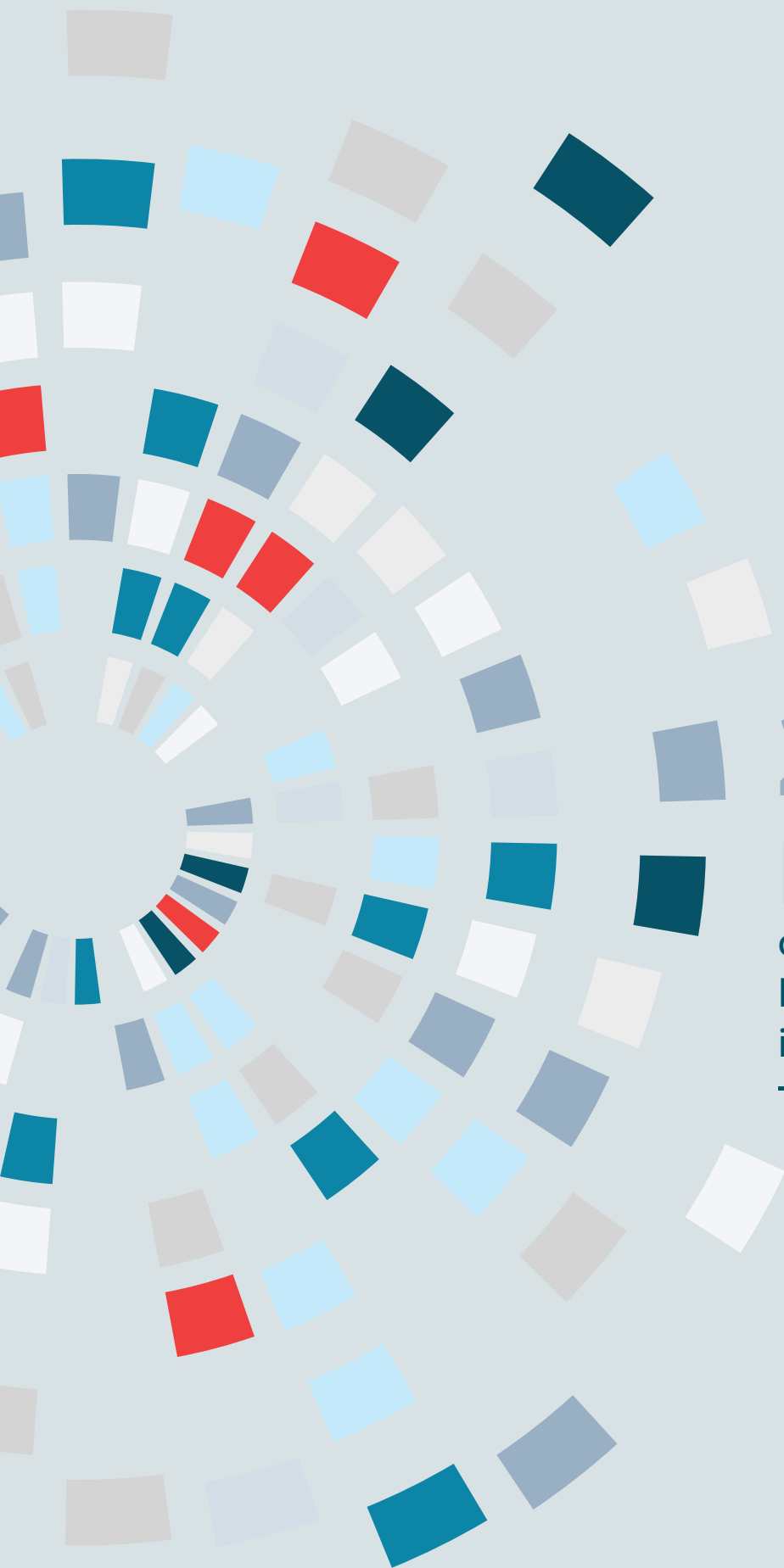




Agency for Supervision of
Fully Funded Pension Insurance



2024

REPORT

on the Developements in the
Fully Funded Pension Insurance
in 2024

Agency for Supervision of Fully Funded Pension Insurance

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Abbreviations

GDP	<i>gross domestic product</i>
Second pillar	<i>Mandatory Fully Funded Pension Insurance</i>
VPF	<i>voluntary pension funds</i>
SSO	<i>State Statistical Office</i>
EU	<i>European Union</i>
MPF	<i>mandatory pension funds</i>
IOPS	<i>International Organisation of Pension Supervisors</i>
KB First	<i>KB First company for mandatory and voluntary pension funds management AD Skopje</i>
KBPv	<i>KB First Open Voluntary Pension Fund - Skopje</i>
KBPm	<i>KB First Open Mandatory Pension Fund - Skopje</i>
MAPAS	<i>Agency for Supervision of Fully Funded Pension Insurance</i>
NBRNM	<i>National Bank of the Republic of North Macedonia</i>
OECD	<i>Organisation for Economic Co-operation and Development</i>
First pillar	<i>Mandatory pension and disability insurance based on generational solidarity</i>
SAVA	<i>Mandatory and Voluntary Pension Funds Management Company Sava Pension Company AD Skopje</i>
SAVAm	<i>Open Mandatory Pension Fund Sava penziski fond</i>
SAVAv	<i>Open Voluntary Pension Fund Sava penzija plus</i>
Third pillar	<i>Voluntary fully funded pension insurance</i>
TRIGLAV	<i>Mandatory and Voluntary Pension Funds Management Company TRIGLAV pension company AD Skopje</i>
TRIGLAVm	<i>Triglav Open Mandatory Pension Fund- Skopje</i>
TRIGLAVv	<i>Triglav Open Voluntary Pension Fund - Skopje</i>
PRO	<i>Public Revenue Office</i>
PDIFNM	<i>Pension and Disability Insurance Fund of North Macedonia</i>
WFP	<i>Voluntary Pension Funds Management Company VFP PENSION COMPANY AD Skopje</i>
WFPv	<i>VFP open voluntary pension fund - Skopje</i>

Foreward



Dear reader,

The Agency for Supervision of Fully Funded Pension Insurance, or MAPAS, has published a Report on the Developments in Fully Funded Pension Insurance in 2024, which details the outcomes of our 19-year effort to provide fully funded pension insurance. Data on fully funded pension insurance, an evaluation of the application of rules in this area, a description of the features of fully funded pension insurance, and other pertinent information as of 2024 are all included in the Report.

While the total assets of voluntary pension funds climbed higher than the total assets of mandatory pension funds, increasing by 21.74% to reach MKD 4.36 billion in 2024, the total assets of mandatory pension funds increased by 20.45% to reach MKD 162.85 billion. As a result, the proportion of total pension fund assets in the second and third pillars of GDP grew as well, surpassing 17.62% in 2024 (17.16% for mandatory pension funds and 0.46% for voluntary pension funds). With a slower growth rate than in 2023, the second pillar's population coverage increased in 2024, reaching a share of 77% of the total active population. Although it recorded a growth of about 7% compared to last year, the participation of the population in the third pillar is still very small, i.e. about 4% of the total active population in the RNM are members with a voluntary individual account or are participants in a pension scheme with a professional account in a voluntary pension fund.

A total of around MKD 533.92 million were paid into voluntary pension funds in 2024, representing approximately 0.06% of GDP, whereas contributions of approximately MKD 15.48 billion were given to mandatory pension funds, representing approximately 1.63% of GDP.

In comparison to 2023, the pension asset investment structure in 2024 is mostly unchanged. Government securities (64.93%), deposits (1.68%), shares (2.02%), and investment fund shares (0.43%) are among the domestic investments in the mandatory pension fund investment portfolio for 2024. Foreign investments include foreign government bonds (0.90%), corporate bonds (0.15%), investment fund shares (25.70%), and shares (3.29%). A little increase in the proportion of foreign investments is observed in the structure of the voluntary pension fund's investment portfolio, mostly as a result of the growth in the proportion of foreign government bonds. The investment portfolio in 2024 consists of domestic investments that include government securities (55.76%), deposits (4.90%), shares (5.96%) and a very small part in investment fund shares (1.25%), as well as investments abroad, which include investments in foreign government bonds (2.65%), corporate bonds (0.16%), investment fund shares (24.12%) and shares (4.45%).

Regarding pension fund returns, during the seven-year period from 2018 to 2024, both mandatory and voluntary pension funds showed a little rise in returns in both nominal and real terms. Nonetheless, even when the change in living expenses is lowered to an annual level, it still has a big effect on the real return amounts in 2024. Using the change in the weighted average of the accounting units of the mandatory pension funds, an average return of 5.03% in nominal terms (or 0.16% in real terms) was attained at the second pillar level for the seven-year period from 2018 to 2024. An average annualised return of 5.33% in nominal terms, or 0.44% in real terms, was attained at the third pillar level over the seven-year period 2018–2024. This was determined by the change in the weighted average of the accounting units of voluntary pension funds.

Pension savings are a long-term investment, and MAPAS contributes and will continue to contribute to the continuous strengthening of individual savings by ensuring the management of risks that threaten the assets and pensions and pension benefits of pension fund members, as well as the reputation of the system, and reducing them to the lowest possible level.

We are aware of the intensive development and application of technology that is rapidly transforming the way the financial sector, including fully funded pension insurance, operates and we will focus on encouraging and supporting efforts to use technology to improve the quality and delivery of pension companies' services, as well as on our own digital transformation in order to simplify and improve the regulatory and supervisory function.

As a regulatory and supervisory organisation, we operate under the guidance of our mission. As in prior years, we will allocate our resources to the advancement and promotion of fully funded pension insurance and operate within the established framework of confirmed, recognised, and designated pension supervisors by the International Organization of Pension Supervisors (IOPS).

President of the Council of Experts

Remzi Bajrami

MAPAS, mission and vision

To protect the interests of pension fund members and retirees and to promote the growth of fully funded pension insurance, the Agency for Supervision of Fully Funded Pension Insurance, or MAPAS, was founded as a regulatory and supervisory body. It was founded in July of 2002. According to the Statute and the Law on Mandatory Fully Funded Pension Insurance, it has the status of a legal organisation with public powers. The Assembly of the Republic of North Macedonia holds it responsible for its actions.

MAPAS is in charge of issuing, withdrawing, and revoking licenses for the establishment of pension firms, licenses for carrying out tasks related to administering pension funds, and licenses for managing both mandatory and voluntary pension funds. It oversees the activities of asset custodians, foreign asset managers, pension businesses, and mandatory and voluntary pension funds. In collaboration with the Ministry of Labour and Social Policy, MAPAS also organises, supports, and encourages the growth of fully funded pension insurance in the RNM. It also raises public awareness of the objectives and tenets of pension companies and mandatory and voluntary pension funds, the advantages of joining a mandatory or voluntary pension fund, includes the objectives, tenets, and advantages of joining an occupational pension plan; the rights of participants in mandatory and voluntary pension funds; and other matters pertaining to fully paid pension insurance.

In addition to adopting laws pertaining to fully funded pension insurance, MAPAS also starts the adoption of laws and other actions pertaining to pension companies and the pension funds they oversee, as well as professional guidelines, manuals, and other materials pertaining to fully funded pension insurance. In order to guarantee effective management of fully paid pension insurance in the RNM, MAPAS also collaborates with pertinent organisations both domestically and internationally.

The Agency for Supervision of Fully Funded Pension Insurance is managed by a Council of Experts, consisting of the President of the Council and four members, as follows:

*Remzi Bajrami – President,
Mentor Jakupi – professionally engaged member,
Darko Sazdov – professionally engaged member,
Borche Bozhinoski – external member,
Marina Makenadzieva – external member.*

Remzi Bajrami was chosen President of the Council of Experts by a decision voted by the Assembly of the Republic of North Macedonia during its session on May 14, 2025. Maksud Ali served as the Council of Experts' president prior to the election.

The mission of MAPAS is to protect the interests of the current and retired members of the pension funds and to stimulate the development of the fully funded pension insurance towards safer retirement days.

The vision of MAPAS is to be recognized as independent, expert and transparent institution, which protects and promotes the fully funded pension insurance.



1

Brief overview of the global conditions and trends in the pension industry with an emphasis on the fully funded pension insurance

Brief overview of the global conditions and trends in the pension industry with an emphasis on the fully funded pension insurance

Global pension assets surpassed USD 58.5 trillion in 2023, a 10% rise from 2022 (USD 56.5 trillion in OECD member countries and USD 2.0 trillion in non-OECD member countries). Some non-OECD members saw higher growth in pension fund asset values than the majority of OECD member countries. Armenia and Georgia, two countries that have just made pension plans mandatory, saw the fastest rise.

The strong investment performance of pension funds as a result of advantageous changes in the capital markets contributed to the growth in asset values. The MSCI World Index increased by 20% in 2023. As investors anticipated a decline in interest rates and inflationary pressures subsided, global stock values increased. Pension funds in Latvia, Lithuania, and Poland that invest primarily in equities typically profited from positive developments in the capital markets.

Higher contributions than pension payments also contributed to the increase in assets, particularly in countries where the pension payout phase has not yet begun or has only recently begun and there are few individuals taking money out. The expansion in employment and wages in 2023 also had an impact on the rise in pension contributions.

In 2024, there was also discussion of the de-accumulation phase, pension plans, and post-retirement possibilities for contributors. Policymakers should make sure that the structure for allocating defined contribution pension fund contributions considers whether the retirement alternatives offered to contributors are sufficient to meet their demands.

Financial risk mitigation in the post-retirement phase differs from that during pension savings buildup, and there is no one-size-fits-all strategy that works for all pension systems and individual situations. The function of defined contribution pension funds in the pension system, as well as individual circumstances and the state of the economy, all have a significant impact on the financial risks that need to be reduced throughout the post-retirement phase. The variety of needs in the post-retirement phase should be considered when designing disbursement options, and suitable flexibility should be provided to accommodate various circumstances.

Due to varying socioeconomic and demographic circumstances in each nation, as well as the impact of cultural norms and attitudes about retirement savings, pension systems¹ across the world are distinguished by a variety of forms. By integrating the methods for funding and calculating pensions, policymakers urge countries to diversify their sources of retirement income. Fully funded private pension plans and public pay-as-you-go pension plans can work in tandem. They have varying capabilities to cover the many risks that people encounter during their lifetimes, both before and after retirement, and they provide distinct options for achieving the conflicting goals of pension systems. How to integrate these many elements into a complete pension plan that is equitable and sustainable for future generations is the main obstacle. Pension systems must be financially viable in the near term, sustainable in the medium term, and able to pay sufficient pensions in the long term in order to fulfil its objectives, which include old-age insurance. Depending on their economic and social characteristics, countries use different combinations of elements (mainly in the ways and principles of financing pensions and in the ways of calculating and paying them) to build an effective pension system. This means that there is no one solution, or rather, one pension system design, that is appropriate for all countries. To diversify the many risks that impact pension systems, multi-pillar pension systems are often defined. A basic pension (as a minimum protection for all employees or the elderly), required additional savings (either state or privately funded), and voluntary additional savings (privately funded, which includes contracts in various forms) typically make up the framework for a multi-pillar system. A variety of pension system changes have been implemented in recent decades to address the risks associated with an ageing population and a shifting employment market. All of these reforms aim to provide a sustainable pension system and sufficient income for contributors once they retire.

Several modifications have been made to the fundamental pay-as-you-go plans as part of pension systems in order to promote financial and fiscal stability, according to research on the major reforms that were authorised or put into effect between 1995 and December 2024. Increasing the contribution rates to their pay-as-you-go plans in 86 countries (such as the United Arab Emirates, Spain, and Venezuela) is one change. The raising of the retirement age in 68 countries (such as China, Uruguay, Sweden, France, Romania, Croatia, and Switzerland) is another important reform. Another tendency is the modification of promised pension formulae, such as the progressive lowering of promised pensions or adjustments to pension indexation, to lower fiscal expenditures in 71 countries (such as Cuba, the United Arab Emirates and Iraq). Pension increases will be impacted by these policies, which are being implemented concurrently with incentives for extended employment. Naturally, initiatives to broaden the pension system's

¹Used sources: Sources used: OECD, IOPS, FIAP reports and own analyses and observations

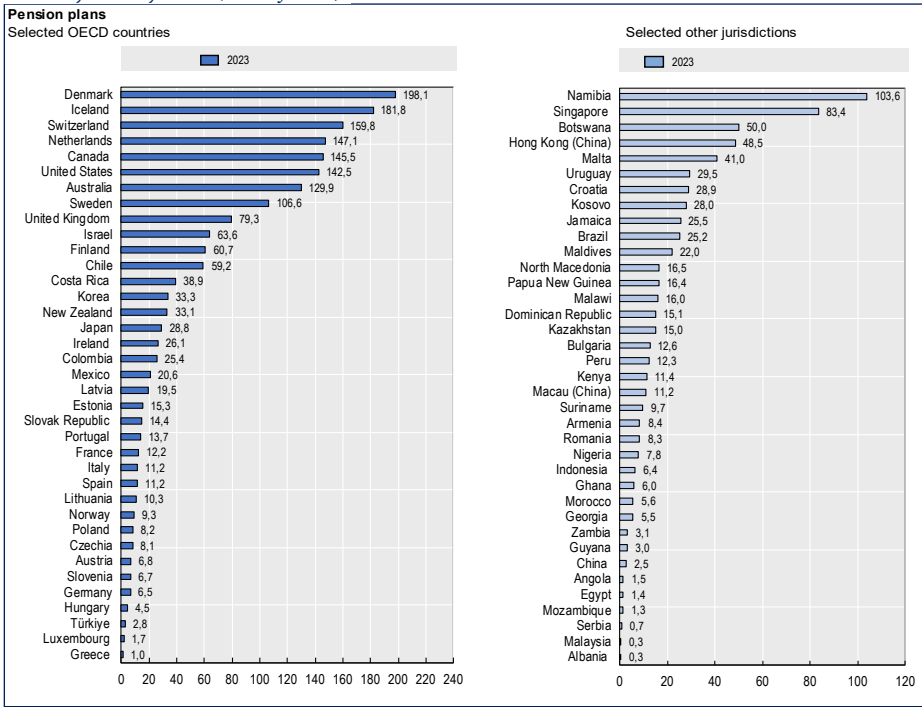
coverage and promote consistent pension contribution payments are also crucial. The development of private pension funds or the implementation of initiatives and actions to enhance their operation greatly boost the role of fully funded and private pension insurance in ensuring sufficient income after retirement as part of the reforms implemented.

The population coverage and the quantity of pension assets in the pension systems are the primary measures that show how important pension systems are. Global pension assets surpassed US\$58.5 trillion in 2023, a 10% rise from 2022 (US\$56.5 trillion in OECD countries and US\$2.0 trillion in non-OECD countries). Some non-OECD countries saw higher growth in pension fund asset values than the majority of OECD countries. Armenia and Georgia, two countries that recently made pension plans mandatory, had the most rise.

A more accurate picture of the relative significance of the private pension sector in a country may be obtained by comparing the size of the economy, as measured by gross domestic product, to the amount of private pension assets. Figure 1.1 displays the proportion of pension assets to total GDP in 2023 for the majority of the chosen countries. The value of private pension assets differs per country, probably because of the various ways the systems were established, whether or not membership in the pension plan is required, and, of course, the success of the investments.

Typically, countries with mandatory pension systems or plans have the greatest asset bases. Pension plans, for instance, have assets valued at 182% and 160% of GDP in Iceland and Switzerland, where businesses are obligated to offer occupational pension plans to their workers. The number of assets is similarly large in relation to GDP in Denmark and the Netherlands, where industry-wide agreements mandate that businesses join in pension schemes. With a few significant exceptions, like the US, countries with voluntary or more recent pension programs have smaller pension assets. Nearly 70% of all pension assets in OECD countries are in the United States, where participants have been saving for retirement for many years. In other countries with voluntary or more recently introduced pension plans, such as Greece, Hungary and Turkey, pension assets intended for retirement are still limited.

Figure 1.1. Total pension assets, by country, 2023 (in % of GDP)



Source: OECD, Pension market in focus, 2024.

The strong investment performance of pension funds as a result of advantageous changes in the capital markets is partially responsible for the growth in asset prices. The MSCI World Index saw a 20% rise in 2023. As investors anticipated lower interest rates and inflationary pressures subsided, stock prices rose globally. Pension funds that invest primarily in equities, like those in Latvia, Lithuania, and Poland, were usually favoured by positive developments in the capital markets.

Higher contribution rates in comparison to pension payouts are another factor contributing to the asset growth, particularly in countries where the pension payment phase has not yet begun or has only recently begun and there are few individuals taking money out. The expansion in employment and wages in 2023 also had an impact on the rise in pension contributions. In 2023, employment rates in the OECD and throughout the world increased somewhat, with several countries reporting historically high employment levels. A greater proportion of the working-age population can access a pension fund due to high and growing employment rates. In OECD countries, real salary growth averaged 3.5% between the first quarter of 2023 and the first quarter of 2024. Wage increases increase the amount of pension contributions paid when they are calculated as a percentage of wages. In Australia, increases in contribution rates further increased contribution inflows in 2023.

In nearly every country examined, nominal rates of return on pension funds were positive and, on average, 10% higher than inflation. Nonetheless, non-OECD countries have seen more inflation, which has, on average, led to lower real rates of return (1.5%) compared to OECD countries (4.8%). The nominal and real investment rates of return on pension assets in a few OECD and non-OECD countries from December 2022 to December 2023 are displayed in Figure 1.2.

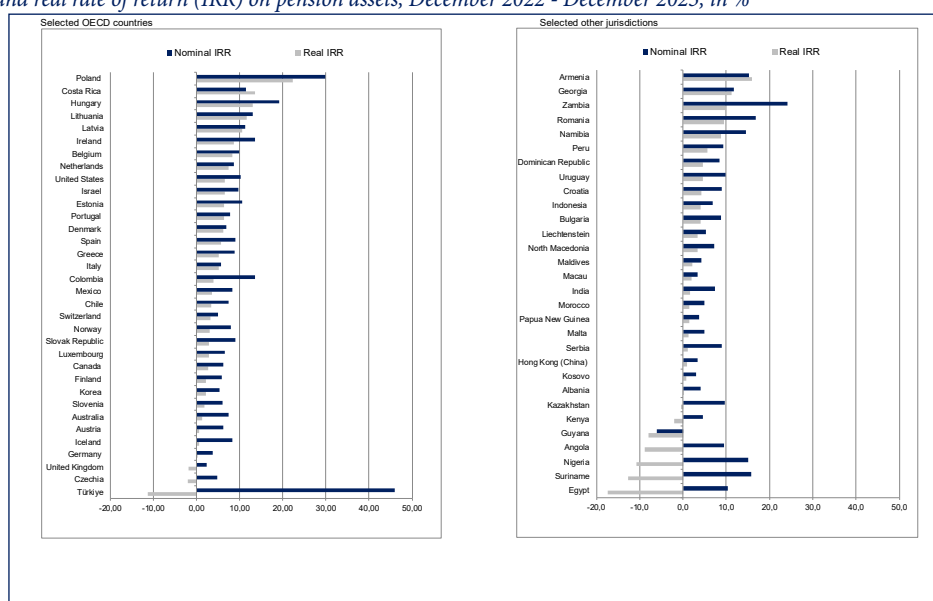
Since pension funds are long-term investors, their long-term investment success is more significant than their short-term gains or losses. Over the course of a pension portfolio, fluctuations in investing returns are unavoidable. Long-term investment gains made by pension funds have helped to nominally increase the assets meant for retirement. Over the past ten, fifteen, and twenty years, pension funds in every country under study have generated positive average nominal rates of return. Despite significant investment losses in 2022 in many countries (such as the Netherlands), average nominal rates of return have also been positive during the previous five years. Turkey has the highest average nominal rates of return over the last 5, 10 and 15 years, which are mainly due to large increases in the prices of financial instruments held by pension funds.

The incorporation of environmental, social, and governance (ESG) factors into the legislative frameworks of pension systems worldwide is a comparatively recent development, despite the fact that they are crucial for risk management and pension fund investing. Depending on the nation, ESG factors have varying risks and effects and are always evolving. Because of this, the last few years have been a topic of discussion, and in 2019, the IOPS issued supervisory rules pertaining to the integration of ESG factors in risk management and pension fund investing based on research and analysis.

The guidelines encourage supervisors to be able to confirm that the explicit integration of social, ethical and environmental factors in the investment process and in the risk management process is consistent with the fiduciary duty of managers and suggest increased transparency and disclosure of these factors by pension asset managers. These guidelines are non-binding and serve as a guide for pension supervisors. Pension supervisors can apply them in accordance with the structure of their pension system and the regulation. Since 2021, the IOPS has also discussed implementation guidelines that will assist IOPS member supervisors in applying the supervisory guidelines related to the integration of ESG factors.

Pension plans and alternatives for policyholders in the post-retirement period, as well as the de-accumulation phase, were also covered in 2024. It is imperative for policymakers to make sure that the structure for disbursing pension savings from defined contribution pension funds considers whether the retirement alternatives offered to policyholders align with their financial requirements. Post-retirement financial risk mitigation differs from pension savings accumulation, and there is no one-size-fits-all strategy that works for all pension systems and individual situations. The function of defined contribution pension funds in the pension system, as well as individual circumstances and the state of the economy, all have a significant influence in determining the financial risks that must be reduced throughout the post-retirement phase. The design of payout options should take into account the diversity of needs in the post-retirement period and allow for appropriate flexibility to adapt to different situations. The regulatory framework should also consider how to facilitate access to retirement options by individuals who would benefit most from them, because even when appropriate retirement financial options are available, individuals may not be able to access them due to low awareness and insufficient education and understanding.

Figure 1.2. Nominal and real rate of return (IRR) on pension assets, December 2022 - December 2023, in %



Source: OECD, Pension market in focus, 2024

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Structure of the fully funded pension insurance in the Republic of North Macedonia

2

Description of the pension system **2.1**

The role of fully funded pension insurance in the pension system **2.2**

Institutions in fully funded pension insurance **2.3**

2. Structure of the fully funded pension insurance in the Republic of North Macedonia

The Macedonian pension system is a combined system of public, currently funded and private fully funded pension insurance. Fully funded pension insurance is based on the principle of capitalization of contributions paid in the name and on behalf of the member. A characteristic of this insurance is that the funds in it are privately and competitively managed by pension companies. Important characteristics of fully funded pension insurance are the right to personal choice, the right to portability of assets, as well as providing a high degree of transparency.

In Republic of North Macedonia, in 2024 there are four pension companies, three of which manage one mandatory and one voluntary pension fund, and one pension company that manages one voluntary pension fund.

2.1 Description of the pension system

The Macedonian pension system is part of the social insurance of the Republic of North Macedonia (RNM) and has the following structure:

- Insurance based on generational solidarity (the so-called first pillar),
- Mandatory fully funded pension insurance (the so-called second pillar),
- Voluntary fully funded pension insurance (the so-called third pillar).

After years of preparation and the establishment of its legislative framework in 2000, the pension system underwent a comprehensive change that resulted in this structure. In the RNM, the pension system is governed by four laws and many bylaws. Laws pertaining to pensions and disability insurance, mandatory fully funded pension insurance, voluntary fully funded pension insurance, payment of pensions and pension benefits from fully funded pension insurance, and numerous bylaws that advance the relevant field are among them.

A significant percentage of the workforce is covered by the RNM's pension system, which has a long history and offers benefits to eligible persons. However, the pension system faced operational and budgetary difficulties as a result of the socioeconomic changes brought about by the RNM in the beginning of the 1990s. They were caused by unfavourable economic trends that affected both the increase in retirees and the fall in the number of people with active insurance and the amount of money collected. The cost of pensions kept increasing.

Another factor that has a strong impact on the pension system is the demographic factor. Namely, the aging of the population, which is a global trend, means that people are living longer due to better living conditions and better health services, while at the same time the number of newborns, i.e. young people, is decreasing. As a result of this factor, the participation of adults in the total population is increasing.

In the pension system, these demographic shifts result in a decline in the number of covered individuals and an increase in pensioners and longer-term pension consumption. Because the pensions for current pensioners are paid for by the contributions of current insured individuals, the ratio of insured persons to pensioners is crucial for a system with current funding. According to actuarial projections made during the pension system reform preparation, these factors are likely to have a significant negative impact on the Pension and Disability Insurance Fund's solvency over the long run. In other words, in the absence of reforms, the system would operate with a significant deficit that would grow significantly and quickly.

To meet these anticipated conditions, a comprehensive reform of our nation's disability insurance and pension system was put into place. This reform established a three-pillar pension system, a combined method of financing future pensions, and diversification of economic and demographic risks to ensure long-term financial stability of the pension system and a secure pension for present and future generations of pensioners.

Because the first pillar is pay-as-you-go (PAYG) supported, current pensioners' pensions are funded by the payments of current insured individuals. This pillar functions on the basis of so-called defined pensions, which are pensions that are paid out in accordance with a formula that has been specified. The first pillar pays part of the old-age pension, disability pension, survivor's pension, as well as the lowest amount of pension.

The second and third pillars represent fully funded pension insurance in which the paid contributions are capitalized on behalf of the member. These two pillars operate on the principle of so-called defined contributions, i.e. in them, the level of contribution that is paid is determined in advance, while the pension is determined afterwards, depending on the accumulated amount. The second pillar pays part of the old-age pension. The third pillar provides financial protection/compensation during old age, disability and in the event of the death of the insured person.

The Republic of Macedonia's multi-pillar pension system, which combines public, current funded, and private, fully funded pension insurance, is expected to provide long-term stability and security in the realisation of pension and disability insurance rights by generating long-term benefits for the pension system and its participants as well as additional economic effects. To put it another way, from the perspective of the person, there is greater security in the realisation of the pension that will be financed by many sources, therefore distributing the risks. The reform also increases transparency and information for pension fund participants.

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

In terms of how contributions are handled and recorded, as well as how the annuity is calculated and paid out, fully funded pension insurance is very different from currently funded pension insurance. Each member of this insurance has a personal account where their assets are listed, and a strong link and reliance between the amount of contributions paid and the pensions each person will eventually get are guaranteed. The foundation of this kind of insurance is the idea that money is amassed through contributions made to individual accounts, which are then further invested in, and that the realised return on investments—less system running expenses—is added in full to the money accumulated in individual accounts.

The future pension depends on the accumulated funds in the individual account and on the expected life expectancy at retirement, i.e. the expected period of using the pension. It is important to emphasize that this pension savings is a long-term savings, during which there is a gradual but continuous increase in savings, which is why, at the beginning, while the insured is young, the savings are small, but in the future, when the insured reaches retirement age, the savings become significantly larger.

One feature of this insurance is that its funds are competitively and privately managed, meaning that the contributions made are invested by licensed, specialised pension fund management businesses. By doing this, it is made sure that economic objectives dictate the investment plan, offering members the chance to optimise the total return. One of the more crucial aspects of this system is the diversification of investment risks, which includes international diversification.

Furthermore, individual initiative and the right to personal choice are key components of fully funded pension insurance. Before January 1, 2003, all employees had the option to choose which mandatory pension fund they wanted to be a part of and whether to join the second pillar of the pension system. After January 1, 2003, all newly hired individuals had the option to select any mandatory pension fund of their choosing. Additionally, members of mandatory pension funds who voluntarily joined the second pillar (working for the first time before 1.1.2003) and who were born before 1.1.1967, benefited from the December 2018 revisions to the Law on Mandatory Fully Funded Pension Insurance and were given the opportunity to choose to terminate or continue their membership in the second pension pillar. All newly employed persons after 1 January 2019 who are under 40 years of age on the date of joining the mandatory pension and disability insurance have the opportunity to choose a mandatory pension fund of their own choice. Thereafter, membership in voluntary pension funds is at the individual's own choice or through participation in an occupational pension scheme, financed by an employer, or by a citizens' association.

Another crucial entitlement in a fully funded pension insurance scheme is the opportunity to move assets around (portability). Every member, whether required or elective, has the option to switch pension funds, transferring their money in the process. Additionally, when switching to another insurer, an individual who has participated in an occupational pension plan has the option to move their funds to a voluntary individual account or to another occupational pension plan.

One of its most crucial characteristics and a beneficial innovation in the pension system is the high degree of transparency that fully funded pension insurance offers. Companies are required by law to provide a so-called "green envelope" together with a pension savings report to the members and retired members of the pension fund at least once a year, informing them in writing of the state of the assets in their individual accounts. Data on the pension fund's investments, fees received, and realised return are also included in the "green envelope".

2.3 Institutions in fully funded pension insurance

The institutions participating in the three-pillar pension system are as follows:

- Ministry of Social Policy, Demography and Youth – in charge of creating and implementing the policy of pension and disability insurance and for supervising the implementation of the legality of this insurance.
- Agency for Supervision of Fully Funded Pension Insurance – regulatory and supervisory institution in the fully funded pension insurance. MAPAS charges a fee from pension companies, which is calculated as a percentage of the contributions paid into the pension funds. For 2024, this percentage was 0.7%.
- Pension company – a joint-stock company, established by financial institutions with large capital and experience, whose sole activity is the management of pension fund assets. In the reformed pension system, there is a possibility to establish three types of companies:
 - o Mandatory Pension Fund Management Company,
 - o Voluntary Pension Fund Management Company,
 - o Mandatory and Voluntary Pension Fund Management Company.
- Custodian of Pension Fund Assets – safely keeps the assets of the pension fund in a separate account, separated from the assets of the company.
- Public Revenue Office – performs centralized collection of contributions and submits the total contributions for pension and disability insurance to the Pension and Disability Insurance Fund.
- Pension and Disability Insurance Fund of North Macedonia distributes the contributions for pension insurance between the first and second pillars and transfers the contributions and the relevant data for the members to the selected mandatory pension funds from the second pillar. Every company that manages a mandatory pension fund is obliged to pay a monthly fee to the PDIFNM in amount of 0.1% of each contribution paid in the previous month to the mandatory pension fund it manages.

A pension company is a joint stock company that was established and operates in accordance with the Law on Mandatory Fully Funded Pension Insurance and the Law on Trade Companies, or the Law on Voluntary Fully Funded Pension Insurance. A MAPAS licence is used to establish a pension firm, which then uses a permit for pension fund management to operate a pension fund. Only mandatory pension funds are managed by a mandatory pension fund management company; only voluntary pension funds are managed by a voluntary pension fund management company; and both mandatory and voluntary pension funds are managed by a mandatory and voluntary pension fund management company.

According to the average NBRNM exchange rate, a company that manages both mandatory and voluntary pension funds should have a minimum basic capital of EUR 1.8 million in MKD equivalent. Mandatory pension fund management should have a minimum basic capital of EUR 1.5 million, while voluntary pension fund management should have a minimum basic capital of EUR 0.5 million. When the assets of the mandatory and/or voluntary pension fund that the pension company manages expand, the firm must raise the capital in compliance with the law.

The management of pension funds, their representation before other parties, and any actions that immediately result from carrying out this job constitute the pension company's exclusive operation. Membership, asset management, risk management and risk mitigation control mechanisms, administration and record keeping, adherence to legal and bylaws, regular reporting to members, the public, and MAPAS, payment of scheduled withdrawals to retired members, etc. are the fundamental duties and operations of the pension company.

The pension company has a fiduciary duty to act exclusively in the best interests of the members and retired members of the pension fund it oversees, which it should do by upholding the highest standards of ethics, integrity, and conflict of interest. It also operates in compliance with the guidelines of good corporate governance. According to the legislation, pension organisations charge three different kinds of fees for carrying out their duties (See chapters 5.7 and 6.7 for further information on fees).

Unless otherwise specified by the Law on Mandatory Fully Funded Pension Insurance or the Law on Voluntary Fully Funded Pension Insurance, a pension fund (mandatory or voluntary) is an open investment fund that is founded and run in compliance with the Law on Investment Funds. Members' contributions and assets, retired members' assets, and the returns on invested contributions and assets, minus the fees levied by the mandatory pension fund, make up a mandatory pension fund. The assets of members and retired members, the voluntary contributions made on their behalf, and the returns on invested assets and contributions, minus the fees levied by the voluntary pension fund, make up a voluntary pension fund.

Members and retired members are the pension fund's owners, and the value of the assets in their accounts determines each member's specific ownership rights. Neither the creditors of the pension firm that manages the pension fund nor their representatives may enforce or make claims against the assets of the pension fund.

Through an international public tender, MAPAS granted two licenses for the establishment of companies in 2005, resulting in the creation of two pension fund management companies. In 2009, MAPAS granted licenses to the two mandatory pension fund management companies that were already in place to carry out the task of managing a voluntary pension fund and granted approvals for doing so.

During 2017 and the first half of 2018, a process of sale of the Joint Stock Company for Management of Mandatory and Voluntary Pension Funds “NLB Nov Penziski Fond” Skopje² was carried out, i.e. 100% of the shares issued by NLB Nov Penziski Fond AD Skopje² were transferred to Pozavarovalnica Sava d.d. Ljubljana, Republic of Slovenia. In June 2018, MAPAS gave approval to change the name of the Company: Joint Stock Company for Management of Mandatory and Voluntary Pension Funds “NLB Nov Penziski Fond” Skopje to the Company for Management of Mandatory and Voluntary Pension Funds Sava Penzisko Drustvo a.d. Skopje, gave approval to change the name of the pension fund Open Mandatory Pension Fund - “NLB Pension Fund” Skopje to Open Mandatory Pension Fund Sava Pension Fund and gave approval to change the name of the pension fund Open Voluntary Pension Fund - “NLB Pension Plus” Skopje to Open Voluntary Pension Fund Sava Pension Plus. In 2019, a third pension company was established. Namely, at the end of March 2019, MAPAS issued a license for the establishment of a company for the management of mandatory and voluntary pension funds to Zavarovalnica Triglav DD Ljubljana, Republic of Slovenia and an approval for the management of a mandatory pension fund and an approval for the management of a voluntary pension fund. Then, in 2022, a fourth pension company was established. At the end of May 2022, MAPAS issued a license for the establishment of a voluntary pension fund management company to the Company for the Management of Open and Closed-End Investment Funds WFP FUND MANAGEMENT AD SKOPJE and an approval for the management of a voluntary pension fund. As of December 31, 2024, the RNM has three pension companies that manage one mandatory and one voluntary pension fund, and one pension company that solely administers a voluntary pension fund, as indicated in Table 2.1.

Table 2.1. Pension companies and pension funds in RNM

Mandatory and Voluntary Pension Funds Management Company Sava Pension Company a.d. Skopje	KB First Company for Mandatory and Voluntary Pension Funds Management AD Skopje	Mandatory and Voluntary Pension Funds Management Company TRIGLAV PENSION COMPANY AD Skopje	Voluntary Pension Fund Management Company VFP PENSION COMPANY AD SKOPJE
which manages:	which manages:	which manages:	which manages:
• Open Mandatory Pension Fund Sava Pension Fund • Open Voluntary Pension Fund Sava Penzija Plus	• KB First Open Mandatory Pension Fund - Skopje • KB First Open Voluntary Pension Fund - Skopje	• Triglav Open Mandatory Pension Fund – Skopje • Triglav Open Voluntary Pension Fund - Skopje	• VFP Open Voluntary Pension Fund - Skopje
Custodian of Pension Funds: NLB Banka AD Skopje	Custodian of Pension Funds: Sparkasse AD Skopje	Custodian of Pension Funds: Komercijalna Banka AD Skopje	Custodian of Pension Funds: Komercijalna Banka AD Skopje
Shareholder:	Shareholders:	Shareholder:	Shareholder:
• Pozavarovalnica Sava d.d. Ljubljana, Republic of Slovenia - 100% participation in the capital of the company.	• Skupina Prva Zavarovalniški Holding DD Ljubljana, Republic of Slovenia - 51% share in the capital of the company. • Komercijalna Banka AD Skopje, Republic of North Macedonia - 49% share in the capital of the company.	• Zavarovalnica Triglav DD Ljubljana, Republic of Slovenia - 100% share in the capital of the company.	• Open and Closed Investment Funds Management Company VFP FUND MANAGEMENT AD SKOPJE, Republic of North Macedonia - 100% share in the capital of the company.
Founding capital: EUR 2.120 million.	Founding capital: EUR 1.800 million.	Founding capital: EUR 7.356 million.	Founding capital: EUR 0.720 million.

One of the pension firms has a mix of domestic (49% participation) and international (51% participation) owners, two have a single foreign shareholder (100% participation), and one has a single domestic stakeholder (100% involvement). Table 2.1 lists the shareholders of the four pension corporations.

The pension fund's assets are wholly distinct from those of the corporation that runs the fund and are held by a custodian bank. This asset segregation is critical for achieving a high level of asset security and enhanced control over transactions involving pension fund assets. The custodian function, for both mandatory and voluntary pension funds, is performed by commercial banks that meet the legal requirements and with which the company has concluded agreements for the safekeeping of the assets of the pension funds. The four pension companies have appointed a custodian for each pension fund they manage, as shown in Table 2.1. For their function of safeguarding the assets of the mandatory and voluntary pension funds, the custodians charge a fee from the pension companies. The fees are calculated as a percentage of the assets of the pension funds, in accordance with the concluded agreements for the safekeeping of the assets of the pension funds. Table 2.2 provides an overview of the fees charged by the custodians of the pension companies in 2024.

²Shareholders of the Joint Stock Company for Management of Mandatory and Voluntary Pension Funds “NLB Nov Penziski Fond” Skopje were Nova Ljubljanska Banka, DD, Ljubljana, Republic of Slovenia, which participated with 51% in the capital of the company, and NLB Banka AD Skopje, Republic of North Macedonia, which participated with 49% in the capital of the company

Table 2.2. Fees charged by pension fund custodians for the safekeeping of pension fund assets

For mandatory pension funds	Amount (at an annual level)	For value of the assets (in million Euros)	Date of application
Sparkasse Banka AD Skopje as custodian of KBPm's assets	0,024%		3 october 2023
	0,022%		3 october 2024
NLB Banka AD Skopje as custodian of SAVAm's assets	0,058%	up to 100	4 April 2019
	0,055%	over 100 to 200	
	0,050%	over 200 to 300	
	0,048%	over 300 to 400	
	0,040%	over 400 to 500	
	0,037%	over 500 to 600	
	0,035%	over 600 to 700	
	0,032%	over 700 to 800	
	0,029%	over 800 to 900	
	0,025%	over 900 to 1000	
	0,024%	over 1000	
Komercijalna Banka AD Skopje as the custodian of TRIGLAVm assets	0,050%	up to 50	1 April 2019
	0,041%	over 50 to 100	
	0,038%	over 100 to 200	
	0,035%	over 200 to 300	
	0,033%	over 300 to 400	
	0,028%	over 400 to 500	
	0,026%	over 500 to 600	
	0,025%	over 600 to 700	
	0,023%	over 700 to 800	
	0,020%	over 800 to 900	
	0,018%	over 900 to 1000	
	0,017%	over 1000	
For voluntary pension funds	Amount (at an annual level)	For value of the assets (in million Euros)	Date of application
Sparkasse Banka AD Skopje as custodian of KBPv assets	0,060%	to 50	3 October 2023 to 2 October 2028
	0,048%	over 50	
NLB Banka AD Skopje as custodian of SAVAv assets	0,120%		from 27 April 2023
	0,060%		from 27 November 2024
Komercijalna Banka AD Skopje as custodian of TRIGLAVv assets	0,050%	up to 50	1 April 2019
	0,041%	over 50 to 100	
	0,038%	over 100 to 200	
	0,035%	over 200 to 300	
	0,033%	over 300 to 400	
	0,028%	over 400 to 500	
	0,026%	over 500 to 600	
	0,025%	over 600 to 700	
	0,023%	over 700 to 800	
	0,020%	over 800 to 900	
	0,018%	over 900 to 1000	
	0,017%	over 1000	
Komercijalna Banka AD Skopje as custodian of WFPv assets	0,050%	to 50	8 November 2023
	0,041%	over 50 to 100	
	0,038%	over 100 to 200	
	0,035%	over 200 to 300	
	0,033%	over 300 to 400	
	0,028%	over 400 to 500	
	0,026%	over 500 to 600	
	0,025%	over 600 to 700	
	0,023%	over 700 to 800	
	0,020%	over 800 to 900	
	0,018%	over 900 to 1000	
	0,017%	over 1000	

Amendments to the laws and bylaws, which regulate the fully funded pension insurance 3

3. Amendments to the laws and bylaws, which regulate the fully funded pension insurance

In 2024, changes were made to the rulebooks that govern the activities of pension company agents and the asset assessment of pension funds in order to enhance, clarify, or streamline specific processes. This facilitates the valuation process by defining the use of published prices for the valuation of shares in domestic investment funds and lays out the process for demonstrating that candidates have met the requirements for taking the agent exam in compliance with the regulation on the protection of personal data.

During 2024, the MAPAS Council of Experts adopted three rulebooks, or amendments to rulebooks, relating to mandatory and/or voluntary fully funded pension insurance, as follows:

1. Rulebook on the manner of preventing abuse of information obtained as a result of official position and on the content and manner of reporting on securities transactions ("Official Gazette of the Republic of Macedonia" No. 32/2024);
2. Rulebook on amending the Rulebook on agents of pension companies ("Official Gazette of the Republic of Macedonia" No. 83/2024);
3. Rulebook on amending the Rulebook on the assessment of the assets of mandatory and voluntary pension funds ("Official Gazette of the Republic of Macedonia" No. 103/2024);

The amendments to the rulebooks were made in order to specify certain procedures. The Rulebook on the manner of preventing the misuse of information obtained as a result of an official position and on the content and manner of reporting on transactions with securities, for members of the management board and supervisory board, as well as employees of the pension company who have access to confidential information, excludes the obligation to keep the information strictly confidential according to the classification with an appropriate degree of secrecy.

Additionally, the criterion on the basis of which the pension company has the obligation to participate in the shareholders' meetings of the issuers of securities owned by the pension funds is changed, i.e. the pension company has the obligation to participate in the shareholders' meetings of the issuers of securities owned by the pension funds, except in the case when the pension funds managed by the pension company own less than 1% of the total subscribed shares of the issuer or when the securities of one issuer owned by the pension funds represent less than 1% of the total value of the pension funds. Previously, the proportion was 0.5%.

The modification to the Rulebook on Pension Company Agents defines how applicants can prove they satisfy the requirements for taking the agent test in accordance with the Personal Data Protection Regulation. The change to the Rulebook on Valuation of Assets of Mandatory and Voluntary Pension Funds makes the valuation process easier by requiring the use of published prices for the value of shares in domestic investment funds.

Data on financial operation of the pension companies **4**

Revenues and expenditures of the pension companies for 2023 **4.1**

Financial result of the pension companies **4.2**

Capital, charter capital and own assets of
pension companies **4.3**

Indicators **4.4**

4. Data on financial operation of the pension companies

In 2024, KB Prvo Penzisko Drustvo AD Skopje and Sava Penzisko Drustvo AD Skopje also had financial success. Both pension companies, KB Prvo Penzisko Drustvo AD Skopje and Sava Penzisko Drustvo AD Skopje, concluded 2024 with a net profit and a total comprehensive profit of around MKD 227 million and MKD 174 million, respectively. In the sixth year of its existence, TRIGLAV PENZISKO DRUSTVO AD Skopje reported a loss. On the one hand, the reduced revenue is a result of the relatively small number of members and smaller volume of assets in the pension funds administered by this company; on the other hand, the company and the funds incur substantial management costs. In the third year of its existence, WFP PENZISKO DRUSTVO AD SKOPJE also reported a loss. For the first several years of a pension company's existence, this outcome is typical and anticipated.

4.1 Revenues and expenditures of the pension companies for 2024

Pension companies prepare financial statements for their financial operations, in accordance with the Law on Trade Companies, the Rulebook on the Form and Content of Pension Company Financial Statements and the Rulebook on Accounting and applicable international accounting standards. The data, on the basis of which the analyses in this chapter were made, are from the unaudited annual financial statements of the four pension companies, as of 31.12.2024.

For the performance of the sole activity - management of pension fund assets, pension companies are financed through legally established fees, i.e. they charge a fee from contributions, a fee from pension fund assets and a transition fee. Pension companies also have financial income as a result of investing free cash in deposits and securities, which are permitted in accordance with the Law on Voluntary Fully Funded Pension Insurance. The income of the four pension companies for 2024 is given in Table 4.1.

Table 4.1. Pension company revenues for 2024

(in denars)

Basis	SAVA		KB First		TRIGLAV		WFP	
Revenues from the management of the mandatory pension fund								
Fee from contributions	119.058.477	28,27%	129.367.193	28,50%	30.069.966	37,33%	-	-
Fee from assets	234.502.953	55,68%	264.125.276	58,18%	38.896.390	48,29%	-	-
Fee from transfer	4.617	0,00%	7.403	0,00%	38.956	0,05%	-	-
Total revenues from the management of the mpf	353.566.047	83,95%	393.499.872	86,68%	69.005.312	85,67%	-	-
Revenues from the management of the voluntary pension fund								
Fee from contributions	5.442.592	1,29%	6.363.073	1,40%	109.401	0,14%	729.780	22,86%
Fee from assets	17.359.132	4,12%	16.778.254	3,70%	119.586	0,15%	1.062.395	33,27%
Fee from transfer	1.235	0,00%	1.236	0,00%	0	0,00%	4.306	0,13%
Total revenues from the management of the vpf	22.802.959	5,41%	23.142.563	5,10%	228.987	0,28%	1.796.481	56,26%
Financial revenues	40.179.629	9,54%	37.097.715	8,17%	8.697.354	10,80%	1.396.504	43,74%
Other revenues of the company	4.630.719	1,10%	204.802	0,05%	2.615.667	3,25%	0	0,00%
Total revenues	421.179.354	100,00%	453.944.952	100,00%	80.547.320	100,00%	3.192.985	100,00%

Table 4.2. Pension company expenses for 2024*

(in denars)

Basis	SAVA		KB First		TRIGLAV		WFP	
Expenditures for management of the mandatory pension fund								
Expenditures for company agents	4.870.063	2,06%	2.887.840	1,43%	15.737.075	16,45%	-	-
Marketing expenditures	20.048.647	8,49%	14.806.873	7,35%	5.785.991	6,05%	-	-
Transaction expenditures	5.068	0,00%	0	0,00%		0,00%	-	-
Expenditures for MAPAS	46.313.688	19,61%	50.325.764	24,99%	11.692.338	12,22%	-	-
Expenditures for property custodian	15.812.496	6,69%	17.278.554	8,58%	4.065.805	4,25%	-	-
Expenditures for the PDIFNM	6.371.762	2,70%	7.189.271	3,57%	1.590.584	1,66%	-	-
Other expenditures from the fund management	1.187.267	0,50%	1.155.748	0,57%	1.260.000	1,32%	-	-

Total expenditures for management of the mpf	94.608.991	40,05%	93.644.050	46,50%	40.131.793	41,95%	-	-
Expenditures for managing a voluntary pension fund								
Expenditures for company agents	6.682.135	2,83%	2.850.131	1,42%	17.968	0,02%	62.078	0,55%
Marketing expenditures	1.259.849	0,53%	983.927	0,49%	16.796	0,02%	53.100	0,47%
Transaction expenditures	0	0,00%	0	0,00%		0,00%		0,00%
Expenditures for MAPAS	1.676.828	0,71%	1.834.085	0,91%	27.558	0,03%	10.517	0,09%
Expenditures for property custodian	2.207.741	0,93%	1.122.314	0,56%	7.089	0,01%	3.051	0,03%
Other expenditures from the fund management	75.941	0,03%	290.963	0,14%	20.000	0,02%	80.000	0,71%
Total expenditures for management of the voluntary pension fund	11.902.494	5,04%	7.081.420	3,52%	89.411	0,09%	208.746	1,84%
Expenditures for management of the pension company								
Salaries and compensations for the employees	80.931.428	34,26%	58.394.683	29,00%	30.792.172	32,19%	5.848.036	51,65%
Expenditures for services	23.762.190	10,06%	12.459.483	6,19%	14.222.041	14,87%	2.721.936	24,04%
Expenditures for raw materials and other materials	2.756.561	1,17%	1.676.729	0,83%	1.112.126	1,16%	0	0,00%
Depreciation	4.736.301	2,01%	4.724.183	2,35%	3.536.397	3,70%	1.327.867	11,73%
Financial expenditures	3.702.616	1,57%	5.307.733	2,64%	0	0,00%	404.633	3,57%
Other operating expenditures	13.158.990	5,57%	17.679.787	8,78%	5.452.202	5,70%	811.116	7,16%
Reservations for expenditures and risks	656.865	0,28%	412.883	0,21%	322.920	0,34%	0	0,00%
Total expenditures from management of the company	129.704.951	54,91%	100.655.481	49,98%	55.437.858	57,95%	11.113.588	98,16%
Total costs	236.216.436	100,00%	201.380.951	100,00%	95.659.062	100,00%	11.322.334	100,00%

**For the expenditures, the data that cannot be separated, per mandatory and voluntary pension fund, the pension company uses the number of members in the mandatory, i.e., voluntary pension fund as a separation weight.*

In carrying out their sole activity, pension companies have costs, in general, for managing the assets of the pension funds, for assessing the assets, for membership, for maintaining member accounts and for reporting to members, as well as for paying fees to MAPAS, to the PDIFNM and to the custodian and for covering costs related to the operation of the pension companies. The costs of the pension companies are divided into three groups: costs for managing the mandatory pension fund, costs for managing the voluntary pension fund, and costs of managing the company. The costs of the four pension companies, in 2024, are shown in Table 4.2.

On the revenue side, both SAVA and KB First recorded an increase in total revenues in 2024 compared to 2023, of around 16% for SAVA and 14% for KB First. In addition, the majority of SAVA and KB First's revenues in 2023 came from fees from mandatory and voluntary pension funds (around 60% for SAVA and 62% for KB First), followed by fees from contributions to mandatory and voluntary pension funds (around 30% for both SAVA and KB First). Compared to the previous year, the percentage share of revenue from fee contributions in total revenues for both pension companies decreased (by around two percentage points for SAVA and around one percentage point for KB First).

The percentage share of income from asset compensation increased by about one estimated point at SAVA and by about two percentage points at KB First. Compared to 2023, the percentage share of financial income at SAVA increased by about one percentage point, while at KB First it remained at approximately the same level. The percentage share of other income of the companies is the smallest (less than 1%) at both pension companies.

Regarding expenditure, in 2024, compared to 2023, both at SAVA and at KB First, an increase in total costs is noted, by about 8% at SAVA and about 3% at KB First. At the same time, at SAVA, the largest part of the costs, or about 55% of the costs, relate to the operation of the company, in which the largest are the costs for salaries and benefits for employees, followed by the costs for services and other operating costs. At KB First in 2024, the costs related to the company's operations amount to around 50%. Again, most of these costs relate to the costs of salaries and benefits for employees, followed by other operating costs and service costs. The remaining 45% of the costs of SAVA, i.e. 50% of the costs of KB First, relate to the costs of managing pension funds.

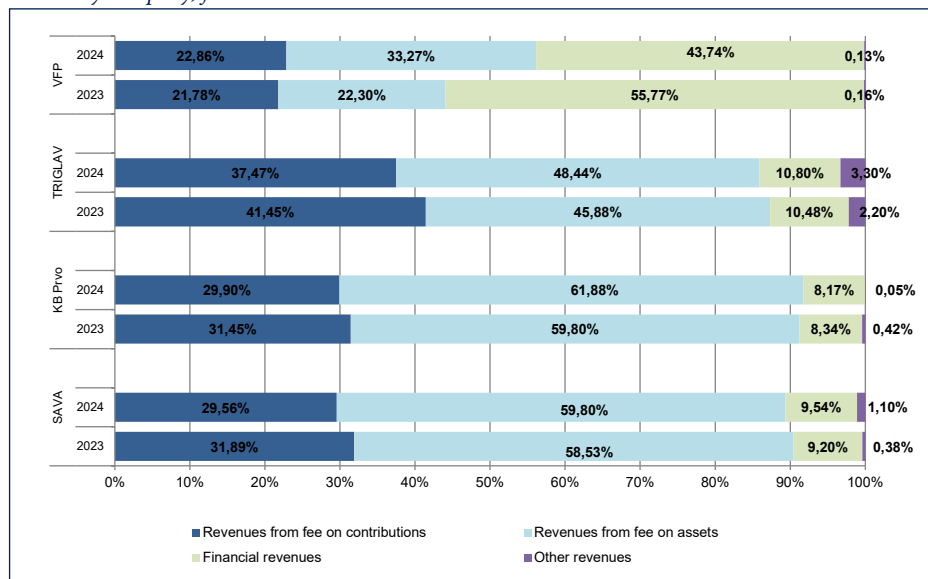
In addition, marketing and agent costs amount to around 14% of the total costs at SAVA and around 11% of the total costs at KB First, which compared to the previous year means that they decreased by two percentage points at SAVA and increased by one percentage point at KB First. Around 31% of the costs at SAVA and 39% of the costs at KB First relate to the fees for MAPAS, the PDIFNM and for the assets custodian.

TRIGLAV started pension fund management activities and marketing activities for the mandatory and voluntary pension fund and public opinion survey on 1.4.2019. Triglav Open Voluntary Pension Fund – Skopje started operating on 1.3.2021. There is a difference in the amounts and distributions by basis of income and expenses compared to SAVA and KB First, which have been operating for nineteen years. In 2024, the largest share of income from asset compensation, i.e. around 48% of total income, is also

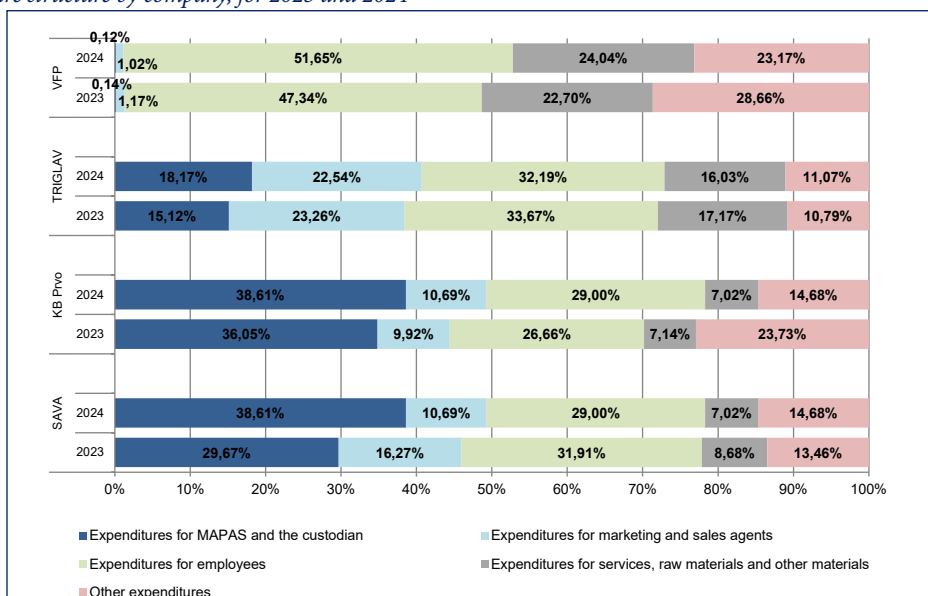
at TRIGLAV on the income side. The share of income from contribution compensation in 2024 decreased and amounted to 37%. Then, financial income has a share of around 11% in TRIGLAV's total income, while the smallest percentage share is from other income (around 3%). In terms of expenses, the majority of the expenses, or around 58%, are related to the running of the firm, with the greatest being staff pay and benefits, followed by service and other operational costs. The costs of administering pension funds amount to around 42%. In addition, marketing and agency fees account for around 23% of overall costs. The fees for MAPAS, the PDIFNM, and the property custodians account for around 18% of the expenses, while other costs of pension fund management account for roughly 11%.

WFP began handling pension funds, promoting a voluntary pension fund, and conducting a public opinion poll on January 8, 2023. WFP only operates a voluntary pension fund, and its earnings and costs are limited to the management of that fund. The WFP Open Voluntary Pension Fund - Skopje began operations on October 18, 2022, when the first voluntary contribution was received. There is a substantial variation in the quantities of distributions based on income and costs when compared to other pension organisations that also administer a mandated pension fund. At WFP, financial income accounts for approximately 44% of overall revenue, followed by income from compensation from assets (33%), and income from compensation from donations (23%). In terms of expenses, the majority of the expenses, or around 98%, are related to the running of the firm, with the highest spending being for employee wages and benefits, followed by service prices and depreciation costs. The costs of operating the voluntary pension fund are roughly 2%. In addition, marketing and agency fees account for around 1% of overall expenses. MAPAS and property guard costs account for less than 1% of expenses.

Graph 4.1. Revenue structure by company, for 2023 and 2024



Graph 4.2. Expenditure structure by company, for 2023 and 2024



4.2 Financial result of the pension companies

SAVA and KB First both generated favourable financial results in 2024. Both pension firms had a net profit in 2024 (after taxes). KB First has a bigger net profit than SAVA, which is mostly due to KB First's stronger sales and lower costs in 2024. SAVA's net profit in 2024 was 22% greater than in 2023, while KB First's net profit increased by 20%. Furthermore, both pension organisations generated a total comprehensive profit, SAVA in the amount of roughly MKD 174 million and KB First in the amount of approximately MKD 227 million. The accumulated profit (as of 31.12.2024) of SAVA amounts to around MKD 506 million and of KB First to around MKD 477 million. TRIGLAV has recorded a negative financial result in the sixth year of its operation. The mandatory pension fund managed by TRIGLAV still has a relatively small number of members and the assets are of a smaller volume, which affects the lower amount of income on the one hand, and on the other hand there are significant costs for maintaining the company's infrastructure and employees, marketing costs, as well as current costs for managing the fund. Also, the voluntary pension fund managed by TRIGLAV has been operating for less than four years and has a relatively small number of members and a small volume of assets. WFP also had a poor financial outcome in its third year of existence. Such a result is usual and expected during the first years of operation of a pension business. The WFP manages only a voluntary pension fund, which began operations in October 2022 and has a small number of members and assets, resulting in lower income on the one hand, and significant costs for establishing the system, the company's infrastructure and employees, marketing costs, and ongoing fund management costs. More detailed data on the financial results of pension companies are presented in Table 4.3.

Table 4.3. Financial result of the pension companies for 2024

(in denars)

Description*	SAVA	KB First	TRIGLAV	WFP
Profit / Loss (for 2024)	184.962.918	252.564.001	-15.111.742	-8.782.723
Profit / Loss after tax (for 2024)	165.644.129	226.561.100	-15.111.742	-8.782.723
Extraordinary expenses	0	0	0	0
Net profit (for 2024)	165.644.129	226.561.100	-15.111.742	-8.782.723
Other comprehensive profit**	8.822.599			
Total comprehensive profit ***	174.466.728	226.561.100	-15.111.742	-8.782.723
Accumulated profit / Transferred loss (until 31.12.2024)	505.605.654	476.775.173	-171.906.355	-21.924.359

*The data on other comprehensive profit and total comprehensive profit are from the audited financial statements of the pension companies for 2023.

**The data on other comprehensive profit includes unrealized profits or losses, which are not shown in the balance sheet.

***The data on total comprehensive profit include the net profit and the other comprehensive profit.

4.3 Capital, charter capital and own assets of pension companies

Pension firms must be strong and stable entities with appropriate core capital in order to benefit the system and its members. Three pension companies manage mandatory and voluntary pension funds and must have core capital of at least EUR 1.8 million, in MKD equivalent, according to the National Bank of the Republic of Macedonia's average exchange rate, while one pension company only manages a voluntary pension fund and must have core capital of at least EUR 0.5 million, in MKD equivalent. In the event of an increase in the assets of the mandatory and/or voluntary pension fund managed by the pension company, the company is obliged to increase the core capital, in accordance with the legal provisions.

The core capital of the pension company is paid only in cash. In order to increase the financial strength of pension companies, the core capital is not allowed to originate from loans and credits and cannot be encumbered in any way. The company's share capital must originate from legal sources and be taxed in accordance with the regulations of the RNM and the regulations of the country in which each foreign shareholder is established as a legal entity.

The company is obliged, at all times, to maintain the amount of the share capital, but not less than one half of the amount of the share capital. The company is obliged, at all times, to maintain its own funds, in an amount not less than one half of the amount of the share capital.

Table 4.4. Capital, charter capital and own funds of the pension companies

(in denars)

Description	SAVA	KB First	TRIGLAV	VFP
Capital and reserves	830.211.832	855.299.826	277.633.586	22.480.221
Charter capital	130.001.478	110.459.024	452.356.020 ***	44.404.580 ****
Excess capital over a legally established minimum	34,99%	39,08%	18,81%	45,75%
Own funds*	753.868.000	747.757.924	266.557.147	19.894.983
Excess own funds over the legal minimum**	145,16%	143,19%	128,14%	28,99%

*Own funds are calculated in accordance with the Rulebook on the Methodology for Calculation of Own Funds of a Pension Company.

**In accordance with the legal obligation, SAVA, as of April 2023, is obliged to maintain an increased capital in relation to the core capital, i.e. capital in the amount of EUR 10 million in MKD equivalent, because the amount of the assets of the mandatory and voluntary pension funds, which it manages, exceeded the amount of EUR 900 million.

KB First, as of November 2021, is obliged to maintain an increased capital in relation to the core capital, i.e. capital in the amount of EUR 10 million in MKD equivalent, because the amount of the assets of the mandatory and voluntary pension funds, which it manages, exceeded the amount of EUR 900 million.

***In July 2024, TRIGLAV increased its share capital by EUR 1,000,000 by issuing ordinary shares with voting rights from a third issue through a private offering, bringing its share capital to EUR 7,356,000. The increase in the company's share capital is intended to maintain the required amount of capital in accordance with the law.

****In February 2024, WFP increased its share capital by EUR 145,000 by issuing ordinary shares with voting rights from a second issue through a private offering, bringing its share capital to EUR 720,000. The increase in the company's share capital is intended to maintain the required amount of capital in accordance with the law.

4.4 Indicators

When analyzing the financial data of pension companies, the movement of individual indicators per member as well as the efficiency ratio is important. Table 4.5. shows the more important indicators per member and the efficiency ratio of the four pension companies for 2024.

In comparison to 2023, average revenue per member climbed by 14% at SAVA, 13% at KB First, 19% at TRIGLAV, and 45% at WFP. In comparison to 2023, average costs per member grew by 6% at SAVA and 1% at KB First, while decreasing by 4% at TRIGLAV and 18% at WFP. SAVA's earnings per member increased by around 26% compared to 2023, as did KB First's. It is also worth noting that SAVA and KB First's efficiency ratios have decreased since 2022. In 2024, TRIGLAV recorded a decrease in the loss per member of about 19% compared to 2023, but the efficiency ratio still shows a high proportion of total costs in relation to total revenues. WFP also recorded a decrease in the loss per member in 2024 of about 44%, and at the same time the efficiency ratio still shows a high proportion of total costs in relation to total revenues.

Figure 4.3. and Table 4.6. show the movement of the profitability indicators ROA (net profit/total assets) and ROE (net profit/equity), compared for SAVA and KB First, for the period from 2006 to 2024, for TRIGLAV for the period from 2019 to 2024 and for WFP from 2022 to 2024. It should be noted that the rate of return on assets for both SAVA and KB First increased very little in 2024 when compared to 2023. In addition, both SAVA and KB First's rate of return on equity in 2024 increased from 2023. The ROA and ROE ratios for TRIGLAV and WFP have grown but remain negative.

Table 4.5. Indicators

(in denars)

Description	SAVA	KB First	TRIGLAV	VFP
Revenue and expenditure indicators per member				
Average revenues per member	1.521,33	1.518,65	1.183,44	5.295,17
Average expenditures per member	853,23	673,71	1.405,47	19.860,21
Profit/loss per member	668,10	844,94	-222,03	-14.565,05
Efficiency indicators				
Efficiency coefficient (total expenditures / total revenues)	56,08%	44,36%	118,76%	375,06%

Graph 4.3. ROA and ROE by company and by year

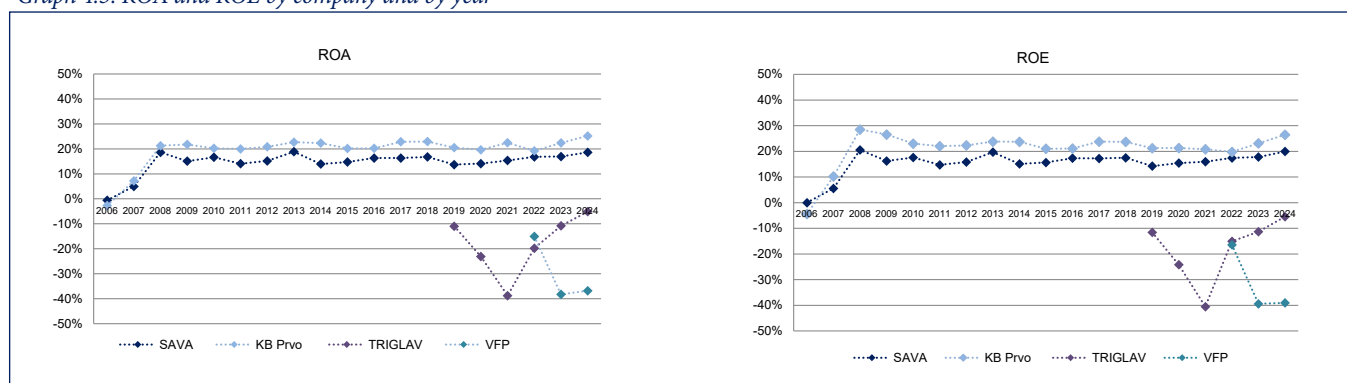


Table 4.6. Profitability indicators

Pension company	SAVA		KB First		TRIGLAV		WFP	
Year / Description	ROA	ROE	ROA	ROE	ROA	ROE	ROA	ROE
2006	-0,60%	0,00%	-2,69%	-4,45%				
2007	4,97%	5,57%	7,19%	10,19%				
2008	18,66%	20,55%	21,30%	28,53%				
2009	15,09%	16,26%	21,80%	26,54%				
2010	16,66%	17,60%	20,24%	23,00%				
2011	14,09%	14,75%	20,02%	22,03%				
2012	15,21%	15,84%	20,84%	22,31%				
2013	18,88%	19,68%	22,71%	23,80%				
2014	13,94%	15,09%	22,35%	23,71%				
2015	14,77%	15,65%	20,20%	21,00%				
2016	16,34%	17,34%	20,23%	21,09%				
2017	16,35%	17,23%	22,89%	23,78%				
2018	16,79%	17,49%	22,96%	23,71%				
2019	13,70%	14,26%	20,52%	21,24%	-10,99%	-11,55%		
2020	14,13%	15,43%	19,66%	21,29%	-23,13%	-24,18%		
2021	15,38%	15,96%	22,46%	20,82%	-38,77%	-40,54%		
2022	16,84%	17,44%	19,23%	19,78%	-19,81%	-20,41%	-15,07%	-16,41%
2023	16,97%	17,80%	22,41%	23,09%	-10,81%	-11,31%	-38,27%	-39,40%
2024	18,62%	19,95%	25,21%	26,49%	-5,11%	-5,44%	-36,82%	-39,07%

5 Information on mandatory pension funds

- 5.1 Membership in mandatory pension funds
- 5.2 Data on membership in mandatory pension funds
- 5.3 Transfer of a member from one mandatory pension fund to another
- 5.4 Contributions in mandatory pension funds
- 5.5 Investment and portfolio structure of the mandatory pension funds
- 5.6 Net assets, accounting unit and rate of return of the mandatory pension funds
- 5.7 Fees in mandatory pension funds
- 5.8 Payment of pensions from mandatory fully funded pension insurance

Information on mandatory pension funds

The second pillar's total membership and temporarily assigned covered individuals climbed by almost 3.01% in 2024, reaching 610,855 as of that year. With 2.37% of all members moving from one mandatory pension fund to another in 2024, the trend of member transfers from one mandatory pension fund to another, which was started by the third mandatory pension fund's operation in 2019, continued.

Contributions totalling over MKD 15.48 billion were made to the required pension funds in 2024. Along with the contributions, the PDIFNM also paid out a total of about MKD 0.95 million as compensation for members whose contributions were not promptly transferred to the designated mandatory pension funds' accounts within three months of the contributions being received.

The total assets of the required pension funds climbed by 20.45% in 2024 to reach MKD 162.85 billion, or around 17.16% of the RNM's GDP. In comparison to 2023, the investment structure of pension assets in 2024 is mostly unchanged.

Government securities (64.93%), deposits (1.68%), stocks (2.02%), and investment fund shares (0.43%) are among the domestic investments in the mandatory pension funds' investment portfolio for 2024. Foreign investments include foreign government bonds (0.90%), corporate bonds (0.15%), investment fund shares (25.70%), and stocks (3.29%).

The three mandatory pension funds' accounting unit values continued to increase in 2024 (9.24% of SAVAm, 9.23% of KBPm, and 9.94% of TRIGLAVm).

A slight increase in the yield in both nominal and real terms is observed for the seven-year period 2018-2024 for both mandatory and voluntary pension funds; however, the increase in the change in the level of living costs, reduced to an annual level, still has a significant impact on the amounts of the yield in real terms in 2024. At the level of the second pillar, an average annualised yield of 5.03% in nominal terms, or 0.16% in real terms, was achieved in the seven-year period 2018-2024.

In 2024, pensions and payments were realized for 616 members of the second pillar.

5.1 Membership in mandatory pension funds

To join a mandatory pension fund, an insured person has two options:

1. sign a membership agreement and register in the MAPAS Register of Members, or
2. be assigned to a mandatory pension fund at random by the PDIFNM if they did not sign a membership agreement during the selection period, and be registered in the MAPAS Register of Members.

The second pillar includes two types of insured persons:

- Mandatory members –
 - are those who first joined the mandatory pension and disability insurance after January 1, 2003, and were born after January 1, 1967.
 - Insured individuals who were working, i.e. joined mandatory pension and disability insurance for the first time after January 1, 2019, and were under the age of 40 at the time of joining.
- Voluntary members –
 - are those who were working for the first time before January 1, 2003 and choose to join mandatory fully paid pension insurance through a membership agreement. They were born after January 1, 1967.
 - insured individuals who were born prior to January 1, 1967, who signed a declaration committing them to continued membership in mandatory fully funded pension insurance, who began working before January 1, 2003, and who voluntarily joined by signing a membership agreement.

If an insured person has completed an insurance period of increased duration that permits a reduction in the age limit for exercising the right to an old-age pension by at least one year, they are not included in the second pillar. This includes insured persons whose insurance period is considered to be of increased duration and insured persons who belong to Chapter VII- "Acquisition and exercise of rights of certain categories of insured persons under special conditions of the Law on Pension and

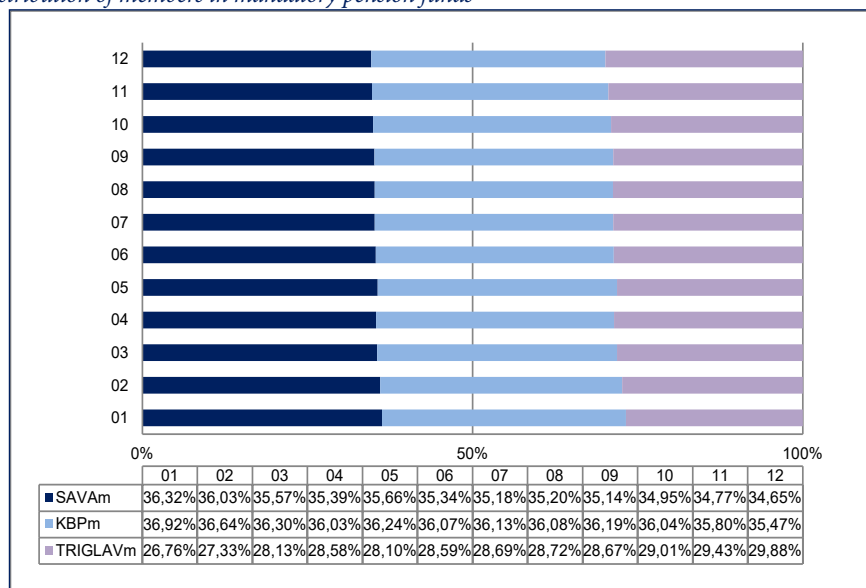
Disability Insurance” (employees with beneficial service in the Ministry of Interior, penal institutions, the Armed Forces, etc.). In accordance with Article 118 paragraph (3) of the Law on Pension and Disability Insurance, insured persons who are members of a mandatory pension fund have the option to continue their membership in the second pillar by submitting a written statement for the continuation of membership in a mandatory pension fund within three months of the end of the insurance period. This is because the insurance period of increased duration allows for a reduction of the age limit for exercising the right to an old-age pension by at least one year. Following the conclusion of this time frame, these members’ participation in the mandatory pension fund will end if they fail to provide a written statement.

5.2 Data on membership in mandatory pension funds

It is necessary for insured individuals who have fully funded pension insurance to enrol in a mandated pension fund within three months of their first day of work. In order for their assets to be invested right away following employment, the PDIFNM randomly assigns these insured individuals to mandatory pension funds for a limited time. These covered individuals continue to be members of the mandatory pension fund to which they were previously temporarily assigned if they do not sign a membership agreement with any firm by the legally mandated time.

For each mandatory pension fund, MAPAS determines the weight on the first working day of each month, which is used to randomly assign insured individuals to these funds temporarily. The weight is determined by the nominal return attained by the pension fund and the value of the contribution fee levied by the pension business; the return (70%) has a larger influence than the contribution fee (30%)³. Figure 5.1 displays the weights used to distribute covered individuals across the mandatory pension funds in 2024.

Figure 5.1. Weight for distribution of members in mandatory pension funds



Since the mandatory pension fund TRIGLAVm began operations on 1.4.2019, the insured are now divided among three mandatory pension funds as of April 2019. The time of assistance for the establishment of a new mandatory pension fund with regard to the distribution of insured individuals in compliance with the regulations has ended as of May 2022. Given that the three pension firms earned the same amount of contribution fees in 2024, the weights were mostly determined by the quantities of the mandated pension funds’ realised returns. Due to TRIGLAVm’s lower return during this time, its weight in 2024 is smaller than that of SAVAm and KBPm. Also, throughout 2024, the value of the weight of the KBPm is slightly higher (on average by one percentage point) compared to the value of the weight of the SAVAm.

As of December 31, 2024, there were 610,855 members and temporarily dispersed covered individuals in the mandatory pension funds, representing a 17,832 (or around 3.01%) increase in the number of members of the second pillar over 2023. The 2024 membership growth rate is almost the same as the 2023 membership growth rate.

³The formula for calculating the weight is prescribed in the Rulebook on membership in a mandatory pension fund.

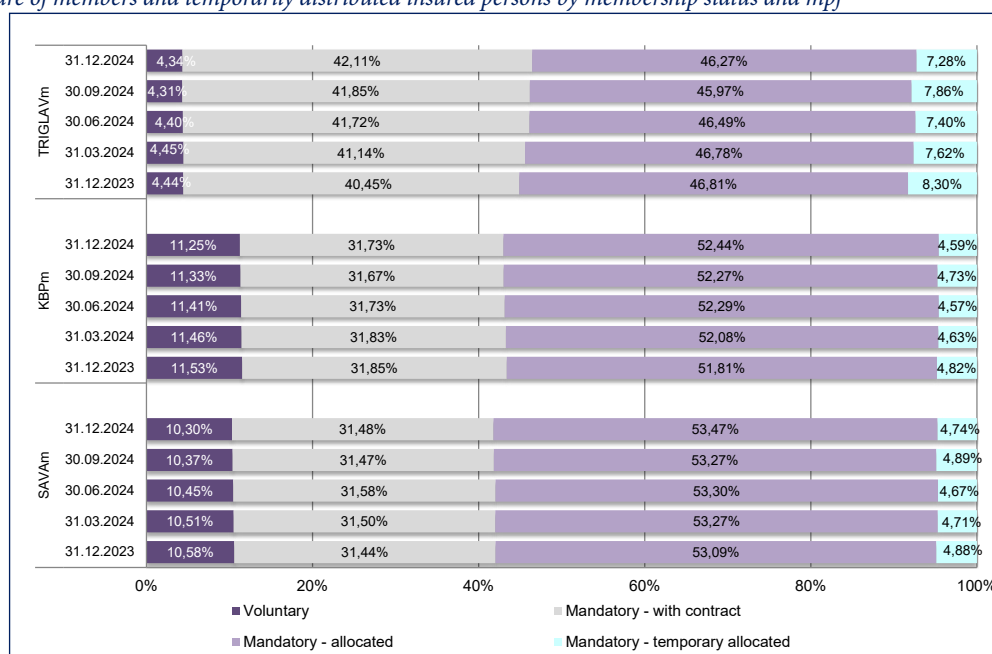
The majority of covered individuals in 2024 are members of SAVAm and KBPm, according to the allocation of membership by mandated pension funds. Accordingly, as of December 31, 2024, 46.05% of the entire members and temporarily dispersed covered individuals in the mandatory pension funds are in KBPm, 42.84% are in SAVAm, and 11.11% are in TRIGLAVm. In addition, compared to 2023, there is a lower percentage share of membership in both SAVAm and KBPm (by about one percentage point), i.e. a higher percentage share of membership in TRIGLAVm (by about two percentage points).

549,299, or 90%, of the total members in the second pillar are required, while 61,556 (or 10%) are voluntary. Out of all the required members, 200,212 signed a membership agreement, 318,841 did not and were assigned permanently, and 30,246 insured individuals were allocated temporarily. Compared to the previous year, fewer new insured individuals signed membership agreements in 2024. Namely, it can be noted that about 12% of the insured persons who are obliged to join a mandatory pension fund in 2024 and for whom the deadline for choosing a mandatory pension fund has expired, signed a membership agreement, while the rest, about 88%, did not sign an agreement and remained in the fund where they were previously assigned.

For SAVAm and KBPm, there were no notable or unexpected changes to the membership status-based structure of members and temporarily assigned covered individuals in 2024. In 2024, SAVAm and KBPm will have comparable member and temporarily insured person structures based on membership status. It should be observed that, as predicted given the annual growth in the number of obligatory members, the percentage share of mandatory members rises while the percentage share of voluntary members falls every quarter. Additionally, it should be mentioned that, in contrast to the proportion of permanently allocated mandatory members, which progressively rises from quarter to quarter, the percentage share of mandatory members who have signed a membership agreement steadily declines. After more than five years of operation, the structure of members and temporarily allocated insured persons by membership status of TRIGLAVm still differs from the structure of SAVAm and KBPm. While the involvement of temporarily assigned insured individuals in TRIGLAVm is larger than that of temporarily allocated insured persons in SAVAm and KBPm, the voluntary members' participation in TRIGLAVm is lower than that of voluntaries in SAVAm and KBPm.

Insured individuals who have signed agreements for the switch from SAVAm or KBPm to TRIGLAVm are considered voluntary members of TRIGLAVm. It should be mentioned that, in contrast to mandatory members who are permanently assigned, whose involvement progressively declines from quarter to quarter, the percentage of mandatory members who have signed a membership agreement steadily rises. The structure of members and temporarily allocated insured persons by mandatory pension funds and by membership status in 2024 is shown at a quarterly level, in Figure 5.2.

Figure 5.2. Structure of members and temporarily distributed insured persons by membership status and mpf



The majority of the members are young, according to the age-based member structure study. While the voluntary members are slightly older, with 53% of them under 50, the required members are youthful, with 68% of them under 40. The average age of required members is 36 for men and 37 for women, but the average age of voluntary members is 50 for both men and women, and the average age of all members is 38. Figure 5.3 displays the two-pillar pension system's membership structure by age, gender, and membership type.

RNM had 1,515,306 people of working age⁴ and 792,779 people of active age⁵ by the end of 2024, according to the State Statistical Office. As of the end of 2024, around 40% of the Republic of Macedonia's working-age population was enrolled in the two-pillar pension system, which translates to almost 77% of the country's total active population. Figure 5.4 illustrates the rise in the number of people in the Republic of Macedonia who are members of the two-pillar pension system among all working-age and active citizens between 2017 and 2024.

Figure 5.3. Structure of members of the two-pillar pension system by age, gender and membership category

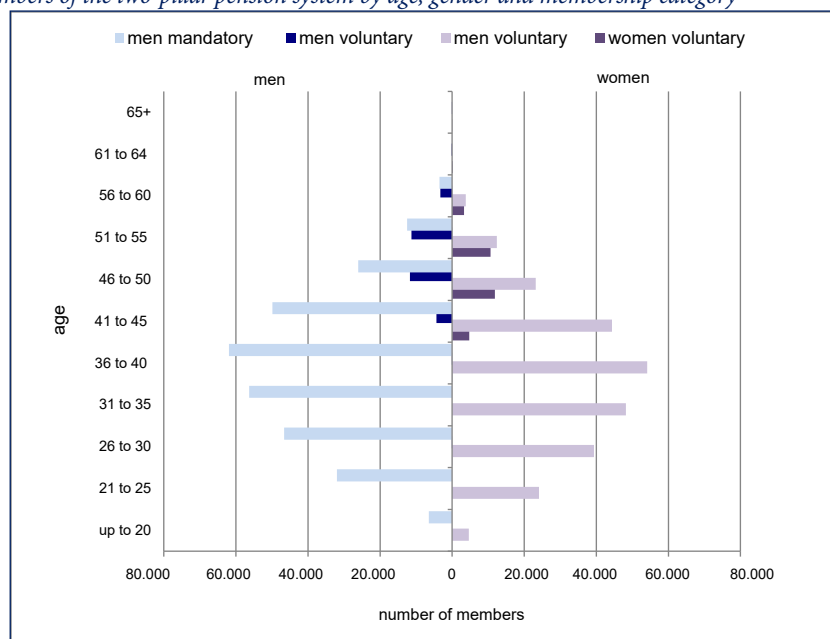
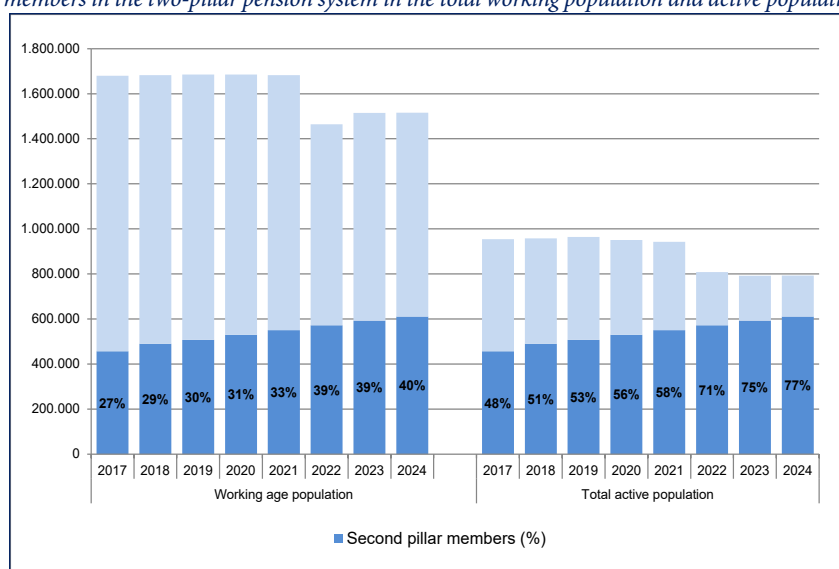


Figure 5.4. Participation of members in the two-pillar pension system in the total working population and active population, by years, 2017-2024



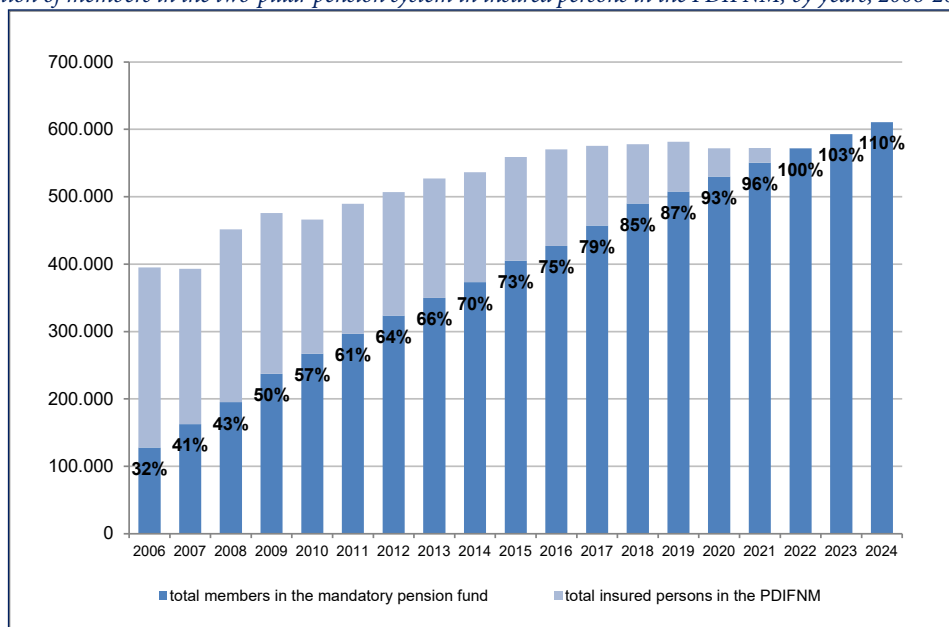
Source: MAPAS and SSO - Active Population in the Republic of North Macedonia, Results of the Labor Force Survey, 2024.

⁴Working population - consists of all persons from 15 to 79 years of age.

⁵Economically active population - consists of employed and unemployed persons.

The total number of members⁶ in the mandated pension funds exceeds the entire number of insured individuals in the PDIFNM, based on the PDIFNM's statistics on insured persons as of December 31, 2024. Since the second pillar began operating, the number of covered individuals in the PDIFNM has increased due to the involvement of members in the two-pillar pension system (see Figure 5.5).

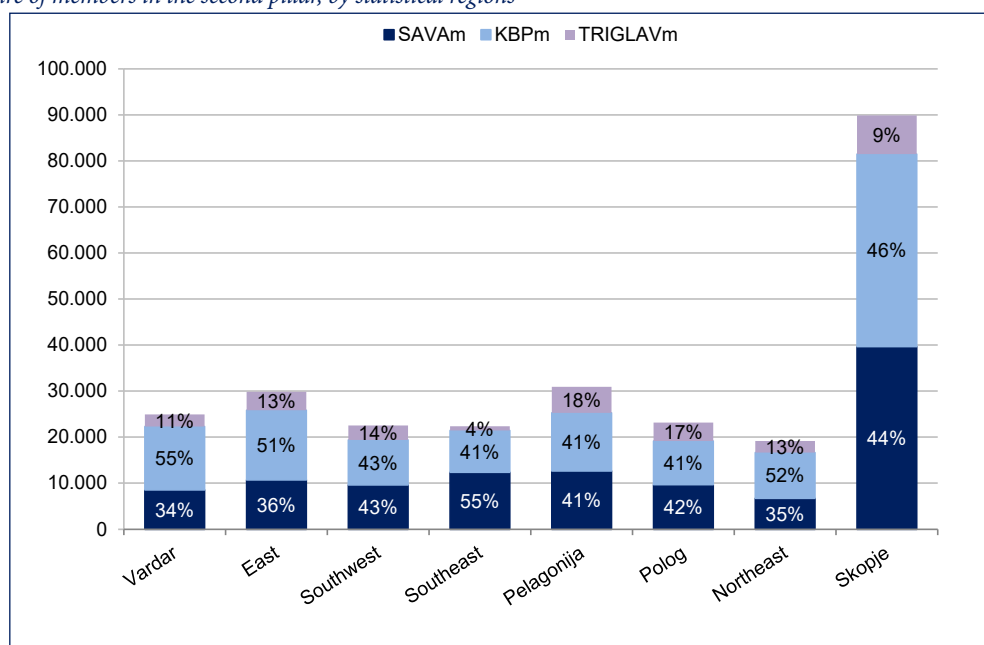
Figure 5.5. Participation of members in the two-pillar pension system in insured persons in the PDIFNM, by years, 2006-2024



Source: MAPAS and PDIFNM

Figure 5.6⁷ shows the composition of mandatory pension fund members by statistical regions⁸ in the Republic of Macedonia. The Skopje area has the most members across all three mandatory pension funds. The Southeast area has the fewest members in KBPm and TRIGLAVm, whereas the Northeast region has the fewest members in SAVAm.

Graph 5.6. Structure of members in the second pillar, by statistical regions



⁶According to the law, the cessation of contribution payment does not affect the status of membership in a mandatory pension fund. About 73% of the total number of insured persons in the PIOSM Fund are members of the two-pillar pension system who had at least one payment to a mandatory pension fund in 2023.

⁷The statistical regions are defined according to SSO - territorial units. The nomenclature of the territorial units is based on the territorial organization of the local self-government in the RNM and it is harmonized with the EU classification.

⁸MAPAS does not have data for a statistical region for all members of mandatory pension funds because the majority of members have not signed a membership agreement and are permanently allocated.

5.3 Transfer of a member from one mandatory pension fund to another

Any member of an mandatory pension fund who is dissatisfied with the mandatory pension fund where they are a member—that is, with the firm that administers it—has the right to move to another mandatory pension fund. Upon transfer, the individual must pay a transfer fee if they were a member of the mandated pension fund for fewer than 24 months. The transfer to a different fund is free if the individual been a member for more than 24 months. The entirety of the member's account's assets are moved along with it.

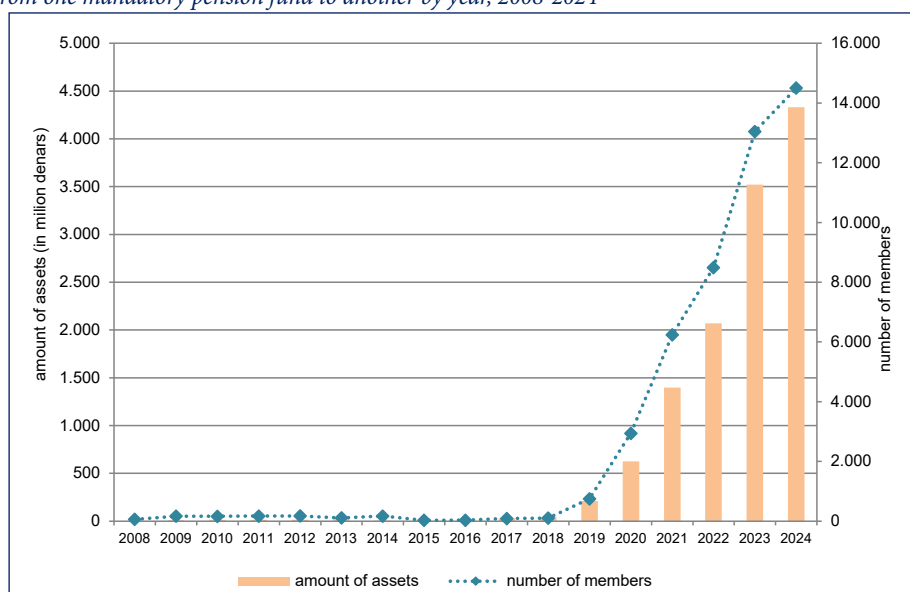
Table 5.1. provides data on the number of members who transferred from one mandatory pension fund to another and the amount of assets transferred from one mandatory pension fund to another, on that basis, during 2024.

Table 5.1. Transfers of members from one mandatory pension fund to another

2023		MPF to which members have transferred, i.e., in which funds have been transferred			Total
		SAVAm	KBPm	TRIGLAVm	
Members who transferred from a MPF	SAVAm	-	1.616	4.079	5.695
	KBPm	1.394	-	4.569	5.963
	TRIGLAVm	877	1.965	-	2.842
	Total	2.271	3.581	8.648	14.500
Assets that have been transferred from a MPF (in denars)	SAVAm	-	489.726.272	1.120.574.114	1.610.300.386
	KBPm	481.075.201	-	1.276.646.194	1.757.721.395
	TRIGLAVm	333.350.869	628.774.821	-	962.125.690
	Total	814.426.070	1.118.501.093	2.397.220.308	4.330.147.471

When the third mandatory pension fund began operations in 2019, it set off a pattern of members moving from one mandatory pension fund to another, which persisted in 2024. There were 15,500 mandatory pension fund members who transferred from one mandatory pension fund to another in 2024, accounting for 2.37% of all members. In 2024, there were more members who made the mandatory pension fund change than in 2023, even if the percentage of members who made the move was still tiny relative to the total number of members. Accordingly, 60% of members who opted to move to another mandatory pension fund did so to TRIGLAVm, 25% to KBPm, and 16% to SAVAm. In terms of assets, members who choose to move to another mandatory pension fund transferred most of their assets (55%) to TRIGLAVm, 26% to KBPm, and 19% to SAVAm. An summary of all member transfers as well as the overall amount of assets moved across mandatory pension funds between 2008 and 2024 may be seen in Figure 5.7.

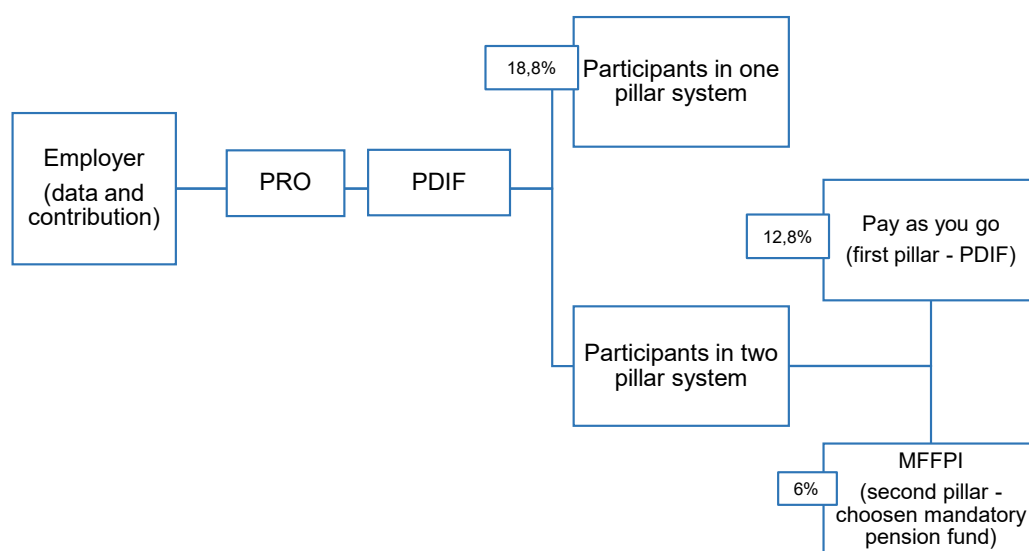
Figure 5.7. Transfers from one mandatory pension fund to another by year, 2008-2024



5.4 Contributions in mandatory pension funds

On behalf of the employee, the employer, who is the contribution debtor, pays the pension and disability insurance contributions. Mandatory social insurance contributions (pension and disability insurance contributions, health insurance contributions, and employment contributions in the event of unemployment) and personal income tax are collected together by the Public Revenue Office.

Figure 5.8. Schematic presentation of the payment and distribution of contributions



The total contribution paid by insured individuals participating in a single-pillar system stays in the PDIFNM (in 2024, it was 18.8% of gross wage). For insured people under the two-pillar system, the PDIFNM divides the contribution made between the first and second pillars. The contribution transferred to the mandatory pension fund is 6% of the gross salary, and a contribution remains in the PDIFNM equal to the difference between the total contribution for pension and disability insurance and the contribution paid into the mandatory pension fund (for 2024, it was 12.8% of the gross salary ($12.8\% = 18.8\% - 6\%$)).

The PDIFNM shall transfer the contributions of the members of the mandatory pension funds to the individual accounts of the selected mandatory pension funds immediately and no later than five working days from the date of receipt of the contributions, provided that appropriate data in accordance with the law are received within the same period, allowing the PDIFNM to perform that obligation. The PDIFNM will be required to provide appropriate data and transfer member contributions to the accounts of the chosen mandatory pension funds with the custodian within a maximum of three months from the date of contribution receipt if it fails to do so immediately and no later than five working days after the date of contribution receipt due to a lack of suitable data. Following that, the PDIFNM will provide information on the contribution transfer to the firms and MAPAS.

Contributions totalling over MKD 15.48 billion, or roughly 1.63% of the Republic of Macedonia's GDP⁹, were made to the mandatory pension funds in 2024. Compared to 2023, the total amount of contributions made to the mandated pension funds in 2024 grew by 15.45%. Table 5.2 displays the specific contributions paid by month (in millions of MKD).

Table 5.2. Contributions paid into the second pillar

(in million denars)

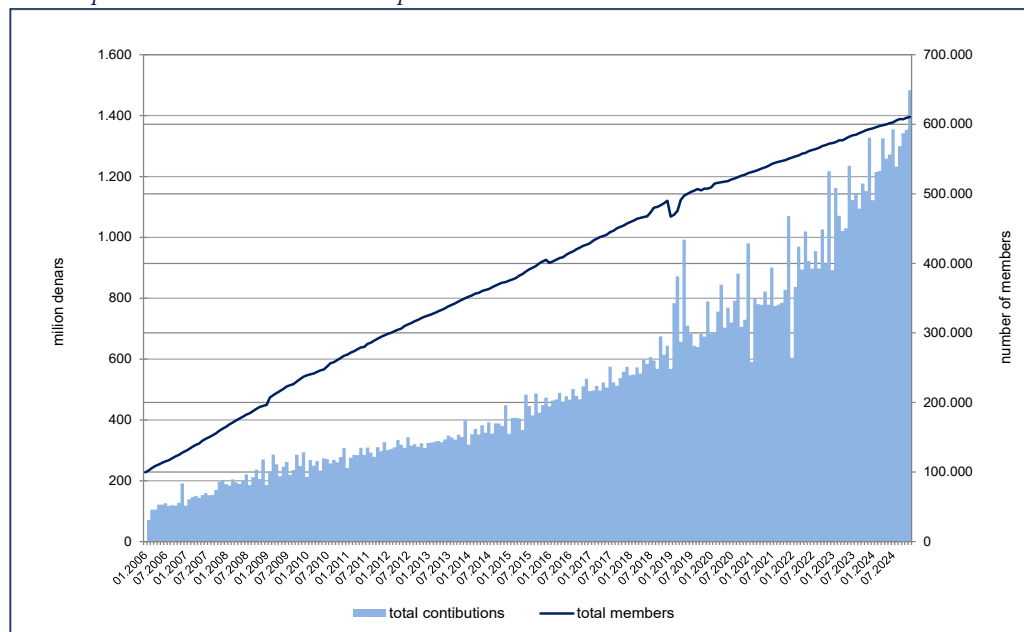
	Total 2023	Jan.	Feb.	March	April	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Total 2024
SAVAm	5.872	482	522	523	571	539	543	581	526	555	564	583	630	6.616
KBPm	6.334	525	569	571	618	586	592	627	571	601	627	617	684	7.189
TRIGLAVm	1.222	115	124	125	137	133	137	147	135	144	152	154	169	1.671
Total	13.427	1.122	1.215	1.218	1.325	1.258	1.272	1.355	1.232	1.300	1.342	1.353	1.483	15.476

⁹Source for GDP: SSO - Announcement - gross domestic product, fourth quarter of 2024 - estimated data.

Figure 5.9 shows the total contributions (in million MKD) paid into the second pillar, each month, from the start of the operation of the mandatory fully funded pension insurance until 31.12.2024 and the total number of members, at the end of each month, in the same period.

Although the pattern of payments is not entirely linear, there are certain drops and greater rises in specific months. In general, it can be observed that as the number of members increases, so do the contributions made to mandatory pension funds. Contributions paid for insured individuals who were not promptly assigned to the second pillar are likely also to blame for the higher increases in contributions paid in the first half of 2019. According to the law's modifications, several insured categories' memberships were terminated on January 1, 2019, which is why the membership balance decreased in the first month of 2019.

Figure 5.9. Contributions paid and members in the second pillar



5.4.1 Compensation for untimely transfer of contributions

The amendments to the Law on Mandatory Fully Funded Pension Insurance of 28.12.2018 introduced an obligation for the PDIFNM to pay compensation for the untimely transfer of contributions. This applies if the PDIFNM failed to distribute insured persons, who were mandatory members of the second pillar, in line with the criteria before the law was amended, or if it fails to do so within three months after their accession under the new criteria. It also applies if the PDIFNM does not transfer the contributions of mandatory pension fund members to the selected pension funds within three months of receiving the contributions. The funds for mandatory fully funded pension insurance, realized on the basis of untimely and incomplete payment of contributions, are transferred to the individual account of the member of the mandatory pension fund.

An evaluation of the balance of a hypothetical individual account belonging to a member of a mandatory pension fund with an identical history of contributions payments to the insured with untimely distribution is used to calculate¹⁰ the amount of compensation for untimely transfer of contributions. This evaluation takes into account the amount of all untimely transferred contributions, the compensation from contributions collected by the pension company, and the balance of a portion of the funds in the member's individual account.

As compensation for members whose contributions were not promptly transferred to the accounts of the designated mandatory pension funds within three months of the date of receipt, the PDIFNM transferred a total of roughly MKD 0.95 million to the mandatory pension funds in 2024. Comprehensive information on the compensation transferred for late contributions by fund is included in Table 5.3.

¹⁰The formula for calculating the fee for untimely transfer of contributions is prescribed in the Rulebook for untimely transfer of contributions.

Table 5.3. Paid compensation for untimely transferred contributions to the second pillar in 2024 (in million denars)

Mandatory pension fund	Fee for untimely transfer of contributions
SAVAm	0,25
KBPm	0,67
TRIGLAVm	0,03
Total	0,95

5.4.2 Returned assets to the PDIFNM

About 684 million denars, or a percentage of the money paid into the mandated pension funds, were returned to the PDIFNM in 2024 for a number of reasons.

- exercising the right to disability or family pension;
- excess contributions made to the second pillar as a result of technological malfunctions or excessive employer payments;
- termination of membership agreements or cancellation of distribution
- termination of membership for insured individuals who completed an extended insurance period within the insurance period, allowing for a minimum one-year decrease in the age restriction for exercising the right to an old-age pension.

The majority of the money returned to the PDIFNM in 2024 (73%) is related to the termination of insured persons' memberships who, during the insurance period, completed an extended duration insurance period that permits a minimum one-year reduction in the age limit for exercising the right to an old-age pension and who failed to submit a written statement requesting continued membership in a mandatory pension fund within three months of the end of the insurance period.

Table 5.4 provides a detailed breakdown of the monies returned to the PDIFNM by mandatory pension funds.

Table 5.4. Structure of returned funds in the PDIFNM, by MPF

(in millions of denars)

Reasons	From the mandatory pension fund			Total
	SAVAm	KBPm	TRIGLAVm	
Earned pension	71,87	94,38	6,51	172,76
- disability pension	23,12	19,43	2,43	44,98
- family pension	48,75	74,95	4,08	127,78
Excess contribution payments	0,10	0,12	0,082	0,30
Termination of agreements and cancellation of distributions	6,18	6,64	0,50	13,32
Termination of membership	218,67	250,24	29,14	498,05
- members who during the insurance period have completed an insurance period of increased duration that allows for a reduction in the age limit for exercising the right to an old-age pension by at least one year	218,67	250,24	29,14	498,05
Total	296,81	351,39	36,24	684,44

5.5 Investment and portfolio structure of the mandatory pension funds

Proactive control and quantitative and qualitative investment limits are often employed in the first phase of mandated fully funded pension schemes. Based on this, the law and the bylaws specify the investment goals and principles, the kinds of instruments that can be used to invest the assets of the mandatory pension funds, the requirements that must be fulfilled by the regulated secondary capital markets, the countries or groups of countries in which the assets of the mandatory pension funds can be invested, the quality of the instruments that can be used to invest the assets of the mandatory pension funds, the investment restrictions within the instruments and issuers, the prohibited investments, going beyond the investment restrictions as well as other things.

The company's investment plan and regulatory and bylaw requirements must be followed when allocating the mandatory pension fund's assets. Through diversification and financial analysis, the objective is to minimise risks, such as losses from issuer or counterparty default, market fluctuations, inflation, or asset sales made to ensure fund liquidity, while maximising returns exclusively for the benefit of members and retired members. Members of the company's management and supervisory boards are also required to invest their own money with the same level of caution, effectiveness, and expertise as a reasonable individual would. Each member of the management board and supervisory board of the company should fulfill his obligation in accordance with his fiduciary duties and should ensure their implementation by each employee and work engaged in the company.

According to the law and its bylaws, the mandatory pension funds' assets may be invested in bank deposits, certificates of deposit, bonds, and other debt securities, as well as shares and commercial papers issued by companies with their headquarters located in the Republic of Macedonia and other EU or OECD member states. Maximum restrictions for investment in a certain firm and maximum limits on the amounts that can be invested in specific types of instruments are set in consideration of the need to ensure sufficient diversification across different forms of investments. In order to prevent investments in instruments that are not suitable for investment by mandatory pension funds, investments in shares, bonds and other securities that are not listed on an official market or that are not publicly traded are legally prohibited, instruments that cannot be legally disposed of, instruments that cannot be immediately valued, most forms of property that cannot be immediately valued and items of uncertain value, for example, antiques, works of art, etc.

Since the domestic market is getting smaller in relation to the needs for investing the assets of mandatory pension funds, as well as to enable greater diversification of assets when investing them and a greater choice of companies for investing the assets of mandatory pension funds by companies, the possibility of entering a larger number of capital markets and in a larger volume is accompanied by the ever-increasing assets of these funds. Table 5.5 displays the maximum investment limitations.

Table 5.5. Maximum investment limits

Type of instrument	Maksimum limit
Investment abroad (EU and OECD)	50%
• bonds and other securities issued by foreign governments and central banks	50%
• securities issued by non-state foreign companies, banks or investment funds	30%
Securities issued or guaranteed by RNM on the domestic market or NBRNM	80%
Bank deposits, deposit certificates, mortgage backed securities, and other securities issued by domestic banks	60%
• 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%
• 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 RNM	5%
• participation shares in private investment funds	1,5%

In addition to the limitations outlined in the legislation, MAPAS may impose limits on investments in specific kinds of instruments. These restrictions must be in place for a maximum of five years and may be enforced for further periods as determined by MAPAS. The maximum percentage of the assets of a mandatory and voluntary pension fund that can be invested in deposits in banks licensed by the NBRSM, if they bear interest, i.e., in bonds and other securities issued or guaranteed by the RSM on the domestic market, within a year of the date of the first payment into the mandatory and voluntary pension fund, is 100%, according to decisions made in 2019 regarding additional restrictions.

Figures 5.10 and 5.11 depict the investment structure of the mandatory pension funds SAVAm and KBPm from the system's inception (on an annual basis for the years 2006–2023, and on a quarterly basis until 2024). Figure 5.12 displays the investment structure of the mandatory pension fund TRIGLAVm from the fund's inception (1.4.2019) to the quarterly level for 2024.

Figure 5.10. SAVAm Investment Structure

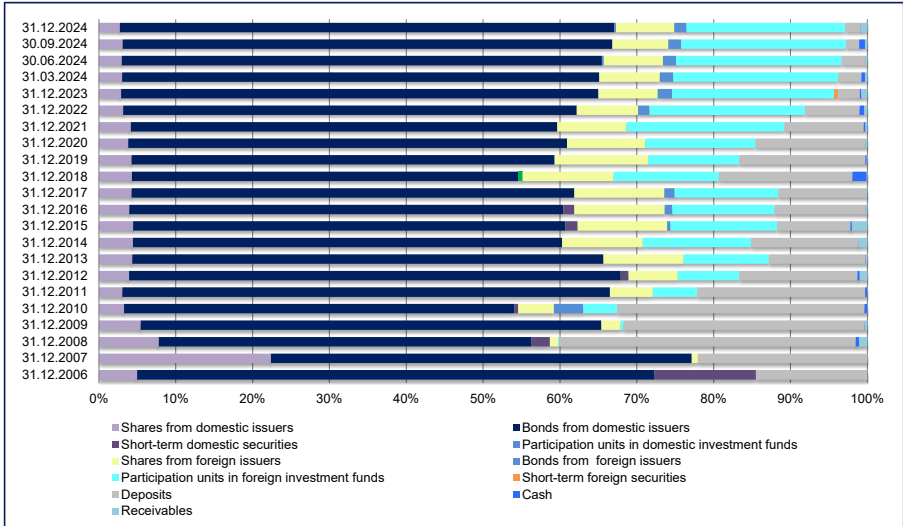


Figure 5.11. KBPm Investment Structure

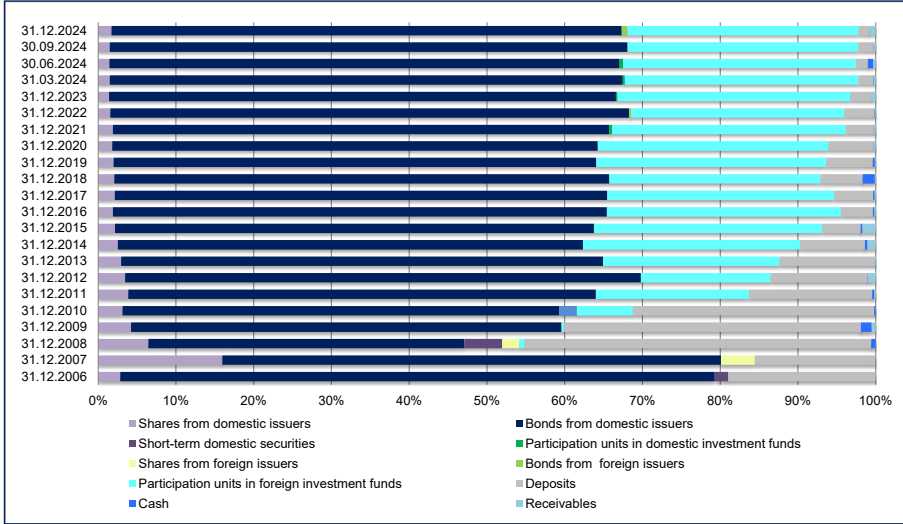
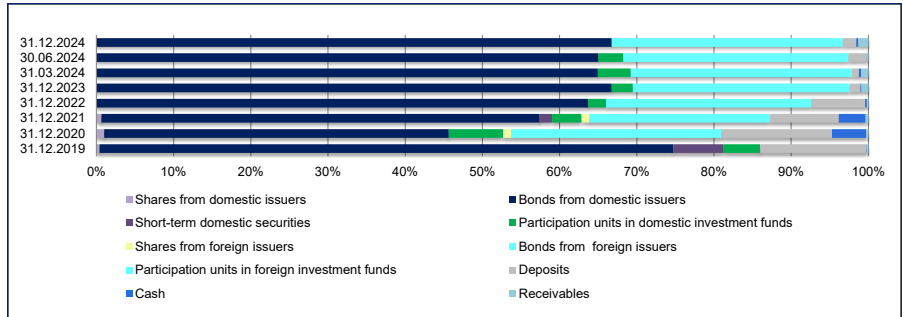
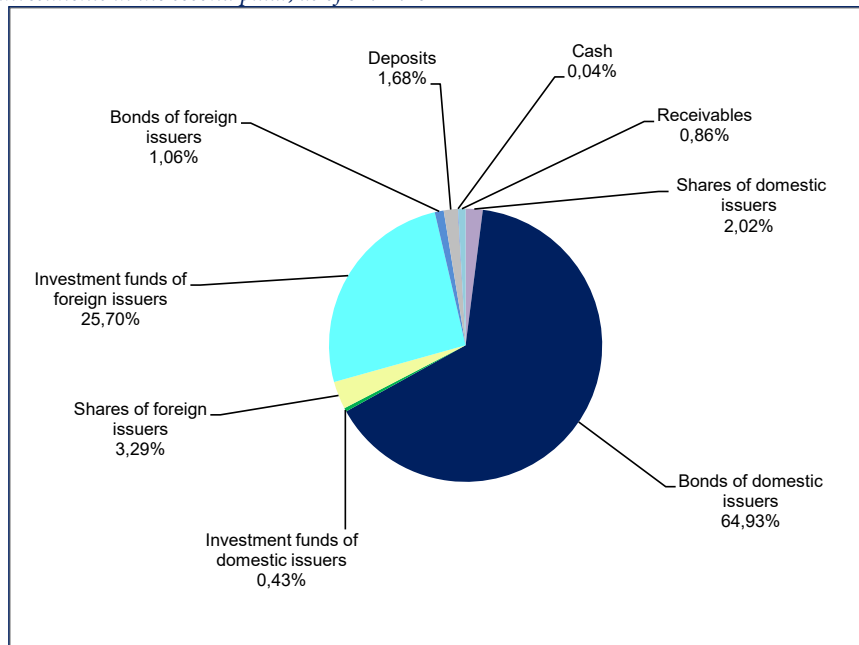


Figure 5.12. TRIGLAVm Investment Structure



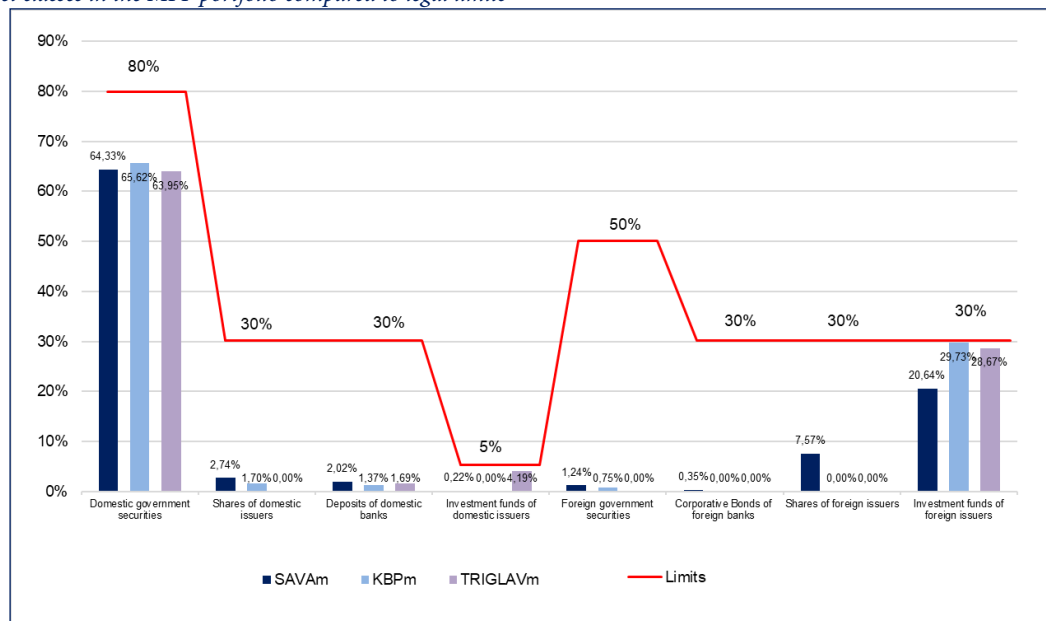
As seen in Figure 5.13, the mandatory pension fund investment structure as of December 31, 2024, is not significantly different from that of mandatory pension funds as of December 31, 2023. The proportion of domestic bonds, which solely comprise government bonds, is 64.93%, representing a one percentage point gain over the condition as of December 31, 2023 (63.99%). Bank deposits now make up 1.68% of the total. At 2.02%, the domestic share percentage is essentially unchanged from 2023. Shares of domestic investment funds make up a relatively tiny portion of the mandatory pension fund investments (0.43%). In 2024, the share of investments abroad remained almost at the same level as in the previous year, amounting to 30.05%. In 2024, two pension funds also invested in foreign government bonds, and one pension fund also invested in foreign corporate bonds, so investments in foreign securities include investments in foreign government bonds (0.90%), foreign corporate bonds (0.15%), investment fund shares (25.70%) and investments in shares (3.29%). The remaining assets are cash 0.04% and receivables 0.86%.

Figure 5.13. Structure of investments in the second pillar, as of 31.12.2024



During 2024, the three mandatory pension funds invested within the maximum investment limits. Figure 5.14. shows the percentage share in the portfolio by asset class at SAVAm, KBPm and TRIGLAVm and the legal limits, as of 31.12.2024.

Figure 5.14. Asset classes in the MPF portfolio compared to legal limits

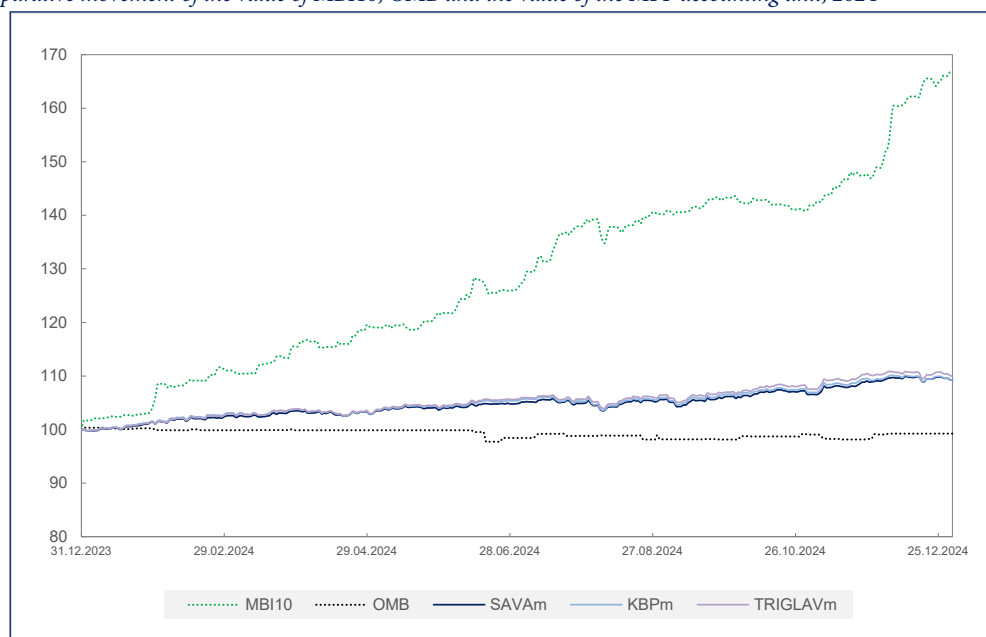


Similar to the year before, in 2024, just 2.02% of the mandatory pension funds' assets are held in domestic issuer shares. The exposure to shares is about the same in 2024 at SAVAm and KBPm as it was in 2023. Furthermore, SAVAm has a greater exposure to domestic issuer shares (2.74%) than KBPm (1.70%). As of December 31, 2024, TRIGLAVm had no holdings in domestic issuer shares.

In comparison, Figure 5.15 displays the movement¹¹ of the values of the accounting units of the mandatory pension funds, the Bond Index of the Macedonian Stock Exchange (OMB), and the Macedonian Stock Exchange Index (MBI10) during 2024.

The value of the accounting unit of SAVAm recorded an increase of 9.24%, the accounting unit of KBPm recorded an increase of 9.23% and the accounting unit of TRIGLAVm recorded an increase of 9.94%. MBI10, during 2024, recorded a significant increase of 66.78%. OMB, during 2024, recorded a decrease of 0.76%.

Figure 5.15. Comparative movement of the value of MBI10, OMB and the value of the MPF accounting unit, 2024



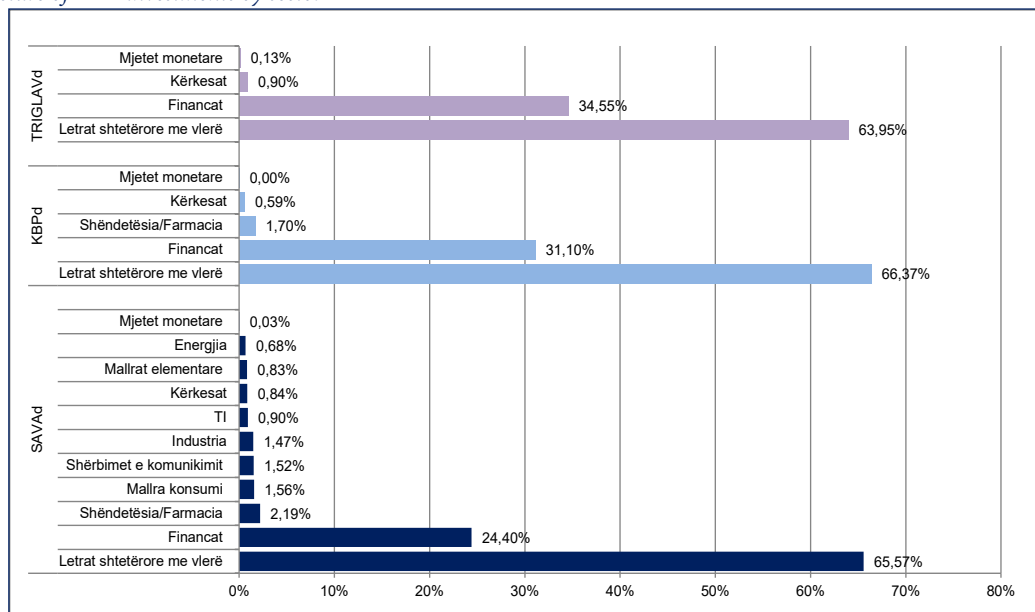
Source: MAPAS and Macedonian Stock Exchange JSC Skopje - Annual Statistical Bulletin 2024

More than 60% of the mandatory pension funds' assets in 2024 are made up of government securities, namely international government securities (1.24% at SAVAm and 0.75% at KBPm) and domestic government securities (64.33% at SAVAm, 65.62% at KBPm, and 63.95% at TRIGLAVm). Sector-wise, investments in financial sector issuers and joint stock firms account for more than a quarter of the three pension funds' assets (24.40% at SAVAm, 31.10% at KBPm, and 34.55% at TRIGLAVm). In this sector, SAVAm holds the biggest percentage of domestic bank deposits (8.29%) and foreign and domestic investment fund shares (85.54%), while financial services (3.92%), domestic bank shares (0.80%), and foreign bank bonds (1.45%) have the smallest shares. The largest portion of the financial sector at KBPm is made up of both domestic and international investment funds (95.60%), with domestic bank deposits coming in second (4.40%). The largest portion of the financial sector at TRIGLAVm is made up of both domestic and international investment funds (95.10%), with domestic bank deposits coming in second (4.90%).

Apart from the aforementioned industries, mandatory pension funds also make investments in consumer products, industry, basic goods, pharmaceuticals, information technology, communication services, and energy, but at a somewhat lower percentage (from 0.68% to 2.19%). Figure 5.16 displays the sector-by-sector investment structure of mandatory pension funds.

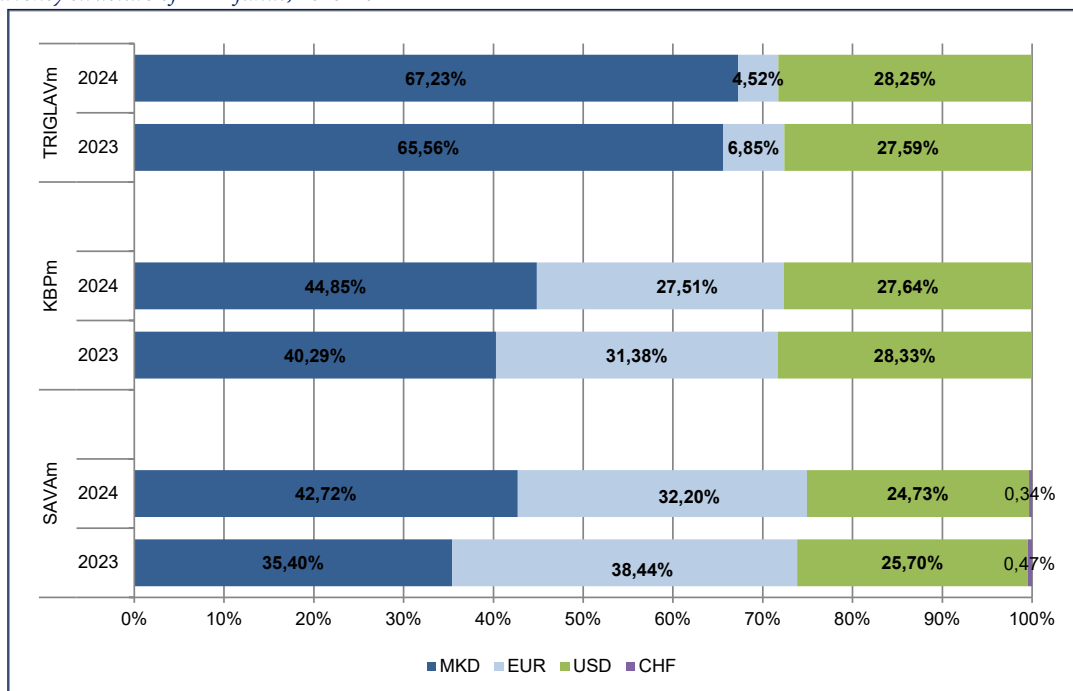
¹¹The movements are presented through the change of the indices/units in relation to the initial index equal to 100, on 31.12.2023.

Figure 5.16. Structure of MPF investments by sector



The currency structure of the mandatory pension funds' assets, as depicted in Figure 5.17, indicates that, in 2024, the majority of the assets in all three mandatory pension funds were invested in domestic currency, with a higher share than in 2023 (42.72% in SAVAm, 44.85% in KBPm, and 67.23% in TRIGLAVm). The proportion of assets held in foreign exchange-denominated securities declined. The percentage of SAVAm's instruments in euros (32.20%) is greater than the percentage in US dollars (24.73%). Swiss francs make up about 0.34 percent of SAVAm's total assets. The percentage of participants in euros (27.51%) at KBPm is about equal to the percentage of participants in USD (27.64%). The currency structure of TRIGLAVm differs from the currency structure of SAVAm and KBPm in terms of the participation in instruments in euros and denars. The weight of TRIGLAVm's assets is still on the side of the assets invested in instruments in denars (67.23%), then 28.25% of the assets are invested in instruments in US dollars, and the smallest part of the assets is invested in instruments in euros (4.52%).

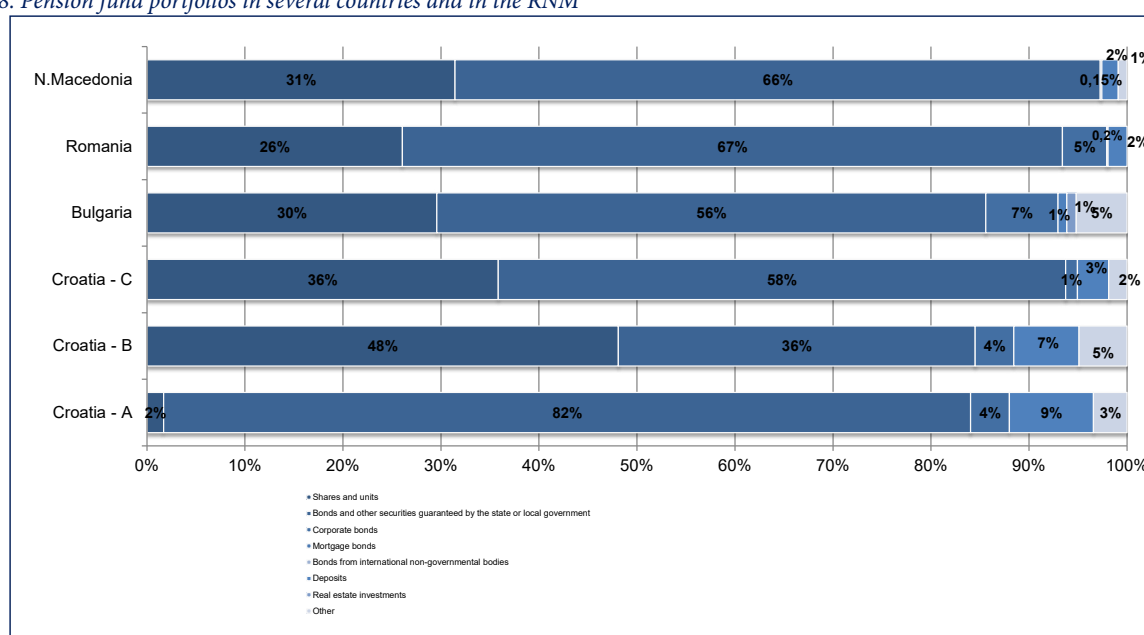
Figure 5.17. Currency structure of MPF funds, 2023-2024



If a comparison is made with the countries in the region that have similar pension systems to the Macedonian one, similarities, but also significant differences in the investment portfolios of the mandatory pension funds can be seen. Figure 5.18. shows the portfolios of the pension funds (which correspond to the mandatory pension funds in North Macedonia) in several countries and in the Republic of Macedonia, as of 31.12.2024 .

In every country, more than half of the assets of mandatory pension funds are invested in bonds and other securities guaranteed by the state or local government (67% in Romania, 66% in North Macedonia, 58% in Croatia B¹², and 56% in Bulgaria), according to an analysis of the portfolios of these funds by type of instrument. Various methods are used to invest the remaining portion of the funds. Shares and units in Croatia B account for the biggest portion of investments (36%), followed by North Macedonia (31%), Bulgaria (30%), and Romania (26%). Pension funds in Croatia B invest the most in deposits (3%), followed by Macedonia and Romania (2%), and Bulgaria (1%). Pension funds also invested in corporate bonds, namely 7% in Bulgaria, 5% in Romania and 1% in Croatia B. Compared to pension funds in other countries, the share of investments in corporate bonds in North Macedonia is significantly lower, 0.15%. Only pension funds in Bulgaria (1%) have investments in real estate (in other countries, this instrument is usually not allowed). Regarding the exposure of mandatory pension fund portfolios in instruments issued by foreign issuers¹³, it can be noted that the pension funds in Croatia B (37%), North Macedonia (30%) and Romania (10%) have the highest exposure abroad.

Figure 5.18. Pension fund portfolios in several countries and in the RNM



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

¹²In Croatia there are multi-funds, i.e., three categories of pension funds: A (with the highest risk), B (existing portfolios at the time of introduction of the multi-funds) and C (with the lowest risk).

¹³The data on foreign investments for Bulgaria dated 31.12.2023 were not available at the time of the analysis.

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

After deducting the contribution fee, contributions made to mandatory pension plans are invested right away. The assets in the mandatory pension fund, or the members' individual accounts, are responsible for the entire realised return. The firms also charge a monthly fee for asset management, which is determined daily and expressed as a percentage of the mandatory pension fund's net assets. Furthermore, transaction costs are deducted from the mandatory pension fund itself for any transaction involving its assets. Every day, the assets of the mandatory pension fund are evaluated for value. It is determined based on the market value of each individual asset or on the basis of the amortized value of the asset, if the instrument is held to maturity, or in the available-for-sale portfolio, or if its market value cannot be estimated.

Changes in the assets of the mandatory pension funds from the beginning to the end of the year occur due to:

- inflow of contributions,
- inflow of compensations for untimely transfer of contributions in case of untimely transfer of contributions,
- inflow of funds from the PDIFNM for corrections,
- outflow due to compensations and transaction fees,
- inflow due to transfer from another mandatory pension fund (for persons who were previously temporarily allocated to another fund, and then signed an agreement with the current fund and for persons who were members of another fund, and then transferred to the current fund),
- outflow due to transfer to another mandatory pension fund (for persons who were temporarily allocated to the relevant fund, but then signed an agreement with the other fund and persons who were members of the relevant fund, and then transferred to the other fund),
- outflow for persons who terminated membership agreements, outflow due to excess contributions paid, outflow due to exercising the right to disability or a family pension and an outflow for persons whose membership in the mandatory pension fund has ceased and who, during the insurance period, have completed an insurance period of increased duration that allows for a reduction in the age limit for exercising the right to an old-age pension by at least one year
- outflow due to the payment of an inheritance,
- outflow due to one-time payments to persons who have not exercised their right to old-age pension,

Table 5.6. Changes in MPF funds (in million MKD)

	SAVAm	KBPm	TRIGLAVm	Total
Net assets as of 31.12.2023	59.552,47	66.866,04	8.788,01	113.542,06
Contributions	6.616,47	7.189,27	1.670,63	13.405,28
Fees from contributions	119,06	129,37	30,06	254,80
Contributions reduced by the fees from contributions	6.488,19	7.050,63	1.638,18	13.150,47
Fee for untimely transfer of contributions	0,25	0,67	0,03	9,23
Fees from assets	234,50	264,13	38,90	448,08
Expenses for intermediary commissions	3,63	1,21	0,25	2,55
Transfer from another fund	816,44	1.119,37	2.397,47	3.524,02
Transfer to another fund	1.611,04	1.759,75	962,48	3.523,92
Transfer to the PDIFNM on the basis of contract termination, return of contribution, retirement and termination of membership	296,81	351,39	36,24	556,26
Transfer from the PDIFNM for corrections	1,57	1,93	0,00	
Inheritance payment	13,85	21,57	1,72	26,82
Payment of old-age pension - programmed withdrawals	2,26	2,69	0,03	2,97
Lump sum payment	0,24	0,77	0,00	0,22
Payment of family pension - programmed withdrawals	0,93	0,00	0,00	0,23
Gross deduction from investments	5.986,81	6.703,10	1.047,16	9.541,78
Net deduction from investments	5.748,68	6.437,77	1.008,02	9.091,15
Net assets as of 31.12.2024	70.682,46	79.340,24	12.831,23	135.206,52

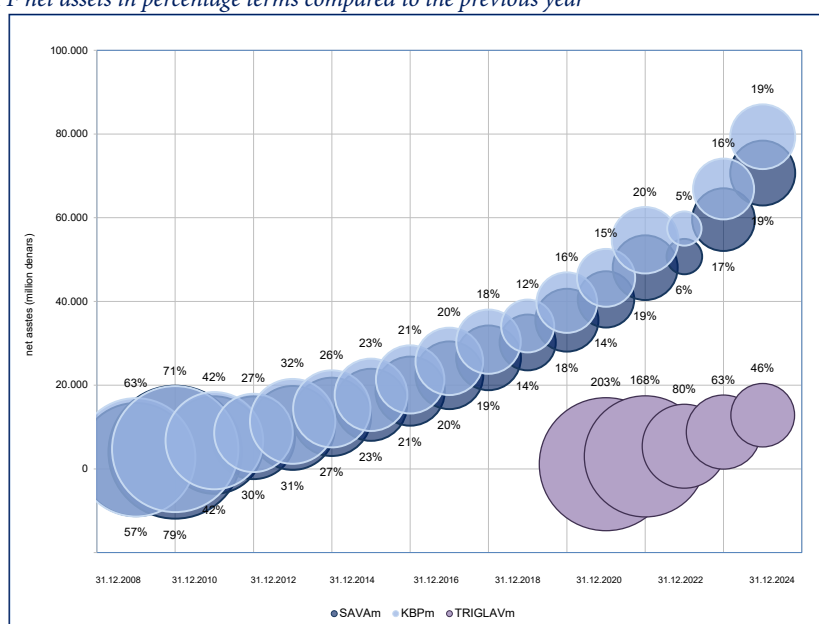
- outflow due to payment of old-age pension – programmed withdrawals,
- outflow due to payment of family pension – programmed withdrawals,
- (un)realized gains or losses from investments.

Starting from the value of net assets at the end of the previous year, and taking into account all the above-mentioned changes, the value of net assets at the end of the year is obtained, which is shown in table 5.6.

The total net assets of the mandatory pension funds, as of 31.12.2024, amounted to approximately MKD 162.85 billion or approximately EUR 2.65 billion, which represents approximately 17.16% of the GDP of the Republic of Macedonia.

Figure 5.19. shows the values of the net assets of the mandatory pension funds, at the end of each year (2008-2024), and their growth in percentage terms, compared to the net assets in the previous year. It can be noted that the net assets of both SAVAm and KBPm are growing with a similar trend. The largest increase in both SAVAm and KBPm is observed in 2009 compared to 2008, while the smallest increase is observed in 2022 compared to 2021. The growth of SAVAm and KBPm assets in 2023 and 2024 compared to the previous year is already following the expected trend. TRIGLAVm has seen a large increase in net assets in the initial years of the fund's operation.

Figure 5.19. Growth in MPF net assets in percentage terms compared to the previous year



From the start of the system's operation (i.e., from the date of the first payment, on 1.1.2006) to 31.12.2024, Figures 5.20 and 5.21 illustrate the movement of the value of net assets and cumulative contributions, as well as the growth of paid contributions and the growth of net assets of SAVAm and KBPm. The rise of paid contributions and investment returns imply the expansion of mandatory pension plans' net assets. Following a decline in growth in 2022, a strong surge in net asset growth is seen in 2023. About 60% of the net asset increase in 2024 may be attributed to paid contributions. In contrast to the initial years of the funds' existence, the proportion of paid contributions in the total growth of net assets has gradually decreased except in 2022. It can also be noted that, during the first years, the share of cumulative contributions in total net assets is significantly high, then gradually decreases, and in the last five years, it averages 80%.

In SAVAm and KBPm, net assets and cumulative contributions have been continuously growing since the beginning of the system's operation. The largest increase in net assets (around 150%) as well as in paid contributions (around 40%) in both SAVAm and KBPm was recorded in 2007. This is probably due to the largest percentage increase in membership, i.e. contributions compared to the previous year, as well as the fairly high growth of the unit. This is followed by a decline in the growth of both net assets and paid contributions. Over the years, there has been a gradual stabilization, so that the growth of net assets in the last five years, on average, is around 15%, while the growth of paid contributions is on average 10%. In 2024, compared to 2023, there is a decrease in the growth of paid contributions (13% at SAVAm and 14% at KBPm) and an increase in the growth of net assets (19% at both SAVAm and KBPm).

Figure 5.22 illustrates how the value of TRIGLAVm's net assets and cumulative contributions changed during the course of the organization's five years of operation (2019–2024), as well as how paid contributions and net asset growth increased. Even though it was smaller, TRIGLAVm's net assets and total contributions increased in 2024 over 2023. In addition to the rise in paid contributions, the transferred assets from SAVAm and KBPm to TRIGLAVm, as a result of the agreements reached for the transfer of members from SAVAm and KBPm to TRIGLAVm, are primarily responsible for the increase in TRIGLAVm's net assets.

Figure 5.20. Growth of net assets compared to the growth of paid contributions in SAVAm

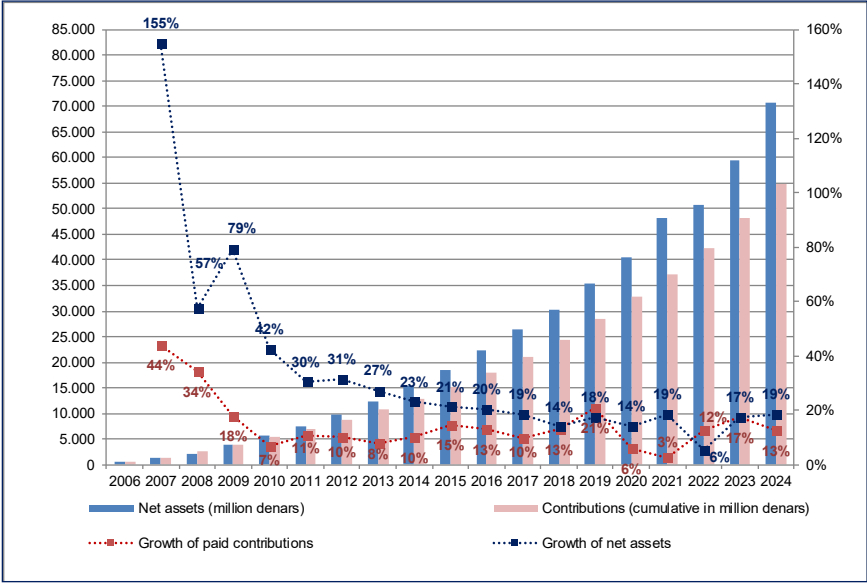


Figure 5.21. Growth in net assets compared to growth in paid contributions at KBPm

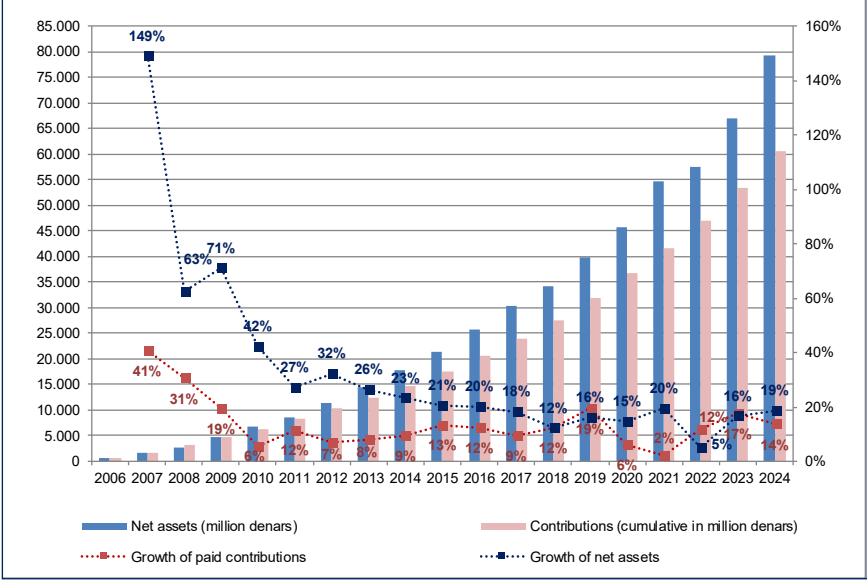
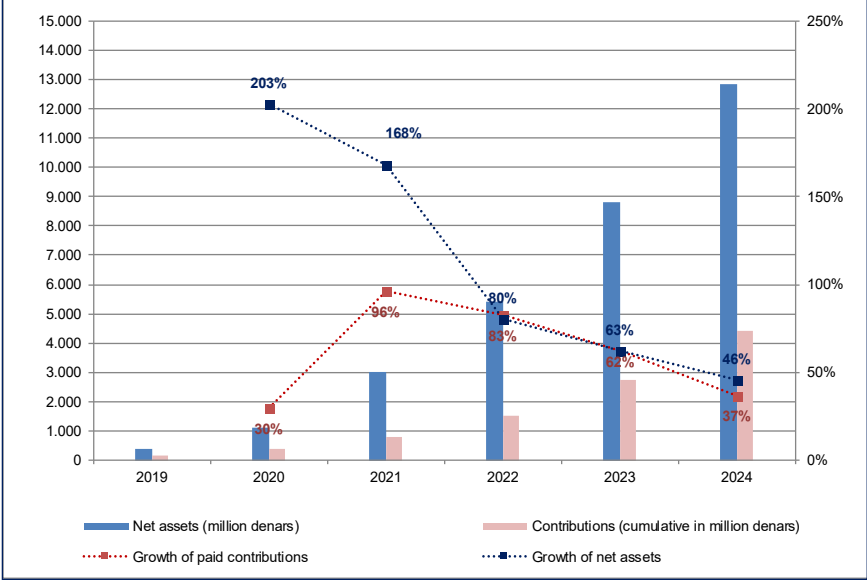


Figure 5.22. Growth in net assets compared to growth in paid contributions at TRIGLAVm



Accounting units are used to record the assets of the mandatory pension funds. A proportionate percentage of the mandatory pension fund's total net assets is represented by one accounting unit. The value of the net assets divided by the total number of accounting units for all individual accounts and sub-accounts is the value of the accounting unit. A pension fund's accounting unit has a starting value of 100 denars. Depending on the amount of money invested, the value of the instruments in which the assets of the pension funds are invested, and the collection of fees and commissions, pension funds—including Macedonian ones—are susceptible to cyclical phenomena and movements, which suggests that the values of their accounting units may rise or fall.

Table 5.7, Figure 5.23, and Figure 5.24 show the change in the value of the accounting units of the mandatory pension funds from the start of the system's operation until December 31, 2024. Furthermore, there has been an upward tendency in the number of accounting units since SAVAm and KBPm started operating. A third mandatory pension fund, TRIGLAVm, went into operation on 1.4.2019. After deviating from the increase trend in 2022 (9.24% for SAVAm, 9.23% for KBPm, and 9.94% for TRIGLAVm), the values of the accounting units of the three mandated pension funds continued to grow in 2024. Since pension funds are long-term in nature, it is appropriate to evaluate their performance over an extended period of time.

Figure 5.23. Value of the MPF unit of account since the beginning of the system

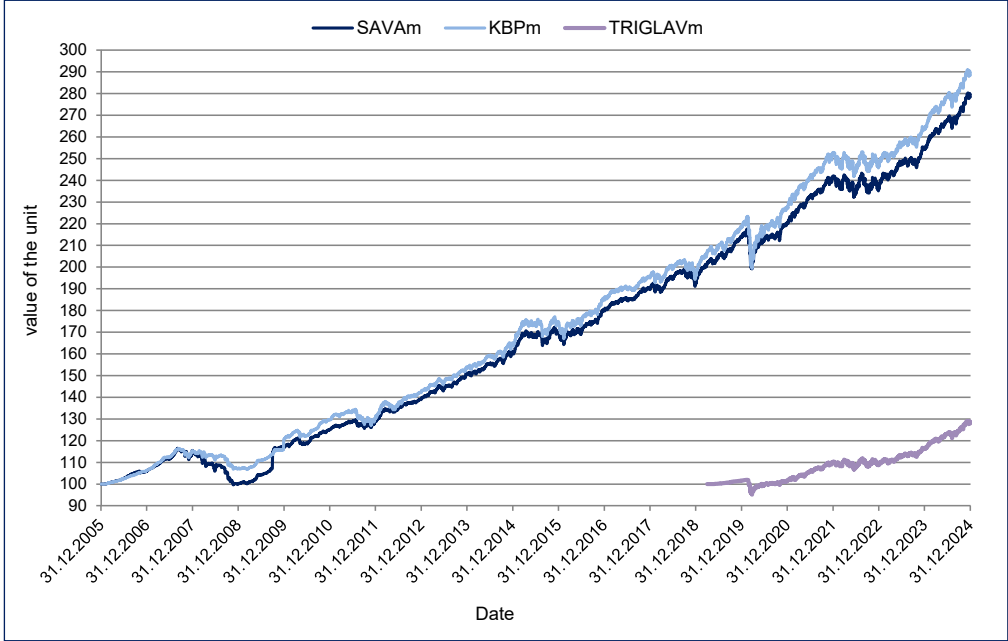


Figure 5.24. Value of the MPF unit of account in 2024

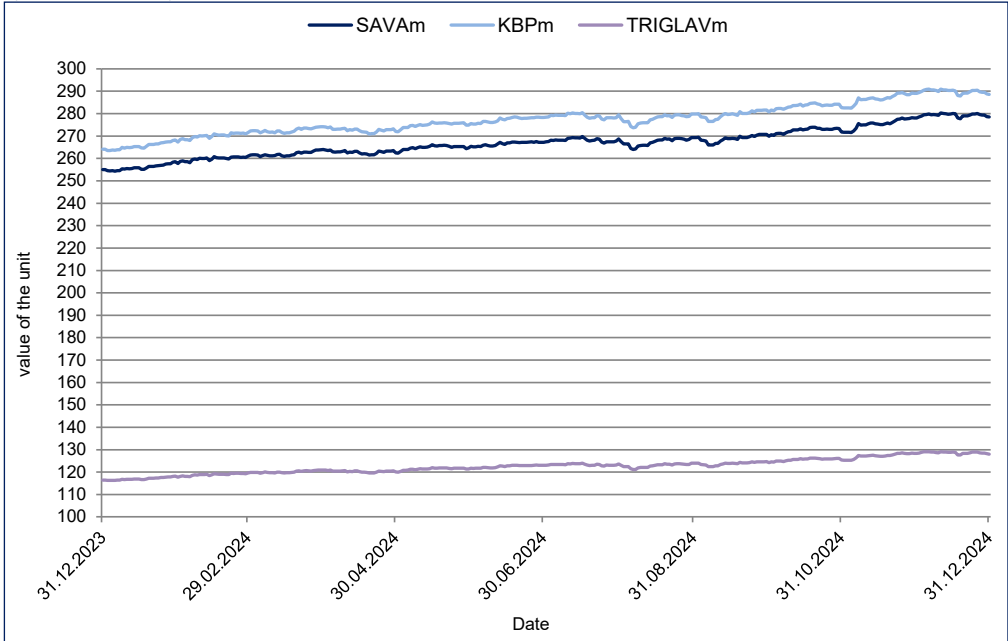


Table 5.7. Value of the accounting unit from the beginning of the system

Date	Value of accounting unit (in denars)		
	SAVAm	KBPm	TRIGLAVm
31.12.2006	105,929336	106,265900	
31.12.2007	115,511364	115,303221	
31.12.2008	100,155213	107,116421	
31.12.2009 ¹⁴	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	
31.12.2014	160,733889	164,578077	
31.12.2015	170,193521	174,392410	
31.12.2016	179,771032	184,786292	
31.12.2017	189,686331	195,037486	
31.12.2018	193,113009	196,706281	
31.12.2019	213,757775	218,317207	101,578448
31.12.2020	220,489334	227,667060	101,665261
31.12.2021	241,504146	252,373824	110,128711
31.12.2022	235,843874	246,231776	108,891957
31.12.2023	254,969666	264,141459	116,463817
31.03.2024	263,955916	274,165303	120,959933
30.06.2024	267,205747	278,351615	123,032032
30.09.2024	270,708763	281,578001	124,679069
31.12.2024	278,518719	288,532506	128,039370

The yield on the individual account fluctuates based on the company's fees and the income of the mandated pension fund. Since it depends on the state of the capital market and the economy as a whole, the yield, or profit, is a metric that is impossible to forecast with any degree of accuracy. Given the long-term nature of pension insurance, it is important to calculate the yield of the mandatory pension funds since the beginning of the system, i.e. since the beginning of the operation of the mandatory pension fund, reduced to an annual level, which for SAVAm is 5.54% in nominal terms, i.e. 2.36% in real terms, for KBPm 5.73% in nominal terms, i.e. 2.55% in real terms. The yield since the beginning of the operation of TRIGLAVm reduced to an annual level is 4.39% in nominal terms, i.e. -1.28% in real terms.

Figure 5.25, which displays the yields by periods (from the start of the system to the relevant date), by funds (for SAVAm and for KBPm), and from the start of the system to December 31, 2024, illustrates the movement of the yield in nominal amount over the 19 years of the MFP insurance. Additionally, it displays the yields by time period from the start of TRIGLAVm until the pertinent date. An increase in yield is shown at the start of the system's existence, leading to high yields at the end of 2006 and 2007 and the lowest yields at the end of 2008 due to unfavourable events in the local and international financial markets. After that, there is a slow rebound from the crisis and a rise in yields until the end of 2009 and the end of 2010. Returns were somewhat lower at the end of 2011 than they were at the end of 2010. With minor variations from the growth of returns at the end of 2015, the first half of 2016, and the returns in 2018, a rise was noted throughout the next years. The influence of pricing on international financial markets, which saw increased volatility in 2018 and a decline at the end of the year, is mostly to blame for the reduced results in 2018.

During 2019, a gradual increase in returns was observed. In 2020, lower returns were observed compared to 2019 for SAVAm and KBPm, mostly due to the unfavorable conditions on financial markets in the context of the Corona virus pandemic. TRIGLAVm in the initial years of its operation and in exceptional circumstances due to the unfavorable conditions on the financial markets in the context of the Corona virus pandemic, recorded a return in a nominal amount less than zero, which was already compensated in the following period. After the decline in returns in 2022 due to the global crisis caused by the military conflict between Ukraine and Russia, in 2023 and 2024 a slight increase in returns is observed among the three pension funds.

¹⁴In the second half of 2009, both SAVA and KB First made decisions on reclassification of the financial instruments held to maturity in the category of available-for-sale financial instruments and, in this procedure, the companies reassessed the value of the financial instruments, by applying an objective, fair value and determined the value of the assets, net assets, the value of the accounting units and the number of accounting units, which caused a relatively high correction in the value of the accounting units.

¹⁵TRIGLAVz is included in the comparative return analyses with a calculated return for the respective periods, according to the regulation, because it exists longer than 12 months, however less than 84 months.

¹⁶The formulas for calculating the yield in nominal and real amount are prescribed in the Rulebook for assessment of the assets of the mandatory and voluntary pension funds.

Table 5.8. Yields of MPF

Period*	SAVAm		KBPM		TRIGLAVm	
	in nominal amount	in real amount	in nominal amount	in real amount	in nominal amount	in real amount
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%			
31.12.2006 - 31.12.2013	5,20%	2,16%	5,41%	2,37%		
31.12.2007 - 31.12.2014	4,83%	2,67%	5,21%	3,05%		
31.12.2008 - 31.12.2015	7,87%	6,45%	7,21%	5,80%		
31.12.2009 - 31.12.2016	6,34%	4,74%	6,27%	4,67%		
31.12.2010 - 31.12.2017	6,13%	4,63%	6,01%	4,51%		
31.12.2011 - 31.12.2018	5,93%	4,72%	6,01%	4,80%		
31.12.2012 - 31.12.2019	6,31%	5,74%	6,29%	5,72%		
31.12.2013 - 31.12.2020	5,54%	4,84%	5,76%	5,06%	-	-
31.12.2014 - 31.12.2021	5,98%	4,48%	6,29%	4,79%	-	-
30.06.2019 - 31.12.2021	-	-	-	-	3,84%	1,01%
31.12.2015 - 31.12.2022	4,77%	0,73%	5,05%	1,00%	-	-
30.06.2019 - 31.12.2022	-	-	-	-	2,40%	-4,40%
31.12.2016 - 31.12.2023	5,12%	0,51%	5,23%	0,63%	-	-
30.06.2019 - 31.12.2023	-	-	-	-	3,40%	-2,76%
31.03.2017 - 31.03.2024	5,30%	0,64%	5,43%	0,77%	-	-
30.06.2019 - 31.03.2024	-	-	-	-	4,04%	-2,03%
30.06.2017 - 30.06.2024	5,42%	0,78%	5,63%	0,98%	-	-
30.06.2019 - 30.06.2024	-	-	-	-	4,19%	-1,85%
30.09.2017 - 30.09.2024	5,37%	0,48%	5,60%	0,70%	-	-
30.06.2019 - 30.09.2024	-	-	-	-	4,25%	-1,80%
31.12.2017 - 31.12.2024	5,64%	0,74%	5,75%	0,84%	-	-
30.06.2019 - 31.12.2024	-	-	-	-	4,55%	-1,34%
Start** - 31.12.2024	5,54%	2,36%	5,73%	2,55%	4,39%	-1,28%

*Until the adoption of the amendments to the Law on Mandatory Fully Funded Pension Insurance from January 2013, the return of the mandatory pension fund was calculated for a period of 3 years, only in nominal amount.

**The date of commencement of operation of SAVAz and KBPz is 01.01.2006. The date of commencement of operation of TRIGLAVz is 01.04.2019.

Figure 5.25. MPF yield (in nominal amount)

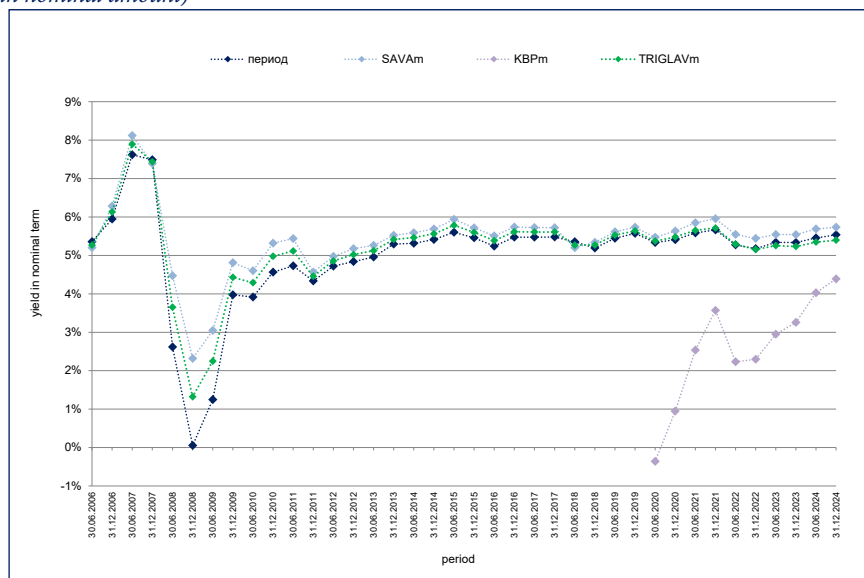


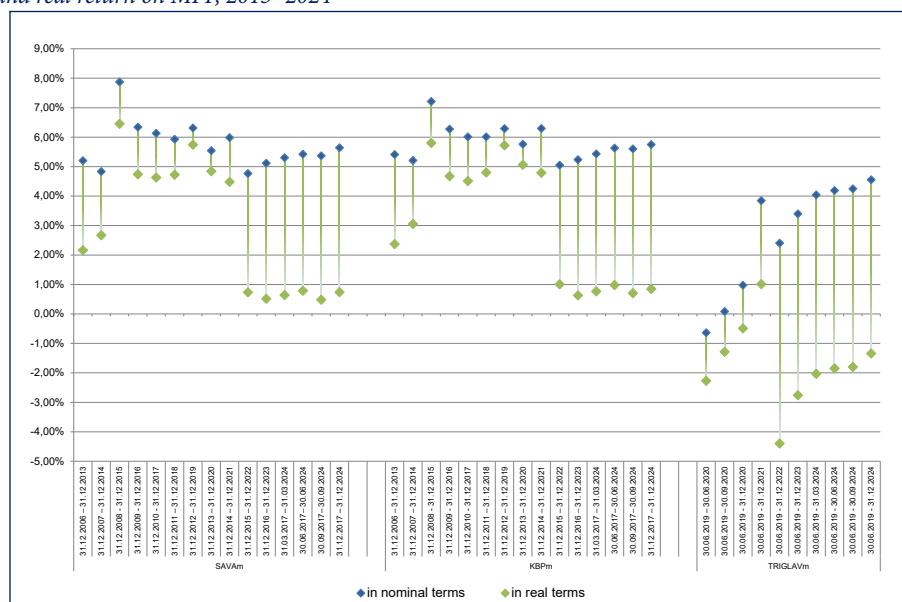
Figure 5.26 shows the movement of the yield in nominal and real amounts by seven-year intervals that were transformed into an equal annual rate of return by the mandatory pension fund between 2013 and 2023 (on an annual basis) and 2024 (on a quarterly basis). Because it exists for more than 12 months but shorter than 84 months, this figure also illustrates the movement of the yield in nominal and actual quantities of TRIGLAVm during the relevant periods in compliance with the rule.

SAVAm's yield rose from 5.12% to 5.64% in nominal terms and from 0.51% to 0.74% in real terms in 2024, while KBPm's yield rose from 5.23% to 5.75% in nominal terms and from 0.63% to 0.84% in real terms. For pension funds that have been around for more than seven years, the third quarter had the lowest yield in both nominal and real terms. Beginning operations in April 2019, the third mandatory pension fund saw a rise in yield in 2024, both in nominal terms (from 3.40% to 4.55%) and real terms (from -2.76% to -1.34%).

The change in the level of living costs in the calculation periods, which were reduced to an annual level during the period under review (2013–2024), decreased until 2019 and affected the gradual approximation of returns in real terms to returns in nominal terms. After 2019, however, there was an increase, particularly in 2022, which affected the gradual divergence of returns in real terms from returns in nominal terms.

The change in the weighted average¹⁷ of the accounting units of the mandatory pension funds, reduced to an annual level, yielded a seven-year return on the level of mandatory fully funded pension insurance for the period 31.12.2017–31.12.2024 of 5.03% in nominal terms or 0.16% in real terms.

Figure 5.26. Nominal and real return on MPE, 2013–2024



5.7 Fees in mandatory pension funds

In compliance with the law, the companies charge a contribution fee, a fee from assets, and a transition fee for the purposes of managing the assets of the mandatory pension fund, assessing the assets, enrolling, maintaining individual member accounts, and reporting to members, as well as for paying the fees for MAPAS, the PDIFNM, and the custodian and for covering their own expenses.

Businesses that operate under a pension system like to the Macedonian one frequently use this way of funding pension firms.

In contrast to the fee collected from assets, which is deducted at the end of each month from the total assets under management, the fee charged as a percentage of contributions is paid once upon payment of the contribution and is then invested until the funds are withdrawn. The weight of contribution-based fees is “at the beginning,” meaning that they are comparatively high in the first few years. Because the accumulated assets are higher the closer to retirement¹⁸, asset-based fees are weighted “at the end.” The asset charge will grow in significance with time, and the contribution fee won’t have a major effect on the member’s pension amount in the long term.

The types and amounts of fees charged by companies managing mandatory pension funds in 2024 are shown in Table 5.9.

¹⁷The average value is calculated as a weighted average of the accounting units of the mandatory pension funds in relation to the net assets of the mandatory pension funds.

¹⁸Administrative Charges for Funded Pensions: An International Comparison and Assessment, Edward Whitehouse, June 2000.

Table 5.9. Fees charged by companies managing mandatory pension funds in 2024

Type of fee	SAVA	KB First	TRIGLAV***
Fee from contributions	1,80%*	1,80%*	1,80%*
Monthly fee from the assets of the mandatory pension fund	0,030%**	0,030%**	0,030%
Transfer fee			
Number of days****	Amount of transfer fee	Amount of transfer fee	Amount of transfer fee
number of days ≤ 720	15 Euros	15 Euros	15 Euros
number of days > 720	Transfer fee not charged	Transfer fee not charged	Transfer fee not charged

* Legally determined maximum for 2024 is 2.00% (Previously the amount was 1.90% for all MPF.).

**The amount is equal to the legally determined maximum for 2019 (Previously the amount was 0,035% both in SAVAm and KBPm).

*** The amount is equal to the legally determined maximum for 2019. Since April, 2019

**** The number of days is calculated from the date on which the member acquired the status of a member of the existing mandatory pension fund (or from the first of the month for which the member acquired the right to contribute to the existing mandatory pension fund, in case of first membership) to the date of transfer of the funds to the individual account of the member in the future mandatory pension fund.

The contribution fee was first decided by tender, and SAVA and KB First charged an initial cost of 8.50%. Additionally, this cost was steadily and consistently lowered as the system evolved, state institutions' fees from businesses decreased, and the amount of contributions and funds—the foundation for determining the fees—grew. In Table 5.10, the total amount of contribution fees collected from the system's inception until 2024 is displayed.

Table 5.10. Amount of the fees from contributions collected by the pension companies in the second pillar

Pension company	Amount	Date of application	Pension company	Amount	Date of application	Pension company	Amount	Date of application
SAVA	9,90%	Tendered	KB First	9,90%	In a tender	TRIGLAV	2,25%	From April 2019
	8,50%	Since the beginning of the system (2006)		8,50%	Since the beginning of the system (2006)		2,00%	From January 2020
	7,90%	Since July 2007		7,90%	From July 2007		1,90%	Since January 2023
	6,90%	Since February 2008		6,80%	From February 2008		1,80%	Since January 2024
	6,50%	Since May 2009		5,50%	From January 2010			
	5,50%	Since January 2010		4,50%	From January 2011			
	4,50%	Since January 2011		4,00%	From January 2012			
	4,00%	Since January 2012		3,75%	From June 2013			
	3,75%	Since June 2013		3,50%	From January 2014			
	3,50%	Since January 2014		3,25%	From January 2015			
	3,25%	Since January 2015		3,00%	From January 2016			
	3,00%	Since January 2016		2,75%	From January 2017			
	2,75%	Since January 2017		2,50%	From January 2018			
	2,50%	Since January 2018		2,25%	From January 2019			
	2,25%	Since January 2019		2,00%	From January 2020			
	2,00%	Since January 2020		1,90%	Since January 2023			
	1,90%	Since January 2023		1,80%	Since January 2024			
	1,80%	Since January 2024						

As of May 2013, the legally mandated asset charge was equal to 0.05% of the mandatory pension fund's net asset value every month; by December 2014, it had increased to 0.045%. As of December 2016, the cost was 0.04%, starting in January 2015. The charge for January 2017 was 0.035%. Beginning in January 2019, the cost was 0.030%.

Since 2013, the legislation has specified a maximum contribution fee and asset fee amount that pension firms are permitted to charge, as well as a mechanism for their progressive decrease. The contribution fee was lowered by all pension firms in 2024 from 1.90% to 1.80% of the required payments made to the pension funds.

Table 5.11. Collection of fees by companies, in 2024 (in millions of denars)

	Jan.	Feb.	March.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
SAVAm- total	26,65	27,75	28,07	29,16	28,87	29,22	30,18	29,27	30,02	30,57	31,25	32,55	353,56
From contributions	8,67	9,39	9,40	10,27	9,69	9,77	10,45	9,46	9,98	10,14	10,49	11,34	119,06
From assets	17,98	18,36	18,67	18,89	19,18	19,45	19,73	19,81	20,04	20,43	20,76	21,21	234,50
KBPM - total	29,71	31,01	31,37	32,39	32,13	32,57	33,48	32,52	33,38	34,28	34,48	36,15	393,49
From contributions	9,44	10,24	10,27	11,12	10,55	10,66	11,29	10,28	10,82	11,28	11,10	12,32	129,37
From assets	20,27	20,77	21,10	21,27	21,58	21,91	22,20	22,25	22,56	23,00	23,38	23,83	264,13
TRIGLAVm – total	4,76	5,03	5,16	5,44	5,48	5,66	5,94	5,79	6,04	6,32	6,48	6,87	68,96
From contributions	2,07	2,22	2,25	2,46	2,40	2,46	2,64	2,43	2,59	2,73	2,76	3,03	30,06
From assets	2,69	2,81	2,91	2,98	3,08	3,19	3,30	3,35	3,45	3,59	3,72	3,84	38,90

Transaction fees are paid from the mandatory pension fund's assets to certain legal companies that offer securities services both locally and internationally in connection with transactions for the purchase or transfer of the fund's assets. A percentage of the total value of each completed transaction is used to compute transaction fees.

In 2024, SAVAm collected MKD 3.63 million in transaction fees, KBPM earned MKD 1.21 million, and TRIGLAVm received MKD 0.25 million.

5.8 Payment of pensions from mandatory fully funded pension insurance

The requirements for obtaining the right to a pension are same for the first and second pillars: a minimum of 15 years of work experience and an age restriction of 64 for men and 62 for women.

The minimum pension and a portion of the old-age, survivor, and disability pensions are paid by the first pillar. According to a preset formula, the first pillar pension is computed as a defined pension (a certain percentage based on years of service multiplied by a pension base derived from realised income throughout the course of one's working life).

A portion of the old-age pension is paid by the second pillar in the manner that the member chooses:

- a pension annuity with the entire amount of funds accumulated in the member's individual account; the annuity is paid until the end of life, by an insurance company authorized for that purpose, or
- programmed withdrawals, from the accumulated funds in the member's individual account and are paid by a company that manages a mandatory pension fund, or
- a combination of the above methods.

The Law on Payment of Pensions and Pension Benefits from Fully Funded Pension Insurance governs the supply of pension annuities and planned withdrawals.

The entire amount of the money in the insured person's account is transferred to the PDIFNM, and the PDIFNM pays the full disability pension if the insured person who has obtained the right to one is a member of the second pillar. As an exception, a member may elect to utilise a second pillar pension in lieu of a disability pension if the total amount of money in their account exceeds the amount needed to pay one under the Law on Pension and Disability Insurance.

The whole amount of money in the member's account is transferred to the PDIFNM, which then pays the complete family pension in the case of the death of a member of a mandatory pension fund from the second pillar, whose members are eligible for one. As an exception, the beneficiary of a family pension may elect to use a second pillar pension in lieu of the family pension if the total amount of funds in the member's account exceeds the amount needed to pay the pension in line with the Law on Pension and Disability Insurance.

Members of the second pillar, or the family members of a deceased member, realised 122 disability pensions and 329 family pensions in 2024. As a result, their accrued assets were moved to the PDIFNM, which is where the disability pension and family pension are paid. An old-age pension from the second pillar started to be given to 35 members in 2024 through planned withdrawals. A family member of one dead member who was eligible for a family pension also started receiving temporary programmed withdrawals in 2024.

While in 2024, a second-pillar old-age pension was paid, through programmed withdrawals, for a total of 71 retired members (including members who began withdrawing funds in previous years and temporary programmed withdrawals were paid for family members of three deceased members, who were entitled to a family pension).

There are also cases in which funds are paid from the member's individual account, without the right to a pension being exercised, as follows:

- when the deceased member of a mandatory pension fund has no family members who are entitled to a family pension, then the funds in that member's account become part of the testator's estate and are dealt with in accordance with the Law on Inheritance;

- A mandatory pension fund member may only exercise a pension from the funds from the second pillar if the pension exceeds or equals 40% of the lowest pension amount; if the calculated pension amount is less than 40% of the lowest pension amount, the mandatory pension fund will pay the member the accumulated funds in his account all at once. This is because a member of the fund will not be eligible for an old-age pension under the Law on Pension and Disability Insurance because he has not completed at least 15 years of pension service. In certain situations, payment of the entire amount accrued can be paid after turning 65, and a pension can only be realised from the funds of the second pillar.

In 2024, money from the individual accounts of 123 members who passed away was given out as inheritance. Additionally, six participants received a single payment of monies.

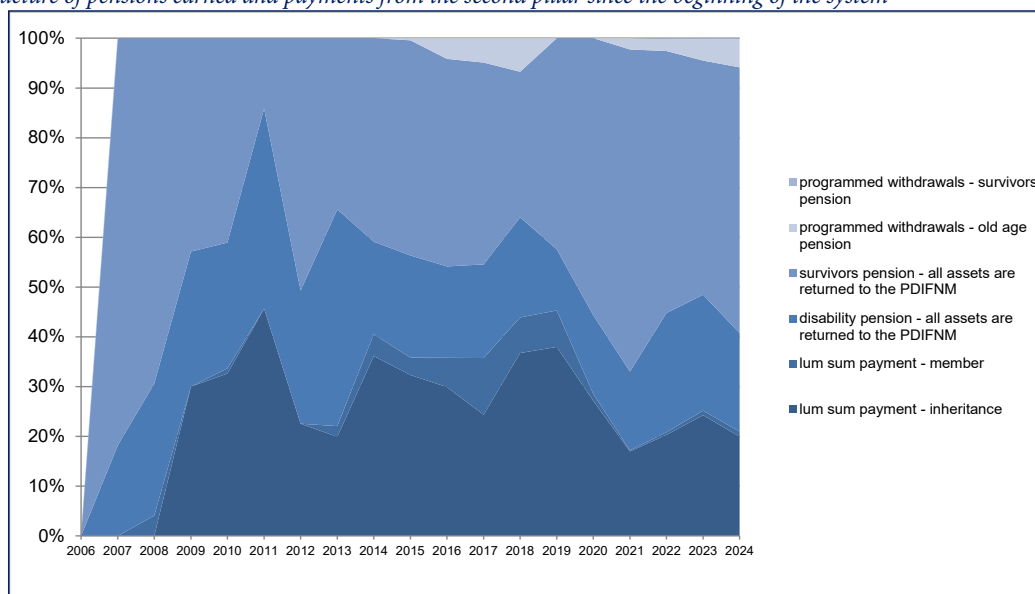
Table 5.12 provides a more thorough summary of the 2024 realised pensions and payments for second pillar members by mandatory pension funds.

Table 5.12. Realized pensions and payments for members in the second pillar in 2024

Type of pension and payment / Mandatory pension fund	SAVAm	KBPm	TRIGLAVm	Total
Disability pension	61	54	7	122
Survivor's pension	136	180	13	329
Old age pension - programmed withdrawals	14	20	1	35
Survivor's pension - programmed withdrawals	1	0	0	1
Lump sum – member	2	4	0	6
Lump sum – inheritance	50	65	8	123
Total	264	323	29	616

Throughout the seventeen years that the second pillar has been in place, up until and including 2024, Figure 5.27 illustrates the structure of realised pensions and payments from the second pillar. Due to the fact that the members are young, there aren't many payments. The majority of payments are made in the event of a member's death through realised family pensions or inheritance payments, followed by payments based on realised disability pensions. The smallest amount of payments are made to members one-time or through planned withdrawals.

Figure 5.27. Structure of pensions earned and payments from the second pillar since the beginning of the system



6 Information on voluntary pension funds

- 6.1 Purpose of voluntary fully funded pension insurance
- 6.2 Membership in voluntary pension funds
- 6.3 Member account transfer in the same or another voluntary pension fund
- 6.4 Contributions in voluntary pension funds
- 6.5 Investment and portfolio structure of the voluntary pension funds
- 6.6 Net assets, accounting unit and rate of return of voluntary pension funds
- 6.7 Fees in voluntary pension funds
- 6.8 Payment of pension benefits from voluntary fully funded pension insurance

6. Information on voluntary pension funds

As of 2024, there are 33,572 members in the voluntary fully funded pension insurance, representing a 6.58% increase in membership over the previous year and roughly the same number as the previous year. About 49% of participants in a pension plan have a professional account, whereas roughly 51% of all members in the third pillar have a voluntary individual account. In 2024, there was a little more movement in the members' transfers from one voluntary pension fund to another thanks to the new one.

About MKD 533.92 million were paid into the voluntary pension accounts overall in 2024.

In comparison to the required pension funds, the total assets of the voluntary pension plans expanded more rapidly, increasing by 21.74% to reach MKD 4.36 billion, or around 0.46% of the RNM's GDP. The voluntary pension funds' investment portfolio structure indicates a little rise in the proportion of foreign assets, mostly as a result of the rise in the proportion of foreign government bonds. Government securities (55.76%), deposits (4.90%), stocks (5.96%), and a very small percentage of investment fund shares (1.25%) make up the domestic portion of the investment portfolio in 2024. The foreign portion includes investments in corporate bonds (0.16%), foreign government bonds (2.65%), investment fund shares (24.12%), and stocks (4.45%).

After deviating from the growing trend in 2022, the values of the accounting units of the four voluntary pension funds increased once again in 2024 (10.45% of SAVAv, 9.47% of KBPv, 9.43% of TRIGLAVv, and 14.55% of WFPv). Regarding the return on pension funds, both mandatory and voluntary pension funds had a little rise in return in 2024 in both nominal and real amounts over the seven-year period 2018–2024. Nevertheless, even when the change in living expenses is lowered to an annual level, it still has a big impact on the real return in 2024.

Based on the change in the weighted average of the accounting units of the voluntary pension funds, an average annualised return of 5.33% in nominal terms or 0.44% in real terms was attained at the third pillar level for the seven-year period 2018–2024.

332 pension benefits and third-pillar payments were made in 2024.

6.1 Purpose of voluntary fully funded pension insurance

In order to harmonise the social insurance system in the RNM with the systems in the EU, the main goals of the voluntary fully funded pension insurance are to: provide a higher income after retirement for those who are already insured in the single-pillar and/or two-pillar pension system; provide a pension to those who are not personally or through others covered by the mandatory pension insurance; and provide the necessary conditions for the establishment of occupational pension schemes. The basic principles of the voluntary fully funded pension insurance are as follows: providing additional funds in the event of old age, membership on a voluntary basis, capital financing on the principle of defined contributions, investment of funds based on security, risk diversification and maintaining adequate liquidity, as well as transparency.

As is customary in many European countries with occupational pension schemes, where employers or citizens' associations organise and finance additional pension insurance for their employees, i.e., members, the RNM can also have voluntary pension insurance, which offers coverage to a large group of people from the RNM population as well as those who are not citizens of the RNM. Additionally, occupational pensions will, in the future, play an increasingly important role in supplementing income after retirement, given the mounting pressure on European social security systems.

In order to ensure a stable, long-lasting, and effective social security system that should ensure a respectable level of life in old age, occupational pensions should be created in addition to social security. An employer or citizens' organisation (insurer) may set up and fund an occupational pension plan and make contributions to a voluntary pension fund on behalf of its workers and members under the third pillar. Occupational pension plans can be jointly organised and funded by a number of employers or groups of people. The insurer and the business it has selected to oversee the voluntary pension fund, which will incorporate the occupational pension plan, enter into an agreement.

It is anticipated that voluntary fully funded pension insurance will have a further substantial effect on the overall economy by boosting population savings, boosting investment power, and promoting the growth and expansion of the capital market through the use of voluntary pension fund assets, raising demand for new financial services and instruments, etc.

In the second part of 2009, fully funded voluntary pension insurance went into effect, allowing licensed businesses to administer voluntary pension plans. Open Voluntary Pension Fund "NLB Penzija Plus" - Skopje started operating on 15.7.2009, while KB Prv Open Voluntary Pension Fund - Skopje, on 21.12.2009. In June 2018, MAPAS gave approval to change the name of the pension fund Open Voluntary Pension Fund - "NLB Pension Plus" Skopje to Open Voluntary Pension Fund Sava Pension Plus. Triglav Open Voluntary Pension Fund - Skopje started operating on 1.3.2021. WFP Open Voluntary Pension Fund - Skopje started operating on 18.10.2022.

6.2 Membership in the voluntary pension funds

A person can acquire membership in a voluntary pension fund in three ways:

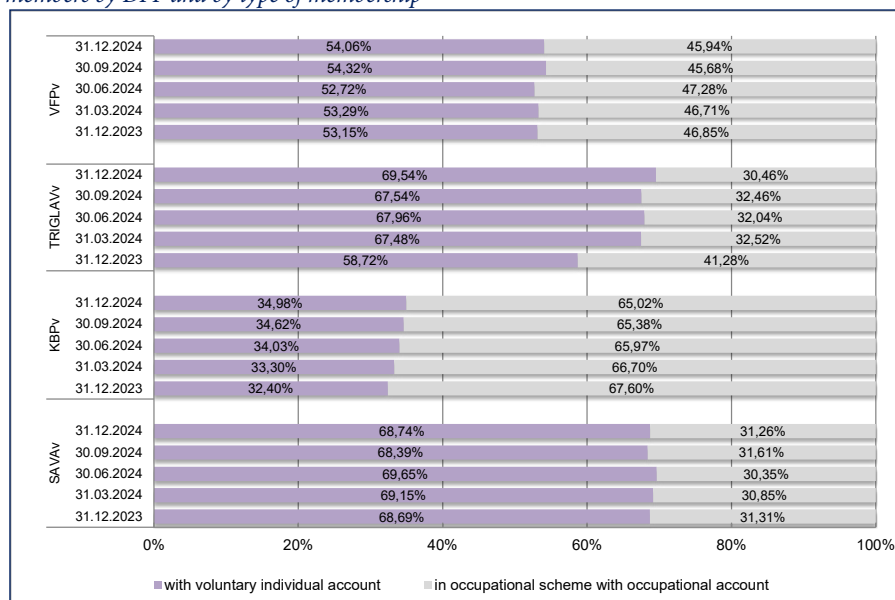
1. by signing a voluntary pension fund membership agreement between the person and the company and by opening a voluntary individual account,
2. by signing a voluntary pension fund membership agreement between the person, the natural person who pays in the name and on behalf of the person (payer) and the company and by opening a voluntary individual account,
3. by participating in an occupational pension scheme, organized by his employer or by an association of which he is a member and by opening a professional account.

A person is only permitted to have one professional account and one optional personal account. These accounts may be in separate voluntary pension schemes or the same one.

As of December 31, 2024, there are 33,572 members in the optional fully paid pension insurance, which is 2,072 more than on December 31, 2023, or a 6.58% rise in membership. The 2024 membership growth over 2023 keeps it at around the same level as the previous year. 16,532 (about 49%) are participants in a pension plan with a professional account, whereas 17,040 (approximately 51%) are members with a voluntary person account. Since TRIGLAVv and WFPv have a relatively small number of members (0.59% of the total number of members are in TRIGLAVv and 1.80% in WFPv), in terms of the distribution of members by voluntary pension funds, as of 31.12.2024, there is no significant change in the voluntary pension funds operating since 2009 compared to the situation in the previous year, i.e. about 45.11% of the members are in SAVAv, while about 52.51% are in KBPv.

According to Figure 6.1, which displays the member structure by voluntary pension fund and membership type at the quarterly level in 2024, there is a notable variation in the four voluntary pension funds' membership types. Regarding the composition of members by kind as of December 31, 2024, SAVAv and KBPv have not changed much from the year before. In particular, KBPv has more members in pension plans with professional accounts (65.02%), but SAVAv has more members with voluntary individual accounts (68.74%). As of December 31, 2024, TRIGLAVv has seen a greater shift in its member structure by type than it did the year before, and at the end of 2024, a greater percentage of its members (69.54%) had voluntary individual accounts. Additionally, WFPv has not changed significantly from the previous year, and membership is distributed more evenly, despite the fact that a greater percentage of members (54.06%) have voluntary individual accounts.

Figure 6.1. Structure of members by DPF and by type of membership



According to our experience thus far, individuals with individual accounts often pay their own fees, but in a few instances, there are members for whom a payer makes contributions (only 957, or 5.62%, of the 17,040 members with individual accounts have a payer). People who are not citizens of RNM can also join the optional fully paid pension insurance. Only 0.01% of the third pillar's current membership are foreign nationals, which is a relatively tiny percentage.

There are 4,734 members in SAVAv who participate in 1,240 occupational pension schemes, 11,461 members in KBPv who participate in 2,853 occupational pension schemes, 60 members in TRIGLAVv who participate in 5 occupational pension schemes, and 277 members in WFPv who participate in 67 occupational pension schemes. Occupational pension plans with a few dozen members and those with just one or two members are also available. Out of all the plans, four have more than 500 members, one

Figure 6.2. Distribution of members in the third pillar in occupational pension schemes

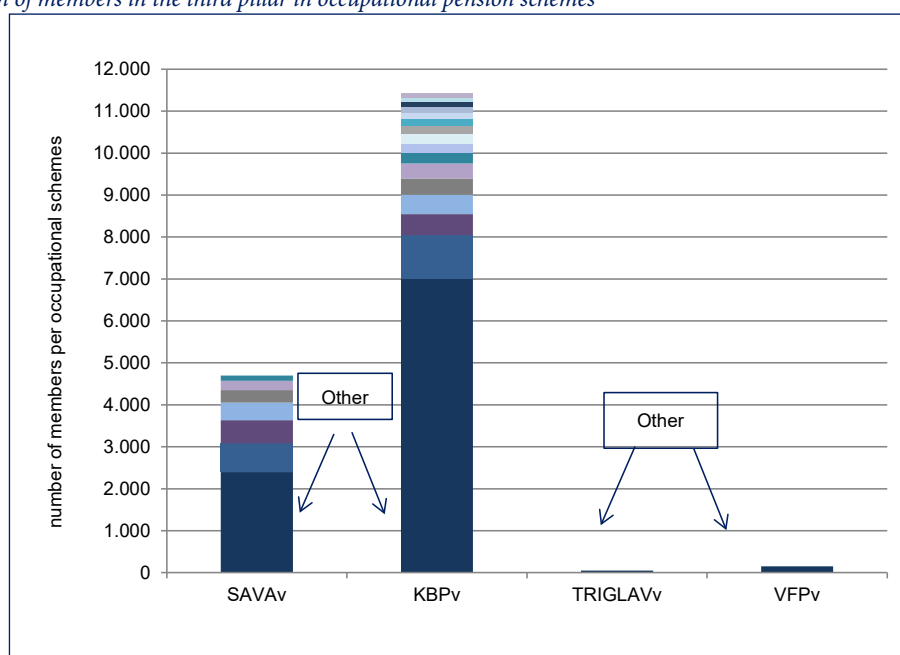
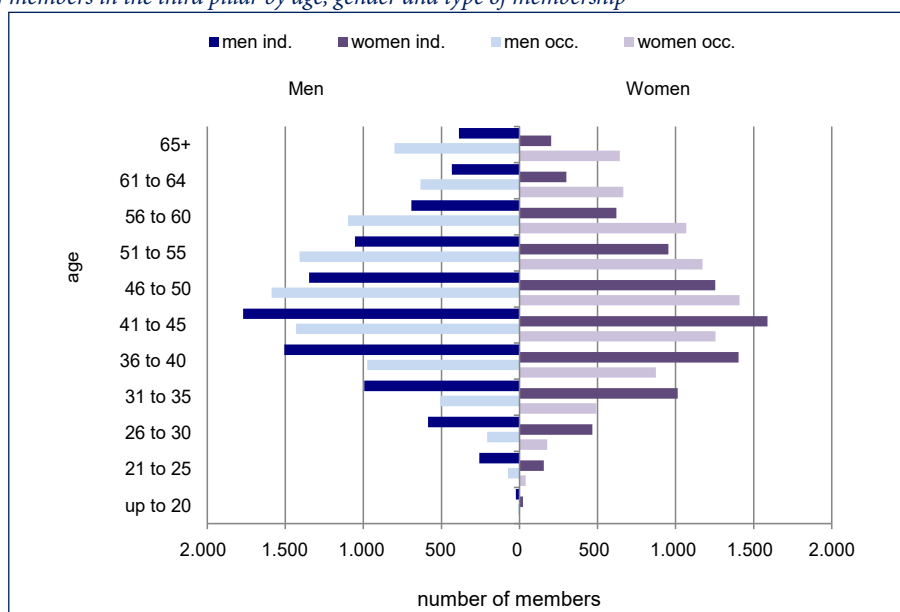


Figure 6.3. Structure of members in the third pillar by age, gender and type of membership



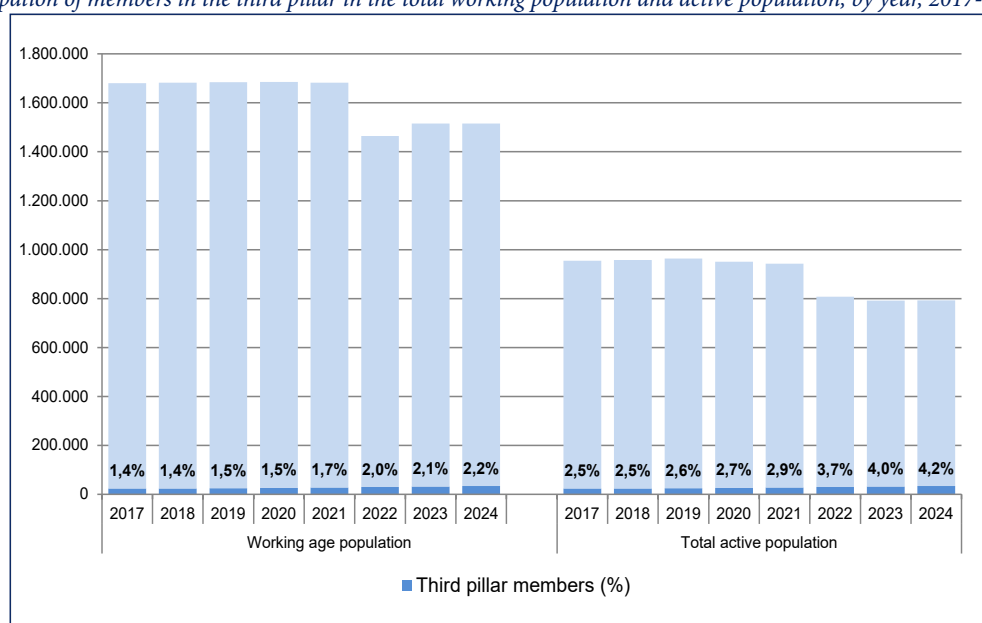
has more than 1,000 members, and 21 occupational pension schemes have more than 100 members. The distribution of members in occupational pension schemes by funds is given in Figure 6.2., which shows individually only the schemes that have more than 100 members, while the remaining schemes are included in the item “other”.

The structure of members in the third pillar, by age, gender and type of membership, is shown in Figure 6.3.

It is evident from this figure that there are more senior members in the third pillar than in the second. About 55% of members with a professional account are over 50, and 57% of members with a voluntary individual account are under 45. Individual account holders are younger than those with professional accounts. While the average age of all members is 47 years, the average age of members with individual accounts is 45 years for men and 44 years for women, and 50 years for both men and women who have professional accounts.

Despite a rise in 2024, the third pillar’s percentage of the working-age and active population remains minimal. As of the end of 2024, just over 2.2% of the RNM’s working-age population is a member of the third pillar, which translates to roughly 4.2% of the whole active population. Figure 6.4 illustrates the rise in the proportion of third pillar members in the overall working-age and active population in the RNM between 2017 and 2024. This outcome indicates that the third pillar has a great deal of room to grow.

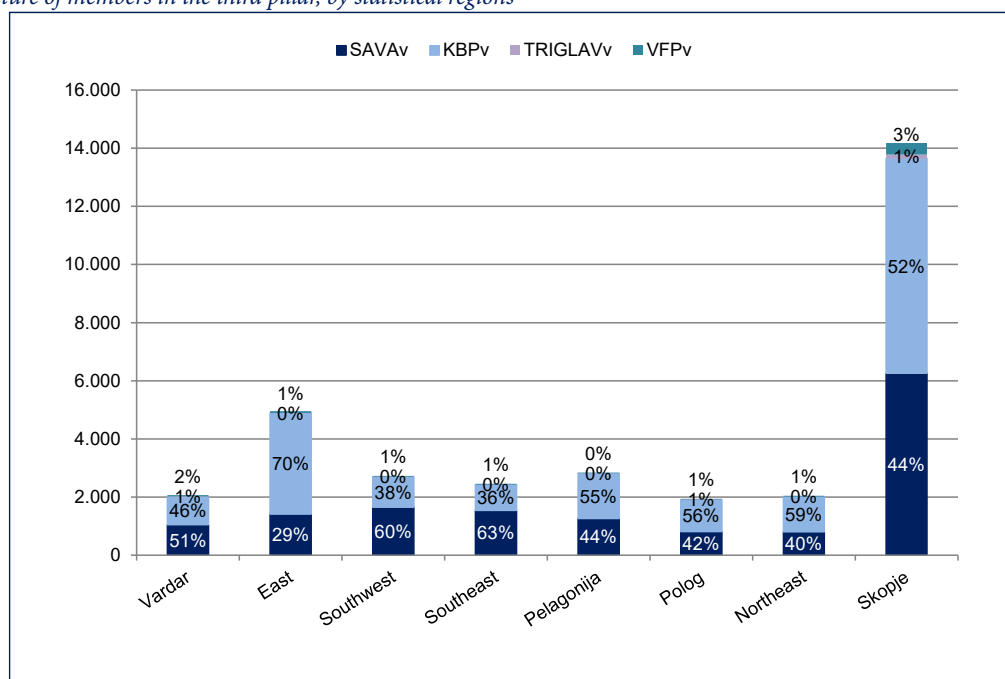
Figure 6.4. Participation of members in the third pillar in the total working population and active population, by year, 2017-2024



The structure of members in voluntary pension funds by statistical regions¹⁹ in the RNM is given in Figure 6.5.

With 7,389 members in KBPV, 6,256 in SAVAv, 392 in WFPv, and 140 in TRIGLAVv, the Skopje area has the most members among the four voluntary pension funds. SAVAv has the fewest members from the Polog region (812), KBPV has the fewest from the Southeast (882), TRIGLAVv has the fewest from the East (1), and WFPv has the fewest from the Pelagonia region (14).

Figure 6.5. Structure of members in the third pillar, by statistical regions



¹⁹The statistical regions are defined according to the State Statistical Office - territorial units. The nomenclature of the territorial units is based on the territorial organization of the local self-government in the RNM and is harmonized with the EU classification.

6.3 Member account transfer in the same or another voluntary pension fund

The freedom to pick a voluntary pension fund and the freedom to alter that choice at any moment are both granted to individuals. A transfer fee must be paid at the time of transfer if the member has been a part of the current voluntary pension fund for less than a year. If not, there is no fee for the transfer. The entire amount of money in the member's account is transferred along with it. Also, upon transfer of a participant in an occupational pension scheme from one insurer to another, he has the right to transfer the funds saved in the occupational scheme to a professional account or to a voluntary individual account, if the other insurer has not organized an occupational pension scheme or has not included the person in it. A member who is a participant in an occupational pension scheme has the right to transfer the funds to a voluntary individual account, if he does not get a job or does not join a citizens' association.

Table 6.1. provides data on the number of members who have transferred from one voluntary pension fund to another and the amount of funds transferred from one voluntary pension fund to another, on that basis, during 2024.

In 2022 and 2023, there was a little higher movement in member transfers between voluntary pension funds as a result of the fourth voluntary pension fund, WFP, beginning operations. Nonetheless, the overall number of voluntary pension fund members who moved from one voluntary pension fund to another in 2024 was relatively constant at 179, or 0.53% of the total number of members. A total of 42 members moved to SAVAv, 32 to KBPv, 3 to TRIGLAVv, and 93 to WFPv in this respect. A total of 13.75 million denars were sent to SAVAv, 8.89 million to KBPv, 4.30 million to TRIGLAVv, and 52.76 million to WFPv during the transfer.

Additionally, there were changes in 2024 from professional to voluntary individual accounts and from one professional plan to another within the same pension fund.

Table 6.1. Transfers of members from one voluntary pension fund to another

2024		VPF to which members have transferred, i.e., in which funds have been transferred				Total
		SAVAv	KBPv	TRIGLAVv	WFPv	
Members who transferred from a VPF	SAVAv	-	31	3	32	66
	KBPv	41	-	0	60	101
	TRIGLAVv	1	1	-	1	3
	WFPv	2	7	0	-	9
	Total	44	39	3	93	179
Assets that have been transferred from a VPF (in denars)	SAVAv	-	8.842.219	4.302.949	18.133.064	31.278.232
	KBPv	13.705.776	-	0	34.492.958	48.198.734
	TRIGLAVv	40.262	44.963	-	130.217	215.442
	WFPv	661.694	263.503	0	-	925.197
	Total	14.407.732	9.150.685	4.302.949	52.756.239	80.617.605

6.4 Contributions in voluntary pension funds

According to the Law on Voluntary Fully Funded Pension Insurance, a voluntary contribution can only be paid to an individual who satisfies the qualifications for participation in a voluntary pension fund. A voluntary contribution may be paid by the payer or the member on behalf of and for the account of a member who has a voluntary individual account. Only the insurer has the authority to pay a voluntary contribution on behalf of and for the account of a member who has a professional account. The transaction account or a transaction connected to the member's, payer's, or insurer's transaction account is used to make payments.

Depending on the method of membership and after meeting the requirements, the voluntary contribution is deposited into a different cash account of the voluntary fund, which is maintained by the custodian and assigned to either the member's professional or voluntary individual account.

The amount of the paid voluntary contribution and the terms of the payment are freely determined by the member, the payer, and the insurer; a change in the amount of the payment or its termination does not impact the right to remain a member of the fund, i.e., it does not imply the termination of membership.

The insurer sets the voluntary contribution levels for each participant in the occupational pension plan, which it plans and funds. These amounts are expressed as a percentage of the member's wage.

Approximately MKD 533.92 million, or 0.06% of the RNM's GDP, were paid into the voluntary pension plans overall in 2024. Table 6.2 displays the specific contributions paid each month (in millions of MKD).

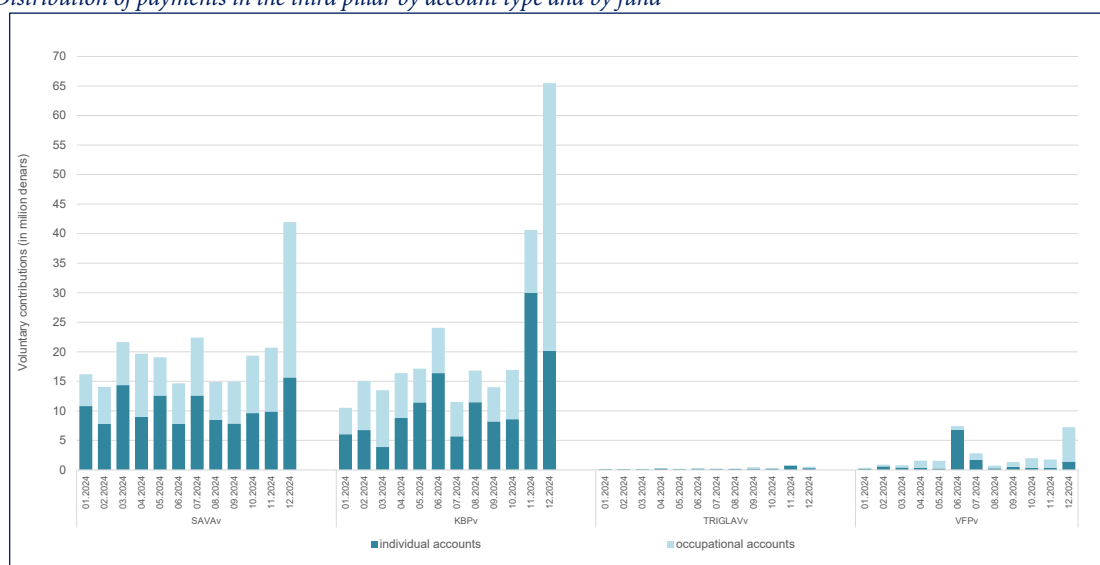
Table 6.2. Contributions in the third pillar by months and funds

(in million of denars)

	Total 2023	Jan.	Feb.	March	April	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Total 2024
SAVAd	219,77	16,20	14,05	21,65	19,66	19,07	14,65	22,42	14,89	14,95	19,33	20,71	41,98	239,55
KBPd	196,20	10,50	15,03	13,49	16,38	17,15	24,05	11,52	16,83	14,00	16,93	40,65	65,47	262,01
TRIGLAVd	3,37	0,16	0,16	0,17	0,31	0,18	0,34	0,25	0,23	0,46	0,33	0,81	0,55	3,94
WFPv	12,61	0,34	0,89	0,80	1,57	1,55	7,43	2,81	0,73	1,33	1,98	1,76	7,23	28,43
Total	431,95	27,20	30,13	36,10	37,92	37,96	46,46	37,00	32,68	30,74	38,57	63,92	115,23	533,92

The total voluntary contributions made to the third pillar in 2024 were 23.61% more than in 2023. Furthermore, the overall amount of voluntary contributions made rose in all voluntary pension funds compared to the prior year, namely in SAVAv by 9.00%, KBPv by 33.54%, TRIGLAVv by 33.54%, and WFPv by 125.48%. Although the bulk of voluntary contributions (52.37%) were paid into voluntary individual accounts, the allocation of voluntary contributions throughout the four voluntary pension funds in 2024 was nearly equal between professional and voluntary individual accounts. The allocation of contributions in 2024 is about the same for SAVAv and KBPv, with the bulk of voluntary contributions going into voluntary individual accounts (52.77% at SAVAv and 52.43% at KBPv). While the bulk of voluntary donations at WFPv were put into professional accounts (53.74%), almost two-thirds of contributions at TRIGLAVv were placed into voluntary individual accounts (68.29%). Figure 6.6 shows the monthly allocation of payments by fund and the kind of account to which they were made.

Figure 6.6. Distribution of payments in the third pillar by account type and by fund



6.5 Investment and portfolio structure of the voluntary pension funds

Proactive control and quantitative and qualitative investment constraints are employed in the first phase of both required and voluntary fully funded pension insurance. However, voluntary pension insurance has more lenient investment requirements than fully paid pension insurance, which is mandatory.

Voluntary pension funds are allowed to invest overseas in debt securities issued by local government entities, the European Central Bank, the European Investment Bank, and the World Bank in addition to the instruments allowed in mandatory pension funds. Maximum limits for investments in specific companies and economic groups, as well as maximum limits on the amounts that can be invested in specific types of instruments, are provided because it is necessary to achieve appropriate diversification between different types of investments in voluntary pension funds. The law forbids investments in shares, bonds, and other securities that are not listed on an official market or that are not publicly traded, as well as in instruments that cannot be legally disposed of, instruments that cannot be immediately valued, various types of property that cannot be immediately valued, and items of uncertain value in order to prevent investments in assets that are unsuitable for voluntary pension fund investment. Table 6.3 displays the maximum investment limitations.

Table 6.3. Maximum investment limits

Type of instrument	Maksimum limit
Investments abroad (EU, OECD)	50%
bonds and other securities issued by foreign governments and central banks of foreign countries and debt securities issued by the European Central Bank, the European Investment Bank and the World Bank	50%
debt securities issued by local self-government units, non-state foreign companies or banks, shares issued by foreign companies or banks and share documents, shares and other securities issued by investment funds	30%
Securities issued or guaranteed by RNM on the domestic market or NBRNM	80%
Bank deposits, deposit certificates, commercial papers, bonds and mortgage backed 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%
bonds issued by local self government units	10%
Bonds issued by domestic joint stock companies	30%
Participation units and shares in Macedonian investment funds	5%

Figure 6.7. SAVAv Investment Structure

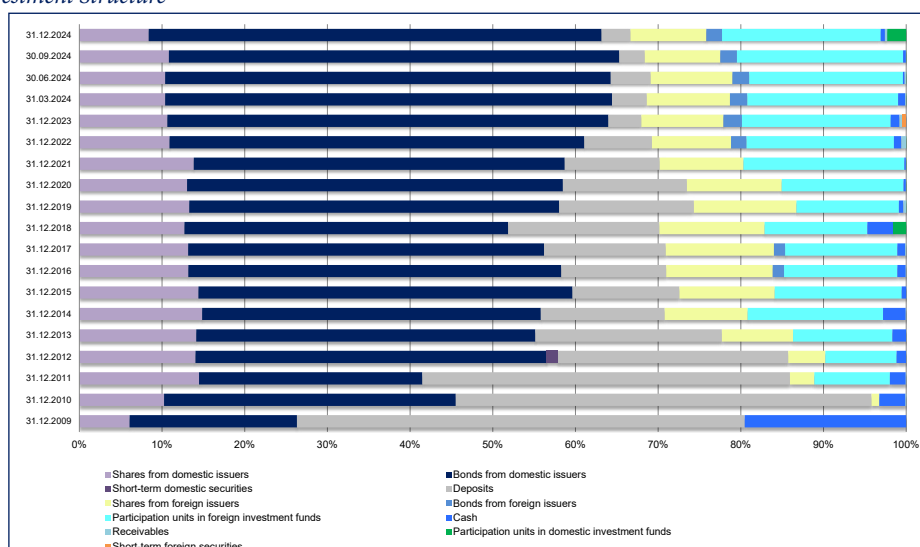


Figure 6.8. Structure of KBPv investments

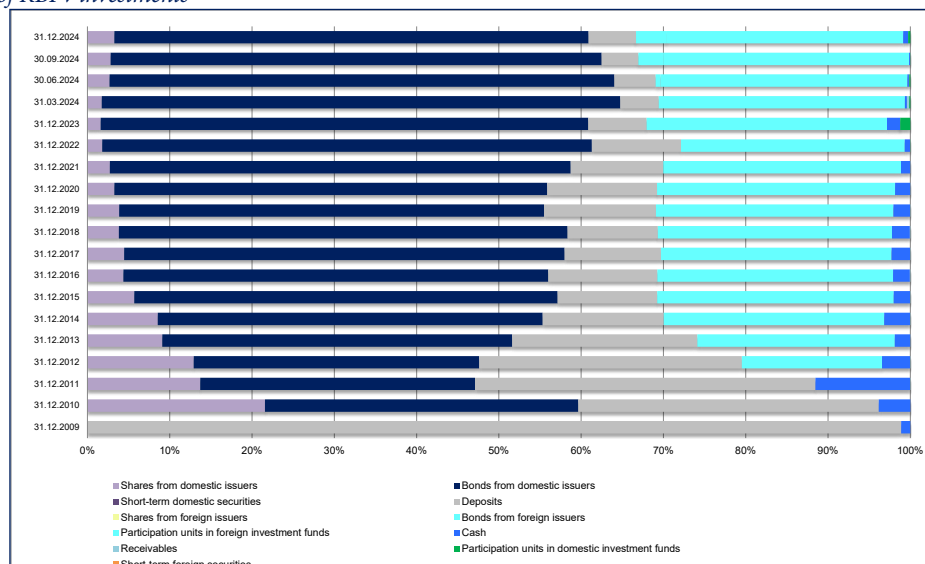


Figure 6.9. TRIGLAVv Investment Structure

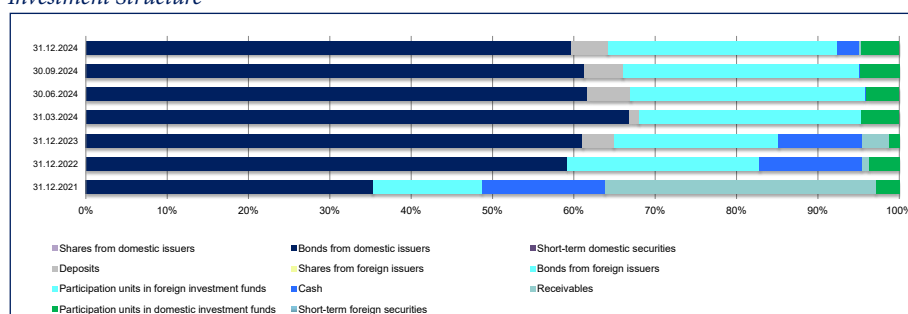
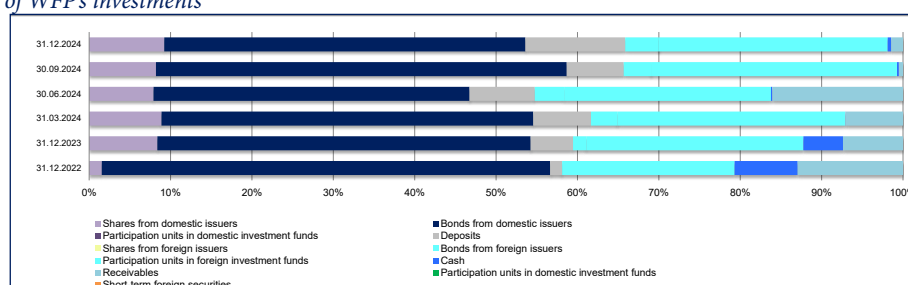


Figure 6.10. Structure of WFP's investments



Figures 6.7 and 6.8 depict the investment structure of the SAVAv and KBPv voluntary pension funds from their inception (on an annual basis for the years 2009–2023, and on a quarterly basis until 2024). Figure 6.9 displays the investment structure of the voluntary pension fund TRIGLAVv from the fund's inception (1.3.2021) to the quarterly basis for 2024. For the period from the beginning of the fund's operation (18.10.2022) until 2023, the quarterly investment structure of the voluntary pension fund WFPv is displayed in Figure 6.10.

Figure 6.11 illustrates the structure of voluntary pension fund investments as of December 31, 2024, which differs little from that of voluntary pension fund investments as of December 31, 2023. Domestic bonds, which exclusively comprise government bonds, make up 55.76% of the total, which is little less than the 56.06% percentage as of December 31, 2023. Additionally, the percentage of deposits in domestic banks has dropped to 4.90 percent. At 5.96%, the proportion of shares held by domestic issuers is down from the prior year. Shares of domestic investment funds make up a fairly tiny portion of voluntary pension fund investments (1.25%). The percentage of foreign investments rose to 31.37% in 2024 from the year before. Investments in foreign securities include foreign government bonds (2.65%), foreign corporate bonds (0.16%), investment fund shares (24.12%), and shares (4.45%) as three pension funds and one pension fund invested in foreign government bonds and foreign corporate bonds, respectively, in 2024. Receivables make up 0.20 percent while cash makes up 0.55% of the remaining assets.

Figure 6.11. Structure of investments in the third pillar as of 31.12.2024

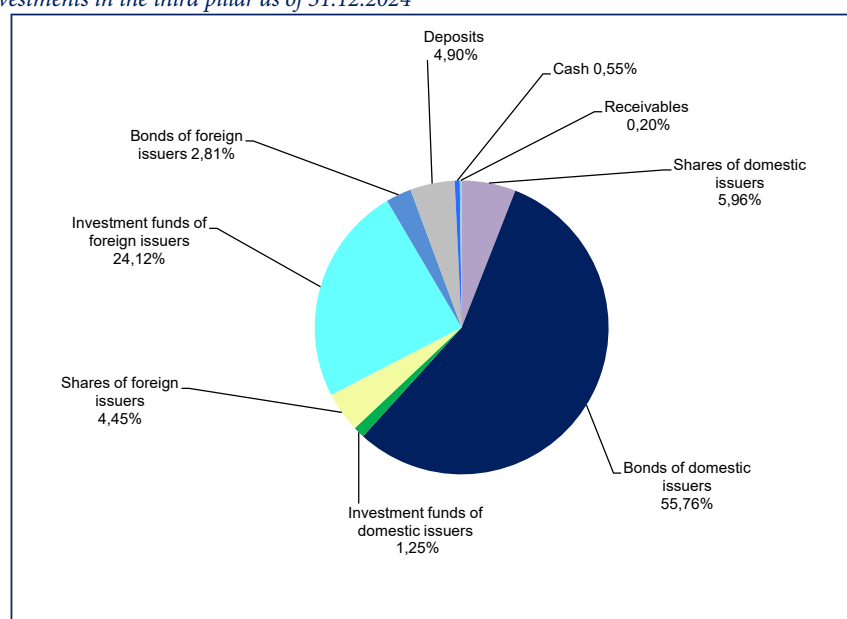
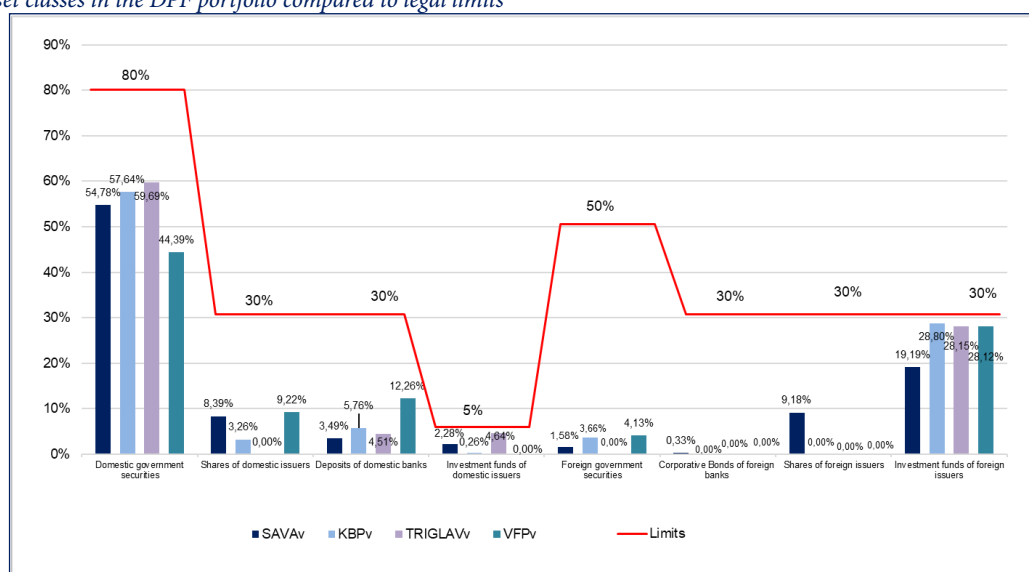


Figure 6.12. Asset classes in the DPF portfolio compared to legal limits

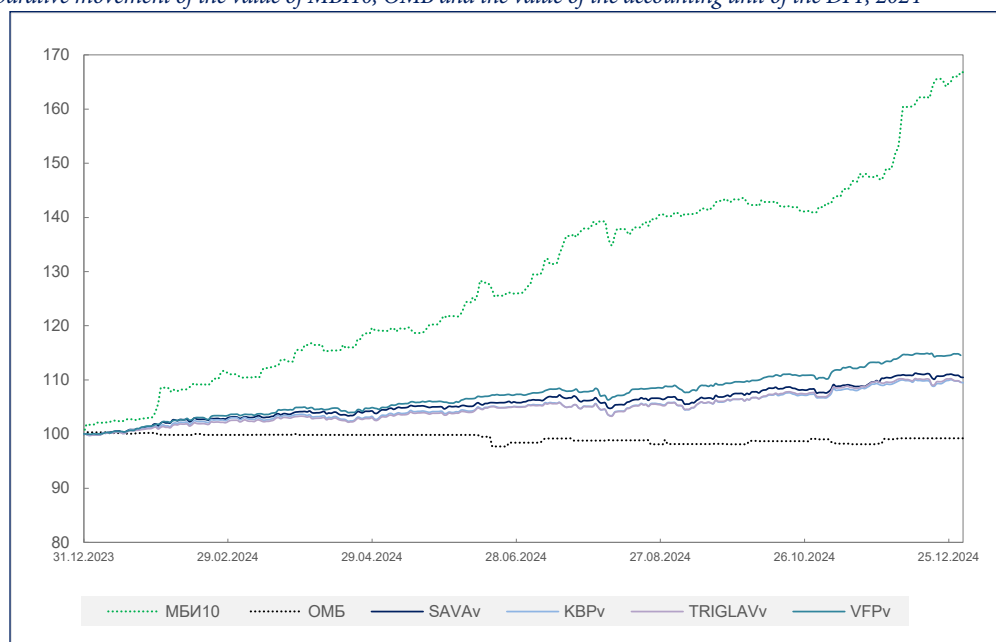


During 2024, the four voluntary pension funds invested within the maximum investment limits. Figure 6.12. shows the percentage share in the portfolio by asset class at SAVAv, KBPv, TRIGLAVv and WFPv and the legal limits as of 31.12.2024.

Although the exposure to domestic issuer shares varies across all pension funds, voluntary pension funds have a larger asset exposure (5.96%) to domestic issuer shares than mandatory pension funds. Furthermore, SAVAv (8.39%) and WFPv (9.22%) have substantially greater exposure to shares in domestic issuers than KBPv (3.26%). As of December 31, 2024, TRIGLAVv had no holdings in domestic issuer shares.

In contrast, Figure 6.13 displays the movement²⁰ of the values of the accounting units of the voluntary pension funds, the Macedonian Stock Exchange Bond Index (OMB), and the Macedonian Stock Exchange Index (MBI10) until 2024. The value of the accounting unit of SAVAv increased by 10.45%, the accounting unit of KBPv increased by 9.47%, the accounting unit of TRIGLAVv increased by 9.43% and the accounting unit of WFPv increased by 14.55%. MBI10, during 2024, recorded a significant increase of 66.78% OMB, during 2024, recorded a decrease of 0.76% 11.

Figure 6.13. Comparative movement of the value of MBI10, OMB and the value of the accounting unit of the DPF, 2024



Source: MAPAS and Macedonian Stock Exchange AD Skopje - Annual Statistical Bulletin 2024

²⁰The movements are shown through the change of the indices/units in relation to the initial index equal to 100, on 31.12.2023.

The majority of the assets in voluntary pension funds in 2024 were invested in government securities, namely foreign government securities (1.58% in SAVAv, 3.66% in KBPv, and 4.13% in WFPv) and domestic government securities (54.78% in SAVAv, 57.64% in KBPv, 59.69% in TRIGLAVv, and 44.39% in WFPv). Investments in financial sector issuer/joint stock company instruments (29.04% in SAVAv, 36.59% in KBPv, 37.30% in TRIGLAVv, and 42.87% in WFPv) came right after this. SAVAv holds the most percentage of shares in both domestic and international investment funds (73.95%), followed by domestic bank deposits (12.02%), domestic bank shares (8.55%), financial services (4.36%), and foreign bank bonds (1.13%) in this sector. Foreign investment funds make up the majority of the financial sector in KBPv (79.43%), with local bank deposits accounting for the remaining portion (15.74%). The majority of TRIGLAVv's financial sector is made up of both domestic and international investment funds (87.91%), with domestic bank deposits accounting for the remaining 12.09 percent. In the financial sector of WFPv, domestic and international investment funds make up the majority (65.59%), with domestic bank deposits (28.59%) and domestic bank shares (58.2%) accounting for the remaining portion. Although their participation is substantially lower (ranging from 0.50% to 4.87%), voluntary pension funds also invest in the following industries in addition to the ones mentioned above: industry, consumer products, medicines, basic goods, information technology, and communication services. The structure of voluntary pension funds' investments, by sector, is shown in Figure 6.14.

Figure 6.14. Structure of VPF investments by sectors

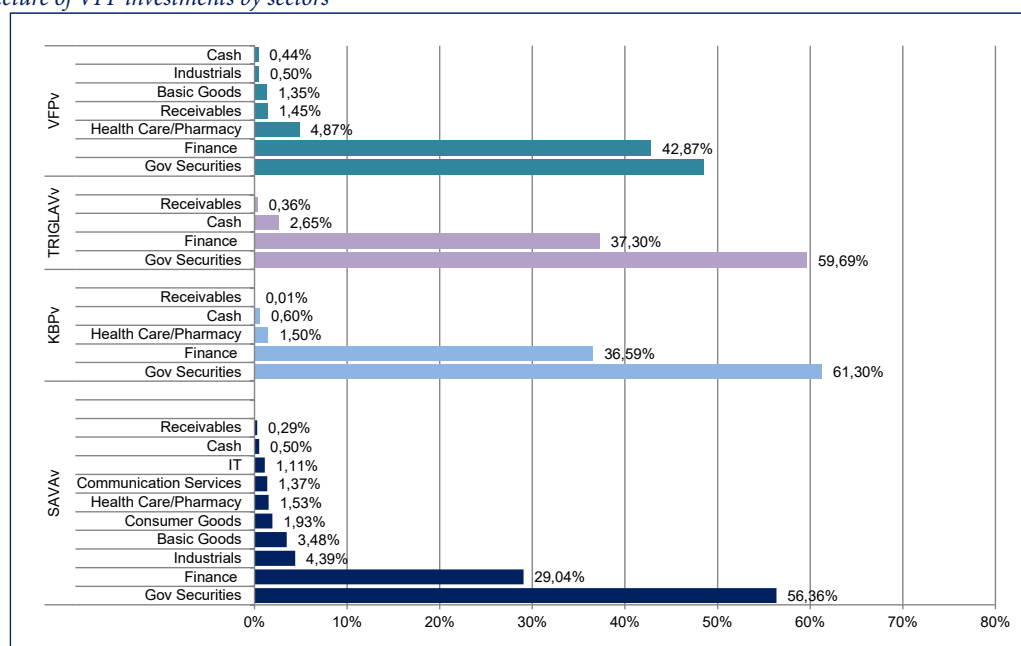
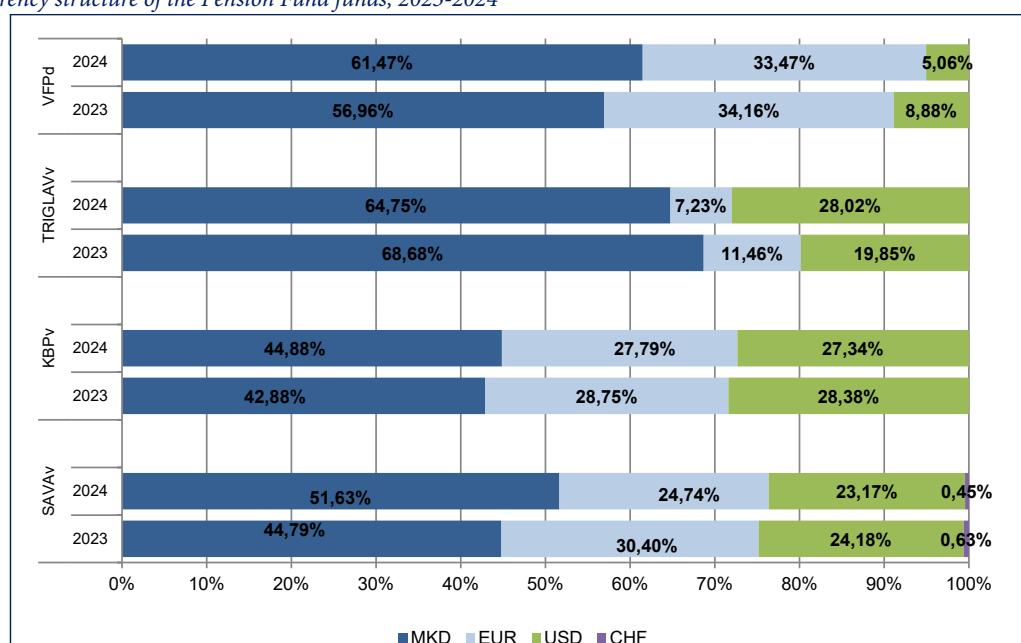


Figure 6.15. Currency structure of the Pension Fund funds, 2023-2024

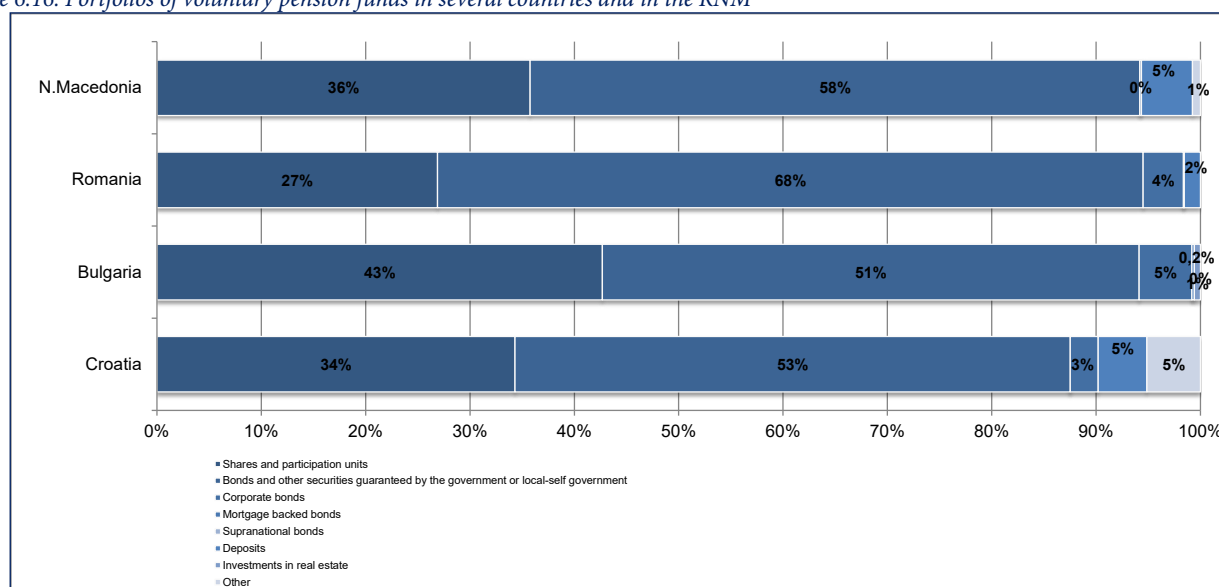


It is observed that SAVAv and KBPv have a similar currency structure with respect to the assets of the voluntary pension funds, as seen in Figure 6.15. To be specific, in 2024, 51.63% of SAVAv's assets are placed in domestic currency instruments, whilst 24.74% are invested in euros. While the number of instruments in euros is declining at SAVAv, the number of instruments in denars is still rising in comparison to the previous year. The majority of assets at KBPv are invested in domestic currency instruments (44.88%), with 27.79% of assets being in euros. While the number of instruments in euros declines, the number of instruments in denars rises at KBPv in 2024 compared to the previous year. Compared to the prior year, the proportion of US dollar investments in SAVAv (23.17%) and KBPv (27.34%) is declining. A little portion of SAVAv's currency, 0.45%, is also made up of Swiss franc-denominated securities. The SAVAv and KBPv currency structures are not the same as the TRIGLAVv currency structure. Sixty-seven percent of TRIGLAVv's assets are still invested in denar-denar securities. An growth in the proportion of foreign currency instruments is seen in 2024; that is, 7.23% of TRIGLAVv's assets are invested in euros, while 28.02% are placed in US dollars. Additionally, WFPv's currency structure is different from SAVAv, KBPv, and TRIGLAVv's. In the WFPv, the largest share of assets is invested in instruments in domestic currency (61.47%), followed by the participation in instruments in euros (33.47%), and the smallest share is in instruments in US dollars (5.06%).

The investment portfolios of voluntary pension funds show both similarities and variations when compared to other nations with comparable pension systems to Macedonia. A comparison of the Republic of Macedonia's voluntary pension fund investments as of December 31, 2024, with those of other of the nations in the area that have voluntary fully funded pension insurance is presented in Figure 6.16 .

In practically every country, pension funds have the highest exposure to bonds and other securities guaranteed by the state or local government (in Romania, 68%, 58%, 53%, and 51%, respectively), according to an analysis of voluntary pension fund portfolios by instrument. North Macedonia and Croatia have the largest exposure to bank deposits, at 5%. Deposit exposure is much smaller in Romania and Bulgaria (less than 1% in Bulgaria and about 2% in Romania). Regarding share and unit investments, pension funds in Bulgaria (43%), North Macedonia (36%), Croatia (34%), and Romania (27%), have the largest percentage of assets in shares and units. Additionally, pension funds made investments in business bonds, namely 3% in Croatia, 4% in Romania, and 5% in Bulgaria. The percentage of North Macedonian pension funds that invest in corporate bonds is 0.16% lower than that of pension funds in other nations. Pension funds only made 1% real estate investments in Bulgaria; in other nations, this type of investment is often prohibited. With 33% of their assets invested overseas²¹, Croatian pension funds are the most exposed to international investments, followed by macedonian pension funds (31%).

Figure 6.16. Portfolios of voluntary pension funds in several countries and in the RNM



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

²¹The data on foreign investments for Bulgaria and Romania dated 31.12.2024 were not available.

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

The method of calculating the net assets, accounting unit and return of voluntary pension funds is the same as for mandatory pension funds.

Changes in the assets of voluntary pension funds, from the beginning to the end of the year, occur due to:

- inflow of contributions,
- outflow due to fees and transaction fees,
- inflow due to personal tax refund,
- outflow due to incorrect payment of converted contributions,
- inflow due to transfer from another voluntary pension fund (for persons who were members of another fund, and then transferred to the current fund),
- outflow due to transfer to another voluntary pension fund (persons who were members of the relevant fund, and then transferred to the other fund),
- outflow due to payment of inheritance,
- outflow due to payment of pension benefits (single and multiple payments),
- unrealized gains/losses from investments.

Starting from the value of net assets at the end of the previous year and taking into account all the above changes, the value of net assets at the end of the year is arrived at (which is shown in Table 6.4).

Table 6.4. Changes in the assets of the voluntary pension funds (in millions of denars)

	SAVAv	KBPv	TRIGLAVv	WFPv	Total
Net assets on 31.12.2023	1.763,84	1.738,27	10,65	72,30	3.585,06
Contributions	239,55	262,01	3,94	28,43	533,92
Fees from contributions	5,45	6,36	0,11	0,73	12,65
Contributions reduced for fees from contributions	234,10	255,65	3,83	27,70	521,27
Payment on an individual account from personal income tax refund	0,00	0,00	0,00	0,00	0,00
Outflow for incorrect payment of converted contributions	0,14	0,82	0,50	0,30	1,77
Compensation from assets	17,36	16,78	0,13	1,06	35,33
Expenditures for intermediary commissions	0,31	0,16	0,00	0,06	0,53
Transfer from the other fund	14,41	9,15	4,30	52,76	80,62
Transfer to the other fund	31,28	48,20	0,22	0,66	80,35
Inheritance payment	2,44	1,60	0,00	0,00	4,05
Payment of pension compensation - one-time payment/multiple payment	49,04	61,32	0,00	1,55	111,91
Gross return on investment	207,58	185,58	1,41	17,03	411,60
Net return on investment	189,91	168,65	1,29	15,90	375,74
Net assets on 31.12.2024	2.119,35	2.059,77	19,35	166,14	4.364,61

As of December 31, 2024, the total net assets in the voluntary pension funds equal to around 70.97 million euros, or 4.36 billion denars, or roughly 0.46% of GDP .

The values of net assets at the end of each year are displayed in Figure 6.17, along with a percentage rise in comparison to net assets in the prior year. It is evident that SAVAv and KBPv's net assets are increasing in a comparable manner. 2011 saw the most growth when compared to 2010, while 2022 saw the least gain when compared to 2021. The growth of SAVAv and KBPv assets in 2023 and 2024 compared to the previous year already follows the expected trend. TRIGLAVv and WFPv recorded a large increase in net assets in the second year of the funds' operations compared to the first year.

Figure 6.18 and Figure 6.19 illustrate the movement of the net asset and cumulative contribution values as well as the rise in paid contributions and net asset values in SAVAv and KBPv. Growth in paid contributions and investment returns imply an increase in the net assets of voluntary pension schemes. Following a decline in growth in 2022, net asset growth resumed its upward trajectory in 2023. With the exception of 2022, the cumulative contributions' proportion of total net assets declines after being notably high in the initial years.

Figure 6.17. Growth in net assets of SAVAv, KBPv, TRIGLAVv and WFPv in percentages compared to the previous year

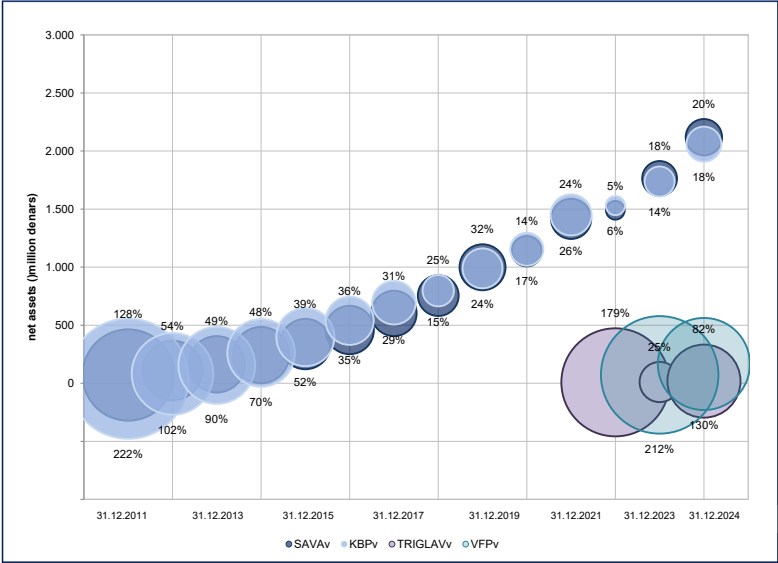


Figure 6.18. Growth in net assets compared to growth in paid contributions in SAVAv

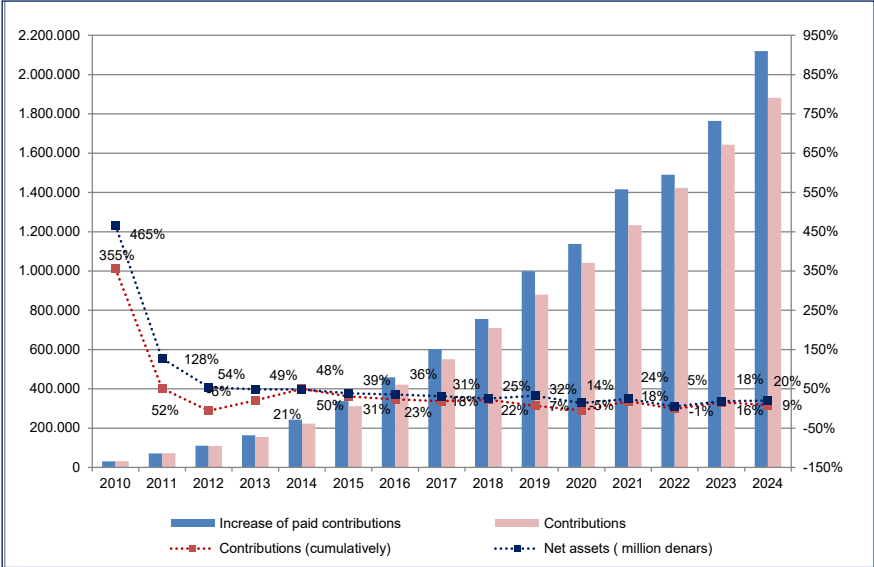


Figure 6.19. Growth in net assets compared to growth in paid contributions to KBPv

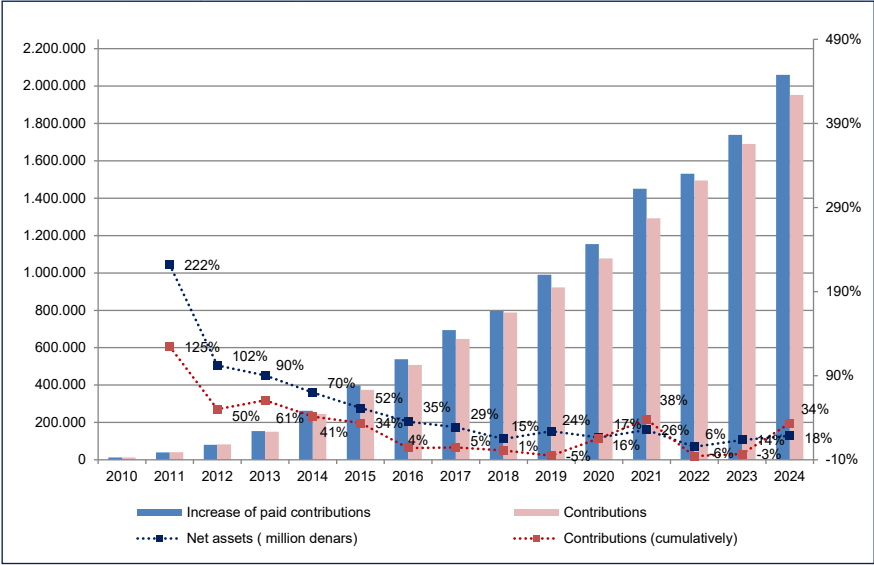


Figure 6.20. Growth in net assets compared to growth in paid contributions in TRIGLAVv

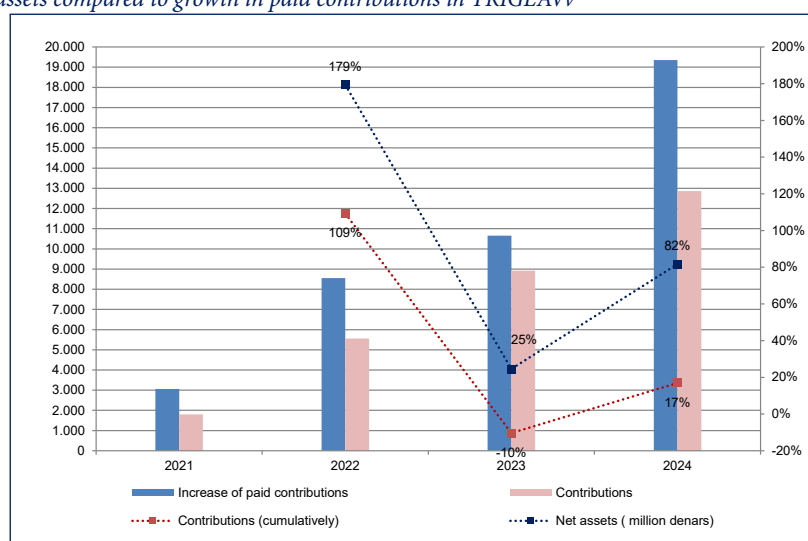
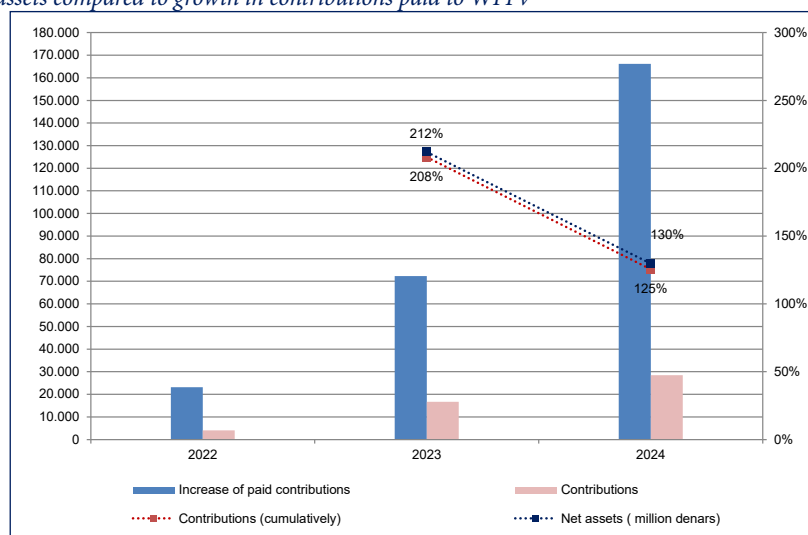


Figure 6.21. Growth in net assets compared to growth in contributions paid to WFPv



Following a lower net asset growth rate of 5% in 2022, SAVAv saw a resurgence in net asset growth in 2023 and a 20% increase in 2024. In contrast, paid contributions increased in 2023 after being cut by 1% in 2022, and in 2024, they increased by 9% over the previous year when they were still lowered. Additionally, after the slower growth in 2022, there is a noticeable increase in net asset growth in 2023 and KBPV, with growth increasing by 18% in 2024. Following the decrease in 2022 and 2023, there was a 34% increase in paid contributions. Figure 6.20 and Figure 6.21, respectively, depict the movement of the net asset and cumulative contribution values as well as the growth of paid contributions and net asset values for TRIGLAVv and WFPv for the first three years of operation, 2022–2024. TRIGLAVv's net asset growth rate increased by 82% in 2024, while paid contributions increased by 17% in 2023. According to the agreements reached for the transition to TRIGLAVv, the paid contributions and the assets transferred from other pension plans to TRIGLAVv account for about equal shares of the growth in TRIGLAVv's net assets. In the WFPv, there is an increase in net assets and paid contributions in 2024 compared to 2023. The growth in net assets of the WFPv, in addition to being implied by the growth in paid contributions, is also due to the transferred assets from other pension funds to the WFPv based on the concluded agreements for transition to the WFPv.

Table 6.5, Figure 6.21, and Figure 6.22 show the change in the value of the accounting units of the voluntary pension funds from the start of their operations to December 31, 2024. Furthermore, an increasing tendency of the accounting units has been noted since SAVAv and KBPV started operating. TRIGLAVv, a third voluntary pension fund, went into operation on 1.3.2021. WFPv, a fourth voluntary pension fund, went into operation on October 18, 2022. After deviating from the growing trend in 2022, the values of the accounting units of the four voluntary pension funds grew once again in 2024 (10.45% of SAVAv, 9.47% of KBPV, 9.43% of TRIGLAVv, and 14.55% of WFPv). However, pension funds, by their nature, operate in the long term, so their performance should be assessed in the long term.

Figure 6.22. Value of the accounting unit since the beginning of the existence of the VPF

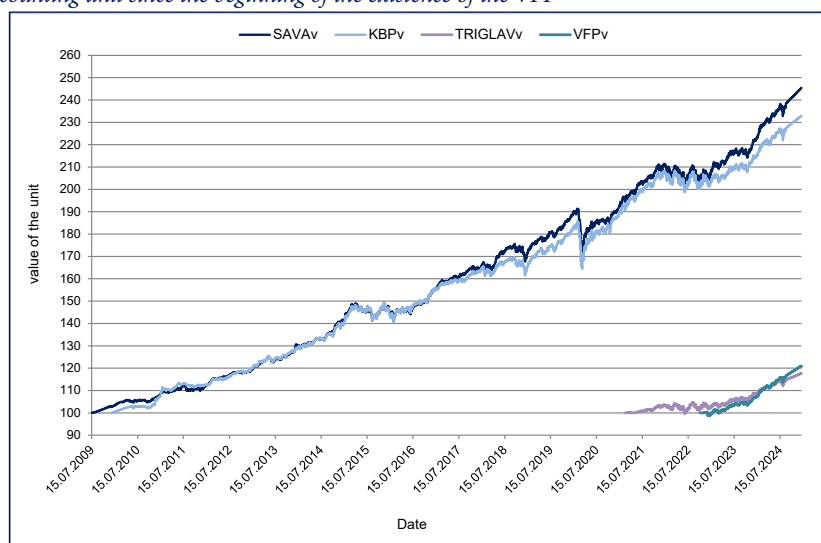


Figure 6.23. Value of the VPF unit of account in 2024

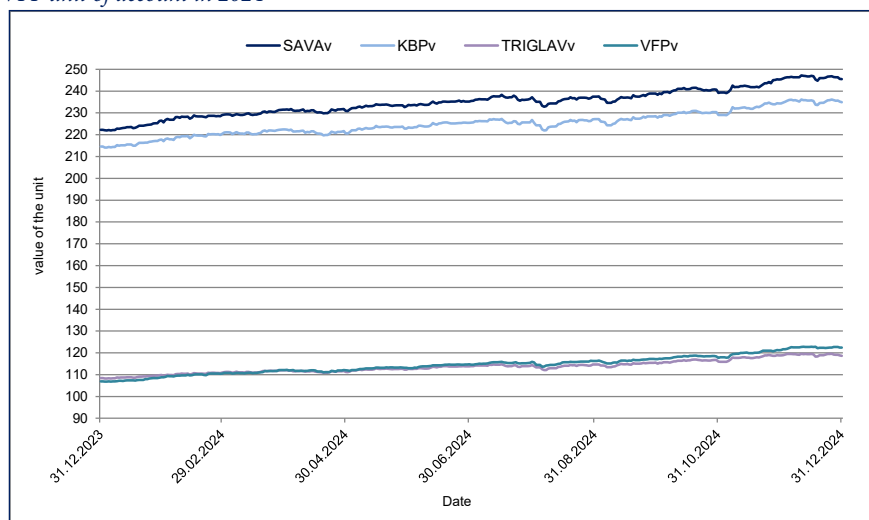


Table 6.5. Value of the accounting unit from the initial existence of VPF

Date	Value of accounting unit		Date	Value of accounting unit			
	SAVAv	KBPv		SAVAv	KBPv	TRIGLAVv	WFPv
15.09.2009	100,000000		31.12.2021	210,750156	207,793725	103,476074	
21.12.2009	102,815757	100,000000	31.12.2022	204,936103	201,600542	101,945390	98,791716
31.12.2009	103,061825	100,204385	31.12.2023	222,263888	214,618876	108,442676	101,163246
31.12.2010	107,592926	106,891617	31.03.2024	231,504947	222,452526	112,041644	112,144969
31.12.2011	111,854726	112,639593	30.06.2024	235,176217	225,480042	113,844699	114,716620
31.12.2012	118,742851	119,129537	30.09.2024	240,202610	228,820487	115,527613	117,712019
31.12.2013	130,511147	129,015451	31.12.2024	245,411182	232,918767	117,672165	121,015331
31.12.2014	140,946772	139,908803					
31.12.2015	147,535595	146,709341					
31.12.2016	154,578083	154,465341					
31.12.2017	164,155073	162,989756					
31.12.2018	169,649887	163,696595					
31.12.2019	188,197689	181,404697					
31.12.2020	191,209810	188,085163					

Table 6.6. VPF rate of return

Period*	SAVA _v		KBP _v		TRIGLAV _v		WFP _v	
	in nominal term	in real term	in nominal term	in real term	in nominal term	in real term	in nominal term	in real term
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%					
31.12.2009-31.12.2013	6,08%	3,00%	6,52%	3,42%				
31.12.2009-31.12.2014	6,46%	4,09%	6,90%	4,52%				
31.12.2009-31.12.2015	6,16%	4,25%	6,56%	4,64%				
31.12.2009-31.12.2016	5,96%	4,36%	6,37%	4,77%				
31.12.2010-31.12.2017	6,22%	4,72%	6,21%	4,71%				
31.12.2011-31.12.2018	6,13%	4,91%	5,48%	4,27%				
31.12.2012-31.12.2019	6,80%	6,22%	6,19%	5,62%				
31.12.2013 - 31.12.2020	5,60%	4,90%	5,53%	4,82%				
31.12.2014 - 31.12.2021	5,91%	4,41%	5,81%	4,31%				
31.12.2015 - 31.12.2022	4,80%	0,77%	4,64%	0,61%	-	-		
30.06.2021 - 31.12.2022	-	-	-	-	0,84%	-11,60%		
31.12.2016 - 31.12.2023	5,32%	0,71%	4,81%	0,22%				
30.06.2021 - 31.12.2023					3,01%	-6,16%		
31.12.2022 - 31.12.2023							8,20%	4,42%
31.03.2017-31.03.2024	5,51%	0,84%	5,00%	0,35%	-	-	-	-
30.06.2021-31.03.2024	-	-	-	-	3,96%	-4,81%	-	-
31.12.2022-31.03.2024	-	-	-	-	-	-	10,68%	6,77%
30.06.2017-30.06.2024	5,65%	1,01%	5,16%	0,54%	-	-	-	-
30.06.2021-30.06.2024	-	-	-	-	4,18%	-4,32%	-	-
12.31.2022-30.06.2024	-	-	-	-	-	-	10,49%	6,31%
30.09.2017-30.09.2024	5,52%	0,62%	5,11%	0,23%	-	-	-	-
30.06.2021-30.09.2024	-	-	-	-	4,31%	-4,02%	-	-
31.12.2022-30.09.2024	-	-	-	-	-	-	10,23%	5,74%
31.12.2017-31.12.2024	5,91%	1,00%	5,36%	0,47%	-	-	-	-
30.06.2021-31.12.2024	-	-	-	-	4,80%	-3,14%	-	-
31.12.2022-31.12.2024	-	-	-	-	-	-	11,31%	7,03%
Start** - 31.12.2024	5,98%	2,83%	5,84%	2,63%	4,56%	-3,28%	9,78%	5,74%

*Until the adoption of the amendments to the Law on Voluntary Fully Funded Pension Insurance, from January 2013, the return of a voluntary pension fund was calculated for a period of 3 years, only in nominal amount.

**The start of SAVA_v is 15.7.2009, for KBP_v it is 21.12.2009, for TRIGLAV_v it is 1.3.2021, and for VFP_v it is 18.10.2022.

The rate of return of voluntary pension funds by periods, reduced to an annual level, is shown in a table 6.6²². The return on the voluntary professional and/or individual account is erratic and contingent upon the company's fees as well as the return on the voluntary pension fund. Since it depends on the state of the capital market and the economy as a whole, the return, or profit, is a metric that is impossible to forecast with any degree of accuracy. The formula and methodology used to compute the return on mandatory pension funds are also used to calculate the return on optional pension funds.

The yield of voluntary pension funds since the start of their existence, reduced to an annual level, is a good way to account for the long-term nature of pension insurance. For SAVA_v, this yield is 5.981% in nominal amount, or 2.83% in real amount; for KBP_v, it is 5.84% in nominal amount, or 2.63% in real amount; for TRIGLAV_v, it is 4.56% in nominal amount, or -3.28% in real amount; and for WFP_v, it is 9.78% in nominal amount, or 5.74% in real amount.

Figure 6.24, which displays the yields by periods, from 31.12.2009 to 31.12.2024, by funds, illustrates the movement of the yield in nominal amount, by periods. Initially, the yield increased, resulting in high yields for both voluntary pension plans by the end of the first half of 2011. However, by the end of 2011, the yields had decreased. Then, in the years that followed, the yield increased gradually until the middle of 2015. After that, it decreased until the middle of 2016, at which point it increased once again until the end of 2016.

²²TRIGLAV_v and VFP_v are included in the comparative rate of return analyzes with calculated rate of return for the respective periods, according to the regulation, because they exist longer than 12 months but shorter than 84 months.

Figure 6.24. VPF yield (in nominal amount)

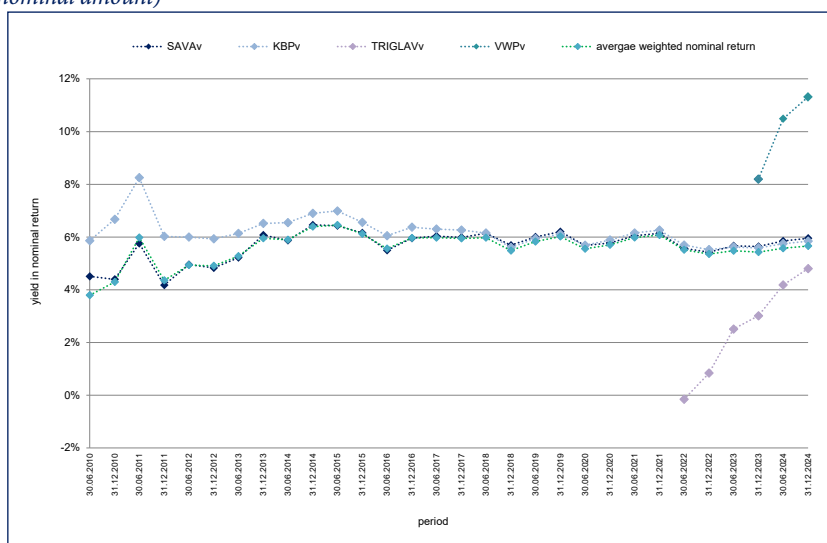
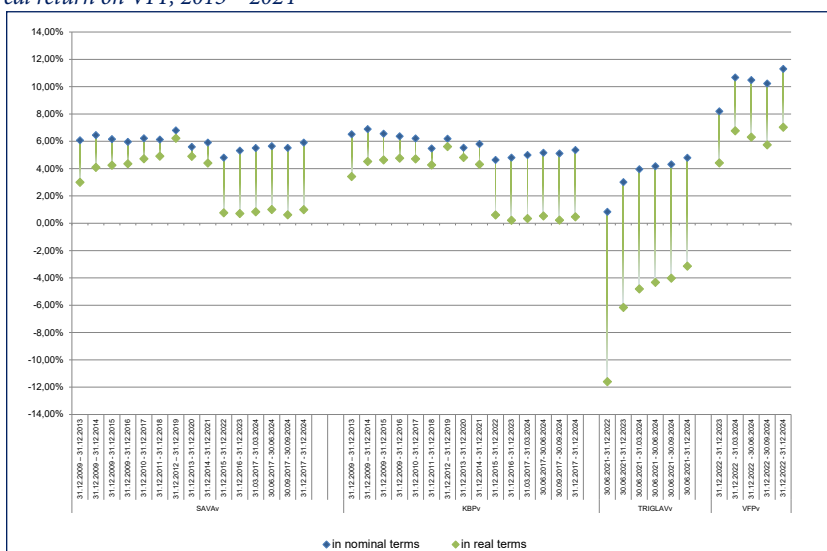


Figure 6.25. Nominal and real return on VPF, 2013 – 2024



When compared to the yield at the end of 2018, the yield increased in 2019. SAVv and KBPv yields were lower in 2020 than in 2019, mostly as a result of the adverse circumstances on the financial markets during the Corona virus epidemic. Following a drop in returns in 2022 as a result of the world crisis brought on by the war between Russia and Ukraine, SAVv and KBPv saw a minor uptick in returns in 2023. TRIGLAVv in the initial years of its operation and in exceptional circumstances due to unfavorable conditions on the financial markets recorded a return in a nominal amount less than zero, which was already compensated in the following period and in 2023 an increase in return was observed compared to 2022. WFPv in the first year of its operation recorded a high return. In 2024 an increase in return was observed for all pension funds.

Figure 6.25 shows how the yield changed in nominal and real terms between 2013 and 2024 (on an annual basis) and 2024 (on a quarterly basis), following the relevant legally mandated periods, and how it was transformed into an equal annual rate of return for each voluntary pension fund. Because TRIGLAVv and WFPv exist for more than 12 months but shorter than 84 months, this figure also illustrates the movement of the yield in nominal and actual quantities during the relevant periods as specified by the rule. Both SAVv (from 5.32% to 5.91% in nominal terms and from 0.71% to 1.00% in real terms) and KBPv (from 4.81% to 5.36% in nominal terms and from 0.22% to 0.47% in real terms) saw increases in both nominal and real returns in 2024. For pension funds that have been in place for more than seven years, the first quarter had the lowest return in both nominal and real terms. Additionally, the third optional pension fund, which began operations in March 2021, saw an improvement in return in 2024, both in real terms (from -6.16% to -3.14%) and nominal terms (from 3.01% to 4.80%). By the end of 2024, the Fourth Voluntary Pension Fund had generated a nominal return of 11.31% and a real return of 7.03%. The change in the level of living costs in the calculation periods, which were reduced to an annual level during the period under review (2013–2024), decreased until 2019 and affected the gradual divergence of returns in real amount from returns in nominal amount. Subsequently, the period after 2019 (particularly in 2022) saw an increase in living costs. The seven-year return on voluntary fully funded pension insurance for the period 31.12.2017 - 31.12.2024, calculated through the change in the weighted average²³ of the accounting units of voluntary pension funds, annualized, is 5.33% in nominal terms, or 0.44% in real terms.

²³The average value is calculated as a weighted average of the accounting units of the voluntary pension funds in relation to the net assets of the voluntary pension funds.

6.7 Fees in voluntary pension funds

According to the Law on Voluntary Fully Funded Pension Insurance, companies charge a contribution fee, an asset fee, and a transfer fee for the management of the voluntary pension fund's assets, asset assessment, enrolment, maintenance of voluntary individual and professional accounts of members, and reporting to members. They also charge fees for MAPAS and the custodian.

Prior to being converted into accounting units, the contribution fee is assessed as a percentage of each made contribution to a voluntary pension fund.

All members of the voluntary pension fund are subject to the same percentage fee from the firm, with the exception of those who participate in occupational pension plans or have been members for a number of years. The monthly asset fee is a percentage of the voluntary pension fund's net asset value that is determined on each asset valuation date (the valuation date is every day in line with the applicable bylaws). The fee is assessed once a month. The transfer fee is charged in the event of a member transferring from one voluntary pension fund to another voluntary pension fund, provided that the transferring member has been a member of the existing voluntary pension fund for less than one year.

The law determines the maximum amounts, and the companies are free to determine the amounts of individual types of fees within the legal maximum.

The fees charged by the companies managing the voluntary pension funds in the RNM for 2024 are shown in Table 6.7.

Table 6.7. Fees charged by companies managing voluntary pension funds in 2024⁴

Type of fee	SAVA	KB First	TRIGLAV	WFP
Fee from contributions*	2,50% ²⁴	2,50% ²⁵	2,90%	2,90%
Monthly fee from the assets of the voluntary pension fund	0,075% ²⁶	0,075% ²⁷	0,075%	0,075%
Transfer fee				
Number of days**	Amount of transfer fee	Amount of transfer fee	Amount of transfer fee	Amount of transfer fee
number of days ≤ 360	10 Euros	10 Euros	10 Euros	10 Euros
number of days > 360	Transfer fee not charged	Transfer fee not charged	Transfer fee not charged	Transfer fee not charged

* For members who are participants in an occupational pension scheme, the company may set a lower amount of this fee.

** The number of days is determined based on the number of days from the date when the member acquired the status of a member of the existing voluntary pension fund to the date of signing the membership agreement with the future voluntary pension fund.

The amount of above-mentioned allowances from contributions, which were collected from the beginning of the operation of the third pillar, including 2024, is shown in Table 6.8.

The pension firms SAVA and KB First have lowered the contribution cost three times since the voluntary pension funds first started operating. Since the third pillar's inception, the contribution fee from assets has been equal to 0.15% of the voluntary pension fund's net asset value each month. Additionally, in 2011, the contribution cost was lowered by both firms to 0.100% at SAVA and 0.075% at KB First. SAVA lowered the contribution fee one again in 2021, bringing it down to 0.075%.

Table 6.9 shows the amount of money collected (in thousands of denars) by the firms in charge of the voluntary pension funds in 2024, broken down by month and contribution type.

Transaction fees are paid from the voluntary pension fund's assets in connection with transactions involving the purchase or transfer of its assets. Selected legal companies that offer securities services both domestically and internationally collect these fees. A percentage of the total value of each completed transaction is used to compute transaction fees.

About MKD 314,000 in transaction fees were collected from SAVAv, MKD 157,000 from KBPv, MKD 2,000 from TRIGLAVv, and MKD 61,000 from WFP altogether in 2024.

²⁴ As of 1 May 2021 (previously it was 2,90%).

²⁵ As of January 2023 (previously 2,90%).

²⁶ As of 1 May 2021 (previously it was 0,100%).

²⁷ As of 1 January 2011 (previously was 0,15%).

Table 6.8. Amount of contribution fees charged by pension companies in the third pillar

Pension company	Amount	Date of application
SAVA	5,25%	From the initial operation of the fund (July 15, 2009)
	3,80%	From March 1, 2011
	2,90%	From January 1, 2017
	2,50%	From 1 May 2021
KB First	5,50%	From the initial operation of the fund (December 1, 2009)
	4,00%	From April 24, 2010
	2,90%	From June 1, 2013
	2,50%	From January 1, 2023
TRIGLAV	2,90%	From March 1, 2021
WFP	2,90%	From the initial operation of the fund (18 October 2022)

Table 6.9. Collection of fees by the companies in 2024 (in thousands of denars)

	Jan.	Feb.	March	April.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Total
SAVAv- total	1.708	1.682	1.892	1.836	1.864	1.772	1.975	1.809	1.813	1.944	1.995	2.515	22.805
From contributions	376	318	508	437	442	330	512	339	338	437	467	944	5.446
From assets	1.332	1.364	1.384	1.400	1.423	1.442	1.463	1.470	1.476	1.507	1.528	1.571	17.359
KBPv-total	1.570	1.704	1.675	1.758	1.793	1.988	1.680	1.819	1.763	1.855	2.485	3.053	23.142
From contributions	259	369	324	402	420	597	280	418	346	412	1.005	1.530	6.363
From assets	1.311	1.334	1.351	1.356	1.372	1.391	1.400	1.401	1.417	1.443	1.480	1.523	16.778
TRIGLAVv - total	13	13	13	18	14	19	16	16	26	23	37	30	237
From contributions	5	4	5	9	5	10	7	6	13	9	23	15	110
From assets	8	8	8	9	9	9	10	10	13	14	14	15	127
WFPv - total	64	86	86	110	102	296	169	117	138	158	160	307	1.792
From contributions	9	25	22	39	28	213	69	16	30	47	45	187	730
From assets	55	61	65	71	74	83	100	101	108	111	115	120	1.062

6.8 Payment of pension benefits from voluntary fully funded pension insurance

Although the third pillar's requirements for obtaining the right to receive a pension benefit and the manner in which it is paid out are more lenient than those of the second pillar, it should be remembered that these are savings for the post-retirement years. In particular, according to the Law on Pension and Disability Insurance, the money can be taken out no earlier than 10 years prior to the age at which one is eligible for an old-age pension, which is now 54 for men and 52 for women.

Additionally, regardless of age, the money may be taken out if the Commission for Assessment of Working Ability at the PDIFNM finds the member to be usually incapable of working. The money in a voluntary pension fund member's account becomes part of the estate and is handled in line with the Law on Inheritance in the case of the member's death.

The funds from the third pillar are used at the member's choice in the following types of pension benefits:

- single or multiple payment of funds;
- pension annuity paid by an insurance company authorized for that purpose;
- programmed withdrawals paid by the company managing a voluntary pension fund, or
- a combination of the above options.

The Law on Payment of Pensions and Pension Benefits from Fully Funded Pension Insurance governs the supply of pensions and pension benefits, which are paid from the second and third pillars.

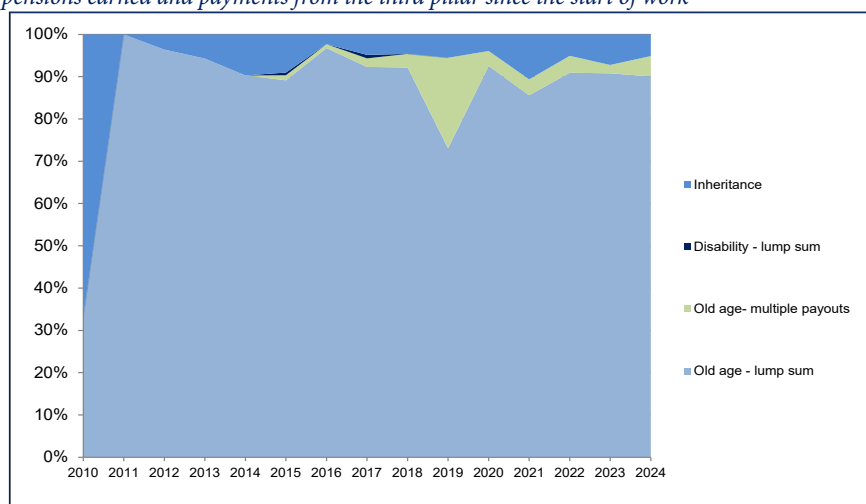
332 pension benefits and third-pillar payments were made in 2024. When the age requirements were met, the majority of pension benefits were paid out in single payments, with a small percentage being paid out in successive payments. In the case of a member's death, a tiny portion of the third pillar's payments were provided in the form of inheritance. Table 6.10 gives a thorough summary of the third pillar members' realised pension benefits and payments for 2024, broken down by voluntary pension funds and account type.

Table 6.10. Completed pension benefits and payments to members of the third pillar

Type of pension benefit and payment/ Voluntary pension fund	SAVAv		KBPv		WFPv		Total
	Individual account	Professional account	Individual account	Professional account	Individual account	Professional account	
Old age - one-time payment	56	98	87	56	1	1	299
Old age - multiple payment	2	6	5	3	0	0	16
Inheritance	2	7	5	3	0	0	17
Total	60	111	97	62	1	1	332

The structure of realised pension benefits and payments to third pillar members from the start of the third pillar's operation, broken down by year, until 2024 is depicted in Figure 6.26. Since the system is still in its infancy and its members are comparatively young, there aren't many payments. The majority of the payments are one-time if the member meets the age requirements, and they are followed by inheritance payments in the event of a member's death. Additionally, there are a few one-time payments based on disability and few payments based on meeting age requirements.

Figure 6.26. Structure of pensions earned and payments from the third pillar since the start of work





7. Marketing and agents of pension companies

Marketing is conducted in a controlled environment, governed by laws and by-laws, to safeguard the interests of current, prospective, and retired members of the fully paid pension insurance as well as to guarantee that the public is provided with fair and objective information.

Because the joint public procurement of state institutions for the selection of the authorised legal entity that technically conducts the exam was not implemented, no exam for agents was held in 2024.

The average number of concluded contracts per agent is still rising, primarily as a result of TRIGLAV's increased average number of concluded contracts per agent. The average number of completed contracts per agent in 2024 is nearly unchanged from 2023. At SAVA, the number of agents who signed contracts in 2024 is unchanged from the year before, while at KB Prvo and TRIGLAV, it is declining.

Marketing is conducted in a controlled environment, governed by laws and by-laws, to safeguard the interests of current and prospective members as well as retired members of the fully paid pension insurance and to guarantee that the public is provided with fair and impartial information.

Advertising pension firms and obligatory and voluntary pension funds, as well as providing information and signing contracts for membership in mandatory and voluntary pension funds and for the distribution of cash from these funds, are all considered marketing activities. Promoting the functioning of pension organisations and the funds they oversee is one of these initiatives. They also entail disseminating information on the features of fully funded pension insurance that is required and optional, fees and transaction costs, fund returns, and the investment portfolios of both kinds of pension funds.

Furthermore, details on professional, volunteer, and individual accounts are given, along with information on membership and member transfers across pension funds. Along with other promotional and educational initiatives pertaining to the operations of pension companies and pension funds, these activities also include the execution of agreements for single payments, multiple payments, and planned withdrawals.

The pension company may carry out marketing activities for a pension fund, on its premises, on the premises of its marketing business associates or outside them, directly or through an appropriate form of communication (telephone, fax, internet). The marketing space needs to fulfil a few legally mandated requirements.

The pension business must send any published marketing materials to MAPAS in photocopy or on a suitable external medium within three days of their publication in order for MAPAS to carry out its control role over them. If MAPAS believes that an advertising or other written material might lead to misunderstanding, it may decide to forbid further publication or distribution and mandate that a modification be made to the content within a time frame that it specifies.

A person who does marketing, often known as an agent, may be a pension business employee or another individual with a contract with a pension company. Only for pension funds run by the pension firm where he works or has a contract, may the agent conduct marketing campaigns for pension funds and/or sign membership or payment agreements. A pension fund membership agreement, transition agreement, programmed withdrawal agreement, lump sum payment agreement, and multiple payment agreement must all be signed by the agent in person at the completion of the arrangement. The agent is required to physically communicate with all members, former members, or those eligible to join or retire from a pension fund; they are not permitted to enter into agreements through other parties. The agent is required to personally present the offers for projected future pensions to the member who has submitted a request for quotation, along with a thorough explanation of the characteristics and assumptions used for all types of pension payments. The agent also plays a significant role in the member's decision regarding the type of pension payment from the fully funded pension insurance.

Only after registering in MAPAS's Register of Agents may the individual engage in marketing activities. Both the process for taking the agent test and the process for adding an individual to the Agent Register are governed by MAPAS. Because a combined public procurement of state entities for the selection of the authorised legal body that technically conducts the test was not conducted, no agent exam was held in 2024.

Of the 37 agents who were registered in 2024, 8 were TRIGLAV agents and 29 were SAVA agents. One TRIGLAV agent underwent re-registration²⁸. Additionally, one SAVA agent's registration was renewed annually²⁹.

Six agents in all—two KB First agents and four SAVA agents—lost their agent status in 2023. Figure 7.1 provides a summary of the quantity and mean values of registered, renewed, and terminated agent statuses by pension company between 2019 and 2024. Since there was no agent test in 2024, it should be noted that there were extremely few registered agents across all pension firms.

²⁸Re-registration of an agent for a pension company is performed for an agent who was previously an active agent of another pension company.

²⁹As of December 2023, the obligation for the pension company to carry out an annual renewal of the registration of agents is abolished.

According to Figure 7.2, which shows the number of mandatory pension fund membership agreements that agents have concluded since the system's inception, the majority of agents, who also, on average, concluded the most membership agreements, did so in 2005. This is because the system was just getting started, and voluntary members had until December 31, 2005, to decide whether to sign an agreement and join the two-pillar system. In the years that followed, the average number of concluded agreements per agent rose while the number of agents finalising deals steadily declined from year to year until 2011.

The average number of concluded transactions per agent then declined sharply until 2014. The average number of concluded agreements per agent and the number of agents closing agreements were relatively constant in the next years. Both the number of agents who closed contracts and the average number of concluded contracts per agent were somewhat higher in 2019 than in 2018, when the third pension firm started operations. Over the next four years, the average number of finished contracts per agent continues to rise, mostly as a result of TRIGLAV's increased average number of concluded contracts per agent. The average number of completed contracts per agent in 2024 is nearly unchanged from 2023.

Meanwhile, the number of agents who concluded contracts in 2024 remains at the same level as the previous year at SAVA, while there is a decrease at KB First and TRIGLAV

Figure 7.1. Number of registered ³⁰, renewed and terminated agent statuses by countries and pension companies

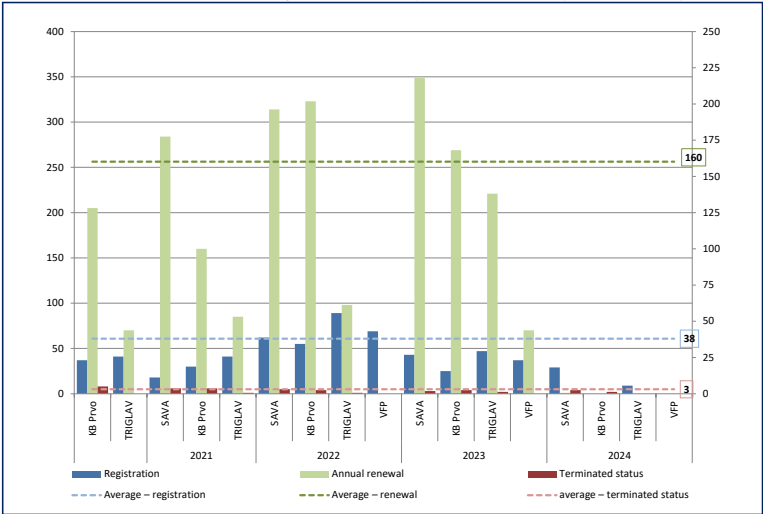
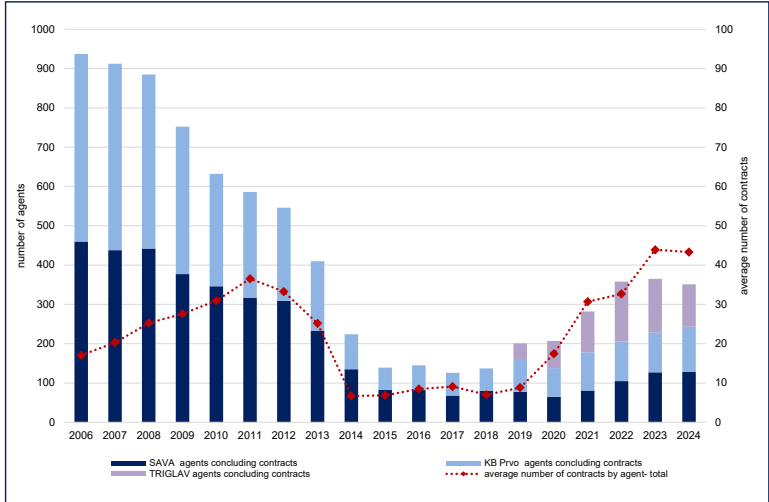


Figure 7.2. Number of agents who signed MPF membership agreements and average number of agreements per agent-



³⁰The number of re-registered agents is included in the number of registered agents.