IOPS COUNTRY PROFILE: SERBIA

Demographics and Macroeconomics

GDP per capita (USD)	**7410**
Population (000s)	**6945**
Labour force (000s)	**3237**
Employment rate	**49,0**
Population over 65 (%)	**20,7**
Dependency ratio[1]	**44,4**

Source:

Statistical Office of the Republic of Serbia, 2019

1. Ratio of over 65-year-olds / labour force.

Structure of the Pension System

Public pensions

- State pension system - system of the obligatory pension and disability insurance, financed on a PAYG basis
- State pension system covers employed persons, self-employed and farmers

Private pensions: personal (voluntary)

- Voluntary pension funds (VPFs) based on the individual pension accounts in private capitalized funds
- A member joints a VPF directly or through a pension scheme organiser
- DC pension system

SERBIA: THE PENSION SYSTEM'S KEY CHARACTERISTICS

PUBLIC PENSION

Reform of the pension sector started in 2003. Public pension system has been based on a pay-as-you-go defined-benefits scheme, financed by compulsory contributions.

The statutory scheme is regulated by the Law on Pension and Disability Insurance, which covers all aspects of pension and invalidity obligations and rights. Retirement and disability insurance provides rights to certain benefits in cases of certain risks stipulated by Law (old-age risk, the risk of complete loss of working ability – namely disability, the risk of death, the risk of bodily damage caused by industrial injury or occupational disease). Law specifies three categories of compulsory insurance: employed persons, self-employed and farmers.

The retirement conditions within the statuary pension scheme have been amended several times since 2003. The general conditions for old-age pensions, are as follows: a minimum of 15 years of service, with retirement at 65 years of age for men and 61 for women (the latter will gradually be increased to 65 by 2032), or 45 years of service. The eligibility conditions for early retirement are: 40 years of service by 56.4 years of age for men (the latter increasing to 60 by 2024); and 37.6 years of service by 55.8 years of age for women (increasing to 40 years of service by 60 years of age by 2024). Penalties for early retirement are imposed, with pensions permanently reduced by 0.34% for every month before the statutory pensionable age (equivalent to 4.08 annually, up to a total of 20.4% over 5 years).

Since 1 January 2020 the compulsory pension contribution rate amounts 25.5%.

PERSONAL VOLUNTARY PRIVATE PENSIONS

Pension insurance system reform encompassed the introduction of private pension funds based on individual capitalised savings. They have been introduced by adopting The Law on voluntary pension funds and pension schemes in 2005. VPFs represent a system of defined contributions, where benefits depend on contribution paid by members and return earned by VPF. Only open-ended funds exist.

VPFs are organized and managed by licensed management companies (MC). MCs undertake to invest, for the account of the VPF member, funds collected from pension contributions and to enable withdrawals from pooled funds, whereas a VPF member undertakes to pay the pension contribution and fees to the MC and to bear other costs.

Coverage

A VPF member may be a domestic and foreign natural person (employee, self-employee, unemployed, etc.) that joins VPF by concluding a membership contract of membership or through a pension scheme which can be organized by employer or union. Membership is voluntary, and there are no limits or restrictions for joining VPFs.

Contributions

Pension contributions are paid by contributors:

- a natural person, or another natural or legal person to the account of a natural person,
- the organizer, in its name and to the account of the employee, or trade union member, subject to the pension scheme and

- the employer, in the name and to the account of the employee, subject to the contract of membership concluded between VPF member and MC.

Member contributions or contributions paid by their employers are the main method of financing funds. Through investing pension contributions into different types of assets, VPFs generate returns.

Although it is not compulsory, employers may pay pension contributions to the fund, in the name and to the account of the employee, subject to the terms of the contract concluded between the VPF member and MC.

In case of pension schemes, organizer in its name and to the account of the employee, or trade union member, pays pension contributions to a VPF, where the date by which contributions are paid and the amount of contributions are regulated in the contract of the pension scheme.

Benefits

Pension benefits paid to a member depend directly on the accumulated contributions paid into the VPF and the returns on investments, which implies a defined contribution system. Pooled funds may be withdrawn as a lump-sum payment (at most 30% of lump sum), scheduled payment, used for a purchase of annuities, or as a combination payment options.
A member is entitled to withdraw pooled pension funds upon turning 58 years of age.

Taxation

The salary tax is not payable on VPF contributions that are deducted and paid by employers from salaries of employees, up to a certain amount adjusted every year for inflation.

The salary tax is also not payable on the same amount of VPF contributions if the employer withholds and pays contribution from its own funds for the benefit of employees who are members of VPF. In that case, the same amount of contributions is exempt from mandatory contributions paid by employer for pension and disability insurance, health insurance and unemployment insurance.

Withdrawals from the fund are exempt of paying taxes on capital gains.

Since a VPF is not a legal entity, it is exempt from corporate income tax, as well from some investment income taxes (dividends, interests etc.).

MARKET INFORMATION

Personal voluntary

The VPFs market currently comprises four companies managing seven VPFs. Net assets of voluntary pension funds in Serbia grow steadily and at the end of 2019 they came to RSD 45.2 bn compared to the end of 2018 when they amounted to RSD 40.2 bn. Total number of members has also evidenced growth over the year and at the end of 2019 equalled 203,536. Contributions in the VPF are constantly rising and came at RSD 3.9 bn, while total payments made form pension funds in 2019 amounted to RSD 1.7 bn. According to the size of VPF net assets relative to total net assets of the sector, two funds were classified as “large” (20% and above) and two as “medium” (5-19.99%). Together, they made almost 94% of the market, with the largest fund accounting for around 40%.

REFERENCE INFORMATION

KEY LEGISLATION

[The Law on Voluntary Pension Funds and Pension Schemes, amended in 2011 (RS Official Gazette, Nos 85/05 and 31/11)]

The Law on Pension and Disability Insurance ("Official Gazette of RS", No. 34/2003, 64/2004 - decision of the USRS, 84/2004 - other law, 85/2005, 101/2005 - other law, 63/2006 - decision of the USRS, 5 / 2009, 107/2009, 101/2010, 93/2012, 62/2013, 108/2013, 75/2014, 142/2014, 73/2018, 46/2019 - US decision and 86/2019)

KEY REGULATORY AND SUPERVISORY AUTHORITIES

National Bank of Serbia: www.nbs.rs

KEY OFFICIAL STATISTICAL REFERENCE AND SOURCES ON PRIVATE PENSIONS

Quarterly reports and Statistical Annex: https://www.nbs.rs/en/finansijske-institucije/penzijski-fondovi/izvestaji/index.html

Statistical Office of the Republic of Serbia