

THE NECESSITY OF RAISING THE RETIREMENT AGE FOR OLD-AGE PENSION ELIGIBILITY*

- *The Example of the Republic of Serbia* –

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Abstract

The effective functioning of a pay-as-you-go pension and disability insurance system, based on the principle of intergenerational solidarity, largely depends on maintaining a favourable ratio between contributors and beneficiaries. When this ratio is disrupted, the social security contributions collected are no longer sufficient to finance the benefits payable to current pension recipients, and the resulting shortfall must be covered from the state budget.

The persistently low birth rate and population ageing in the Republic of Serbia have repeatedly necessitated increases in the statutory retirement age for old-age pension entitlement. The latest gradual increase will be completed in 2032, when women will become eligible for an old-age pension under the same conditions as men, namely upon reaching the age of 65 and completing at least 15 years of pensionable service. However, this reform alone will not significantly improve the long-term sustainability of the pension system. Consequently, it will be necessary to introduce a further gradual increase in the retirement age for both men and women, as has already been implemented in many countries. In addition, other measures should be considered, including raising the minimum age for women to qualify for a survivor's pension from 53 to 58 years of age, as well as conducting a comprehensive review of pensionable service credited with extended duration (privileged or accelerated pensionable service).

The paper analyses the current legal framework and demographic situation and proposes appropriate legislative solutions aimed at improving the long-term sustainability of the pension system.

Keywords: *pension and disability insurance; old age; old-age pension.*

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1. Introduction

The population is ageing. This trend is evident worldwide, and particularly in Europe. Life expectancy continues to increase, while birth rates continue to decline. From the perspective of the individual, longer life expectancy is undoubtedly a positive and desirable development. However, from the standpoint of a pay-as-you-go pension and disability insurance system, such as the one operating in the Republic of Serbia, this demographic trend presents a serious challenge. An increasing number of individuals are entitled to receive pensions over progressively longer periods, while the number of contributors financing those pensions continues to decrease due to the declining birth rate. Consequently, the duration of pension benefit payments must inevitably be addressed through a combination of measures, including adjustments to the retirement age and other parametric reforms of the pension and disability insurance system.

This paper examines these issues from the perspective of the pension and disability insurance system of the Republic of Serbia.

1. Population Ageing and Its Impact on Pension and Disability Insurance Systems

Social security is the central concept of social law, which is understandable given that one of the greatest burdens accompanying every individual's life is the uncertainty of the future—namely, whether one will always be able to provide adequate living conditions for oneself and one's family.¹

The primary function of pension and disability insurance is to provide individuals and their families with a mechanism that enables them to smooth consumption throughout their lifetime, particularly after retirement, in the event of disability, or following the loss of the family breadwinner.²

Old age is one of the fundamental social risks covered by pension and disability insurance. Indeed, it may be regarded as the risk that materializes most frequently and, consequently, receives the greatest legislative and policy attention. The attention devoted to this social risk is directly proportional to its financial implications for pay-as-you-go pension systems based on the principle of intergenerational solidarity, such as the one operating in the Republic of Serbia.

Pensioners are living longer, which means that the system must finance pension benefits over increasingly extended periods. At the same time, declining birth rates result in a continuously shrinking number of contributors financing those benefits through mandatory social insurance contributions. The combination of these demographic trends places considerable pressure on pension and disability insurance systems, making it impossible to sustain them solely through contribution revenues and necessitating increasing financial support from the state budget.

¹ S. Jašarević, *Social Law*, Faculty of Law in Novi Sad, Novi Sad, 2010, p. 73.

² V. Puljiz, "The Croatian Pension System: Origins, Evolution and Perspectives," *Review of Social Policy*, Vol. 14, No. 2, p. 164.

As Professor **A. Petrović** observes, *"in earlier periods, only a small number of individuals reached advanced old age; consequently, both their absolute number and their share in the total population remained relatively low."*³

According to the same author, population ageing may be measured by several demographic indicators, including:

1. the median age of the population;
2. the proportion of persons above a specified age threshold;
3. the ratio of persons aged 60 and over to children younger than 15 years of age; and
4. the proportion of the population exceeding a particular age corresponding to the remaining life expectancy.⁴

According to a demographic study conducted in 1999, the ten "oldest" countries in the world were Italy, Sweden, Belgium, Greece, Spain, Japan, Bulgaria, Germany, France, and the United Kingdom. In those countries, the proportion of persons aged 65 and over ranged from 15.7% in the United Kingdom to 17.9% in Italy.⁵

The new demographic reality of the twenty-first century has created significant challenges not only for individuals and families but also for public institutions. In many countries, mortality rates continue to decline, particularly among older age groups, resulting in steadily increasing life expectancy for persons over the age of 65.⁶ From the perspective of the individual, this undoubtedly represents an important social achievement. However, when combined with persistently low fertility rates, it creates serious difficulties for the financial sustainability of pension and disability insurance systems.

Although population ageing has long been characteristic of developed countries, it is no longer confined to them. It is expected to become an equally significant issue in developing countries, where the elderly population is increasing at an exceptionally rapid pace. For example, China and India together already have more people aged over 60 than the total population of the United States.⁷

The increase in the number of older persons (aged 60 and above) is accompanied by a proportional decline in the share of young people (under 15 years of age). According to one projection, by 2050 the number of older persons worldwide will exceed the number of children for the first time in human history.⁸

³ A. Petrović, *Old-Age Pensions – Social Insurance*, Scientific Book, Belgrade, 1991, p. 5.

⁴ *Ibid.*, p. 5.

⁵ K. Kinsella, "The Demographics of Ageing," *Coalition '99*, No. 12 (July/August 1999). Cited according to: J. H. Schulz, *The Economics of Ageing*, Auburn House, Westport, Connecticut, London, 2001, p. 285.

⁶ R. L. Clark, R. V. Burkhauser, M. Moon, J. F. Quinn, T. M. Smeeding, *The Economics of an Ageing Society*, Blackwell Publishing, Carlton, Australia, 2007, pp. 27–28.

⁷ *Ibid.*, p. 29.

⁸ *Ibid.*, p. 29.

During the nineteenth century and the first half of the twentieth century, increasing life expectancy primarily resulted from declining infant mortality and reduced premature mortality among adults. Beginning in the 1950s—and particularly since the early 1970s—life expectancy has continued to increase, but this time mainly due to significant reductions in mortality among older persons, reflecting improvements in healthcare, medical science, and living conditions that have prolonged healthy and active life.⁹ Today, Japanese women enjoy the highest life expectancy in the world, exceeding 85 years.

There is no doubt that increased longevity represents one of humanity's greatest civilizational achievements. Nevertheless, if current demographic trends continue, pension systems will become increasingly exposed to longevity risk. Consequently, maintaining existing pension replacement rates without increasing contribution rates leaves only a limited number of realistic policy options, one of the most important being a gradual increase in the effective retirement age.¹⁰

Some demographic projections even suggest that by 2060 women in countries such as Germany, France, Japan, and the United States may have a life expectancy of between 95 and 100 years, while men's life expectancy is expected to remain approximately five years lower.¹¹

Professor **Y. Jorens** points out that during the 1960s average life expectancy was approximately 68 years, with individuals spending roughly half of their lives in employment. At the beginning of the twenty-first century, however, average life expectancy had increased to around 80 years, while the proportion of life spent in employment had fallen below one-half. In his view, this demographic development will inevitably lead to a growing number of old-age pensioners as a consequence of longer life expectancy resulting from improved living standards and advances in medicine and science. Accordingly, further tightening of the eligibility conditions for old-age pensions for both men and women appears unavoidable.¹²

An additional strain on the pension system was also the reduction in the number of insured persons due to a high unemployment rate, which was particularly pronounced in the former Yugoslavia as a result of catastrophic policy management.¹³ Moreover, the increase in the number of pensioners was, over time, a consequence of relatively lenient retirement conditions, given the shorter life expectancy at that

⁹ S. A. Nyce, S. J. Schieber, *The Economic Implications of Ageing Societies*, Cambridge University Press, 2005, p. 13.

¹⁰ K. Hirose (ed.), *Pension Reforms in Central and Eastern Europe*, International Labour Organization, Geneva, 2012, p. 17.

¹¹ S. A. Nyce et al., *op. cit.*, p. 13.

¹² Y. Jorens, "Preface," *The Influence of International Organizations on National Social Security Law in the European Union: The Example of Old-Age Pensions*, ed. Y. Jorens, Nomos Verlagsgesellschaft, Baden-Baden, 2002. Cited according to: F. Bojić, *Reconsideration of the Conditions for the Exercise of Fundamental Rights from Pension and Disability Insurance*, Faculty of Law, University of Belgrade, Belgrade, 2016, p. 169.

¹³ V. Golubović, *Reforms of Pension Systems in the Successor States of the SFRY*, Budućnost, Novi Sad, 2009, p. 14.

time.¹⁴ As early as the 1990s, a crisis of the pension and disability insurance system began to emerge in Yugoslavia and its successor states. First and foremost, it was reflected in low pension benefits despite very high contribution rates. Furthermore, an unfavourable ratio between pensioners and active insured persons developed (in 1997 this ratio stood at 1:1.7), while the share of disability pensioners was markedly high. To this must be added the avoidance of contribution payments, as well as an increasing number of individuals earning income on the informal (grey) labour market.¹⁵ On top of this, the possibility of purchasing pensionable service was regulated on entirely non-economic bases, while excessive generosity was also evident in the area of partial occupational incapacity, through the determination of residual work capacity with the right to reduced working hours or the right to reassignment to another workplace.¹⁶

2. Forms of Pension System Reform

By its very nature, pension and disability insurance reform is a long-term and highly complex process. This is evidenced by the persistent difficulties encountered in the operation of pension systems, the political and social sensitivity of pension reform, and the long-term effects of pension policy measures, whose results cannot be adequately assessed over a short period.

As is frequently emphasized in legal and economic literature, pension systems have traditionally been regarded as particularly difficult to reform because they create long-term expectations and legally protected rights that are not easily altered.¹⁷

As **V. Golubović** points out, *"the fundamental reasons for pension reform lie in the numerous imbalances and inconsistencies within pension systems that ultimately generate fiscal instability and, consequently, broader financial and economic instability in many countries throughout the world."*¹⁸

In order to preserve the sustainability of pension systems and reduce pressure on public finances by limiting social expenditure, many countries have adopted measures that tighten eligibility conditions for social insurance benefits. Such measures include extending the required insurance period, raising the statutory retirement age for old-age pension entitlement, calculating pension benefits on the basis of the entire insurance career, and introducing similar parametric reforms.¹⁹

¹⁴ Ibid.

¹⁵ D. Vuković, *Social Security and Social Rights – A Comparative Overview of Systems*, Association of Social Workers of Serbia, Belgrade, 1999, pp. 136–137.

¹⁶ V. Golubović, op. cit., p. 12.

¹⁷ K. Müller, "Structural Pension Reforms in Transition Countries: Political Actors and the Role of the State," *Financial Theory and Practice*, 26(2) (2002), p. 389.

¹⁸ V. Golubović, op. cit., p. 13.

¹⁹ B. Lubarda, "Social Law and Solidarity," *Labour and Social Law*, No. 1/2013, p. 67.

Furthermore, as Professor **Lubarda** notes, these reforms coincided with the resurgence of the *laissez-faire* concept at the end of the twentieth and the beginning of the twenty-first century, emphasizing the individual's primary responsibility for ensuring his or her own economic and social security.²⁰

An additional factor that significantly complicates pension reform is the political influence of pensioners. In virtually every country, pensioners constitute a substantial proportion of the electorate and therefore represent one of the largest and most influential interest groups.²¹

The Republic of Serbia provides a clear illustration of this phenomenon. According to official data published by the **Statistical Office of the Republic of Serbia**, there were **1,663,850 pension beneficiaries** in April 2026. At the same time, the Government announced another pension increase for November and December 2026 while simultaneously announcing new parliamentary and presidential elections to be held during the same period.^{22,23} Since virtually every pension beneficiary is also an eligible voter, pension policy inevitably becomes closely intertwined with electoral considerations.

The financial deficits characteristic of pay-as-you-go pension systems are by no means a recent phenomenon. For example, as early as 2010, public expenditure on pensions in the twenty-seven Member States of the European Union amounted on average to **10.2% of GDP**, ranging from **4.1% in Ireland** to **14.0% in Italy**.²⁴

In response to these demographic and fiscal pressures, many EU Member States gradually equalized the statutory retirement age for men and women, generally setting it at **65 years of age**.²⁵

Moreover, several developed countries subsequently increased the retirement age from **65 to 67 years**, reflecting both increasing life expectancy and the considerably better health of people in their sixties compared with previous generations.²⁶

For example, **Iceland** and **Norway** have raised the retirement age to **67 years** for both men and women, while **Germany** has gradually increased the retirement age from **65 to 67 years** for persons born in **1964 or later**.²⁷

Among the reform measures most frequently proposed to ensure the long-term financial sustainability of pension systems are:

- raising the statutory retirement age;
- discouraging early retirement;
- strengthening measures against contribution evasion; and

²⁰ Ibid.

²¹ Ibid.

²² <https://www.blic.rs/biznis/moj-novcanik/stize-veliko-povecanje-penzija-u-srbiji-evo-kada-najstariji-gradjani-mogu-da-ocekiju/ewznmzw>

²³ <https://n1info.rs/vesti/vucevic-na-jesen-parlamentarni-i-predsednicki-izbori/>

²⁴ K. Hirose, op. cit., p. 5.

²⁵ F. Bojić, op. cit., p. 169.

²⁶ Ibid.

²⁷ Pensions at a Glance 2021: OECD and G20 Indicators, p. 131. Cited according to: F. Bojić, op. cit., p. 169.

- improving the efficiency of contribution collection.²⁸

Following the collapse of socialism, a number of Central and Eastern European countries implemented comprehensive structural pension reforms. Between **1998 and 2005**, several countries introduced the Chilean model of mandatory privately managed pension insurance—the so-called **second pension pillar**. These countries included **Hungary, Kazakhstan, Poland, Latvia, Bulgaria, Croatia, Estonia, the former Yugoslav Republic of Macedonia (now North Macedonia), Slovakia, and Romania**.²⁹

The **World Bank**, as the leading international financial institution, also assumed an active role in pension reform by proposing a **multi-pillar pension system** combining different methods of pension financing.

Under this concept, the pension system consists of three components:

1. a **public unfunded pillar**;
 2. a **mandatory funded pillar based on individual accounts**;
- and
3. **voluntary private pension insurance**.³⁰

Within this framework, the first pillar consists of a publicly administered **pay-as-you-go (PAYG)** scheme providing defined benefits financed through current contributions. The second pillar comprises privately managed individual retirement accounts financed by a designated portion of mandatory pension contributions. Finally, the third pillar consists of voluntary individual or occupational retirement savings intended for those wishing to achieve a higher level of income security in old age.³¹

However, practical experience has shown that the implementation of this model has not produced the expected long-term results in all countries that adopted it. A detailed discussion of those issues, however, falls outside the scope of this paper.

Nevertheless, despite all the shortcomings and financial difficulties associated with public pension systems, the prevailing view remains that **no alternative mechanism has proved more effective than compulsory public pension insurance in ensuring income security during old age**.³²

4. Retirement Age Requirements in the Republic of Serbia

Since the 1990s, and particularly following the entry into force of the current **Law on Pension and Disability Insurance** in 2003, the statutory conditions governing entitlement to an old-age pension in the Republic of Serbia have gradually

²⁸ D. Vuković, op. cit., pp. 138–139.

²⁹ K. Hirose, op. cit., p. 4.

³⁰ V. Golubović, op. cit., pp. 18–19.

³¹ V. Golubović, op. cit., pp. 19–20. For further details see: R. Holzmann, R. Hinz, *Old-Age Income Support in the 21st Century*, The World Bank, Washington, D.C., 2005.

³² D. Vuković, p. 140.

become more stringent.³³ Owing to the structure of the Serbian pension legislation, these eligibility requirements are subject to frequent amendments, particularly because several of the statutory conditions are formulated in the alternative.³⁴

Prior to the adoption of the current legislation, retirement conditions were considerably more favourable than they are today. An insured person became entitled to an old-age pension upon reaching **60 years of age (men)** or **55 years of age (women)**, provided that he or she had completed **at least 20 years of pensionable service**.³⁵

The principal reform measure has consisted of the gradual increase in the statutory retirement age, accompanied by changes in the legal definition of disability, which will be discussed later in this paper.

For men, the retirement age was increased to **65 years** as early as 2005.³⁶ The gradual increase applicable to women is still ongoing. The latest legislative reform was enacted in 2014,³⁷ entering into force in 2015, when the retirement age for women was raised from **60 years to 60 years and six months**.

Until 2020, the retirement age for women increased by **six months each year**. Since 2021, it has been increasing by **two months annually**, with the objective of fully equalizing the retirement age for women and men by **2032**. In 2026, women become eligible for an old-age pension upon reaching **64 years of age**.

The minimum insurance period remains the same for both sexes and amounts to **15 years of pensionable service**.

In addition, both men and women may retire irrespective of age if they have completed **45 years of pensionable service**.

Certain exceptions to the general retirement rules nevertheless exist (leaving aside persons whose pensionable service is credited with extended duration).

One notable example concerns **university professors**.

Under the **Law on Higher Education of the Republic of Serbia**,³⁸ the employment relationship of an academic staff member terminates at the end of the academic year in which he or she reaches **65 years of age**, provided that at least **15 years of pensionable service** have been completed.

However, where there is an institutional need for the continuation of employment, a **full professor** who satisfies these statutory conditions may have his or her employment extended, in accordance with the general regulations of the higher education institution, until the end of the academic year in which the professor reaches **70 years of age**.³⁹

³³ “Official Gazette of the Republic of Serbia”, No. 34/2003...62/2021.

³⁴ F. P. Bojić, op. cit., p. 167.

³⁵ D. Vuković, op. cit., p. 129.

³⁶ “Official Gazette of the Republic of Serbia”, No. 85/2005.

³⁷ “Official Gazette of the Republic of Serbia”, No. 75/2014.

³⁸ “Official Gazette of the Republic of Serbia”, No. 88/2017, 73/2018 – other law, 67/2019, 6/2020 – other law, 11/2021 – authentic interpretation, 67/2021 – other law, 76/2023 and 19/2025.

³⁹ Article 93(1–2) of the Law.

Such an extension is subject to additional requirements. The professor must have accumulated **at least twenty years of experience in higher education** and, following appointment to the rank of full professor, must have demonstrated significant achievements in scientific or artistic work, as well as in the supervision and development of junior researchers, sufficient to satisfy the criteria applicable for appointment to the rank of full professor.⁴⁰

The **Law on Judges of the Republic of Serbia**⁴¹ likewise provides that reaching the statutory retirement age constitutes one of the grounds for the termination of judicial office.

In such cases, the judge's office terminates **by operation of law**.

As a general rule, judges retire upon reaching **65 years of age**. An exception applies to judges of the **Supreme Court**, who may continue performing judicial office until reaching **67 years of age**.⁴²

5. Current Situation in the Republic of Serbia

The demographic situation of the Republic of Serbia, as well as that of most European (and many non-European) countries, is markedly unfavourable. According

⁴⁰ Paragraph 4 of the same Article authorizes autonomous higher education institutions (universities) to prescribe additional criteria for extending the employment relationship through their internal regulations.

One of the anomalies resulting from this legislative framework has arisen at the University of Niš.

Under the Rulebook on the Procedure for Extending the Employment Relationship of Academic Staff Members Who Meet the Conditions for Retirement (Official Gazette of the University of Niš, Nos. 2/2018, 2/2021, 3/2025 and 5/2025), Article 5 provides that the competent Teaching and Research Council of the faculty, acting upon the proposal of the relevant department or chair, issues an opinion regarding whether the statutory requirements for extending the professor's employment have been fulfilled.

A similar opinion may also be issued by the competent Scientific and Professional Council of the University for professors belonging to the relevant academic discipline. That opinion is then submitted to the Senate of the University, which adopts the final decision on extending the professor's employment until the end of the academic year in which the professor reaches the age of 70.

Furthermore, a proposal for extending the employment relationship may also be submitted by any member of the Senate.

In practice, this means—and such cases have indeed occurred—that even where the faculty itself has not proposed extending the employment of a particular professor, the Senate may nevertheless decide to grant such an extension. In other words, the Senate may extend the professor's employment despite the faculty's assessment that there is no longer an institutional need for that professor's continued engagement.

⁴¹ “Official Gazette of the Republic of Serbia”, Nos. 10/2023 and 9/2026.

⁴² Art. 66 of the Law.

to data from the Statistical Office of the Republic of Serbia,⁴³ in 2025 the number of live births amounted to 59,483, while the number of deaths reached 95,247 persons, resulting in a natural population decrease of -35,764 inhabitants. Based on the 2022 Census, the estimated population in 2025 is 6,549,901 inhabitants. From 2016 to 2025, the population of Serbia has decreased, solely on the basis of natural population change, by 434,948 persons.

The natural population growth rate in the Republic of Serbia is -5.5%, with a positive rate recorded in only eight municipalities. The highest number of births is observed in the age group of women between 30 and 40 years, while the average age of women at the birth of their first child is 30.5 years. The total fertility rate is, of course, particularly concerning, i.e. the number of live-born children per woman, given that in 2025 it amounted to 1.62.⁴⁴

Population projections of the Statistical Office of the Republic of Serbia for the period 2022–2052 indicate that Serbia will have 5.2 million inhabitants in 2052, assuming a moderate increase in the fertility rate to 1.7 children per woman and an increase in life expectancy of nearly six years. According to these projections, the number of births and deaths will be lower compared to the previous thirty-year period. What is particularly problematic in Serbia's demographic structure is that by 2052 the number of children aged 0–14 will be twice as low as the number of persons aged 65 and over, while the share of the population aged 65 and over in the total population will increase from 21.9% (2022), and the share of the oldest population group (80 years and over) will rise from 4.5% to 7.3%.⁴⁵

Data from the Statistical Office of the Republic of Serbia are consistent with data from the Republic Fund for Pension and Disability Insurance.⁴⁶ According to data for April 2026, the number of pension beneficiaries in Serbia is 1,663,850, with the average pension accounting for 46.7% of the average wage. Out of the total number of pension beneficiaries, the majority are old-age pensioners (67.5%), while survivors' pensions account for 19.2%. The share of disability pension beneficiaries is 13.3%.

What is particularly concerning is the participation of the state budget in the financing of pension and disability insurance rights. In April 2026, the total share of the state budget amounted to 20.6%, of which budgetary obligations accounted for 3.3%.

6. Conclusion

Given the demographic situation in the Republic of Serbia (as well as in Europe and many countries worldwide), one of the measures that appears necessary in order to stabilize the functioning of the existing pension and disability insurance system is

⁴³ stat.gov.rs/sr-latn/oblasti/stanovnistvo

⁴⁴ Novi Pazar, Tutin, Sjenica, Bujanovac, Zvezdara, Preševo, Surčin and Novi Sad. Ibid.

⁴⁵ Ibid.

⁴⁶ pio.rs/sr/monthly-bulletin

the increase of the statutory retirement age. This is unlikely to occur before 2032, when women are expected to retire under the same conditions as men.

The partial privatization of pension systems according to the World Bank model has not proven to be a long-term optimal solution. Therefore, it is necessary to continue with parametric reforms of the existing system, without insisting on its self-sustainability.

Within this context, further adjustments to the system in the Republic of Serbia are required. First, it is necessary to redefine the concept of disability, in the sense of reintroducing the notion of occupational incapacity for work and rights based on residual work capacity. Second, it is necessary to increase the age threshold for entitlement to a survivors' pension for women from 53 to 58 years of age (harmonisation with men). Finally, a revision of insurance service periods with increased duration is necessary, particularly for certain categories of employees, such as police officers.

