



The Impact of Risk Management Factors in the Sustainability of the Pension System in Kosovo

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Abstract: The aim of this study is to analyze the environmental dimensions that have a direct impact on the sustainability of the pension system.

During the study will be analyzed in particular: Overview of the state of financial assets available to the pension fund of Kosovo (assets under management), administration of individual accounts of contributory pension, investment assets of the pension fund, investment policy, risk investment, risk management, capitalisations, the quality of pension portfolios, pension payments, etc.

The objective of the study is historical reflection of the development of the Pension Fund, its performance measurement, risk reflection of its sustainability and development strategies.

Research question will be; How much impact the management of risk factors in the sustainability of the pension system in Kosovo? In order to reply to this question, we will continue to use the use the knowledge of the theories on the risk management of global pension funds, the use of global investment practices of the assets of pension funds in financial capital markets. This study will highlight the efficiency displayed in the management of risk factors in the sustainability of the pension system in Kosovo. Through critical evaluation that will be made to the management of risk factors Kosovo Pension Fund, will be made possible findings, which will serve to make the necessary recommendations for supplementation, improvements or modifications to the problem of study. The results of the analysis that will result, will draw conclusions which conclude that the state of the Kosovo Pension Fund and shall indicate the need for the advancement of risk management factors in Kosovo pension system

Keywords: Pension contributions, pension fund assets, risk management, risk factors, pension portfolios, pensions.

1 Environmental dimensions

Environmental dimensions for the operation of pension funds, dealing with;

- a) political aspect
- b) the economic aspect
- c) sociologically
- d) technical and technological aspect

a) *Politically aspect* related to the completion of the legal framework and compliance or enforcement

laws that regulate financial environment, in particular the functioning of the environment for pension funds. In Kosovo are derived some general laws and normative acts, based on which function such as pension funds; Law no. 04 / L-101 on Kosovo Pension Funds and relevant laws of the financial system, regulating the structure of the organization and functioning of the pension system in Kosovo (system three pillar pension funds by adjusting the modeling of pension funds, modes of operation thereof, etc.).

b) Within the *aspect Economic* and completing the legal framework of the financial system also includes a significant number of relevant Regulations which has issued Central Bank of the Republic of Kosovo. These acts regulate the functioning mechanisms; surveillance pension system in Kosovo, the management of contributions, investment benefit pension annuities and pension retaliation. Also this corps of completing the legal framework of the added rules that are issued by the Kosovo Tax Administration, which regulates; taxes, tax management, depreciation, technical reconciliation of payments of contributions, etc.

c) *Sociologjik aspect*- Kosovo is a country with a fragile stability, which are characterized by; inadequate implementation of laws, underdeveloped democracy, the lack of legal certainty. The pension system in Kosovo can be hurt by; Employee negligence, errors during operations professional negligence, but also through fraud or theft attempts. Therefore, in this regard by the competent authorities required pension funds to develop governance and management policies, careful and responsible, so that the pension system is controlled and monitored better. Fortunately, so far, attempts have been made in this regard to affirmative pension funds in Kosovo, in order to continually been raised capacity of human capital through training and other means of education and raising the professional skills for the job.

d) *Technological technical aspect* -in Kosovo pension system is directly linked to information technology and communications, so it can always be challenged by technological and technical risk. The pension system can often face different problems during the processing of data, especially when there is a need to adapt the advanced technology to the technical and technological conditions of the data processing system. These problems may occur as defects, or as system malfunctions.

2 Assets under management

Kosovo pension system is composed of three pillars: *First pillar*¹ - and contains the basic pension scheme or pension age, *Pillar second*² - consisting of the Pension Fund Mandatory Savings Trust Kosovo Pension and *Third pillar*³ - develops supplementary pensions stimulated by tax relief and consists of a voluntary pension fund or the Slovenian-Kosovo Fund.

Below are details on the number of beneficiaries of the first pillar of the pension system in Kosovo. The table shows that for recompense pension needs the first pillar in 2014 participate in the Kosovo Budget by 1.3%.

| Years | Number of users | Monthly amount | Annual spending budget |
|-------|-----------------|----------------|------------------------|
| 2002 | 93.087 | 28 € | 17.874.763,00 |
| 2003 | 108.279 | 35 € | 44.459.960,00 |
| 2004 | 116.932 | 40 € | 54.912.599,00 |
| 2005 | 124.893 | 40 € | 59.313.333,00 |
| 2006 | 127.356 | 40 € | 63.766.380,00 |
| 2007 | 131.874 | 40 € | 63.133.100,00 |
| 2008 | 138.847 | 40 € | 65.641.485,00 |
| 2009 | 130.347 | 45 € | 73.603.960,00 |
| 2010 | 109.585 | 45 € | 63.640.920,00 |
| 2011 | 107.145 | 45 € | 61.196.210,00 |
| 2012 | 113.043 | 50 € | 69.208.570,00 |
| 2013 | 117.042 | 60 € | 87.340.090,00 |
| 2014 | 125883 | 75 € | 108.199.460,00 |

Table 1
Number of beneficiaries of the first pillar of the basic pension⁴. Source: Ministry of Labour and Social Welfare - Department of Pension⁵

1 Ministry of Labour and Social Welfare - Department of Pension

2 <http://www.trusti.org/index.php/sq/mjetet-nen-menaxhim-qe-fkpk-ja-ka-sipas-viteve>

3 http://www.fondipensional.com/english/index_eng.html

4 Clarification: Basic pension scheme has started from July2002. Pension beneficiaries were all resident citizens of Kosovo, who have provided evidence that were born and have lived at least two months in Kosovo, so has the number of beneficiaries change from month to month (as at the entrance of the beneficiaries, as well as the removal from the list, in particular, there have been many delays in deregistration of the beneficiaries of the deceased and abusers unfair),

In the second column reflects assets under management of the Pension Fund Trust Kosovo Pension Savings Trust (KPST) until September 2015, which were in the amount of € 1,177,735,807.55. These funds have recorded an increase of 91 million euros for the nine month period of 2015, because the rate of return from investing the sum of 38 million euros, while the amount of new contributions was in the amount of approximately 67 million Euro.

But during the same period they were disbursed 11 million for pensions of total assets under management of KPST Pension Fund, and 3 million for fees (investment and operational) and for refunds.

Seen from a historical perspective of the development of the Pension Fund Pension Savings Trust Kosovo reultion that the Fund's average Grow 5.5% per year, while loads of retaliation Pension Fund for pension and other costs was approximately 1.3% .

| Date | Assets (net) under management | Profit / loss in percentage |
|------------|-------------------------------|-----------------------------|
| 07.09.2015 | € 1,157,394,114 | 14.27 % |
| 31.12.2014 | € 1,087,760,598 | 16.07 % |
| 31.12.2013 | € 913,182,738 | 12.59 % |
| 31.12.2012 | € 739,753,940 | 6.77 % |
| 31.12.2011 | € 595,384,324 | 1.27 % |
| 31.12.2010 | € 495,273,000 | 1.49 % |
| 31.12.2009 | € 380,704,774 | -4.63 % |
| 31.12.2008 | € 255,742,981 | -25.32 % |
| 31.12.2007 | € 279,579,860 | 10.26 % |
| 31.12.2006 | € 215,103,575 | 12.24 % |
| 31.12.2005 | € 145,808,692 | 8.59 % |
| 31.12.2004 | € 84,803,347 | 3.39 % |
| 31.12.2003 | € 37,832,687 | 0.54 |

Table 2
Assets under management since its establishment up to September 2015¹

also a particular problem have been the beneficiaries pension, which centers are not registered by the time limits established pension, so they are temporarily suspended from the list of beneficiaries (who after notification in pension institutions they are included again in the lists of beneficiaries). Thus the disciplining of beneficiaries to calling the Pension Institutions and cleaning the lists of beneficiaries of the scheme is continuing basis following.

5 The table is reflecting the monthly and annual budget spent in the period 2002-2014, by year.

Since the establishment of the Pension Fund Pension Savings Trust of Kosovo (2002-2015) were registered contributors 497000 individual pension account⁶. While the number of active contributors' pension accounts in 2015 was of 277,000 accounts. During the year 2015 (to September 2015) the number of new participants in KPSF were 7.876 contributors.

Assets under management of the third pillar which is managed by the Slovenian-Kosovo Fund participate in the entirety of the pension funds assets by 0.6%. We are supplementary pension fund recorded a small number of voluntary contributors.

3 Investment of Pension Fund Assets

With the investment operations of the pension system in Kosovo deal; Pension Fund KPST and Slovenian-Kosovo Pension Fund. Determination of Pension Funds investment depends on investment⁷ policies that apply to the governing boards of pension funds. So Governing Board is responsible, and makes investments based orientation of investment and Regulations Manual of the Central Bank of Kosovo and the Law on pensions. As every investment you made in business, as well as investments of pension funds assets in themselves carry a degree of risk. To reduce the scale of the Governing Board rreizkut prudential policies which contain concepts of conservative and aggressive investment.

Investments KPST Pension Fund in the first half of 2015, are very positively influenced by improved economic indicators in the US, Asia and Europe. Lowering the price of oil has given a strong impetus to companies to reduce costs and increase financial capacity, fueling economic growth. On the other hand, the Greek debt crisis has negatively affected financial markets at the end of this semester, resulting in the contraction of return on investments for the period. During this period, the investment performance of the Pension Fund KPST has not been affected to the extent that the need for intervention in attracting investment or their reallocation. Only the last three years the value of pension assets investment increased to 191 million euros gross or net 178 million euros.⁸

3.1 Investment Policies

Investment policies compiled by the Governing Board based on investment principles, which are built on the basis of these criteria:

1) Provision of pension assets

6 All individual accounts and liabilities to contributors are denominated in euros.

7 OECD "Guidelines on Pension Fund Asset Management

8 <http://www.trusti.org/index.php/sq/mjetet-nen-menaxhim-qe-fkpk-ja-ka-sipas-viteve>

- 2) Diversification of investments
- 3) Maximizing the returns on the safety of pension assets
- 4) Maintaining sufficient liquidity.⁹

In order to increase the level of care for investment funds, the Governing Board appoints the Investment Committee which has the competence; assesses the suitability of investment, the need for diversification, asset managers suitability of the selected pension funds, the definition of investment principles, etc.

The Commission also examines investment; policy investment in power and proposals for changing it evaluates the current allocation of Mjetevem invested, monitors the current investment, makes reviewing the performance of investments, it assesses the risks which may arise from funds selected reports Governing Board formally associated with direct and indirect investment funds and to trading on regulated markets.

Investment of Pension Fund assets made in asset classes, including stocks, bonds, cash and absolute return instruments. Investment funds are based on the balanced policy, between the interests of contributors who are expected to retire in the near future and those who stay away from retirement.

Investment during special attention is paid to keeping operational costs as low level, without compromising the quality of services to contributors.

The need for balance in the allocation of funds in stocks and bonds represent the rate of returns result.

3.2 Investment risk

Risk capital investment¹⁰ represents uncertainty in the realization of objectives, which is manifested through fluctuations that may cause loss or gain. Investments usually monitored by a degree of uncertainty. Uncertainty presents the situation which can not provide the expected result in advance. Thus, the investor is unsure of the outcome to be taken or can not predict, but can expect possible outcomes that can occur.

Investing in the financial capital market undertakes the risk, hoping to achieve substantial rates of return. Investment risk can be measured and assessed how it can be managed risk factors. The investment risks associated repeatedly investment performance. Risk can be reduced and can be avoided, especially when measured assessment of the investment. So every investment carries some degree of investment risk.

9 Fund Kosovo Pension Savings Trust (KPST), Investment Manual, Review Last Updated: August 26, 2015

10 Elez Osmani, Rozafa Ristani, Markets and financial institutions, Institute for Scientific Research and Development, Second Edition, Shkodra 2013

To manage the investment risk as best as possible is important to identify; types of risks and risk factors

Investment in the long term, equities can generate higher returns than bonds, cash or absolute return instruments. Therefore, policymakers pension funds take into account the potential risks resulting from the policies of the weighted shares, which will have to diversify¹¹ its best.

Pension funds invest its resources in the international financial capital markets, which means that financial investments are exposed to various risks, which may affect the value of assets of the Pension Fund. Pension funds are so concerned that their financial assets invested by asset managers in; equities, financial derivatives, bonds, to generate income and to reduce overall costs or the risk of Pension Fund.

Market fluctuations affect the underlying investments and may result in disproportional movement of benefits from investments.

When pension funds invest in emerging markets, they carry additional risks due to less developed practices of the market and subject to greater fluctuations in prices and benefits.

Levels of investment fees also have an impact on the value of investment income. Therefore, it is possible to reduce their fees kapitaliimet from investments which are expected to generate sufficient income to cover these fees.¹²

4 Risk factors

Risk factors influence directly the stability and sustainability of the pension funds, which may be free menxhueshem and manageable. If we look kategite the risks mentioned above, we see that the number of major categories of risk are menaxheshem from pension funds, especially risks that come due; professional government (fair and measured), to respect the principles of investment of pension funds, the efficient management of the investment of funds, assessments of financial condition, the level of professionalism, etc.. While the categories of risks that are due to the development of economic processes (the economic system, the financial system, the economic crisis, culture and laws of the countries where it operates the capital market financial, etc.) Can not be managed easily, but It can be provided to process streams of the market potential for example; Movements in global financial markets this year (2015) have contributed to the stagnation of the real growth rate of the pension funds in Kosovo, mainly because of economic policies on economic development in the EU and the US were very complicated.

11 Harry M. Markovitch, *Portfolio Selection, Efficient Diversification of Investments* (New York; John Wiley and Sons, Inc., 1959)

12 BNY MELLON Global Real Return Fund (EUR), Key Investor Information

Greek crisis also emerged which was manifested more dilemmas about its continuation in the EU area. In the area of the US dollar market, global stock market was in surplus, but the general climate in the area of the dollar and the euro area was discouraging for investors, especially financial capital market of Euro-Zone was shaken enough, because it was questioned the future of the common currency Euro, due to the potential risk of a Greek exit from the Eurozone. While on the other hand the global bond market, marked increase in interest rates.

Selection and allocation of investments done to manage the assets of pension funds in order to benefit as high and avoid the maximum risks.

During the preparation of investment policy by policymakers for the investment of pension fund assets, usually taken into account the following categories of risks, which could jeopardize investments, as follows:

Inflacionit- risk represents the risk that emanates from the rise in prices of products or services, and as such the reduction in purchasing power and the real rate of return on investments.

The risk that the issuer kreditor- risk of debt securities held by the Sub-fund, not pay their dues or be lower category of their credit rating, resulting in the decline of Net Asset Value.¹³

Berza risk – risk of investment value may be lowered or raised and can hurt the amount of money invested.¹⁴

Risk of country / risk politically - Fund assets may be subject to uncertainties, such as; changes

1. Government policies of a country; 2. Taxation; 3. Restrictions on foreign investment; 4. currency decisions; 5. Laws and regulations which together with natural disasters and political unrest could weaken the stock markets of the country. The risk of impairment events paparashikueshmendikojne in the funds invested. The risk from natural events, political events, etc ., unpredictably affect the impairment of financial investments, the financial capital markets.

Risk of tracking the Index - the Fund is not expected to follow or repeat accurately optimize the performance of the Index over time. However, the Fund is expected to produce investment results that, before expenses, generally correspond to the price and yield performance of the Index.

Risks associated with management of diskrecional- management company has implemented investment strategies described above to create a well-diversified fund. Therefore, it can not be excluded that the Management Company not choose the most profitable tools.¹⁵

13 AXA World Funds, Key Investor Information

14 Institutional Euro-hedged Shares of Vanguard Global Stock Index Fund, Key Investor Information

15 TOBAM anti benchmark world equity fund, Key Investor Information

Risk of contra part- Fund may incur losses in case of a default of a counterparty with which certain transactions are conducted, leading to a decline in the net cash value of the Fund.¹⁶

The risk of exchange rate of foreign currency (up to 100% of assets) - Represents the risk of falling into a normal rate of investment, compared with the currency reference of the Fund, which may lead to a significant decline in the Net Asset Value .

Credit risk / ABS / MBS- Securities backed by mortgage or tools may not receive in full the amounts that were owed underlying borrowers.

Credit risk / loans securities- issuer of the securities may not be able to meet its obligations to perform timely payments of interest and principal. This will affect the credit rating of these securities.

Credit risk / failure rate investimit- Securities degree of non-investment, in general, provide higher yields than securities rated above, but will be subject to a larger market, risk credit and that of failure.

The risk of currency / protected classes of-stock changes in exchange rates will affect the return of your investment. The purpose of this class to protect the stock euro is to ensure the return of fund investments by reducing the effects of exchange rate fluctuations between the euro and the US dollar as the base currency of the fund.

Derivativ risk from derivatives used to raise, reduce or maintain the risk level of the fund. The strategy followed by the fund which may not result in significant losses for the fund.

Operational risk / third parties - fund operations depend on third parties and it may suffer disruption or loss in the event of their failure.¹⁷

Risk evaluation-This risk is deemed to be determined by the external auditors, who do an audit of pension fund investments, or institutions supervising the Central Bank of Kosovo, but can be made by other parties to the investment regulatory evaluation. Pension Fund Management has an obligation to review any available information and the review of the risk assessment. This risk is also called the counterparty risk which is used by pension funds for investment.

Interest rate risk- associated with market levijet, the cilast can impact on the increase or lowered interest rate which caused a decrease or increase in the value of the investment.

Business Risk- This risk represents the investment of funds in all financial securities, which are expected to reuzltojnë with investment return. These

16 Nordea Investment Funds SA, Key Investor Information

17 Schroders, Key Investor Information

investments in itself contains the expected risk. The risk investment funds to pension funds can be displayed in two ways:

- As financial means isolated or separated (it has to do with the risk that investors face when investing in only one class of financial assets and taken at only estimates of future consideration of it) and

- As the financial means of a portfolio (large portfolios have a certain amount of risk that can be eliminated by creating a well-diversified portfolio, the cash consideration of any expected combined portfolio of assets

So, the risk that can be minimized or eliminated, called the diversifikueshëm risk, while that part which can not be minimized or eliminated called market risk or undiversifiable.

Currency specific risk- has to do with setting the upper limit of funds that can be invested in mutual funds that are not denominated in Euros or that are not tied to the Euro.

Market risk- Each market risk investment portfolio carries market risk. In order to address market risk, the Fund Poensional try to find alternative investments that are affordable and which minimize the risk of investment, reorient placements of investment risk-traders with low or risk management with high, with the purpose of realization of the strategy which provides that the rate of return to be more secure. In this case, policymakers use mjetve principle of diversification of the investment as a key factor for market risk mitigation. Market risk is related to factors that systematically influence the financial capital market, as can be; war, inflation, economic crisis, etc. As the financial capital market is adversely affected by these factors, then this risk can not be eliminated through diversification of financial investments in the same market. To measure the degree of market risk is necessary to use the CAPM model (the pricing model of capital assets - CAPM (Capital Asset Pricing Model¹⁸), which analyzes the mutual connection between the risk and the return norms.

Economic risk- is the risk resulting from the economic downturn or other economic causes that impact on reducing the value of the investment, profits redultuar investment opportunities.

Liquidity risk- that risk estimated by the management of pension funds and managed on the basis of data on the principle ex-ante (before the event)¹⁹, as Pension Funds invest in mutual funds that possess the highest degree of liquidity. The liquidity of the pension funds²⁰ in Kosovo maintained through certain amounts of money which are stored in the accounts of the Central Bank of Kosovo, with the purpose of exploitation in terms as short for pension annuities

18 William F. Sharpe "Capital Asset Prices: A theory of market equilibrium under conditions of risk" – The Journal of Finance, September 1964

19 <https://en.wikipedia.org/wiki/Ex-ante>

20 James Tobin, Liquidity preference as Behavior Towards Risk, The Rewiew of Economic Studies, XXV (Febryary 1958)

penalty and payment of Expenditure for; Managing fees, operational expenses, refunds, etc. Kosovo Pension Funds hold certain amounts in the CBK accounts for extraordinary payments, which conditioned by laws.

Liquidity risk²¹ in some placements may be low. Buying and selling of these tools can be time-consuming and unfavorable prices.²²

Reputational risk- is related to; transparency of pension funds, honesty and maturity of the members of the Governing Board of the Pension Fund, the level of professionalism of the members of the governing board and the management, efficiency of operations administration, punctuality or accuracy of processing the data, respecting the highest standards of responsibility and the reliability built the reputation of the Pension Fund.

Therefore, the task of pension funds is that during the preparation of investment policies to reduce the level of investment risk exposure, as well as often to review investment policies.

Pension funds in Kosovo adapt policies governing the financial capital market and financial potential of the available funds and undertake activities for investment orientation in the most appropriate, with the aim of forming an optimal structure of portfolio investments.

5 Risk assessment function

When the risks identified by the Governing Board or by the management of the Pension Fund, made the analysis of potential impacts they may have on the Fund pensional measured their potential and decisions to react to them.

Depending on the nature of the risks and impacts of their policy makers or managers to take appropriate action; avoid risks, minimize risks, keeping risks, avoidance of risks, transfer risk to third parties,

Recognition, evaluation and management of risks, the use of appropriate techniques of managing risk is a permanent task of Pension Funds. So, prevention of risks and their control of pension funds, which thus ndikonjne in establishing their stability and serve to build the sustainability of the pension system.

5.1 Risk Management

The pension funds pay special attention to risk management. They try to gather as much information about each financial capital market, as well as financial trades

21 Pictet - High Dividend Selection, Key Investor Information

22 Developed KBI Institutional Equity Dividend Plus Fund, Key Investor Information

in these markets, depending on the type of asset classes which are traded in these markets. Thus, pension funds trying to determine the reliability scores for investments using the appropriate information to determine the degree of risk in accordance with investment potential. The pension funds pay special attention;

Investment planning, asset managers pergjedhjes, kustodianeve, implementation of investment contracts, development of research on the risk assessment of investments, the risks përzakufizimeve, revenue management process or financial investment, risk control procedures, and to review the investment policies. Depending on the kind presented in response to risks risqevem made by pension funds. Risk assessment by the Governing Board and by the management of the pension fund, enables the use adequate actions in order to rise to minimize or avoided entirely. Risks that belong internal operations, can easily be managed, paying attention to the need for caution or avoid risk, or avoiding in this way the effects of bad choices. The main objective of pension funds is the establishment of principles, which aim to eliminate the effects of risk factors on investment, whether as a definition inadequate bodies politikmakers of pension funds, either as selection evil principles oprimeve, or risk conscience.

5.2 Investment risk carriers

Carrier risking the investment of pension funds are members of the Governing Board of the relevant pension fund. So, the pension plans with defined benefits and bear the investment risk of the pension funds, because they make total investments of assets in the financial capital market. Since pension funds are also responsible for the payments of pension annuities, based on the amount of contributions paid to individual portfolio investment and capitalization.

Therefore, the risks for the preservation of qualitative value of pension fund assets and the amount of returns from investments are borne by the Governing Board of the Pension Fund, because it is responsible for covering gaps that arise in the pension scheme.

5.3 Measuring the performance of investment funds

In order to manage as best as risk factors the financial investment of pension fund assets, measure the performance of asset managers in the shortest period of time. So KPST Pension Fund makes measurement of performance in the three-month periods of the asset managers, recording the degree of positivity or negativity of placements, for example; in Q2 of 2015 the highest negative performance had Tobam fund (-4.91%), which turns out to have a maximum of placements in Europe and Asia, which were the main homes of crisis this quarter (Greece, because the problem with debt, and China with massive selling of shares by the collapse of investor confidence). However the other funds (primarily) with a focus on stocks as Nordea GSEF (-3.75%), AIC DPD (-3.13%), and Pictet (-2.68%)

were the most affected by impairment and were influenced by their geographic positioning of foreign investment distribution. Investments in Canada and Australia recognize additional losses this quarter, due to the strong devaluation of currencies. The performance of other investment funds was Vanguard (-0.77%), Schroders (-0.51%), BNY Mellon (-2.15%), AXA WFOI (-0.98%) and AXA GILB (-2.59%). But most importantly it is that only Schroders (-0.56%) and Tobam (-0.08%) had negative performance for the first half year of the year, while all other funds were in positive terrain. Investments in bonds of the Government of Kosovo for the period had performance of 0.48%, and it always depends on the maturities and dates of new investments²³. So KPST Pension Fund makes performance analysis of placements in quarterly periods for each manager or issuer.



Figure 1
The cumulative performance KPST Pension Fund of establishment (2002-2015)²⁴

| | Day | Quarter | Year | 1 Year | 3 Years | 5 Years | Since the establishment |
|-----------------------------------|----------|-----------|----------|---------|---------|---------|-------------------------|
| The share price (1.2833 €) | -0.13 % | -3.46 % | -0.36 % | 0.60 % | 16.65 % | 28.21 % | 28.33 % |
| Gross returns (thousands) | -1,500 € | -44,441 € | -3,008 € | 9,432 € | - | - | 207,396 € |

Table 3
The performance of the KPST Pension Fund on 09.07.2015²⁵

23 <http://www.trusti.org/index.php/sq/mjetet-nen-menaxhim-qe-fkpk-ja-ka-sipas-viteve>

24 <http://www.trusti.org/index.php/sq/mjetet-nen-menaxhim-qe-fkpk-ja-ka-sipas-viteve>

25 <http://www.trusti.org/index.php/sq/mjetet-nen-menaxhim-qe-fkpk-ja-ka-sipas-viteve>

| | Momyh | Year | 1 Year | 3 Years | 5 Years | Since the establishment |
|---------------------------------------|---------|---------|---------|---------|---------|-------------------------|
| The share price (1.3517 €) | 1.69 % | 4.95 % | 8.08 % | 24.90 % | 37.69 % | 35.17 % |
| Consumer Price Index in Kosovo | -0.24 % | -0.55 % | -0.71 % | 2.35 % | 13.36 % | 30.58 % |

Table 4
The benchmark performance against the KPST Pension Fund on 31.07.2015²⁶

Performance and return on investment since its establishment (2002) of the Pension Fund KPST until 2015 has increased the share price of 28.33% compared to gross return, and has increased the share price of 35.17% versus the index of prices consumption in Kosovo that was 30.58%.²⁷

6 Findings

Pension funds in Kosovo implement sustainable policies on the management of risk factors, based on the principles arising from the OECD guidelines.

In particular, the Governing Board of the Pension Fund Pension Savings Trust of Kosovo has implemented the new investment strategy, which has proven to be responding well to new challenges in the financial capital markets.

7 Conclusions

Kosovo Pension Funds develop prudent investment policies, based on conservative investment concept.

These funds are oriented more in the assessment and management of risk factors, which are manageable. While the pay special attention to the process of information regarding risk factors external investment.

To minimize the degree of investment risk, these funds make the transfer of risk to other parties, buying much greater security for the preservation of the value of the assets invested.

²⁶ <http://www.trusti.org/index.php/sq/mjetet-nen-menaxhim-qe-fkpk-ja-ka-sipas-viteve>

²⁷ <http://www.trusti.org/index.php/sq/mjetet-nen-menaxhim-qe-fkpk-ja-ka-sipas-viteve>

Potential factors which may reikojne pension fund investments Kosovo can arise from external threats, and less by internal reiqet.

Policies governing the management of Pension Funds and are quite rational and professional.

Government intervention in the policies of the kufiuar ershte Pension Funds, or impossible.

The pension funds have paid attention to the advancement of information technology systems, and therefore the possibility of injury to Information system is small.

Kosovo marks a growth of 2, 5% - 3% per year, so the rate of economic development, namely employment and the payment of pension contributions increased vahdushme marks.

Kosovo uses the euro currency, although not members of the Euro Zone, so the possibility of increasing the inflation rate is limited because of conditioning factors kept inflation under strict control.

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