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ANALYSIS OF THE PENSION SYSTEM OF REGIONAL ECONOMY

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Abstract: Under the pension system, there are legal mechanisms for exercising the rights from pension insurance with one, as well as economic mechanisms for obtaining funds to enable the exercise of rights from pension insurance, on the other. The pension system is very important for every country from a social, economic and financial point of view. Pension constitutes a periodic receipt by a retired person after the son of a pension insurance. This fee can be paid in the form of annuity, monthly, quarterly, semiannual or annual, in the form of a flat rate or mixed.

Keywords: pension system, social category, social insurance, regional economics

1. INTRODUCTION

Pensions are primarily a social category, because they represent the income of people who are not able to earn a living for the sake of sickness or age and who need state care. They are also an economic category, because long-term payments of the working-age population make a lot of money in the name of saving for old age. Also, pensions are also a financial category, on the one hand, because they are part of the public spending of a country and, on the other hand, with the reform of the pension system, pension funds represent age savings and are one of the most important institutional investors in the financial markets and have a major impact on the financial systems of countries (Kocovic, Rakonjac-Antic, 2007).

By concluding a pension insurance contract, it is possible for the insurance beneficiaries to, on the basis of paid contributions and returns on investment fund contributions, have regular earnings after the estimated number of years (retirement period), on the basis of which they would maintain a satisfactory level of their standard of living.

2. PENSION SYSTEM COMPONENTS

Due to the convergence of pension systems, nowadays most of the states have or are heading towards the establishment of a pension system consisting of three basic components: (Matkovic, Bajec, Mijatovic, Živkovic, Stanic, 2009, p.15) a component that provides minimum income in order to ensure an absolute standard of living; a compulsory component that ensures the maintenance of earnings at the age where penalties are related either to earlier earnings or to pension contributions (relative standard of living); supplementary component on a voluntary basis (relative standard of living, additional income, usually for pensioners who had high earnings).

There are two basic approaches to the organization of the pension system: universal approach and access to supplementation (Stanic, 2010, p. 8)

In case of universal access, the basic pension is paid to all residents and insured persons older than the prescribed age limit. Those who are insured receive additional benefits and a pension that depends on the earnings of an individual during the working life. The universal approach is the legacy of Beveridge's system - the pension system was originally conceived as universal with a basic pension, and later pension insurance was introduced, which implied an additional pension for insured persons.

In the case of supplementation, the pension comes from pension insurance, and the minimum fee only complements the gap between the income that the user would otherwise achieve and the minimum level of income necessary to achieve the absolute standard of living. Thus, with this approach, the minimum fee is paid only to those whose income is too small. This approach is the legacy of the Bismarck system.

The minimum age-based component is aimed at securing a minimum age of income and achieving or maintaining an absolute standard of living. All states within the state (public) sector have this component. This component can also be provided through pension insurance and through budgetary donations.

According to the European Commission classification, there are three basic types of minimum benefits for elderly people: basic pension, minimum pension under the pension insurance system and old-age benefits under social assistance programs (Stanic, 2010, p. 9).

According to the OECD classification of minimum fee system, there are: basic, targeted and minimal fees (Stanic, 2010, p. 9). It can be said that there are four types of minimum old-age benefits - basic pension, targeted pension, minimum retirement pension and social assistance benefits for the general population. The basic pension can be said to be the legacy of the Beveridge system. Every old person gets a basic pension regardless of status in the pension system. There are two types of basic pensions: based on residence and contributions.

The basic pension based on residence means the payment of the same amount of pensions to all persons resident in the country, after the prescribed age limit and is mainly financed from general taxes. It is considered a social retirement, although it does not neces-

sarily get the poor old people. Social pension is not based on payment of contributions, but from the budget from general tax revenues.

The basic pension based on the contribution depends exclusively on the length of service and is financed from the contribution. It is an insurance benefit, since it is a condition for obtaining a pension payment of contributions.

The targeted pension implies payment of pension benefit only to poor elderly persons or to old people without income. The source of financing is general taxes. Targeting can be made on the basis of income from a pension, on the basis of total income, on the basis of the total available funds - and income and assets. These pensions fall into the category of social pensions.

The Institute of Minimum Pension is formulated in the pension insurance system with the aim to ensure that the lowest pensions are not less than the stipulated level of the law. It represents a part of the pension insurance system and is financed through contributions. Contributions should be paid for a minimum number of years in order to qualify for minimum retirement. The minimum pension is based on a pension, but while the basic pension based on the contribution is paid to each insured, the minimum pension is paid only to those pensioners who would achieve a very low pension, lower than the predetermined minimum (Stanic, 2014, p. 13).

Some countries do not have special social assistance programs for old people, that is, social pensions, but old people who are poor have the right to social assistance programs that are available to the entire population.

3. METHODS OF PENSIONS ACHIEVEMENT

In most developed countries, pension benefits can be achieved in three ways: social insurance ("social insurance"), i.e. pension insurance in the framework of social insurance; pension insured by the employer through basic and supplementary models including "employer sponsored pensions" and individual pension insurance (Rakonjac-Antic, 2008, p. 5).

Social insurance should be viewed as basic protection, and not as a basis for providing a more substantial level of living standard. The social insurance program provides the basic level of pension benefits for the elderly, and in most countries, a large number of employees rely on this program, which provides minimum pension benefits.

In addition to social insurance, plans are also financed by employers, employers and employees, or only employees. This kind of contribution is registered with the employer as a regular business expense, while in the individual, these assets and returns realized on them are not taxed until the moment of their payment. Developed countries encourage an individual to save for retirement benefits through individual retirement plans, which are represented as supplementary or voluntary pension insurance.

4. TYPES OF PENSION SYSTEMS

Generally pension systems can be divided into: public (state) pension insurance systems and private (voluntary) pension insurance systems (Rakonjac-Antic, 2014, p.13).

Public or state pension insurance is funded on the basis of compulsory contributions

of pension insurance. These are the contributions that the employees pay for salaries and employers at the expense of business expenses.

Voluntary pension insurance is an additional form of pension insurance, which increases the amount of pensions above the amount of compulsory pension insurance. Voluntary pension insurance can also be accessed by both employed and unemployed persons who voluntarily pay contributions in the framework of pre-defined age (Rakonjac-Antic, 2008, p. 25)

The pension systems can be further divided into: pay-as-you-go and full funded systems.

4.1. Current funding system - Pay as you go

The current funding system is the dominant world. In this system, the current generation of employees, through taxes and contributions, allocates funds needed to fund current pensioners, ie taxes and contributions from current wages are used to finance current social security benefits. This is a mandatory state pension scheme. This system functions well in a small number of countries, which mainly have a larger share of the younger population and an emerging economy in the structure of the population. It works well only when a large number of active insurers (employees) are present in relation to the number of insurance beneficiaries (pensioners) (Rakonjac-Antic, 2008, p. 20).

The main advantage of the current funding system is that it prevents age savings from deteriorating in the marketplace in emergencies such as wars, high inflation or unreliable investment. One of the advantages of this system is the trust and security of the population in it. On the other hand, the main disadvantage of this system is its poor functioning in the conditions when the number of insured persons decreases in relation to the number of pensioners, that is, when the ratio between the number of pennies and the number of contributors increases. The disadvantage of this system is also its dependence on the state, since in this system there is a deficit of pension funds, which is most often financed by budget transfers.

4.2. Full capitalization system - Fully funded

The system of full capitalization, that is, the system of capital accumulation, rests on the idea that the funds from the collected contributions should be invested in such a way as to give the appropriate return (interest or dividend). This system is superior to the current financing system, as every employee becomes aware that he saves his age by paying contributions, and that his funds will not be used to cover the pension costs of others. In this way, the saving rate in the company increases, leading to an increase in total accumulation and an increase in economic growth. Pension insurance funds are very important investors in modern financial markets. In this system, the role of the state is changed, which no longer finances possible deficits of pension funds.

There are two main drawbacks of the capital accumulation system: poor investment in accumulated assets and instability in the capital market and macroeconomic instability.

Poor investment in the capital market can have a detrimental effect on investments, and therefore old people can remain without resources. This can be prevented by investing in safe securities.

Macroeconomic instability (high inflation), political instability (wars) and an underdeveloped capital market can also lead to the depreciation of the role, which can have implications for the country's pension system. Solving this problem is in the indexation, that is, by constantly adjusting the role for inflation growth or by linking the role to a hard currency (dollar or euro).

5. BASIC CHARACTERISTICS OF PENSION SYSTEMS REGIONAL ECONOMICS

5.1. Serbia

Until January 2008, the insurance was organized within three separate state funds - employees, sole proprietors and farmers, and since January 2012, the Republican Pension and Disability Insurance Fund has taken over the exercises of rights from pension and disability insurance and the affairs of payment of rights from the Social Security Fund of Military Insured (Stanic, 2010).

The Republican Pension and Disability Insurance Fund was established by the Law on Pension and Disability Insurance for the purpose of exercising rights from pension and disability insurance and securing funds for exercising these rights.

The main activities of the Fund are: to provide for pension and disability insurance all persons who are legally required by law and who have joined this insurance, regardless of whether they are employees, self-employed persons or farmers. The Fund determines the bases for payment of contributions in accordance with the law, ensures the purpose and economic use of funds, controls the registration of insurance, organizes and implements the PDI in accordance with the law, applies international agreements, law and the Statute of the Fund.

The Fund has more than 2.45 million insurers from all categories (employed approximately 2 million, independent businesses 317,000 and insured farmers 167,000) and over 1,73 million pensioners. Of the total number of pensioners, about 1.45 million are former employees, about 80,000 pensioners are self-employed and about 203,000 retired farmers.

The pension system in Serbia consists of: 1st pillar - state pension system, mandatory pension and disability insurance on the basis of intergenerational solidarity and 3rd pillar - voluntary private pension insurance (private pension funds). The 2nd pillar of pension insurance has not been developed in Serbia.

The Law on PDI envisages three categories of obligatory insured persons: employees, self-employed persons and farmers.

For persons who simultaneously fulfill the conditions for insurance on multiple grounds, the priority of the insurance basis according to the above mentioned order has been determined, which means that the existence of employment excludes insurance based on the simultaneous performance of an independent or agricultural activity.

The exercise of rights under the Pension and Disability Insurance Act, according to the Law on Pension and Disability Insurance Act, provides for the following types of rights: in the case of old age - the right to old age pension; in the case of disability - the right to disability pension; in the case of death - the right to family retired; in case of physical damage

caused by an injury at work or professional illness - compensation for physical damage; in case of need for help and care of another person - the right to compensation for assistance and care of another person.

The right to an old-age pension in 2016 can be provided by insured persons: men 65 years of age and at least 15 years of insurance or 40 years of insurance and at least 55 years and eight months of life (premature old-age pension); women with 61 years of age and at least 15 years of service or with 37 years of service and at least 55 years of age (premature old-age pension); members of both sexes with 45 years of service, regardless of age.

The right to a disability pension can be achieved when a complete loss of working ability up to a year's life required for the exercise of the right to retirement is determined: if the cause of disability is occupational injury or occupational illness, regardless of the length of insurance, and if the disability is a consequence of the illness or injury Out of work, it takes at least five years of insurance.

The exception is insured persons whose disability occurred before the age of 30 years: up to 20 years of age requires at least one year of insurance; up to 25 years - two years of insurance and up to 35 years - three years of insurance.

The family pension entitles family members after the death of the beneficiary of the old-age or invalidity pension, that is, the deceased insured person who has completed at least five years of service or has fulfilled the conditions for disability pension. If the cause of death is a work injury or an occupational disease, family members are entitled to a pension regardless of the length of the retirement age of that person.

A spouse has the right to a family pension in 2016: a wife - with 52 years and 6 months of age, provided she was at least 45 years of age at the time of her spouse's death; husband - if at the time of his wife's death he was at least 57 years old and 6 months of age and children - up to 15 years, regardless of whether he or she is studying, high school students up to 20 years old, and students up to the age of 26 years.

The right to a family pension to a child can be prolonged due to incapacity for independent living and work, temporarily or permanently, if the competent expert body pronounces it.

The right to a financial compensation for assistance and care of another person is provided by the insured and the beneficiary of a pension which, due to the nature and severity of the injury or illness, requires assistance and care for carrying out the activities in order to meet basic living needs. According to the Law on PDI, the right, practically, are only immobile, blind and those who can not feed without food, dress or move home, as well as those who are dialysed.

The right to financial compensation for physical damage is provided by insured persons who, due to work injuries or professional illness, have suffered loss or serious damage to certain organs or parts of the body.

According to the statistics of the Pension and Disability Insurance Fund of Serbia, the number of pension beneficiaries with the status as of December 31st 2015, was 1,735,942, out of which 1,064,380 or 61.31%, disability pensions 312,357 or 18% and family pensions 359,205 or 20.69% (images/dokumenta/statistika, 2015).

Graph 1. shows the structure of pension beneficiaries for all categories of insured persons by type of pension. At the end of 2015, contributors contributed 1.995.883, so the dependency ratio was 1:1.14. (pio.rs.) Average salary in 2015 in the Republic of Serbia amounted

to 44,432.00 dinars (webrzs.stat.gov.rs), and average pension amounted to 23,196.00 dinars, which means that the share of average pension in average was 52.20%.

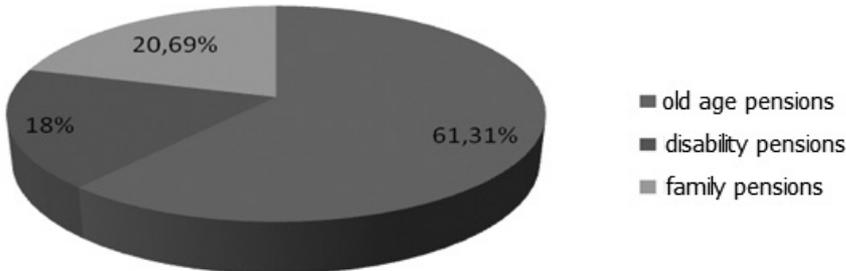


Chart 1. Structure of pension beneficiaries by type of pension-Serbia (images/dokumenta/statistika, 2015)

Contributions for pension disability insurance amount to 26% (14% at the expense of the employee, and 12% at the expense of the employer). Contribution to the Fund's income is 56.9%; transfers from the budget account for 41.7% of the necessary funds for pensions, and 1.4% make up other income. (pio.rs.) The share of expenditures for pensions in gross domestic product was 13.1%.

The adjustment of pensions is made twice a year: on April 1st and October 1st in line with changes in consumer prices in the previous six months. If the gross domestic product increases more than 4% in the previous calendar year, pensions will be indexed on April 1st, in a percentage that corresponds to the amount of increase or decrease in consumer prices in the previous six months and the differences between the actual growth rate of gross domestic product in the previous year and the rate from 4%.

5.2. Croatia

With the independence of the Croatian state and Croatian pension insurance gets new form and challenges. With the abolition of self-governing interest communities, unsuitable for new constitutional arrangements, pension insurance companies become public funds. The period after 1990 is characterized by the high dynamics of events in pension insurance. The first phase of pension reform began in 1998 by the adoption of the Law on Pension Insurance and its implementation since 1999. This law was established by today's Croatian Institute for Pension Insurance, which is a public institution.

The activity of the Croatian Institute for Pension Insurance is the implementation of compulsory pension insurance (and the pillar insurance), in which insured persons, on the principles of solidarity and reciprocity, provide the rights in the case of age, disability and physical damage, and to their family members rights in the event of death of insured persons, ie pension beneficiaries.

The activity of the Institute is the implementation of compulsory pension insurance on the basis of generational solidarity and the procedure for exercising the right to child allowance, and includes: performing work related to the exercise of the rights of workers, farmers, entrepreneurs and other insured persons from pension insurance and exercising the right

to child allowance; ensuring the legality of exercising rights and providing professional assistance to insured persons in exercising their rights; conducting administrative procedures related to exercising rights and obligations from pension insurance and exercising the right to child allowance; implementation of international agreements on social insurance and legal regulations of the European Union in the coordination of the social security system; keeping records on insured persons, contributors of contributions and other benefits, beneficiaries of pension insurance rights and beneficiaries of the right to child allowance and securing the confidentiality of data entered in the records of the Institute in accordance with the law and the general act and performing statistical research activities in accordance with the law, etc.

According to the Law on Pension Insurance, insured persons are obligated to be insured on the basis of generational solidarity based on their work activity (employment, performance of activities, etc.).

On the principles of reciprocity and solidarity, insured persons are obliged to ensure rights in the case of age and reduced working ability with remaining work ability, partial or complete loss of working ability, and members of their families rights in case of death of insured persons.

Obligatory insured persons: workers, administration employees and employees and with them, according to special regulations of the equalized person employed in the state territory of the Republic of Croatia; persons elected or appointed in the positions of public bodies, local self-government units and regional self-government units, if they receive salaries for this work; persons who, upon completion of their education, are in compulsory vocational training; persons employed by foreign organizations based in the Republic of Croatia who do not enjoy diplomatic immunity; third country nationals and stateless persons employed in the territory of the Republic of Croatia, if the laws of the European Union on the coordination of the social security system or the international agreement on social security are not otherwise specified, both entrepreneurs and traders are registered in the appropriate register, etc.

Persons insured on extended insurance are persons who have ceased compulsory pension insurance, which can be provided for extended insurance if more than 12 months have elapsed since the expiration of compulsory insurance and if they submit an insurance application within that period. A person can be provided with extended insurance during: unpaid leave; a standstill of employment until the child has reached the age of three; vocational training or specialization after the termination of the employment contract, service, or performance of the activity; Unemployment after termination of insurance; temporary or seasonal termination of activity and residence abroad as a spouse of insured persons - at work abroad and others.

In case of a decrease in working ability with the remaining working capacity of this partial or complete loss of working ability and bodily injury caused by an injury at work or professional illness, the following are provided: pupils and students at the undergraduate and graduate university; unemployed during vocational training or professional rehabilitation, to which they were directed by the competent employment service; persons participating in rescue or defense against natural disasters and members of voluntary fire brigades.

In the event of the death of the insured or the user of the old age, premature old age, disability pension and temporary disability pension, members of his family are insured, name-

ly: widow or widower; divorced spouse with the right to support; children born in marriage, out of wedlock or adopted; the shepherd, which the insured was supporting; grandchildren supported by the insured; the parents who were insured by the insured and children without parents - brothers, sisters and other children taken by the insured to support them.

A member of the family is also a spouse who has lived with a resident or pension beneficiary until his death in a joint household for at least three years.

The right to pension insurance is determined by the recognition of the insured's property. The property of the insured is determined by the Institute on the basis of the insurance application. Persons insured under the Law on Pension Insurance may, subject to the prescribed conditions, be entitled to: retirement - old age, premature old age, disability, premature invalidity and family pension; compensation for bodily injury - physical damage occurs when the insured causes loss, significant damage or a significant incapacity of a particular body or parts of the body, which complicates the normal activity of the organism and demands greater efforts in fulfilling life needs, regardless of whether it causes or does not cause a reduction or loss of working ability. The right to compensation for physical damage can be provided by an insured person with a physical injury of at least 30%, resulting from an injury at work or professional illness.

The right to an old-age pension is acquired by the insured when he/she completes 65 years of age and 15 years of service, with the women having a transitional period from 2014 to 2029, in 2016 the condition is 61 years and 6 months of life and 15 years of service. In the period from the January 1st 2031 until December 31st 2037. For both men and women, the conditions for retirement will increase by three months each year, and from the January 1st 2038. The right to an old-age pension will be provided by the insured when he/she attains 67 years of age and 15 years of service, regardless of gender.

The right to premature retirement are men who have reached 60 years of age and 35 years of service, and women in 2016 with 56 years and 6 months.

In order for an insured person to exercise his right to a disability pension, the following conditions must be met: the existence of a partial or complete loss of working ability and a condition of service. If a partial or total loss of working ability is due to illness or injury from work before reaching 65 years of age, the right to disability pension is acquired by the insured person if the pensioner's completed service covers at least one third of the working life, except for the insured younger than 30 or 35 years of age, when a lesser condition of service is required (one or two years of service is completed). If the invalidity of the insured is due to an injury at work or professional illness, the insured person acquires the right to disability pension irrespective of the length of his pension service.

Certain groups of insured persons exercise rights from pension insurance on the basis of special laws, which prescribe more mild conditions for acquiring rights. These are the following corps: military personnel; police officers and authorized officials of the judiciary; workers in demining work; Croatian war veterans; members of the Croatian Parliament, members of the government, judges of the Constitutional Court and former political prisoners and others.

Croatia's pension system consists of three levels: 1st pillar - state pension system, compulsory pension insurance based on intergenerational solidarity; 2nd pillar - compulsory pension insurance based on individual capitalized savings and 3rd pillar - voluntary private pension insurance.

According to the statistics of the Croatian Institute for Pension Insurance, the number of pension beneficiaries as of December 31st 2015. The year was 1,228,020, of which 775,692 or 63.17% of the old-age pensioner, 207,271 or 16.88% of disability pensions, and family pensions 245,057 or 19.95%. (pio.rs/images/dokumenta/statistika/2015).

Chart 2. shows the structure of pension beneficiaries for all categories of insured persons by type of pension. At the end of 2015, the contributors contributed 1,413,637, so the dependency ratio was 1:1.15. The average earnings in 2015 in the Republic of Croatia amounted to HRK 5,855 (781) (dzs.hr), and the average pension was 2,237.89 kuna (298 euros), which means that the share of the average pension in the average was 38.22%. Contributions for pension disability insurance amount to 20% (at the expense of the employee in the 1st pillar 15%, and in the 2nd pillar 5%). Contribution to the Fund's income is 53.76%; 45.76% of the necessary funds for pensions are provided with transfers from the budget, and 0.48% make up the remaining and own revenues. (mirovinsko.hr). The share of expenditure on pensions in gross domestic product is 11.2%. The rate of pension adjustment in the Republic of Croatia is determined according to the variable ratio of the rate of the consumer price index and the gross salary of all employees in the Republic of Croatia in the previous year compared to the year before (70:30, 50:50, 30:70), depending on what more favorable. If the share of the rate of change in the average consumer price index is lower than 45%, it is determined at 70:30; if it is between 45 and 55% in an ohm 50:50, and if it is higher than 55% in an ohm of 30:70.

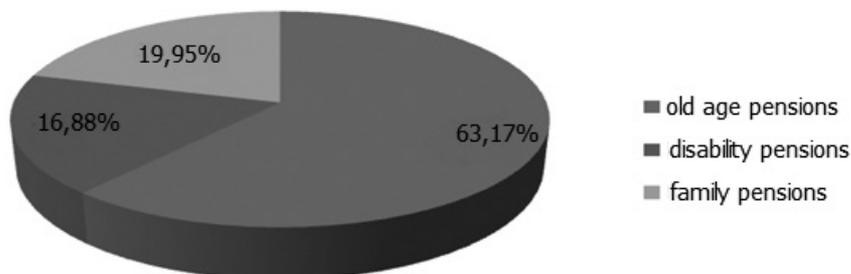


Chart 2. Structure of pension beneficiaries by type of pension-Croatia (pio.rs/images/dokumenta/statistika/2015)

5.3. Slovenia

The holder of pension and disability insurance in Slovenia is the Institute for Pension and Disability Insurance of Slovenia (Pension and Disability Insurance Institute of Slovenia - ZPIZ). It was constituted on October 20, 1992, and is the legal successor of the former Pension and Disability Insurance Community of the SFRY. The Institute performs compulsory pension and disability insurance for the whole territory of the Republic of Slovenia.

Areas of activity are: insured and client's rights; material position of pensioners; financing; international cooperation; records on registration and supervision of work.

The categories of insured persons for compulsory pension and disability insurance are: employees employed - include: workers employed on the territory of the Republic of Slo-

venia; elected or appointed bearers of public or other bodies of the legislative, executive or judicial authority; workers employed by an employer with headquarters in the Republic of Slovenia who have been sent to work abroad; workers in the territory of the Republic of Slovenia employed in international institutions and organizations; persons working with an employer with a head office abroad; self-employed - who perform an independent activity in the Republic of Slovenia and who are registered abroad in the appropriate register for self-employed activities; shareholders; farmers - if they are health-able to perform agricultural activities, if they do not go to school; persons in another legal relationship; unemployed; Parents - parents who are the beneficiary of parental allowance, if not necessarily secured on another basis; foster parents who professionally perform foster care activities in accordance with the regulations governing the implementation of foster care; religious officials; soldiers volunteering military service and persons voluntarily involved in compulsory pension and disability insurance.

The rights from pension and disability insurance in the Republic of Slovenia are: old-age pension; invalidity pension; family pension and widow's pension.

Conditions for old age pension: for women - 59 years of age, 39 years and 4 months of service without need for purchase, 63 years of age and at least 20 years of service or 65 years of age and at least 15 years of insurance; for men - 59 years and 4 months of age and 40 years without the need for shopping or 65 years of age and at least 15 years of insurance.

The right to disability pension is conditioned by the disability of the insured. Disability is provided if the insured, due to changes in his health condition, determined by law, who can not be repaired by medical treatment or medical rehabilitation, has a reduced ability to secure or retain his job or progress in his career. Causes of disability are: injuries at work, occupational illness, illness or injuries from work.

The right to family pension depends on the fulfillment of general and special conditions. General terms must be met on the side of the deceased insured or beneficiaries of certain rights from the PDI, special on the side of his family members. The right to family retired have children or shepherds, grandchildren or the parents of the deceased who he sustained.

The right to a widow's pension has a spouse of the deceased at the age of 55 and regardless of age if, at the moment of death of the insured, the spouse was incapable of work or had a child or more of the children he or she sustains.

The pension system in Slovenia consists of mandatory 1st pillar and 3rd pillars, which are supplementary pension funds, which are still voluntary. The third pillar is mandatory only for workers in difficult and dangerous jobs and public sector employees.

According to the statistical data of the Institute for Pension and Disability Insurance of the Republic of Slovenia, the number of pension beneficiaries as of 31.12.2015. 613,558, of which 435,339 or 70.95% of old age pension beneficiaries, 85,057 or 13.86% of disability pensions, 43,562 or 7.10% family pensions and 49,600 or 8.09% pension payments. (zpiz.si)

Chart 3. shows the structure of pension beneficiaries for all categories of insured persons by type of pension.

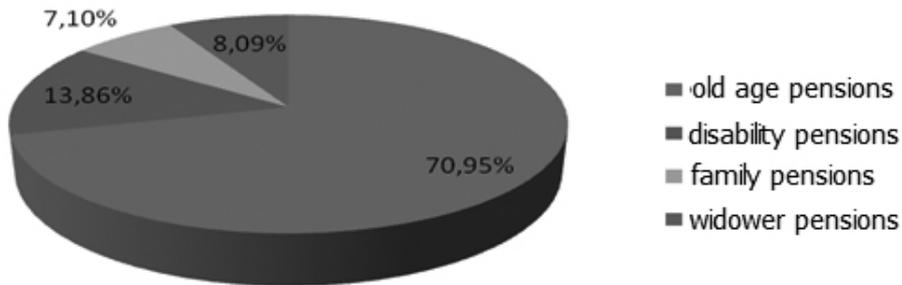


Chart 3. Structure of pension beneficiaries by type of pension-Slovenia (zpz.si)

At the end of 2015, the contributors contributed 840,574, so the dependency ratio was 1: 1,37. The average salary in the Republic of Slovenia in 2015 amounted to EUR 1,013.23 (stat.si), and the average pension was EUR 561.59, which means that the share of the average pension in the average was 55.43%. Contributions for pension disability insurance amount to 24.35% (15.5% at the expense of the employee and 8.85% at the expense of the employer). Contribution to the Fund's income is 67.3%; transfers from the budget to the unemployed account for 32.3% of the necessary funds for pensions, and 0.4% constitute other income. (zpz.si) The share of expenditure on pensions in gross domestic product is 10.89%. Reconciliation of pensions is made twice a year and is based on real growth in consumer prices and real wage growth, in relation to 70%: 30%.

5.4. Macedonia

The pension system in Macedonia is over 50 years old, since 1991 is a follower of the former system of SFRY, and since the January 1st on 1994. For the first time, the Republic of Macedonia started independently to regulate relations in this area for the first time, by adopting the Law on Pension and Disability Insurance.

Rights from pension and disability insurance for all insured are regulated through the Pension and Disability Insurance Fund of Macedonia.

Activities The Pension and Disability Insurance Fund of Macedonia are: implementing policies for development of pension and disability insurance; monitor the situation and take measures to improve the PDI system; monitors the rational use of funds needed to ensure the right to pension and disability insurance; Provides the possibility of the right to an old, invalid and family pension; the right to transfer to another appropriate place and employment; right to prequalification or re-qualification; the right to a nightly compensation for bodily harm; the right to a minimum amount of pension and other rights from PDI.

The insured are: employed in enterprises and other legal person performing business activity, institution, other legal entity that performs activities in the public service, state body and body on the register of local self-government; persons in service and the Army of the Republic of Macedonia; elected persons or appointed holders of public and other functions; citizens of Macedonia who work in the territory of Macedonia in foreign and international organizations; Macedonian nationals employed abroad if they are not insured by

a foreign insurance company during that time; Macedonian nationals employed by foreign employers in the country in which they are insured; natural persons performing activities; individual farmers; unemployed persons receiving assistance; disabled people; independent artists and athletes who meet the criteria of the Federation of Physical Culture of the Republic of Macedonia.

Rights from pension and disability insurance in the Republic of Macedonia are: old-age pension; invalidity pension; family pension; the right to financial compensation for established physical impairment and the right to financial compensation for professional rehabilitation.

The insured man exercises his right to an old-age pension of 64 years and a woman of 62 years of age and at least 15 years of service.

Invalidity can occur as a result of illness, injuries, work injuries or occupational diseases. The right to a disability pension is provided by an insured person who, due to changes in the health condition that can not be eliminated by treatment, the working ability is reduced by more than half in relation to mentally and physically healthy insured persons with the same or similar education and skills (professional incompetence), and if the insured has more than 50 years old and when due to changes in the health condition that can not be eliminated by treatment a permanent loss of working ability (general incapacity for work) occurs, regardless of age. The insured is entitled to a disability pension regardless of the length of service, if the disability is caused by an injury at work or professional illness. Under 20 years of age, they are entitled to a disability pension with at least 6 months of insurance, younger than 25 with at least 9 months of insurance, and younger than 30 with at least 12 months of insurance.

The right to professional rehabilitation is provided by an insured person who has a disability before the age of 50 years, if he can be trained to work on a full-time job from the remaining work ability. An invalid who has acquired the conditions for professional rehabilitation needs professional training that will allow him to be able to perform another job that corresponds to the work he did before the disability. Professional rehabilitation can also be provided for another job requiring qualifications greater than those that the insured had before disability, having in mind the expertise, age, work experience and inclination of the insured and if there is a real possibility for employment after the completion of the training.

The right to family retired have members of the family of insured persons who had at least five years of service until death, or if the insured is a beneficiary of an old-age or invalidity pension. If the death of the insured occurred as a result of an injury at work or occupational illness, family members have the right to family retired regardless of the length of service of the insured person.

The pension system of Macedonia consists of three levels: 1st pillar - state pension system, compulsory pension and disability insurance based on intergenerational solidarity; 2nd pillar - compulsory private pension insurance (private pension funds) and 3rd pillar - voluntary privately funded pension insurance.

The second pillar is obligatory for new employees, and for other workers it is a matter of choice (they can stay in the 1st pillar on the basis of a full contribution of 18% of gross salary).

According to the statistics of the Pension and Disability Insurance Fund of Macedonia, the number of pension beneficiaries as of 31.12.2015. 301,728, of which 183,631 or 60,86%

of the pension beneficiaries, 40,012 or 13,26% of disability pensions, and family pensions 78,085 or 25,88%. (piom.com.mk)

Graph 4. shows the percentage structure of pension beneficiaries for all categories of insured persons by type of pension.

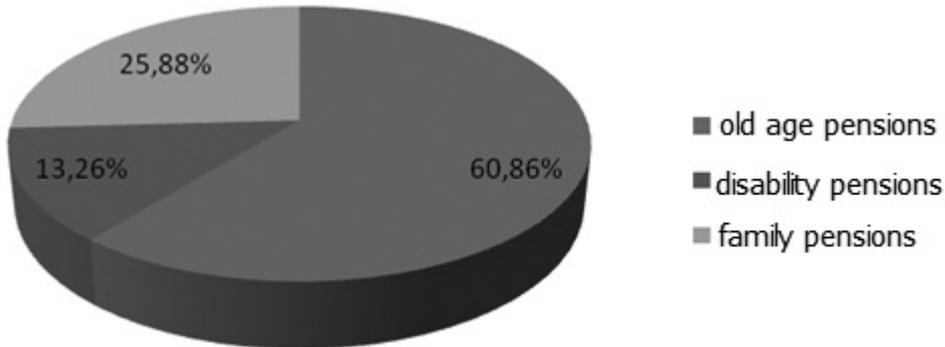


Chart 4. Structure of pension beneficiaries by type of pension – Macedonia (piom.com.mk)

At the end of 2015, the contributors contributed 543,110, so the dependence ratio was 1:1.8. The average salary in the Republic of Macedonia in 2015 amounted to MKD 21,904 (euro 357) (stat.gov.mk), and the average pension was 12,678 MKD (euro), which means that the share of the average pension in the average was 57.88%. Contributions for pension disability insurance amount to 18% at the expense of the employee (of which 65% for pensions and pillars and 35% for pensions of the 2nd pillar). Contribution to the Fund's income is 55.6%; while 42.2% of the necessary funds for pensions are provided by transfers from the budget, and 2.2% from other income. (piom.com.mk) The share of expenditures for pensions in gross domestic product is 10.4%. Harmonization of pensions is done according to the Swiss formula: 50% in line with the increase in the consumer basket in the previous six months, and 50% in line with the increase in gross earnings in the last six months.

5.5. Montenegro

The Pension and Disability Insurance Fund of Montenegro performs the following tasks: it ensures efficient, rational and legal realization of rights from the Pension and Disability Insurance Fund and provides professional assistance in the realization of rights; passes the annual budget of the Fund; keeps records of earnings, or bases of insurance to which contributions have been paid; submit data to the state administration body in charge of public revenue issues; ensures the implementation of international PDI agreements; undertakes measures for regular collection of the Fund's income; organizes tasks for the implementation of PDIs and provides information technology for this purpose; enacts general acts in accordance with this Law and the Statute and performs other tasks related to the implementation and exercise of rights from the Pension and Disability Insurance Fund.

Pension and disability insurance in Montenegro includes: mandatory pension and dis-

ability insurance based on current financing; compulsory pension insurance based on individual capitalized savings and voluntary pension insurance based on individual capitalized savings.

This law regulates mandatory pension and disability insurance based on current financing.

Insured persons, in the sense of the Law on Pension and Disability Insurance of Montenegro, are: employees; persons performing self-employment and farmers.

Insured persons are employed: persons employed in a company, another legal entity, state body, local self-government body; professional military personnel and civilians serving in the Army of Montenegro; elected or appointed persons, if they earn a profit for the performance of their function; members of the board of directors in a company and other legal entity and members of the management boards in public enterprises and institutions that receive compensation for their work, if they are not insured on another basis; employed persons sent for work abroad; citizens of Montenegro who are employed by foreign or international organizations and institutions on the territory of Montenegro; Montenegrin nationals employed abroad, if at that time they are not necessarily insured with a foreign insurance carrier; foreign nationals and stateless persons who are employed by foreign legal and natural persons in the territory of Montenegro; foreign nationals and stateless persons who are employed in the territory of Montenegro by international organizations and institutions and foreign diplomatic and consular missions, if such insurance is provided for in an international agreement; persons whose work has ceased to have a need, or who have ceased to perform a pre-service activity, while exercising a financial compensation according to the regulations on work and employment.

Self-employed persons are: persons who, in accordance with the law, independently perform economic or other activity; persons performing work on the basis of a contract of employment, or on the basis of a copyright contract and priests, religious officials, monks and nuns if they are not necessarily insured on another basis.

Farmers insured are persons engaged in agricultural activity as the sole or main occupation.

Compulsory pension and disability insurance based on current funding for insured persons, depending on the work, depending on the length of investment and the amount of the base on which the contribution for pension and disability insurance is paid, with the application of the principles of reciprocity and solidarity, provide for rights: in the case of age - right to old-age pension and premature retirement; in the case of disability - the right to disability pension; in the event of death - the right to family retired and the right to compensation for funeral expenses; in case of physical damage caused by an injury at work or professional illness - the right to a financial compensation for physical damage.

Rights from pension and disability insurance are personal rights and can not be transferred to other persons. Pension and disability insurance schemes are provided from the contributions paid by the insured and the employer. In special cases and under the conditions stipulated by law, funds for pension and disability insurance are provided by the state or other taxpayers.

The insured shall be entitled to an old-age pension when he/she attains 67 years of age and at least 15 years of retirement, when he/she completes 40 years of service or when he/she completes 30 years of insurance, of which at least 20 years are effectively spent in workplaces

where with increased duration.

The insured shall be entitled to early retirement when he/she attains 62 years of age and at least 15 years of pensionable service. Disability exists when in the insured due to changes in the health condition, which can not be eliminated by treatment or medical rehabilitation, a complete loss of working ability occurs. Work at work is a violation of an insured person that occurs in direct, causal, spatial and temporal connection with the performance of the work on the basis of which he is insured.

Rights in the case of disability and physical damage caused by injury at work or professional illness are exercised by persons: they are on vocational training, additional qualification or retraining, sent by the Employment Agency of Montenegro; pupils and students when, in accordance with the law, they are in compulsory production work, professional practice or practical training, and those who are serving prison sentences while working in a prison facility.

Pension system of Montenegro consists of: obligatory pension and disability insurance based on regular payments (1st pillar) based on intergenerational solidarity; coupled pension and disability insurance based on individual capitalized savings (2nd pillar) and voluntary pension insurance based on individual capitalized savings (3rd pillar).

According to the statistics of the Pension and Disability Insurance Fund of Montenegro, the number of pension beneficiaries as of December 31st 2015, 112,362 of which age pension beneficiaries were 61,037 or 54.32%, disability pensions 22,509 or 20.03%, family pensions 28,816 or 25.65% (fondpio.me).

Graph 5. shows the structure of pension beneficiaries for all categories of insured persons by type of pension.

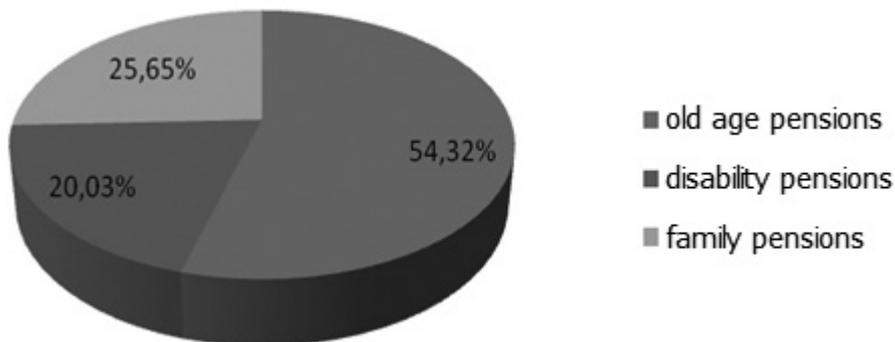


Chart 5. Pension beneficiaries by type of pension-Montenegro (fondpio.me)

At the end of the year 2015, the contributors contributed 172,517 and the dependency ratio was 1:1,54. The average salary in Montenegro in 2015 amounted to 479.92 euros (monstat.org), and the average pension was 271.87 euros, which means that the share of the average pension in the average was 56.65%. Contributions for pension disability insur-

ance amount to 20.5% (15% at the expense of the employee and 5.5% at the expense of the employer). The share of the contribution to the Fund's income is 60.61%; and 39.26% of the necessary funds for pensions are provided by transfers from the budget. (fondpio.me) The share of expenditure on pensions in gross domestic product is 10.9%. Reconciliation of pensions is made once a year, at the beginning of the year, based on 75% of the consumer basket and 25% of the salary growth in the previous year.

5.6. Bosnia and hercegovina – The Federation of BiH

The Federal Institute for Pension and Disability Insurance of Bosnia and Herzegovina was established by the law on the organization of pension and disability insurance with the aim of performing pension and disability insurance activities. The main activity of the Institute is the implementation of pension insurance in accordance with the Law on Pension and Disability Insurance of the Federation of BiH, the Law on Organization of Pension and Disability Insurance of FBiH, other laws and the Statute.

The Federation Institute performs the following tasks: collecting contributions for pension and disability insurance and payment of pensions; implements the procedure for exercising rights from pension and disability insurance; operates with the assets and assets of the Federal Institute and performs other activities in accordance with the law, the Statute and other general acts.

Rights from pension and disability insurance by mandatory pension insurance are secured and realized by: employees in the territory of the Federation of Bosnia and Herzegovina; professional military personnel in the Armed Forces of BiH; employees in internal affairs bodies; employees in the judicial police and correctional institutions; elected or appointed persons; employees who are employed in the territory of the Federation who are sent to work abroad; BiH citizens who have established a working relationship with an organization doing business abroad; elected or appointed holders of public or other social function in the bodies of BiH.

Rights from pension and disability insurance are: right to old age pension; right to disability pension; right to family pension; rights of insured persons with changed working capacity. In order for an insured person to exercise his right to retirement, he/she must fulfill the age requirement and the condition of the seniority.

The right to an old-age pension is acquired by the insured when he/she attains 65 years of age and at least 20 years of retirement or when he/she completes 40 years of service, regardless of age.

Disability exists if it is established: I category of disability - loss of working ability and II category of disability - changed working ability. Disability pension is realized only by an insured person who determines the first category of disability if he meets the conditions of service. If the cause of the disability is injuries at work or professional illness regardless of the length of retirement. If disability is a consequence of an injury outside of work or illness, then it must have a pensionable period of at least 1/3 of a working life.

A family pension can only be realized: a spouse and a divorced spouse if a court decision establishes support and children born in marriage, out of wedlock, adopted children, the stepchild that he died, grandchildren and other children he sustained until his death.

A family pension is acquired if: the deceased has enjoyed an old-age pension or disability pension, and has died in retirement for an old-age or disability pension.

The right to a financial compensation for physical disability in the PDI system is provided only if the cause of work injuries or illness is caused by work in a minimum percentage of 30%.

In the Federation of Bosnia and Herzegovina, only compulsory pension and disability insurance is provided on the basis of intergenerational solidarity (1st pillar). There is no 2nd pillar, nor the 3rd pillar, there is only savings in the insurance funds on an individual basis.

According to the statistics of the Federal Institute for Pension and Disability Insurance of the Federation of Bosnia and Herzegovina, the number of pension beneficiaries as of December 31st 2015 was 400,352, of which the old age pension beneficiaries were 205,156 or 51,24%, disability pensions were 76,739 or 19,17%, family pensions were 118,457 or 29,59% (fzmiopio.ba).

Graph 6. shows the percentage structure of pension beneficiaries for all categories of insured persons by type of pension.

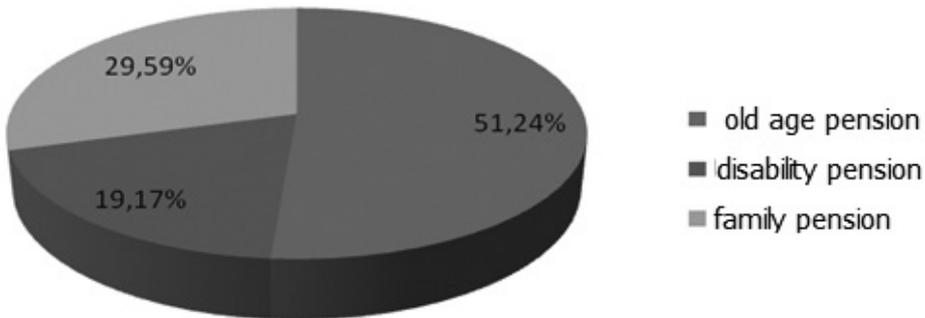


Chart 6. Structure of pension beneficiaries by type of pension-FbiH (fzmiopio.ba)

At the end of 2015, the contributors contributed 450,833, so the dependency ratio was 1:1,13. The average earnings in 2015 in the Federation of Bosnia and Herzegovina amounted to 830 convertible marks - KM (425 euros) (fzs.ba), and the average pension was 368 KM (189 euros), which means that the participation of the average pension in the average due to 44, 34%. Contributions for pension disability insurance amount to 23% (17% at the expense of the employee and 6% at the expense of the employer). The share of the Fund's contribution is 87%; and 13% of the necessary funds for pensions are provided by transfers from the budget. (fzmiopio.ba) The share of expenditure on pensions in gross domestic product is 9.4%. The pensions in the Federation of Bosnia and Herzegovina are adjusted to the income collected in pension funds.

5.7. Bosnia and Nercegovina – The Republic of Srpska

The Pension and Disability Insurance Fund of Republika Srpska was founded on June 20, 1992 as Public Fund for Pension and Disability Insurance of the Serbian Republic of Bos-

nia and Herzegovina, and in 1993 changed its name to the Pension and Disability Insurance Fund of Republika Srpska.

The Fund's activities are extensive and cover a wide range of diverse businesses. For the purpose of performing activities in the Fund: it ensures an efficient, rational and lawful exercise of rights from pension and disability insurance; Provides expert assistance to insured persons and beneficiaries of rights from PDI; decide on rights from PDI in the first and second degree in accordance with the law; reviews the first instance decisions on exercising the rights from the Pension and Disability Insurance Institute; performs an assessment of the working capacity for exercising the rights from the Pension and Disability Insurance Institute and keeps records of the insured, contributors and beneficiaries of the rights from the Pension and Disability Insurance Institute, etc.

Insured persons, within the meaning of the Law on Pension and Disability Insurance of Republika Srpska, are: persons employed on the basis of a labor contract or other act of the employer; self-employed person; a person performing a priestly duty or religious service and a person performing agricultural activity and which is registered in the Register of Agricultural Holdings as the holder of the agricultural holding:

The right to an old-age pension is provided by an insured person with 65 years of age and at least 15 years of service or when he/she attains 60 years of age and 40 years of retirement. An insured woman is entitled to retirement when she attains 58 years of age and 35 years of service.

The right to disability pension is provided by an insured person who has a disability before reaching 65 years of age, provided that on the day of occurrence of the disability, he has certain years of insurance, except when the length of his retirement is ignored due to an injury at work or professional illness.

Family pension members have family members of a deceased insured who on the day of death fulfilled the conditions for disability pension and family members of the deceased beneficiaries of old-age or disability pension.

The structure of the pension system of the Republic of Srpska is identical to the pension structure of the Republic of Serbia, therefore 1st and 3rd pillars are represented.

According to the statistics of the Pension and Disability Insurance Fund of the Republic of Srpska, the number of pension beneficiaries as of December 31, In the first half of the year, there were 251,909, of which the age pension beneficiaries were 135,443 or 53,77%, disability pensions were 40,030 or 15,89%, and family pensions were 76,436 or 30,34% (fondpiors.org).

Graph 7. shows the percentage structure of pension beneficiaries for all categories of insured persons by type of pension.

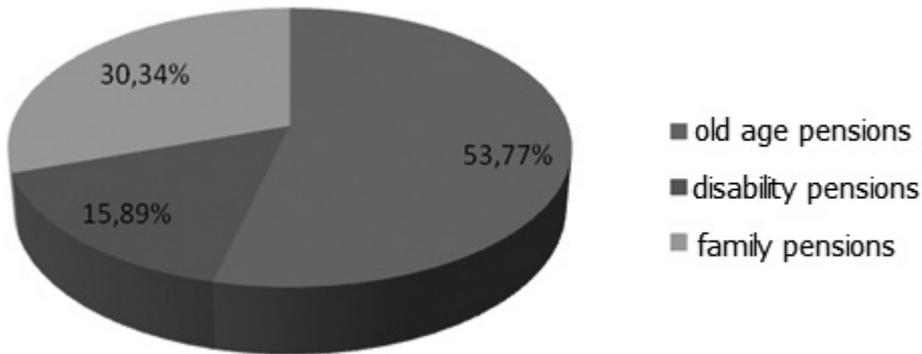


Chart 7. Structure of pension beneficiaries by type of pension-RS (fondpiors.org)

At the end of 2015, the contributors contributed 286,310, so the dependency ratio was 1:1,13. The average salary in the Republic of Srpska in 2015 amounted to 831 KM (426 euros) (rzs.rs.ba), and the average pension was 342.66 KM (176 euros), which means that the participation of the average pension in the average salary or the average exchange rate 41.23%. Contributions for pension disability insurance amount to 18.5% at the expense of the employer. Contribution to the Fund's income is 78.63%; transfers from the budget are 20.41% of the necessary funds for pensions, and 0.8% make up other income. (fondpiors.org) The share of pension expenditures in the gross domestic product is 10.61%. Harmonization of pensions in the Republic of Srpska is made on January 1, 50% makes a change in the average net salary and 50% of consumer prices at the annual level for the previous year. If there are opportunities, extraordinary pension adjustments can be made.

6. COMPARATIVE ANALYSIS OF PENSION SYSTEMS OF REGIONAL ECONOMICS

Pension and disability insurance rights in the countries of the Western Balkan are generally the same. They cover old-age and premature old-age pensions (in the case of old age), disability pension (in case of disability), family pension and funeral expenses (in case of death), as well as compensation for physical damage. In Macedonia, the right to professional rehabilitation is also included, in Slovenia children of insured persons have the right to family pension, while spouses have the right to widow/widower, while children's allowance is included in Croatia. All countries in the region have developed various ways of matching pensions, in relation to two parameters: price growth and average salary growth.

Pensions are consistent with the Swiss formula (partly on the basis of wage changes, and partly changes in the cost of the consumer basket). In the Federation of BiH, pensions are reconciled to the revenues collected from paid contributions. In Serbia, pensions are linked to the consumer basket index, with a possible addition in line with the growth of gross domestic product, if there is any.

In most countries, the share of disability pensions in relation to total pensions is well above the EU average (10%), in Montenegro and the Federation of Bosnia and Herzegovina is almost double (20.03% and 19.17%), in Croatia 16.88 %, in Slovenia 13.86%, Macedonia 13.26%, Republic of Srpska 15.89%, while in Serbia it is also high - 18%. Rates of contributions for pension and disability insurance in the countries of the region are shown in Table 1.

Table 1. Contribution rates in the countries of the region

STATE	PENSION DEPARTMENT RATE
SERBIA	26% (14% at the expense of the employee and 12% at the expense of the employer)
CROATIA	20% at the expense of the employee (1st pillar 15%, and 2nd pillar 5%)
SLOVENIA	24.35% (15.5% at the expense of the employee and 8.85% at the expense of the employer)
MACEDONIA	18% at the expense of the employee (1st pillar 11.7%, and 2nd pillar 6.3%)
MONETEGRO	20.5% (15% at the expense of the employee and 5.5% at the expense of the employer)
THE FEDERATION OF BiH	23% (17% на терет запосленог и 6% на терет запосленог)
BOSNIA AND HERZEGOVINA - THE REPUBLIC OF SRPSKA	18.5% at the expense of the employee

Graph 8. shows the average pension in the countries of the region. The graph shows that differences in the level of pensions in 2015 in countries in the region are also high, ranging from 176 euros in Republika Srpska to 562 euros in Slovenia. Pension in Croatia amounted to 298 euros, Macedonia 207 euros, Montenegro 272 euros, Federation of Bosnia and Herzegovina 189 euros, and in Serbia is also among the lowest and amounted to 190 euros.

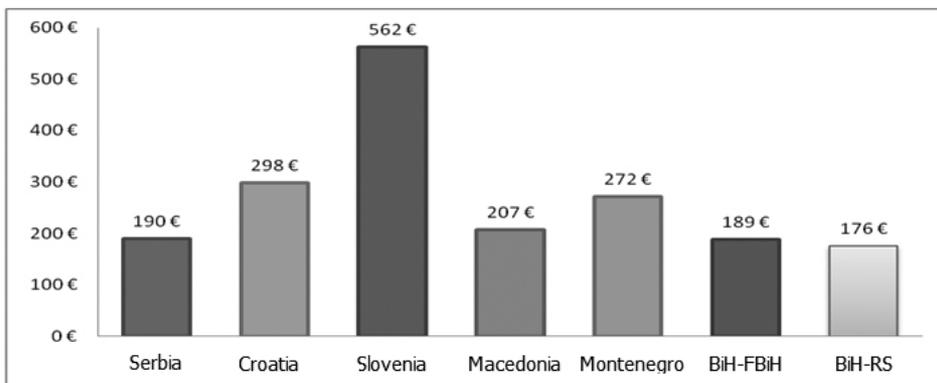


Chart 8. Average pension in the countries of the region

Chart 9. shows the share of the average pension in average earnings, excluding taxes and contributions.

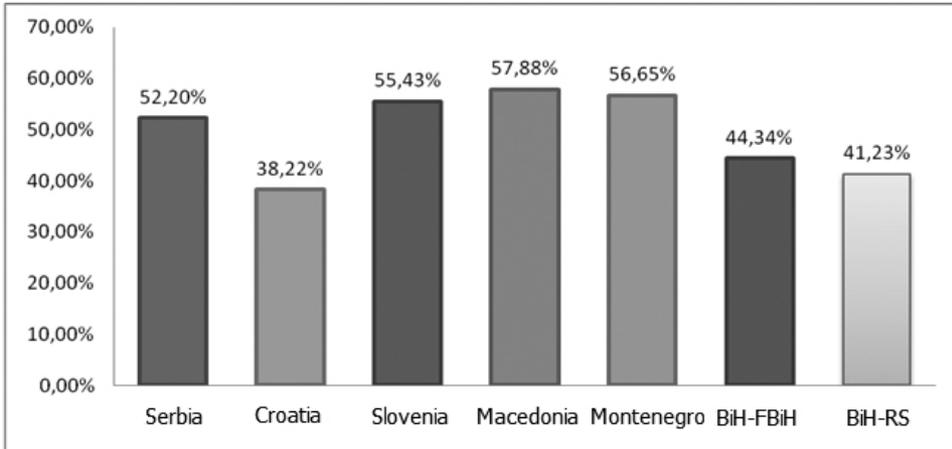


Chart 9. Participation of the average pension in the average salary

It can be seen from the graph that the percentages of the participation of the average pension causes the precisely high social sensitivity of the society in these countries. The share of the average pension in Serbia, Slovenia, Macedonia and Montenegro is above 50%, while in Croatia, the Federation of Bosnia and Herzegovina and the Republika Srpska, this percentage is below 50%.

Graph 10. shows the ratio of the number of employees and the number of pensioners in the countries in the region.

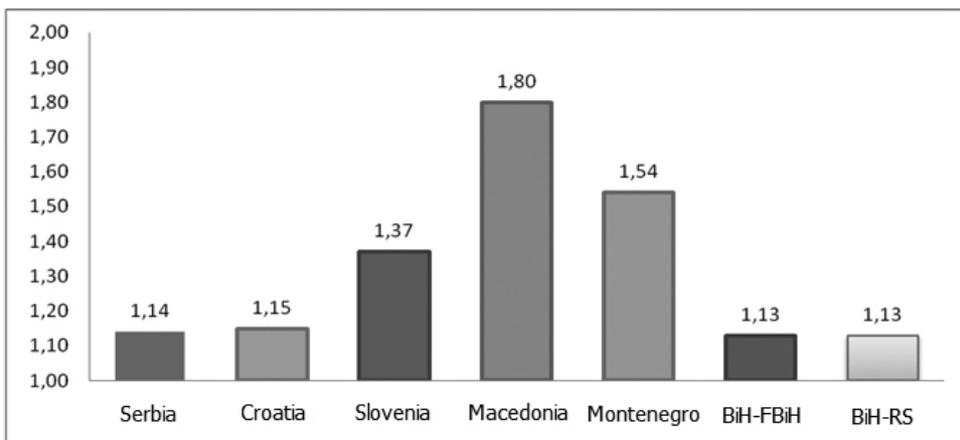


Chart 10. Ratio of number of employees and number of pensioners

The ratio of the number of employees and the number of pensioners shows the currently unfavorable economic situation in the countries of the region. The graph shows that the ratio of insured persons and pensioners is extremely unfavorable, one pensioner is supported by almost one employee, the situation is particularly bad in Serbia, Croatia, the FBiH and the Republic of Srpska, somewhat more favorable in Montenegro and Slovenia, while Macedonia is in the best position in relation to other countries in the region, where 1.8 employes come to one pensioner, which is at the average in the countries of the European Union, where it is around 1:1.8.

Graph 11. shows the share of contributions for pension and disability insurance in the total revenues of national funds.

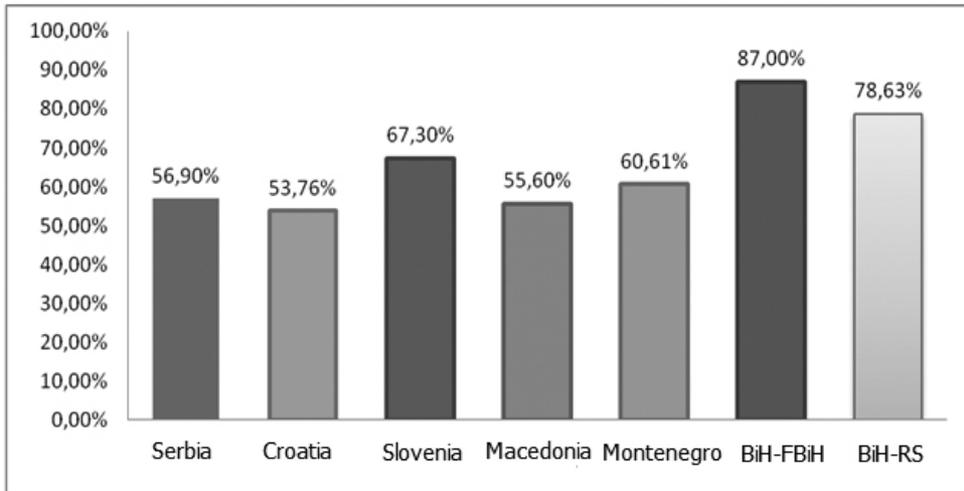


Chart 11. Participation of contributions in the total fund income

Participation of contributions for pension funds in fund income based on intergenerational cooperation range from 53% to 87%, the lowest in Croatia, and most in the Federation of Bosnia and Herzegovina and Republika Srpska. The difference between funds and 100% of the state is settled from the budget.

Chart 12. shows percentage share of expenditures for pensions in gross domestic product.

The share of expenditure on pensions in GDP shows how much society as a whole is burdened with these expenditures. The graph shows that Serbia has the largest share of expenditures for pensions in GDP, followed by Croatia, while the Federation of Bosnia and Herzegovina has the least share. The share of pension expenditures in total GDP is not proportionate to the level of pension.

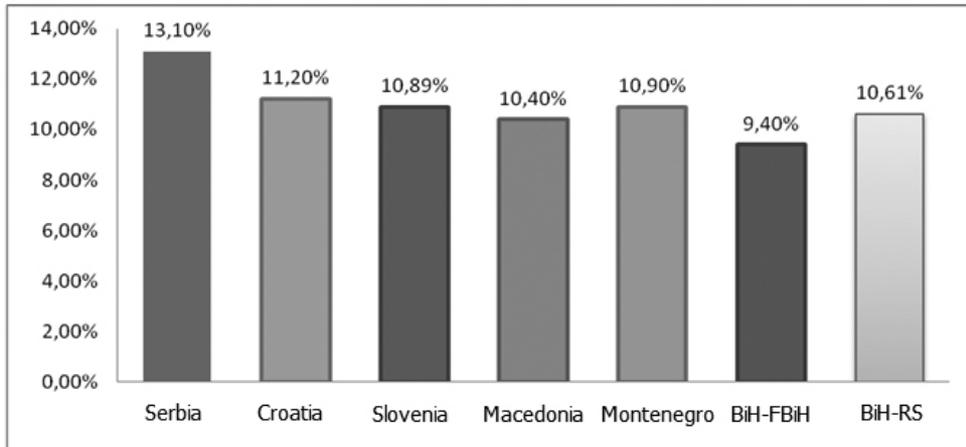


Chart 12. Share of expenditures for pensions in GDP

7. CONCLUSION

One of the characteristics of pension systems in the countries of the region is that all employed persons from the private and public sector, the self-employed and farmers are covered by the same pension system, this is not the case in the EU countries. Another characteristic is the high share of disability pensions, which is partly due to the wars of the 1990s, and partly as a consequence of the incompetence of law enforcement institutions.

The largest similarity of pension systems in countries in the region is a priority for the first pillar pensions, which are financed by the principle of intergenerational solidarity, that is, from regular payments. This means that the working population, through its contribution to the Pension and Disability Insurance Fund, and partly through taxes, funds pensions for beneficiaries who have exercised the right to retirement.

Legally compulsory pensions of the second pillar have been introduced in Croatia and Macedonia (for new workers). In Serbia and Bosnia and Herzegovina (both entities), there are no pensions of the 2nd pillar, while in Montenegro the law provides for the pensions of the 2nd pillar, but it is not yet applied in practice. Regarding the voluntary pensions of 3rd pillar, they mostly function in Croatia, Serbia, but there are also in Montenegro and Macedonia. The assets of these funds are still small, since they have been formed not long ago.

The way of exercising the rights and the height of the rights is almost identical in all countries in the region and is based on the years of retirement and the amount of paid salaries in a given period of time. All countries, with the exception of Macedonia, have a poor relationship between the number of pensioners and the number of employees, which is a consequence of a lasting economic crisis that arose as a result of the transition from the socialist to the capitalist economic system, as well as adverse demographic changes - aging of the population and falling birth rates. It is projected that this trend will continue, which will lead in the next years to a crisis in the functioning of pension systems. Interestingly, the

ratio between the number of pensioners and the number of employees is not in correlation with economic development and ranges from 1:1.8 in Macedonia, 1:1.54 in Montenegro, to 1:1.15 in Croatia and 1:1.13 in Bosnia and Herzegovina.

Differences between these pension systems are also numerous, more in details than in essential. Differences in the level of average pension have increased in relation to the period of the common countries, so today there is a distinction between the highest average pension in Slovenia (562 euros) and Republika Srpska (176 Euro) higher than 3:1.

The contribution rate is quite different, the lowest in Macedonia (18%), and the highest in Serbia (26%). Transfers from the budget for co-financing pensions are also different, ranging from 46.24% in Croatia, 44.4% to Macedonia, to the lowest in the entities of Bosnia and Herzegovina - 21.37% in the Serbic Republic and 13% in the Federation of BiH. Cofinancing of pensions from the budget in the Republic of Serbia is 43.1%. The share of funds for the payment of pensions in GDP also varies, from 13.1% in Serbia, 11.2% in Croatia to 10.4% in Macedonia and 9.4% in the Federation of Bosnia and Herzegovina.

From the above it can be seen that the pension systems of the countries in the region are very similar, which means that 25 years is a short period of time for such systems to be essentially reformed. Like almost all pension systems in the world and these in our region, today are facing a serious challenge and the question of their sustainability is raised. Therefore, a reform of the pension system is needed, with the aim of reducing public spending and budget deficit, addressing population aging, preventing early retirement, and the need for greater coverage of insured persons, as well as the introduction of supplementary and voluntary pension insurance.

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