



## PRESS RELEASE

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### BLUEPRINTS PREPARATION CONTINUED

From January 5 to 9, 2015, two experts from the **Ministry of Welfare of Republic of Latvia (MoW)** continued to work with the **State Social Protection Fund of Republic of Azerbaijan (SSPF)** on the development of the blueprints for funded component of pension system and for non-state pension funds within the EU funded Twinning project “**Support to the State Social Protection Fund on the introduction of funded element within the insurance – pension system, establishment of non – state pension funds and development of legal framework for regulating their activity**” (Twinning reference No AZ/13/ENP/SO/24).

The Experts have developed options (key characteristics) for the introduction of the funded scheme in Azerbaijan for both 2<sup>nd</sup> and 3<sup>rd</sup> pillars of pension reform and. For all options, there were suggested preliminary defined age cohort for participation, inheritance principles, possible return guaranties, types of possible pension plans, pay-out solutions, existence of transitional period and so on.

The Experts proposed the following 5 options for the funded component:

1. Voluntary participation with increased voluntary contributions of employees and redistribution of collected contributions.
2. Voluntary participation with increased voluntary contributions of employees and defined additional payments as motivation instrument;
3. Voluntary participation based on redistribution of collected contributions;
4. Mandatory participation based on redistribution of collected contributions;
5. Voluntary participation with increased voluntary contributions of employees.

One option is proposed for non-state pension funds - voluntary participation on the part of employee (person) and/or employer with defined amount of individual contributions, inheritance principles, types of possible pension plans, pay-out solutions, etc.

During the last week, experts had meetings with the staff of SSPF and discussed some of possible solutions for funded component and non-state pension funds. Some of these solutions were also presented in the two-day workshop in December.

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