

ANALYSIS OF THE STRUCTURE OF THE INVESTMENT PORTFOLIO OF PRIVATE PENSION FUNDS IN ROMANIA

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ABSTRACT: *The practice of many European countries, Romania becoming a member of the European Union, as well as the conclusions of several studies undertaken by international organisations which show a decrease and aging of our nation's population, have caused the authorities to rethink the public pension system, redirecting part of the contributions paid by romanians to this system towards a private one. A portfolio of private pension funds has been created, namely Pylon II. The following study seeks to present the principles behind the functioning of Pylon II, as well as to make an analysis of the main indicators that characterise this sistem, especially the structure of the investment portfolios of the seven privately managed pension funds from Romania between 2012 and 2016.*

KEY WORDS: *pension system; mandatory private pensions; investment portfolio structure; financial instruments.*

JEL CLASSIFICATION: *G11; G18; J32.*

1. INTRODUCTION

In developed countries, private pension funds function efficiently in completing the public pension system for over a century. In countries like the Netherlands, Germany, Denmark, Switzerland, Australia, Chile, Canada, the Scandinavian countries and others, countless generations have enjoyed the benefits of having an addition private pension besides the one from the state pension system („pay-as-you-go”), based on solidarity between generations.

In the last few decades, international studies have shown that the majority of the modern world is facing grave demographic problems: acutely shrinking birth rate, rising average age. In other word, the population of most states is reducing while, at the

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same time, we are seeing the phenomenon of aging of the population at a global level. These problems have had effects in the public pension systems as well, which function properly only when the active (contributing) population is a lot larger than the retired (non-contributing) population. As a result, a lot of states have reformed their public pension system, reducing benefits and perpetually rising the age of retirement.

Romania is no stranger to these tendencies which manifest themselves acutely at European and global level; quite the opposite, in fact. All studies (the World Bank, the IMF, UN, EU, European Bank for Reconstruction and Development, the National Institute for Economic Research and other independent studies) show the same situation: the population of Romania is within a pronounced tendency of reduction and aging.

The drop in and aging of the population translates to increasing strain on the public pension system, which should sustain, with fewer and fewer contributors (those with wages who pay social contributions), an expanding number of beneficiaries (public system retired). Romania's demographic problems show that the public pension system is not sustainable in its current form and that comprehensive reform is needed so that it will not collapse in the following decades.

It is for this reason that Romania adopted international practice in 2007 of introducing a system of private pensions, recommended and under the supervision of the World Bank and of the European Union. In addition to the public pension system (Pylon I), mandatory private pension funds (Pylon II) and optional private pensions (Pylon III) were introduced.

Pylon II means that a small part of the social insurance contributions paid by all Romanians towards the public budget are directed towards private pension funds, based on the accumulation and continual investment of these sums. The money from these funds does not belong to administrative companies, but to the Romanians who contribute to Pylon II – they are the private property of the people in the same manner as bank account or other financial assets. Beginning from the 1st of January 2018, 3,75% of the 25% social insurance contributions share will be transferred to the accounts of over 7 million Romanians, to Pylon II.

Pylon III works in a similar fashion, with one major difference: contributions are not directed from the public budget (like in Pylon II), but are paid voluntarily, optionally, by employees and/or their employers. The contribution towards optional pension funds benefit from fiscal reduction (400 EUR per year, both for the employee and for the employer) in order to encourage private pensions. Presently, over 450.000 Romanians contribute for this type of additional pension, which will be added to the state pensions (Pylon I) and to the mandatory private pension funds (Pylon II).

The demographic problem, explained above, shows that the redistributive logic of Pylon I (the state pension system) cannot sustainably work in the future. It is for this reason that participating towards Pylon II and III is the only efficient solution of additional saving, for a better pension in the future. (<https://www.apapr.ro/pensii-private/>)

2. GENERAL REMARKS PERTAINING TO THE MANDATORY PRIVATE PENSION SYSTEM IN ROMANIA (PYLON II)

During 2005-2008 Romania laid the foundations for the reform of the pension system, changes being caused by Law no. 411/2004 concerning privately managed pension funds and Law no. 204/2006 concerning optional pensions coming into force.

With this, the legislative framework which regulates the organization and functioning of entities from the private pensions market, as well as prudent supervision of the management of these funds, was created and consolidated. Furthermore, it was decided that the Financial Supervision Authority (ASF) was the organization with the attributions of authorising, regulating, supervising and controlling the private pensions system.

In order to understand the way these new system in Romania works by all interested parties, the ASF elaborated the „Ghidul participantului la sistemul de pensii administrate privat – Pylonul II” (“The guide for the participants to the privately managed pensions system – Pylon II”), available on the ASF’s webpage, www.asfromania.ro. Some of the informations present in the guide are presented here.

Besides rationalising the public system, the reformed represented an extension of the bases of the pension system through adding a new source for pensions (Pylon II), in addition to public pensions (Pylon I). Balancing the pension system had the goal of getting rid of the pressure put on the social security budget and implicitly on the state budget, and also of stimulating economic growth through investing the accumulated sums in the pension funds accounts, an investment for increasing the efficiency expected by the participants to the pension system. The privately managed pension funds shares are incorporated in the real circuit of the economy, general well-being relying directly on its growth.

Privately managed pensions (Pylon II) come from the part of the contributions to the pension system that was redirected from the public system (state pension – Pylon I) towards a privately managed by specialized entities pension fund. Adhesion to a privately managed pension fund – Pylon II – is mandatory for people up to 35 years old and optional for people between 35 and 45 years old. In 2017, the share of privately managed pension funds Pylon II, included in the individual social security contribution, is 5%.

Initial adhesion to privately managed pension funds happened between the 17th of September 2007 and the 17th of January 2008 and involved the obligation of all persons within the age bracket to choose one of the privately administered pension funds authorized in Romania. After the initial adhesion the persons obliged to adhere and who did not choose a pension fund in the mentioned period of time were randomly allocated.

2.1. The mandatory private pensions system - Pylon II

Privately managed pensions, Pylon II, or “mandatory private pensions” as they are known to the general public, are characterized by a directing of a share of the personal social security contribution, mandatorily paid monthly in the public system,

towards the privately managed pension funds. In other words, the contribution towards a privately administered pension fund Pylon II did not and does not represent a retention, payment or additional contribution of the wage-earner, the same share of the salary being retained, but being divided between the public system and the private one, to the privately managed pension fund that was chosen.

The share transferred to Pylon II grew steadily, beginning from 2% in 2008, arriving at 6% (percentage of raw salaries) in 2016, representing sums that would have otherwise been transferred to the state social security budget. Simultaneously, being a redistribution, the percentage transferred to the public system Pylon I fell accordingly, the total contribution being always constant for the contributor, future retired person.

The right to a private pension is available at the moment of retirement, in concordance with the age of retirement from the public system. The payment of the pension will be made by a provider of pensions, chosen by the participant. The private pension is determined by the actuarial calculations, based on the net personal shares resulted from the sum accumulated through contributions and from their investment by the pension fund manager.

Net personal shares are the sum accumulated by a participant to a privately managed pension fund. Net personal shares are determined by multiplying the number of fund units owned by the participant, calculated based on the value of contributions and the efficiency of the fund, with the current value of the fund unit. In the case of people whose net personal shares, on the date when the right to pension became available, was too small to receive a private pension, as is the case for those retired due to disabilities for afflictions which do not permit the continuation of the activity, the money will be received through a one-time payment.

With the introduction of the notion of “mandatory private pension”, the whole pension system was marked by a radical change, insured people in the public pension system which became participants to Pylon II having “individual accounts”, each one possessing a personal account open to the chosen private fund in which personal contributions are accumulated. These contributions are invested in order to obtain future financial benefits, received at retirement.

Privately managed pension fund managers take over the contribution and invest it, the record of these investments being separately kept in each participants’ personal account. The manager of a pension fund is a company authorized by the ASF for managing the pension funds of the participants.

If in a company the capital is divided into shares, as is the case with a pension fund, it is divided in fund units. Every time someone pays a contribution, it is automatically transformed into fund units. The value of a fund unit is the value of the net shares of the pension funds at a given date divided by the total number of units of the fund at the same date.

2.2. Privately managed pension funds

Privately managed pension funds are classified by their degree of risk, which reflects the investment policy taken. According to applicable laws, the managers of privately managed pension funds have to mention clearly their investment in the

pension fund prospect and to invest the participants' contributions in accordance with the investment objectives taken. At the same time, they have to mention the risks associated with the investment policy as well.

In this context, the degrees of risks of the privately managed pension funds are defined. The degree of risk of each fund is calculated daily, based on a mathematical formula which takes into account all of the financial instruments in which there were investments, each of them having a specific degree of risk on their own.

Based on the result, a privately managed pension fund can have one of the following degrees of risk:

- low (degree of risk under 10%),
- medium (degree of risk between 10% and 25%) or
- high (degree of risk between 25% and 50%).

Managers have to invest the pension fund shares in a manner that would guarantee the safety, quality, liquidity and profitability of the pension fund shares. Furthermore, they must guarantee the diversification of the pension fund portfolio in order to disperse the risk and to maintain a high degree of liquidity.

The manager of the privately managed pension fund is a corporation created in accordance with available laws, also called a pension company. In the privately managed pension fund system Pylon II, the manager has an exclusive objective of managing the pension funds and, optionally, providing private pensions. It is worth mentioning that the responsibility regarding managing the pension fund cannot be delegated, while entrusting the execution of certain activities to tertiaries does not absolve the manager of responsibility. In order to manage the fund, a pension company must allocate an adequate volume of capital to its objective, in accordance with available legislation.

Table 1. Privately managed pension funds in Romania

| Fund | Administrator |
|--|-------------------------------|
| Private Pension Fund ARIPI | GENERALI |
| Private Pension Fund AZT VIITORUL TĂU | ALLIANZ-ȚIRIAC PENSII PRIVATE |
| Private Pension Fund BCR | BCR PENSII |
| Private Pension Fund BRD | BRD |
| Private Pension Fund METROPOLITAN LIFE | METROPOLITAN LIFE |
| Private Pension Fund NN | NN PENSII |
| Private Pension Fund VITAL | AEGON PENSII |

Source: <https://asfromania.ro/supraveghere/registre-electronice/pensii-private-pilonul-ii/p2-fonduri>

The investment policy represents the strategy through which the manager intends to invest the accumulated contributions from the privately managed pension fund. The statement regarding the investment policy is revised and updated whenever an important change appears or every three months, with ASF approval. Informing the participants about the new investment policy is mandatory in these cases.

A privately managed pension fund is created through company contracts, agreed upon between the participants, in accordance with the Civil code and laws specific to the privately managed pensions system. The fund is created with the aim of implementing a private pension scheme whose prospect was authorised by the ASF. In order to not cause confusion, the name should contain the phrase “privately managed pension fund”, in the Pylon II system. The content of the company framework contract through which a pension fund is created, as well as the methods of its modification, are determined through ASF norms.

Presently, in Romania there are seven active privately managed pension funds. They are presented in table 1.

3. THE STRUCTURE OF INVESTMENT PORTFOLIOS OF PRIVATELY MANAGED PENSION FUNDS DURING 2012-2016

3.1. An analysis of the main indicators that characterise privately managed pension funds in Romania

The total value of net assets registered at the end of 2016 by privately managed pension funds in Romania was 31,47 billion lei (6,93 billion euro). The registered annual growth rate compared 2015 was 27,53% (27,06% reported to the euro). It is noticeable, from the data in Table 2, the ascending trend of net assets across the entire analysed interval of time, their value having tripled at the end of 2016 compared to 2012.

Table 2. Net assets of mandatory private pension funds (million lei)

| Administrator (fund name) | 2012 | 2013 | 2014 | 2015 | 2016 | 2016/2015 (%) |
|--|----------------|-----------------|-----------------|-----------------|-----------------|--------------------------|
| NN (NN) | 3,652.5 | 5,239.5 | 7,140.5 | 9,135.9 | 11,510.2 | 25,99 |
| ALLIANZ-ȚIRIAC (AZT Viitorul tău) | 2,240.5 | 3,186.2 | 4,244.1 | 5,411.0 | 6,856.5 | 26,71 |
| METROPOLITAN LIFE (Metropolitan Life) | 682.4 | 1,955.1 | 2,714.3 | 3,490.3 | 4,449.6 | 27,48 |
| AEGON (Vital) | 276.3 | 416.3 | 1,709.9 | 2,263.7 | 2,946.7 | 30,17 |
| GENERALI (Aripi) | 788.5 | 1,160.4 | 1,595.0 | 2,074.3 | 2,671.7 | 28,80 |
| BCR (BCR) | 540.1 | 802.0 | 1,141.7 | 1,522.9 | 1,987.5 | 30,51 |
| BRD (BRD) | 254.7 | 390.1 | 572.1 | 775.5 | 1,043.7 | 34,59 |
| Total | 9,637.3 | 13,939.1 | 19,117.6 | 24,673.6 | 31,465.9 | 27,53 |

Source: <https://www.apapr.ro/utile/statistici/>

At the end of 2016 there were 6,83 million participants registered in the privately managed mandatory pension funds in Romania, a number growing constantly over the period of 2012-2016. From the data in Table 3 we can see that the largest growth of the number of participants, of 217,96%, was registered by the Privately managed pension fund (PMPF) Metropolitan Life at the end of 2013 compared to the same time the previous year. This is due to the fact that at the end of 2012, PMPF

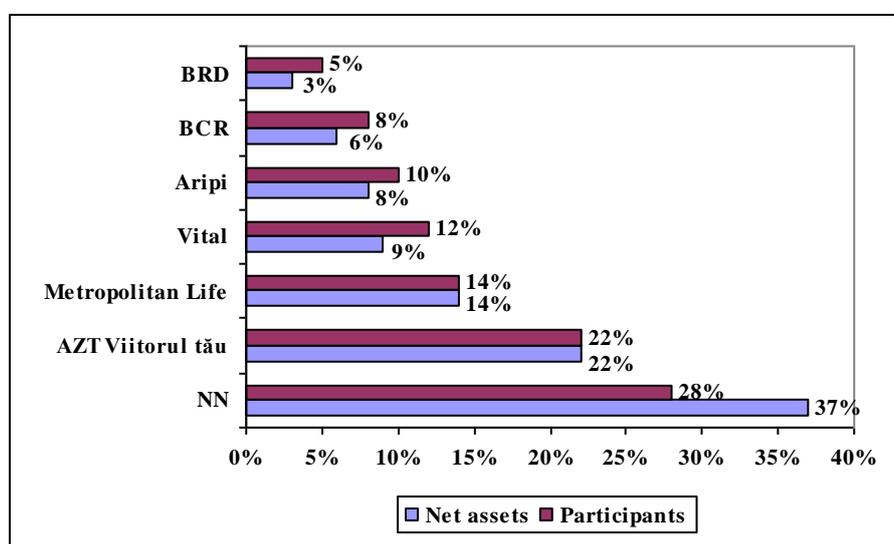
ALICO (the former name of PMPF Metropolitan Life) absorbed PMPF PENSIA VIVA.

Table 3. Number of participants in the mandatory private pension funds (persons)

| Administrator (fund name) | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|------------------|------------------|------------------|------------------|------------------|
| NN (NN) | 1,729,058 | 1,772,430 | 1,833,997 | 1,881,460 | 1,926,855 |
| ALLIANZ-ȚIRIAC (AZT Viitorul tău) | 1,368,805 | 1,392,903 | 1,429,914 | 1,464,425 | 1,503,662 |
| METROPOLITAN LIFE (Metropolitan Life) | 386,912 | 843,331 | 880,300 | 915,524 | 954,793 |
| AEGON (Vital) | 234,933 | 263,990 | 768,861 | 804,241 | 843,970 |
| GENERALI (Aripi) | 538,746 | 568,049 | 601,143 | 637,027 | 676,867 |
| BCR (BCR) | 438,970 | 474,983 | 508,069 | 543,687 | 572,709 |
| BRD (BRD) | 203,453 | 235,902 | 270,858 | 310,016 | 352,992 |
| Total | 5,772,514 | 6,039,261 | 6,293,142 | 6,556,380 | 6,831,848 |

Source: <https://www.apapr.ro/utile/statistici/>

As for the market share, PMPF NN, PMPF AZT Viitorul tău and PMPF Metropolitan life, remain on top, totalling on the 31st of December 2016 approximately 73% of net assets and 64% of participants (Figure 1). PMPF BRD and PMPF BCR, totalling approximately 10% of net assets and 14% of participants, have further registered larger annual and monthly growths, both in the case of net assets and number of participants.



Source: ASF, *Private pensions in Romania on december 31, 2016*, [Online], Available at: <https://asfromania.ro/publicatii/rapoarte-de-piata>

Figure 1. Market share of privately managed pension funds by participants and net assets at December 31st, 2016

In December 2016 (Table 4) 513,55 million lei (113,09 million de euros) were transferred to the privately managed pension funds, a yearly increase of 15,13%. Over the course of 2016, 5,88 billion de lei (1,31 billion euros) were transferred to the privately managed pension funds, with an average of 490,23 million lei/month. Compared with 2015, the total value of contributions transferred in 2016 grew by 19,17%, while the distribution shares for the first two months of 2016 was 5,0% (afferent to 2015), while in the period of March-December 2016 the share was 5,1% (afferent to 2016). (ASF, *Private pensions in Romania on December 31st, 2016*, p. 8).

Table 4. Volume of raw contributions and number of participants during Dec. 2012 – Dec. 2016

| | Dec. 2012 | Dec. 2013 | Dec. 2014 | Dec. 2015 | Dec. 2016 |
|--|-------------|-------------|-------------|-------------|-------------|
| Raw transferred contributions (lei) | 217,396,667 | 299,622,460 | 339,221,804 | 446,076,747 | 513,549,381 |
| Number of participants with contributions | 3,572,424 | 3,716,892 | 3,793,990 | 3,940,235 | 3,998,124 |

Source: <https://www.apapr.ro/utile/statistici/>

The number of participants with contributions in December 2016 was 3,99 million people, registering an annual growth rate of 1,47%. It is worth mentioning that in the period of December 2015 – December 2016 the number of these participants fluctuated slightly, registering a maximum in November 2016, 4,07 million people and a minimum in January 2016, 3,82 million people (the average being of 3,96 million people). On the 31st of December 2016, the number of participants with contributions transferred in the respective month constituted 58,81% of the total number of participants registered to Pylon II, being in a slight reduction compared with December 2015, 60,10%.

PMPF NN registered on the 31st of December 2016 the largest share of the total participants to the fund for which contributions were transferred in the calculated month (62,79%), and also the largest percentage of the total sums transferred in that month (33,79%), being in first place with regards to the value of median contribution per participant of 143,79 lei. PMPF NN placing is determined by the quality of its portfolio: a large number of participants for which contributions were transferred, with larger salary funds, which consequently determined large values for the transferred contributions and, on the whole, a larger volume of total shares.

On the next two places there were PMPF Metropolitan Life, 57,98% - percentage of participants with transferred contributions from the total number of participants to the fund and 13,96% percentage from the total of transferred sums in December 2016 and PMPF AZT Viitorul tău, 59,66% - percentage of participants with transferred contributions from the total number of participants to the fund and 21,72% percentage from the total of transferred sums in December 2016. In the case of PMPF Metropolitan Life the quality of its portfolio is the determining factor as well, in the

sense that they had larger salary incomes which consequently determined a larger volume of transferred contributions. On the 31st of December 2016, the three funds collectively registered 69,47% of transferred sums and 66,33% of participants with transferred sums in the calculated month.

On the opposite side of the spectrum there were the privately managed pension funds (PMPF ARIPI, PMPF BRD, PMPF VITAL and PMPF BCR), which registered smaller values in the case of median contribution per participant (118,33 lei – 114,80 lei), as well as in the case of the percentage of participants with transferred contributions from the total of fund participants (57,74% - 55,04%). (ASF, *Private pensions in Romania on December 31st, 2016*, pp. 8-9).

3.2. An analysis of the structure of the investment portfolios of the privately managed pension funds in Romania

The seven privately managed pension funds in Romania have a diverse investment structure, the ten types of financial instruments in which there is investment having different percentages that are themselves variable within (Table 5).

Table 5. The structure of investments to Pylon II (billion lei)

| Financial instruments | Dec. 2015 | Dec. 2016 | Dec. 2016/ Dec. 2015 |
|---------------------------------|--------------|--------------|-------------------------|
| Banking deposits | 1,16 | 2,26 | 94,56% |
| State titles | 16,26 | 20,35 | 25,18% |
| Municipal bonds | 0,36 | 0,38 | 4,74% |
| Corporative bonds | 0,93 | 1,05 | 13,41% |
| Foreign NGO bonds | 0,26 | 0,36 | 38,82% |
| Shares | 4,74 | 5,90 | 24,38% |
| Titles of participation – OPCVM | 0,96 | 1,18 | 22,75% |
| Cargo and precious metal funds | 0,01 | 0,04 | 612,61% |
| Insurance instuments | -0,011 | -0,01 | 17,72% |
| Discounting sums | 0,03 | -0,02 | -158,75% |
| Total active | 24,69 | 31,48 | 27,54% |

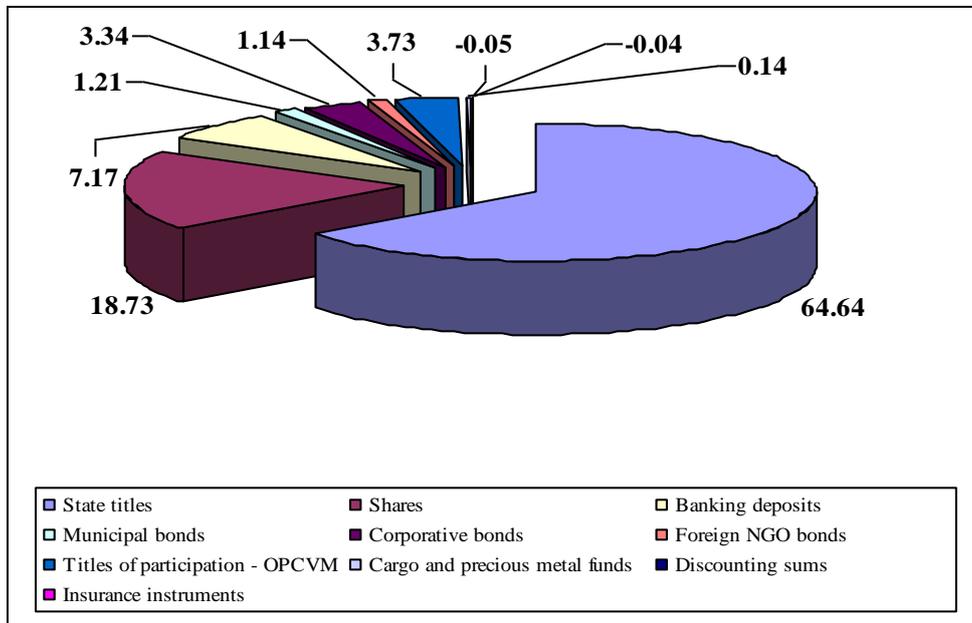
Source: ASF, *Private pensions in Romania on december 31, 2016*, [Online], Available at: <https://asfromania.ro/publicatii/rapoarte-de-piata>

The value of shares placed in all of the financial instruments grew at the end of December 2016, compared with the same month of 2015 in the conditions of a rise in total shares of 27,54%. Most of the shares saw a growth between 4,74% and 38,82%; there were, however, shares which grew even twice, as is the case with the bank deposits, or seven times, as is the case of cargo and precious metals funds. From the point of view of financial resource allocation on different share classes, with the exception of bank deposits, foreign NGOs and cargo and precious metals funds, the other financial instruments registered drops in December 2016 compared with the same month of 2015. (ASF, *Private pensions in Romania on December 31st, 2016*, pp. 10-11).

The percentage of each type of financial instrument in the structure of investments in privately managed pension funds registered in December 2016 clearly show their inclination towards state titles (64,64%), followed by shares (18,73%) and bank deposits (7,17%).

As for the other financial instruments from these portfolios, their percentage at the end of 2016 was, as is shown in Figure 2, the following:

- Municipal bonds: 1,21%;
- Corporative bonds: 3,34%;
- Foreign NGO bonds: 1,14%;
- Participation titles – OPCVM: 3,73%.
- Cargo and precious metals funds: 0,14%;
- Risk-covering instruments: -0,04%;
- Discounting sums: -0,05%.



Source: ASF, *Private pensions in Romania on december 31, 2016*, [Online], Available at: <https://asfromania.ro/publicatii/rapoarte-de-piata>

Figure 2. Percentage of financial instruments in the structure of total investment to Pylon II on the 31st of December 2016

As for the investing structure of the portfolios of the 7 privately managed pension funds in Romania, they, as shown by the data in Table 6, largely keep the percentage of financial instruments in the whole of Pylon II assets.

Table 6. The structure of investment portfolios of the private pension funds in Romania on the 31st of December 2016 (%)

| Administrator (fund name) | Banking Dep. | State titles | Munic. bonds | Corp. bonds | Foreign NGO bonds | Shares | Titles of part. OPCVM | Cargo and pr. met. funds | Insurance instr. | Disc. sums |
|---|-----------------|-----------------|-----------------|----------------|-------------------------|--------|-----------------------------|-----------------------------------|---------------------|---------------|
| NN (NN) | 7,15 | 65,50 | 1,81 | 3,12 | 0,87 | 17,34 | 4,25 | 0,00 | -0,03 | -0,01 |
| ALLIANZ-ȚIRIAC (AZT Viitorul tău) | 8,44 | 67,77 | 0,64 | 0,64 | 1,69 | 16,94 | 3,88 | 0,00 | 0,00 | 0,00 |
| METROPOLITAN LIFE (Metropolitan Life) | 7,54 | 63,98 | 0,00 | 3,24 | 0,00 | 21,11 | 4,58 | 0,00 | -0,12 | -0,35 |
| AEGON (Vital) | 4,71 | 65,02 | 0,71 | 5,75 | 1,80 | 18,62 | 3,17 | 0,23 | 0,00 | 0,00 |
| GENERALI (Aripi) | 9,48 | 55,40 | 2,17 | 6,83 | 1,12 | 24,32 | 0,78 | 0,00 | -0,10 | 0,01 |
| BCR (BCR) | 2,67 | 61,57 | 1,70 | 5,29 | 1,72 | 21,53 | 3,81 | 1,80 | -0,09 | 0,00 |
| BRD (BRD) | 7,17 | 65,93 | 1,60 | 4,31 | 2,32 | 16,23 | 2,45 | 0,00 | 0,00 | 0,00 |

Source: <https://asfromania.ro/informatii-publice/statistici/statistici-pensii/evolutie-indicatori>

At the end of 2016, PMPF Aripi had in the structure of its portfolio the largest share of *bank deposits*, of 9,48%, followed closely by PMPF AZT Viitorul tău with 8,44%. On the opposite side of the spectrum was PMPF BCR with a percentage of only 2,67%.

In the case of *state titles*, with the largest percentage in the structure of the portfolios of all funds, first place is occupied by PMPF AZT Viitorul tău, and the last by PMPF Aripi, with a difference of 12,37 percentage points. However, in the case of other types of financial instruments, like *municipal bonds*, *corporate bonds* and *shares*, the largest percentage was that of PMPF Aripi, which shows a large diversity of investments in this fund compared to the others.

Foreign NGO bonds have the largest share, of 2,32% in the portfolio of PMPF BRD, while *OPCVM participation titles* are mostly preferred by PMPF Metropolitan Life.

Financial instruments in the form of *Cargo and precious metals funds* can be found at the end of 2016 in the structures of the portfolios of PMPF Vital and PMPF BCR.

The last two types of instruments, *risk-covering instruments* and *discounting sums*, either do not exist, or have a small negative percentage in the investment structure of the seven funds.

Table 7. Percentage of investing structures to Pylon II after geographic criterium (%)

| Investments | Dec. 2015 | Dec. 2016 |
|-----------------------------|-----------|-----------|
| RO investments | 92,43 | 92,58 |
| EU investments | 6,53 | 5,71 |
| EBRD, EIB, WB bonds | 1,04 | 0,65 |
| Tertiary states investments | 0,00 | 1,06 |

Source: ASF, *Private pensions in Romania on december 31, 2016*, [Online], Available at: <https://asfromania.ro/publicatii/rapoarte-de-piata>

As for the geographic criterium (Table 7), in December 2016, 92,58% of pension fund shares were in the country, a slight increase over December 2015 (92,43%). 5,71% of actives represented placements in EU member states, 0,65% in foreign NGO bonds, like EBRD, EIB, WB and 1,06% in tertiary states. (ASF, *Private pensions in Romania on December 31st, 2016*, p. 14).

4. CONCLUSIONS

Even though in Romania, compared to many other states with a tradition in this area, the system of mandatory private pensions was implemented beginning with the 1st of January 2008. The date of the Financial Supervision Authority, whose responsibilities include the authorization, regulation, and supervision of this system, show that in only eight years it has matured, registering positive developments in regards to the value of contributions, number of participants and net assets. Within this system there are seven privately managed pension funds which have a very diverse investing structure. In the structure of the portfolio of these funds the largest share is represented by state titles, while the Romanian financial instruments constitute over 90% of all investments.

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