THE ROLE OF THE EUROPEAN UNION IN THE AREA OF SUPPLEMENTARY PENSION FUNDS: THE CASE OF KOSOVO

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Abstract
Pension Funds are a novelty in the global arena and certainly an innovation in the newly established Kosovo pension system. After the 1999 conflict, first the international community and later the Kosovo authorities have undertaken state and institution building efforts in order to normalize all sectors of social and institutional life. To date, the Kosovo authorities have progressed in the process of the establishment of actual Pension Funds. However, they are still facing challenges in implementing the newly established legal framework, setting up the institutions, and establishing adequate processes related to the functioning of pension funds. In 2015, the Kosovo authorities signed the Stabilization and Association Agreement with the European Union (EU) as the first step towards the still-distant prospect of EU membership. As such, the Kosovo authorities need to undertake comprehensive and deep reforms of its legal and intuitional framework. The main purpose of this paper is to identify the advantages, risks and challenges of integrating the EU DB and DC concept of Pension Funds in Kosovo as a part of its efforts towards EU integration. Through a comparative approach of the EU DB and DC concept of Pension Funds and the newly developed pension schemes in Kosovo, I aim to answer the question: is it possible to implement the very high standards for Pension Funds developed by

the EU in post-conflict Kosovo as a part of its efforts towards EU integration? The main findings of the paper will show how the socio-economic and financial problems of post-conflict Kosovo impact the core of pension funds as envisaged in EU pension fund schemes and how the goal of EU integration impacts the development and implementation of pension funds in Kosovo.

Key words
EU, pension funds, pension, Kosovo, Define Benefit and Define Contribution.

1.INTRODUCTION

Occupational pension schemes are created according to different modalities and concepts. Often they are created in addition to state pension schemes and as acontribution to a better life after retirement age. Occupational pension schemes are also referred to by other names such as: pension schemes, pension plans, but most often are known as Pension Funds. Essentially Pension Funds are the funds generated by pension contributions of employees and employers. Occupational pension schemes can be funded or not funded, contributory or non-contributory, mandatory or voluntary, define benefit or define contribution, or can be also hybrid or mixed with combined elements of more than one concept. With the establishment of supplementary pension funds, the individual him or herself is involved in defining his or her social future. This involvement and the role of the individual does not weaken or minimize the role of the state as the main factor that creates the preconditions for the functioning of Pension Funds and supervises the way they function. The European Union (EU) throughout its development policies has managed to influence member states in advancing their social systems with Pension Funds. In almost all pension schemes of different countries within the EU there are mandatory and voluntary Pension Funds or schemes that are available to citizens. Pension Funds in the EU function mainly according to the Define Benefit (DB) and Define Contributions (DC) concepts. With this combination of obligatory and voluntary pension systems, the EU has managed to give its citizens responsibility and a role in their social future after retirement age. An extraordinary achievement within the EU is also the general culture for private companies to establish and develop supplementary Pension Funds for their employees as a very important social component. Historically Europe has been the cradle of the social welfare state, as well as the place where the model has found its apex (Costamagna 2011). The common understanding is that the European social model involves "the institutional arrangements comprising the welfare state (transfer payments, collective social services, their financing) and the employment relations system (labor law, unions, collective bargaining) (Martin & Ross 20014: 11). With the enactment of the Lisbon Treaty the so called Lisbon consensus relates to modernizing or 'adaptation' of the European welfare regimes, it proposes that social policy has to be a dynamic force, activating all members of society and which operates as a 'productive factor' for the economy (Treaty of Lisbon 2009).

The EU has consistently played an important role in the supplementary pension field by encouraging changes in member states through common market policies and fiscal and economic rules. The role of the EU in the area of pensions is expressed through the promotion and coordination of common policies and objectives for the development of a coordinated, harmonized and functioning social and pension system that can function within the Union without interstate barriers and through a common legal framework for the functioning and oversight of Pension Funds within the EU (Towards an European Pillar of Social Rights 2016, Elison 2012).

In Kosovo, Pension Funds have been operating since 2002, at a time when Kosovo was under UNMIK's international administration. The pension scheme established by the international administration was a novelty and unknown to the citizens of Kosovo. The lack of a preliminary debate, the lack of connection with the pre-1999 pension system, and the lack of any age-specific categorization of the population (to be determined by the age from which this scheme would be fully applied and older age for which it is only partially applied), brought dilemmas, debates and dissatisfaction with this pension model. The pension model installed in Kosovo is divided into three pillars, which do not have any direct connection or interaction between them. After 2007, the Kosovo authorities have made some improvements to the pension system but the current pension system does not offer a long-term solution. Kosovo signed the Stabilization and Association Agreement (SAA) with EU in 2015 but it is not a candidate country yet. The signing of the SAA opened a new phase in the EU-Kosovo relationship. It represents an important contribution to stability and prosperity in Kosovo and the region at large. The SAA for Kosovo entails mutual rights and obligations and covers a wide variety of sectors. The SAA focuses on respect for key democratic principles and core elements that are at the heart of the EU's single market. The SAA will establish an area that allows for free trade and the application of European standards in other areas such as competition, state aid and intellectual property. It will also help the implementation of reforms designed to achieve the adoption of European standards by Kosovo. Other provisions cover political dialogue, cooperation in a wide variety of sectors ranging from education and employment to energy, the environment, and justice and home affairs (SAA 2015). Kosovo as a case study has been chosen in order to enhance understanding of how the EU standards related to pension schemes have been integrated in the newly established legal framework, to assess if it is possible to implement the very high standards related to pension schemes in a post-conflict setting characterized by low economic development and a high unemployment rate. Also, through analysing the Kosovo pension schemes we will further reveal the challenges that post-conflict and new states have in the process of establishing welfare state systems as a part of their EU integrative processes. While, we note the growth of research in the field of EU pension concepts and their implementation in Western Balkan countries (Altiparmakov 2011, Altiparmakov 2013, Demi 2015, Mustafai 2017) research on the Kosovo pension schemes remains limited. This is due to the very specific position of Kosovo in relation to EU processes. The EU has included Kosovo in its enlargement agenda (European Union External Action 2016), the EU is a part of peace and institution- building efforts and it assists Kosovo in implementing its EU agenda (European Commission 2009). However, Kosovo is in a unique and difficult position regarding its eligibility to advance towards EU membership. As such, this research will contribute further to shed light on the EU's commitment to promote peace, security and economical development not only within its territory, but also in the wider region, regardless of current disagreements within the EU on Kosovo's status and its EU integration. The EU made clear its commitment to the eventual accession of the Western Balkan countries at the Thessaloniki summit in 2003 (EC 2003). Since then it has supported the Stabilization and Association process which has provided a framework for support for pre-accession assistance to the countries of the region, backed up by substantial programmes of financial and technical assistance. In February 2018, President Juncker announced in his 2017 State of the Union address, that the Commission adopted a strategy for 'A credible enlargement perspective for an enhanced EU engagement with the Western Balkans', confirming the European future of the region as a geostrategic investment in a stable, strong and united Europe based on common values (European Commission - Press release 2018). It spelled out the priorities and areas of **joint reinforced cooperation,** addressing the specific challenges the Western Balkans face, in particular the need for **fundamental reforms** and **good neighbourly relations.** (European Commission - Press release 2018). The overall reforms that the Western Balkan countries need to undergo involve also reforms in social systems and social inclusion. In general, the Western Balkan countries inherited very common pension systems, however in their integrative efforts they are reforming it following different trajectories: Albania is continuing reforms following the Bismarckian Pay-As-You-Go model (Demi 2015), FRYOM (Macedonia) has created a mixed pension system, combining elements of two models (Mustafai 2017), in Serbia the pension system is based on the principle of intergenerational solidarity and Pay-As-You-Go financing (Altiparmakov 2013), and Bosnia and Hercegovina continues to have the Pension and Disability Insurance (PIO) system of a classic Bismarckian-type labour-based system of social insurance, progressive "single pillar" (European Commission 2008). Kosovo is building a pro-market, quite a liberal pension model integrating the highest EU standards (European Commission 2012). As such, the Kosovo experience with pension funds can increase the understanding of more suitable models of pension schemes adapted to local needs.

The importance of this research lays in the fact that Pension Funds are a new experience for Kosovo and also for the region, but with a long history in the European Union. Studies in the field of pensions on Kosovo, especially in the normative aspect, are limited while literature on the topic is very rich in studies and articles in the field of pensions in general. In Kosovo, there are debates and dilemmas regarding the role and importance of Pension Funds, but there is also a lack of knowledge and affirmation of the different concepts and modalities of Pension Funds, which makes the research of this subject more sensitive and more challenging in trying to reveal the EU's capacity to influence and to transform potential candidate countries and those countries that have aspirations to integrate in a field such as the welfare state. The research has an analytical and comparative approach that seeks to answer the following question: is it possible to implement the very high standards for Pension Funds developed by the EU in post-conflict Kosovo as a part of it integrative efforts? Throughout the paper the role of the EU assistance in Kosovo in realizing its EU agenda will be highlighted. This research aims to provide recommendations on the necessary interactions of pension schemes with Pension Funds for achieving social and economic objectives after analysing and comparing national and international models. The article is structured as follows: a presentation of the role of the EU in the field of pension funds, the EU models and concepts of pension funds (part II and III), pension funds in Kosovo in the context of European integration processes (part IV) where we describe the uniqueness of the Kosovo case as a post-conflict setting, with a heavy EU and other international presence, where the entire legal and institutional system is in the process of establishment and reform. These elements put Kosovo in different situation compared with other Western Balkan countries.[1]

[1] The term 'Western Balkans', has been invented by the European Commission to provide a framework for its pre-accession policies towards the group of countries involving Albania, Bosnia and Herzegovina , the former Yugoslav Republic of Macedonia, Montenegro , Serbia and Kosovo.

2.THE ROLE OF THE EUROPEAN UNION IN THE AREA OF SUPPLEMENTARY PENSION FUNDS

European integration in the field of pensions has generally been modest. EU treaties and secondary legislation covering pensions do not specify much of a role for the Commission in terms of setting norms for pension schemes. In general, the Commission and the European Parliament have no explicit mandate to make policy decisions in the field of pensions since political leaders have fought hard to protect the area from far-reaching Europeanization. Moreover, pension schemes depend on the social welfare state and are financed by national taxes and social contributions. The European Commission and other EU institutions have little direct influence over the structure and policy processes of the social welfare state. Despite this, the EU legislation and ECJ judgments increasingly create constraints on national systems and opportunities for EU institutions to steer a course of action and influence the direction of national legislation and policy. Similarly, the process of European integration increasingly has had an impact on social rights, and national rules have been reviewed in the light of European standards. The rules on pensions were intended to promote integration, promoting and establishing policies by central institutions on fundamental social rights. The EU has also worked to facilitate the movement of workers within the Union and to reduce labor market constraints. By 1968, legislation on the free movement of workers, such as European Council Regulation No. 1612/68 of 15 October 1968 on the Free Movement of Workers within the Community, was already in place, but it has since been superseded by Directive 2004/38/EC, in force from 2006 (EUROPA, 2006b; OJ, 2004). In the 1990s, three directives were adopted, which guarantee the rights of residence to categories other than workers: retired persons, students, and economically inactive people. In 1992, the Maastricht Treaty introduced the concept of citizenship of the European Union. With the establishment in 1993 of the single market and subsequent developments, the EU has 'spilled over' into other spheres, including social issues such as citizenship. But, despite these developments the four freedoms have remained central to the treaty provisions

(Maastricht, 1992; Amsterdam, 1997; Nice, 2001; and Lisbon, 2007), secondary legislation and court decisions. The implementation and co-ordination of these rules and social insurance policies within the EU has been one of the core issues of controversy with member states. The obligation of states for harmonizing their social policies with EU rules and policies, have been interpreted as loss of state sovereignty (Guardiancich and Natali 2009, 7-9, Bulmer and. Radaelli 2004). The EU's involvement in the social field has been mainly in two ways: In regulation (*Legal Regulation - Community Method*) and post-regulation (*Hard and Soft Coordination).* The process of adopting binding, mandatory rules has been one of the most important instruments in this regard and an important role regarding this issue was played by the European Commission and the Court of Justice, which have strengthened the regulatory aspect. The concept of 'Europeanisation of domestic policy', including pension policies, is not new, and in recent years there has been an exponential growth in research projects adopting this perspective (Cowles, Caporaso and Risse 2001; Featherstone 2003). The "Europeanisation" of pensions has been manifested, both directly and indirectly, through the Community Method pension policies. The rules in the area of pensions initially aimed at advancing direct integration (positive integration implies direct regulation of the pension area with EU rules (Bulmer and Radaelli 2004)). EU institutions initially stimulated and pushed through social policies into several areas, such as fundamental social rights, equality and non-discrimination rules. At the same time, the EU has committed itself to regulating, through direct integration (negative integration)[1] in the field of free movement of workers and the common market policies in the area of pensions to be harmonized. The second instrument that the EU uses has to do with coordinated plans, actions, recommendations and policies. These are also known as cold non-

[1]**Negative Integration:** Implies the regulation, respectively the impact on the regulation and harmonization of the pension field through other rules that indirectly affect the pension field as well. For example, if the free movement of workers is allowed, states can't set other social barriers in the area of pensions. Vink P.M Negative and Positive Integration in European Immigration Policies (*)Online: www.demokratiezentrum.org Quelle / Source: European Integration online Papers (EIoP) Vol. 6 (2002) N° 13 (http://eiop.or.at/eiop/texte/2002-013a.htm).

legislative measures and are mainly expressed through the budgetary impacts and monetary policies that the EU has in the member states, which requires the proper addressing of economic and social development (Natali 2008, 174).

In the EU member states there was a large diversity of pension systems and, in order to coordinate policies in the area of pensions, in 2000, the EU launched the Open Method of Coordination (OMC). The OMC as an instrument to analyse EU pension insurances was mentioned in the conclusions of the European Council at the Lisbon Summit in March 2000 (Poteraj 2008, 73). The OMC is a soft measure of coordination and has common objectives in the area of pensions. These objectives require member states to have an adequate, financially sustainable pension system, that is constantly upgraded and changing in response to economic and demographic changes and such that elderly people are provided a measure of welfare that enables them to be active and without social problems. Following the implementation of the OMC in 2003, the European Commission proposed to reorganize social and pension action. This reorganization involved the coordination and integration of long-term labor, health and long-term social care policies. The OMC's reorganization process will continue in the years to come, prompting the OMC to be in a continuous process of reorganizing on social protection, social inclusion and a continuous development of pension policy objectives (Natali 2008, 225-231). An important role of the EU in the field of pensions is also expressed through the European Insurance and Occupational Pensions Authority (EIOPA), established by the European Union (Regulation No. 1094/2010), which was established as a response to the global economic crisis and the impact it had on the EU economy in general, including pension funds. The impact of the crisis sparked a wave of reform processes of EU pension schemes, including the regulatory-supervisory aspect as one of the underlying factors to be strengthened (Natali and Stamati 2013). The EU was previously involved in the supplementary pension field through CEIOPS as a consultative and advisory mechanism in the regulatory and supervisory aspect of the Professional Pension Funds (Ellison 2012, 21-23). After the global economic crisis, the EU institutions came to the conclusion that it needs a general regulatory and supervisory authority due to the interconnection of the financial markets and the impact they have on each other with the Financial Sector with the Insurance

Sector and the Pension Fund Sector (EIOPA). The main goals and objectives of EIOPA were to restore the confidence of the financial system in the EU, to establish a high and effective level of supervision, taking also into account the interests of member countries, thus harmonizing and coordinating rules for financial institution support throughout the EU and to promote coordinated supervision within the EU (Ellison 2012, 21-23).

In the area of pensions, the role of EIOPA is to supervise the investment of Pension Funds at the EU. The creation of this authority has come as a necessity after the global crisis, in order to strengthen and coordinate supervision better and to try to promote the same oversight culture in member states. The crisis of 2008 has shown that action should be taken on prevention, since at the moment when the economic crisis occurred, both the state and the financial institutions themselves were unable to react. Given this context, I can conclude that the ways of investment, the risk management, and the protection (guarantee of pension assets) are some of the issues that need to be regulated strictly by international and national rules. The modalities of general functioning of pension funds, including investments, risk management and the provision of pension assets, should be strictly regulated by international and national rules. Member States and the EU must develop a general pension policy that guarantees the welfare of citizens and provides security across the spectrum that includes pensions either as basic pensions or pension plans. Pension assets, especially those which are mandatory, cannot be placed in financial markets and do not have adequate security and protection and all the risk is transferred by employees members of the Pension Fund.

3.MODELS AND CONCEPTS OF PENSION FUNDS IN THE EUROPEAN UNION

Pension schemes in EU member states are mostly mixed, with many pillars of pensions (*Multi Pillar System).* There are usually two types of public schemes in the first pillar: The pay-as-you-go (PAYG)[1] scheme, funded by current staff contributions (the generation finances the generation) and the deficit is financed by national budgets, and public schemes financed only by national budgets (taxes) (EU Parliament 20149). These two concepts of public pension schemes are intended to provide basic social welfare for all citizens (EU Parliament 2014, 9). These state schemes until the 1990s were the dominant pension modality in the EU, in relation to the role of supplementary Pension Funds (European Commission 2009, 30). In general, especially in Europe and the EU, we now have the multi pillar pension system. Multi Pillar Pension Systems(MPPSs) aim to support each other's pension schemes in order to achieve a better welfare for citizens, funds to have financial sustainability, avoid social problems and create the opportunities and prerequisites that pension funding is easily handled by the state (Holzmann 2001, 10-12). Building a MPPS has been and continues to be a process with challenges and demands for constant adaptation. Legislative reform processes for accommodating the MPPSs are usually challenging, MPPSs are difficult to be accepted because of the previous practice, traditional culture, and uncertainty o MPPSs impact on future changes (Poteraj 200828-46). In this context, the EU directive encourages the states that are undertaking the reform of pension schemes, should also take into account their current culture and practices (Regulations (EC) No 987/2009). In addition to the basic scheme, which functions as a social security concept and is managed by the state, we have the concept of Pension Funds that function alongside this scheme (Boeri et al., 2010, 1). Pension Funds operating in the second and third pillar are funded only by pension contributions (self-financed) and can be as a Define Contribution,[2]

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[1] PAYG is a pension scheme that functions on the first pillar as a state scheme. This scheme is funded by the contributions of current employees, while the deficit is covered by the state.

[2]**Defined Contribution** is known as the pension scheme in which the pension contribution paid by the employee and the employer is allocated to an employee's individual account in a pension fund. Then these funds are invested by the fund and given to the contributors by reaching the retirement age in the defined form. In this scheme, it is impossible to know in advance what pension benefit the retired person will receive.

Define Benefits[1] or even as a mix, with a combination of the elements of these two concepts. Generally, these concepts of Pension Funds within them have different specifications and modalities that mainly relate with the system of organization, pension contribution, benefit, risk and investment (EU Parliament 2014, 21). By way of organization, Pension Funds can be public or private, organized at state, industry or company level by involving trade unions through collective bargaining. Public Pension Funds are usually mandatory and organized at national level. Their management, according to the practices, is done by specialized institutions for pension management, both public and private, depending on how it is regulated by the states national legislation (OECD 2002, 6-9). Voluntary Pension Funds are part of the third pillar and are mainly organized at the level of companies or industries. Regardless of the nature of organization and functioning, these Pension Funds can function according to DB, DC or mix concepts. Trends and tendencies are that these funds are mainly organized according to the DC model.

3.1.Pension Funds according to the Defined Benefit concept

Pension Funds with Defined Benefit (DB) can be presented as a compulsory and voluntary scheme and are one of the most common forms of Pension Funds in Europe and beyond, appearing in multi-pillar pension systems (Willis Towers Watson 2016, 33). This scheme prescribes the benefit (promised the amount of the pension) and not the contribution. The pension contribution may change

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For more information see: Issues Regarding Defined Benefit and Defined Contribution Pension Schemes www.welfare.ie/en/downloads/greenpaperchapter9.pdf11/11/2016.

[1]**Define Benefit** is known as a pension scheme in which benefit is predetermined on the basis of a predetermined formula, the usual factors used in the formula are: employee salary, working years and retirement age. Benefit is usually paid for by age, such as 65 years. Even in this scheme, the pension contribution is paid by the employee and the employer and can be changed or decreased from time to time.

For more information see: Issues Regarding Defined Benefit and Defined Contribution Pension Schemes www.welfare.ie/en/downloads/greenpaperchapter9.pdf 11/11/2016.

depending on the factors influencing the obtaining of the defined benefit. In this scheme the benefit is determined on the basis of a certain formula, as a mechanism for obtaining the pre-determined pension. Usually the salary level and the contribution period are considered as the main feature in calculating the pre-determined pension value, (Poteraj 2008, 42).Pension Funds Due to the constant changes in the level of contribution and the difficulties in meeting the obligations (the provision of promised pensions) Pension Funds built under the DB concept have a slower growth trend (Willis Towers Watson 2016, 5). In DB Pension Funds, important factors are: the promise for payment of the predetermined level of pension, contribution level, salary level, contribution period, labor force, employment, and return on investment and risk (Broadbent and Palumbo 2006, 3-7, 11-18). Pension Funds DB, in case of liquidity problems (inability to pay pensions), due to investment falls, pensioners' longevity and in order to cover the negative balance, should have recovery plans to cover the deficit (UK Pension Regulatory). DB Pension Funds are exposed to several types of risk, such as: investment risks, life expectancy beyond retirement, which risks the employer, carries and risks such as inflation, insolvency and other employment related issues that the employee carries. Bearing in mind that in this scheme the risk is not transferred by the scheme member, therefore is always a tendency to change the schemes from the DB concept to DC. Changing the concept is not intended for the individual to provide a better retirement, but is intended to reduce the risk to the individual and perhaps the better benefit. While the benefit depends on the level of return from investment, contribution and other factors, but no guarantee, the results possibly will be positive, but there is uncertainty at the given time and may be risky during economic crisis, as it was in 2008/09.

3.2.Pension Funds according to the Define Contribution concept

Defined Contribution (DC) funds work in multi-pillar pension schemes. This concept was born as a result of the difficulties of the first pillar to provide adequate funding for pensions. DC relates to what pension contributions are allocated on behalf of the contributor to an Individual Account, a Pension Fund (Holzmann 2012, 11). These pension assets are invested by the Pension Fund into various financial instruments, under a legal framework, which sets out the principles of investment. This model is known as a defined contribution scheme, as the value of the contribution is determined. There is no benefit defined in this scheme, as the benefit depends on the amount of contributions of each retired worker and the return on investment. DC Pension Funds are widespread and with a global trend. According to Towers Watson's Global Pension Assets Study 2016, the DC scheme represents 48% of global pension assets and has increased by 7.1% over the past ten years. The main factors in DC schemes are the level of contribution, return on investment, risk and the way of legal regulation (EFAMA 2008, III). The level of pension contribution is of great importance since the lower contribution means lower pension, both in DC pension schemes and DB. According to the European Directive "Directive on the Activities and Supervision of Institutions for Occupational Retirement Provision" (IORP), member states should ensure that investments are made in accordance with the prudent-person[1] rule (Article 18 of the directive). The purpose of the rule is to move from the quantitative approach to qualitative regulation, allowing investments to be made in the interest of contributors. The legal framework for investment should take into account security, quality, liquidity and profitability, but EU member states are allowed to set reasonable restraint on investment (EFAMA 2008, 49-50). DC pension funds must adhere to the principles of individual involvement in decision making and should offer simple solutions, make constant adjustments, prepare for extreme conditions, and distribute risk (Pension Europe 2015). Generally defined contribution schemes have a tendency to increase. These schemes provide individual solutions that have its advantages and

[1] Prudent person; A standard that requires an official in charge of investment responsibility to be credible, responsible, professional, there should be no conflict of interest and as a reasonable person must make the best decisions in the interest of the contributor. Refer to Article 18 of Directive 2003/41 / EC of the European Parliament and of the Council of 3 June 2003 on the activities and supervision of institutions for occupational retirement provision.

disadvantages and face the risk of return on investment. Following the 2008 global crisis, the EU has increased its oversight control and most countries have made reforms in order to lower the risk (Natali and Stamati 2013). From the analysis presented above it is noted that DC Pension Funds and BD differ in some essential points related to who carries the risk: employee or employer/founder of the fund. These risks mainly relate to investment risk, contribution, the choice of the individual where he/she wants to invest his / her contributions, profitability, life expectancy, payment of annuities/pensions to death, liquidity and other aspects. Despite these differences, their similarity or common purpose is through the establishment of Pension Funds and the investment of these financial means to guarantee and provide retirement members/contributors. These schemes provide a market-based benefit and many parameters depend on the individual as well. On the other hand, the risk is carried by the individual and the state, companies and providers of these schemes do not take the risk in case of low or negative returns. In addition, these schemes are increasingly intended for the individual to take part in decision-making (Individual choice) by determining whether he or she wants more risk and potentially more return on investment or the opposite. DC schemes are very good for countries with high pensions in first pillar, because they create the potential to take more risk, but in low-income countries, in spite of the potential for positive return, they make the pension systems insecure, and consequently they make the social future of the citizens unsafe and unpredictable.

3.3.Trends and dilemmas in the field of pensions in the EU

Pension systems in the EU are in a continuous adaptation process in relation to economic developments (economic and monetary integration in the EU), social developments (free movement of people and workers within the EU) and challenges in the demographic context (Natali 2008, 64-69). These and other aspects have a great impact also in the area of pensions, because we have a tremendous mobility of workers within the EU. This mobility in the field of employment also requires a smooth functioning of Pension Funds and their portability within the Union. In this context, the EU continuously evolves the legal framework regulating the functioning of pension funds, oversight and portability within a borderless and barrier-free space (Baugniet 2014, 183-190). From this perspective, supplementary Pension Funds are increasingly taking on a multinational character. This multinational character presents the dilemma of the role of EU member states and the EU in regulating, overseeing and linking benefits from these Pension Funds to the pillar first pension schemes and remains one of the aspects that need to be regulated at the level of EU. In the EU member states there are different pension systems, which within them have a wide range of public and private pension schemes, obligatory and voluntary. All these schemes faced challenges and difficulties of various kinds, such as: first pillar pension schemes face the risk of financial sustainability and poverty alleviation; second and third pillar schemes, where DB and DC Pension Funds operate, face financial risks, demographic risks and liquidity (EU Parliament 2014, 21). Therefore, pension systems are in a continuous reform process, with the aim of applying pension scheme models, which make it possible to overcome the difficulties that arise in the functioning of current pension schemes (Natali 2008, 37-69). Within the EU, there are two models of the first pillar pension systems. In practice, both these systems, the PAYG and tax-based systems face challenges and difficulties. While PAYG systems face liquidity risk due to demographic factors, tax-financed pension systems fails to secure welfare of citizens due to the low income that these schemes offer (Man Kit 2015, 5-10). In the EU, overcoming these difficulties is foreseen to be made through ongoing reforms and supplementary Pension Funds of the second pillar and pension savings in the third pillar as an alternative and complementary form of public pension schemes (EC White paper 2012). Within the EU Pension Funds function mainly according to DB and DC concepts. DB pension schemes work similar to the PAYG scheme. In this scheme the risk is mainly borne by the employer/founder of the fund. DC schemes have a faster growth trend and in this scheme the risk is mainly borne by the employee. In the EU, there is a tendency to increase the DC Pension Funds, which are more suitable for a market economy, easier to manage and more space and flexibility in investment. In this context, the dilemmas and questions asked are: What should be the trend? Is this a growing trend of DC schemes in the interest of employees and are the workers willing to take responsibility for the risks faced by these schemes? In order to find solutions to these dilemmas in the EU, there is the tendency for DB and DC Pension Funds to go beyond their traditional concepts and risks are shared between employers and employees. Thus, there are cases when DC schemes provide some guarantee for paid contributions or even return on investment (OECD 2008, 284). These are considered as the "DC plus" schemes and there are DB schemes which allow employers to drop out schemes into a scheme DC and so do not carry the risk of longevity (Cooper 2014). As a tendency to find a medium-sized solution, DB and DC funds are introduced between hybrids/mixed Pension Funds that are a recent trend of transformation of DB schemes, which combined with some elements of DC schemes are becoming an alternative to sharing the risk between the employer and the employee (Broadbent et al, 2006, 10). Hybrid Pension Funds are presented with numerous specifics and as such may be closer to DB or DC models depending on the way of calculating the benefit, the way of investing and the way of payment of the benefit, but always aiming to separate the risk. Currently, there is a small number of Pension Funds which qualify as mixed Pension Funds (The Pensions Authority of Ireland). Mixed Pension Funds although not a fast-growing trend, are one of the debating issues in the EU pension industry for the fact that the objectives and policies of the EU institutions are aimed at ensuring that Pension Funds are safety (especially since the global crisis of 2008). To this aim the EU has established supervision mechanisms such as EIOPA and requires member states to have a coordinated supervision policy. The European Union continues to have limited responsibilities but to expand its impact on the area of pensions and consists in reducing public schemes and extending supplementary pension schemes. In the 21st century, supplementary pension schemes operate within a legal framework and coordinated policies within national and multinational factors. While in the 20th century, policies were more focused and dealt with within the national aspect. At the EU level, there is a growing role of national and multinational factors, who should co-ordinate policies and legal frameworks in the area of pensions. Regulatory and supervisory aspects are already shared between the states and the EU and have an important role also for social partners that through collective contracts determine the way of functioning of supplementary Pension Funds and also have an important role of financial markets, such as both national and international. A noteworthy role is played by the European Court of Justice, which through the resolution of individual cases affects the determination of the social rights of individuals, in accordance with EU principles (Natali 2008, 245-248). From the policy research and analysis and legal framework in the EU, we see a role and tendency of increasing the role of EU institutions and mechanisms. An increasing role and a greater involvement of social partners have an impact on the creation and functioning of supplementary Pension Funds within the Union. This growing tendency of supra-national factors also poses dilemmas and challenges in defining the role of EU mechanisms in relation to the policies and mechanisms of member states in the area of Pension Funds.

4.PENSION FUNDS IN KOSOVO IN THE CONTEXT OF the EUROPEAN INTEGRATION PROCESS

Upon the end of the war in 1999, Kosovo was administered internationally by United Nations Mission in Kosovo (UNMIK) under UN Resolution 1244 (UN SC Resolution 1244 1999). By UNMIK Regulation 1999/1, the entire legislative, executive and judicial administration was conducted by the Special Representative of the Secretary-General (SRSG). By UNMIK Regulation 2001/35, the Pension System in Kosovo is established as a new pension system and disconnected from the previous system PAYG applied in Kosovo until 1999.The Kosovo Pension System, established by UNMIK Regulation 2001/35, with all amendments made until 2008, as well as the legislation adopted by Kosovo institutions after 2008[1], has remained unchanged in principle. The installation of

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[1] On 17 february 2018 Kosovo Parliament declared its independece. Up to now 113 UN member states have recognized Kosovo as independent state. The EU states that do not recognise Kosovo's independence are Spain, Slovakia, Cyprus, Romania,

a new pension system in Kosovo, completely detached from the previous system (PAYG) and based on the practices and ideas promoted by the World Bank for a multi-pillar pension system, although it was a global trend, failed to offer an acceptable solution from all sections of the Kosovo population (Fetahi and Zariqi 2013, 56). This system did not provide an acceptable solution for pensioners who felt discriminated because of the low level of pensions and the non-connection of these pensions with the pension contributions paid before 1999. With the legislative changes of 2012 there have been improvements with regard to pensioners who have had a contribution period of at least 15 years prior to 1999 (Law No. 04 / L-131). Since 2015 there have been some positive changes and an escalation of contributory pensions prior to 1999. With the application of these criteria, certain categories, depending on the school qualification, have received an increase in the contributory pension and with this first pillar the pension has received some elements of the PAYG system, but continues to be a tax-financed scheme. With these legislative changes, the first pillar of pension has reached an acceptable standard, but there is no link with the second pillar and this only makes the first years of retirement to be better for retirees, due to the benefits of the pillar first and second pillar. This scheme, unlike practices in the region and most EU countries, is funded only by the state budget. The eventual application of practices that dominate the EU and the region, so that both employees and employers pay a portion of the pension contributions in this scheme, could ensure that core pensions improve substantially. However, it would be difficult to reach or approach a recognized standard that the pension would be approximately 70% of the retirement salary (OECD 2013). The pension system in Kosovo, in addition to the first pillar, is also comprised of the second pillar as an obligatory pension scheme, based on the DC concept, administered by the Kosovo Pension Savings Trust (KPST) and the third pillar as a voluntary scheme for supplementary pensions. Both the second pillar and the third pillar were a novelty and an unknown concept for our employees and society as a whole, so

and Greece.Mention also the 5 non-recognizing countries from the EU because this is relevant for explaining the signing of the SAA between EU and Kosovo there were dilemmas, debates, which even after fifteen years continue (Kajtazi 2010, 101-103, 145-150 and Fetahi and Zariqi 2013, 56). It is to be mentioned that Kosovo presents a demographic exceptional case. According to the first census conducted after the 2008 declaration of independence in 2011, the permanent population of Kosovo had reached 1,739,825, excluding North Kosovo (Kosovo Agency of Statistics 2013). Kosovo has the youngest population in Europe with 53% under 25 years of age (Kosovo Agency of Statistics 2013) characterized with positive natality rate[1] which is very different than in other countries in Europe. In the decade since independence, due to the lack of positive prospects one in two Kosovars wants to immigrate to Western Europe (GIZ 2016). As such an important question remains – who will pay the pensions next 3 decades? Especially in the context of huge rate of unemployment of young people in Kosovo. It remains to be seen if the EU through its development policies in Kosovo and Kosovo authorities will mange to mange to establish conditions that will affect the (lack of) will of young Kosovars to remain in Kosovo.

4.1.Pension Funds in Kosovo

Pension Funds in Kosovo represented in the second and third pillar, as a mandatory in second pillar and voluntary in third pillar. Actually in Kosovo is well developed only mandatory pension fund in second pillar and the third pillar it is not developer really. Pension fund in a second pillar function according to the defined contribution concept, it is mandatory and is known as a funded scheme. Employees and employers are required to pay pension contributions to an individual account at a minimum of 5% employee and 5% employer, with a maximum of 15% each. The Kosovo Pension Saving Trust (KPST) managing the scheme according to the DC concept and the effects of this

[1] The value for Birth rate, crude (per 1,000 people) in Kosovo was 17.10 as of 2015. over the past 34 years this indicator reached a maximum value of 33.50 in 1984 and a minimum value of 17.10 in 2015. Index Mundi availabel at: https://www.indexmundi.com/facts/kosovo/birth-rate .Acessed 10/06/2018.

scheme can only be observed in the long terms. The key factors of this scheme are: Pension Contribution, Contribution Period, and Return on Investment (Antolin 2008). Pension Contribution is one of the most important factors and can be influenced by the contributors themselves. Pension Contributions of Contributors are allocated to an individual account at KPST and administered and invested by the Fund until reaching the retirement age. Pension assets in this account are considered to be the sole property of the contributor and the same can be obtained[1] by reaching this age in the procedure determined by the competent authorities. Of course, the basis of the contribution depends on the salary level. With our legislation, the minimum required is 5 + 5% (employee and employer), but each individually or collectively, through collective contracts, can decide that employees and employers also contribute on this basis to a maximum of 15%. The high level of contribution is of even greater importance when the average wage level is low, both in the public and private sector, so employees and trade unions should be encouraged to keep the level of contribution away from the minimum necessary, but to calculate a contribution that could provide welfare for retirement workers. The contribution period is also one of the factors that determine the basis of the value of pension contributions. According to OECD studies, to pay 10% of pension contributions for a period of 40 years is a good opportunity to achieve a 30-70% pay pension (OECD 2013). In these two basic factors, the return on investment is also noticeably influenced, which is a factor that cannot be precisely predicted, as at certain times there may be large movements of financial markets and risking the return of accumulated investments over the years, even in DC concepts can endanger the basis (paid pension contribution) (Antolin 2008). Pension Funds under the DC concept aim at investing the accumulated pension contributions in such a way that in addition to a greater security (low or moderate risk) generate a higher return on

[1]With the procedure in force, the accumulated contributions of up to 3,000 Euros can be paid immediately, whereas on this value should be phased during phased withdrawal, the retired receives monthly of 200 Euros or 1% of the value when the amount of accumulated contributions is over 20,000 Euros. Distribution of contributions is done through commercial banks that have agreements with KPST.

investment. Diversification of investments (both in terms of classes, products, financial instruments and geographic diversification), in order not to be exposed to risks; can only be achieved by accepting a reasonable return on investment (EFAMA 2008, 48-49). With relevant legislation states regulate or establish principles and limits on how to invest pension contributions (Law no. 04/L-101 article 9). Investment Principles are mainly focused, but are not limited to: "Pension Fund Security, Investment Variety, Maximum Profit in Compliance with Maximum Fund Security and Maintenance of Appropriate Liquidity" The KPST is obliged to build the investment strategy on consistent with these principles and with the limits set by the legislation, both in terms of the classes to be invested and in restrictions on a single issuer. The Pension Fund Investment Strategy should be built in such a way as to present a clear procedure of the decision-making process, the way of investing and managing the risk. EU directives, but also our legislation require that the responsible decision-making officers should be professional, reliable and accountable (prudent person principle) (Article 18 of Directive 2003/41). The effects of Pension Funds are seen in the long run, despite the ongoing fluctuations but also the falls in financial crisis (2008 crisis) financial markets in general and Pension Funds in Kosovo in particular have resulted in a positive performance. KPST since its establishment has a positive performance of 41.41% despite the short-term movements in the financial markets (as is the case with the global crisis of 2008/09 and the difficulties of 2011) remain a stronger argument than in the long run the financial markets show a steady increase and consequently the investment of Pension Funds show positive parameters.

In the third pillar, voluntary Pension Funds established by employers or individual pension schemes can be operated, which can be offered to employers or pension providers (insurance companies, banks and licensed pension companies). Third pillar Pension Funds may be of definite contribution but also of definite benefit. Employers can create Pension Funds for their employees and jointly contribute up to 20% of salary (each by 10%). Employees can also contribute individually to a licensed pension fund in Kosovo. Pension Funds in this pillar may function according to the DC, DB or even mixed concepts, as the legislation has not restricted or defined the mode of operation. Under the applicable legislation in Kosovo, employer's Pension Funds and individual supplementary pensions can be operated in the third pillar. Both of these pension models can function as DC or DB, depending on which pension model will be licensed (Law no. 04 / L-101). These Pension Funds are supervised by the CBK and operate under the applicable legislation and rules issued by the CBK. Until now, Pension Funds from this pillar have not managed to have any satisfactory development.[1] This is due to the fact that the level of average income in the country is low, and even in cases where an institution or employees of the institution wish to contribute more than the legal minimum of 5%, and this can be done in the second pillar in KPST. Employers can create a pension fund for their employees by paying an additional pension contribution to the Pension Fund established. The Employer's Pension Fund should be established as a non-profit legal person by the highest governing body of the employer. In Kosovo there is no development of Pension Funds and some that have been created immediately after the establishment of the pension system have been closed within a very short period of time. Their closure was made because it was evaluated by the regulator that these funds do not have financial sustainability and on the other hand have a very high cost for the workers (CBK Annual Report 2006, 2). On the other side, pension providers (banks and insurance companies) may offer the option of additional individual voluntary pensions. Physical persons can enter into a contract with the pension provider and create a personal pension plane for themselves, which may be according to the DC or DB model. Pension assets in the third pillar are invested in accordance with the legislation and applicable rules. Similar to the restrictions set out in the second pillar, in order to protect the interest of contributors with the aim of establishing a balance between risk and profit from investments, respectively to make careful

[1] In the third volunteer pillar, the Slovenian-Kosovar Pension Fund operates, licensed to manage as complementary employer funds and also to provide supplementary individual pensions. Assets under management of the FSPS on 31/12/2015 were in the amount of 6 million euros, with 4,025 contributors. The FSPK administers pension assets under the DC concept in accordance with the management and oversight rules set by the CBK as the competent authority for licensing, supervision and placement of investment rules.

investments, in accordance with international rules. Employer's Pension Funds and supplementary individual pensions may be terminated or terminated in accordance with the procedure provided for by law. In both cases, in order to protect the interests of participants in these schemes, the completion procedure shall be supervised and approved by the Central Bank of Kosovo (CBK) as a competent authority and in no case shall the pension assets be returned to the employer or the pension provider, but will be transferred to the contributors to another licensed pension fund.

5.NATIONAL PENSION FUNDS CHALLENGES IN THE CONTEXT OF EUROPEAN INTEGRATION PROCESSES

In the context of European integration in Kosovo, a multi-pillar pension system is in line with pension systems and EU policies. In the EU there is a multi-pillar system with the interaction between them there are different models and different concepts of Pension Funds depending on whether they are mandatory, voluntary, and function at the state or companies level. In Kosovo, there is a multi-pillar pension system that in many aspects differs from the pension systems in the EU member states and has not managed to develop sufficiently beyond the mandatory second pillar and faces different kinds of challenges. The second pillar works according to the concept of a DC, which has been a novelty in the pension system and despite its good performance over the years it is difficult to accept and understand correctly. In this regard, questions and dilemmas can be rightly asked whether workers/citizens are the risk of a concept that they have almost never recognized and lacked intergenerational interconnection (Fetahi, Zariqi 2013, 56 and Kajtazi 2010, 101-104, 145-150). In this scheme it is never entirely certain whether pension contributions paid and return on investment generated over the years can be obtained (Impavido and Tower 2009). In 2009, due to the global financial crisis of 2008, the value of pension contributions had dropped to 0.79.66 Euros, as it was in 2007, 1.26 Euros (Trusti 2018). Based on this, the retired employees have recovered less than they have contributed / paid in the period until recovered. This makes the contributors always have the suspicions and fears of being retired at a similar moment when performance will be negative and its multi-year contribution will not serve the purpose it had for years to a better welfare after retirement age (European Social Observatory 2016). From the analysis it can be conclude that the "lack of security" whether it will be taken what is contributed by increasing the value of the investment or will be taken even less than that contributed and follows this scheme and is one of the weaknesses of the schemes DC, in relation to defined benefit schemes (DBs that dominate the EU), where the risk of return on investment and for what is contributed is borne by the employer / founder of the scheme (Broadbent and Palumbo 2006, 4). In general, obligatory schemes, such as the KPST case, do not function according to the DC concept, but even when they function as such, in many cases, the basis is guaranteed and a return on investment, as is the case in Switzerland (Pension Fund Online). Another aspect, which distinguishes the second pillar from many practices in the region and beyond, is non-linkage with the first pillar. No proper legal action has been taken to make a link between the pillars, so that the contributors have a solid pension until death. Currently, in the absence of the annuity market, the contributors receive the pension assets on a monthly basis until they are exhausted. If the average of retirees and their means is taken from the establishment, it is estimated that on average for about 4 years contributors are spent financially and remain the only burden of the first pillar (KPST Annual Report 2016). The basic question to be raised in this case is; why in Kosovo was implemented the DC model rather than DB? Nowadays in the EU today dominate DB schemes. Why is the risk of return on investment and not just entirely the contributors, which in mandatory schemes is not yet widely applied, this model is more applicable to voluntary schemes in the third pillar. In this context, the dilemma might be that: were Kosovo employees willing to take full risk of their own? Or would it be more acceptable if their benefit would be guaranteed and the risk of return on investment and liquidity of the fund would be carried by the state as the founder of this scheme and would be more similar to the pre-war pension system. DB models work similar to the principles of PAYG schemes, except that in DB schemes there is a lacerating character. Unlike Kosovo, in Croatia, the first and second pillars have a link that enables a solid pension. In cases where the funds collected in the second pillar do not achieve a certain level of pension (considered inadequate) then the pension contributions are transferred to the first pillar and the contributor is granted only a first pillar pension that provides welfare to. In cases where a certain pension can be purchased from a pooled asset, the contributor receives the second pillar pension. This can be done because in Croatia the employee contributes to the first pillar (15%) and the second pillar (5%) (Pension Fund Online). In the EU, there is a dominance of DB funds compared to DC funds, but DC funds have a growth trend higher than DB funds (Willis Towers Watson 2016, 32). This trend of increasing DC funds in the EU is understandable as the first pillar of state pensions guarantees a pension that provides a reasonable standard. Almost all countries have a link to the first pillar (which are mainly PAYGs) and pension funds, meaning that compulsory pension contributions are paid on both pillars but vary from country to country. From the analysis can be concluded, although in principle the pension system in Kosovo is in line with EU pension systems and policies, there are a large number of differences in other components that relate to the patterns of EU-dominated pension funds, Company-wide alignment, the role of the individual and social partners, and other aspects related to the security and risks faced by pension funds. Kosovo in the spirit of European social policy must develop a financially sustainable pension system, open to the market, with many alternatives and policies that encourage the development of voluntary pension funds.

6.CONCLUSIONS

From the research we can observe that the pension policies and the legal framework of the EU have mainly come as a response to challenges and difficulties (like, global crisis case of 2008/09, demographic changes and other factors) but also as a proactive approach to barrier-free operation within the EU and portability of pensions rights. All the mechanisms and parties involved in the EU Pension Funds are constantly looking for solutions and best alternatives on further development and operation of the Pension Funds. In the EU there is a dominance of usage DB Pension Funds, but there is a growing tendency of usage of DC Pension Funds as well. A new, but sluggish trend is the introduction of hybrid/mixed Pension Funds as a tendency to proclaim that risk should be shared jointly between employers/founders of Pension Funds and employees. While the sharing of the risks but also benefits by the companies and employees is a novelty as it involves the individuals in planning of their social future, in the countries with low economic development and high unemployment rate presents a challenge. This challenge is exemplified in the case of Kosovo and the implementation of EU concept of the pension schemes.

From the research it is evident that, when the pension schemes in Kosovo was established there were no debates, no consultation with the social partners, interest groups such as retirees, trade unions, civil society has taken place. Also, no research and analysis have been conducted on which pension model would be most reasonable to implement in Kosovo considering the actual economic and unemployment situation. Consequently, the pension schemes in Kosovo have been set considering the overall political aspirations towards the EU through integration of the already established pension schemes in EU member states. However, this way of setting of the pension schemes has generated much dissatisfaction and dilemmas in the purpose and mission of the pension system. In the case of Kosovo, the pension schemes involve less responsibility for the institutions and higher burden for the employees. However, as discussed above the Pension Systems is a continuous process of evolution, during which evolution must take into account the social, demographic and economic factors to have a pension scheme that above all takes in to account the welfare of pensioners. The new pension system applied in Kosovo is rather regarded as a social program rather than as a pension system. This pension system has not adequately responded to the pensioners' social status and employee capacities to understand and take the risk of their pension contributions. Lack of liaison of pension pillars (*the fact that part of the contribution does not go to the first pillar and the age division of the age group for which the KPST will not be applied)* makes that, after an average of about four years people who receive pensions from the contributions accumulated in the KPST are spent and consequently remain a burden only of the first pillar (the income from basic pension scheme are too low and does not guarantee the welfare of citizens). But this conception of pension schemes is already a problem in terms of EU integration efforts. According to the interpretation of the EU standards the benefits that derive from the social schemes and welfare regimes need actually to affect (positively) the life of the citizen. In the case of Kosovo we can state that the pension schemes look good on the documents but in practice do not really met the purpose: which is actually improving the life of citizens. Considering the fact that Kosovo population continues to be the youngest one in Europe with the positive natality rate, but characterized with the highest unemployment rate, overburdening the employees with the pension contributions and less the employer poses a problem. Also considering the fact that one in two Kosovars states that they would leave Kosovo if they could poses the threat to the overall existence of the pension schemes in the future.

From the above analyses, it can be concluded that in order to achieve better prosperity and a sustainable pension security in Kosovo -that can cover the costs of life-, the first and second pillars of the pension schemes need to have a link. Liaison can be done in such a way that pension contributions should increase and must be paid in the first and second pillar in certain percentages. This form of pension contributions would affect the intergenerational and interconnection of the population and would create a more secure and sustainable pension system. Also another action to be taken is to make a breakdown by age and level of contributions for which KPST should not be applied. The research and analysis shows that the KPST should not be applied to persons born before 1970 (because they are unable to reach a 30-year contribution period) and for persons who have less than 20,000 (twenty thousand Euros) pension contributions accumulated. On the other hand, additional tax and policy incentives should be stimulated through tax policies and not even, as in the second and third pillar. Social partners and the pension market regulator should develop policies that pro mote the creation of voluntary Pension Funds *(quasi-mandatory through collective bargaining)*of employers, and should seek to minimally to guarantee the basis/contribution and aim to remain a reasonable return from investments.

The application of new pension fund models to the second and third pillar has been a novelty with many dilemmas, uncertainties and question marks for employees. From analysis and research it can also be concluded that although KPST is a modern concept and good practice, it was an early scheme to apply in Kosovo, as the concept of DC to pension schemes is still not widely applied as an obligatory pension scheme at EU country level. The defined contribution concept has not been a well-known concept for contributors, and even today contributors are not ready to carry the risk. The second pillar would be a more acceptable scheme for the contributors if it had a link to the first pillar and if eventually would be guarantee the basis (contribution) or even a return on investment.

In the supplementary pension funds, both employer and individual have not managed to have any development so far. This may be for some factors. The most important factor is the ability to contribute more to the second pillar (KPST) and this is an easier solution for employers and employees when they want to contribute more than the legal minimum. On the other hand, the KPST, as a public non-profit legal entity established by the state, can be more reliable and at a lower cost. Another factor is the low wage average, both in the public and private sector, the lack of a culture to be spared in the long run for themselves and the very small role of social partners in this regard.

Kosovo, in the context of European integration, in addition to an adequate legal framework, should also develop policies and institutional mechanisms for Pension Funds to be developed according to EU practices outside the second pillar, which is mandatory in Kosovo. Although in principle the pension system in Kosovo is in line with EU pension systems and policies, there are a large number of differences in other components that relate to the patterns of the EU-concept of pension funds, As stated in the beginning of the research, the main purpose of this paper was to identify the advantages, risks and challenges of integrating the EU DB and DC concept of Pension Funds in Kosovo as a part of its efforts towards EU integration. The research revealed that integration of the EU standards related to pension schemes in post-conflict Kosovo without adapting them to its institutional, economic and social contexts -as a part of EU integrative efforts- risks undermining the overall objective of pension schemes: that of improving the well-being and social position of the individual. The research presents and analyses of the state of affairs related to pension schemes in Kosovo in its current status in relation to the EU – a unique and difficult position regarding its eligibility to advance towards the EU. The possibilities for future research remain as Kosovo progresses in its efforts to draw nearer to the EU.

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