

**PRIVATE PENSION SOCIETY IN THE REPUBLIC OF MACEDONIA**

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**ABSTRACT**

Because of the huge demand for entry into the financial market and due to the large number of membership in the pension system of R.M it is necessary to restrict access to the pension fund, because it is a very delicate part of the management of pension funds, the investment of assets is mandatory, assurance of a great pension experience and also the social ability pension . MAPAS Agency opens a tender with the defined proposal according to the legislative conditions specified in the law for the financial capital of the pension fund. On 04/04/2005 MAPAS Agency announces the results of the permitted licensed work and the opening of the pension company which manages the financial capital of the pension fund where there were two winning pension companies: "NOV Pension funds" and" KB the first open Mandatory Pension fund" whereas since 2005 operating only two single licensed pension companies by the MAPAS's Regulatory Authority that at the same time manages fund's financial capital mandatory pension fund and voluntary financial capital fund. NLB in its establishment has had 51% of shares in Slovenia, and 49% in Tutunska Bank Skopje with a value of 2,000,000 eu. When KB was established its 51% of shares belonged to the Republic of Slovenia , while 49% has Commercial Bank in Skopje which had 1.800.000 eu. when KB was established. MAPAS Agency except that it licenses the pension societies since their establishment, also affects the changes of shareholders, board members and supervisory council. A company pension is divided into sub-management of pension fund to which each society is considered as a company itself. There are three different pension companies, societies for leading companies with mandatory pension funds, where the founders are the financial institutions with a capital which is lead by means of mandatory pension funds. Societies for leading companies with mandatory and voluntary pension funds is led by means of mandatory and voluntary funds. These are joint stock companies whose activity is the management of pension funds, this type of society may be banks, insurance companies or other financial institutions that obtain a license from MAPAS -whose task is to invest the funds in pension funds in order to increase their value , they maintain regular accounts for their situation and inform MAPAS.

**CONDITIONS FOR THE ESTABLISHMENT OF PENSION COMPANIES**

Since the pension system is very important and the defense of the members, for an institution to be stable in terms of companies there are foreseen some criteria , cash basis in value of 1,500,000 Euros in denar according to the National Bank rate, a society which manages only voluntary funds must possess the minimum base of 500,000 Euros in equivalent of denar (national currency). In case of increasing the basic value ,the society which manages the funds must inform MAPAS in order to respect the law, this type of bases is paid only in the form of cash in order to increase the capacity of the financial pension funds. Pension company is obliged at all times to maintain the compulsory reserve established by law which is half the base form that means 50% of the total value of collected assets.

## CONDITIONS FOR FOUNDERS OF PENSION FUNDS

The main aim of the founders of the pension fund is to provide and offer management of the mandatory financial capital pension fund, and also the voluntary fund of the financial capital as well as manager by whom the pension companies will be led. According to the financial capital law of the pension fund, natural people have no right to be founders while legal people have the absolute legal right to be founders and they can be foreign or domestic Founder's conditions are:

- the founder who has 51% of the financial foundation, should be banks, companies that manages the investment funds, foreign companies that govern private pension funds, pension companies and financial institutions etc.
- the financial foundation must possess at least 2,000,000 Euros in denar according to the course from BP
- it should have at least 3 years of existence to be in continuity with the work of pension companies in RM and to be flexible on the market group of complete managers and professionalized, experienced people in financial institutions and pension companies.

## COOPERATIVE MANAGEMENT OF PENSION COMPANIES

The Board of Experts pension companies is responsible for the organizational structure of the company pension and for determining the most appropriate way possible to lead, he determines the manner of management, procedures, people appointed and authorized for leadership, as well as their rights and obligations during the implementation of the given task. The main goal is responsibility, transparency and trust between supervisory entities and achieving efficiency in the pension fund. Persons authorized for supervision and guidance of the fund selected by the council of experts must understand their role and the importance in the performance of assigned duties, to ensure the efficiency of the work process, and achieving success during internal and external audits.

## MANDATORY AND VOLUNTARY PENSION FUND

The mandatory pension fund is established and led by the pension company which represents mandatory funds to third persons. Voluntary Pension Fund is established and led by the company pension which represents the voluntary pension fund to third persons. Pension funds have defined their status which is determined by MAPAS agency based on international standards and Regulatory Authority.

## MANDATORY PENSION FUND

The insured may become a member in two ways: by the signature of the contract for membership of mandatory pension funds, by random choice from MAPAS agency, where the insured for a period of 90 days make no selection to membership in a pension fund, then the agency determines the fund through random choice, this method is used in order to ensure the investment of means of the insured and multiplication fund for this time. In case the insured has signed a contract membership in a mandatory pension fund, has the right to terminate the contract within 90 days, in this case the member should sign two copies to break the contract to fund, and the pension fund informs MAPAS agency.

## OCCUPATIONAL PENSION SCHEME

In many countries occupational pension schemes existed, even in the Republic of Macedonia and to the new pension reform is defined this type of payment of additional contributions that are very important for insured but also for the society. The employer pays the employees an additional contribution to the creation of professional scheme in the future or at the time of retirement, retired pensioners will attract from three pillars pension or will attract three pillars combined pension. What is important is that the employer is not obliged to establish pension scheme for employees and pay monthly contribution but it is his will, and the rate of return of these funds varies from 1% to 12% whereas the employer itself is the one who determines the value that he will pay even though there are cases when the employer pays 1 month voluntary contributions to members while the other months he does not pay.

## VOLUNTARY PENSION FUND

The voluntary pension fund has the right to join every person who has reached 15 years of work and has an open individual account, except for persons aged over 70 years are not eligible for membership. A person can have only one individual pension account and a professional account through professional scheme which is active from the moment the contributions are paid. The agent of pension companies in front of natural person presents the conditions of memberships, promotes the product of the pension society, explains the pension advantage, and also is obliged to explain in details from the stages of membership until the last stage of retirement. The member must possess identification document, while the agent should possess two copies of the contract and the number of the contract which is determined by the company, two of them assigned by MAPAS. Pension companies are obliged to train their agents, and to advise them properly for an agreement, another way of counseling should be done in the preservation of personal data members, and membership by third persons. In case the insured does not want to become a member through an agent as a cause of lost confidence and misuse of data he has the right to perform the membership in the bank's space and in the pension fund, which works with international standard because of the reason that the funds collected from pillar II and III pillar pension can be evidenced for voluntary pension fund members led by the company pension which is obliged within 90 days to submit the list of evidence to MAPAS agency, the agency collects the recorded data and they check in case the member meets or does not meet the requirements for membership and the agency has the right to remove the members in case the member is dead, has over 70 year, is less than 15 years or is retired, etc.

What is important to private pension funds is it can be withdrawn in two ways: the way of annuity that calculates actuary through the total value of assets contributed and multiplication until the day of retirement, to calculate the value of income, this way it takes part in the system of two combined pillars, while the other type of withdrawing money is a programmed way, so the member requires from private pension company, from the day of the retirement and determines the type of the withdrawal of money.

## MARKETING PRIVATE PENSION FUND

Only pension companies are responsible and can perform marketing services for mandatory and voluntary pension. In pension companies it is included the part of marketing of the membership and the future members. After the product is concretized from the company and the collection of the material is promoted within 3 days, it sends the marketing material to

MAPAS agency for surveillance , the agency rechecks the material and if the agency concludes that such marketing material is not to be promoted and if it doesn't worry the consummators and is not compiled on the basis of written regulations for marketing agency, then the agency prohibits the promotion of such material. The pension fund has a legal obligation to employees who perform marketing function and to the agents so they will be advised in the most proper way of marketing, to not give incorrect information and not provide inaccurate material to providers, on the other hand the pension fund to prohibit the publication of incorrect information on their websites, the media and brochures found in the spaces of the Pension Fund and commercial banks. All the above mentioned will answer before the law in case of corruption and other forms of fraud in order to increase the number of members in the mandatory pension fund.

### **AGENTS OF PENSION COMPANIES**

Pension company agent can be any citizen of Republic of Macedonia who has at least finished high school, and who is employed in the private pension company with a contract by the company. The agents of the pension company will have to take part in an exam for agent of the private pension company , organized by MAPAS agency. In the exam are summarized materials for marketing the right way, the membership of the insured, the way of physical contact, callings through telephone and electronic communication. Pension company pays compensation only for the contribution , whose values can be achieved on maximum 4% of the paid contributions, 0.05% of the unit's monthly paid contributions. The compensation is paid in case of transfer of a member from one mandatory pension fund to the other mandatory pension fund . Wardens of the property is paid compensation of the value of the daily contributions from the pension company , and the calculations are performed by the MAPAS agency.

### **THE FINANCIAL MARKET AND CAPITAL MARKET**

Any financial system consists of two components, the coordination of savings and their investments in economy: the primary market which represents the financial market being the first to trade securities , and secondary market which represents the purchase and sale of securities that have previously been traded and emitted. The secondary market includes scholarship securities , in a centralized location where buyers and sellers meet to trade securities. The services of securities scholarships are offered only by members of the scholarship and the brokerage houses and also from licensed dealers to the right of emission trading and securities out of scholarship. State body has established of securities who control the securities market . Financial intermediaries can be: commercial banks, insurance companies, investment and pension boards, brokers, dealers etc. Important mediators that have an important role in the pension companies are: the investment fund which is a financial intermediary formed in order to collect funds from investors, he has the status of a legal person , and has the right to invest the available tools, the main function of financial intermediaries is risk diversification and professional management.

Investment funds can be: open investment fund that collects the cash through public call for the sale of documents and bonds and closed investment fund that collects cash through public call for sale of shares. Institutional investors are financial intermediaries who invest their assets in other institutions which are : banks, investment funds, pension funds investment, insurance company, etc. Investment funds offer the choice of money which are accompanied by other fund means in order to increase the purchase, they are created by the investment

company which is managed by investment professionals who have particular purpose and certain investment program.

There are times when funds sell shares as much as they want, who pay dividends from income and interest rate by an investor. Today there are more than 9,500 funds, taken as a model by Robert Fleming in 1800, he founded the first Trust that exists in the US today. The purpose of investment funds is to reach a daily revenue, income in future development that should always have the risk as basis. Brokerage houses are legal entities established by the Securities Commission. People whom are granted a license and perform the work of securities are called brokers and they work on their behalf for another's account without considering other's interest except that of a basic salary set by brokerage house. Dealers are financial intermediaries who unlike brokers they buy and sell securities on their behalf and their interests, and unlike dealers and brokers the investment advisors are also natural persons whose task is to give advice to investors for investment and also to teach the way of achieving investment and to make the right measurement of the risk. Financial instruments are to those persons who have emitted securities and settlement of payment instruments under contract. Financial instruments are: securities, shares, bonds, deposits, bank deposits. The investment means of the pension fund and pension company is obliged to manage the collected funds of pension companies and both hold responsibility for investment pension funds.