Pursuant to the provisions of UNMIK Regulation No. 2005/20, On Pensions in Kosovo, dated 29 April 2005, on Amending UNMIK Regulation No 2001/35,

For the purpose of execution of Section 13 of UNMIK Regulation No. 2005/20 (the “Pensions Regulation”), in the matter of prescribing the form and manner of paying pensions to participants and beneficiaries of the Savings Pension provided by the Kosovo Pension Savings Trust.

The Governing Board of the Banking and Payment Authority of Kosovo, at its meeting held on March 16, 2006 adopts the following:

**Rule 11 on Amending Rule on Individual Savings Pension Payment dated July 2002**

**Section 1**  
**Scope and Purpose of this Rule**

**1.1 Scope of Rule**

This Rule applies to the Kosovo Pension Savings Trust (the “Trust”), in making pension payments for participants and beneficiaries of Individual Savings Pensions provided by the Trust.

**1.2 Purpose of the Rule**

This Rule prescribes guidelines in the payment of pensions for participants of Individual Savings Pensions pursuant to the provisions of Section 13 of the Pensions Regulation. It also establishes certain guidelines as to the form and type of annuity contracts that are to be used for the payment of pension benefits and for other forms of payment, including lump sums and phased payments prior to the availability of annuity contracts in Kosovo.

**Section 2**  
**General Provisions**

**2.1 Definitions**

All terms used in this Rule are as defined and stated in the Pensions Regulation and/or as further defined in this Rule.
“Annuity” or “annuity payments” refers to the amount of fixed or determinable sums of money (pensions) made by a life insurance company under the terms of its annuity contract(s).

“Annuitant” is the individual upon whose life the annuity payments is made, calculated and determined. In a joint life or survivor annuity, the term “annuitant” includes all the individuals named as annuitants in the annuity contract to cover such of the individual who is the last to die.

“Annuity contract” refers to the agreement, contract or product whereby a life insurance company guarantees to make certain fixed or determinable amounts of regular payments to the annuitant or, when applicable, to his/her beneficiary (ies); which period of payments is fixed or determinable.

“Beneficiary” is the person or persons designated by the participant or annuitant(s) to whom payment of his/her individual savings pension account is (are) to be made. The right of the beneficiary to receive benefit payments arises if the participant dies before the commencement of his pension; or if death occurs to the annuitant(s) before receiving all guaranteed annuities, to the extent of such unpaid guaranteed annuity payments.

“Disability pension” refers to an eligibility to commence pension benefits before age 65 for a participant who suffers a qualifying disability defined in the Law on Disability Pensions giving him/her a right to a disability pension.

“Immediate monthly annuity” refers to an annuity that pays out monthly annuity payments (pensions) commencing within a period of 30 (thirty days) from the date of the annuity contract.

“Joint life or survivor annuity” refers to an annuity contract where there are two or more annuitants.

“Period certain” means the specified, fixed period guaranteed for the payment of annuity.

“Phased payments” refers to annual payments of the amount standing to an Individual Account through a bank contract or other arrangement approved by the BPK.

“Settlement options” refers to the particular provisions in an annuity contract that describe alternative options for selecting the mode and manner in which the annuity payments are made, calculated and determined.

“Single life annuity” refers to an annuity contract where there is only one annuitant.
“Trust” means the Kosovo Pension Savings Trust.

Section 3
The Payment of Monthly Pensions Provided by the Trust

3.1 General Provisions

a) Commencement of pension payments. Pension payments shall commence when a participant reaches pension age (age 65) or, earlier, when he/she suffers a qualifying disability making him/her eligible for disability pension.
b) Purchase of annuity contract. The Trust shall use the balance in the individual account of a participant to purchase an immediate monthly annuity from a life insurance company authorized and licensed by the BPK to provide annuities. The payment of monthly pensions to the pensioner or his/her beneficiary(ies) shall be made under the terms of the annuity contract.
c) Freedom to choose insurance company. If there are several licensed annuity providers approved by the BPK for providing Individual Savings Pensions, the participant shall be free to choose one from among the licensed insurance company annuity providers with which he/she contracts for an annuity. The Trust will pay or transfer the participant’s individual account balance to the selected insurance company to purchase an annuity for payments of the participant’s pension.
d) Single Annuity Provider. If there are no annuity providers in Kosovo, the Trust may, subject to the approval of the BPK, select an Annuity provider or providers licensed in a country of the OECD, using due diligence to assure best international practices and pricing.
e) Notification of forthcoming pension. The Trust shall notify, in writing, a participant of his/her eligibility to commence pension. The notification must be made within one year, but not later than (6) six months, prior to the participant’s 65th birthday. In the case of disability pension, the participant must notify the Trust of a qualifying disability.
f) Payment of pension other than through an annuity. The Trust may adopt rules to effect payment of pension benefit other than the purchase of annuity contracts in the following cases:
1) If the amount in the Individual Account of the participant is 2,000 Euros or less, the Trust may pay a lump sum payment.
2) If the amount in the Individual Account of the participant is more than 2,000 Euros but less than 15,000 Euros, the Trust may negotiate a phased payment arrangement, paying participants no less than 500 Euros per annum, for the balance of the account. The Trust must present the proposed arrangement, including the contract for phased payments reflecting all interest rates earned and administrative costs charged, to the BPK for approval sixty (60) days prior to implementation.
3) The Trust may propose a higher threshold amount for payment of annuities than 15,000 for approval to the BPK, presenting economic justification.
4) If the payment is made to a beneficiary or beneficiaries of a participant who dies before age 65 or prior to obtaining an phased payment plan or an effective
annuity contract for the payment of his/her pensions, any amount standing to the Individual Account may be transferred to the Individual Account of the Beneficiary, if the Beneficiary so chooses. The amount standing to the Individual Account may also be paid in a lump sum if under 2,000 Euros or paid pursuant to a contract for phased payments if between the amounts of 2,000 and 15,000, if the Beneficiary chooses this option.

5) If a participant receiving phased payments dies prior to receiving the value of the Individual Account, the remaining phased payments will be paid to a beneficiary.

Section 4
The Annuity Contract Used to Pay Pensions

4.1 Form or type of annuity contract

The annuity contract to be used for the payment of pensions must be an Immediate Monthly Annuity that offers the following settlement options:

a) Single life annuity. Monthly annuity payments (pensions) are made until the death of the sole named annuitant. Such payments are calculated and determined based on actuarial methods that consider the longevity of the annuitant’s life.

b) Joint life or survivor annuity. There are two or more annuitants. Monthly pension payments are made until the death of the last annuitant. Such payments are calculated and determined based on actuarial methods that considers the longevity of the named annuitant who is expected to live the longest from among the named annuitants.

c) Period certain. Annuity payments are guaranteed over a fixed number of months or years. The calculation and determination of annuity payments does not depend on the expected longevity of the annuitant’s life. It is based solely upon the length of the specified period for which regular monthly annuity payments are to be made. If the annuitant dies during the period certain, the unpaid guaranteed monthly payments are paid to the named beneficiary(ies).

d) Single life with period certain. Monthly pension payments are guaranteed for a specified period (period certain) and, if the annuitant outlives that period, the monthly pension payments continue until his/her death. If the annuitant dies during that period certain, his/her beneficiary(ies) receives the outstanding guaranteed pension payments.

e) Joint life/survivor with period certain. Monthly pension payments are guaranteed for a specified period (period certain) and, if after the end of that period certain, any of the joint annuitants is still alive, monthly pension payments continue until the death of the last annuitant. If at any time during that period certain none of the joint annuitants remains alive, the outstanding guaranteed pension payments are paid to the named beneficiary(ies).
4.2 Conditions and limitations applicable to pensions annuity contracts

a) The participant’s right to choose a settlement option is subject to the following conditions:
   1) A participant who, at the commencement of his/her pension, has a living spouse to whom he/she is married for a period of at least one year before pension age (or disability pension) may only choose a settlement option that is either:
      (i) A joint life and survivor annuity, or
      (ii) A joint life and survivor with period certain annuity, with his/her spouse as the joint annuitant.
   2) The settlement option of period certain, without a life element, must not be less than a period of (5) five years and it is only available as a settlement option for the payment of pensions if the amount of monthly pension, applying a single life annuity option, is less than the amount being paid as a Basic Pension in Kosovo in the year when the participant reaches Pension Age.
   3) An effective settlement option, once made and implemented, may not be changed.

b) The BPK Department of Insurance and Pensions may prescribe Insurance Rules applicable to insurance companies authorized to provide annuity contracts for the payment of pensions and for such annuity products. Such Rules shall be consistent with the requirements of the Pensions Regulation and this Rule and they shall include the following minimum conditions/requirements:
   1) Applicable to insurance companies:
      (i) Must be a life insurance company.
      (ii) Must have and maintain an “Annuity Department” adequately staffed with officers and employees who are appropriately qualified to administer annuities and pensions.
      (iii) Must provide the annuitant a copy of his/her annuity account value for at least every interval of 12 months and for at least 2 interim statements per year when requested by the annuitant, free of charge.
      (iv) Must segregate, at all times, the business of and the assets underlying annuity products for the payment of pensions from all other assets pertaining to its life insurance and other annuity businesses.
      (v) Must have hired and maintain the services of an actuary recognized by the BPK to certify and conclude valuation of annuity products used to pay for pensions.
      (vi) Must have and maintain a minimum solvency margin of at least 125%.
      (vii) Must provide the annuity contract for the payment of pensions to all pension eligible individuals according to its published rates and annuity contract provisions consistent with the Pension Regulations and the Rules of the BPK.
      (viii) Must not directly or indirectly compensate or grant collateral benefits to potential pensioners, or the Trust, Employer or affiliated persons of the Employer as an inducement for, or reward to, such persons in the purchase of its annuity products.
   2) Applicable to the annuity contract:
(i) Annuity rates (pension payments) shall be calculated, determined and published based on a combination of the following factors:
   a) The age of the annuitant; or annuitants in cases of joint life or survivor annuity.
   b) The period certain for guaranteed payments.
   c) The guaranteed rate of interest, not less than 3% per annum.
   d) The amount provided as profit participation of the annuity holders in accordance with parameters prescribed by the BPK in its Insurance Rules.
   e) The amount of funds in the participant's individual account that is used to purchase the annuity.
(ii) Annuity rates shall be uniform for all individuals and may not non-discriminate on the basis of health, gender, race, religion, nationality, or other similar criteria, of the annuitant(s) or beneficiary(ies).
(iii) Annuity payments shall be made on a monthly basis, the first of which shall not be later than the 30th day from the effective date of the annuity contract.
(iv) The provisions specifying the time and manner in which the insurance company obtains or requires certification from the annuitant (or the beneficiary(ies) receiving the pensions is (are) alive, provided that failure of the annuitant or beneficiary to submit a certification or other proof that he/she is alive does not give the insurance company a right to stop the payment of pensions. The inappropriate payment of pensions to a dead annuitant or beneficiary is the responsibility of the Insurance Company.
(v) The amount of charges or fees, which shall not be more than the actual reasonable cost, that the insurance company may impose in relation to the remittance of pensions (annuity payments) to those residing abroad, the giving of statements of accounts and/or other information that are requested by the annuitant (beneficiary) other than those for which the insurance company is obligated to give service free of charge, in compliance with the terms of its annuity contract, the Regulations and these Rules.

Section 5
Entry into Force

This Rule as amended shall enter into force on April 01, 2006.

Michel Svetchine
Managing Director