

# The future of CEE funded pensions - a Romanian perspective

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# Funded pensions in Romania, current snapshot

## Mandatory 2<sup>nd</sup> Pillar (data for 31.08.2024)

- Launched: May 2008
- 7 funds (18 at the start in 2008)
- **8.2 mil.** plan members
- **20.8 bn. EUR** contributions
- **29.8 bn. EUR** net AuM
- **562 mil. EUR** payouts made to 194,000 retired members
- **9.6 bn. EUR** net investment gain
- **8.01%** annual average return vs. **4.37%** annual average inflation

## Voluntary 3<sup>rd</sup> Pillar (data for 31.08.2024)

- Launched: May 2007
- 10 funds
- **780,000** plan members
- **924 mil. EUR** contributions
- **1.1 bn.** net AuM
- **148 mil. EUR** payouts made to 87,000 retired members
- **328 mil. EUR** net investment gain
- **6.35%** annual average return vs. **4.62%** annual average inflation

# PFs, already big actors in domestic financial markets

- 31 EUR bn. net assets under management (9% of GDP)
- Still very underdeveloped by OECD standards (PFs net AuM = 86% of GDP at OECD level)
- 94% of all assets are invested domestically (Romania)
- PFs hold ~10% of Romania's public debt
- PFs hold 35%-40% of Bucharest Stock Exchange's free float and 25%-30% of trading volumes
- **PF assets are the population's second largest financial wealth after bank deposits**
- Net AuM forecasted to exceed 50 bn. EUR by 2028

# From past challenges ...

- 2<sup>nd</sup> Pillar heavily affected by political risk & adverse decisions: lower contribution rates, opt-out windows, double taxation, etc.
- 3<sup>rd</sup> Pillar underdeveloped because of low fiscal incentive: EUR 400 / year tax break not updated since 2009
- Generally low savings culture & financial education
- Payout phase legislation not yet in place (due since 2009)

## ... to future opportunities

- International institutions (initially IMF & WorldBank, currently the EU & OECD), biggest supporters of funded pensions. EU's NRRP + OECD accession to safeguard 2<sup>nd</sup> Pillar
- Investment diversification
- More digital operations for PFs
- Fostering awareness & trust through communication
- Payout phase legislation

# Our lessons learned and take-aways for the future

- Good system design (legislation), low investment risk profile
- Good governance (management) of PFs
- Consistent communication to mass-media & plan members: their positive engagement safeguarded the 2<sup>nd</sup> Pillar
- Positive spillover effects in financial markets & real economy
- Constantly seek national & institutional champions for funded pensions

# Thank you!

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