



Ministry of Labour and Social Policy



# Pension System - Challenges and Reforms

September 2009



## Structure of the pension system\*

### **PILLAR I**

#### **Mandatory Pension and Disability Insurance**

Pension and Disability Insurance Law

### **PILLAR III**

#### **Voluntary Pension Funds**

Voluntary Pension Funds and Plans Law

\*According to the methodology used by the World Bank



## Mandatory Insurance

- Public PAYG system
- Covers Old age, invalidity and survivorship
- Involves Employees, Self-Employed and Farmers



## Objectives of the reform

- Long-term self-sustainability of mandatory insurance system
- Protection of the living standard of present and future pensioners
- Efficient pension administration
- Efficient contribution collection
- Important role of the voluntary pension funds



## Reform Process

- Launched in 2001, continued in 2003, 2005 and 2008
- Main reform actions involve:
  - Calculation of benefits
  - Indexation of benefits
  - Pension age
  - Invalidity rights
  - Contribution coverage, bases and rates
  - Solving problems with payments



## Current problems and challenges

- Low Dependency Ratio and System Dependency Ratio
- Problems in economic development
- High deficit in financing pensions
- High share of "young pensioners"
- Problems in Farmers Insurance



## Reforms in progress

- Pension Administration reform – higher efficiency, lower costs
- Improvement of contribution collection (Central Registry of Contributors and Beneficiaries established)
- Strengthening of the Pillar III



## Main issues to be addressed by the forthcoming reform steps

- Pension age
- Insurance of farmers
- Adequate level of pensions
- Contribution collection
- Privileged service groups
- Inclusion of the Military Fund into the integrated Pension System



## Support to the Reform

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# **Serbia Consolidated Collection and Pension Administration Reform Project**



## Support to the reform – cont'd

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- Implemented since 2005 with the World Bank support
- Budget: \$25.4
- Managed by the Pension Reform Council



## Support to the Reform – cont'd

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Three Project Components:

1. Consolidation of Collection and Reporting
2. Consolidation and Institutional Strengthening of PAYGO Funds
3. Pension Policy Analysis and Development



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**THANK YOU FOR  
YOUR ATTENTION!**

State Secretary  
Snežana Lakićević Stojčić