



Pursuant to Article 35, paragraph 1, subparagraph 1.1 of Law No. 03 / L-209 on the Central Bank of the Republic of Kosovo (Official Gazette of the Republic of Kosovo, No. 10/16 August, 2010), Article 15, paragraph 15.7, subparagraph (e) and Article 22, paragraph 22.7, subparagraph (e) of the Law No. 04 / L-101 on Pension Funds in 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 the meeting held on 27 April, 2017 approved

Regulation on the Amount of Pension Contributions

Article 1

Purpose and Scope

1. The purpose of this Regulation is to set the minimum criteria for determining the amount that can be contributed to the Supplementary Pension Program.
2. This Regulation applies to the Supplementary Pension Fund of the Employer ("Pension Fund"), and suitably to the Supplementary Individual Pensions (Pension Provider).

Article 2

Definitions

1. All terms used in this Regulation shall have the same meaning as the terms set forth in Article 1 of Law No. 04 / L-168 on Amending and Supplementing the Law No. 04 / L-101 on Pension Funds of Kosovo and Article 1 of the Law No. 04 / L-101 on Pension Funds of Kosovo (hereinafter: the Law on Pension Funds) and / or the definitions below for the purpose of this Regulation:
 - 1.1. **Defined Benefit Pension** - a Pension in which benefits are calculated based on a formula for which the Employer or an individual Participant undertakes obligations to contribute annually in an amount fixed in conformity with the Pension Fund By-laws or Pension Rules and the Actuarial Valuation. The formula for a Defined Benefit Pension may be defined by the amount of the Participant's average wage and length of service with the Employer, as may be defined further by the CBK, or otherwise set forth in the Pension Regulations.
 - 1.2. **Actuarial assumptions** - means 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.

- 1.3. **Actuarial valuation** - a report by an independent actuary licensed by a state or professional organization in a member state of the OECD showing the assets and liabilities of a Defined Benefit Pension Fund.
- 1.4. **Supplementary Pension Funds** - means the Pension Fund and the Pension Provider;
- 1.5. **Wage** – means any amount paid by an employer, in cash or in kind, as compensation for service rendered by the employee in the course of employment, under any contract of hire, express or implied, oral or written. Wage includes salary, emolument, bonus, commission, or any other form of payment relating to employment.
- 1.6. **Pension base earning - means** earnings or a portion of the earnings of a participant, the amount of which may be defined in the Pension Bylaws or Pension Rules, used as basis for calculating the amount of Pension contribution and benefits.
- 1.7. **Vested Rights** – means the rights of a Participant or Beneficiary to a Supplementary Employer Pension or a Supplementary Individual Pension that cannot be forfeited. A Vested Right cannot be pledged, garnished, assigned, mortgaged, or otherwise alienated. It is not to be subject to execution, shall not be part of an estate in bankruptcy of the Participant, and shall not be affected by any settlement proceedings, and any attempt to do so shall be null and void. The restriction against alienation or execution shall apply to Vested Rights not exceeding one hundred thousand euro (€100,000) per Participant. Vested Rights in excess of that amount only may be attached or alienated.

Article 3

Amount of Contributions to Supplementary Pension

1. Supplementary Pension Funds shall, for each calendar year, by internal bylaws, determine the amount of contributions as a basis for gaining the supplementary pension.
2. Determination of the amount of contributions as a basis for attaining the pension depends on the following criteria:
 - 2.1. The amount shall not exceed the actual Earning(s) of the participant, subject to indexing applicable in a Defined Benefit pension scheme;
 - 2.2. The amount determined under the terms of paragraph 2, subparagraph 2.1 of this Article shall not exceed EUR 24,000 annually.
3. Limitation of annual contributions according to paragraph 2 of this Article does not address the benefit value / amount of the pension savings beneficiaries, which has been transferred as a result of termination of the Pension Fund or the value / amount transferred to the new pension fund.

Article 4

Principles for determining the amount of Contributions in a Supplementary Pension

1. The determination of the amount of Contributions in a Supplementary Pension shall be made according to the following principles:
 - 1.1. Pension funds must require only an amount of contribution that ensures the sustainability of the pension program taking into account the long-term changes that may influence the amount of pension so as to provide a reasonably comfortable retirement income to the retiree.
 - 1.2. The amount of contributions in a pension program should be in the amount of pension so as to provide a reasonably comfortable retirement income to the retiree. pension payment to the participants.
 - 1.3. Pension contributions should be used only for the purpose of providing pension benefits. Pension contributions should not be used for free investments or other speculative purposes of individuals.
 - 1.4. Impartiality and fairness in pension benefits payment to participants.

Article 5

Maximum Amount of Contribution

1. The maximum contribution for a participant in a Supplementary Employer Pension (Pension Fund), in any one (1) year, must conform to the following requirements:
 - 1.1. The total yearly contribution for a participant in a Defined Benefit pension shall not exceed three (3) times the accrual rate per year of service time of the participant's Pension Base Earnings.
 - 1.2. The total yearly contribution of a participant in a Defined Contribution pension shall not exceed 30% of the participant's Pension Base Earning, or 20% thereof, if the participant also participates in the savings pension (mandatory pension 5% + 5% and supplementary pension 20%).
 - 1.3. If both Employer and Participants contribute in a Defined Benefit Pension, the contribution of a participant should not be more than the Employer's contribution.
2. Every Pension Provider is obliged to provide the individual participant with a pension program that is suitable to the participant taking into consideration his/her earnings and level of risk tolerance. The Pension Provider shall disclose the rights and obligations of the participant sufficient for the participant to decide whether or not to conclude a contract for the creation of a supplementary (individual) pension fund.
3. Pension Providers that offer defined contribution scheme must develop procedures for participants to suspend, reduce or stop their contributions, subject to charging reasonable fees only if:
 - 3.1. The nature and amount of such fees are stipulated and described in detail in the Pension Rules, and

- 3.2. If such fees were disclosed to the participants at the time of entering into the contract for the creation of a supplementary (individual) pension fund; and
- 3.3. The Pension Provider notifies the participant in writing of the nature and amount of the fees prior to making such charges. In the case of cessation of contributions the notification shall include a description of the participant's rights to a deferred pension or transfer options.
4. The Tax Administration may, from time to time, prescribe the limits of the maximum amount of pension contributions that will be favored by deferral of taxes and other fiscal liabilities.

Article 6
Implementation and remedial measures

Any violation of provisions of this Regulation shall be subject to remedial and punitive measures provided for in the Law on Pension Funds.

Article 7
Abrogation

With the entry into force of this regulation, the Rule 16 on the Amount of Pension Contributions shall be abrogated.

Article 8
Entry into force

This Regulation shall enter into force 15 days after its approval by the Board of the Central Bank of Republic of Kosovo.

Chairman of the Board of the Central Bank of Kosovo

Prof. Dr. Bedri Peci