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BOOK REVIEW

DEVELOPMENT OF VOLUNTARY PENSION FUNDS IN SERBIA

Authors: **Ivan D. Radojković, PhD** and **Boban Gajić, MAEcon.**

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Pension funds that are the subject matter of this book operate as fully funded system of financing - often called the system of accumulation of capital or the system of capitalized funds. The level of the pension fund depends on the level of accumulated premium (contribution) and return of premium investment (contribution).

The authors are dealing in detail with the reform of the pension system carried out during the recent years. In the introductory part, it was important to distinguish between the mandatory and voluntary pension insurance. Private pensions are completely independent from the government pensions and rely upon the principle of personal account. It should be acknowledged that private investment funds are invested into the financial instruments that add to the portfolio optimization by allowing for the best relationship between investment risk and the rate of return of profit.

The book includes the principles following which private pension funds are invested, such as the principle of portfolio diversification. This is regulated by law.

In Serbia, there are four companies that manage the voluntary pension fund. Dunav Insurance Company is the largest one. Dunav Voluntary Pension Fund has licenses to operate, organize and manage a voluntary pension fund, accounting for 84,000 members.

The investment policy defines the key principles for creating, managing and rebalancing the fund's portfolio, such as defining the optimum balance between debt securities and stock portfolios.

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Strategic investment allocation implies that the average ratio between investment instruments carrying an appropriate interest rate yield and shares in the portfolio structure is 80%-20%.

Authors outlined in detail the investment principles of portfolio formation, the calculation of the risk bearing factor of the total portfolio and/or individual asset classes within the portfolio. The Company monitors the level of credit risk for all debt securities issued by legal entities, both domestic and international.

When defining the investment strategy, the Investment Committee is primarily guided by the pension analysis of basic macroeconomic indicators and the projection of their future trends.

In order to appropriately analyze the development of the voluntary pension insurance market in Serbia, the authors examined basic characteristic of voluntary pension insurance in Croatia, North Macedonia and in other emerging countries.

Finally, the authors presented the statistical details concerning the supervision of voluntary pension industry carried out by the National Bank of Serbia.

It should be stressed that contribution of Ivan Radojković and Boban Gajić by presenting this book is that they helped us understand in detail the subject matter concerned.

*Translated by: **Bojana Papović***