IOPS Member country or territory pension system profile:

ALBANIA

Report issued on February 2013, to be validated by the Albanian Financial Supervisory Authority
**ALBANIA**

**DEMOGRAPHICS AND MACROECONOMICS**

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP per capita (USD)</td>
<td>4,601.6</td>
</tr>
<tr>
<td>Total Population (000s)</td>
<td>2,821.9</td>
</tr>
<tr>
<td>Life Expectancy at Birth (years) for Men</td>
<td>74.9</td>
</tr>
<tr>
<td>Life Expectancy at Birth (years) for Women</td>
<td>80.4</td>
</tr>
<tr>
<td>Labour Force (000s)</td>
<td>1,075.0</td>
</tr>
<tr>
<td>Percentage 65 or older</td>
<td>10.6</td>
</tr>
<tr>
<td>Dependency Ratio¹</td>
<td>46.5</td>
</tr>
<tr>
<td>Statutory Pensionable Age - Men</td>
<td>65</td>
</tr>
<tr>
<td>Statutory Pensionable Age - Women</td>
<td>60</td>
</tr>
</tbody>
</table>

Data from 2011 or latest available year

1. Population aged 14 or younger plus population aged over 65 or older, divided by population aged 15-64.

Source: Bank of Albania, INSTAT

Exchange Rate: ALL/USD 100.9

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**COUNTRY PENSION DESIGN**

**STRUCTURE OF THE PENSION SYSTEM**

- **Public pensions**
  - Compulsory Social Insurance System, covering both employees in public and private sectors as well as self-employed

- **Private pensions: occupational (voluntary)**
  - Voluntary occupational DC pension plans, established by the employers through an occupational pension fund contact with a licensed management company.
  - Both open and closed pension funds exist.

- **Private pensions: personal (voluntary)**
  - Voluntary DC individual (unit-holders) pension account with pension funds operated by licensed management companies.
ALBANIA: PENSION SYSTEM’S KEY CHARACTERISTICS

PUBLIC PENSION

The compulsory social insurance system operates on pay-as-you-go basis and is financed through direct employees and employers’ contributions, transfers from the state budget, incomes earned from investment of the reserve fund and other sources. The system covers both employed and self-employed workers.

For the pension (old-age, disability and survivors) parts, employees are contributing 8.8 percent of covered monthly earnings, whereas the employers contribute 12.8 percent of covered monthly payroll. The self-employed contribute 21.6 percent of the monthly minimum wage.

At the end of 2012, the minimum earnings used to calculate contributions are the monthly minimum wage (18,295 ALL).

The maximum earnings used to calculate contributions are 5 times the monthly minimum wage.

The Government contributes on behalf of unemployed persons, for persons in compulsory military services and also for certain categories of persons, entitled to receive special state pensions (e.g.: persons with constitutional functions and civil servants of the central budgetary institutions).

Full retirement benefits are paid on reaching the legal retirement age 65 for men and 60 for women with at least 35 years of contributions and at age of 50 with at least 30 years of contributions for a mother with six or more children older than age 8. Partial pension can be paid from the age 65 (for men) or age 60 (for women) with 15 years of contributions.

Early pension is paid at age 62 (for men) or age 57 (for women) with at least 35 years of contributions. In case of early retirement, the amount of pension is reduced by 0.6% for each month paid before reaching the normal retirement age.

The pension may be deferred, with the pension benefits increased by 0.34% for each month of deferral after the normal retirement age.

At the end of 2012, the minimum monthly pension for urban insured persons (employed, self-employed, employer) amounted to 11,562 ALL.

The maximum monthly pension was 23,123 ALL.

The monthly old-age pension shall be composed of a basic amount and an increment.

The basic pension amount, awarded to all insured persons, shall provide at least for a minimum living standard, annually indexed with regard to price index development of selected commodities, as determined by SII regulations.

The increment, awarded to employed persons, shall be 1% per year of insurance times average assessment basis the insured persons achieved through contributions. Council of Ministers shall index each year the individual assessment basis, with regard to the development of the average paid contributions in that year.
The total amount of pension shall be subject to two upper limits. The first is the maximum pension and the second is 75% of indexed net average wages of three successive years in the 10 last years of insured persons’ employment.

The minimum monthly pension amount for self-employed persons in agriculture amounted to 7,841 ALL.

The flat-rate pensions are adjusted annually by the Council of Ministers according to average paid contributions.

Disability and survivors pensions are also paid.

Social insurance system was reformed in 1993, but is subject to further reforms and improvements.

PRIVATE OCCUPATIONAL/PERSOANL VOLUNTARY

Overview:

The Law on voluntary pension funds (2009) provides for creation of both voluntary occupational pension schemes by employers for their employees and voluntary personal pension schemes by any individual willing to contribute for supplementary old age pension, disability and death benefits.

In case of occupational voluntary pension arrangements, both open and closed pension fund exist.

Employers on behalf of their employees or individuals (unit-holders) can open a pension account with an approved voluntary pension fund by means of establishing a pension fund contract with a licensed management company. In case of occupational pension plans, the pre-approved, standard contract with the management company should include description of plans’ main parameters (including types of contributions, benefits, fees payment, etc.) Occupational pension plans need to be approved by the Albanian Financial Supervisory Authority.

In December 2012, 7.28 thousand people were members of voluntary pension funds, which are managed by three management companies.

1. Coverage

All individuals can participate in voluntary pension schemes. To become a unit-holder in a pension fund, an individual (or an employer on behalf of employees) should establish a pension fund contract with the management company.

2. Contributions

The employers making contributions on behalf of their employees or individuals contributing to the individual pension accounts decide on the amount of their contributions. In an individual pension plan, a unit-holder can decide at any time to increase, reduce or terminate his/her contributions to a pension fund. The contributions transferred to the pension fund are converted into units by the management company.

In case of occupational pension plans, the level of contributions paid by the employer is set in the occupational pension fund contract. Employers’ contributions to the occupational pension plan on
behalf of his/her employees should cover fees to the management company (which would otherwise be paid by the unit-holders).

3. Benefits

Type of benefits delivered and method of payment of retirement benefits are defined under the terms of the pension fund contract.

A pension fund unit-holder, upon his/her choice, shall have the right to receive immediate payout of the net value of assets accumulated in his/ her account, as a lump sum or in the form of periodical payments (pension). The pension benefits are paid under the following conditions:

-- When a unit-holder reaches the retirement age prescribed by the law for the mandatory public pension system;
-- 5 years before the unit-holder reaches the retirement age;
-- In case of the unit holder’s permanent disability, as certified in accordance with the applicable law, preventing him or her to work.

Early withdrawal shall incur penalties that are calculated proportionate to a unit-holder’s contribution period.

Procedures for transferring/withdrawal of assets/benefits are defined in the pension fund contract.

In case of occupation pension plans, the employees vested rights are defined in the contract signed between the employer and the management company, but should not exceed the period of two years.

Survivor benefits are paid in accordance with the inherence legislation in force.

Albanian Financial Supervisory Authority is expected to issue enabling regulations on the methods, conditions and procedures for pension payments.

4. Fees

All fees/remuneration/benefits paid to the management companies, selected depositary and other service providers should defined in the pension fund contract.

The management companies should inform unit-holders of any increases in fees twelve months before the increase takes effect.

5. Taxation

Taxation of members’ contributions:

The contributions made by a unit-holder to a pension fund are deducted from the taxable personal income base.

Contributions made by an employer on behalf of the unit-holder are not considered as personal income of the unit-holder for the taxation purposes.

Employer contributions to the occupational pension schemes are tax deductable up to a certain level.

Legislation sets upper limits for preferential tax treatment (difference depending the age of the unit-holders) depending on the level of annual contributions and the percentage it represents of the unit-holder annual income.

Taxation of investment income:
Returns on investment, including capital gains from the investment, are tax exempt.

Taxation of benefits:

Pension payments are subject to personal income tax rules.

Early withdrawals are taxed similarly as the regular pension payments.

**REFERENCE INFORMATION**

- **Key Legislation**

  2009: Law 10 197 “On voluntary pension funds”, provides regulations for establishment and operation of occupational and personal pension funds, management companies, depositories and other related service providers.

- **Key Regulatory and Supervisory Authorities:**

  Albanian Financial Supervisory Authority ([http://www.amf.gov.al](http://www.amf.gov.al))


  Social Insurance Institute ([http://www.issh.gov.al](http://www.issh.gov.al)).

**Data to be provided for the past five years**

1. Private Pension plans

2. Pension funds data overview:

<table>
<thead>
<tr>
<th>Assets</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets (ml national currency)</td>
<td>45.1</td>
<td>101.91</td>
<td>209.16</td>
<td>310.77</td>
<td>154.74</td>
<td>283.01</td>
</tr>
<tr>
<td>Total assets as % GDP</td>
<td>0.005</td>
<td>0.009</td>
<td>0.018</td>
<td>0.025</td>
<td>0.012</td>
<td>0.021</td>
</tr>
</tbody>
</table>

**By financing vehicle as a % of Total assets**

<table>
<thead>
<tr>
<th>Assets</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>By financial vehicle (as a % of total assets)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pension funds</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Book reserves</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Pension insurance contracts</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other financial vehicles</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

1 The data of the year 2012 operational.
**Occupational assets**

- % of DB assets: NA
- % of DC assets: NA

Personal assets: NA

**Structure of assets:**

<table>
<thead>
<tr>
<th>Assets</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and deposits</td>
<td>71.84</td>
<td>32.1</td>
<td>41.81</td>
<td>51.42</td>
<td>2.92</td>
<td>6.99</td>
</tr>
<tr>
<td>Bills and bonds issued by public and private sectors</td>
<td>28.16</td>
<td>67.9</td>
<td>58.19</td>
<td>48.58</td>
<td>96.76</td>
<td>91.98</td>
</tr>
<tr>
<td>Shares</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loans</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Buildings</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Private Investment funds</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other investments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.32</td>
<td>1.03</td>
</tr>
</tbody>
</table>

**Total contributions as % of GDP:** ND

**Total benefits as % of GDP:** ND

Of them paid as lump sums: NA

as pensions: NA

**Total number of pension funds**

<table>
<thead>
<tr>
<th>Number of pension funds</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>

ND: data not available
NA: data not applicable

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*The data of the year 2012 operational.*