

Pursuant to Article 35, paragraph 1, sub-paragraph 1.1, and Article 65, paragraph 1, of Law No. 03/L-209 on Central Bank of the Republic of Kosovo (Official Gazette of the Republic of Kosovo, No. 77/16 August 2010); Article 20, paragraph 20.1, sub-paragraph (d), Article 21, paragraph 21.2, and Article 22, paragraph 22.7, sub-paragraph (e), of Law No. 04/L-101 on Pension Funds of Kosovo (Official Gazette of the Republic of Kosovo, No. 10/8 May 2012), the Board of the Central Bank of the Republic of Kosovo in its meeting held on 30 September 2019 adopted:

REGULATION ON SUPPLEMENTARY INDIVIDUAL PENSIONS

Article 1

Purpose and scope

1. This Regulation establishes guidelines for determining the pensions that may be provided by Pension Providers, in order to ensure that their pension agreement is sustainable, affordable, and equitable.
2. This Regulation applies to Pension Providers sponsoring Supplementary Individual Pensions, pursuant to Chapter V of Law No. 04/L-101 on Pension Funds of Kosovo.

Article 2

Definitions

1. All terms used in this Regulation shall have the same meaning as terms provided for in Article 1 of Law No. 04/L-101 on Pension Funds of Kosovo and Article 1 of Law No. 04/L-168 on Amending and Supplementing Law No. 04/L-101 on Pension Funds of Kosovo (hereinafter: “Law on Pension Funds”) and/or the following definitions for the purposes of this Regulation:
 - 1.1. **Pension Provider** – means financial institutions, banks, open-end vehicles, and insurance companies providing Supplementary Individual Pensions according to the Law on Pension Funds of Kosovo.
 - 1.2. **Actuarial assumption** – means a number of financial and demographic estimates that are used to calculate the contributions necessary to fund the pension benefits in a defined benefit pension agreement (Defined Benefit Pension Agreement). These assumptions shall include, among others, interest rates, economic growth, mortality rates, disability rates, rates of salary increases or changes in the overall compensation culture.
 - 1.3. **Disability pension** – means the right to pension benefits as provided for under the applicable law, for a participant who suffers from a qualifying disability, providing him/her the right to a disability pension.

- 1.4. **Deferred pension** – means used to calculate the contributions needed for financing pension benefits under defined benefit pension agreements (defined benefit pension agreements). These assumptions shall include, inter alia, interest rates, economic growth, mortality rates, disability rates, wage growth rates, or changes in the general compensation culture.
- 1.5. **Pension Age** – means the age of 65 years.

Article 3

Defined Benefit Pensions of Pension Providers (Life Insurance Companies)

1. *Bases for determining Pension Benefits.* The Pension Rules must clearly describe and establish the amount of pension benefits in the Table of Benefits that is based on Actuarial Assumptions that takes into account the following elements:
 - 1.1 The amount of desired contributions.
 - 1.2 The number of years or months to pay contributions.
 - 1.3 The age of the participant.
 - 1.4 The mortality table or rates used to determine the mortality.
 - 1.5 The guaranteed and, if applicable, the assumed interest rates.
 - 1.6 The method of indexing and the index reference used, if any.
2. *Vested Right to a Pension Benefit.* All Pension Rules providing for Defined Benefit Pension shall include a Table of Pension Benefits pertaining to specific periods of participation. The amount of pension benefit as of the end of a particular period is vested to the participant. The amount so vested may only be reduced by the amount of fees due the Pension Provider if the following requirements are met:
 - 2.1 The amount of such fees is stipulated in the Pension Rules.
 - 2.2 The participant transfers out his/her vested right.
 - 2.3 The fees are charged and collected by the Pension Provider in accordance with the applicable legislation.
3. *Reduction, suspension or cessation of contributions.* The Pension Rules must provide for the ability of a participant to reduce, suspend or cease contributions and shall clearly specify the methodology of adjusting the pension benefits in the event any of these conditions occur. It shall also stipulate the participant's right to transfer his/her Vested Right to another pension program.
4. *Disability pension benefit.* If the disability pension benefit is included as a benefit in the Pension Rules, the amount of a qualifying disability pension (taking into account the level of disability) must be in fixed amount or an amount fixed and indexed to include adjustments with changes in the cost of living. Disability pension shall be payable until the earlier of the date the disability ends, or when the participant reaches the pension age.

5. *Survivor benefit.* If a participant who is married dies prior to pension age, his/her pension benefit becomes a deferred pension benefit to his/her spouse. The Pension Rules may provide for other forms of survivor benefit.
6. *Payments to Beneficiaries.* If a participant dies prior to pension age, but without a spouse, his/her Vested Right shall be paid out to his/her designated beneficiary(-ies). The Pension Rules shall specify the manner and procedures for making benefit payments to beneficiaries.
7. *Payment of pension benefits.* Pensions shall be paid on a monthly basis as fixed or determined in accordance with a table of benefits included or made part of the Pension Rules.
8. *Deferred pension benefits.* A participant terminating contributions is entitled to leave his or her Vested Right as a deferred pension. Pension payments begin at the age of pension. If an individual who has a deferred pension dies prior to the commencement of pensions, the deferred pension benefits will be paid according to the Pension Rules respecting rights of participants in case of death.
9. Fractions on one (1) year of participation shall be counted on a pro-rata basis in determining pension benefits and contributions.
10. The CBK may prescribe other requirements applicable to entities providing Supplementary Individual Pensions.

Article 4

Defined Contribution Pensions (All Pension Providers)

1. *Bases in determining Pension Benefits.* The Pension Rules shall provide that the pension benefit shall be the amount of assets, allocated in the Participant's Individual Account Statement as of the last valuation date preceding the month when pension payments begin, calculated and determined in accordance with the Regulation on participant's Individual Account. The amount of the assets in the participant's individual account consists of:
 - 1.1 The total contributions made by the participant during his or her entire period of contribution;
 - 1.2 The investment return allocated to the total amount described in sub-paragraph 1.1. of this paragraph.
2. *Amount of monthly pension benefit.* The Pension Provider shall purchase an Annuity from a Life Insurance Company, in accordance with legal and regulatory requirements to pay for the monthly pensions. The amount of monthly pensions is determined by:
 - 2.1 the amount of funds in the participant's Individual Account as of date of pension.
 - 2.2 the age of the participant; and
 - 2.3 the settlement or payment option selected.
3. *Vested Right.* The vested right of a participant in a Defined Contribution pension is equal to the amount of assets allocated to his/her Individual Account as of the last valuation date.
4. *Disability pension benefit.* If the disability pension benefit is included as a benefit in the Pension Rules, the amount of a qualifying disability pension (taking into account the level of disability) must be in fixed amount or an amount fixed and indexed to include adjustments with changes in the cost of living.

Disability pension shall be payable until the earlier of the date the disability ends, or when the participant reaches the pension age.

5. *Survivor benefit.* If a participant who is married dies prior to pension age, pension benefits equal to his/her vested right (individual account balance) as of the last valuation date preceding the month of death is set aside as a deferred pension benefit to his/her spouse.
6. *Payment of pension benefits.* Pensions shall be paid on a monthly basis through an Immediate Annuity Contract purchased by the Pension Fund as directed by the participant.
7. *Deferred pension benefits.* A participant terminating contributions is entitled to leave his/her Vested Right as a deferred pension. Pension payments begin at the age of pension. If an individual who has a deferred pension dies prior to the beginning pension payment, the deferred pension benefits will be paid as specified in the Pension Rules in case of death.

Article 5

Enforcement, remedies and civil penalties

Violations of the provisions of this Regulation shall be subject to actions provided for by applicable law.

Article 6

Repeal

Upon entry into force of this Regulation, Rule 18 on Pension Benefits Applicable to Supplementary Individual Pension Programs, dated 23 October 2002 shall be repealed.

Article 7

Entry into force

This Regulation shall enter into force fifteen (15) days from the date of its adoption.

Flamur Mrasori
Chairperson of the Board,
Central Bank of the Republic of Kosovo