



Banking and Payments Authority of Kosovo

Pursuant to the provisions of UNMIK Regulation No. 2001/35, On Pensions in Kosovo, date of 22 December 2001,

For the purpose of execution of Section 1 of the UNMIK Regulation No. 2001/35, (the “Pensions Regulation”) on the definition of Defined Benefit Pension and Defined Contribution Pension and of Section 21 of the same Pensions Regulation,

Governing Board of the Banking and Payment Authority of Kosovo (BPK), at its meeting held on October 23, 2002 adopts the following:

Rule 18 on Supplementary Individual Pensions

Section 1 Scope and Purpose of this Rule

1.1 Scope of Rule

This Rule applies to Pension Providers sponsoring Supplementary Individual Pensions.

1.2 Purpose of the Rule

This Rule establishes guidelines for determining the pensions that may be provided by Pension Providers, in order to ensure that their pension arrangement is sustainable, affordable, and equitable.

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.

“Actuarial assumptions” refers to the set of financial and demographic estimates that are used to calculate the contributions necessary to fund the pension benefits in a Defined Benefit Pension arrangement. These assumptions include among others, interest rates, economic growth, mortality rates, disability rates, termination rates, rates of salary increases or changes in the overall compensation culture.

“Disability pension” refers to pension benefits before age 65 for a participant who suffers a qualifying disability defined by the SRSG or by applicable Kosovo regulations providing a right to a disability pension.

“Deferred pension” means a pension benefit to which a participant has a vested right upon termination of employment prior to pension age but which is postponed until pension age.

“Early pension benefit” means a provision in the Pension Bylaws allowing a participant who retires before pension age to receive a pension. An early pension benefit may not begin earlier than age 60 or 35 years of completed service.

Section 3 Pension Benefits

3.1 Defined Benefit Pensions of Pension Providers (Life Insurance Companies)

- a) Bases in determining Pension Benefits. In general, the Pension Rules provide a fixed or determinable amount of pension benefits. The Pension Rules must clearly describe and establish the amount(s) of pension benefits in a Table of Benefits that is based on Actuarial Assumptions that takes in account the following elements:
1. The amount of desired contributions.
 2. The number of years or months to pay contributions.
 3. The age of the participant.
 4. The mortality table or rates used.
 5. The guaranteed and, if applicable, the assumed interest rates

6. The method of indexing and the index reference used, if any.
- b) Vested Right to a Pension Benefit. “Vested Right” is defined under Section 1 of the Pensions Regulation and Rule 13 of these Rules. 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(s) 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:
1. The amount of such fees is stipulated in the Pension Rules.
 2. The participant “transfers out” his/her Vested Right.
 3. The fees are charged and collected by the Pension Provider in accordance with the requirements of Section 3 b) of Rule 16, of these Rules.
- c) 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.
- d) Early pension benefit. If included as a benefit in the Pension Rules, the amount of pension for a participant who elects to retire before pension age is reduced by specified percentage or rate per every number of years remaining to age 65, provided that the amount of pension benefit is not less than the Vested Right of the Participant as determined from the Table of Benefits included in or made part of the Pension Rules.
- e) Disability pension benefit. If included as a benefit in the Pension Rules, the amount of a qualifying disability pension must be in fixed amount or an amount fixed and indexed to include adjustments with the changes in the cost of living. Disability pension shall be payable until the earlier of the date the disability ends, or at age 65 when the participant becomes entitled to his normal pension.
- f) Survivor benefit. If a participant who is married dies prior to pension age, his/her Pension is paid up. The Pension benefit calculated as if he/she retired at normal pension age becomes a deferred pension benefit to his/her spouse. The Pension Rules may provide for other forms of

survivor benefit.

- g) 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.
- h) 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.
- i) Deferred pension benefits. A participant terminating contributions is entitled to leave his or her Vested Right as a deferred pension. Pension payments may only begin, at the option of the participant, at the age allowed for early pension, if any, or at age 65. 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.
- j) Fractions on one (1) year of participation shall be counted on a pro-rata basis in determining pension benefits and contributions.
- k) The Department of Insurance Supervision of the BPK may prescribe Rules applicable to Life Insurance companies that offer Supplementary Individual Pensions provided that such Rules are not inconsistent with this Rule.

3.2 Defined Contribution Pensions (All Pension Providers)

- a) Bases in Determining Pension Benefits. In general, 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 Rule 7 of these Rules. The amount of the assets in the participant's Individual Account consists of:
 - 1. The total contributions made by the participant during his or her entire period of contribution, plus
 - 2. The investment return allocated to the total amount described in paragraph 1, above.
- b) Amount of monthly pension benefit. The Pension Provider shall purchase an Annuity from a Life Insurance Company, in accordance with Rule 11 of these Rules, to pay for the monthly pensions. The amount of monthly pensions is determined by the amount of funds in the participant's

Individual Account as of date of pension, the age of the pensioner and the settlement option selected. Rule 11 applies in the payment of pensions of participants to Defined Contribution Pensions.

- c) Vested Right. "Vested Right" is defined under Section 1 of the Pensions Regulation and Rule 13 of these Rules. 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. The amount of Vested Right may only be reduced consistent with Section 3 b) of Rule 16, of these Rules.
- d) Early pension benefit. If included as a benefit in the Pension Rules, a participant who elects to retire before pension age may commence his/her pension. The amount of funds in his/her Individual Account, constituting his/her Vested Right, as of the last valuation date preceding the month of his/her early retirement shall be used to purchase an annuity according to Rule 11 of these Rules.
- e) Disability pension benefit. If included as a benefit in the Pension Rules, the amount of a qualifying disability pension must be in fixed amount or an amount fixed and indexed to include adjustments with the changes in the cost of living. Disability pension shall be payable until the earlier of the date the disability ends or at age 65 when the participant becomes entitled to his normal pension.
- f) Survivor benefits. If a participant who is married dies prior to pension age, pension benefits equal to his/her Vested Right as reflected in his/her Individual Account as of the last valuation date preceding the month of death is set aside as a deferred pension benefit to his/her spouse.
- g) Payment of pensions. Pensions shall be paid on a monthly basis through an Immediate Annuity Contract purchased by the Pension Fund as directed by the participant in accordance with Rule 11 of these Rules.
- j) Deferred pension benefits. A participant terminating contributions is entitled to leave his/her Vested Right as a deferred pension. Pension payments may only be commenced, at the option of the participant, on his/her reaching the age allowed for early pension, if any, or at age 65. 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.

**Section 4
Other BPK Rules**

4.1 Other BPK Rules Applicable to Pension Providers

The Department of Bank Supervision and/or Department of Insurance Supervision of the BPK may prescribe Rules, applicable to Banks, financial institutions and/or Life Insurance companies that offer Supplementary Individual Pensions, consistent with this Rule.

**Section 5
Entry into Force**

This Rule shall enter into force on October 23, 2002.

Managing Director