



National Bank of Serbia

INSURANCE SUPERVISION DEPARTMENT
PENSION FUNDS SUPERVISION DIVISION

**VOLUNTARY PENSION FUNDS SECTOR
IN SERBIA**

First Quarter Report 2024

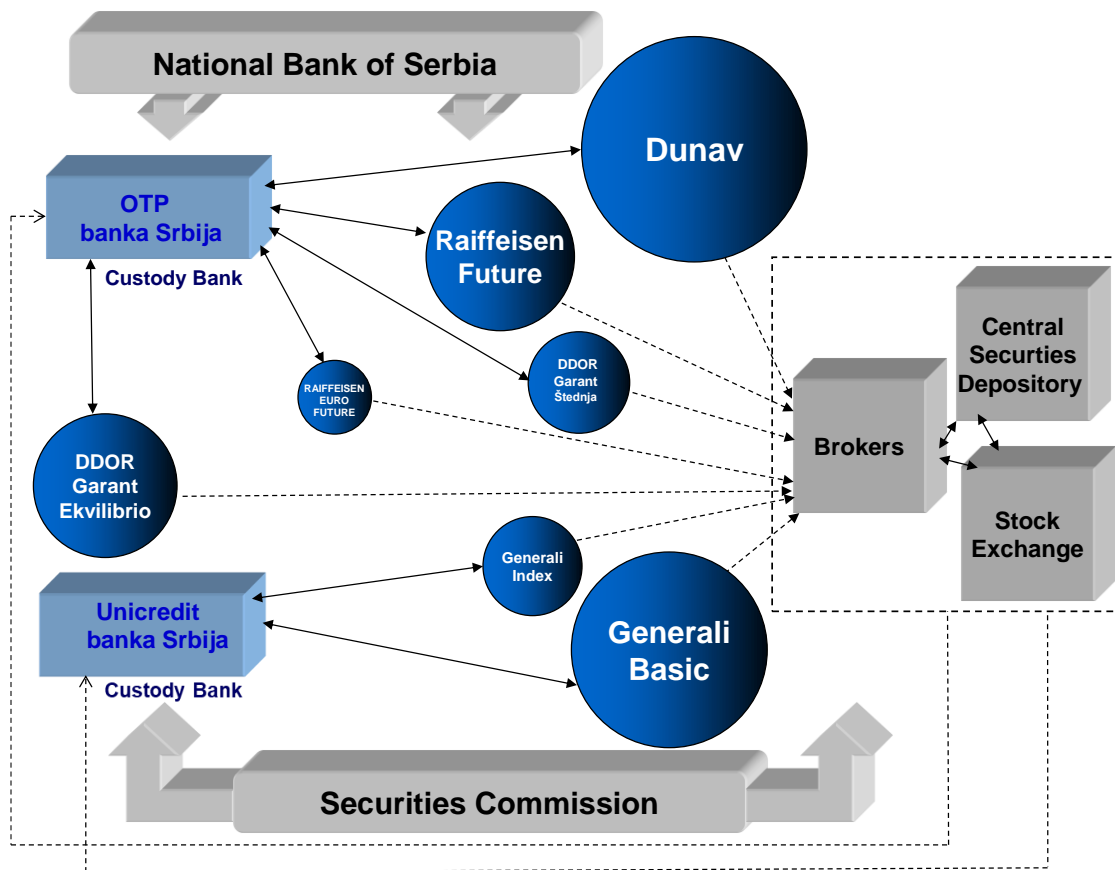
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1 Market participants

At end-Q1 2024 (same as at end-2023), the market of voluntary pension funds (VPFs) included four companies managing seven VPFs, two custody banks, five intermediary banks and one insurance brokerage undertaking.¹

Diagram: VPF market participants



At end-Q1 2024, VPF management companies employed 132 persons, four persons more than at end-2023.

The NBS licences sales agents, who passed professional examinations and fulfilled other requirements, to disseminate information about VPF operation. At end-Q1 2024 there was no change in the number of sales agent licences relative to a quarter before (a total of 1085).²

As brokers – management companies, banks and insurance undertakings may engage sales agents. At end-Q1 2024 management companies hired 111 persons, intermediary banks 458 persons and the insurance undertaking 87 persons as sales agents.

¹ Raiffeisen bank a.d. Beograd, OTP banka Srbija a.d. Novi Sad, NLB Komercijalna banka a.d. Beograd, Addiko Bank a.d. Beograd and AIK banka a.d. Beograd, as well as the joint-stock insurance undertaking DDOR Novi Sad, Novi Sad.

² The licensing exam for disseminating information about VPF operation is organised twice a year, usually in May and December.

2 VPF net assets

VPF net assets at end-Q1 2024 came at RSD 55.6 bn, up by 3.4% relative to end-2023. The change in the value of assets reflects net contributions³, withdrawals and investment returns. In Q1 2024, total contributions amounted to RSD 1.2 bn, withdrawals by members who met legal requirements to RSD 521.8 mn and investment returns to RSD 1.2 bn.

At end-Q1 2024, VPF net assets equalled RSD 55.6 bn.

End-of-period net assets of the VPF sector
(in mlrd RSD)

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 Q1
28.9	32.8	36.2	40.2	45.2	47.0	49.1	48.9	53.8	55.6

Source: National Bank of Serbia.

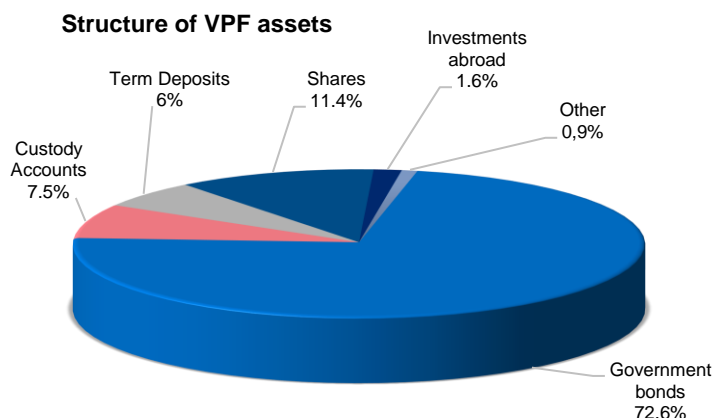
Measured by HHI, market concentration in the sector⁴ at end-Q1 amounted to 2,772 points, indicating the persisting high concentration in the VPF market.

According to the size of net VPF assets relative to total net assets of the sector, three largest funds together account for 82%, and the largest fund for 42% of the market share.

3 Structure of VPF assets

At end-Q1 2024, the structure of investment of VPF assets remained broadly unchanged from the previous period. Government bonds accounted for a major part of VPF assets – 72,6%. Balances in custody accounts and time deposits with banks made up 13.5%, shares of domestic legal entities 11.4% and investments abroad 1.6% of total VPF assets.⁵

The majority of funds were invested in bonds of the Republic of Serbia - 72.6%.



Source: National Bank of Serbia.

The portfolio of government debt instruments (Republic of Serbia's bonds) kept the dominant position in total VPF assets at the end of the period, as its share went up from 70.1% at end-2023, to 72.6%. In the composition of government securities, bonds in the domestic currency accounted for 58.6%, and those in euros for 14%.

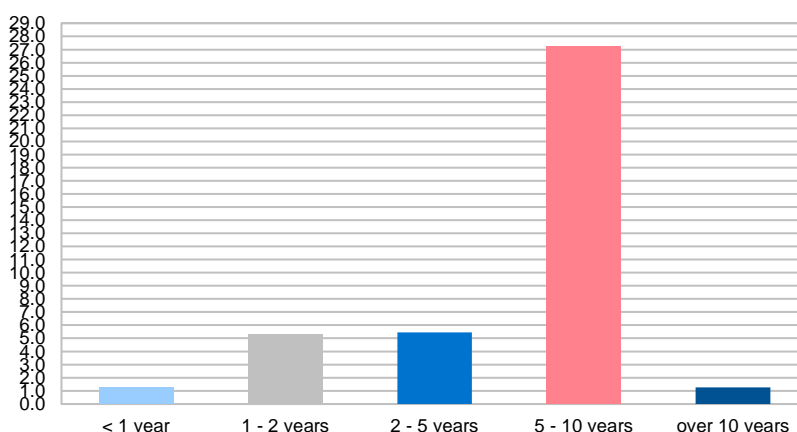
³ Net contributions are total contributions minus the front-load fee.

⁴ In terms of the share in total net assets.

⁵ The remaining assets are invested in open-ended investment fund units and receivables.

Maturity structure (government fixed income securities)

(in RSD bn)



Source: National Bank of Serbia.

The maturity composition of the portfolio of government debt securities somewhat changed from end-2023, given that Q1 saw a decline in the share of short-term bonds of the Republic of Serbia (as they fell due), and an increase in the share of 5-10Y government bonds. At end-Q1 2024, 3.2% of government debt instruments were with the maturity of up to one year, 13% between one and two years, 13.5% two to five years, 67.2% five to ten years and 3.1% over ten years.

The average maturity of assets⁶ invested in government bonds was 6.7 years at end-Q1 2024 (5.5 years at end-2023).

Aggregate exposure to shares of domestic legal persons measured 11.4% of total VPF assets and remained broadly unchanged from the previous period.

In Q1 2024 some VPFs invested in shares of foreign legal persons in international stock exchanges, so this type of investment accounted for 1.6% of total VPF assets.

Currency composition of total assets did not change significantly relative to the prior period and is shown below.

Currency structure of VPFs

(in %)

	2015.	2016.	2017.	2018.	2019.	2020.	2021.	2022.	2023.	2024. T1
RSD	87%	87%	86%	87%	87%	86%	86%	85%	78%	79%
EUR	13%	13%	13%	12%	13%	14%	14%	15%	22%	19%
USD	-	-	1%	1%	-	-	-	-	-	2%

Source: National Bank of Serbia.

4 Return on investment

At end-Q1 2024, the FONDex⁷ reached 3,384.77 points⁸ (3,311.07 at end-2023). FONDex return, the weighted average return on all funds equalled 8% over the past year and 3% over the past five years. Since the start of VPF operation, FONDex return had equalled 7.3%.

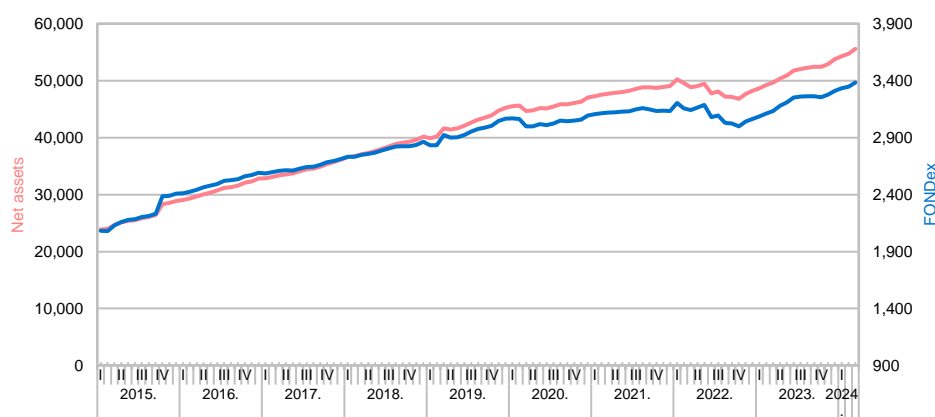
⁶ The maturity of instruments weighted by their share in total investment in government debt instruments.

⁷ FONDex is the index which indicates movements in investment units of all VPFs in the market.

⁸ The initial FONDex value on the first business day of the first VPF, 15 November 2006, was 1,000.

Given the structure of VPF investment, the return is influenced by: the change in the value of government debt instruments⁹, change in the prices of shares, change in the value of investment units of open investment funds, level of the key policy rate, banks' interest rates, and changes in the dinar exchange rate against the euro.

Movements in net assets and FONDEX
(in RSD mn and units)



Source: National Bank of Serbia

5 Fees charged by management companies

The Law on Voluntary Pension Funds and Pension Schemes sets out that management companies charge fees for their services and account transfer to fund members, in accordance with their tariff code. Management company fees entail contribution and management fees.

The contribution fee is paid as a percentage of each executed payment as a front-load fee. In Q1 2024 this fee averaged 2.2% (same as in the quarter before). The total amount of contribution fees paid in Q1 2024 amounted to RSD 26.2 mn, or 14% of total fees charged.

The management fee is calculated daily against the value of net VPF assets, not exceeding 1.25% p.a. and is included directly in the investment unit value, meaning that the calculated and published investment unit value is exclusive of the management fee. In Q1 2024, the total value of management fees equalled RSD 168.3 mn, which is 86% of the total fees charged.

Fees charged by management companies
(in RSD mn)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 Q1
Contribution fee	53.0	56.8	61.0	66.3	71.8	76.2	80.9	85.1	94.5	26.2
Management fee	514.9	614.4	678.7	474.0	526.7	567.9	599.4	599.0	633.4	168.3

Source: National Bank of Serbia.

⁹ A decline in interest rate leads to an increase in the prices of debt instruments and vice versa. The prices of longer-maturity instruments are more sensitive to interest rate changes.

6 Volume of securities trading and transaction costs

In Q1 2024, the volume of VPF trading in securities came at RSD 19.6 bn and the average share of VPFs in the Belgrade Stock Exchange trading in the same period was 16.6%.

VPF securities trading

(in RSD bn)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 Q1
Securities trading	14.5	11.5	24.2	16.1	48.7	26.3	33.5	11.9	27.9	19.6
Purchases	7.9	6.4	14.7	9.3	27.1	13.8	18.6	6.0	14.0	11.6
Belgrade Stock Exchange	0.9	1.1	3.7	2.7	3.2	2.7	1.9	1.6	0.6	0.6
Unregulated market	1.8	1.1	5.8	3.2	16.7	7.6	13.7	2.3	7.5	3.7
Foreignn markets	-	-	-	-	-	-	-	-	-	0.9
Auctions of government securities	5.2	4.2	5.1	3.4	7.1	3.6	3.0	2.1	5.9	7.3
Sales	3.6	3.0	7.4	5.5	19.6	11.2	12.0	3.8	11.5	5.5
Belgrade Stock Exchange	0.5	1.9	2.7	3.2	1.4	3.1	3.7	0.8	1.1	0.7
Unregulated market	3.2	1.1	4.7	2.3	18.1	8.1	8.3	3.0	10.3	4.9
Maturity	2.9	2.1	2.2	1.3	2.1	1.4	3.0	2.1	2.4	2.5
Purchase to sale and maturity ratio	1.2	7.5	1.5	1.4	1.3	1.1	1.2	1.0	1.0	1.5
Share in total BSE trading (in%)	6.1%	6.7%	33.0%	9.4%	5.1%	11.9%	13.5%	6.1%	8.5%	16.6%

Source: National Bank of Serbia, Belgrade Stock Exchange.

Transaction costs incurred in the purchase, sale and transfer of securities (Central Securities Depository fees, stock exchange fees, tax charges) and the costs of current maintenance of real estate property that fund assets are invested in are charged against fund assets. Other costs are charged against the assets of management companies.

The total transaction costs in Q1 2024 amounted to RSD 3.2 mn (RSD 1.1 mn in the quarter before), with stock exchange fees and Central Securities Depository fees accounting for the largest shares.

Amount of transaction costs

(in RSD mn)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024. Q4
Total	5.6	7.3	10.5	8.3	17.2	10.3	4.8	5.9	6.2	3.2
Brokerage fees	1.3	2.3	4.4	3.0	8.0	3.7	0.7	1.0	1.5	1.6
Custody bank fees	2.0	2.0	1.9	1.8	3.1	2.3	1.6	1.4	2.4	0.6
Stock exchange fees	0.8	1.0	1.8	1.3	1.9	1.3	0.5	0.6	0.7	0.1
Central Securities Depository fees	1.6	2.0	1.8	1.6	3.4	2.2	1.7	2.8	1.7	0.9
Other fees	-	0.0	0.6	0.6	0.7	0.9	0.0	0.0	0.0	0.0

Source: National Bank of Serbia.

7 Number and structure of VPF users

At end-Q1 2024¹⁰, 222,553 users were in the accumulation phase¹¹ (an increase by 1,839 from end-2023), with 307,501 membership contracts (2,680 contracts more than at end-2023).¹²

VPF users make up 9.6% of the total number of employees in the Republic of Serbia¹³.

Number of contracts and users (in thousands)										
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 Q1
No of contracts	258.1	250.5	253.9	261.7	275.8	279.5	288.7	294.5	304.8	307.5
No of users	190.5	183.6	185.4	192.3	201.6	205.0	210.7	215.5	220.7	222.6
Percentage of active users (in %)	25.3%	28.5%	33.6%	33.4%	34.4%	35.3%	35.9%	36.5%	36.1%	36.2%

Source: National Bank of Serbia.

The amount of accumulated funds depends on the amount of contributions, return earned by funds, level of fees, and the length of the accumulation phase. As the level of contributions and the period of accumulation increase, and funds earn returns, average balances in members' individual accounts go up. The average amount of funds accumulated in the accounts of members who have made at least one contribution payment was RSD 278.8 thousand at end-Q1 2024.

Average accumulated funds at end-period

	2015	2016	2017	2018.0	2019	2020	2021	2022	2023	2024 Q1
	179.4	200.6	219.3	235.8	239.9	257.4	260.0	249.6	271.7	278.8

Source: National Bank of Serbia.

At end-Q1 2024, the number of users who are members of two or more VPFs was 45,030 or 20.2% of the total number of users. The structure of users by sex and the amount of their funds did not change significantly compared to prior periods. Men made up the majority of 57%.

¹⁰ VPF membership has two phases – the accumulation phase (when contributions are made) and the withdrawal phase (when the accumulated funds are withdrawn).

¹¹ The number of users is the number of people who are members of VPF(s). This number is lower than the number of membership contracts, as there is a significant number of users with more than one membership contracts in one or several VPFs.

The number of membership contracts is the sum total of individual membership contracts and the number of members of all pension schemes.

¹³ Source for the number of employees: NBS.

Number of users by number of funds in which they are members
(in units)

No of funds	No of users
1	177,523
2	38,654
3	6,027
4	322
5	19
6	6
7	2
Total	222,553

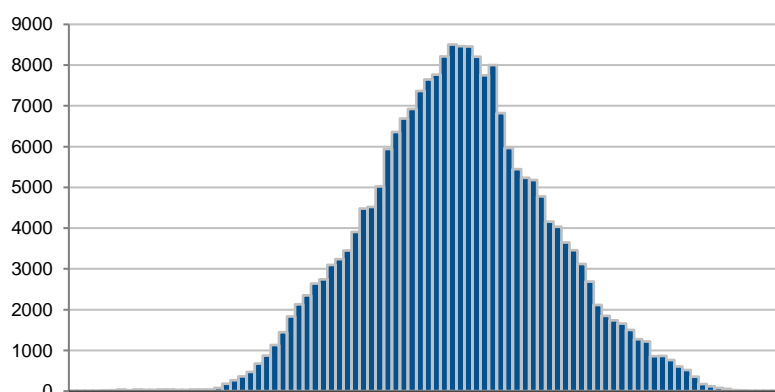
Source: National Bank of Serbia.

Number of users by membership contract
(in units)

No of contracts	No of users
1	158,690
2	49,619
3	9,578
4	3,190
5	1017
6	295
7	118
8	28
9	6
10	12
Total	222,553

Source: National Bank of Serbia.

Distribution of users and accumulated funds by age
(in units, RSD)



	0-9	10-19	20-29	30-39	40-49	50-59	60+
No. of users	217	561	11,546	39,039	76,381	61,539	32,752
Amount of funds (mln)	9.59	22.30	786.12	5,754.67	21,967.13	20,417.13	5,906.08
Average holdings	44,194	39,750	68,086	147,408	287,599	331,775	180,327

Source: National Bank of Serbia.

At end-Q1 2024, the average age of VPF users was around 48 years (same as at end-2023), with users aged 40–60 making up the dominant share (64%). Also, the percentage of users above the age of 53 was similar as in prior years (31.6%), while the percentage of users above the age of 58 was 18.7%.

8 Contributions, withdrawals and transfers

Net total contributions to VPFs came at RSD 1.2 bn in Q1 2024.

In Q1 2024, net contributions amounted to around RSD 1.2 bn.

Total contributions

(in RSD bn)

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 Q1
2.58	2.89	3.19	3.47	3.92	3.48	3.73	3.74	4.43	1.18

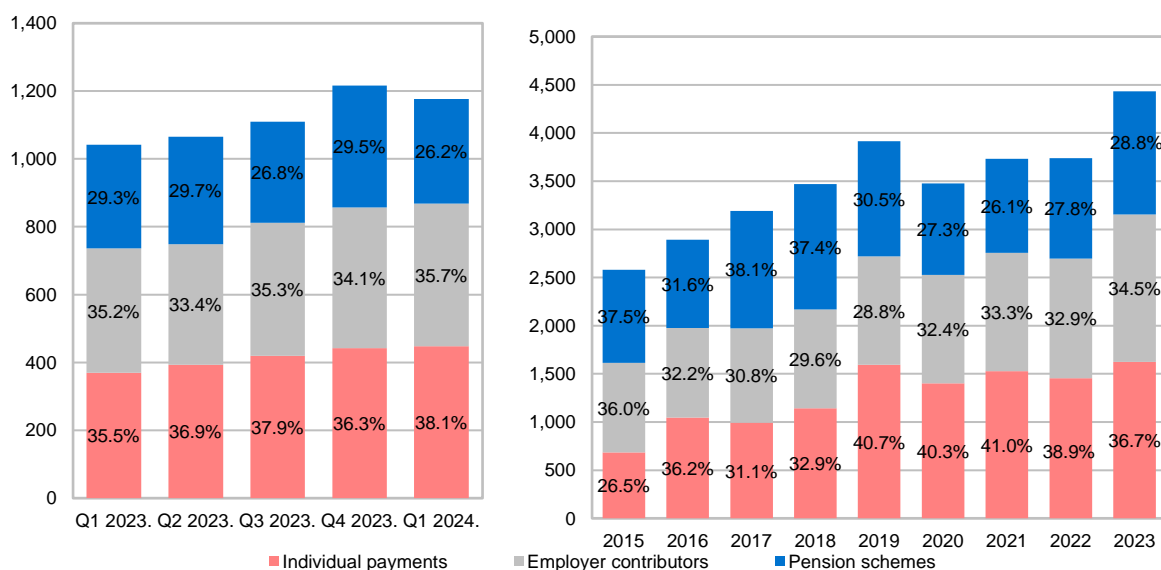
Source: National Bank of Serbia.

Of total contributions in Q1 2024, individual payments accounted for 38.1%, employer contributions for 35.7% and pension schemes for 26.2%.

Q1 2024 saw a rise in both individual payments and employer contributions to VPFs for the account of their employees. This way, employees and employers can save up since contributions from employer's funds up to RSD 8,101¹⁴ per employee per month are exempt from the household income tax and contributions for mandatory social insurance. Payments in the same amount made by the employer through wage garnishment are also tax-exempt. This represents an additional incentive to employees and employers to direct a part of the wage to saving in VPFs.

Volume and structure of total contributions

(in RSD mn, %)



Source: National Bank of Serbia.

Withdrawals by members who met the requirements under the law totalled RSD 521.8 mn in Q1 2024.

In Q1 2024, total withdrawals amounted to RSD 521.8 mn.

Total inter-fund transfers

(in RSD mn)

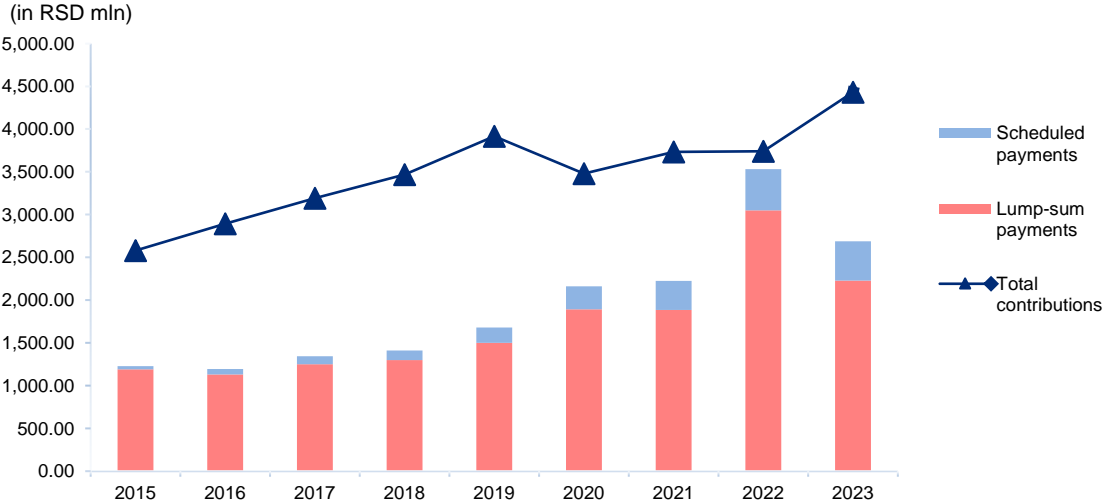
2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 Q1
219.7	267.5	263.0	229.7	210.3	252.6	199.0	748.4	260.0	100.9

Source: National Bank of Serbia.

¹⁴ Under Government decree, this amount is adjusted for previous-year inflation once a year. Since February 2024, it equals RSD 8,101.

Lump sum withdrawals accounted for 77% of withdrawals and scheduled withdrawals for 23%. As the accumulation period extends and account balances grow, we may expect a rising share of scheduled withdrawals and other types of withdrawals envisaged by the law (e.g. purchase of annuities).

Comparative overview of withdrawals and contributions



Source: National bank of Serbia

Transfers represent inter-fund transfers. A member may transfer a part or all of his assets from one fund to another, paying only the actual transfer costs to the custody bank. In Q1 2024, the amount of assets transferred to another fund equalled RSD 100.9 mn.

In Q1 2024, transfers came at RSD 100.9 mn.