



Trusti

**ANNUAL
REPORT
2022**

Trusti
All the rights are reserved*
Fondi i Kursimeve Pensionale i Kosovës
Kosovski Penzijski Štedni Fond
Kosovo Pension Savings Trust

Publisher
Kosovo Pension Savings Trust

Published
May 2023

Pictures
All the pictures on this report are taken in Kosovo

All the rights are reserved®
Fondi i Kursimeve Pensionale i Kosovës
Kosovski Penzijski Štedni Fond
Kosovo Pension Savings Trust

TABLE OF CONTENTS

0

4-15

Key facts
Mission and ambition
Foreword

1

19-37

Organization and
finances

2

39-47

Activities

3

49-59

Investment of
pension assets

4

61-65

Contribution and
retirement

5

67-79

Contributor
demographics

6

81-83

Legislation

7

Anex

Independent auditor's report
and financial statements for KPST -
Operations

8

Anex

Independent auditor's report
and financial statements for KPST -
Pension Assets

KEY FACTS

INVESTMENT PERFORMANCE FOR THE LAST 10 YEARS

Period	1-Year	2-Years	3-Years	4-Years	5-Years	6-Years	7-Years	8-Years	9-Years	10-Years
Gross investment return (in millions)	€(119.9)	€107.4	€179.2	€339.9	€255.2	€357.7	€422.3	€451.9	€518.6	€589.7

INVESTMENTS

STANDARD PORTFOLIO

	2022	2021
Unit price at the end of year	€1.6268	€1.7222
Change of unit price for the year	-5.54%	+10.65%
Gross return on investment for the year	-€121,477,711	€227,304,018
Interests from bank accounts	-€122,815	-€170,401
Other returns for the year	--	€200,000
Provisions	-€897,065	€986,336

CONSERVATIVE PORTFOLIO

	2022	2021
Unit price at the end of year	€2.0588	--
Change of unit price for the year	+2.94%	--
Gross return on investment for the year	€2,728,766	--
Interests from bank accounts	-€9,643	--
Provisions	-€188,200	--

AUM (UNITISED)

	2022	2021
Standard Portfolio	€2,316,363,922	€2,353,174,912
Conservative Portfolio	€94,812,043	--

CONTRIBUTIONS AND CONTRIBUTORS

	2022	2021
Contributions received during the year	€241,462,429	€213,450,809
Contributions received since inception	€2,430,714,987	€2,189,252,434
Accounts opened during the year	40,409	45,290
Account-holders at the end of the year	792,995	752,586
Active contributors during the year	428,891	419,657

RETIREMENT

	2022	2021
Newly withdrawn accounts during the year	6,907	7,239
Value of withdrawals for the year	€54,871,291	€52,855,024
Funds withdrawn for 10%*	--	€12,643,130
Accounts permanently withdrawn**	67,229	61,114
Value of withdrawals since inception	€558,800,880	€503,929,589

* Withdrawal of 10% was closed on 6th of April 2021, as defined in the relevant legislation.

** This number includes age retirement, death and foreigners' cases. Whereas disability retirements are not included.

FEES AND EXPENSES

	2022	2021
Investment fee	0.320%	0.320%
Operational fee	0.057%	0.065%
Amount of fees charged for the year	€8,849,446	€8,492,038
Investment expenses for the year	6,695,395	€6,840,347
Operating expenses for the year	1,139,768	€1,191,245

UNALLOCATED CONTRIBUTIONS AND SERVICES

	2022	2021
Unallocated contributions at the year end	€2,950,426	€2,320,470
Unallocated contributions in percentage	0.121%	0.106%
Number of eTrusti accounts	301,798	274,7187

All the figures in this Annual Report, including but not limited to: net or gross AUM, contributions for the year, changes in AUM; do not include contribution receivables in the amount of €16.83m (2021: €13.77m).

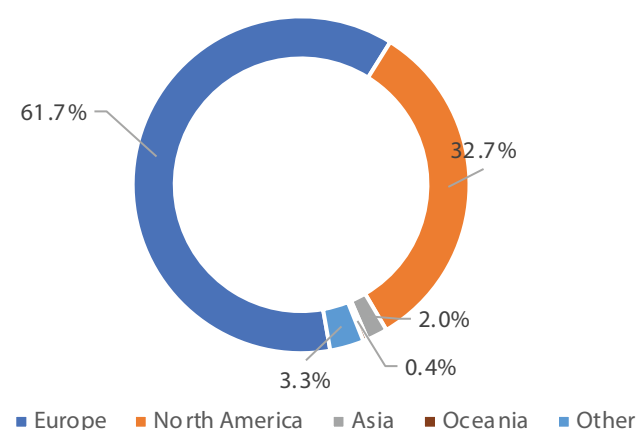
DISTRIBUTION OF INVESTMENTS ON 31.12.2022

In the **Standard Portfolio** pension funds are invested through open-end funds administered by managers of these funds in shares, debt instruments, cash and other financial instruments of global corporations and sovereign treasuries. At the end of the year, KPST had direct and indirect investments in the financial instruments on 1,988 global issuers (2021: 2,099) in the Standard Portfolio.

10 MAIN PLACEMENTS IN A SINGLE ENTITY OF ALL FUNDS UNDER MANAGEMENT

No.	Placement	ALLOCATION TOWARDS ALL ASSETS	KPST ASSETS (IN MILLION)
1.	Treasury of Kosovo	22.8%	€552.8
2.	Treasury of France	2.2%	€52.4
3.	BKT Bank in Kosovo	1.6%	€39.7
4.	Treasury of Germany	1.5%	€35.5
5.	PCB Bank Kosovo	1.5%	€35.2
6.	Groupe BPCE	1.2%	€28.7
7.	Groupe Credit Mutuel	1.2%	€28.6
8.	NLB Bank Kosovo	1.1%	€27.2
9.	Barclays PLC	1.1%	€26.8
10.	BNP Paribas SA	1.1%	€25.9
	TOTAL	35.0%	€843.4

GLOBAL GEOGRAPHIC DISTRIBUTION OF ALL FUNDS



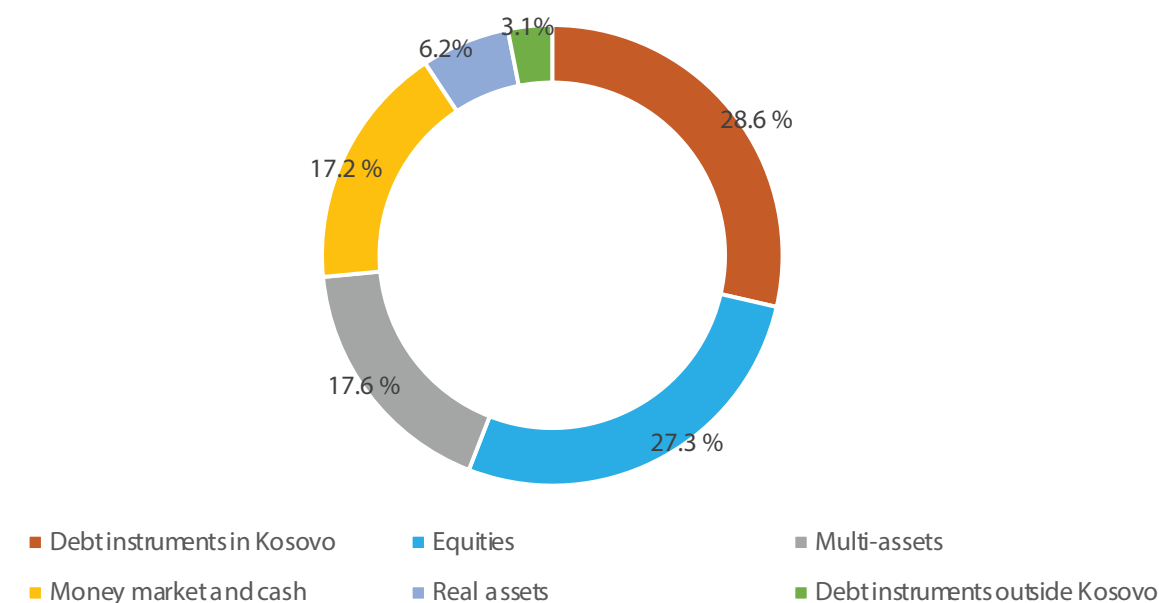
NOTE: KPST cannot guarantee that the future performance of its investments will be the same as their past performance. KPST invests assets under its management with the aim of: first preserving the purchasing power of pension savings and second increasing their value further. However, all investments are subjected to a level of risk which varies depending on the returns sought. This is also true for investments of KPST which are subjected but not limited to a number of risks such as: currency risk, interest rate, credit risk, price risk, political risk, counter-party risk, liquidity risk, derivative risk, etc. More details about each risk and their relation to the invested funds are presented in the financial statements attached to this report.

In the **Conservative Portfolio** pension funds are invested directly in the bonds of the Government of the Republic of Kosovo through public auctions and in bank deposits in Kosovo. At the end of the year 99% of investments of this portfolio were in the bonds of Government of Kosovo, and the other portion (1%) were in cash.

10 HIGHEST RANKED COUNTRIES WITH PLACEMENTS TOWARDS ALL FUNDS

No.	COUNTRY	PERCENTAGE	KPST ASSETS
1.	USA	30.58%	€737,530,020
2.	Kosovo	29.97%	€722,802,173
3.	France	10.71%	€258,388,122
4.	United Kingdom	5.51%	€132,984,302
5.	Germany	3.41%	€82,235,887
6.	Italy	2.74%	€66,129,740
7.	Spain	2.08%	€50,136,546
8.	Ireland	1.51%	€36,467,309
9.	Sweden	1.10%	€26,514,881
10.	Denmark	1.07%	€25,857,278
	TOTAL	88.68%	€2,139,046,258

DISTRIBUTION OF ALL FUNDS ACCORDING TO THE FINANCIAL INSTRUMENTS



2022	2021	2020	2020	2021	2022
<p>A new investment portfolio is created (Conservative) that contributors close to the retirement to be protected from rapid fluctuations. It was reduced to the level of low exposure towards instruments with high volatility.</p> <p>Net return for the year was -5.5% for the Standard Portfolio and +2.9% for the Conservative Portfolio. AUM increased by 2.5%.</p>	<p>The institution reached the highest nominal value of the return from investments since inception. The number of engaged investment funds seized new year-end record.</p> <p>Net return for the year was 10.7% while assets under management increased by 18.4%.</p>	<p>KPST received a significant award (from IPE Awards) ranked among the most successful in Europe for 2020 in "Active Management of Investments".</p> <p>Net return for this year was +3.0% while AUM by the end of the year increased by 1.1%.</p>	<p>Distance application process was finalised for the withdrawal of 10% and on December 397,557 people applied. The number of eTrusti accounts doubled (to 255,903) thus constituting 36% of all accounts.</p> <p>Unallocated contributions reduced to 0.08% of the collected contributions.</p>	<p>The new Account Management Software (IPSA) was developed by the KPST professional staff, replacing the previously subcontracted software. Switching to this software will be a powerful long-term advantage to the institution.</p> <p>Unallocated contributions increased slightly to 0.12% of the collected contributions.</p>	<p>Launching the Conservative Portfolio without any difficulty in the IPSA software. QR Code has been added to the statements, in order their authenticity could be proven by third parties. It was also enabled the download of statements from the eKosova portal.</p> <p>Unallocated contributions increased slightly to 0.13% of the collected contributions.</p>

ACRONYMS

KPST	Kosovo Pension Savings Trust
TAK	Tax Administration of Kosovo
CBK	Central Bank of Kosovo
ASSEMBLY	Assembly of the Republic of Kosovo
GOVERNMENT	Government of the Republic of Kosovo
IFRS	International Financial Reporting Standards
GDP	Gross Domestic Product (as published by the Kosovo Agency of Statistics)
KAS	Kosovo Agency of Statistics
PWP	Phased Withdrawal Program (of pension savings)
ETF	Exchange-traded funds from a broker, where a number of investment (stocks, bonds, commodities or mixed) instruments follow a certain index.

GLOSSARY OF TERMS

EQUITIES - Financial instrument that provides ownership in a company, depending on the size of investment.

PORTOFOLIO - Is use of several financial instruments such are stocks, bonds, cash, ETFs and others in a common investment; investment results of which are calculated together and compose that portfolio.

NOTES OR BONDS - Financial instrument issued by governments or corporations with a designated maturity limit which usually pays a coupon based on a fixed or flexible interest.

MULTI-ASSETS - Investment funds that have in their composition a mix of securities from core assetclasses (equities, bonds and cash).

INVESTMENT RISK - Nënkupton gjasat ose mundësitë që të pësohen humbje nga investimi i ndërmarrë kundrejt një niveli të caktuar të fitimit.

BENCHMARK - A standard reference level of comparing and analysing the investment performance. KPST has set as benchmark Kosovo's Consumer Price Index (CPI), otherwise referred to as the rate of inflation in Kosovo.

DEFINED CONTRIBUTION - In a defined contribution plan, fixed contributions are paid into an individual account by employer and employee. The contributions are then invested and the returns on the investment (positive or negative) are credited to the individual's account. On retirement, the member's account is used to provide retirement benefits, usually through the purchase of an annuity which then provides a regular income.

THE LAST FIVE YEARS

41.7%

NET PENSION ASSETS GROWTH

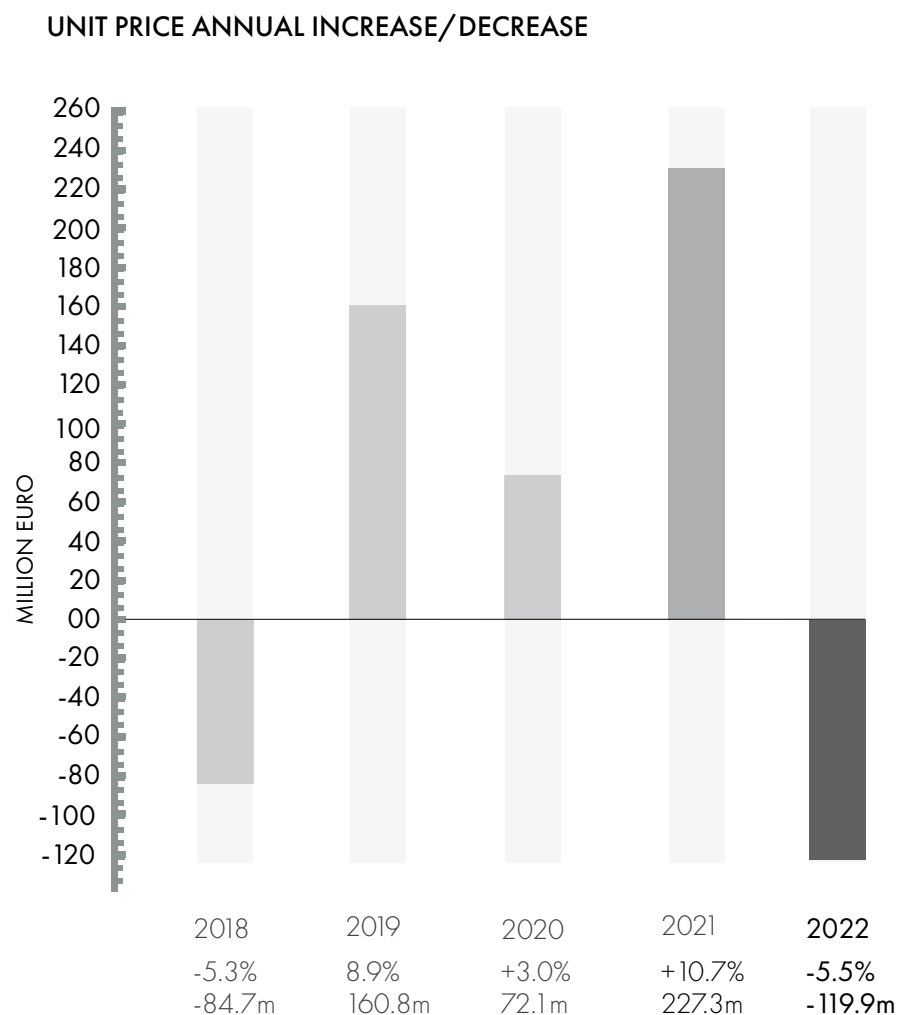
11.1%

SHARE PRICE GROWTH

€357.7_m

GROSS RETURN ON INVESTMENT

GROSS RETURN



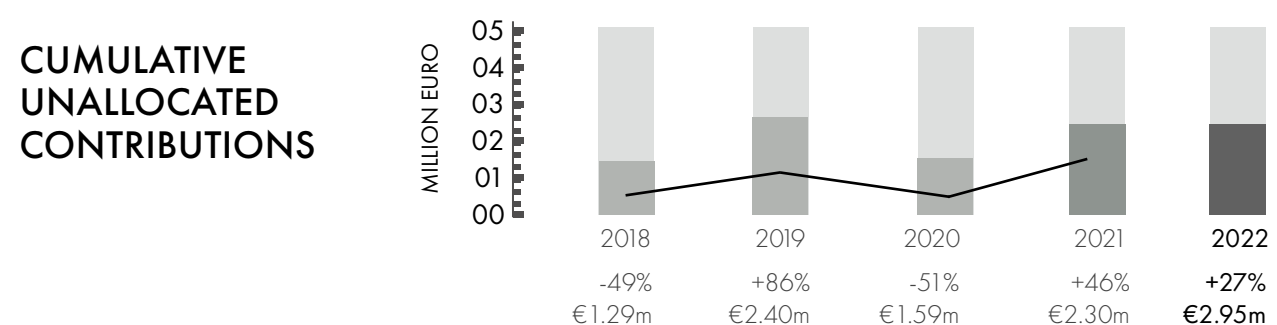
NUMBER OF ACCOUNT-HOLDERS, ACTIVE CONTRIBUTORS AND GENDER

YEAR	TOTAL ACCOUNTS	MEN	%	WOMEN	%	ACTIVE ACCOUNTS	MEN	%	WOMEN	%
	(A)	(B)	(B)/(A)	(C)	(C)/(A)	(D)	(E)	(E)/(D)	(F)	(F)/(D)
2018	626,687	426,960	67.9%	199,727	32.1%	344,453	229,515	66.6%	114,938	33.4%
2019	669,973	450,845	67.3%	219,128	32.7%	379,827	248,618	65.5%	131,209	34.5%
2020	707,388	469,286	66.3%	238,102	33.7%	387,526	249,355	64.3%	138,171	35.7%
2021	752,586	483,352	64.2%	269,234	35.8%	419,657	254,808	60.7%	164,849	39.3%
2022	792,995	507,028	63.9%	285,967	36.1%	428,891	262,339	61.2%	166,552	38.8%

KPST NET AUM VS ANNUAL GDP OF KOSOVO

	2018	2019	2020	2021	2022
Net AUM (unitised)	€1,681,148,926	€1,966,956,583	€1,988,073,032	€2,353,174,912	€2,411,175,963
GDP of Kosovo	€6,671,522,000	€7,056,172,000	€6,771,600,929	€7,957,867,000 #	€8,237,333,000*
Net AUM vs Kosovo GDP	25.2%	27.9%	29.4%	29.6%	29.3%

CHANGE IN UNALLOCATED CONTRIBUTIONS AS A PERCENTAGE OF TOTAL CONTRIBUTIONS



KPST NET AUM AT THE END OF 2022 REACHED

29.3%

OF GDP OF KOSOVO

* AS EVALUATED (ON QUARTERLY BASES) BY THE KOSOVO AGENCY OF STATISTICS.
KAS assessment of GDP for 2021 (on quarterly bases) has been corrected in KAS annual report of 2021.



MISSION AND AMBITION

Our mission is to invest pension savings and to administer the individual accounts of contributors until their retirement.

We strive to achieve our mission through prudent investment of assets and effective administrative processes.

Our ambition is to provide the best possible services for contributors and to be the most trusted institution in Kosovo.

We strive to achieve our ambition through staff professionalism and integrity and institutional transparency.



FOREWORD FROM THE MANAGING DIRECTOR

Dear reader,

The annual report is the most important publication of KPST, in which, together with attached audited financial statements, the most important issues of investments and operations of KPST are disclosed. Year 2022 was very challenging for the institution in terms of investments. The number of extraordinary events, which negatively affected markets, was very high for a single year.

Whilst recovery was expected, since the pandemic was at its end, Russia's invasion of Ukraine gave a severe blow to the post-pandemic recovery. Inflation continued to be very high, as well the cost of energy, and together with other negative influences, injected a large dose of uncertainty into the financial markets.

In these circumstances, the KPST Board of Directors, assisted from the management, took a series of decisions in order to amortize as much as possible the negative impact on the value of pension savings. There were over 70 tactical placement moves to find the right allocation to manage this extreme situation. These decisions drastically reduced the exposure to instruments with high volatility, especially equities, which closed year 2022 with a negative performance of 5.5%; at a time when major indexes, and many other pension funds, suffered double-digit declines.

In addition to the tactical decisions mentioned above, the Board decided to change the method of investing funds for those contributors who are close to retirement, with the aim that an investment strategy for the latter carries a lower risk. As a result, in February 2022, the Conservative Portfolio was created for contributors who had 18 months (or less) prior to retirement. In this portfolio, up to 99% of funds are invested in Kosovo's Government bonds; resulting in a net return from investments from February to the end of the year of +2.9%.

It should be emphasized that creation of the Conservative Portfolio was possible only thanks to the functioning of the "IPSA" software, which was developed by the staff of the KPST itself.

IPSA, developed over 2020-21, and launched on 1 January 2022, simplified and facilitated work for all staff. In IPSA, all existing processes of KPST (such are unit price calculation, customer services and other processes) were consolidated into a single platform. Also, new processes and opportunities were established (such are creation of additional portfolios, generation of statements verifiable by third Parties, etc.), and the opportunity was taken to re-design the "eTrusti" portal. IPSA, an intellectual property of KPST, with its own source code will be maintained by the IT staff, and there will be no need to pay companies for this purpose, which offers significant savings.

During 2022 there was an initiative to change the legislation, in order to allow the withdrawal of premature of (up to) 30 percent of funds from KPST. This initiative, in two separate cases, was not voted on in the Assembly of Kosovo. While the mission of KPST is to aim for the greatest accumulation of savings for its participants, any early withdrawal would reduce contributor's final balance upon retirement.

Discussions about 30 percent, in addition to creating expectations among participants, also significantly increased the flow of citizens who requested services in the office of KPST, as well in the regional offices of Tax Administration. Not only was this increased flow managed seamlessly by customer services, but during the year the provided digital services were further advanced, through the creation of an opportunity that personal statement can be downloaded directly from the state platform "eKosova."

The challenge for KPST continues to be the leaving of experienced staff, especially IT staff, due to the greater opportunities in the private sector in Kosovo, but also remote work for external companies. These, together with high inflation, have created pressure for correction of personnel compensations; anyway, if KPST is to continue to be competitive with the sector in which it operates.

Finally, we thank Assembly of Kosovo, together with other institutions, for support and cooperation throughout the year; and we strongly believe that this will continue in the next years.



01

ORGANISATION AND FINANCES

Organisation, Board and organogram

Board members at year-end

Investment Decision-making Cycle

Governing Board Committees

Administration

Supervision and audit

Financing

Expenses

ORGANIZATION

KPST was established as the sole institution for managing and investing mandatory pension contributions of Kosovo employees, and for administering their individual pension savings accounts until their retirement KPST was established by Law in December 2001 as a not-for-profit institution. As such, the sole objective of KPST is to serve only the best interests of its contributors.

KPST became fully operational with a Board, Administration and processes in place, in August 2002. At that time the Administration numbered a staff of 22 and had only five units. Ever since, the Administration has evolved organically to number 28 staff and eight units August 2002 was also the month when the first contributions from employees in the public sector started to be paid in.

In 2003, the self-employed and employed persons from the private sector also joined the scheme. The first investment of pension assets was made in 2003 in a money-market fund.

This was followed by investments in indexed equities in 2004 and by investments in debt instruments in 2006.

Investments were expanded further into multi-asset vehicles in 2010 and into risk-targeted vehicles in 2011. During 2014 and 2015, multi-asset funds with managed risk as well as equity funds with dividend and managed risk were added to the investment portfolio.

In 2018, the process of selecting a broker for investment in ETF funds was completed in order to provide more investment opportunities to the institution. In 2021 we had a record number of investment funds and instruments ever involved. In 2022, as part of protective measures, investments in high-risk instruments will be significantly reduced.

The first investment in Kosovo was made in 2008 through bank deposits, while the first investment in short-term bonds of Kosovo was made in 2012. Investments in medium-term bonds commenced in 2014 and 2015. In 2020, investments in Government securities reached record levels, close to €450 million. In 2022, investments in Kosovo continued at the same pace.

THE GOVERNING BOARD

KPST is governed by the Governing Board, whose members are appointed by the Assembly as fiduciaries of pension assets.

The Law No. 04/L-101 of the Republic of Kosovo on Pension funds of Kosovo, and its subsequent amendments (with Law No. 04/L-168 and Law No. 05/L-116), provides for a detailed list of functions and responsibilities of KPST and its Board.

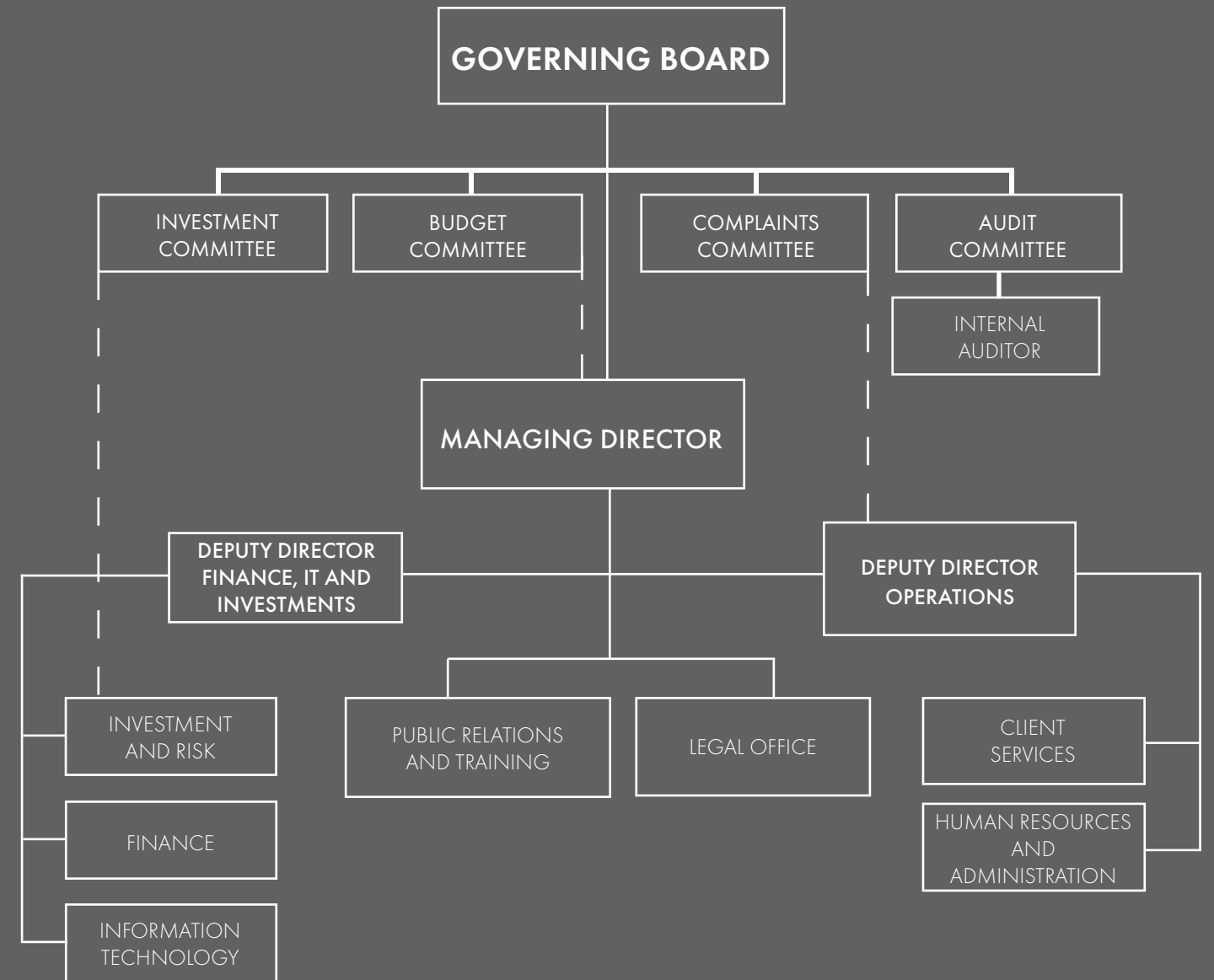
The pension rules of CBK provide the secondary legislation in relation to the investment of pension assets, performance measurement, withdrawal of pension savings and reporting requirements for KPST.

The authority and responsibilities of the Board include, but are not limited to: the selection or removal of asset managers, custodians, open-end vehicles and other third parties; adopting principles and policy for the investment of pension assets; hiring of the executive personnel of KPST; approving financial statements of KPST.

The Board can have seven voting members and one non-voting member representing the Government. But even during 2022, the representative member of the Government, without the right to vote, has not been appointed to the Board of Directors.

Members with the right to vote must comprise of: at least five professional members with a minimum of ten years of experience in the field of investments or pension fund management; at least one member with relevant experience in representing the interests of Kosovo employees; and at least one member with relevant experience in representing the interests of Kosovo employers.

At the end of December 2022, there were five remaining members of Board of Directors, whose mandates have expired on 30 November 2022. According to the legislation in force, their mandate was extended for an additional 90 days, until 28 February 2023. from which date the KPST has been left without members in the Board of Directors. KPST has on time notified all institutions responsible for the mandate of each member of the Board of Directors.



BOARD MEMBERS AT YEAR-END ¹⁾



MR. RUZHDI MORINA

Chairman of the Governing Board and the Budget Committee. Member of the Investment and Complaints Committees.

Doctor in Legal sciences in the international field. With long experience as Legal Advisor at the Union of Independent Syndicates of Kosovo, and with proven knowledge of pension schemes.

ROLE ON THE BOARD:

Professional

APPOINTED:

May 2009

CURRENT MANDATE:

Fourth



MR. FREDERICK ARTESANI

Chairman of the Investment Committee and member of the Budget Committee

An economist and an Independent Financial Advisor with over 39 years of experience in financial markets.

Professional

October 2008

Fourth



MR. BEHXHET HALITI

Member of the Investment Committee and member of the Budget and Audit Committees.

Graduated from the Faculty of the Economy University of Pristina. It has been since 2003 involved in the process of compilation and implementation of fiscal policies in Kosovo.

Professional

December 2015

Second



MR. DRITON QEHAJA

Chairman of the Audit Committee and member of the Investments and Complaints Committees.

An associate professor at the University of Prishtina "Hasan Prishtina" with PhD in economic and social sciences.

Professional

August 2012

Second



MR. YMER YMERI

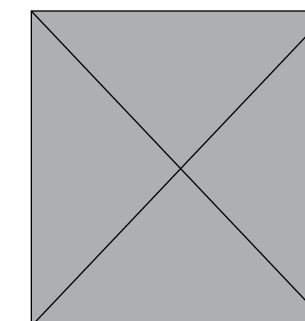
Chairman of the Complaints Committee and member of the Audit Committee.

Graduated from the Faculty of Mathematical and Natural Sciences and received a master degree in Management. For 15 years he has been a teacher and since 2000 he has been engaged in SBASHK trade union.

Employee representative

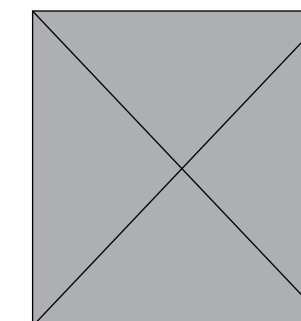
December 2018

First



VACANT POSITION
from February 2022

Representative member



VACANT POSITION
from February 2021

Professional member

¹⁾ Mandate of five members of the Governing Board in charge has ended on 28th of February 2023.

GRATITUDE!

KPST expresses its gratitude to all members of the Governing Board who have served in institution during the last mandate!

KPST'S INVESTMENT DECISION-MAKING PROCESS OF THE GOVERNING BOARD

THE RIGHTS AND RESPONSIBILITIES

KPST is governed by the Governing Board, whose members are appointed by the Assembly as fiduciaries of pension assets. The rights and responsibilities of the Board include but are not limited to: adopting principles and policy for the investment of pension assets; defining the strategic asset allocation for the funds of KPST as well as determining the nature and amounts of any changes in allocation, strategy and policy; the selection, monitoring and removal of openend vehicles and of asset managers to implement the investment strategy and the established asset allocation; the selection of custodians and other third parties; hiring of the executive personnel of KPST; approving financial statements of KPST.

The primary duty of the Governing Board of KPST is to ensure that the assets are invested in a prudent manner consistent with the requirements of the Law and within the framework of its investment principles and policy. The Governing Board recognises that it has a fiduciary responsibility towards the participants and beneficiaries in KPST, and will only pursue policies which do not violate this responsibility.

INFORMING OF GOVERNING BOARD

KPST Management and Staff provides information on regular basis (daily or weekly - as applicable) to the Governing Board members on KPST's investment performance, on status of contributions received and assets not invested, on maturity of investments in Kosovo bonds and bank deposits, on allocation of investment by categories and investment strategies, and all this in light of maintaining the investment limits consistent with legislation in force.

ASSETS INVESTMENT

The Governing Board takes its fiduciary decisions with respect to investing all assets collected (and ongoing contributions): for the withdrawal or the engagement of new investments in selected funds as per the established Investment Principles and Policy, subject to a detailed asset allocation as reflected in its investment matrix, for direct investments, including investments in Kosovo Government bonds and bank deposits. The Governing Board, pursuant to analysis and information provided (through KPST staff and management, but also through professional Board members) issues decisions to add or remove investment from asset classes (shares, multiassets, money market) by making the necessary balances in line with the analysis of each fund.

The Investment and Risk Department, together with the Board's Investment Committee, and within the guidance of KPST's Investment Manual, help manage actively KPST investment assets through different recommendations which encompass economic forecasts, financial policy changes, fluctuating market behavior, published company and sectors results, changes in regulations and any other factor affecting existing or potential investments. These recommendations are aimed at improving risk-adjusted returns for KPST within its prudent long-term investment mandate.

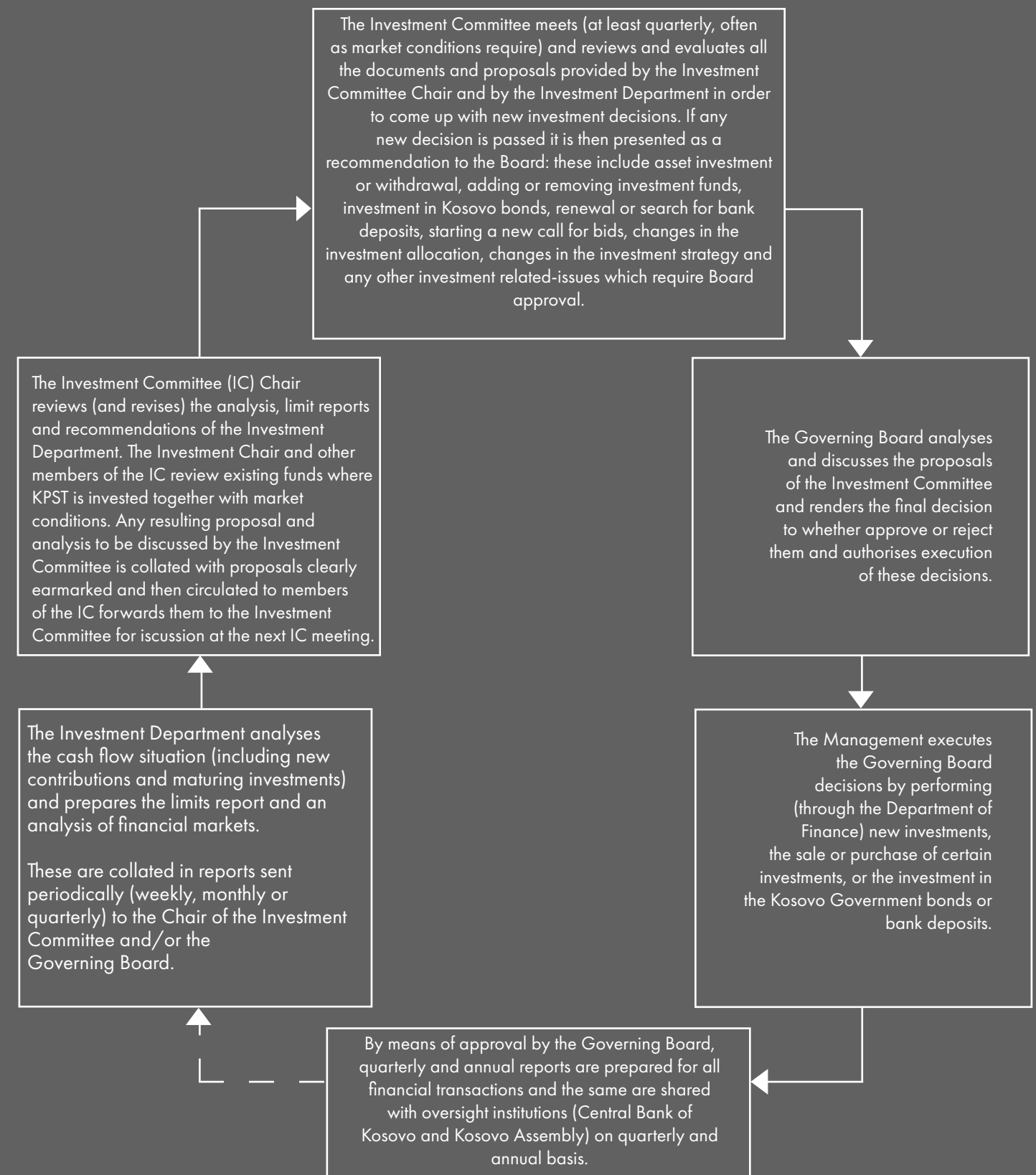
Prior to engaging any investment fund, there is a timeconsuming process of selection (from the opening of the international call for bids to the detailed study and detailed interviewing of these funds) which includes: a detailed analysis of fund metrics and of investment indicators, as well as a detailed scrutiny of each fund's investing principles and methodology. Such a process typically requires the hiring of third party specialists at a non-negligible cost but in the case of KPST benefits from the qualifications and professional experience of its investment professional members to do it internally. On the other hand, investment in Kosovo (in bonds and bank deposits) is taken within the framework of the prevailing market conditions for sovereign fixed income instruments as well as an assessment of the relative risk of the issuer.

REPORTING AND TRANSPARENCY

The Governing Board publishes on the website all important decisions and those related asset investment, and on a daily basis the investment performance is published on website. The Governing Board forwards detailed quarterly and annual reports to oversight institutions. In addition, members of the Board hold direct meetings with members of functional committees of the Assembly of Kosovo, to present both the investment performance and the institution's needs for the fees it requires. The same applies for the approval of KPST's annual report.

KPST through its Management or Board is expected to respond with transparency to all relevant media requests for information, disclosing in detail the KPST's performance and investment data.

INVESTMENT DECISION-MAKING CYCLE



Four permanent committees facilitate the functioning and decisionmaking of the Board.

THE INVESTMENT COMMITTEE
Predominantly reviews the policies, principles and the investment strategy of pension assets, as well as the performance of investments and open-end funds through which KPST invests its assets.

The committee also reviews the compliance of investments with legal and regulatory requirements. The committee makes recommendations to the Board for the investment of pension assets.

THE AUDIT COMMITTEE
Amongst many of its functions reviews regulator and auditor reports, and recommends to the Board the necessary action plan required to address findings and issues. The committee also reviews the adequacy of internal procedures and recommends changes if needed. The committee evaluates the audit plan for the internal audit function, reviews the criteria for the external auditor, and recommends their adoption to the Board.

Driton Qehaja

Behxhet Haliti
Ymer Ymeri
Mirlinda Ahmeti (external member)

Four

THE BUDGET COMMITTEE
Reviews KPST budgetary needs and accordingly makes recommendations for the level of fees to be charged on pension assets.

The committee also recommends to the Board for approval the budget of KPST, or changes to it when needed. The committee also reviews KPST expenditures versus the budget.

Ruzhdi Morina

Frederick Artesani
Behxhet Haliti

Three

KPST Administration is led by the senior management consisting of the Managing Director and two deputy directors: one for finance, investment, risk and IT and the other for operations and human resources.

Management of KPST aims to engage efficient, professional and morally sound individuals, believing that only these qualities will lead to progress, a healthy work environment, and ultimately, better services for contributors; while simultaneously preserving the institutional integrity of KPS.

In order to achieve these objectives, the Managing Board and Management ensure that the current Administration continues to improve its knowledge and experience, continues to be highly motivated, and continues to put all its intellectual capacities and skills set to serving the advancement of internal processes and client services. The administration is divided into functional units which ensure an effective and efficient workplace.

The primary tasks of the Administration are carrying out day-to-day tasks (in all operational areas), improving administrative processes, providing assistance to the Governing Board in investment analysis, as well as implementing the Board's decisions. The performance of the latter is continually overseen and reviewed by the Board, with its day-to-day running led by the Management.

In 2022, there were 29 permanent positions, of which two are part-time (in 2021: 28 permanent positions - one part-time).

In June 2022, one staff member has retired. It was the first such for the KPST, as he was hired at the end of 2006 as an accountant.

Institution is facing difficulties in maintaining staff, especially information technology. Possibilities of employment on external companies, either through remote employment or to outsource services provided in Kosovo, are constantly increasing, and thus the pressures to maintain staff, and salary increase in the KPST are growing continuously. During the year, there were two resignations of senior staff.

During the year, interns were also engaged in customer service, to enable them to create professional experience. Such commitments will also be aimed at the information technology unit in 2023.

Minority employees in 2022 consisted 7% of the manpower (7% of those who declared ethnicity). Women consisted 41% of staff (2021: 33%); 90% of staff were older than 35 years old (2021: 85%), and 3% of staff were with permanent physical disabilities. With permanent staff movements this year, an average age of staff has slightly increased from last year to 45.2 years (2021: 44.7 years).

MANAGEMENT

1 MANAGING DIRECTOR

UNIT	CLIENT SERVICES	INFORMATION TECHNOLOGY	FINANCE	INVESTMENT AND RISK
PERMANENT POSITIONS	8	5	3	3
POSITIONS	1 manager 6 pension advisors 1 receptionist	1 manager 2 program developer 1 network admin 1 database admin	1 accountant 2 finance officers	1 manager 2 investment and risk analyst
DESCRIPTION	Offers client services. Provides information on individual's account such as pension contributions or the balance of savings, and also gives advice to clients on pensions and assistance in applications for the withdrawal of savings. Maintains a relationship with employers with the purpose of improving the information and allocating contributions to individual accounts. In general, staff of this unit are closest to the clients throughout their saving cycle, that is from their first contribution up to the retirement.	Ensure that the whole IT infrastructure operates smoothly and without issues at all times, looking after the hardware, software, licenses, internal and external networks and the security and integrity of KPST data. Ensure that the disaster recovery plan is actionable every day and that the plan is tested on regular basis.	Perform all financial transactions, including investing and redeeming funds in financial markets; bookkeeping and accounting for pension funds and KPST's operations. Calculate the daily share price and prepare financial statements, monthly and quarterly reports and other reports deemed necessary by the Board of KPST, the regulator and the Assembly. Additionally, liaise with fund managers.	Prepares analysis on: investments performance; risk and oscillation of investment portfolio; compliance of investments with the law; maintaining of Board's investment strategy, and gives advices to the Governing Board and Management, as per their request.

2 DEPUTY DIRECTORS

HUMAN RESOURCES AND ADMINISTRATION	LEGAL OFFICE	INTERNAL AUDIT	PUBLIC RELATIONS, TRAININGS, TRANSLATIONS
3	1	1	2
1 HR officer 1 HR officer 1 security officer	1 legal officer	1 internal auditor	1 manager 1 officer for PR & trainings
Ensure health and safety at work, the respect of work schedule and other office rules by staff, and handle the hiring procedures when needed. Responsible for the payroll and other compensation. Additionally responsible for overall office logistics such as: dealing with supplies, vehicles, maintenance and security of the office; support staff and the Governing Board members for training and other trips, in and outside the country.	The Legal Office examines the overall legality of the institution vis-à-vis applicable legislation and assists in drafting contracts and agreements; provides legal opinions and represents KPST in the judicial system. Gives legal advices as per Governing Boards and Managements requests.	Assures the Board that management's activities and those of the Administration, and all the processes in KPST, comply with: internal procedures; CBK rules; and laws in force. Performs regular quarterly audits and provides recommendations to resolve issues raised. Auditor reports are reviewed by the Audit Committee and the Governing Board.	Maintains the relationship and handles the communication with the media and public institutions, interviews and conference activities, drafting of the annual report and the quarterly bulletin for contributors; manages the website content, and when delegated takes the role of KPST spokesperson; coordinates and facilitates the translation of the all the documents.

SUPERVISION AND AUDIT

KPST is supervised and inspected by CBK examiners, while it is audited by both internal and external auditors.

KPST, as an independent public institution, is subject to supervision by regulators and audit by interdependent professional auditors. All the supervisions and financial controls subjected to, which have resulted in no serious findings (since the inception of KPST in 2002), have maintained the institution's credibility to the third parties.

At the same time, the Board believes that these supervisions combined with the performance of investments have strengthened institutional credibility and increased the confidence of the public in the Board's decision making and management's work ethic. KPST notifies quarterly the CBK, the Assembly and the Government on pension fund placements, new investments, return on investments and the reconciliation of pension assets. These reports are published on the KPST website for the purpose of informing the public.

Until now, historically, each independent auditor that has audited the KPST financial statements (operational and pension assets), which are selected through Kosovo public procurement procedures and have been approved as such by the Central Bank of Kosovo, did not provide a qualified opinion on those statements. The External Auditor, through a Management Letter, may also make recommendations for better functioning of KPST processes.

Apart from quarterly reports to the CBK on the compliance of investments with the law and CBK rules, at the CBK's request, KPST continued throughout 2022 to submit monthly detailed reports to the CBK supervision department in relation to all investment aspects and the overall state of pension assets.

Explanations and data were also provided whenever requested by CBK. Should KPST investments, due to movements in financial markets, happen to fall out of compliance with the law, KPST is obliged to notify CBK and rectify the situation within 180 days. There were no such occurrences in 2022.

By May 31st of each year, KPST compiles the Annual Report for the previous year and submits it to CBK, Assembly and Government, jointly with the Financial Statements audited by an independent auditor who can only be selected with the CBK consent. The Annual Report is also published on the website.

During the year, CBK finalised the inspection of KPST for 2020, where a vast number of documents was reviewed; from minutes of Board and Committee meetings to all investment and operational issues. CBK prepares a detailed report, which is submitted to the KPST Governing Board. The board reviews the report and makes comments.

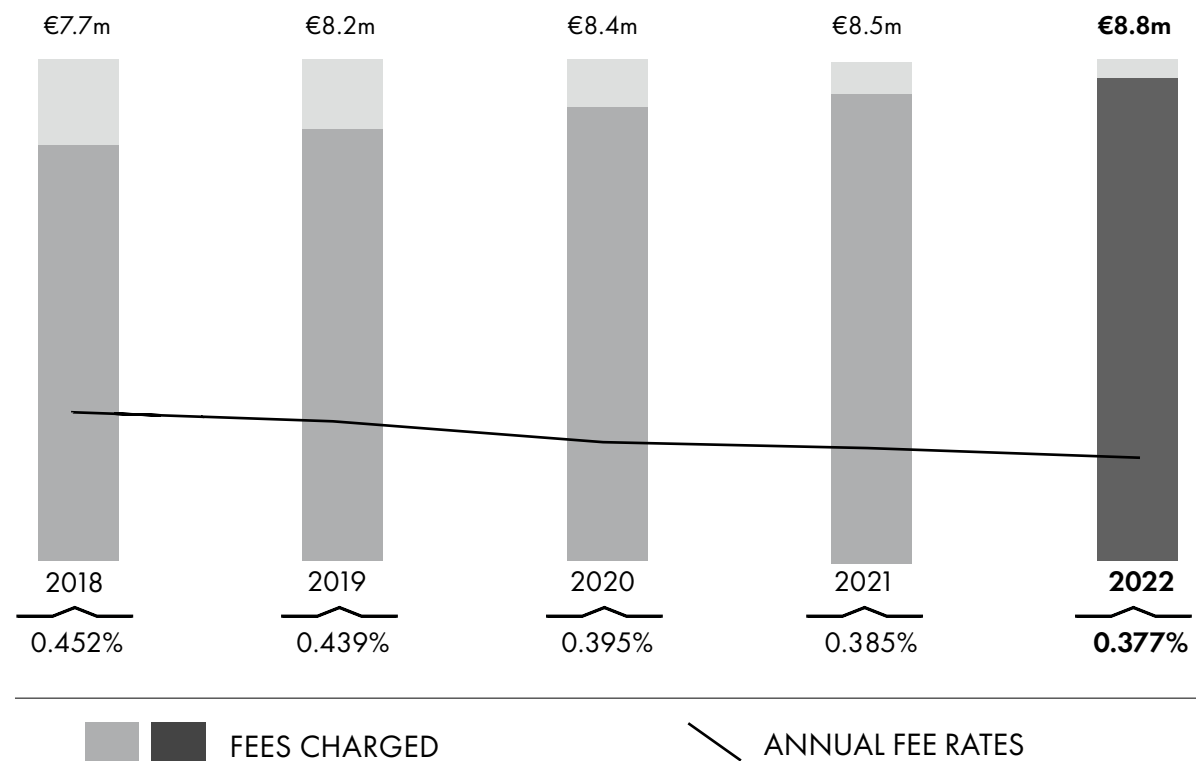
In case of serious findings, CBK must also report those to the Assembly, which has not been necessary up to now. In addition to findings, CBK also gives recommendations to the Board. KPST notifies CBK of all Board decisions relating to contributors, fund management and other matters.

KPST employs an internal auditor, who reports at least four times per year to the Audit Committee of the KPST Board of Directors on all aspects of institution's activities. Upon the request of the Board of Directors, during the year 2022 an Internal Auditor has also carried out two ad hoc reports of the preliminary audit on testing some processes of the new IPSA data-keeping system (pre launch on the test basis and after the launch) . From 2022, the specialized company for internal IT audit has also been contracted, which will conduct the IT audit of KPST for the next three years.

Since 2018, KPST has been using the services of an external member of the Audit Committee as required by Law on CBK No. 05/L-116, amending Law No. 04/L-101 on Pension Funds in Kosovo, which is independent of the KPST Governing Board and Management.

ISSUES AND RECOMMENDATIONS RAISED BY EXTERNAL AUDITOR AND INTERNAL AUDITOR FOR 2022 AND THEIR STATUS

	RECOMMENDATION	FOLLOW UP/COMMENT
EXTERNAL AUDITOR	Absence of Board members means that there can be no governance or essential decision-making in the institution.	Vacancy announcement for members of the Governing Board has been re-published on April 2023.
	<ul style="list-style-type: none"> - To install the SSL certificate on the software administrative server. - 2FA to be provided for the retired officials of KTA. 	These recommendations will be implemented during the year 2023.
INTERNAL AUDITOR	When the same person has more than one saving account (because he has more than one personal number), in order to merge their savings into one, the Form for merging accounts shall be completed. Forms are saved, but not systematized by periods or employers. In several limited cases, the following are missing: (a) the date when the request was submitted; (b) the signature of officials who have received the request; or (c) original supporting documents (whether or not attached).	Recommendation that the forms shall be completed with dates and signatures in their entirety has been implemented immediately. Also, the possibility has been created that (scanned) documents to be attached directly towards the person's IPSA account.
	Lack of proper documentation and systematization, in case of dispute, may bring the KPST into an unpleasant situation.	
	Among other things, bank cards are accepted as proof of the bank account in which a beneficiary wishes to receive the withdrawn funds. However, they contain the card number and other information. Although since the establishment of KPST, there is no known case of misuse of information by beneficiary cards, however their storage leaves room for their misuse for online purchases or elsewhere; therefore, it is recommended that this type of documentation is no longer accepted.	KPST immediately has started to not accept bank cards, but only account confirmations issued from the banks.
	During recovery testing (December 2022) it was observed that setting up machines (servers) in the recovery location did not work due to IP addresses. Likewise, some other machines (such as Intranet) - as well backup extractions - were not possible due to the expiration of the VEAM Backup license. Anyways, these problems should be repaired in order for recovery to be functional.	After the necessary repairment, testing was repeated in February 2023, and has resulted successful.



Annual fees charged on pension funds for 2022 have been reduced to a total of 0.377% of funds (2021: 0.385%). An investment fee has not been changed from the previous year, of 0.320%, while an operational fee has been slightly reduced to 0.057% (2021: 0.065%). But in the nominal value, the fees charged on pension assets for 2022 have been increased by 4.2%, or by €357,408 – due to the increase in assets under management.

Total fees charged for 2022 were in the amount of €8,849,446 (2021: €8,492,038), out of which €7,511,466 (2021: €7,090,416) were intended to cover investment expenses and €1,337,980 (2021: €1,401,622) were for operational expenses.

Budget planned for 2022 has not been spent in its entirety. As a result, the surplus from the budget for investment and operational expenses was €1,080,573.

However, this surplus will either serve to finance the budget for the following year (2023), which would reduce the fee rate for the year, or will be returned to the pension fund.

KPST's non-tariff revenues for the year were €80,623 (2021: €126,087), making KPST's total revenues for 2022 €8,930,069, or 3.6% higher than a year ago. First (2021: €8,618,125). Nearly 99% of non-tariff revenues were from interest on deposits and cash in the bank.

FINANCING

On average KPST charged its participants with an operating fee of €0.15 per month KPST is funded in a similar way as all defined contribution pension funds, i.e. by charging fees on assets under management (pension assets).

As a not-for-profit institution, fees charged by KPST should only cover its expenses. The level of fees, based on the recommendations of the Board, is approved by the Kosovo Assembly; thereby providing the Assembly with an implicit degree of control on KPST spending. As per the amendments within Law No. 04/L168, the investment fee charged by KPST must cover expenses relating to the investment of pension assets and the operating fee to cover other expenses.

Compared to 2021, for 2022 KPST has reduced the fees charged (in percentage) for operational activities, while keeping the fee on investments the same. An operational fee of KPST, of 0.057% annual, continues to be the lowest compared to all similar operators in the region, but it is also amongst the lowest globally.

The KPST's operating fee of 0.057% per annum continues to be the lowest compared to all similar operators in the region but is also among the lowest at the global level.

On the other hand, the annual investment fee of 0.320% is not comparative the way it is applied to the other similar pension funds in the region and globally.

The standard treatment of investment expenses, in addition to the operating fee charged for the operations of the managing entity, is for investment expenses to be levied on the pension fund itself; i.e. investment expenses are treated as expenses of the fund and not as they are in Kosovo, where they are treated as expenses of the managing entity. This treatment results in discrepancies between what KPST charges as an investment fee (which must be evaluated before the year starts), and actual expenses.

It should be clarified here that some of the activities of the Board of Directors, related to investments, such are: interviewing and selection of asset managers, which are activities related to investments, are covered by an operational fee. Calculated on average, for the year 2022 the KPST charged contributors for operational expenses €0.15 per month or 1.82€ for the entire year.

Table: List of services that KPST offers to contributors

1.	Direct service at the office (service, counseling, information) every working day from 08:00 to 16:00	7.	Notice by regural mail for retirement
2.	Delivery of account statement at home or via e-mail	8.	Free retirement application and no charges by KPST for bank transfers
3.	Unlimited printing of account statements at KPST office	9.	Free maintenance on accounts with local commercial banks for the phased withdrawal of savings
4.	Complete maintenance of the pension savings account	10.	Contract with banks for above-average interest on savings in the withdrawal programme in stages.
5.	Standby backup servers in a different location	11.	A portion of the investment costs (selection of asset managers, the Governing Board expenses etc)
6.	Electronic service on-line access to personal pension account, and the service of direct communication through Facebook platform	12.	Downloading the account statement from the eKosova portal

EXPENSES

KPST as the managing entity of the fund incurs expenses for the investment of pension assets and for its operations

INVESTMENT EXPENSES

Investment expenses include: fees that fund managers withhold for access and asset investment in the financial markets; CBK fees for transfer and maintenance of assets; and other expenses such as brokers and custodians of assets.

The Governing Board during the selection process of investment funds takes into account the fees that managers charge and managers that offer lower fees have priority during such selection. Also, it should be noted that fund managers charge different management fees depending on their investment strategies (active or passive) and the amounts placed with them.

Potential returns also have an impact on management fees. Money market investment funds (as an example) charge lower management fees than funds in stock markets or even bonds.

For 2022, investment expenses accounted for 85.5% of KPST expenses (2021: 85.2%). Those in nominal value were €6,695,395 (2021: €6,840,347). Of these, €6,040,583 were for the investment funds used, while €654,812 were for the expenses of transfers from CBK and those of brokers and custody.

The level of realization of the expenses foreseen for the investment fee for 2022 was 89.1% (2021: 96.5%).

The decrease in the level of completion of planned expenses for 2022, compared to 2021, is related to the costs of engaging investment funds this year compared to last year. Investment funds with a higher potential return (and risk) also have a higher commitment cost compared to those with a lower potential return (and risk).

As the realization of investment expenses for 2022 has not been fully achieved, the surplus amount of €816,071 has remained from the budget for investment expenses for 2022. This surplus value will be used either to finance investment expenses for the year 2023 and/or will be returned to the pension funds until the end of 2023 year. It should be emphasized in this analysis that at the moment when an investment fee is determined for the next year, the aim of KPST is to be as close as possible to the assessment of the needs for the same one.

However, it is very difficult to predict either an investment performance or strategic allocation of funds (due to external factors which can affect both the markets and the decision-making of the Board of Directors on investments). These make the surplus (or deficit) from investment activities inevitable. It is worth to remember that (usually) actively managed investment funds charge an average of 0.5% to 1.0% for fund management. Meanwhile, ETFs have fees from 0.2% to 0.7%.

INVESTMENT FEE

An investment fee (both in percentage and in value) for the year 2022 and the year 2021 according to each fund charged to the invested funds of the KPST, is presented in the following table. Additional details are presented in the financial statements (attached) under the Pension Funds chapter.

		2022		2021
OPEN-END FUNDS	ANNUAL FEE	NET FEE	ANNUAL FEE	NET FEE
Vanguard – GSIF	0.18%	€45,340	0.18%	€222,373
BNY Mellon – RRF	0.54% - 0.63%	€1,482,878	0.60%	€2,169,117
AXA – GILB	0.40%	€5,918	0.35% - 0.40%	€209,240
Nordea 1 – GSEF	0.43%	€517,879	0.43%	€315,610
Nordea 1 – SRF	0.56%	€1,571,199	0.56%	€1,993,231
Amundi – 3M-I	0.057%	€52,364	0.045% - 0.057%	€49,957
BNP Paribas – PDP	0.76%	€56,979	0.55% - 0.76%	€357,745
S&P500 Minvol ETF	0.25%	€16,568	0.25%	€25,132
MSCI Minvol ETF	0.25%	€5,097	0.25%	€34,009
Invesco QQQ ETF	0.20%	€68,274	0.20%	€113,633
USCF US Oil ETF	0.45%	€100,315	0.45%	€109,543
Amundi MSCI Qual	0.23%	€45,405	0.23%	€121,140
FirstT CybrSec ETF	0.60%	€21,393	0.60%	€178,049
LG eCom Logst ETF	0.49%	€25,998	0.49%	€144,551
SP OilGas Expl ETF	0.35%	€166,432	0.35%	€37,429
Pacer Indust ETF	0.60%	€26,046	0.60%	€37,627
VG Real Estate ETF	0.12%	€7,254	0.12%	€20,028
Glob xUS Infr ETF	0.47%	€213,719	0.47%	€79,271
iShare US Infr ETF	0.40%	€186,056	0.40%	€65,279
Inv Bas Metals ETF	0.75%	€276,002	0.75%	€153,702
BNP Clim. Impact	0.885%	€21,206	0.499% - 0.885%	€13,184
T.Rowe Glob Tech	0.87%	€28,355	0.745% - 0.87%	€15,769
Amund CPR Disrupt	1.35%	€66,425	0.61% - 1.35%	€11,952
AXA Digital Econ	0.76%	€30,018	0.56% - 0.76%	€14,241
GS Millennials	0.88%	€31,795	0.73% - 0.88%	€8,353
Schroder ISF GSG	0.50%	€23,844	0.50%	€11,569
FirstT Green ETF	0.40%	€5,448	0.40%	€11,763
iSh. Glb Clean ETF	0.42%	€74,303	0.42%	€11,434
Invesco KBW Bank ETF	0.35%	€225,237	--	--
Lyxor USD 10Y Infl ETF	0.25%	€44,562	--	--
Lyxor EUR 10Y Infl ETF	0.25%	€136,202	--	--
Vanguard Value ETF	0.04%	€32,934	--	--
ISh MSCI Eur Value ETF	0.25%	€171,108	--	--
Global X Cybersecurity ETF	0.50%	€64,516	--	--
Lyx Stox Bank ETF	0.30%	€165,126	--	--
iShare Core Dividend ETF	0.08%	€19,345	--	--
SPDR EU Energy ETF	0.18%	€2,620	--	--
W.Tree Metals ETF	0.49%	€6,423	--	--
TOTAL		€6,040,583		€6,534,931

85.5%
2022

85.2%
2021

OPERATING EXPENSES

Operating expenses¹⁾ include all other costs that are not direct investment expenses and consist of compensations, printing and mailing of account statements, office rent and other operating expenses.

However, operating expenses also finance all the Board of Directors' expenses, where the main part of the Board's activity relates to investment decision-making.

Operating Expenses were €1,139,768 (2021: €1,191,245) and accounted for 14.5% of the total expenses of the KPST (2021: 14.8%) - when investment expenses are also calculated.

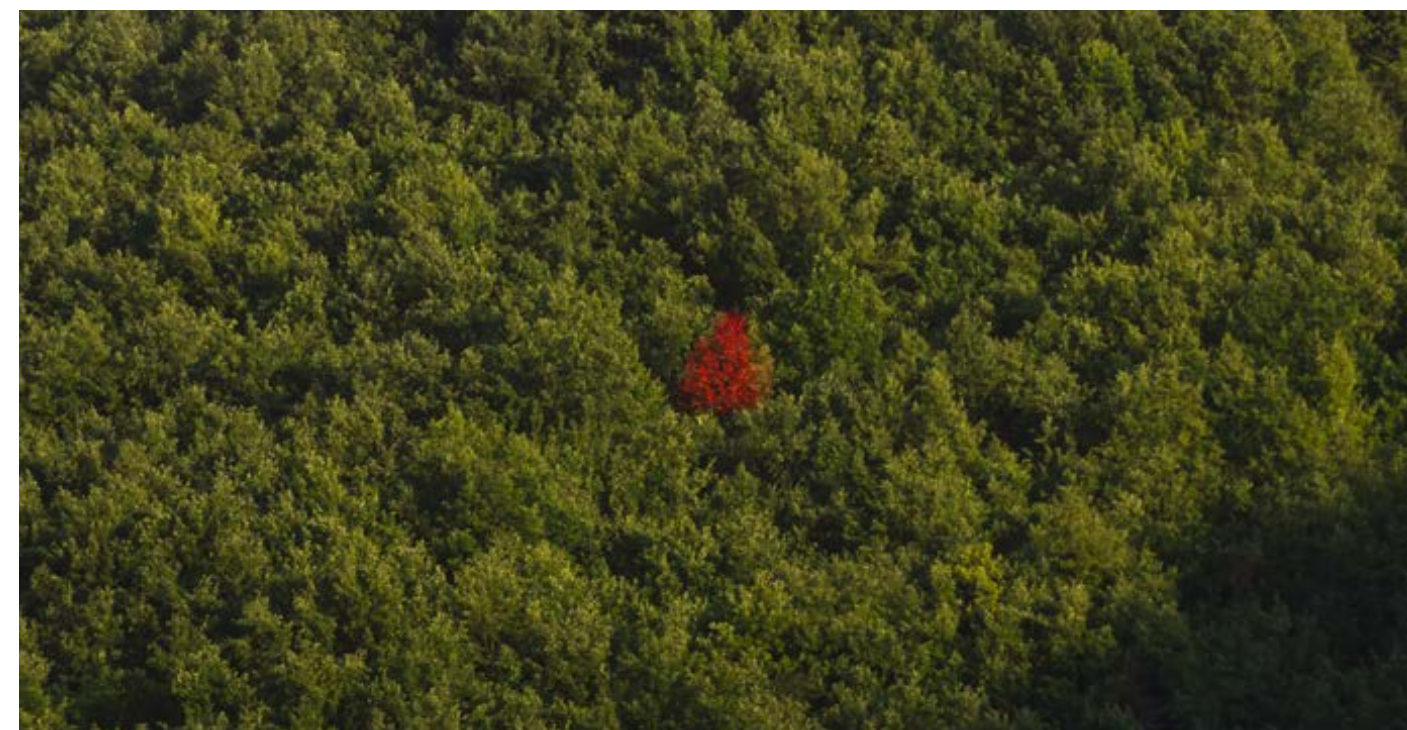
As can be observed, operational expenses were lower this year (by €51,477) than last year or -4.3% less. In 2022, the planned operational budget for goods and services was realized to the extent of 85.2% (2021: 85.0%). Value of the surplus for the year 2022 from operational activities was in the amount of €264,502. These funds will go to finance the operational budget for 2023 year or will be returned to the pension fund.

The decrease in operational expenses this year came mainly from software maintenance expenses (with a 70% reduction) and from staff costs (with a 4% reduction). In software maintenance, expenses were reduced because IPSA was put into use, and thus annual maintenance will no longer has to be paid for to another economic operator.

At the Governing Boards level there was an increase mainly due to fiduciary insurance increase in the premium.

On the other hand, in nominal value, the budget category of sending statements to contributors has increased the most, followed by office operating expenses and training/travel expenses. Other budget lines did not change much compared to the previous year, making the general expenses operative this year to be the lowest in the last eight years.

The figures for each budget line are presented in the table on the following page, while the detailed explanations are in the attached financial statements.



OPERATING EXPENSES

	2022		2021	
Staff costs	€625,155	54.8%	€653,595	54.9%
Governing Board expenses	€132,658	11.6%	€128,592	10.8%
Depreciation and amortisation	€118,771	10.4%	€111,869	9.4%
Account statements and correspondence for beneficiaries	€98,519	8.6%	€86,520	7.3%
Office operating expenses	€34,018	3.0%	€26,606	2.2%
Software maintenance	€30,806	2.7%	€102,727	8.6%
CBK supervision charges	€20,070	1.8%	€21,024	1.8%
Professional services/Contractors/Consultants	€20,489	1.8%	€21,467	1.8%
External audit	€11,200	1.0%	€10,200	0.9%
Lease and interest for the year	€10,005	0.9%	€11,046	0.9%
Training, travel and other staff expenses	€8,568	0.8%	€1,523	0.1%
Expenses for communication	€6,232	0.5%	€6,849	0.6%
Public education and advertising	€5,599	0.5%	€1,308	0.1%
Bank charges	€2,105	0.2%	€1,884	0.2%
Other costs	€15,573	1.4%	€6,035	0.5%
TOTAL	€1,139,768	100%	€1,191,245	100%

14.5%
2022

14.8%
2021

1) For more information please refer to the audited financial statements, which, as required by the Law, are prepared in compliance with International Financial Reporting Standards.

02

ACTIVITIES

Activities of the Governing Board and Management
Account management
Contribution allocation
Client services

ACTIVITIES OF THE GOVERNING BOARD

The main commitment of the Governing Board is decision-making on the investment of assets under management. In view of this, in the regular periods, but also as needed, Governing Board has continued to take proactive decisions to adjust the level of risk to the invested pension funds, according to forecasts on developments in the international financial markets. In addition to the confirmation of the periodic adjustment of legal investment limits according to financial instruments (in accordance with an Investment Manual), there were about 70 decisions of the Board of Directors this year, consulted with the management and professional staff of KPST, about reallocation of pension funds.

These decisions led to the addition of 1.49 billion Euros to the financial markets and the withdrawal of 1.47 billion Euros at different times of the year. Already at the beginning of 2022, especially due to the serious warnings about Russia's military invasion of Ukraine, the Governing Board significantly reduced exposure to high-risk financial instruments. Also, from February 2022, a new investment portfolio (Conservative) would be created for all contributors 18 months prior to the retirement, whose pension funds will be invested over 95% in the securities of the Government of Kosovo.

This decision has been corrected since 1st of January 2023, to include in this portfolio contributors who are 24 months before retirement. These decisions proved quite successful, creating satisfactory protection of investments in international markets, as well a positive return of about 3% for

contributors of the Conservative portfolio. As for investments in Kosovo, in the bonds of the Government of Kosovo and deposits of banks operating in Kosovo, at the end of 2022 we had 689.3 million Euros, which is about 153 million Euros more than the previous year (2021: 536.0 million Euros). This year we had an increase in investments both in the securities of the Government of Kosovo (+62 million Euros), but also more in the bank deposits of Kosovo (+92 million Euros) than at the end of 2021 year.

In addition to the decisions on the investment of pension funds, amongst the important activities of the Governing Board for the year 2022 was the review and approval of the annual budget of KPST, together with the proposal of the level of management fees for approval in the Assembly of Kosovo. Various internal reports of KPST (quarterly internal audit reports, annual report, performance report) were also discussed and approved. All issues arising from the CBK Inspection Report and the External Auditor's Report have been dealt on time.

In addition to investment and administrative issues, the Board of Directors has held regular meetings (and upon request) with the Central Bank of Kosovo and the regular committees of the Assembly of Kosovo. Also this year, we had participation of members of the Governing Board in several international activities, where representatives of pension fund managers also participate.

ACTIVITIES OF THE MANAGEMENT

In addition to providing assistance to the Board and implementing its decisions, the Management ensured that all daily processes (operations) of KPST function without interruption. These means the safekeeping of contributor data and information, providing services of high professional service standards, and timely payment of withdrawals upon retirement. The Management ensured that periodic reports, including the annual report, were sent to overseeing institutions on regular basis or whenever required, that the transfer of funds to the KPST account is realised accurately, and the communication with fund managers and brokers is performed in a legally correct and professional manner.

At the same time, the online eTrust service, which has over 300 thousand users, as well as the KPST website was available, enabling contributors to be informed of the status of the account statement, and the communication with the public and third parties to be

available every working day. Above all, the Management has ensured that all financial transactions are in full compliance with the applicable regulations, laws and standards and that any decision or action is in line with legislation and/or the interest of contributors.

During the year, the Management was focused on: professional support of the Board in decision-making on investments (inside and abroad); launching of IPSA project (on the management of contributors' accounts); the preparation of the second (conservative) portfolio for the protection of contributors close to retirement; continuous advancement of internal information technology and complete digitization of processes; and fulfilling all the requirements of the CBK, the internal auditor and the external auditor for the entire operating chain of institution.

ACCOUNT MANAGEMENT

More than 576,000 account statements for the year 2022 were sent via mail and e-mail.

9.6

THE AVERAGE NUMBER OF MONTHS FOR WHICH EMPLOYERS PAID CONTRIBUTIONS

(2021: 9.5)

3.4

THE AVERAGE NUMBER OF QUARTERS FOR WHICH THE SELFEMPLOYED PAID CONTRIBUTIONS

(2021: 3.3)

Out of a total of 792,995 accounts that have been opened since the establishment at KPST, in the 2022 cycle, 576,448 statements were sent, of which 433,172 by e-mail and 143,276 by mail (2021: 415,788 by e-mail and 126,972 by mail). So, for the year 2022, 33,688 more statements were sent than the previous year, of which 17,384 more statements were sent by e-mail and 16,304 more statements by mail. The main influence on the increase in the number of statements sent this year was the opening of 40,409 new accounts during 2022.

We clarify here that the following cases are excluded from the list of sending annual statements (that is, from the total of 792,995 accounts): 1) statements of account holders who have not had any transactions in the last three years (as provided by the law); 2) statements of those who lack a residence address (which for 2022 were 19,590 - compared to 2021 which were 19,732); as well 3) those who are in permanent retirement (thus not including pensioners with disability). This category, from its establishment until the end of 2022, reached 64,384 persons. However this category of contributors is sent a notification by post before retirement (age 65).

For this year we had 4,851 employers and 3,687 self-employed who had paid contributions in the previous year, but not in 2022 (2021 respectively: 4,561 and 3,728). Calculated in total, for the year 2022, there were 4.61 million transactions posted to contributors' accounts and over 571 thousand to employers' accounts (2021: 4.27 million, respectively 606 thousand).

Included in the transactions of employers' accounts are 63,303 cases (2021: 65,609) of refunding of: a) incorrectly paid contributions or overpayments; and b) fines by KTA. To clarify here, fines consist the fines and interests charged by KTA on employers (and the self-employed) for delayed payment or incorrect declaration of pension contributions - and which employers have paid together with the pension contribution.

These refunding transactions in 99.6% of cases were overpayments (transactions) made by employers during the same year, in this case during 2022. Employers on average declared and paid for 9.62 months of 2022, with a slight increase from the previous year (2021: 9.51); and the self-employed for 3.37 quarters of 2022, also raised from the previous year (2021: 3.32). KPST opened 40,409 new individual accounts (2021: 45,275), bringing the total number of accounts opened since its establishment to 792,995.

Out of new accounts opened during the year (i.e. out of 40,409) 38,152 of them were for initiator contributors, i.e. who started contributing in 2022, whilst the rest (2,257) were contribution cases for previous years, for which the KPST received either the payment or information in 2022. During the year, there were 43,183 employers and 27,380 self-employed who had paid contributions for the reporting year (2021: 39,496 and 27,407, respectively). Thus, we had an increase in the category of employers (by 9.3%) and a very slight decrease in the self-employed (by -0.1%).



CONTRIBUTION ALLOCATION

In the KPST account together with pension contributions, fines and interest are also paid for non-reporting and non-payment of pension contributions on time. These funds belong to KTA, and KPST on a quarterly basis, in cooperation with KTA, identifies and returns them to KTA. After the return to KTA of the unallocated funds, if the KPST receives information to whom these funds belong, they are returned and allocated to the relevant account.

Due to the fines and interests of TM4 2022 (which belong to KTA and which are expected to be returned to them in the first part of 2023 year) and mainly the contributions paid during 2022, which belong to you in previous years and which are outside the regular declaration process (EDI) made together with the pension contributions in the KPST account, the unallocated funds in nominal value have been increased at the end of this year to €2,950,426 (2021: €2,320,470).

Even in this case, when all the reports are confirmed, the KPST initiates the return to KTA of funds that are not pension contributions. However, when the KPST returns funds to KTA, it makes sure that possibilities of finding information have been exhausted, for several reasons: employers did not forward list of workers for whom these contributions were paid or they paid them with wrong data, businesses have closed or changed an activity, and/or have incorrectly paid taxes and fines as pension contributions.

However, it is worth to recall that unequal contributions, which are older than six years, according to the legislation in force, are returned to the budget of Kosovo.

Unreconciled contributions account for 0.12% of the total contributions collected

Whereas, after the transfer of these funds, the applicable law has preserved contributors' right that whenever they provide information about these contributions, they will be reimbursed with the value of contribution, adding to it the average return from the investments of the KPST for the period from the moment of payment to the date of reimbursement.

Board of Directors and management of KPST continue to have in the list of commitments equalization of funds for periods younger than six years, and especially for the payments of the last year. Thus, for the year 2022, the Board of Directors had set the target for unallocated funds, giving this process continued attention in the daily operations of the institution. It shall be noted here that in addition to the fact that the accuracy of reporting pension contributions has improved significantly (through the EDI portal in KTA), it is also observed that contributors are increasingly paying attention to the state of pension savings, thus reflecting increased awareness of the importance of pension contribution.

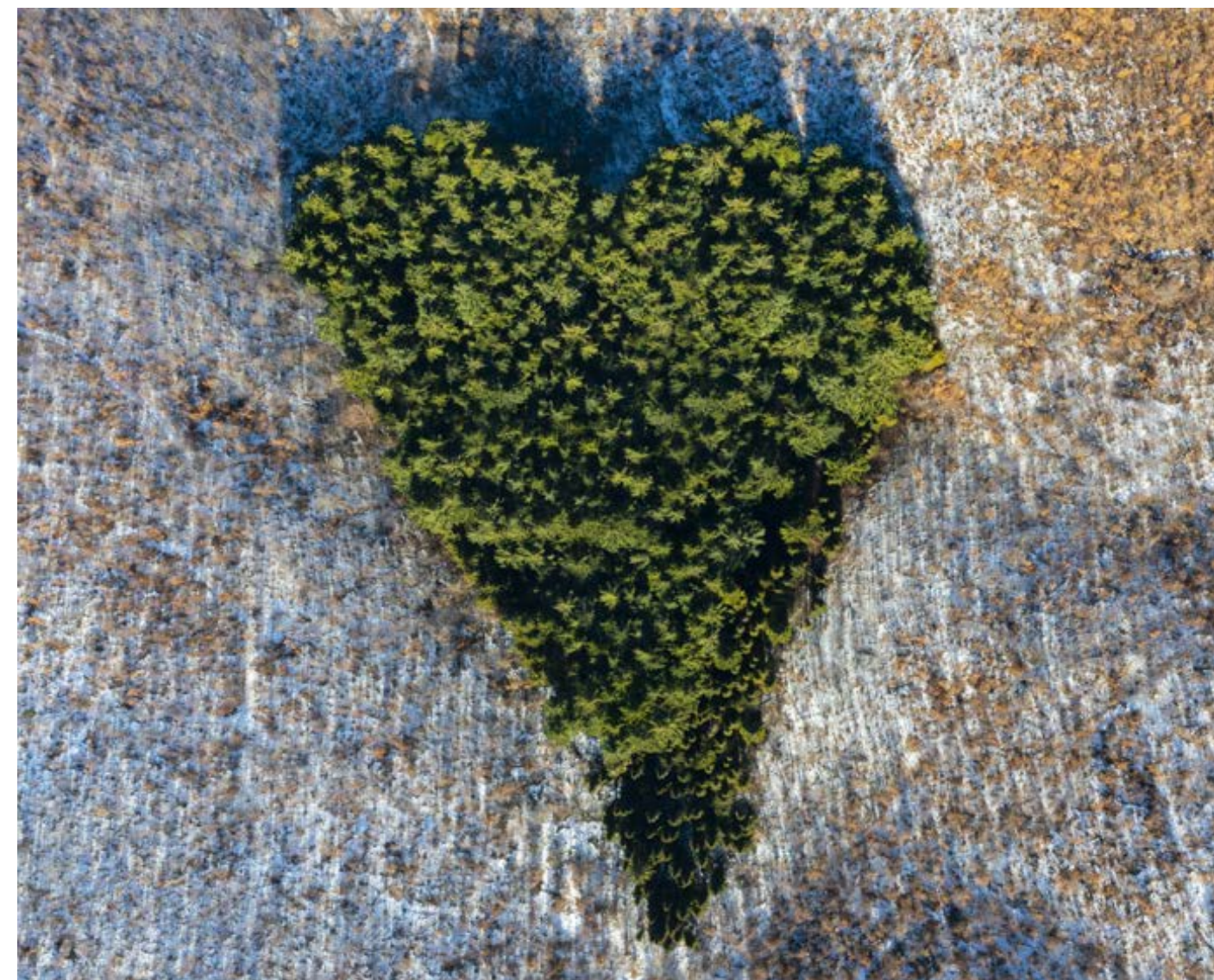
We recall here that the main reasons for unallocated contributions are: (i) fines and interests for late payments (to KTA) are included in the payment of contributions; (ii) employers send list of payments, but make underpayments or overpayments of contributions; (iii) data for contributors in the list (personal number or name) is null; (iv) employers make contribution payments but do not send the detailed list to whom they are made; and (v) the source of payment (employer) is not identified.

Commutative contributions reconciled as a percentage of total contributions collected:

	As of 31 December 2022	As of 31 December 2021
Unreconciled contributions (unconsolidated as of the reporting date)	€2,950,426	€2,320,470
Cumulative contributions consolidated as of the reporting date	€2,430,714,987	€2,189,252,434
Unreconciled contributions as a percentage of contributions consolidated as of the reporting date	€0.121%	€0.106%

NET PENSION ASSETS RECONCILED ON INDIVIDUAL ACCOUNTS

2017	99.82%	€1,262.4m
2018	99.92%	€1,442.2m
2019	99.87%	€1,594.8m
2020	99.91%	€1,781.4m
2021	99.88%	€2,350.4m
2022	99.87%	€2,408.0m



CLIENT SERVICES

KPST has the main and only office in Prishtina but pension services are also provided by the six TAK regional offices

Kosovo Pension Savings Fund has been operating since its establishment with a single service office, headquartered in Prishtina. However, pension services for: printing the account statement, applying for pension and information on pension savings are also offered in the six regional offices of Tax Administration of Kosova (TAK). This excellent institutional cooperation between KPSF and TAK has enabled services in all the main centers of the country without additional costs for TAK in terms of staff employment, payment for rent of regional offices and other operating costs. KPST offers its services in Prishtina through engagement of six pension officers, a receptionist, a security officer and the unit manager.

This year, with the change in the account management system (now IPSA), institution has also updated the way of handling services. With the provision of possibility of receiving an account statement from the eKosova state portal, at current the most requested service (receiving the statement) is easier than ever before.

According to the updated format, 391,828 contributors have themselves conducted or received services from the eTrust portal, the eKosova portal, from the KPST office and from TAK regional offices in the regions. It is a very positive development that now most of contributors are self-serviced, getting the statement of their account in KPST through the portal eTrusti and eKosova. Out of 391,828 contributors, 62.4% (or 244,402 contributors) carry out self-services in eTrust (227,746 contributors) and eKosova (16,656 contributors).

Because the eKosova portal has launched the service in the last week of December, the complete effect will be measured at the end of 2023, although numbers are quite encouraging. The rest of the services were provided by KPST office in 21.9% of total services (or for 85,783 contributors) and by the TAK regional offices in 15.7% of total services (or for 61,643 contributors).

The most requested service this year by contributors was the account statement. 65.4% of all services (self-performed or serviced) were for the account statement (or for 256,397 cases). Compared to the previous year, this request has doubled, prompted by the discussion in the Assembly of Kosovo about the possibility of early withdrawal of up to 30% of the accumulated balance in the KPST. This created anticipation and eager interest amongst contributors.

The other two most requested services this year were updating email addresses in eTrust from 41,307 contributors (or 10.5% of all services), and authorizing access to eTrust for 41,193 contributors (or 10.5% of all services). Significantly less preferred services were for updating addresses (5.0% of services), updating phone number (4.2% of services), applying for pension (1.8% of services) and questions and requests (0.7% of services).

In addition to all services provided in the office, the KPST has prepared and sent to all active contributors the annual statements for 2022. Out of a total of 792,995 accounts that have been opened at the KPST since its establishment, in the 2023 cycle 576,448 statements have been sent, of which 433,172 by e-mail and 143,276 by post (2021: 415,788 by e-mail and 126,972 by post). According to the legislation in force, not all open accounts are sent annual statements.

Even on cases of retirement (which are close to the age of 65), KPST regularly sends letters to contributors by mail; where it informs them about the age of retirement and on the application procedures for withdrawing pension savings from the KPST. Also, starting from last year, all contributors who reach the age of 63.5 years, and carried in the Conservative Portfolio, are notified in advance of this move.

THE NUMBER OF SELF-SERVICE FROM CONTRIBUTORS TO eTRUSTI

2022
227,746

THE NUMBER OF SERVICES OF PROVIDED FROM THE FKPK OFFICE AND TAK OFFICES - FOR INDIVIDUALS AND EMPLOYERS

2022
147,426

INCREASE OF NUMBER OF ACCOUNTS IN eTRUSTI



#eTRUSTI is an online based service, to all contributors since 2010. Registration procedures are performed online, verifying the identity of the contributor and confirming the e-mail.

03

INVESTMENT OF PENSION ASSETS

Investment principles and policy

Asset allocation

Geographic allocation

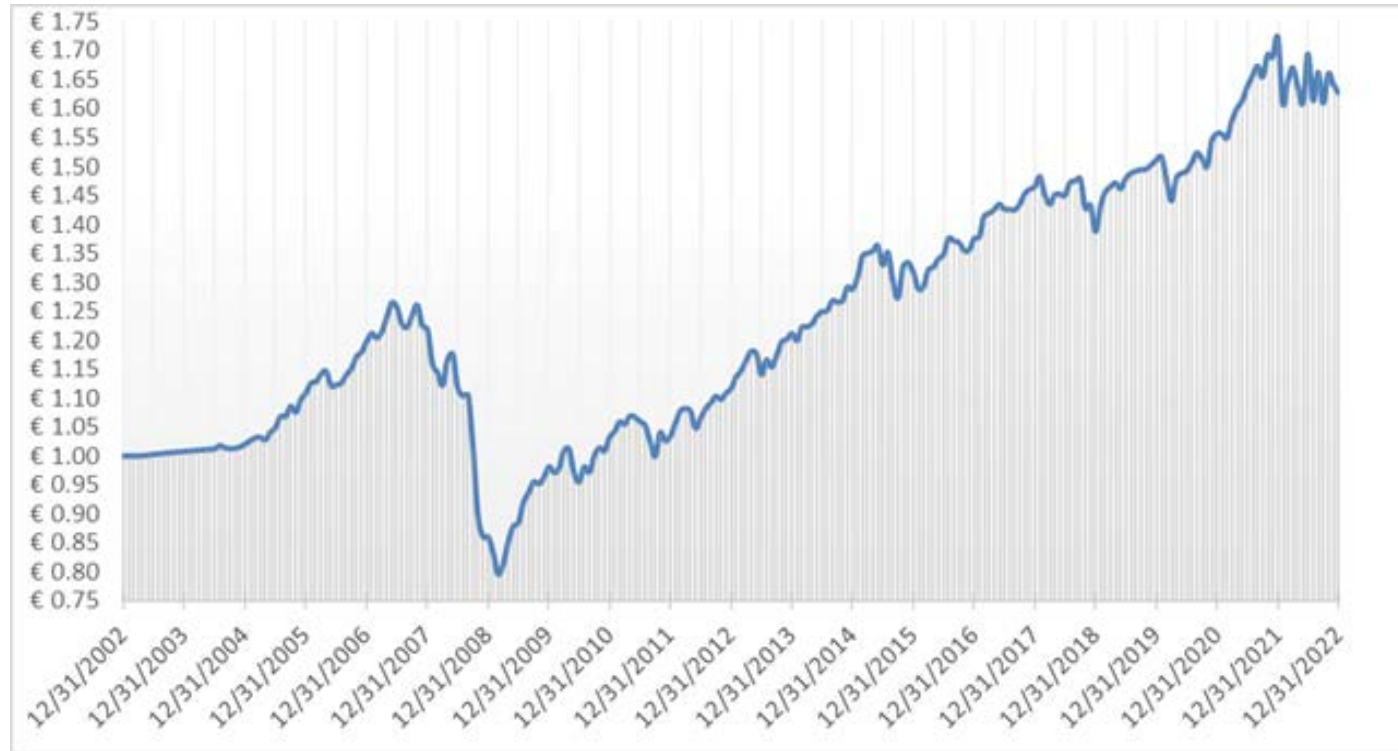
Main issuers

Asset classes and currencies

Investment performance

{ Safety of pension assets, diversification of investments, maximum return for the level of risk taken and the maintenance of appropriate liquidity are the core of prudent investment principles of KPST }

UNIT PRICE MOVEMENT OF THE STANDARD PORTFOLIO SINCE INCEPTION



CONSERVATIVE PORTFOLIO UNIT PRICE MOVEMENT SINCE INCEPTION



PARIMET DHE POLITIKA INVESTUESE

KPST continued to fully adhere to the new investment principles and policies, which were set back in 2014. This Statement sets the Consumer Price Index in Kosovo as a benchmark against which the performance of KPST investments is to be measured.

The Investment Policy Guidelines (IPG), recognizing there ought to be a balance between contributors who are close to retirement and those who are not, calls for a policy that contains a reasonable and not excessive allocation to long-term instruments from which the expected return and volatility are higher, such as equities; this, in turn, should be combined with a greater allocation to investments with expected lower volatility and more stable returns than equities. With an increased emphasis on risk, the IPG objective is to provide more protection in downward markets, yet to reap the rewards when markets go upwards.

The biggest change to KPST's investment policy since its establishment was this year with the launching of Conservative Portfolio (for contributors of age 63.5), who

are potentially more at risk of having their pension savings eroded by rapid declining movements in the financial markets. Therefore, funds of these contributors will be invested mainly in the securities of the Government of Kosovo. And this solution gave very satisfactory results, as the unit price of this Portfolio rose by 2.9%.

In the Standard Portfolio (for contributors under the age of 63.5) investment policy is based on a combination of: a) asset classes - which is, financial instruments of direct investments and those within investment funds; and b) an investment strategy adopted by the investment fund. In all these intersections of asset classes and strategies there are permitted limits to invest in them.

For 2022, an investment policy, frequently updated with tactical actions, has managed to create a satisfactory protection of an investment portfolio - compared to the main financial market indexes, which had double-digit declines in the amount for 2022.

ASSET CLASS	STRATEGY	CURRENT ALLOCATION	LIMITS
Cash and money market	Interest bearing	17.2%	0%-50%
Debt instruments in Kosovo	Interest bearing	28.6%	0%-40%
T-bills outside Kosovo	Managed/Targeted risk	3.1%	0%-30%
Multi-assetss	Managed/Targeted risk	17.6%	0%-55%
Real assets	Directional	6.2%	0%-20%
Equities	Interest bearing	2.3%	0%-20%
Equities	Managed/Targeted risk	7.0%	0%-20%
Equities	Directional	17.9%	0%-50%

Multi-asset funds are funds that contain both equity and debt instruments of governments and global corporations. These funds aim to select stocks and debt instruments with the perceived greatest potential to generate positive returns, under the general belief that the lower volatility of debt instruments will itself counterbalance the volatility of stocks and reduce the overall risk.

When it comes to protecting the investment strategy, these risk-managed funds change the allocation to equities and bonds and lower risk subsets within each asset class. They can also set placements through derivatives (such as futures - agreements for executing financial instruments in the future, with a predetermined date and price), in order to protect from markets going into an unwanted.

Funds complementing risk management with risk targeting determine a risk level for the volatility of the investment portfolio and on regular basis, they reallocate assets to

restore the expected volatility to that established level of risk. Funds with a dividend investment strategy select in their portfolio only stocks of corporations with regular and stable dividend payments

The "Interest income" is supposed to include direct placements in interest-bearing instruments, such as term deposits and Kosovo debt securities. Directional investments do not have an accompanying risk management element and represent direct participation in the risks and rewards of financial markets.

The information on where each of the FKPK placements belongs on December 31, 2022 is provided above.



ASSET ALLOCATION

In the Standard Portfolio, at the end of 2022, assets under management, of €2,332.7m, were distributed as follows: €1,689.3 million were invested in international financial markets through investment funds (2021: €1,808.3 million); €459.0 million were invested in Kosovo bonds (2021: €491.5 million); €136.5 million were due with banks operating in Kosovo (2021: €44.8 million; while €31.1 million were not invested, as cash in CBK (2021: €9.3 million).

In the Conservative Portfolio, at the end of 2022 there were a total of €95,008,318 assets under management, distributed: €94,010,868 in bonds of the Government of the Republic of Kosovo and €997,450 in cash in the banks. The Governing Board maintained, in general, a very defensive position this year, managing to protect all contributors close to retirement from the fluctuations of financial markets through the Conservative Portfolio.

Distribution of investments by instrument, class and strategy on 31st December 2022 in the Standard Portfolio.

INVESTMENT	ASSET CLASS / STRATEGY	ASSETS	ALLOCATION
Treasury of the Republic of Kosovo	Debt instruments / Income	€458,962,109	19.82%
Amundi 3M-I	Cash / Income	€382,119,647	16.50%
Nordea SRF	Multi-assets / Managed risk	€224,068,597	9.68%
BNY Mellon RRF	Multi-assets / Managed risk	€200,172,086	8.64%
Nordea GSE	Equities / Managed risk	€148,462,915	6.41%
Depozita bankare në Kosovë	Debt instruments / Managed risk	€136,528,917	5.90%
Vanguard Value ETF	Equities/Directional	€118,823,433	5.13%
ISH MSCI Eur Value ETF	Equities/Directional	€79,301,062	3.42%
Lyxor EUR 10Y Infl ETF	Debt instruments / Managed risk	€75,868,822	3.28%
Invesco KBW Bank ETF	Equities/Directional	€67,214,478	2.90%
iShare US Infr ETF	Real assets / Directional	€60,062,495	2.59%
Glob xUS Infr ETF	Real assets / Directional	€59,069,111	2.55%
SPDR S&P Oil & Gas	Equities/Directional	€56,943,838	2.46%
iShare Core Dividend ETF	Equities/Directional	€55,544,738	2.40%
Lyx Stoxx Bank ETF	Equities/Directional	€53,615,661	2.32%
W.Tree Metals ETF	Real assets / Directional	€30,100,598	1.30%
SPDR EU Energy ETF	Equities/Directional	€29,529,067	1.28%
iShare Glb ClnEnerg ETF	Equities/Directional	€22,171,891	0.96%
iShare SP500 MinVol ETF	Equities / Managed risk	€21,339,112	0.92%
BNP Climate Impact	Equities/Directional	€2,223,726	0.10%
Schroder ISF GSG	Equities/Directional	€1,540,491	0.07%
Vanguard GSIF	Equities/Directional	€1,078,243	0.05%
Cash in CBK (Un-invested)	--	€31,133,021	1.34%
TOTAL		€2,315,874,058	100.0%

Note: More details for each investment fund are presented in the financial statements attached as appendix 7 and 8 of this report.

EUROPE
€1,510,176,612
62.61%

NORTH AMERICA
€774,159,661
32.10%

ASIA
€53,500,800
2.22%

OCEANIA
€10,706,904
0.44%

OTHER
€63,508,208
2.63%



In the **Standard Portfolio** pension funds are invested through open-end funds administered by managers of these funds in shares, debt instruments, cash and other financial instruments of global corporations and sovereign treasuries. At the end of the year, KPST had direct and indirect investments in the financial instruments on 1,988 global issuers (2021: 2,099) in the Standard Portfolio.

In the **Conservative Portfolio** pension funds are invested directly in the bonds of the Government of the Republic of Kosovo through public auctions and in bank deposits in Kosovo. At the end of the year 99% of investments of this portfolio were in the bonds of Government of Kosovo, and the other portion (1%) were in cash.

No.	CONTRY	%	ASSETS
1.	USA	30.58%	€737,530,020
2.	Kosovo	29.97%	€722,802,173
3.	France	10.71%	€258,388,122
4.	UK	5.51%	€132,984,302
5.	Germany	3.41%	€82,235,887
6.	Italy	2.74%	€66,129,740
7.	Spain	2.08%	€50,136,546
8.	Ireland	1.51%	€36,467,309
9.	Sweden	1.10%	€26,514,881
10.	Denmark	1.07%	€25,857,278
11.	Luxemburg	1.04%	€25,197,586
12.	Netherlands	1.02%	€24,706,529
13.	Japan	0.91%	€21,851,877
14.	Switzerland	0.88%	€21,162,320
15.	Kanada	0.83%	€20,135,488
16.	Finland	0.77%	€18,499,449
17.	Guernsey	0.48%	€11,671,932
18.	Australia	0.44%	€10,533,851
19.	Norvegy	0.35%	€8,414,738
20.	China	0.29%	€7,114,834
21.	Hong Kong	0.28%	€6,736,724
22.	Israel	0.20%	€4,776,163
23.	South Korea	0.19%	€4,479,350
24.	Brasil	0.18%	€4,315,558
25.	Austria	0.16%	€3,904,868
26.	India	0.16%	€3,738,880
27.	Mexico	0.13%	€3,102,331
28.	Belgium	0.12%	€2,934,021
29.	Portugal	0.10%	€2,437,127
30.	Singapore	0.09%	€2,186,828
31.	Jersey	0.07%	€1,719,890
32.	Hungary	0.06%	€1,403,737
33.	Taiwan	0.05%	€1,281,772
34.	Thailand	0.03%	€694,499
35.	South Africa	0.02%	€551,805
36.	Indonesia	0.02%	€543,714
37.	Bermuda	0.01%	€315,789
38.	New Zeland	0.01%	€173,053
39.	Jordan	0.00%	€96,160
40.	Other*	2.42%	€58,325,055

NOTE: These calculations do not include investments in cash and cash in CBK.

MAIN ISSUERS

List of the top 25 issuers (out of a total of 1,988) is presented below. KPST is exposed to these issuers indirectly, through investment funds, while placements in the Treasury of the Republic of Kosovo, time deposits (in local and international banks) are direct. This list does not include investments in mutual funds or the cash market.

As can be seen in the following table, the Treasury of the Republic of Kosovo was convincingly the largest placement in a single entity. This year it is a novelty that investments in the Treasury of France are ranked as the second highest ranking, followed by Germany.

23% of all assets were invested in the Treasury of the Republic of Kosovo.

It shall be remembered that legal restrictions require that the KPST does not exceed placements as follows: a) no more than 30% in the Treasury of Kosovo; b) no more than 20% of assets in debt bonds of a single issuer rated AA or higher; c) 10% in bonds rated A or higher; d) 5% in bonds rated BBB or lower; e) no more than 5% of assets in a single issuer for shares; and f) up to 1% in bonds rated BB+ or lower. KPST has not exceeded any of these limits on investments in a single issuer on 31st December 2022.

No.	ISSUER	ASSETS (in million)	ALLOCATION TOWARDS AUM
1.	Treasury of Kosovo	€552.8	22.8%
2.	Treasury of France	€52.4	2.2%
3.	BKT Bank Kosovo	€39.8	1.3%
4.	Treasury of Germany	€35.5	1.5%
5.	PCB Bank Kosovo	€35.2	1.5%
6.	Groupe BPCE	€28.7	1.2%
7.	Groupe Credit Mutuel	€28.6	1.2%
8.	NLB Bank Kosovo	€27.2	1.1%
9.	Barclays PLC	€26.8	1.1%
10.	BNP Paribas SA	€25.9	1.1%
11.	Credit Agricole Group	€25.1	1.0%
12.	BEK Bank Kosovo	€24.7	1.0%
13.	Societe Generale SA	€24.3	1.0%
14.	Treasury of Italy	€20.1	0.8%
15.	Shell PLC	€17.5	0.7%
16.	Intesa Sanpaolo SpA	€17.2	0.7%
17.	Microsoft Corp	€15.1	0.6%
18.	Johnson & Johnson	€14.9	0.6%
19.	UniCredit SpA	€14.3	0.6%
20.	Treasury of Spain	€13.6	0.6%
21.	Bank of America Corp	€13.5	0.6%
22.	Sanofi	€12.8	0.5%
23.	Treasury of USA	€12.5	0.5%
24.	Coca-Cola Co	€12.1	0.5%
25.	Electricite de France SA	€11.7	0.5%

ASSET CLASSES

In the Standard Portfolio, at the end of 2022 the total funds of €2,317,043,866 were divided according to these asset classes: in Debt Instruments there were €672,529,530 or 29.0% of assets; in Shares were €657,788,653 or 28.4% of assets; in Multi-assets were €424,240,683 or 18.3% of assets; in available (cash) money were €382,119,647 or 16.5% of assets and in Real Assets were €149,232,205 or 6.4% of assets. While you had in the bank on this date was €31,133,146 or 1.3% of assets.

While in the Conservative Portfolio, on this date assets of €95,008,318 were divided into: Debt instruments (Kosovo bonds) €94,010,868 or 99.0% of assets and cash in banks €997,450 or 1.0% of assets. As can be seen, in both portfolios of instrument with the most investments was that of debt instruments, with respectively 29.0% and 99.0%.

When calculated together, the invested funds of KPST, directly and indirectly, for both investment portfolios (Standard and Conservative) at the end of the year had a

Bonds counted 33.4% of total invested assets.

composition of 33.4% in debt instruments (2021: 33.2%). Investments in Kosovo, which here are only for investments in securities issued by the Government of the Republic of Kosovo, despite not having rank, are defacto assessed by the law with a high certainty of return on investment.

Regarding currencies, of 20 funds included on the reporting date: (a) 11 were denominated in EUR, with the amount of 1,217,778,938 EUR representing 50.2% of the total assets; and (b) 9 were denominated in USD, amounting to 471,471,073 EUR, representing 19.4% of total assets (2021: 17 funds in EUR amounting to 1,541,952,506 EUR or 65.1% of total assets, and 8 funds in USD amounting to 266,357,285 EUR or 11.3% of total funds).

RATING OF PLACEMENTS IN DEBT INSTRUMENTS AND INDIRECT CASH

RISK



RATING	QUALITY OF PLACEMENT	PERCENTAGE OF DEBT INSTRUMENTS AND CASH
--	Investments in Kosovo	23.4%
--	Outside Kosovo	1.0%
AAA	Prime	2.5%
AA	High	2.7%
A	Upper middle tier	1.9%
BBB	Lower middle tier	1.1%
BB	Speculative	0.6%
B	Highly speculative	0.3%
C and below	High risk	0.0%

INVESTMENT PERFORMANCE

In the Standard Portfolio investments had a negative return of €121.5m or a decrease of -5.5% for 2022

Gross return of the Conservative Portfolio was €2.7m or an increase of +2.9% for 2022

ISSUER	AS OF 31.12.2022	YEARLY GROSS RETURN
Vanguard – GSIF (ISIN: IE00B03HD316)	€1,078,243	€(5,943,033)
BNY Mellon – RRF (ISIN: IE00B504KX99)	€200,172,086	€(33,876,321)
AXA – GILB (ISIN: LU0227145629)	--	€(393,667)
Nordea 1 – GSEF (ISIN: LU0257969260)	€148,462,915	€651,539
Nordea 1 – SRF (ISIN: LU0539147214)	€224,068,597	€(28,745,349)
Amundi – 3M-I (ISIN: FR000703813)	€382,119,647	€850,637
BNP Paribas – PDP (ISIN: LU0102035119)	--	€(3,354,516)
S&P500 Minvol ETF (ISIN: IE00BYX8XD24)	€21,339,112	€(366,785)
MSCI Minvol ETF (ISIN: IE00B86MWN23)	--	€(1,370,154)
Invesco QQQ ETF (ISIN: US46090E1038)	--	€(4,344,676)
USCF US Oil ETF (ISIN: US91232N2071)	--	€13,733,000
Amundi MSCI Qual (ISIN: LU1681041890)	--	€(10,561,869)
First Trust CybrSec ETF (ISIN: US33734X8469)	--	€(3,307,827)
LG eCom Logst ETF (ISIN: IE00BF0M6N54)	--	€(3,408,587)
SP OilGas Expl ETF (ISIN: US78468R5569)	€56,943,838	€7,091,647
Pacer Indust ETF (ISIN: US69374H7668)	--	€(5,281,034)
VG Real Estate ETF (ISIN: US9229085538)	--	€(5,745,840)
Glob xUS Infr ETF (ISIN: US37954Y6730)	€59,069,111	€(1,748,977)
iShare US Infr ETF (ISIN: US46435U7138)	€60,062,495	€788,192
Inv Bas Metals ETF (ISIN: US46140H7008)	--	€(795,250)
BNP Clim. Impact (ISIN: LU0406802768)	€2,223,726	€(3,054,986)
T. Rowe Glob Tech (ISIN: LU1244139827)	--	€(5,945,216)
Amund CPR Disrupt (ISIN: LU1530899811)	--	€(4,169,362)
AXA Digital Econ (ISIN: LU1694772994)	--	€(4,131,236)
GS Millennials (ISIN: LU1820776075)	--	€(5,078,584)
Schroder ISF GSG (ISIN: LU2305367323)	€1,540,491	€(2,410,877)
First Trust Green ETF (ISIN: US33733E5006)	--	€(4,554,511)
iSh. Glb Clean ETF (ISIN: US4642882249)	€22,171,891	€(2,381,583)
Invesco KBW Bank (ISIN: US46138E6288)	€67,214,478	€(16,738,885)
Lyxor USD 10Y Infl. (ISIN: LU1390062831)	--	€8,776,607
Lyxor EUR 10Y Infl. (ISIN: LU1390062245)	€75,868,822	€4,025,246
Vanguard Value ETF (ISIN: US9229087443)	€118,823,433	€2,552,270
iSh MSCI Eur Value (ISIN: IE00BQN1K901)	€79,301,062	€(4,818,494)
Global X CyberSec. (ISIN: US37954Y3844)	--	€(5,912,030)
Lyx Stoxx Bank (ISIN: LU1829219390)	€53,615,661	€(7,220,044)
iShare Core Dividend (ISIN: US46434V6213)	€55,544,738	€(1,246,330)
SPDR EU Energy (ISIN: IE00BKWQ0F09)	€29,529,067	€(456,939)
W.Tree Metals ETF (ISIN: GB00B15KYG56)	€30,100,598	€118,455
Kosovo Gov. T-bills and term deposits in the banks operating in Kosovo	€595,491,026	€11,558,584
Other income - Dividends from the revaluation of open-end funds	--	€5,739,074
TOTAL	€2,284,741,037	€(121,477,711)

Since February 2022 KPST operates in two investment portfolios: Standard Portfolio (for contributors under the age of 63.5) and Conservative Portfolio (for contributors aged 63.5 and over). For year 2022, performance of the Standard Portfolio was negative by -5.5% or with a gross return of -€121.5 million. Despite being negative, performance of this portfolio was significantly better than many indexes and pension funds, which suffered double-digit declines for 2022.

While the Conservative Portfolio had a positive result for this year, with an increase of +2.9% or a gross return of 2.7 million Euros. It is understood that investments of this portfolio have only a protective purpose. For this reason, means of contributors of this age group were 99% invested in the bonds of the Government of Kosovo. The annual return is expected to be very high investment security. This portfolio eliminates the possibility of contributors near retirement age being hit by rapid and severe market decline.

ALLOCATION	AS OF 31.12.2022	YEARLY GROSS RETURN
T-bills of the Government of the Republic of Kosovo	€93,822,668	€2,728,766
Cash in CBK	€997,450	--€9,643
TOTAL	€94,820,118	€2,719,123

PERFORMANCE VS BENCHMARK

The Governing Board has established the Consumer Price Index (CPI) in Kosovo as published by the Kosovo Agency of Statistics as a benchmark to achieve and outperform the investment of pension assets.

The negative performance of KPST in the Standard Portfolio for 2022 (of -5.5%) together with a very high inflation high this year (of 12.1%) caused inflation benchmark to exceed the unit price of the KPST in historical comparison.

The Governing Board believes that the outperformance of this benchmark is crucial in order to keep the objective of preserving the real value of long term pension contributions.

While the price of KPST unit has declined to the quota of 62.68% from the inception, the IÇK rose to 66.36%.

COMPARISON OF KPST SHARE PRICE OF STANDARD PORTFOLIO AND CONSUMER PRICE INDEX IN KOSOVO (SINCE INCEPTION UNTIL THE END OF 2022)



04

CONTRIBUTION AND RETIREMENT

First-time contributing and dormancy

Contributions

When and how can pension savings be withdrawn?

Retirements and benefit payments

CONTRIBUTING AND DORMANCY

KPST calls active contributors persons who pay contributions for the reporting year, in this case for 2022. On the other hand, KPST calls initiating contributors the active contributors, 11.5% of them, who pay for the first time contributions in and for 2022 (2021: 10.2%).

First-time contributors totaled 38,152 while there were 8,538 others (2021: 16,647), or 2.6% (2021: 4.0%) of average active contributors, who retired this year (contributed in 2021 but not in 2022); and this number does not include 6,908 permanently retired accounts in 2022.

Meanwhile, 13.6% of initial contributors in 2022 were employed(1) for the first time at age 40+ (2021: 11.8%), which is an increase of almost two percentage points from last year. An average age of initial contributors in 2022 was 26.4 years, while 62.8% of them were 25 years or younger (respectively 2021: 26 and 68% of them were 25 years or younger).

The self-employed, who made up about 1.8% of the starting contributors (2021: 1.8%), continued to be older on average. Their average age was 34.5 years, and 52.4% of them were 33 years or younger. Share of female entrepreneurs was 51.1% for employees (2021: 52.5%); and 33.9% (2021: 34.4%) for the self-employed.

Collected annual contributions increased by 13.1%, while the benefit payments increased by 3.8%

On the other hand, women were passive this year at lower rates than they are starting to contribute, thus constituting 43.3% of the employed and 21.1% of the self-employed who were passive (2021: 41.5% and 27.3%, respectively), but slightly more than the previous year. This is an indication that women had higher stability in employment. Passivization of contributors this year mostly happened to the 21-26 age group (2021: 19-25 years).

Further, 50% of 2022 contributors who were inactive during the year were 30 or younger among employed and 43 or younger among self-employed (2021: 50% of contributors 27; 39, respectively).

Proportion of contributors (excluding the self-employed) who became passive in year 2021 but returned to the contribution scheme in 2022 jumped significantly to 21.5%, compared to 2021 when the number of contributors passive in 2020 who had returned to the scheme in 2021 it was only 5.7% of them. Analysis of data for the last five years reveals that 225,142 employed contributors, and 18,295 self-employed contributors, contributed at least one month in each of these five years (2021: 214,974 and 18,597). Therefore, while employed contributors have increased five-year contribution stability, self-employed contributors show signs of instability.

CONTRIBUTION

There have been €2,430.7m contributions collected since the establishment of the institution.

Contributions collected this year amounted to € 241.5m (2021: €213.5m), which were payments of pension contributions of employees and the self-employed. Contributions collected during 2022 increased by 3.1% compared to the previous year. In 2021 they had increased by 9.8% while in 2020 by 4.1%. Contributions that are not under management are understood to be withdrawn in the case of pension payments or refunds and are no longer part of the fund.

We had 6,226 new employers this year, thus being an increase of 9.2% from the previous year (2021: 5,701). New employers are considered businesses, institutions and others, which for the first time contribute to their employees. While this year we had a solid increase in new employers for 2022, this results in the fact that at the same time we had 8.0% more passivated employers, thus going to 5,011 the number of dormant employers (2021: 4,639).

Therefore, it shows that the difference between new employers and inactive ones is only 1.2 percentage points. Dormant employers KPST considers businesses or institutions or organizations that have contributed per employee during the previous year but not in the reporting year.

On the other hand, number of active contributors on average during 2022 reached 331,555, which was thus 5.0% higher on average than last year (2021: 315,722). At the end of year, an average balance for all contributors' pension savings accounts decreased by 13.0% to €3,412 (2021: 3,921). The negative performance of investments in 2022 is the main factor here, but an early withdrawal through 10% still had an impact.

CONTRIBUTIONS COLLECTED AND AUM

PERIOD	COLLECTED CONTRIBUTIONS (in million)	CONTRIBUTIONS UNDER MANAGEMENT (ANNUAL NET MOVEMENTS) (in million)
2002-2018	€1,594.8	€1,681.1
2019	€186.6	€285.8
2020	€194.4	€21.1
2021	€213.4	€365.1
2022	€241.5	€73.5
CUMULATIVE	€2,430.7	€2,426.6

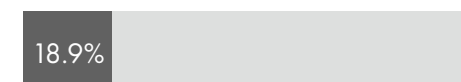
COMPOSITION OF NET ASSETS UNDER MANAGEMENT

2022

CONTRIBUTIONS UNDER MANAGEMENT



GAINS



2021

CONTRIBUTIONS UNDER MANAGEMENT



GAINS



(1)

The term "employment" is used in the broadest context possible. KPST is not in a position to know whether contributions of first-time contributors were truly the result of their first employment. Furthermore, KPST can not know if that employment is permanent or for a fixed term, or for a specific task (temping).

RETIREMENTS AND BENEFIT PAYMENTS

Profit generated from the withdrawn benefits in 2022 was 25.7% - a new annual record.

During year 2022, KPST paid pensions due to the age (65 years old), with reasons of disability (according to the decision of the competent Ministry) and death (inherited by family members). The withdrawal of funds from the KPST (according to the legislation in force) was also carried out by foreign citizens (who were not obliged to pay pension savings to KPST).

Funds that were paid out for these categories of pensions for the entire year 2022 were in the amount 54.9 million Euros in total (2021: 65.5 million Euros in total). The reason for the lower payout amount for pensions this year was because in year 2021 about 12.6 million Euros were paid out for the early withdrawal of 10% (according to the legal changes of 2020). Of the amount withdrawn for 2022 (54.9 million Euros), 40.8 million Euros were part of the contributions that had been paid to the contributors, while 14.1 million Euros were earnings executed from investment of pension funds.

Thus, an average percentage of earnings executed in 2022 is 25.7% of total payouts (2021: 24.6%). For all retirement cases in 2022 we had 6,907 accounts (2021: 7,239 accounts). Together with accounts of pensioners permanent withdrawal of this year, the number of accounts with

permanent withdrawal since establishment reached 67,229. Number of persons who in 2022 were paid after reaching retirement age (65 years) was 5,124 or 74.2% of approved applications (2021: 5,250, or 72.5%).

Due to the disability, 779 persons or 11.3% of the total number, withdrew their pension savings (2021: 695 or 9.6%). For cases of death prior to the retirement there were 945 or 13.7% withdrawals from heirs (2021: 1,196 or 16.5%). Contributors, with the status of non-resident citizens of Kosovo, who withdrew their pension savings this year were 59 cases or 0.9% of retired accounts (2021: 98 cases and 1.4%). From the establishment of KPST until the end of 2022, a total of 558.8 million Euros have been withdrawn. Of this amount withdrawn, 449.6 million Euros were contributions accumulated by contributors (through monthly payments) and 109.3 million Euros were earnings executed from investments.

Hence, from an entire amount withdrawals of pensions (since establishment of KPST), contributors have earned an average of 19.6% of return on investment.

WHEN AND HOW CAN PENSION SAVINGS BE WITHDRAWN?

According to the legislation in force, pension savings can be withdrawn in the KPST by the contributor or heir in the following cases:

- When the retirement age is reached (currently age of 65 as defined by the law);
- When there is certificate of disability from the Ministry of Labor and Social Welfare;
- When he dies before the age of retirement, in which case his/her legal heirs withdraw entire saved balance;
- In cases where foreign citizens have paid pension contributions, since they were not lawfully obliged to pay them to KPST.

HOW CAN SAVINGS BE WITHDRAWN?

Programme of Phased Withdrawal (PPW)

PPW is such that beneficiaries in this scheme withdraw from their savings each month 200¹⁾ or 1% of the balance at the time of retirement (depending on the balance: up to €20 thousand - €200 and over €20 thousand - 1%), until the entire amount is exhausted. Beneficiaries may choose one of the five banks that provide the PPW service: TEB, NLB Prishtina, Bank per Biznes (BpB), Economic Bank (BE) or Commercial National Bank (BKT), thus benefiting from a specific treatment, as per KPST contract with these banks.

Contributors who withdraw savings after reaching retirement age choose to receive 0% or 20% of savings in one payment and the remaining amount is directed to PPW.

Lump-sum withdrawal

If a contributor has an account balance of less than €3,000¹⁾ pension savings then the entire amount is withdrawn in a single payment.

Other withdrawals (disability and death cases)

Contributors who withdraw funds due to disability will receive their savings in the amount of €200¹⁾ until: i) the period that their disability ends; or ii) until their savings are exhausted - whichever occurs first. On the other hand, beneficiaries of deceased contributors may choose to withdraw all savings at once or transfer them to their pension savings account at KPST.

For each case of withdrawal, they are subject to income tax, according to the legislation in force.

¹⁾The minimum monthly amount and the threshold are set by CBK regulations.

WITHDRAWALS

PERIOD	PAID CONTRIBUTIONS (in million)	GAINS COLLECTED (in million)	WITHDRAWALS OF BENEFITS (in million)	GAIN IN PERCENTAGE
2004-2017	€104.1	€15.5	€119.5	13.0%
2018	€24.8	€6.5	€31.3	20.8%
2019	€41.9	€10.7	€52.6	20.3%
2020*	€188.6	€46.4	€235.0	19.7%
2021*	€49.4	€16.1	€65.5	24.6%
2022	€40.8	€14.1	€54.9	25.7%
TOTAL	€449.6	€109.3	€558.8	19.6%

*They include amount of early withdrawals through 10% (according to the amended legislation).

Withdrawal of pension savings for foreign citizens

Withdrawal of pension savings from KPST (according to the Law No. 04/L-101) can be made by all foreign citizens who were and are not obliged to pay pension savings to KPST (excluding citizens of countries with which Kosovo has bilateral agreements otherwise). In case of foreign citizens, the entire accumulated balance is withdrawn immediately.

05

CONTRIBUTOR DEMOGRAPHICS

- Contributors
- Geographic distribution of contributors
- Contributors age
- Contributors by type of enterprise
- Average contributions
- Level of contributing
- "How much should you save?"

ACTIVE CONTRIBUTION

This chapter summarises main demographic data for participants of KPST in 2022 and compares them to the previous year.

It should be taken into account that this chapter presents results of analysis for all accounts, which in 2022 reached 792,995 (2021: 752,586 accounts), and also for active accounts, which in 2022 averaged 331,555 (2021: 315,722 average). Total number of accounts also includes permanently retired accounts (such as old-age pension and death cases). This number at the end of 2022 reached 67,229 permanently retired accounts.

Number of active contributors is shown for each month in the last five years (in the table on the next page) as well annual average for each year. Number of contributors for each month represents employment of contributors each month and is not cumulative. From the monthly data it is noticed that the end of the quarter has always a higher number of contributors. This occurs because the self-employed report and make payments quarterly (and not every month, like employees), hence the difference. This year there were an average of 331,555 active contributors (2021: 315,722). With at least one contribution as an employee during the year there were 402,187 individuals.

Except for the month of December 2022, when we had less active contributors, in all other months this year we had more active contributors than in the corresponding months of 2021. However, despite the fact that for 2022 there were over 40 thousand new accounts (2021: over 45 thousand new accounts), on average the number of active contributors for 2022 is 15,833 (2021: 16,877) higher than the previous year. The average balance of active accounts at the end of 2022 decreased to 4,888€ (2021: 5,412€), or a decrease of -9.7%.

The decrease in the average balance was due to the decrease in the value of pension funds from investments, but also with the increase of new accounts that have little accumulated contributions. These balances (on average) are low in order to ensure a safe retirement, as they can fund (if withdrawn in stages from 200 Euros per month) only 29 months for active accounts (according to the current situation).

The relatively low level of average balance of all accounts is influenced by the fact that number of all accounts with low balances is quite large.

Likewise, number of those contributors who are in the scheme from the beginning or have continuous contributions with an average salary is low. Another impact was the very low average participation and contribution, especially in the first 10 years. It is important to make some comparisons between number of active population for work in Kosovo and active contributors to KPST.

According to Kosovo Agency of Statistics (KAS), in the Labor Force Survey report for 2021, the country's working-age population (aged 15 to 64) is 1,231,695. While the active manpower (according to KAS) is calculated at 483,465, whereas the remaining part is calculated as passive.

Under these conditions, it results that 331,555 employees and self-employed (with the assessment of an average annual commitment) who contributed in KPST during 2022 constitute 68.6% of active manpower (483,465) for work. This number, however, is still too low to aim that long-term, citizens of Kosovo have sufficient pension savings in KPST for the post-retirement age.

Although in recent years there has been a significant increase in new accounts opened for contributors in the KPST, still the percentage of active contributors (per active labor force), as well an average balance of accounts in the KPST is far from being sufficient for a pension.

The KPST is emphasizing, and repeating these facts, believing that this is how it is fulfilling part of its social responsibility: that every citizen of Kosovo should have saved enough for their pension, which will enable them a more safe life, in the financial sense. In contrary, with this contribution trend, most of today's employees cannot plan to have a dignified pension from pension savings in KPST, and thus risk of continuing to be a burden for the state and/or society.

THE NUMBER OF ACTIVE CONTRIBUTORS FOR EVERY MONTH IN THE LAST FIVE YEARS

	2022	2021	2020	2019	2018
JANUARY	315,905	291,571	278,915	265,810	254,268
FEBRUARY	317,639	296,573	281,309	271,033	256,465
MARCH	344,748	330,988	333,976	296,655	282,113
APRIL	328,814	303,679	321,387	277,462	263,754
MAY	330,856	306,769	258,718	279,096	265,939
JUNE	353,434	328,749	304,820	303,988	291,169
JULY	332,154	312,725	287,817	284,046	269,660
AUGUST	331,105	311,886	289,344	284,911	269,993
SEPTEMBER	351,045	332,912	313,612	308,340	294,384
OCTOBER	330,169	324,599	298,224	294,570	271,550
NOVEMBER	321,635	320,014	298,792	290,682	272,332
DECEMBER	321,150	328,195	319,225	307,393	293,741
ANNUAL AVERAGE	331,555	315,722	298,845	288,666	273,781

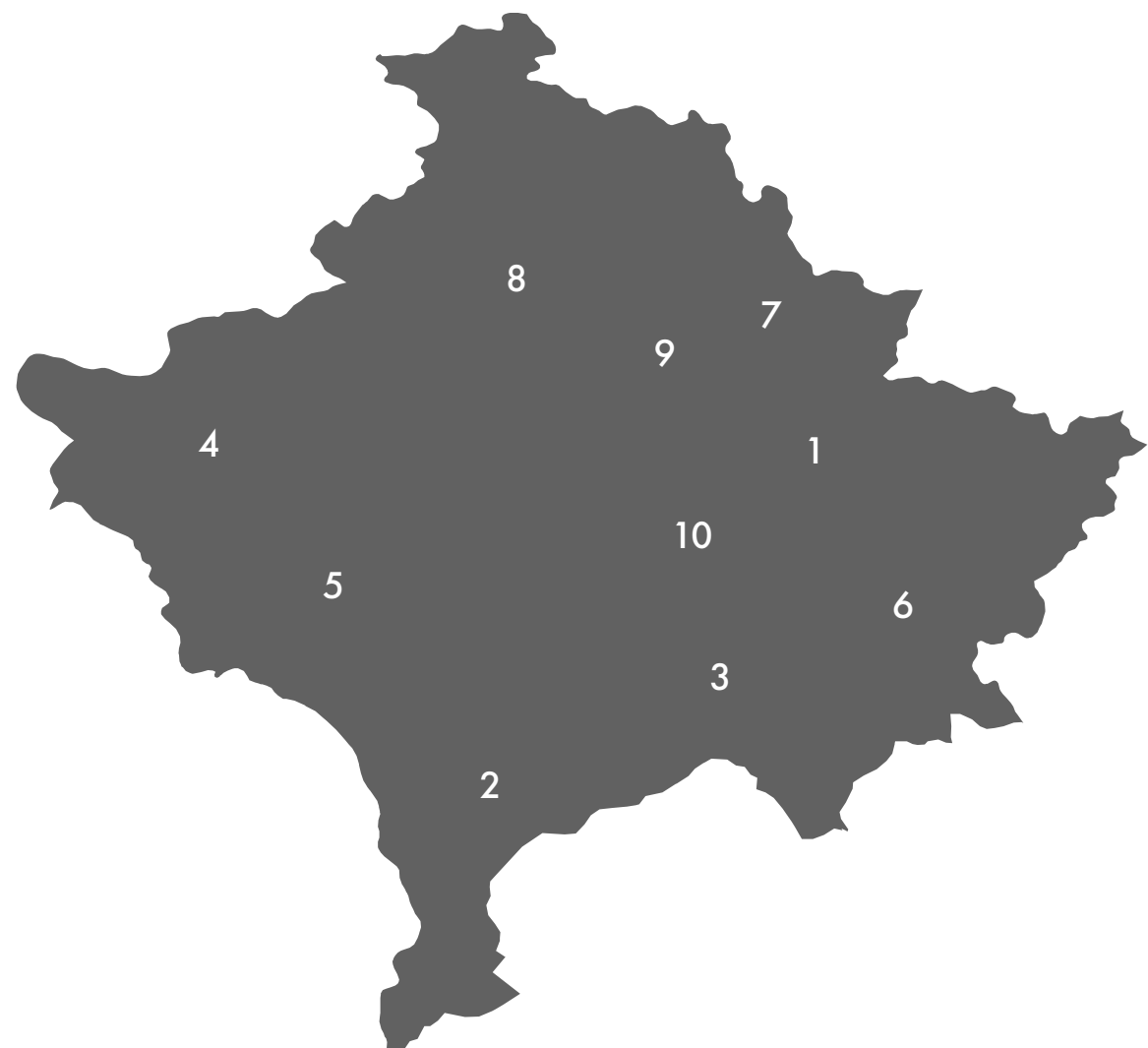
GEOGRAPHIC DISTRIBUTION

Since a large part of the contributors (18% of them) are paid by the Ministry of Public Administration, the office of which is registered in Prishtina, we are not able to analyze where the contributors worked during the year. This is why KPST presents only analyses based on the addresses of contributors in the municipalities that KPST maintains its registers, and it is not possible to use other data of the geographical area.

For 2022, we had 23 Municipalities with an increase in the number of contributors and in 15 Municipalities a decrease in the number of active contributors. In addition to the effect of elections, which were held in 2021, which affects the increase of contributors (through the involvement of additional staff on organization and supervision of

electoral process), in 2022 we have a marked decrease in active contributors in some important Municipalities, such as the case of Gjilan and Gjakova.

Also, in most of Municipalities dominated by the Serbian community, we had a decrease in the number of active contributors, which probably happened due to the voluntary departure of many employees of this community in the institutions of the Republic of Kosovo. Among Municipalities with the highest number of contributors with the highest increase in the number of active contributors were in South Mitrovica (+12.2%), in Lipjan (+5.6%), in Fushe Kosova (+4.6%) and in Ferizaj (+4.1%).



NR.	MUNICIPALITY	NO. OF CONTRIBUTORS	PARTICIPATION	CHANGE FROM 2021	
				IN NO.	IN %
1.	PRISTINA	77,067	18.0%	1,354	1.8%
2.	PRIZREN	34,830	8.1%	365	1.1%
3.	FERIZAJ	27,230	6.3%	1,083	4.1%
4.	PEJA	23,735	5.5%	727	3.2%
5.	GJAKOVA	23,019	5.4%	(142)	-0.6%
6.	GJILAN	22,778	5.3%	(1,050)	-4.4%
7.	PODUJEVA	20,850	4.9%	652	3.2%
8.	SOUTH MITROVICA	18,909	4.4%	2,054	12.2%
9.	VUSHTRRIA	17,555	4.1%	392	2.3%
10.	LIPJAN	15,080	3.5%	799	5.6%
11.	DRENAS	14,059	3.3%	342	2.5%
12.	FUSHE KOSOVA	12,020	2.8%	526	4.6%
13.	SUHAREKA	11,763	2.7%	54	0.5%
14.	SKENDERAJ	11,248	2.6%	163	1.5%
15.	RAHOVEC	9,383	2.2%	(175)	-1.8%
16.	ISTOG	8,853	2.1%	243	2.8%
17.	MALISHEVA	8,790	2.0%	(22)	-0.2%
18.	VITI	8,511	2.0%	(99)	0.2%
19.	KAMENICA	7,081	1.7%	144	2.1%
20.	KLINA	7,023	1.6%	(139)	-1.9%
21.	KACANIK	6,713	1.6%	(125)	-1.8%
22.	OBILIQ	6,654	1.6%	51	0.8%
23.	DECAN	6,263	1.5%	87	1.4%
24.	SHTIME	5,885	1.4%	184	3.2%
25.	DRAGASH	4,474	1.0%	(317)	-6.6%
26.	GRACANICA	2,156	0.5%	(241)	-10.1%
27.	LEPOSAVIQ	1,939	0.5%	399	25.9%
28.	SHTERPCA	1,798	0.4%	42	2.4%
29.	PARTESH	1,725	0.4%	1,331	337.8%
30.	HANI I ELEZIT	1,273	0.3%	(405)	-24.1%
31.	ZVEÇAN	1,137	0.3%	216	23.5%
32.	ZUBIN POTOK	972	0.2%	(125)	-11.4%
33.	NOVOBERDA	684	0.2%	24	3.6%
34.	JUNIK	674	0.2%	(36)	-5.1%
35.	MAMUSHA	638	0.1%	(34)	-5.1%
36.	NORTH MITROVICA	449	0.1%	(1,089)	-70.8%
37.	KLLOKOT	402	0.1%	(180)	-30.9%
38.	RANILLUG	329	0.1%	(221)	-40.2%
	OTHER*	4,942	1.2%	2,285	86.0%

*This is the number of contributors with residence outside of Kosovo or for whom KPST has no information as to which municipality they belong.

CONTRIBUTORS AGE

An average age of all contributors in 2022 increased slightly to 41.2 years from 41.0 at the end of last year. While the median of all contributors did not change - it remained 39 years old for 2022. An average age by gender showed slight movement.

AVERAGE - MEN:

43.2



MEDIAN - MEN:

41.0



For men, it reached 43.2 years (from 43.1 years), while the median did not change, remaining at 41.0 years. In women, the average has increased slightly to 37.7 years (from 37.2 years), while the median remained the same, 35.0 years.

AVERAGE - WOMEN:

37.7



MEDIAN - WOMEN:

35.0



For the year we have a slight increase in contributors of the 45+ age group, which indicates an entry into the formal labor market, as employment at this age is usually difficult. Three other age groups, at the age of 45, had a slight decrease in the participation of contributors engaged in any formal employment during 2022.

AGE GROUP	2022	2021
15-24	17.9%	18.1%
25-34	28.1%	28.7%
35-44	23.0%	22.7%
45-54	17.8%	17.6%
55-64	12.3%	12.0%
65+	0.8%	0.9%

In general, for 2022 we have a decrease in the number of active contributors of young age (up to 45 years old), which may have been influenced by several factors, but one of them may be emigration, which may have forced employers to recruit older age staff.

CONTRIBUTORS BY TYPE OF ENTERPRISE

The type of enterprise is determined according to their registration in the Kosova Business Registration Agency or the Ministry of Public Administration. It should be noted that public and social enterprises (e.g. regional water supply or waste companies, Post of Kosovo, central heating companies, etc.), most of them are registered as joint-stock companies; therefore they are presented along with other public and social companies in the joint-stock companies group.

Also, the number of contributors by enterprises does not match the number of active contributors for the year because a contributor appears more than once in the figures by enterprises- if he/she is employed in two or more types of enterprises.

In 2022, it turns out that there were less employees in budget organizations, compared to the previous year. However, this had occurred because in year 2021 payments executed by the Ministry of Finance for recovery from the pandemic, payments made to help citizens were technically presented as engaged in budget organizations.

Therefore, with the completion of a series of such recovery measures, this number has changed. Meanwhile, this year it turns out that we had significantly more employees in enterprises that operate as Ltd., where engagement coefficient is slightly higher from last year. In other sectors, it does not appear that there were significant changes from the previous year.

A slight decrease is observed in individual businesses, whereas the number of self-employed is almost unchanged. In joint stock companies, there were more active contributors, but engagement coefficient has decreased. In NGOs, we had less people engaged this year, but engagement coefficient has increased. Partnerships improved slightly, with slightly higher ratios this year.

The highest engagement coefficient in the present year was at budget organizations (of 0.909) significantly better than last year (due to anti-covid measures). After them follow joint stock companies (with 0.712), but slightly being weaker than in 2021.

ENTERPRISE TYPE	2022			2021		
	CONTRIBUTORS IN NUMBER	COEFFICIENT OF ENGAGEMENT	EQUIVALENT CONTRIBUTORS	CONTRIBUTORS IN NUMBER	COEFFICIENT OF ENGAGEMENT	EQUIVALENT CONTRIBUTORS
Budget organisations	93,898	0.909	85,353	132,438	0.675	89,396
LLCs	251,729	0.664	167,148	216,890	0.601	130,351
Individual businesses	72,805	0.666	48,488	74,262	0.653	48,493
Self-employed	26,700	0.663	17,702	26,677	0.655	17,473
Joint stock companies	33,835	0.712	24,091	28,293	0.748	21,163
NGOs	24,710	0.456	11,268	25,385	0.383	9,722
Partnerships	3,374	0.635	2,142	3,230	0.649	2,096
Others	10,577	0.635	6,716	16,259	0.452	7,349



AVERAGE CONTRIBUTIONS

The following tables present data on the average monthly contribution for the last three years until the end of 2022. The data are presented according to the type of contribution, according to the age group and type of contribution and gender of contributors. In general, it results that we had an increase in the value of the monthly contribution in each of the presented data. This may be because of increased income from stimulus packages and salary increases (both in the private and public sectors) due to high inflation in Kosovo last year.

The increase in average monthly contribution was reflected in all age groups for 2022, but the highest was in the 35-44 and 45-54 age groups. Positive movements are also observed among employees, for all age groups.

Against them, we had lower increases among women and the self-employed.

AVERAGE MONTHLY CONTRIBUTIONS

YEAR	EMPLOYED	SELF-EMPLOYED
2020	€42.85	€32.04
2021	€45.32	€33.36
2022	€53.07	€35.08

AVERAGE MONTHLY CONTRIBUTIONS BY AGE GROUP

AGE	2022		2021		2020	
	EMPLOYED	SELF-EMPLOYED	EMPLOYED	SELF-EMPLOYED	EMPLOYED	SELF-EMPLOYED
15-24	€35.50	€23.27	€29.75	€20.63	€27.62	€20.09
25-34	€50.75	€26.78	€42.68	€25.77	€38.57	€24.98
35-44	€60.08	€35.37	€51.82	€33.99	€47.86	€32.42
45-54	€60.10	€37.41	€53.12	€35.70	€49.02	€34.99
55-64	€61.14	€40.04	€56.37	€39.40	€54.58	€37.10
65+	€70.56	€44.08	€68.57	€40.33	€65.75	€40.31

AVERAGE MONTHLY CONTRIBUTIONS BY GENDER

YEAR	WOMEN		MEN	
	EMPLOYED	SELF-EMPLOYED	EMPLOYED	SELF-EMPLOYED
2020	€40.07	€25.86	€44.41	€33.45
2021	€40.07	€25.86	€44.41	€33.45
2022	€46.87	€28.20	€57.17	€36.84

LEVEL OF CONTRIBUTING

The current legislation in force requires that minimum contribution for the self-employed, as well full-time employees, be based on the minimum monthly wages of Kosovo, which are: €130 for persons aged up to 35 years; and €170 for ages over 35.

As we have repeatedly emphasized, this minimum wage level is too low to ensure a retirement savings balance that would provide adequate security after retirement. Despite the low level of contribution, the number of employees who declare themselves below the required legal minimum is still occurring.

While among the employed ones we have an improvement in the contribution above the legal minimum, despite the fact

that especially for the age of 35 almost 4% of the contributors pay contributions below the minimum, the rate of payment of contributions for the self-employed is more worrying.

About 41% of the self-employed pay contributions only the minimum (36.9% of them) or below the legal minimum (4.2% of them).

With this level of payment of pension contributions, the period of life after retirement will be very concerning. Possibility that such retirees are a social burden is quite high.

THE LEVEL OF CONTRIBUTING BY THE EMPLOYED

	PAYMENT		
	BELOW MINIMUM	AT MINIMUM	ABOVE MINIMUM
UP TO 35 YEARS	3.75%	0.51%	48.16%
OVER 35 YEARS	0.87%	1.85%	46.58%

THE LEVEL OF CONTRIBUTING BY THE SELF-EMPLOYED

	PAYMENT		
	BELOW MINIMUM	AT MINIMUM	ABOVE MINIMUM
UP TO 35 YEARS	0.16%	2.42%	14.51%
OVER 35 YEARS	4.06%	34.48%	35.8%

“HOW MUCH SHOULD YOU SAVE?”

KPST finds its social responsibility to advise contributors on how much they should put aside in order to reach a savings balance that could offer them more safety after retirement. From a simple calculation of data from KAS, it appears that people who turn 65 years old, they live an average of 78.5 years (77.6 for men and 79.4 for women). Thus, this is an average age of death for all those over 65 which approximates current life expectancy. In this case, pension savings will be needed to fund a pension for 162 months.

Therefore, below we present some tips and suggestions that we consider important. Example: under the assumption that the KPST share price will increase every month at a constant rate of 2.5% per year (an average increase since the establishment of KPST), for a person who is hired on his 25th birthday and who contributes (at least) the legal minimum (currently 13 Euros) for 40 years until retirement, will have an accumulated balance in his KPST account of €10,704.

However, inflation erodes the purchasing power of money and this average inflation has been around 2% per year (average inflation since the foundation), today's value of this balance would be around €6,900. If this balance were prorated over 162 months, the monthly amount to be repaid would be €42.60. If an amount of €100 of the basic pension is added to this, a pensioner would only have €143 available per month. In the current circumstances such a person would retire on the programme of phased withdrawal, with the possibility of withdrawal in an initial payment of 20% of the total balance and withdrawal of the remaining amount of €200 per month would be enough for only 34.5 months.

On the other hand, if the same person would contribute with an average contribution (for 2022 which is €53.07) and taking into account the above parameters, then the total balance of pension savings would be around €28,200. If this balance were to be prorated for 162 months, the monthly amount that could be earned from the KPST would be €174, where together with the basic pension of €100, it would reach €274. Even this amount is quite low for a pension, but whatever it is substantially higher than the one with minimal contribution.

The main reason for the low amount of pension savings is low contribution rate. In most pension schemes, at least 20% of the gross salary is allocated to pension savings (whereas in this rate it is 10%). The second reason is low rate of average annual return. This is because the fund is relatively new and that at the beginning it was more focused on the safety of assets and that savings of all age groups were invested in one portfolio.

From the beginning of 2022 there are two portfolios and later it is planned to add an intermediate portfolio, which will enable investments to be made based on age groups. The younger age group portfolio may be invested aggressively with a higher risk tolerance and a higher potential return. Whereas portfolio of the age group closer to retirement will be invested more conservatively in order to protect savings accumulated over the years.

06

LEGISLATION

Legal framework
Proposed changes

LEGAL FRAMEWORK AND CHANGES

The Law No. 04/L-101 of the Republic of Kosovo on Pension funds of Kosovo, together with its subsequent amendments (Laws No: 04/L-115; 04/L-168; and 05/L-116), provides for a detailed list of functions and responsibilities of KPST and its Governing Board.

KPST legal framework further is detailed and regulated through the pension rules of CBK as well as directives of TAK for the manner of reporting, contributing, correction and taxation of pension contributions.

On the following page we have presented our proposals for legal amendments / changes on the most important current issues in the field of mandatory pension savings.

PROPOSALS ON LEGAL SUPPLEMENTS / AMENDMENTS

1. RESTRICTIONS ON INVESTMENTS IN SECURITIES OF THE GOVERNMENT OF KOSOVO

The current legal restriction that up to 30% of the funds may be invested in the bonds of the Government of the Republic of Kosovo may be increased to 50%, to enable more investments in this instrument. The other regulatory restriction that determines that KPST can offer a maximum of 50% of an amount of an auction of bonds issued by the Government of the Republic of Kosovo may also be revised.

2. ANNUAL ACCOUNTS STATEMENTS

Legislation requires KPST send a written annual statement to participants. Whilst, email deliveries are quite safe, those by mail due to the lack of correct addresses, do not reach the right person. Thanks to the eTrusti portal, and access to it through eKosova, this legal requirement should be removed or changed, since access to the statement is possible at any time.

3. INVESTMENTS IN "PRIVATE EQUITY"

It is necessary that KPST, like many pension funds in the civilised world, is allowed to invest through asset managers in alternative investments such as "Private Equity Funds". Alternative investments cover different asset classes, such as private equity, infrastructure or real estate. This would serve diversification, where allocation would be limited between 5% and 10% of the assets.

4. HARMONIZATION OF SAVINGS PENSION PAYMENT AND LIFE EXPECTANCY

Due to fact that current legislation does not allow annuity from the second pillar to be lower than the minimum pension provided by the first pillar, a monthly amount paid by KPST is used up very quickly. Also, since the second pillar would have to finance the main pension, an amount saved shall also be related to the life expectancy. Because KPST has not yet reached complete maturity (40 years), it would have to be linked to the benefits of the first pillar, in order to have a unified pension. For example Proportion of the amount saved to the years of life expectancy, are added to basic pension, and the beneficiary will have the same retirement value throughout lifetime.

In the beginning, this would be financed entirely by individual savings in KPST, while later (when these funds are used), this financing would be transferred to the state budget. The part that would be saved at the beginning, would serve to finance this combined pension until the end of the retiree's life. Hence, with this, the goal of the pension scheme would be rounded off, where each pensioner would receive the pension for his entire life, depending on his contribution. While they now receive 20% of savings as an immediate payment and at least 200€ per month, as well the basic pension, this balance is exhausted only for the first 4-5 years. Then the value of monthly pension declines drastically, relying only on the basic pension.

5. WITHDRAWAL OF PENSION SAVINGS FOR CASES OF INVALIDITY

This legal possibility shall be modified since the withdrawal of funds is currently being made possible even for persons who have either been skilled again or are still working.

6. INACTIVE ACCOUNTS

It should be foreseen by law what should be done with savings accounts after they have stopped contributing for a long time (e.g. when the contributor reaches over 100 years and has not yet withdrawn funds himself or by any of heirs).

DRAFTED BY

THE UNIT FOR PUBLIC RELATIONS OF KPST

AUTHOR

JETON DEMI

AUTHORISED BY

THE MANAGEMENT OF KPST

ADDRESS

Str. "Agim Ramadani" #182-184
10000 Prishtina, Kosovo

E-MAIL & WEB

info@trusti.org
www.trusti.org



Fondi i Kursimeve Pensionale i
Kosovës