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 on the definitions of Defined Benefit Pension and Defined Contribution Pension as well as Section 14.7 of the UNMIK Regulation No. 2001/35, (the "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 17 on Pension Benefits Of Supplementary Employer Pension Funds

Section 1 Scope and Purpose of this Rule

1.1 Scope of Rule

This Rule applies to Supplementary Employer Pension Funds ("Pension Funds").

1.2 Purpose of the Rule

This Rule establishes guidelines for the benefits that may be provided by Supplementary Employer Pension Funds. These guidelines promote and ensure that the 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. The term includes disability pensions that are currently being paid under existing agreements between Employer and Employees in Kosovo.

"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.

"Earnings" mean the total yearly wage or salary income of an individual as defined by applicable income tax regulations in effect in Kosovo.

"Pension base earning" means the earnings or a portion of the earnings of a participant, the amount of which may be defined in the Pension Bylaws, used as a basis for calculating the amount of pension contribution and benefits.

Section 3
Pension Benefits of Pension Funds

3.1 Defined Benefit Pensions

a) Bases for determining pension benefits. In general, the Pension Bylaws shall provide that the pension benefit shall be determined by a method of calculation that considers the following elements:

1. The average indexed wage or salary of the participant, during all his or her accrued or credited years of service. The wage may be indexed to include the effects of inflation (changes in the cost of living) or linked to other stipulated reference(s). The amount of

wage or salary, including indexing, shall not exceed the limit of the pension base earnings, prescribed under Rule 16 of these Rules.

2. The benefit accrual rate, not exceeding 2, per year of credited service, and

3. The pension benefit, not greater in amount than the benefit ceiling. In determining the benefit ceiling:

   (i) The benefit accrual rate shall not exceed 2 per year of credited service and

   (ii) The benefit ceiling shall not be greater than 80% of average indexed wage or salary, which amount may not exceed the amount of the pension base earning.

b) Maximum monthly pension benefit. The pension base earning as provided in Rule 16 is presently limited to 24,000 Euro per year. Hence, applying the pension benefit ceiling of 80%, the maximum Pension Benefit is 19,200 Euro yearly, or 1,600 Euro, monthly.

c) Vested right to a pension benefit. “Vested Right” is defined under Section 1 of the Pensions Regulation and Rule 12 of these Rules. The Pension Bylaws may specify certain number of accrued years of service for a participant to satisfy as a condition for him/her to acquire partial or full “vesting” of his/her pension benefits; provided that the number of accrued years of service to acquire full “Vested Right” may not exceed 5 years.

d) Early pension benefit. If included as a benefit in the Pension Bylaws, 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; in no case shall the amount of pension benefit exceeds the Present Value of the pension benefit stipulated in the Pension Bylaws and determined as of the last Actuarial Valuation Report immediately prior to the date of early retirement.

e) Disability pension benefit. If included as a benefit in the Pension Bylaws, the amount of a qualifying disability pension may not exceed 70% of the participant’s average indexed salary or wage during the credited years of service and during his/her qualifying disability. Disability pension shall be payable until the earlier of the date the disability ends or at age 65 when the participant is entitled to his normal pension.

f) Survivor benefit. If a participant who is married dies prior to pension age his/her pension benefits, equal to at least 50% the participant’s pension becomes a deferred pension benefit to his/her spouse.

g) Payment of pension benefits. Pensions shall be paid on a monthly basis calculated by the benefit payment formula defined in the Pension Bylaws. If the benefit payment formula is expressed in a lump sum, its conversion to equivalent monthly pension payments must be in accordance with a Table of Benefits, included or made part of the Pension Bylaws, based on actuarial assumptions.

h) Deferred pension benefits. A participant whose employment is terminated is entitled to leave his Vested Right in the Pension Fund as a deferred pension. This deferred pension is equal to the participant's Vested Right at the time of termination of employment. Pension payments may only begin at age 65 or, at the option of the participant, on reaching the age allowed for early pension. If an individual who has a deferred pension dies prior to the receipt of pensions, the deferred pension benefits will be paid according to the Bylaws provisions respecting rights of participants in case of death.

If a participant who terminates his employment is not entitled to any deferred pension, the accumulation of the Employer's contribution on his behalf shall be applied as Employer's contribution for the financial year for the account and benefit of the remaining participants.

i) Calculating accrued or credited years of service. The guidelines in stipulating accrued or credited years of service are the following:

1. Based on the minimum pension eligibility age of 18, the maximum number of years of credited or accrued service is 46.

2. The maximum number of years of credited or accrued service shall not exceed the number of years a participant is/was employed by the current employer plus the number of years of service he/she had with a previous employer, subject to the requirements that:

(i) The period of credited years of service with a previous employer may only be allowed if sufficient assets are transferred to the new Pension Fund and to the extent the transferred assets fulfill the benefit obligations of the new Pension Fund, including the period of service sought to be included for credit as accrued years of service.

(ii) The new employee, the new Employer and the Pension Fund agree in writing on the amount of assets that is required to be transferred to cover for the employee's years of service attributable to his/her former employment and that the inclusion such years of service is subject to the conditions that the funds mentioned above is received by the Pension Fund within a period of 30 days from the new employee's participation and that the Vested Rights of all current participants are not adversely affected.

(iii) A copy of the written statement and the document evidencing the transfer of the corresponding fund to the Pension Fund, mentioned in paragraph 2 (ii) above, is submitted to the BPK within 45 days from the date of participation of the new employee.

3. In the case of disability or death benefit pension, the period of credited years of service must include the number of years between the date of the qualifying disability or death and the date when the participants reaches, or would have reached, age 65.

4. Effect of re-hiring. A participant who is re-hired within a period of 30 days (by the same employer) shall be considered to have maintained continuous and unbroken service for purposes of the Employer's sponsored Pension Fund if any of the following conditions apply:

(i) The Vested Right of the re-hired employee is still with the Pension Fund as a deferred pension, or

(ii) If the re-hired employee has made a transfer of his Vested Right to another pension scheme, the amount of Vested Right then transferred is returned to and received by the Pension Fund within a period of 30 days from the date the participant is re-hired.

j) Fractions on one (1) year of service shall be counted on a pro-rata basis in determining pension benefits and contributions.

3.2 Defined Contribution Pensions

a) Bases in determining Pension Benefits. In general, the Pension Bylaws shall provide that pension benefits shall be the amount of funds, calculated and determined in accordance with Rule 7 of these Rules, allocated in the Participant's Individual Account as of the last valuation date preceding the month when pension begins. The amount of assets in the participant's Individual Account consist of:

1. The total contributions made by the participant during his or her entire period of contribution, plus

2. The total contributions made by the Employer on behalf of the participant during the entire period of contribution, plus

3. The investment return allocated to the amounts described in paragraphs 1 and 2 above, less reasonable cost of pension administration.

b) Amount of monthly pension benefit. The Pension Fund shall purchase an Annuity Contract from a Life Insurance Company, in accordance with Rule 11 of these Rules. The Annuity will pay for the monthly pensions. The amount of monthly pensions is determined by:

1. The amount of assets in the participant's Individual Account as of date of pension,

2. The age of the pensioner and

3. The settlement option selected.

Rule 11 applies in the payment of pensions to participants in a Defined Contribution Pension Fund.

c) Vested Right. "Vested Right" is defined under Section 1 of the Pensions Regulation and Rule 12 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.

d) Early pension benefit. If included as a benefit in the Pension Bylaws, a participant who elects to retire before pension age may commence pension. The amount of assets 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 Bylaws, the amount of a qualifying disability pension may not exceed 70% of the participant's average indexed salary or wage during his/her credited years of service. Disability pension shall be payable until the earlier of the date the disability ends or at age 65 when the participant is entitled to his normal pension.

f) Survivor benefits. If a participant who is married dies prior to pension age, pension benefits equal to the 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.

g) Deferred pension benefits. A participant whose employment is terminated is entitled to leave his Vested Right in the Pension Fund as a deferred pension. Pension payments may only begin at age 65 or, at the option of the participant, on his/her reaching the age allowed for early pension. If an individual who has a deferred pension dies prior to the receipt of a pension, the deferred pension benefits will be paid according to Bylaws provisions respecting rights of participants in case of death.

Section 4
Entry into Force

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

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Managing Director