



#### **ANNEX 13**

#### **Twinning Project** AZ/13/ENP/SO/24

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

#### **The Closing Event**

#### **Draft Law on Funded Part of Labour Pensions**

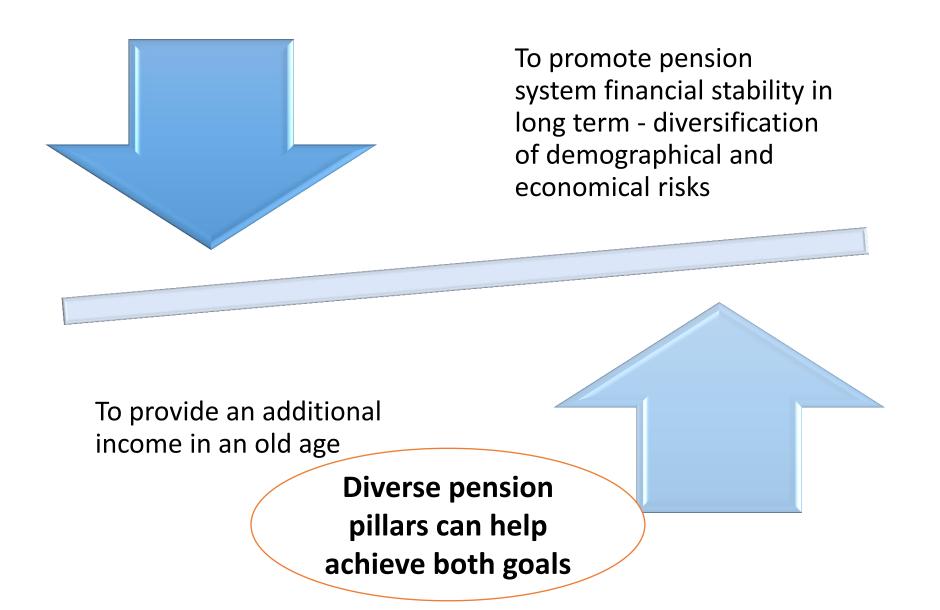
Jana Muizniece Director of Department of Social Insurance of the Ministry of Welfare of Republic of Latvia 28th October, 2015

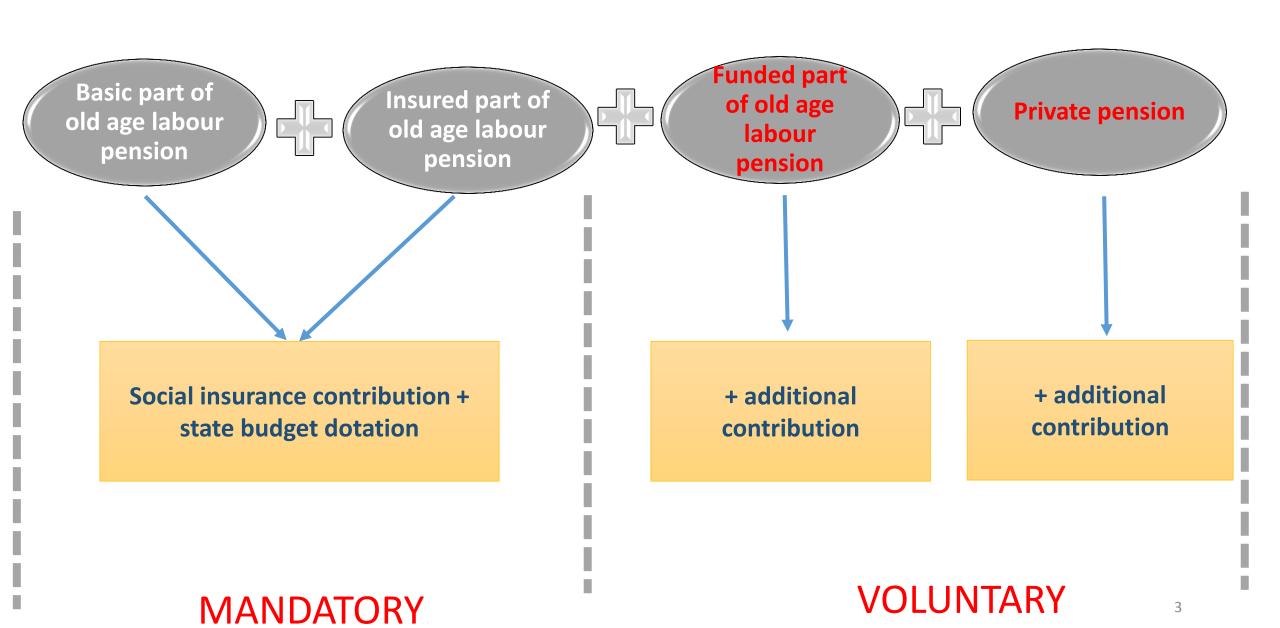






# Role of funded part in the Republic of Azerbaijan





# **General framework of funded part**

Voluntary participation Additional contribution Pay-out Transitional period State role

# **Participation**



Participation - until general retirement age or death

Registration through the Executive Authority

Persons who have not reached 15 years before retirement age

All persons who are subject to State Insurance

### **Contributions**



Additional to mandatory contributions paid by person (in general case - 3%) Payment of contributions - through participant's employer or by the participant's themselves (in case of self-employment)

Mandatory
period - the first
3 years of
starting
contributions
payment

Contributions rate - 4 % of the participant's earned wages and incomes

### **Pay-out**



To pay as a lump sum (small accrued capital)

To inherit (in saving phase)

To add to the mandatory labour pension

# Main bodies involved in the funded part administration

The Executive
Authority –
State Social
Protection
Fund (SSPF)

State Pension Fund

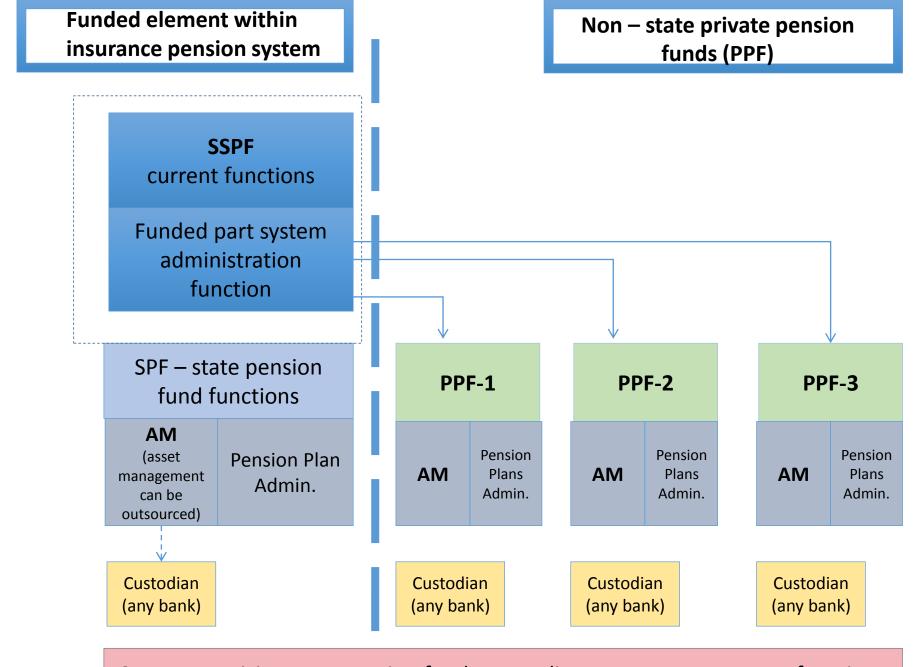
Private Pension Fund

Custodian

State Supervisiory Institution

#### **Commissions ceilings:**

For the Executive Authority – X% from the contributions of the participants of funded part For Pension Funds - 2,85% of the average value of the pension plan assets



## **Role of the Executive Authority**

#### **State Pension Fund**

# Administration of overall system

- Oversight of funded part
- Administration of individual accounts
- Information of each individual
- Conclusion of contracts with Pension Funds
- Publication of funded component results

# Asset management function

 Transactions with funded part assets through intermediation of the custodian

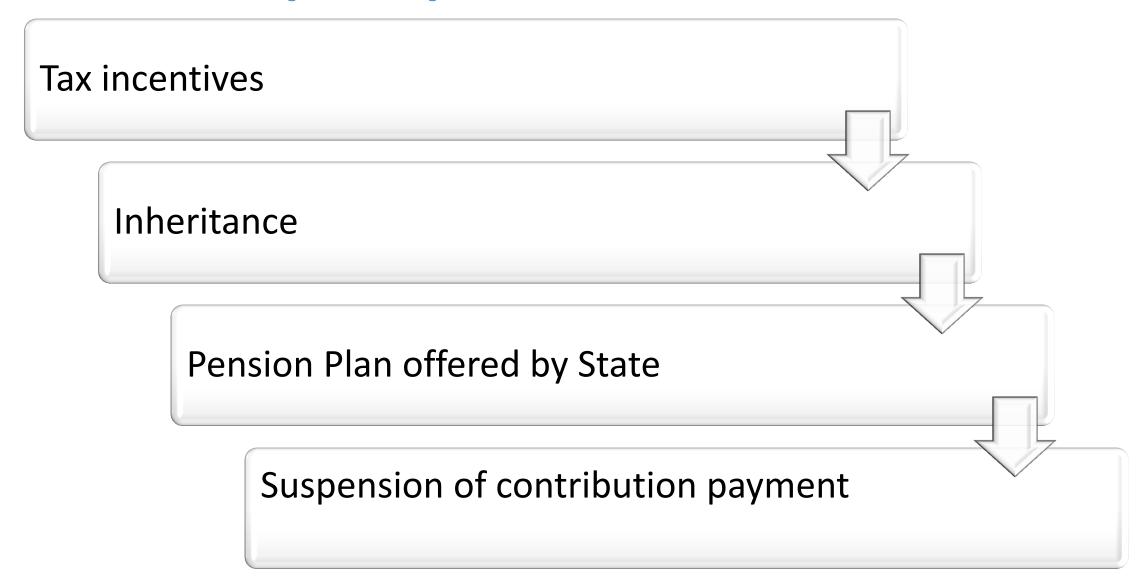
# Administration of individual accounts by the State Pension Fund

- Calculation and recordkeeping of pension capital
- Record-keeping of contributions, investment income and fees
- Information of each participant

## **Transitional period**

For the first years assets can be managed by the state – State **Pension Fund** State Pension Fund develops conservative Pension Plan The expenses of the Executive Authority for the administration are covered from the state budget After transitional period assets management could be open for **Private Pension Funds** 

# Incentives for participation in PPF







#### THANK YOU FOR YOUR ATTENTION!

#### **Twinning Project contacts:**

- +994 51 310 76 90
  - Agrita Groza Resident Twinning Adviser
- Email: twinning.baku@gmail.com
- Adress: 80 H.Zardabi avenue, 8th floor, AZ1122, Baku, Azerbaijan





