

Pursuant to Article 35, paragraph 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. 77/16 August 2010) and Article 14, paragraph 14.7, 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 at its meeting held on June 8, 2022 adopted the following:

**REGULATION ON PENSION BENEFITS OF SUPPLEMENTARY EMPLOYER PENSION FUNDS**

# Article 1

# Purpose and Scope

1. The purpose of this Regulation is to establish guidelines for benefits that can be provided by the Supplementary Employer Pension Fund and which includes a defined benefit pension and defined contribution pension.
2. This Regulation shall apply to the Supplementary Employer Pension Funds.

# Article 2

# Definitions

1. All terms in this Regulation shall have the same meaning as the terms defined 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 Law No. 04 / L-101 on Pension Funds of Kosovo (hereinafter: the Law on Pension Funds) and / or with the following definitions for the purposes of this Regulation:
   1. **Actuarial assumptions** - 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 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.
   2. **Accrued service –** means the years of service and/or contributions accrued by a Participant toward Vested Rights. Years of service shall be calculated from the effective date of the Pension laws or normative rules or the initiation of contributions on behalf of the Employee. Service shall be counted after the Employee creates working relations.
   3. **Disability pension -** means the right to receive pension benefits determined by law in force for the participant, whose disability is defined by the Law on Disability Pension, which entitles him to a disability pension.
   4. **Deferred pension -** means a pension benefit to which the participant has a vested right upon termination of employment prior to pension age but which is postponed until pension age.
   5. **Early pension benefit -** means a provision in the Internal pensions regulation allowing a participant who retires before pension age to receive a pension. Early pension cannot begin before the age of 60 or 35 years of completed service.
   6. **Earnings -** means the total annual salary or income from the salary of an individual as defined by the legislation in force in the Republic of Kosovo on personal income tax.
   7. **Pension base earning -** means the earnings or portion of the earnings of a participant, the value of which can be defined in the Bylaws of the Pension Fund, used as a basis for calculating the value of pension contributions and benefits.

# Article 3

# Pensions benefits of Defined Benefit Pension Fund

1. *Bases for determining pension benefit.* Bylaws of Pension Fund shall provide that the pension benefit shall be determined by a calculation method that takes into account the following element*s*:
   1. Average indexed wage or salary of the participant, during all his or her accrued or credited years of service. Salary should be indexed to include the effect of inflation or the effects linked to other references. The value of the salary, including indexing, shall not exceed the pension base earnings, set under the Regulation on the Value of Pension Contributions.
   2. The pension benefit should not exceed the maximum amount of the benefit defined by this Regulation. When determining the maximum amount of benefit:
      1. The benefit accrual rate shall not exceed two years of credited service; and
      2. The maximum amount of benefit shall not exceed 80% of the average indexed salary, which amount may not exceed the amount of the pension base earnings.
2. *Maximum monthly pension benefit.* The pension base earnings is limited to the amount of 24,000 Euros per year. Hence, applying the amount of the pension benefit of 80%, the maximum benefit of the annual pension is 19,200 Euros or 1,600 Euros per month*.*
3. *Vested rights to a pension benefit.* The Bylaws of Pension Fund may determine a certain number of accrued years of service for a participant, to be served as a condition for the participant to be vested partial or full rights to pension benefit, whereby the number of accrued years of service to obtain full rights cannot exceed 5 years*.*
4. *Early pension benefit.* If included as an early pension benefit in the Bylaws of Pension Fund, the amount of the pension for a participant who decides to retire before the retirement age is reduced by a specified percentage or rate per every number of years remaining up to 65 years of age; provided that, in no case shall the amount of the pension exceed the present value of the pension benefit provided for in the pension bylaws and determined as of the last Actuarial Valuation Report immediately prior to the date of early retirement.
5. *Disability pension benefit.* If included as a benefit in the Bylaws of the Pension Fund, the value of the disability pension qualification should not exceed 70% of the average indexed salary of the participant during the accrued years of service and during the qualification of his disability. The disability pension must be paid until the day of termination of the disability pension or if the participant has reached the pension age*.*
6. *Survivor benefit.* If a participant who is married dies before the pension age, a pension benefit that is equal to at least 50% of his / her pension shall become a deferred pension benefit for his / her spouse*.*
7. *Payment of pension benefits.* Pensions must be paid on a monthly basis calculated according to the formula for payment of defined benefit pensions under the Bylaws of the Pension Fund. If the formula for payment of pensions is expressed in total amounts, the conversion into equal monthly payments must be in accordance with the table of benefits that is part of the Bylaws of the Pension Fund, based on actuarial assumptions*.*
8. *Deferred pension benefits*. A participant whose employment is terminated is entitled to leave his vested rights in the Pension Fund as a deferred pension. This deferred pension is equal to the vested rights of the participant on the day of termination of employment. Payment of the pension can start only at the pension age or according to the option when the participant has vested right to early pension. If an individual has a deferred pension and dies before receiving the pension, the deferred pension benefits will be paid in accordance with the Bylaws of the Pension Fund, respecting the rights of participants in the event of death.
   1. If the participant who terminates the employment relationship is not entitled to a deferred pension, the accrual of the employer's contribution to the participant's account must be applied as the employer's contribution for the financial year to the account and for the benefit of other participants.
9. *Calculation of accrued years of service or service credit.* The guidelines that determine the accrued or credited years of service, are as follows:
   1. The minimum age for exercising the right to a pension is 18 years, while the maximum accrued or credited years of service is 46 years.
   2. The maximum number of accrued or credited years of service should not exceed the number of years that the participant is employed or was employed by the current employer, in addition to the number of years of service of the previous employer, taking into account the following requirements:
      1. The period of years of credited service by the previous employer can be allowed only if sufficient funds have been transferred, as well as the obligations of the new Pension Fund are fulfilled.
      2. New employee, new employer and the Pension Fund agree through a contract determining the amount of funds required to be transferred to the new employer's fund, in order to cover the employee's years of service for the previous period of his/her employment and that the inclusion of years of service is subject to the above funds being accepted by the Pension Fund within 30 days from the new participation of the employee and that the vested rights of all current participants are not adversely affected.
      3. A copy of the written statement and document evidencing the transfer of the Corresponding Fund to the Pension Fund referred to in paragraph 9.2.2 of this Article, must be submitted to the CBK within 45 days from the date of participation of the new employee.
   3. In the case of a disability or death pension, the period of credited years of service must include the number of years between the date of disability or death eligibility and the date on which participants reach or would have reached the age of 65.
   4. A participant who is re-employed within a period of 30 days (with the same employer), shall be deemed to have maintained a continuous and uninterrupted service for the needs of the Pension Fund of the sponsor employer, taking into account the following conditions:
      1. The vested rights of the re-employed employee are still with the Pension Fund as a deferred pension; or
      2. The re-employed person transferred his vested right to another pension plan, the value of the transferred vested rights is returned and accepted by the Pension Fund within 30 days from the day of re-employment of the participant.
   5. Interruptions over a year of service should be calculated on a pro rata basis in determining pension benefits and contributions.

# Article 4

# Pensions benefits of the Defined Contribution Pension Fund

1. *Basis for determining the pension benefit.* The Bylaws of the Pension Fund should stipulate that the pension benefit shall be the amount of funds calculated and determined in accordance with the Regulation on Individual Accounts of Participants, allocated to the individual account of participant according to the valuation of the last month before the start of pension. The value of defined contribution pension funds in the individual account of the participant consists of the sum of the following elements:
   1. Total contribution paid by the participant during the entire period of his contribution;
   2. Total contributions paid by the employer on behalf of the participants during the contribution period;
   3. Return on investment allocated to the amounts described in paragraphs 1.1 and 1.2 of this Article, deducting reasonable costs of pension administration.
2. *Monthly amount of pension benefit.* The Pension Fund must purchase an Annuity Contract from a Life Insurance Company, in accordance with the legal and regulatory requirements of the CBK. The annuity will pay monthly pensions. The amount of monthly pensions shall be determined by:
   1. Amount of funds in the individual account of the participant, on the day of retirement,
   2. Age of participant; and
   3. Payment or settlement option selected.
3. *Vested rights.* The vested rights of a participant to a defined contribution pension are equal to the amount of funds allocated to his individual account according to the last valuation date*.*
4. *Early pension benefit.* If included as a benefit in the Bylaws of the Pension Fund, the participant who decides to retire before the pension age, may start retirement (Early pension benefit). The amount of funds in the individual account of the participant that constitutes his vested right, according to the last valuation date in the month before the beginning of his early pension, should be used for the purchase of annuity according to paragraph 2 of this Article*.*
5. *Disability pension benefit.* If included as a benefit in the Bylaws of the Pension Fund, the qualified amount of disability pension should not exceed 70% of the average indexed salary or the participant's salary during the credited years of his / her service. Disability pension must be payable until the date of termination of disability or until the pension age when the participant is entitled to a regular pension*.*
6. *Survival benefit.* If a participant who is married dies before the pension age, the pension benefit that is equal to the vested rights (individual account balance) according to the last valuation date before the month of death is determined as a deferred pension for his / her spouse.
7. *Deferred pension benefit.* A participant whose employment is terminated, may leave the rights acquired in the Pension Fund as a deferred pension. This deferred pension is equal to the vested rights of the participant on the day of termination of employment. Payment of the pension can start only at the pension age or according to the option when the participant has acquired the right to early pension. If a person with a deferred pension dies before receiving the pension, the deferred pension will be paid in accordance with the Bylaws of the Pension Fund, respecting the rights of participants in the event of death.

# Article 5

# Enforcement and Improvement Measures

Violations of the provisions of this Regulation shall be subject to the measures provided for in accordance with the legislation in force.

# Article 6

# Repeal

With the entry into force of this Regulation, "Rule 17 on the Value of Pension Benefits applicable to the Supplementary Employer Pension Fund", adopted on 23 October 2002, shall be repealed.

# Article 7

**Entry into force**

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

Flamur Mrasori

Chairman of the Board of the Central Bank of the Republic of Kosovo