

# Decision amending the RS Law on Pension and Disability Insurance, providing for financial feasibility and independence

**In the exercise** of the powers vested in me by Article V of Annex 10 (Agreement on Civilian Implementation of the Peace Settlement) to the General Framework Agreement for Peace in Bosnia and Herzegovina, according to which the High Representative is the final authority in theatre regarding interpretation of the said Agreement on the Civilian Implementation of the Peace Settlement; and considering in particular Article II.1(d) of the last said Agreement, according to the terms of which the High Representative shall “Facilitate, as the High Representative judges necessary, the resolution of any difficulties arising in connection with civilian implementation”;

**Recalling** paragraph XI.2 of the Conclusions of the Peace Implementation Conference held in Bonn on 9 and 10 December 1997, in which the Peace Implementation Council welcomed the High Representative’s intention to use his final authority in theatre regarding interpretation of the Agreement on the Civilian Implementation of the Peace Settlement in order to facilitate the resolution of any difficulties as aforesaid “by making binding decisions, as he judges necessary” on certain issues including (under sub-paragraph (c) thereof) “measures to ensure implementation of the Peace Agreement throughout Bosnia and Herzegovina and its Entities”;

**Noting** that it was stated in the Declaration of the Peace

Implementation Council which met in Brussels on 23 and 24 May 2000, that “The Council urges the High Representative to use his authority in accordance with his mandate to ensure full and accelerated implementation in all sectors of civilian implementation, including removing obstacles that stand in the way of economic reform”;

**Noting** also that it was stated in the said Declaration that certain economic reforms were critical, and that under the heading “Enabling private sector growth” it was set out inter alia that the Council urged the authorities to proceed with broad-based reform of taxation, the social security system and unsustainable governmental bureaucracy at all levels;

**Bearing in mind** the Annex to the Madrid Declaration of the Peace Implementation Council of 16 December 1998 which emphasised the need to ensure better governance and full transparency in public finances, and in which the Council urged the Entities to undertake comprehensive reform of the pension and health systems based on the principles of efficiency, financial sustainability, and maximum provision for private participation;

**Considering** the role and importance of a sustainable and transparent pension and disability fund for the citizens of Bosnia and Herzegovina;

**Considering furthermore** that the need for the approval of a financially sound Law on Pension and Disability Insurance was recognised by Republika Srpska Officials, and legislation to this effect was adopted on 19 September 2000, (Official Gazette of the Republika Srpska, number 32/2000); that additionally, changes were effected to the indexation article which formed part of the last said Law, by the Law on Amendments to the Law on Pension and Disability Insurance on 7 October 2000 (Official Gazette of the Republika Srpska, No. 34/2000);

**Noting** that the indexation article of the above mentioned Law is not sustainable in relation to available resources and does not provide for the means to finance minimum pensions based on a reasonable index.

Having considered, borne in mind and noted all the matters aforesaid, I hereby issue the following Decision on a Law Amending the Law on Pension and Disability Insurance, whose text appears below, which shall enter into force with immediate effect on an interim basis, until such time as the National Assembly of the Republika Srpska shall adopt this amending Law in due form, without further amendments and with no conditions attached.

## **DECISION**

### **ON LAW AMENDING THE LAW ON PENSION AND DISABILITY INSURANCE OF THE REPUBLIKA SRPSKA**

The Law on Pension and Disability Insurance published in the "Official Gazette of the Republika Srpska" (Number: 32/2000, of September 22, 2000) is hereby amended as follows:

#### **Article 1**

1. Article 130 of the Law on Pension and Disability Insurance shall read:

Pensions established pursuant to the provisions of this Law shall be adjusted monthly, based on the funds in the Fund allocated for pension payments.

If the Fund does not have pension funds equal to expenditures, pensions will be recalculated by multiplying the pension level for that month by a coefficient. Pension funds include funds collected from contributions, compensations from the Budget of the Republic, and other revenues of the Fund (hereinafter referred to as: available funds). Expenditures (hereinafter referred to as: expenditures) include the

costs of pension processing as well as costs of the Fund's technical services (hereinafter referred to as: administrative expenditures) and pensions at the level required pursuant to this Law for the month for which the payment of pensions is carried out.

In the case in which available funds are less than expenditures, the coefficient referred to in Paragraph 2 of this article shall be established by subtracting the resources required for administrative expenditures and the resources required to pay all pensions up to the minimum pension level in that month from the available funds. The amount required for paying minimum pension level to all pensioners is determined by multiplying the number of the pension beneficiaries by the minimum pension level referred to in Article 130a of this Law. The amount resulting from subtracting the administrative expenditures and pensions up to the minimum level from the available funds for that month shall be divided by the amount required to pay all pensioners in that month, based on the pension at the level required for that month pursuant to this Law, after subtracting administrative expenditures and the amount required for paying minimum pension level to all pensioners.

When available funds are less than expenditures, all pensions, except minimum pension, shall be multiplied by the coefficient referred to in Paragraph 3 of this article. The coefficient shall be applied on the difference between each individual pension at the level required pursuant to this Law for the month for which the payment of pensions is carried out and the minimum pension level.

In the case in which available funds exceed expenditure, the coefficient referred to in Paragraph 2 of this article shall be established by subtracting the resources required for administrative expenditure from

the available funds. The amount resulting from subtracting the resources needed to cover administrative expenditure from available funds shall be divided by the amount required to pay all pensioners in that month, based on the pension at the level required pursuant to this Law, after subtracting administrative expenditure.

When available funds exceed expenditures, the coefficient shall be applied on all pensions. Each individual pension established pursuant to this Law shall be multiplied by the coefficient referred to in Paragraph 5 of this article.

## Article 2

1. Article 130 of the Law on Pension and Disability Insurance shall be followed by a new article 130a which will read:

Minimum pension disbursed in accordance with the Article 130. paragraph 3. cannot be lower than 80 KM (lowest pension).

## Article 3

1. This law shall be published without delay in the Official Gazette of the Republika Srpska and shall enter in force with immediate effect from and including 12 November 2000.

Sarajevo, 12 November 2000	Wolfgang Petritsch
	High Representative

**Office of the High Representative**