652,263	11.09%
TOTAL FOREIGN INSTRUMENTS				2,680,036,397	21.51%
TOTAL INVESTMENTS				12,429,905,145	99.77%
Receivables				19,471,883	0.16%
Cash				9,265,928	0.07%
TOTAL ASSETS				12,458,642,955	100.00%

<i>KBPz- portfolio (31.12.2013)</i>					
ISSUER	INSTRUMENT	CURRENCY	Nominal value / Number of shares	Value in MKD	% from total assets
DOMESTIC INSTRUMENTS					
BONDS					
Government bonds					
Republic of Macedonia	Denationalization bond; RMDEN03; 10 years; 2.00%; 01/06/14	EUR	340,632	20,408,492	0.14%
Republic of Macedonia	Denationalization bond; RMDEN04; 10 years; 2.00%; 01/06/15	EUR	1	49	0.00%
Republic of Macedonia	Denationalization bond; RMDEN05; 10 years; 2.00%; 01/06/16	EUR	0,330	20	0.00%
Republic of Macedonia	Denationalization bond; RMDEN06; 10 years; 2.00%; 01/06/17	EUR	0,267	16	0.00%
Republic of Macedonia	Denationalization bond; RMDEN07; 10 years; 2.00%; 01/06/18	EUR	0,190	11	0.00%
Republic of Macedonia	Denationalization bond; RMDEN08; 10 years; 2.00%; 01/06/19	EUR	0,064	4	0.00%
Republic of Macedonia	Denationalization bond; RMDEN09; 10 years; 2.00%; 01/06/20	EUR	0,039	2	0.00%
Republic of Macedonia	Continuous bond 5yrs; 5.7% 29/09/2016	MKD	290,000,000	294,151,971	2.05%
Republic of Macedonia	Continuous bond 5yrs; 5.7% 19/12/2016	MKD	218,000,000	218,447,622	1.52%
Republic of Macedonia	Continuous bond 5yrs; 5.5% 25/06/2017	EUR	11,926,610	754,336,281	5.25%
Republic of Macedonia	Continuous bond 3yrs; 5.3% 05/07/2015	MKD	530,000,000	605,182,491	4.21%
Republic of Macedonia	Continuous bond 3yrs; 5.1% 09/08/2015	EUR	1,300,853	81,620,747	0.57%
Republic of Macedonia	Continuous bond 3yrs; 5.1% 16/08/2015	EUR	6,504,012	407,629,523	2.84%
Republic of Macedonia	Continuous bond 5yrs; 5.5% 16/08/2017	EUR	6,504,012	408,201,596	2.84%
Republic of Macedonia	Continuous bond 5yrs; 5.5% 30/08/2017	EUR	4,065,041	254,615,109	1.77%
Republic of Macedonia	Continuous bond 5yrs; 5.5% 06/09/2017	EUR	3,690,967	230,950,338	1.61%
Republic of Macedonia	Continuous bond 3yrs; 5.1% 20/09/2015	EUR	6,828,713	425,943,383	2.97%
Republic of Macedonia	Continuous bond 5yrs; 5.5% 20/09/2017	EUR	13,982,603	873,048,229	6.08%
Republic of Macedonia	Continuous bond 5yrs; 5.5% 27/09/2017	EUR	7,982,442	497,909,574	3.47%
Republic of Macedonia	Continuous bond 5yrs; 5.7% 09/08/2017	MKD	123,000,000	125,741,869	0.88%
Republic of Macedonia	Continuous bond 5yrs; 5.5% 01/11/2017	EUR	3,008,066	186,687,154	1.30%
Republic of Macedonia	Continuous bond 5yrs; 5.5% 08/11/2017	EUR	8,942,362	55,450,580	0.39%
Republic of Macedonia	Continuous bond 5yrs; 5.5% 23/11/2017	EUR	1,105,788	68,418,297	0.48%
Republic of Macedonia	Continuous bond 3yrs; 5.1% 29/11/2015	EUR	569,071	35,166,427	0.24%
Republic of Macedonia	Continuous bond 3yrs; 5.1% 06/12/2015	EUR	463,377	28,607,734	0.20%
Republic of Macedonia	Continuous bond 3yrs; 5.1% 20/12/2015	EUR	487,775	30,056,753	0.21%
Republic of Macedonia	Continuous bond 3yrs; 5.1% 27/12/2015	EUR	2,243,881	138,123,060	0.96%
Republic of Macedonia	Continuous bond 5yrs; 5.4% 09/01/2018	EUR	27,642,276	1,789,642,513	12.46%
Republic of Macedonia	Continuous bond 5yrs; 5.15% 28/02/2018	EUR	2,113,821	135,384,694	0.94%
Republic of Macedonia	Continuous bond 5yrs; 5.15% 04/04/2018	EUR	2,113,821	134,629,937	0.94%
Republic of Macedonia	Continuous bond 5yrs; 4.6% 04/07/2018	EUR	2,487,805	156,006,094	1.09%
Republic of Macedonia	Continuous bond 5yrs; 4.6% 18/07/2018	EUR	2,211,382	138,428,913	0.96%

Republic of Macedonia	Continuous bond 5yrs; 5.5% 18/10/2017	EUR	130,081	8,255,908	0.06%
Republic of Macedonia	Continuous bond 5yrs; 5.15% 14/03/2018	EUR	113,821	7,357,206	0.05%
Republic of Macedonia	Continuous bond 5yrs; 4.6% 25/07/2018	EUR	1,626,016	101,782,073	0.71%
Republic of Macedonia	Continuous bond 5yrs; 4.6% 30/08/2018	EUR	2,552,846	159,448,185	1.11%
Republic of Macedonia	Continuous bond 5yrs; 4.6% 03/10/2018	EUR	2,520,325	156,729,330	1.09%
Republic of Macedonia	Continuous bond 5yrs; 4.6% 17/10/2018	EUR	975,610	60,578,147	0.42%
Republic of Macedonia	Continuous bond 5yrs; 4.6% 21/11/2018	EUR	1,382,114	85,435,672	0,59%
Republic of Macedonia	Continuous bond 5yrs; 4.6% 05/12/2018	EUR	764,228	47,154,606	0,33%
Republic of Macedonia	Continuous bond 5yrs; 4.6% 26/12/2018	EUR	2,926,829	179,671,551	1,25%
Total domestic government bonds				8,901,202,159	61.99%
DEPOSITS					
Stopanska bank SKOPJE	5.70%,18/04/2012-18/04/2014	MKD	50,000,000	52,068,493	2.66%
	5,45%,24/01/2013-24/01/2016	MKD	65,000,000	68,469,397	
	5.20%,22/05/2013-22/05/2016	MKD	20,000,000	20,665,041	
	5.20%,04/06/2013-04/06/2016	MKD	50,000,000	51,564,658	
	5.20%,11/06/2013-11/06/2016	MKD	20,000,000	20,604,767	
	5.20%,08/07/2013-08/07/2016	MKD	75,000,000	76,962,740	
	5.20%,22/07/2013-22/07/2016	MKD	50,000,000	51,203,014	
	5.20%,30/07/2013-30/07/2016	MKD	20,000,000	20,457,096	
Halk bank SKOPJE	6.20%, 18/04/2012-18/04/2014	MKD	35,000,000	35,006,028	1.87%
	6.30%, 24/01/2013-24/01/2016	MKD	150,000,000	150,026,250	
	5.40%, 05/06/2013-05/06/2016	MKD	14,000,000	14,002,100	
	5.30%, 23/07/2013-23/07/2016	MKD	70,000,000	70,010,306	
Procredit bank SKOPJE	5.80%, 22/05/2013-22/05/2016	MKD	80,000,000	80,127,123	2.10%
	6.25%,25/04/2013-25/04/2016	MKD	135,000,000	135,161,815	
	6.25%,09/05/2013-09/05/2016	MKD	49,500,000	49,694,949	
	5.25%,19/06/2013-19/06/2016	MKD	37,000,000	37,069,185	
Sparkasse Macedonia bank SKOPJE	2.25%, 31/12/2013-22/01/2014	MKD	50,000,000	50,003,048	0.63%
	2.25%, 31/12/2013-15/01/2014	MKD	40,000,000	40,002,438	
TTK bank SKOPJE	7.20%,25/09/2009-25/09/2014	MKD	60,000,000	60,064,922	0.42%
NLB Tutunska bank SKOPJE	9.50%, 26/08/2008-26/08/2014	MKD	25,000,000	25,039,041	1.67%
	9.50%, 02/09/2008-02/09/2014	MKD	10,000,000	10,078,082	
	9.50%, 03/09/2008-03/09/2014	MKD	10,000,000	10,075,479	
	9.50%, 05/09/2008-05/09/2014	MKD	10,000,000	10,070,274	
	9.50%, 11/09/2008-11/09/2014	MKD	35,000,000	35,191,301	
	9.50%, 19/09/2008-19/09/2014	MKD	10,000,000	10,033,836	
	9.50%, 26/09/2008-26/09/2014	MKD	15,000,000	15,023,425	
	9.50%, 02/10/2008-02/10/2014	MKD	35,000,000	35,273,288	
	9.50%, 14/10/2008-14/10/2014	MKD	15,000,000	15,070,274	
	9.50%, 17/10/2008-17/10/2014	MKD	20,000,000	20,078,082	
	5.90%, 06/02/2013-06/02/2016	MKD	42,000,000	42,176,515	
	6.00%, 23/05/2013-23/05/2016	MKD	11,000,000	11,016,274	

Stopanska bank BITOLA	8.50%, 25/09/2009-25/09/2014	MKD	42,000,000	42,058,685	0.29%
Ohridska bank Ohrid	6.50%, 02/02/2012-02/02/2015	MKD	123,000,000	123,638,300	2.55%
	6.40%, 15/02/2012-15/02/2014	MKD	70,000,000	70,202,545	
	6.20%, 15/03/2012-15/03/2014	MKD	73,000,000	73,204,810	
	6.00%, 24/01/2013-24/01/2016	MKD	70,000,000	70,089,456	
	5.50%, 23/05/2013-23/05/2016	MKD	14,000,000	14,016,439	
	5.30%, 19/06/2013-20/06/2016	MKD	15,000,000	15,027,616	
Total deposits in domestic banks				1,750,978,159	12.19%
SHARES					
Alkaloid SKOPJE	common shares	MKD	49,973	224,718,586	1.56%
Fershped Skopje	common shares	MKD	203	35,657,153	0.25%
Granit SKOPJE	common shares	MKD	92,136	33,168,960	0.23%
Makedonijaturist SKOPJE	common shares	MKD	13,850	46,397,500	0.32%
Ohridska bank OHRID	common shares	MKD	20,967	22,015,350	0.15%
Replek SKOPJE	common shares	MKD	208	9,776,000	0.07%
Macedonian telecom SKOPJE	common shares	MKD	134,385	52,430,308	0.37%
Total domestic shares				424,163,857	2.95%
TOTAL DOMESTIC INSTRUMENTS				11,076,344,174	77.13%
SECURITIES ISSUED BY ISSUERS FROM EU AND OECD					
INVESTMENT FUNDS					
iSHARES DJ EURO STOXX 50 (DE)	participation units in investment funds	EUR	271,335	520,065,653	3.62%
iShares DAX (DE)	participation units in investment funds	EUR	115,135	607,290,377	4.23%
Ishares STOXX EU-ROPE 600 (DE)	participation units in investment funds	EUR	258,300	522,886,217	3.64%
Vanguard FTSE all-world EX-US ETF	participation units in investment funds	USD	290,240	657,102,992	4.58%
SPDR S&P 500 ETF TRUST	participation units in investment funds	USD	79,775	657,467,787	4.58%
Vanguard US Total Stock MKT Shares Index ETF	participation units in investment funds	USD	68,590	293,617,063	2.04%
Total shares and participation units in foreign investment funds				3,258,430,089	22.69%
TOTAL FOREIGN INSTRUMENTS				3,258,430,089	22.69%
TOTAL INVESTMENTS				14,334,774,263	99.82%
Receivables				22,248,146	0.15%
Cash				2,946,113	0.02%
TOTAL ASSETS				14,359,968,522	100.00%

Contributions and net assets per mandatory pension fund in 2013

(in million denars)

Month	NLBz		KBPz		Total	
	Contributions	Net assets	Contributions	Net assets	Contributions	Net assets
01.2013	151.85	10,009.49	172.04	11,612.94	323.90	21,622.42
02.2013	151.58	10,218.08	173.80	11,854.61	325.38	22,072.70
03.2013	153.54	10,449.74	174.95	12,110.01	328.50	22,559.75
04.2013	154.98	10,659.83	175.40	12,363.55	330.37	23,023.38
05.2013	153.55	10,897.76	173.26	12,624.22	326.80	23,521.98
06.2013	156.90	10,971.80	178.93	12,721.01	335.83	23,692.80
07.2013	162.63	11,226.42	185.47	13,016.21	348.10	24,242.63
08.2013	160.98	11,363.10	181.43	13,183.92	342.41	24,547.02
09.2013	156.43	11,632.00	178.70	13,498.11	335.13	2,130.11
10.2013	164.35	11,876.48	186.85	13,788.75	351.20	25,665.23
11.2013	160.27	12,133.18	183.17	14,060.89	343.44	26,194.08
12.2013	188.65	12,447.83	210.01	14,351.87	398.66	26,799.70
Total	1,915.72		2,174.01		4,089.73	

Movements of the accounting unit per mandatory pension fund in 2013

Date	NLBz	KBPz	Weighted average
31.12.2012	139.225567	142.372582	140.916376
15.01.2013	139.853722	143.100809	141.598435
31.01.2013	140.488212	143.604600	142.161957
15.02.2013	140.992184	144.045089	142.631203
28.02.2013	141.364658	144.520613	143.059631
15.03.2013	142.599245	145.885810	144.364695
31.03.2013	142.525567	145.584739	144.167722
15.04.2013	142.527697	145.637027	144.196775
30.04.2013	143.477314	146.611592	145.160421
15.05.2013	144.993363	148.099925	146.660952
31.05.2013	144.768758	147.770358	146.379713
15.06.2013	143.961676	147.073714	145.632352
30.06.2013	143.762985	146.896022	145.445158
15.07.2013	145.165154	148.290145	146.842622
31.07.2013	145.062687	148.238437	146.767792
15.08.2013	145.481932	148.680854	147.199299
31.08.2013	144.834124	148.165276	146.623247
15.09.2013	146.293481	149.726672	148.137561
30.09.2013	146.340119	149.760760	148.177444
15.10.2013	146.915209	150.462568	148.821006
31.10.2013	147.860114	151.386557	149.754710
15.11.2013	149.046790	152.317869	150.802442
30.11.2013	149.357023	152.694670	151.148661
15.12.2013	149.030178	151.943977	150.592035
31.12.2013	151.117506	153.757419	152.531241

Voluntary pension funds

Members per account type and voluntary fund

Voluntary pension fund	With contract and individual account	In occupational scheme with occupational account	Total
31.12.2012			
NLBd	3,366	1,986	5,352
KBPd	940	10,463	11,403
TOTAL	4,306	12,449	16,755
31.03.2013			
NLBd	3,522	2,039	5,561
KBPd	1,007	10,592	11,599
TOTAL	4,529	12,631	17,160
30.06.2013			
NLBd	3,600	2,178	5,778
KBPd	1,111	10,673	11,784
TOTAL	4,711	12,851	17,562
30.09.2013			
NLBd	3,660	2,314	5,974
KBPd	1,145	10,757	11,902
TOTAL	4,805	13,071	17,876
31.12.2013			
NLBd	3,866	2,487	6,353
KBPd	1,199	10,973	12,172
TOTAL	5,065	13,460	18,525

Members and temporary allocated insured persons per age, gender, account type and voluntary pension fund (31.12.2013)

AGE	NLBd				KBPd				Total
	Men		Women		Men		Women		
	Ind.	Occ.	Ind.	Occ.	Ind.	Occ.	Ind.	Occ.	
To 20 years	14	4	10	0	0	5	0	4	37
from 21 to 25 years	208	44	329	25	21	209	11	144	991
from 26 to 30 years	367	155	418	200	81	595	87	421	2,324
from 31 to 35 years	418	311	384	324	134	824	99	637	3,131
from 36 to 40 years	292	261	266	220	111	896	104	779	2,929
from 41 to 45 years	182	181	204	138	85	817	84	792	2,483
From 46 to 50 years	124	113	162	125	63	836	59	785	2,267
From 51 to 55 years	119	95	157	112	41	809	70	793	2,196
From 56 to 60 years	84	73	73	52	31	690	47	482	1,532
From 61 to 64 years	39	34	9	13	36	301	12	105	549
65 and above	7	7	0	0	18	43	5	6	86
Total	1,854	1,278	2,012	1,209	621	6,025	578	4,948	18,525

Members per municipality, gender and voluntary pension fund (31.12.2013)

Municipality	NLBd			KBPd			Total			Total		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
BEROVO	2	8	10	20	8	28	22	16	38	0.22%	0.18%	0.21%
BITOLA	154	123	277	114	47	161	268	170	438	2.74%	1.94%	2.36%
BOGDANCI	34	20	54	5	13	18	39	33	72	0.40%	0.38%	0.39%
BOGOVINJE	6	0	6	2	1	3	8	1	9	0.08%	0.01%	0.05%
BOSILOVO	4	3	7	1	2	3	5	5	10	0.05%	0.06%	0.05%
BRVENICA	7	9	16	0	0	0	7	9	16	0.07%	0.10%	0.09%
VALANDOVO	37	39	76	2	6	8	39	45	84	0.40%	0.51%	0.45%
VASILEVO	1	0	1	0	0	0	1	0	1	0.01%	0.00%	0.01%
VEVCHANI	25	17	42	1	1	2	26	18	44	0.27%	0.21%	0.24%
VELES	74	88	162	48	29	77	122	117	239	1.25%	1.34%	1.29%
VINICA	11	9	20	117	70	187	128	79	207	1.31%	0.90%	1.12%
VRANESHTICA	1	0	1	0	0	0	1	0	1	0.01%	0.00%	0.01%
VRAPCHISHTE	8	0	8	1	0	1	9	0	9	0.09%	0.00%	0.05%
GEVGELIJA	237	259	496	155	93	248	392	352	744	4.01%	4.02%	4.02%
GOSTIVAR	56	30	86	70	37	107	126	67	193	1.29%	0.77%	1.04%
GRADSKO	0	4	4	1	0	1	1	4	5	0.01%	0.05%	0.03%
DEBAR	3	2	5	12	9	21	15	11	26	0.15%	0.13%	0.14%
DEBARCA	3	1	4	0	0	0	3	1	4	0.03%	0.01%	0.02%
DELČEVO	6	8	14	49	43	92	55	51	106	0.56%	0.58%	0.57%
DEMIR KAPIJA	1	2	3	6	2	8	7	4	11	0.07%	0.05%	0.06%
DEMIR HISAR	11	3	14	0	0	0	11	3	14	0.11%	0.03%	0.08%
DOJRAN	4	8	12	2	3	5	6	11	17	0.06%	0.13%	0.09%
DOLNENI	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%
DRUGOVO	0	0	0	1	0	1	1	0	1	0.01%	0.00%	0.01%
ZHELINO	3	0	3	0	0	0	3	0	3	0.03%	0.00%	0.02%
ZAJAS	1	1	2	3	1	4	4	2	6	0.04%	0.02%	0.03%
ZELENIKOVO	0	0	0	1	0	1	1	0	1	0.01%	0.00%	0.01%
ZRNOVCI	1	0	1	0	0	0	1	0	1	0.01%	0.00%	0.01%
ILINDEN	6	1	7	1	2	3	7	3	10	0.07%	0.03%	0.05%
JEGUNOVCE	2	0	2	1	1	2	3	1	4	0.03%	0.01%	0.02%
KAVADARCI	31	34	65	154	70	224	185	104	289	1.89%	1.19%	1.56%
KARBINCI	0	0	0	5	22	27	5	22	27	0.05%	0.25%	0.15%
KICHEVO	29	44	73	121	21	142	150	65	215	1.53%	0.74%	1.16%
KONCHE	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%
KOCHANI	52	55	107	110	82	192	162	137	299	1.66%	1.57%	1.61%
KRATOVO	2	8	10	22	11	33	24	19	43	0.25%	0.22%	0.23%
KRIVA PALANKA	76	212	288	42	10	52	118	222	340	1.21%	2.54%	1.84%
KRIVOGASHTANI	2	1	3	0	0	0	2	1	3	0.02%	0.01%	0.02%
KRUSHEVO	2	5	7	4	1	5	6	6	12	0.06%	0.07%	0.06%

Municipality	NLBd			KBPd			Total			Total		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
KUMANOVO	101	85	186	341	302	643	442	387	829	4.52%	4.42%	4.48%
LIPKOVO	4	1	5	1	0	1	5	1	6	0.05%	0.01%	0.03%
LOZOVO	0	0	0	0	6	6	0	6	6	0.00%	0.07%	0.03%
MAVROVO I ROSTUSHA	0	0	0	4	0	4	4	0	4	0.04%	0.00%	0.02%
MAKEDONSKA KAMENICA	0	1	1	40	23	63	40	24	64	0.41%	0.27%	0.35%
MAKEDONSKI BROD	0	2	2	1	3	4	1	5	6	0.01%	0.06%	0.03%
MOGILA	24	4	28	0	0	0	24	4	28	0.25%	0.05%	0.15%
NEGOTINO	36	40	76	57	56	113	93	96	189	0.95%	1.10%	1.02%
NOVACI	2	1	3	0	0	0	2	1	3	0.02%	0.01%	0.02%
NOVO SELO	0	0	0	0	1	1	0	1	1	0.00%	0.01%	0.01%
OSLOMEJ	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%
OHRID	177	148	325	245	162	407	422	310	732	4.32%	3.54%	3.95%
PETROVEC	2	4	6	0	0	0	2	4	6	0.02%	0.05%	0.03%
PEHCHEVO	3	1	4	11	10	21	14	11	25	0.14%	0.13%	0.13%
PLASNICA	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%
PRILEP	102	73	175	359	348	707	461	421	882	4.71%	4.81%	4.76%
PROBISHTIP	7	9	16	25	66	91	32	75	107	0.33%	0.86%	0.58%
RADOVISH	36	38	74	9	9	18	45	47	92	0.46%	0.54%	0.50%
RANKOVCE	1	0	1	0	0	0	1	0	1	0.01%	0.00%	0.01%
RESEN	12	19	31	14	11	25	26	30	56	0.27%	0.34%	0.30%
ROSOMAN	0	1	1	4	1	5	4	2	6	0.04%	0.02%	0.03%
SVETI NIKOLE	52	40	92	29	117	146	81	157	238	0.83%	1.79%	1.28%
SKOPJE	1,347	1,432	2,779	3,228	1,879	5,107	4,575	3,311	7,886	46.79%	37.85%	42.57%
SOPISHTE	0	0	0	3	0	3	3	0	3	0.03%	0.00%	0.02%
STARO NAGORICHANE	0	0	0	0	0	0	0	0	0	0.00%	0.00%	0.00%
STRUGA	78	60	138	11	17	28	89	77	166	0.91%	0.88%	0.90%
STRUMICA	103	97	200	88	59	147	191	156	347	1.95%	1.78%	1.87%
STUDENICHANI	0	0	0	1	0	1	1	0	1	0.01%	0.00%	0.01%
TEARCE	6	0	6	1	0	1	7	0	7	0.07%	0.00%	0.04%
TETOVO	65	62	127	338	443	781	403	505	908	4.12%	5.77%	4.90%
CENTAR ZHUPA	1	0	1	0	0	0	1	0	1	0.01%	0.00%	0.01%
CHASHKA	2	2	4	0	0	0	2	2	4	0.02%	0.02%	0.02%
CHESHINOVO-OBLESHEVO	4	4	8	2	1	3	6	5	11	0.06%	0.06%	0.06%
CHUCHER-SANDEVO	0	0	0	1	0	1	1	0	1	0.01%	0.00%	0.01%
SHTIP	73	101	174	762	1427	2,189	835	1,528	2,363	8.54%	17.47%	12.76%
Unknown	2	2	4	0	0	0	2	2	4	0.02%	0.02%	0.02%
Total	3,132	3,221	6,353	6,646	5,526	12,172	9,778	8,747	18,525	100%	100%	100%

Note: The column Total (%) gives the percentage participation per columns from Total Men, from Total Women and from Total members)

Investment structure of the voluntary pension funds assets

(in thousand denars)

Investments	31.12.2012			30.06.2013			31.12.2013		
	NLBd	KBPd	Total	NLBd	KBPd	Total	NLBd	KBPd	Total
Shares from domestic issuers	15,528.88	10,489.55	26,018.43	17,629.14	12,193.29	29,822.43	23,240.63	14,037.04	37,277.67
Bonds from domestic issuers	46,965.96	28,174.31	75,140.27	50,917.67	36,970.96	87,888.63	67,390.71	65,699.52	133,090.23
Short-term securities from domestic issuers	1,489.69	0.00	1,489.69	0.00	0.00	0.00	0.00	0.00	0.00
Deposits	30,766.36	25,915.54	56,681.90	33,796.29	32,745.20	66,541.50	37,050.93	34,739.61	71,790.54
Shares from foreign issuers	4,969.98	0.00	4,969.98	9,566.48	0.00	9,566.48	14,168.41	0.00	14,168.41
Participation units from foreign issuers	9,513.45	13,827.10	23,340.55	13,948.08	23,496.04	37,444.12	19,723.57	37,049.61	56,773.19
Cash	1,264.32	2,766.53	4,030.86	1,467.88	6,167.65	7,635.54	2,726.42	2,886.58	5,613.00
Receivables	16.81	24.07	40.88	390.14	153.65	543.79	8.95	30.84	39.79

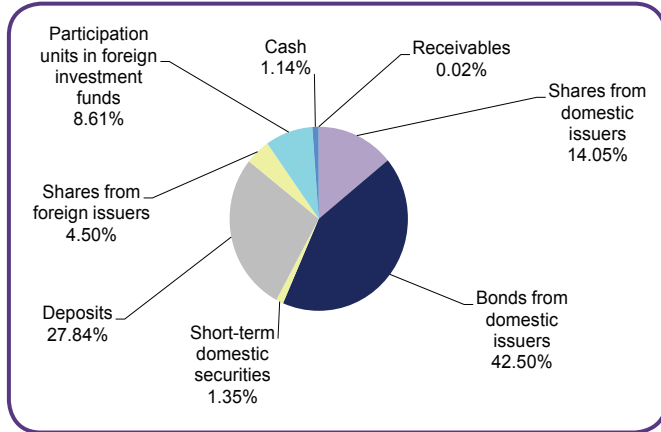
(in percentage)

Investments	31.12.2012			30.06.2013			31.12.2013		
	NLBd	KBPd	Total	NLBd	KBPd	Total	NLBd	KBPd	Total
Shares from domestic issuers	14.05%	12.92%	13.57%	13.80%	10.91%	12.45%	14.14%	9.09%	11.69%
Bonds from domestic issuers	42.50%	34.70%	39.19%	39.87%	33.09%	36.71%	41.01%	42.54%	41.75%
Short-term securities from domestic issuers	1.35%	0.00%	0.78%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Deposits	27.84%	31.92%	29.57%	26.46%	29.31%	27.79%	22.55%	22.49%	22.52%
Shares from foreign issuers	4.50%	0.00%	2.59%	7.49%	0.00%	4.00%	8.62%	0.00%	4.44%
Participation units from foreign issuers	8.61%	17.03%	12.17%	10.92%	21.03%	15.64%	12.00%	23.99%	17.81%
Cash	1.14%	3.41%	2.10%	1.15%	5.52%	3.19%	1.66%	1.87%	1.76%
Receivables	0.02%	0.03%	0.02%	0.31%	0.14%	0.23%	0.01%	0.02%	0.01%

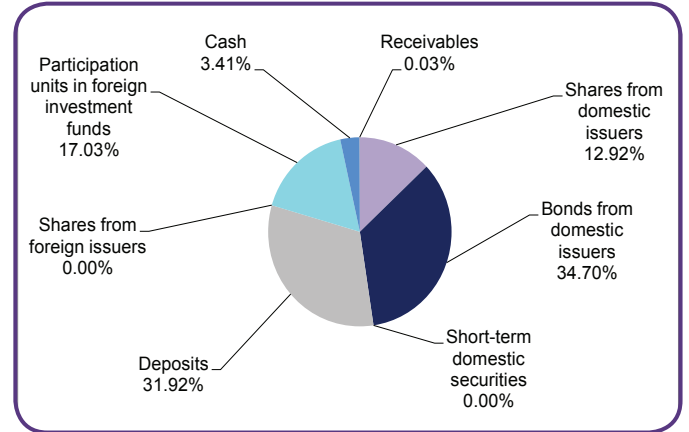
Investment structure NLBd

Investment structure KBPd

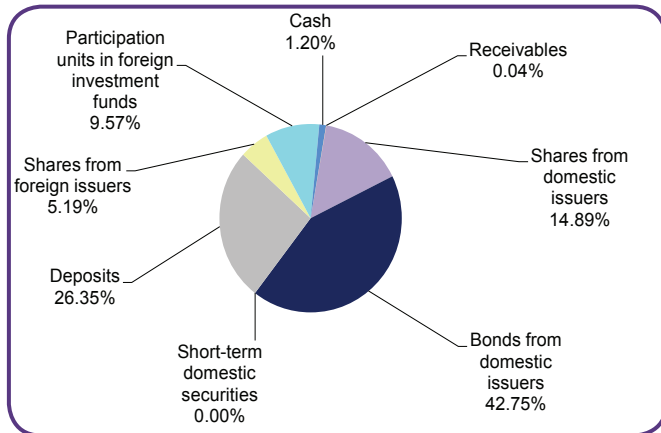
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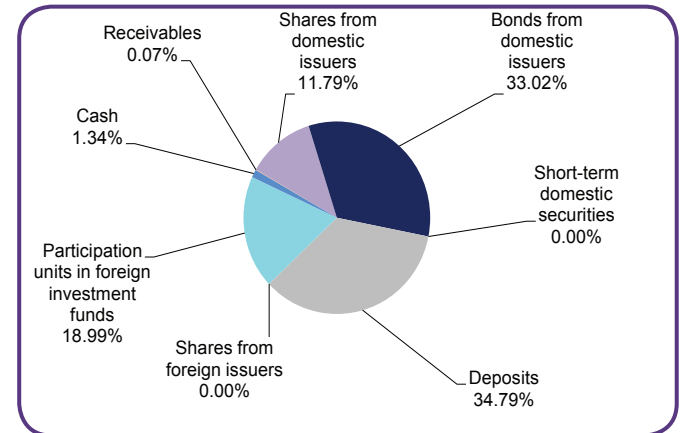
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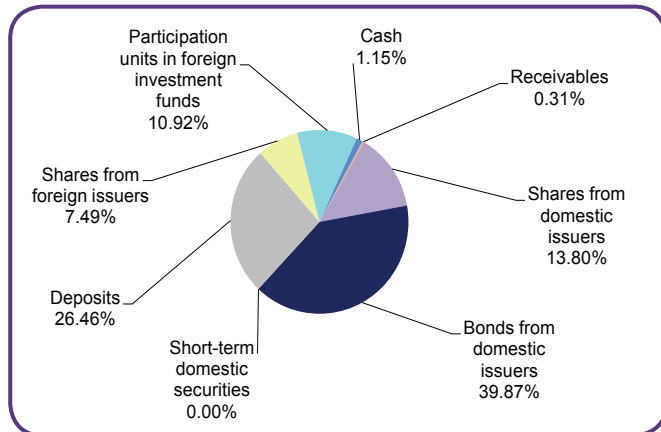
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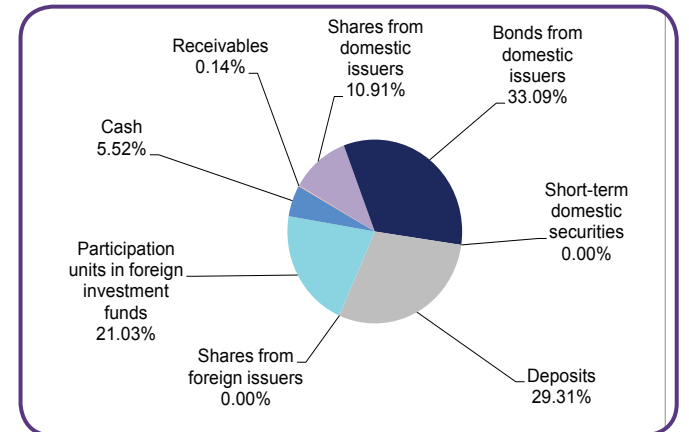
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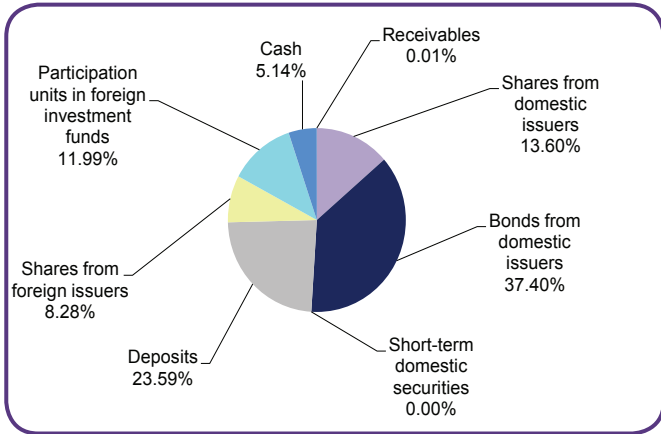
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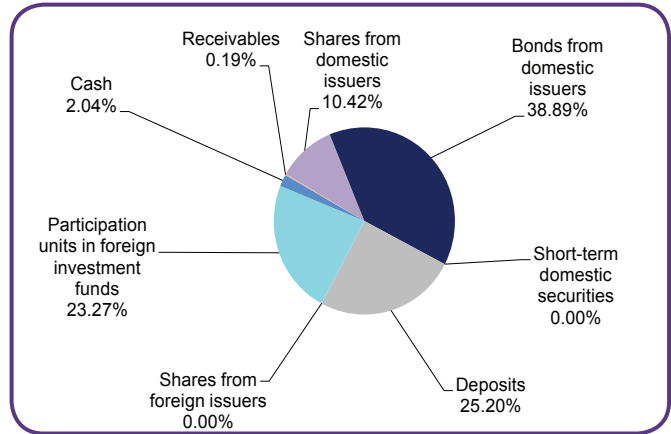
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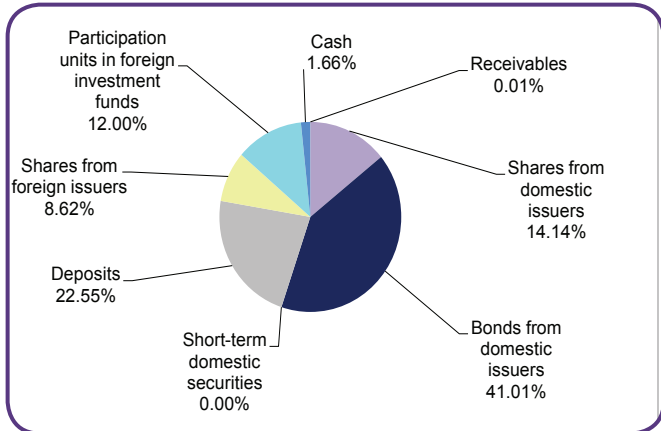
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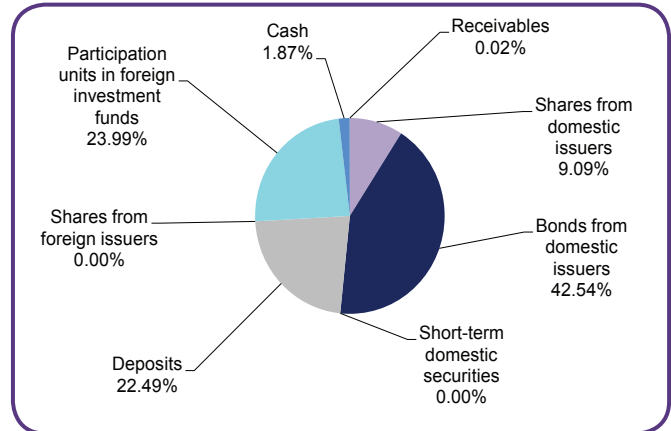
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31.12.2013



31.12.2013



Voluntary pension funds' portfolio (31.12.2013)

NLBd- portfolio (31.12.2013)					
Issuer	Instrument	Currency	Nominal value / number of shares	Value in denars	% from total assets
DOMESTIC INSTRUMENTS					
BONDS					
Government bonds					
Republic of Macedonia	Denationalization bond; RMDEN03; 10 years; 2.00%; 01/06/14	EUR	3,794	227,285	0.14%
Republic of Macedonia	Denationalization bond; RMDEN04; 10 years; 2.00%; 01/06/15	EUR	59,409	3,642,381	2.22%
Republic of Macedonia	Denationalization bond; RMDEN05; 10 years; 2.00%; 01/06/16	EUR	25,821	1,548,156	0.94%
Republic of Macedonia	Denationalization bond; RMDEN06; 10 years; 2.00%; 01/06/17	EUR	43,195	2,581,856	1.57%
Republic of Macedonia	Denationalization bond; RMDEN07; 10 years; 2.00%; 01/06/18	EUR	7,678	444,743	0.27%
Republic of Macedonia	Denationalization bond; RMDEN08; 10 years; 2.00%; 01/06/19	EUR	33,640	1,959,026	1.19%
Republic of Macedonia	Denationalization bond; RMDEN09; 10 years; 2.00%; 01/06/20	EUR	194,749	11,281,205	6.87%
Republic of Macedonia	Denationalization bond; RMDEN10; 10 years; 2.00%; 01/06/21	EUR	35,944	2,058,906	1.25%
Republic of Macedonia	Denationalization bond; RMDEN11; 10 years; 2.00%; 01/06/22	EUR	6,653	384,978	0.23%
Republic of Macedonia	Denationalization bond; RMDEN12; 10 years; 2.00%; 01/06/23	EUR	26,696	1,530,892	0.93%
Republic of Macedonia	Continuous bond 5yrs; 5.7% 29/09/2016	MKD	2,000,000	2,029,077	1.23%
Republic of Macedonia	Continuous bond 5yrs; 5.5% 29/09/2016	EUR	32,517	2,028,267	1.23%
Republic of Macedonia	Continuous bond 5yrs; 5.7% 19/12/2016	MKD	9,000,000	9,018,923	5.49%
Republic of Macedonia	Continuous bond 5yrs; 5.5% 26/03/2017	EUR	32,521	2,084,740	1.27%
Republic of Macedonia	Continuous bond 5yrs; 5.5% 25/06/2017	EUR	48,686	3,079,690	1.87%
Republic of Macedonia	Continuous bond 3yrs; 5.3% 05/07/2015	MKD	5,000,000	5,129,296	3.12%
Republic of Macedonia	Continuous bond 5yrs; 5.5% 04/10/2017	EUR	97,549	6,079,976	3.70%
Republic of Macedonia	Continuous bond 5yrs; 5.5% 01/11/2017	EUR	16,260	1,009,287	0.61%
Republic of Macedonia	Continuous bond 5yrs; 5.5% 23/11/2017	EUR	48,785	3,018,454	1.84%
Republic of Macedonia	Continuous bond 5yrs; 4.60% 03/10/2018	EUR	65,033	4,045,480	2.46%
Republic of Macedonia	Continuous bond 5yrs; 4.60% 05/12/2018	EUR	48,763	3,010,001	1.83%
Republic of Macedonia	Continuous bond 5yrs; 4.60% 26/12/2018	EUR	19,460	1,198,089	0.73%
Total domestic government bonds				67,390,706	41.01%
DEPOSITS					
Alfa bank SKOPJE	6.35%; 21/04/10-21/04/14	MKD	500,000	502,697	0.31%
Halk bank	7.30%; 31/01/11-31/01/14	MKD	800,000	800,160	7.19%
	6.00%; 30/01/12-30/01/14	MKD	2,000,000	2,000,329	
	6.50%; 21/09/12-21/09/15	MKD	5,000,000	5,000,890	
	6.20%; 04/04/12-04/04/14	MKD	3,000,000	3,014,268	
	5.30%; 23/07/13-25/07/16	MKD	1,000,000	1,000,145	

Stopanska bank SKOPJE	5.40%; 06/06/13-06/06/16	MKD	4,000,000	4,127,014	5.02%
	5.40%; 27/06/13-27/06/16	MKD	4,000,000	4,114,126	
TTK bank SKOPJE	5.50%; 14/02/12-14/02/14	MKD	2,000,000	2,004,994	1.22%
Stopanska bank BITOLA	2.8%; 31/12/13-13/01/14	MKD	4,750,000	4,750,364	2.89%
Ohridska bank OHRID	6.20%; 03/01/13-04/01/16	MKD	4,000,000	4,437,635	5.93%
	6.00%; 11/04/12-11/04/14	MKD	5,000,000	5,298,308	
Total deposits in domestic banks				37,050,931	22.55%
SHARES					
Alkaloid SKOPJE	common shares	MKD	1,172	5,270,250	3.21%
Fershped SKOPJE	common shares	MKD	16	2,810,416	1.71%
Granit SKOPJE	common shares	MKD	6,366	2,291,760	1.39%
Makedonijaturist SKOPJE	common shares	MKD	1,586	5,313,100	3.23%
Ohridska bank OHRID	common shares	MKD	600	630,000	0.38%
Replek SKOPJE	common shares	MKD	82	3,854,000	2.35%
Winery TIKVESH KA-VADARCI	common shares	MKD	1,346	2,019,000	1.23%
Vitaminka PRILEP	common shares	MKD	210	1,052,100	0.64%
Total domestic shares				23,240,626	14.14%
TOTAL DOMESTIC INSTRUMENTS				127,682,262	77.71%
SECURITIES ISSUED BY ISSUERS FROM EU AND OECD					
SHARES					
Coca-Cola Company	common shares	USD	400	737,440	0.45%
Bayerische Motoren Werke AG	common shares	EUR	169	885,897	0.54%
Volkswagen AG	common shares	EUR	66	799,364	0.49%
Novartis AG	common shares	CHF	205	732,375	0.45%
Siemens AG	common shares	EUR	170	1,038,268	0.63%
Google INC	common shares	USD	21	1,050,325	0.64%
Halliburton	common shares	USD	300	679,467	0.41%
Rockwell Automation Inc	common shares	USD	100	527,329	0.32%
Sanofi	common shares	EUR	155	735,281	0.45%
Wells Fargo & Co	common shares	USD	258	522,741	0.32%
ABBVIE INC	common shares	USD	290	683,479	0.42%
BASF SE	common shares	EUR	140	667,311	0.41%
JPMorgan Chase & Co.	common shares	USD	340	887,355	0.54%
Nestle AG	common shares	CHF	175	573,391	0.35%
Procter & Gamble Co	common shares	USD	133	483,215	0.29%
Mastercard INC	common shares	USD	13	484,708	0.29%
Apple Inc	common shares	USD	35	876,450	0.53%
AXA SA	common shares	EUR	460	571,846	0.35%
BNP Paribas S.A	common shares	EUR	190	662,077	0.40%
ALLERGAN INC	common shares	USD	115	570,092	0.35%
Total foreign shares				14,168,414	8.62%

INVESTMENT FUNDS					
Ishares S&P Global Technology Sector Index Fund	participation units in investment funds	USD	502	1,865,986	1.14%
iShares MSCI Sweden Index Fund	participation units in investment funds	USD	1,300	2,078,746	1.27%
iShares MSCI Germany Index Fund	participation units in investment funds	USD	2,300	3,260,015	1.98%
SPDR Barclays Capital High Yield Bond ETF	participation units in investment funds	USD	400	724,051	0.44%
iShares iBoxx Investment Grade Corporate Bond Fund	participation units in investment funds	USD	350	1,783,953	1.09%
iShares MSCI Spain Index Fund	participation units in investment funds	USD	775	1,334,021	0.81%
Ishares MSCI Italy Index Fund	participation units in investment funds	USD	2,220	1,544,580	0.94%
iShares DAX (DE)	participation units in investment funds	EUR	269	1,418,866	0.86%
"ISHARES S&P NORTH AMERICAN TECHNOLOGY-SOFT"	participation units in investment funds	USD	588	2,153,640	1.31%
iShares Dow Jones US Consumer Services Sector Index Fund	participation units in investment funds	USD	398	2,163,069	1.32%
iShares MSCI France Index fund	participation units in investment funds	USD	1,100	1,396,646	0.85%
Total shares and participation units in foreign investment funds				19,723,574	12.00%
TOTAL FOREIGN INSTRUMENTS				33,891,987	20.63%
TOTAL INVESTMENTS				161,574,250	98.34%
Receivables				8,953	0.01%
Cash				2,726,425	1.66%
TOTAL ASSETS				164,309,627	100.00%

KBPd- portfolio (31.12.2013)					
Issuer	Instrument	Currency	Nominal value / number of shares	Value in denars	% from total assets
DOMESTIC INSTRUMENTS					
BONDS					
Government bonds					
Republic of Macedonia	Denationalization bond; RMDEN03; 10 years; 2.00%; 01/06/14	EUR	0,17	10	0.00%
Republic of Macedonia	Denationalization bond; RMDEN04; 10 years; 2.00%; 01/06/15	EUR	0,03	2	0.00%
Republic of Macedonia	Denationalization bond; RMDEN05; 10 years; 2.00%; 01/06/16	EUR	0,10	6	0.00%
Republic of Macedonia	Denationalization bond; RMDEN06; 10 years; 2.00%; 01/06/17	EUR	0,57	34	0.00%
Republic of Macedonia	Denationalization bond; RMDEN07; 10 years; 2.00%; 01/06/18	EUR	0,18	10	0.00%
Republic of Macedonia	Denationalization bond; RMDEN08; 10 years; 2.00%; 01/06/19	EUR	0,25	15	0.00%
Republic of Macedonia	Denationalization bond; RMDEN09; 10 years; 2.00%; 01/06/20	EUR	0,23	14	0.00%
Republic of Macedonia	Continuous bond 5yrs; 5.5% 29/09/2016	EUR	63,408	3,954,894	2.56%
Republic of Macedonia	Continuous bond 5yrs; 5.7% 19/12/2016	MKD	2,400,000	2,405,039	1.56%
Republic of Macedonia	Continuous bond 5yrs; 5.5% 25/06/2017	EUR	48,706	3,079,690	1.99%
Republic of Macedonia	Continuous bond 3yrs; 5.3% 05/07/2015	MKD	3,000,000	3,077,575	1.99%
Republic of Macedonia	Continuous bond 5yrs; 5.5% 30/08/2017	EUR	30,081	1,884,517	1.22%
Republic of Macedonia	Continuous bond 5yrs; 5.5% 18/10/2017	EUR	24,389	1,516,996	0.98%
Republic of Macedonia	Continuous bond 5yrs; 5.5% 01/11/2017	EUR	35,772	2,220,430	1.44%
Republic of Macedonia	Continuous bond 5yrs; 5.5% 08/11/2017	EUR	30,892	1,915,566	1.24%
Republic of Macedonia	Continuous bond 5yrs; 5.5% 23/11/2017	EUR	37,402	2,314,148	1.50%
Republic of Macedonia	Continuous bond 5yrs; 5.4% 09/01/2018	EUR	146,354	9,477,396	6.14%
Republic of Macedonia	Continuous bond 5yrs; 5.15% 04/04/2018	EUR	77,852	4,971,815	3.22%
Republic of Macedonia	Continuous bond 5yrs; 4.6% 04/07/2018	EUR	107,000	6,731,005	4.36%
Republic of Macedonia	Continuous bond 5yrs; 5.15% 14/03/2018	EUR	32,424	2,102,059	1.36%
Republic of Macedonia	Continuous bond 5yrs; 4.6% 25/07/2018	EUR	13,791	865,330	0.56%
Republic of Macedonia	Continuous bond 5yrs; 4.6% 30/08/2018	EUR	53,662	3,352,153	2.17%
Republic of Macedonia	Continuous bond 5yrs; 4.6% 03/10/2018	EUR	26,826	1,668,761	1.08%
Republic of Macedonia	Continuous bond 5yrs; 4.6% 17/10/2018	EUR	33,270	2,059,854	1.33%
Republic of Macedonia	Continuous bond 5yrs; 4.6% 21/11/2018	EUR	33,271	3,990,967	2.58%
Republic of Macedonia	Continuous bond 5yrs; 4.6% 05/12/2018	EUR	33,272	4,916,335	3.18%
Republic of Macedonia	Continuous bond 5yrs; 4.6% 26/12/2018	EUR	33,273	3,194,904	2.07%
Total domestic bonds				65,699,522	42.54%

DEPOSITS					
Tutunska bank SKOPJE	5.90%; 07/02/13-07/02/16	MKD	4,000,000	4,016,164	2.60%
UNI Bank	5.50%; 28/12/12-28/12/13	MKD	3,000,000	3,001,808	1.94%
Sparkasse bank	2.25%; 31/12/13-22/01/14	MKD	1,000,000	3,700,226	2.40%
Stopanska bank SKOPJE	5.7%; 18/04/12-18/04/14	MKD	2,460,000	2,561,770	3.86%
	5.60%; 14/09/12-15/09/14	MKD	1,850,000	1,881,425	
	5.60%; 02/10/12-02/10/14	MKD	1,500,000	1,521,189	
Halk bank	6.10%; 20/03/12-20/03/14	MKD	1,800,000	1,800,305	2.78%
	6.30%; 01/02/13-01/02/16	MKD	2,500,000	2,500,438	
Ohridska bank OHRID	6.50%; 09/02/12-09/02/14	MKD	1,500,000	1,505,964	5.19%
	6.20%; 15/03/12-15/03/14	MKD	2,500,000	2,507,014	
	6.00%; 24/01/13-24/01/16	MKD	4,000,000	4,005,112	
Procredit bank SKOPJE	5.80%; 23/05/13-23/05/16	MKD	5,730,000	5,738,195	3.72%
Total deposits in domestic banks				34,739,609	22.49%
SHARES					
Alkaloid SKOPJE	common shares	MKD	1,402	6,304,514	4.08%
Granit SKOPJE	common shares	MKD	7,563	2,722,680	1.76%
Makedonijaturist SKOPJE	common shares	MKD	1,241	4,157,350	2.69%
Ohridska bank OHRID	common shares	MKD	230	241,500	0.16%
Replek SKOPJE	common shares	MKD	13	611,000	0.40%
Total domestic shares				14,037,044	9.09%
TOTAL DOMESTIC INSTRUMENTS				114,476,175	74.12%
SECURITIES ISSUED BY ISSUERS FROM EU AND OECD					
Investment funds from foreign issuers					
iSHARES DJ EURO STOXX 50 (DE)	Participation units in investment funds	EUR	3,150	6,037,580	3.91%
iShares DAX (DE)	Participation units in investment funds	EUR	1,197	6,313,689	4.09%
Ishares STOXX EUROPE 600 (DE)	Participation units in investment funds	EUR	3,070	6,214,714	4.02%
VANGUARD FTSE ALL-WORLD EX-US INDEX FUND	Participation units in investment funds	USD	2,715	6,146,757	3.98%
SPDR S&P 500 ETF TRUST	Participation units in investment funds	USD	750	6,181,145	4.00%
Vanguard US Total Stock MKT Shares Index ETF	Participation units in investment funds	USD	1,438	6,155,727	3.99%
Total investment funds from foreign issuers				37,049,612	23.99%
TOTAL FOREIGN INSTRUMENTS				37,049,612	23.99%
TOTAL INVESTMENTS				151,525,787	98.11%
Receivables				30,842	0.02%
Cash				2,886,576	1.87%
TOTAL ASSETS				154,443,206	100.00%

Contributions and net assets per voluntary pension fund in 2013

(in thousand denars)

Month	NLBd		KBPd		Total	
	Contributions	Net assets	Contributions	Net assets	Contributions	Net assets
01.2013	1,786.87	113,924.19	4,087.95	86,411.68	5,874.81	200,335.88
02.2013	2,905.77	116,559.28	3,917.99	90,561.82	6,823.76	207,121.10
03.2013	2,725.23	120,167.01	5,178.38	96,223.18	7,903.61	216,390.18
04.2013	2,779.10	123,533.68	5,333.11	101,876.56	8,112.21	225,410.24
05.2013	2,019.48	126,178.34	4,506.52	106,805.64	6,526.00	232,983.98
06.2013	2,331.16	127,161.93	5,836.08	111,626.17	8,167.24	238,788.10
07.2013	4,213.49	131,079.87	5,387.95	117,525.68	9,601.44	248,605.54
08.2013	3,664.51	134,390.73	4,481.64	121,522.07	8,146.14	255,912.80
09.2013	3,608.58	139,199.04	5,358.54	127,458.22	8,967.12	266,657.26
10.2013	4,218.15	144,98.70	4,865.03	133,427.84	9,083.17	277,726.53
11.2013	4,543.63	150,23.76	6,469.99	140,984.29	11,013.62	291,108.05
12.2013	10,560.70	164,084.25	12,241.78	154,220.00	22,802.47	318,304.25
Total	45,356.66		67,664.94		113,021.59	

Movements of the accounting unit per voluntary pension fund in 2013

Date	NLBd	KBPd	Weighted average
31.12.2012	118.742851	119.129537	118.906536
15.01.2013	119.450917	120.042410	119.703081
31.01.2013	120.889039	121.216966	121.030485
15.02.2013	121.147413	121.313926	121.219732
28.02.2013	121.201651	121.763657	121.447383
15.03.2013	122.528728	123.302374	122.872300
31.03.2013	122.601457	122.701004	122.645723
15.04.2013	123.197036	123.252371	123.221914
30.04.2013	123.688993	123.717473	123.701865
15.05.2013	124.675782	124.904731	124.780201
31.05.2013	124.354733	124.392257	124.371935
15.06.2013	123.369029	123.724076	123.533836
30.06.2013	123.133296	123.429792	123.271899
15.07.2013	123.882412	124.472631	124.160467
31.07.2013	124.092403	124.378006	124.227419
15.08.2013	124.081142	124.455866	124.259516
31.08.2013	123.880555	124.126965	123.997565
15.09.2013	125.223721	125.618436	125.412588
30.09.2013	125.096825	125.358823	125.222056
15.10.2013	125.346856	125.861364	125.594429
31.10.2013	126.002558	126.574528	126.277349
15.11.2013	127.103690	127.573146	127.330589
30.11.2013	127.384655	127.856595	127.613217
15.12.2013	127.511186	127.198567	127.359338
31.12.2013	130.511147	129.015451	129.786475