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STATE AUDIT OFFICE

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- Press Release -

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Collected Pension Contributions are Insufficient to Finance the Deficit in the State Pension System

Increased revenue was insufficient to cover the deficit in pension payments in 2024, necessitating transfers from the State Budget, which accounted for 36.71% of the Fund's total revenue

The State Audit Office conducted an audit of the financial statements and a compliance audit of the **Pension and Disability Insurance Fund of North Macedonia (the Fund)** for **2024**.

For the 2024 audit, **an adverse opinion** was issued on the fair presentation of the financial position and the results of financial activities, as well as on the compliance of financial transactions with the relevant legislation, guidelines, and established policies.

The audit found, among other things:

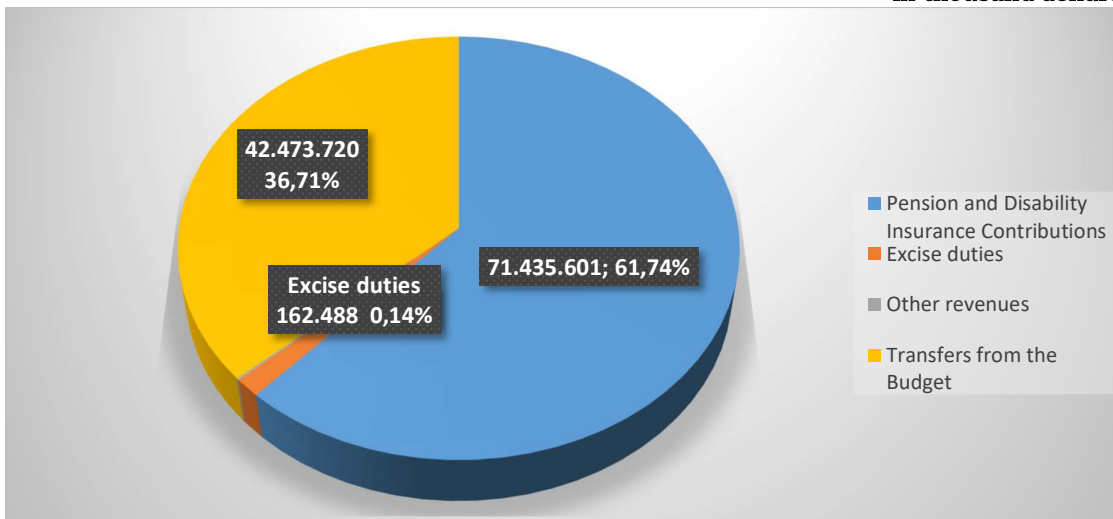
Revenue from pension and disability insurance contributions¹ increased by 14% in 2024 compared with 2023², amounting to 71.435.601.000 denars, accounting for 61.74% of the Fund's total revenue. Despite this increase, revenue remained insufficient to cover pension expenditure, which has continued to rise each year, amounting to 90.277.241.000 denars in 2024.

Breakdown of the Fund's Revenues in 2024

¹ The pension and disability insurance contribution rate for 2024 was 18.8% of gross salary

² Revenue from collected pension and disability insurance contributions amounted to 62.609.652.000 denars in 2023

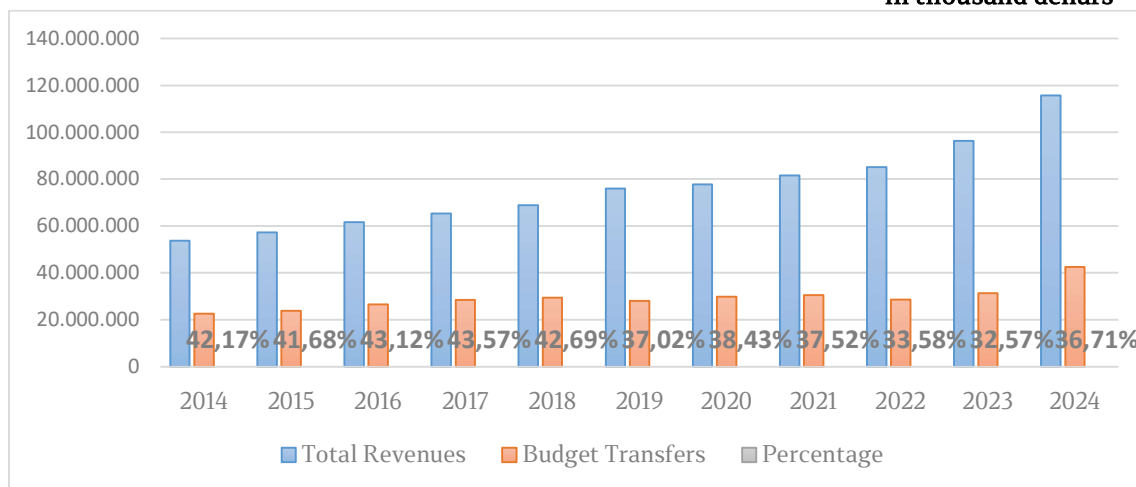
in thousand denars



The trend in Budget transfers as a share of total revenues over the period 2014–2024 is shown in the following chart:

Share of Transfers from the Budget of the Republic of North Macedonia in Total Revenues

in thousand denars



The chart indicates that the share of funds allocated from the State Budget increased steadily until 2018, then began to decline in 2019. In 2024, the share of funds transferred from the State Budget was 36.71%, up 4.14 percentage points from 2023.

Based on data from the Fund's register as of December 2024, the number of insured persons was 556.294, while the number of pensioners was 343.048. The pensioner-to-insured ratio at the end of 2024 was 1:1.63, down from 1:1.70 in 2023.

The audit points to weaknesses in the determination and timely payment of contributions for insured persons in the second pension pillar. Although the Fund prepares the calculations and submits them to the competent ministry within the legally prescribed deadline, the funds are not transferred on time, with delays in 2024 averaging two months. As of 27 February 2026, a debt of 2.592.918.000 denars was identified in respect of unallocated contributions to private pension funds.

The audit found that the Fund does not make timely payments of health insurance contributions for pensioners to the Health Insurance Fund of the Republic of North Macedonia, despite having a legal obligation to do so. In 2024 and 2025, payments were made with delays of several months, and as of 28 February 2026, contributions are being paid with a delay of eight months. The total outstanding liability for the period from June 2025 to January 2026 amounts to 8.415.865.000 denars (136.400.000 euros).

This situation allows pensioners to use healthcare services without timely payment of contributions, which negatively affects the liquidity of the Health Insurance Fund of the Republic of North Macedonia.

The Fund continuously faces a shortage of human resources and qualified staff in key operational sectors, regional units, the IT sector, and the internal audit unit, which significantly affects the quality of performance and the overall functioning of the Fund.

Regarding the Fund's administrative operations, certain previously identified weaknesses have been addressed; however, in the audited period (2024), the audit found that:

- No recording of movable and immovable property has been made in the accounting records of fixed assets acquired through bankruptcy proceedings, for which the Fund holds ownership or has been granted the right of use.
- The inventory of land has only been partially conducted, and full accounting records have not been established.
- The inventory of certain receivables was conducted without determining the legal basis and whether they were time-barred.
- The Fund does not have complete data on the total excise revenues collected from the Budget or on the basis for withdrawals from its account by the competent ministry, which affects the verification of the accuracy and completeness of revenues collected on this basis.
- Certain weaknesses have been identified in the procedure for leasing out business premises.
- At the end of each year, the bank account for the payment and distribution of contributions contains cash balances that are not used for pension payments.
- Weaknesses in the implementation of certain procedures and in the execution of public procurement contracts.
- Weaknesses in the procedures for allocating accommodation in apartments within retirement homes for pension beneficiaries managed by the Fund, and in ensuring compliance with applicable requirements.

In the *Other Matter section*, we report on the inconsistency between the Pension and Disability Insurance Law and the Law on Administrative Servants regarding the method for calculating employees' salaries.

Recommendations have been made to the competent authorities to address the identified issues.

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