



## ANNEX 32

### *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

#### *Workshop*

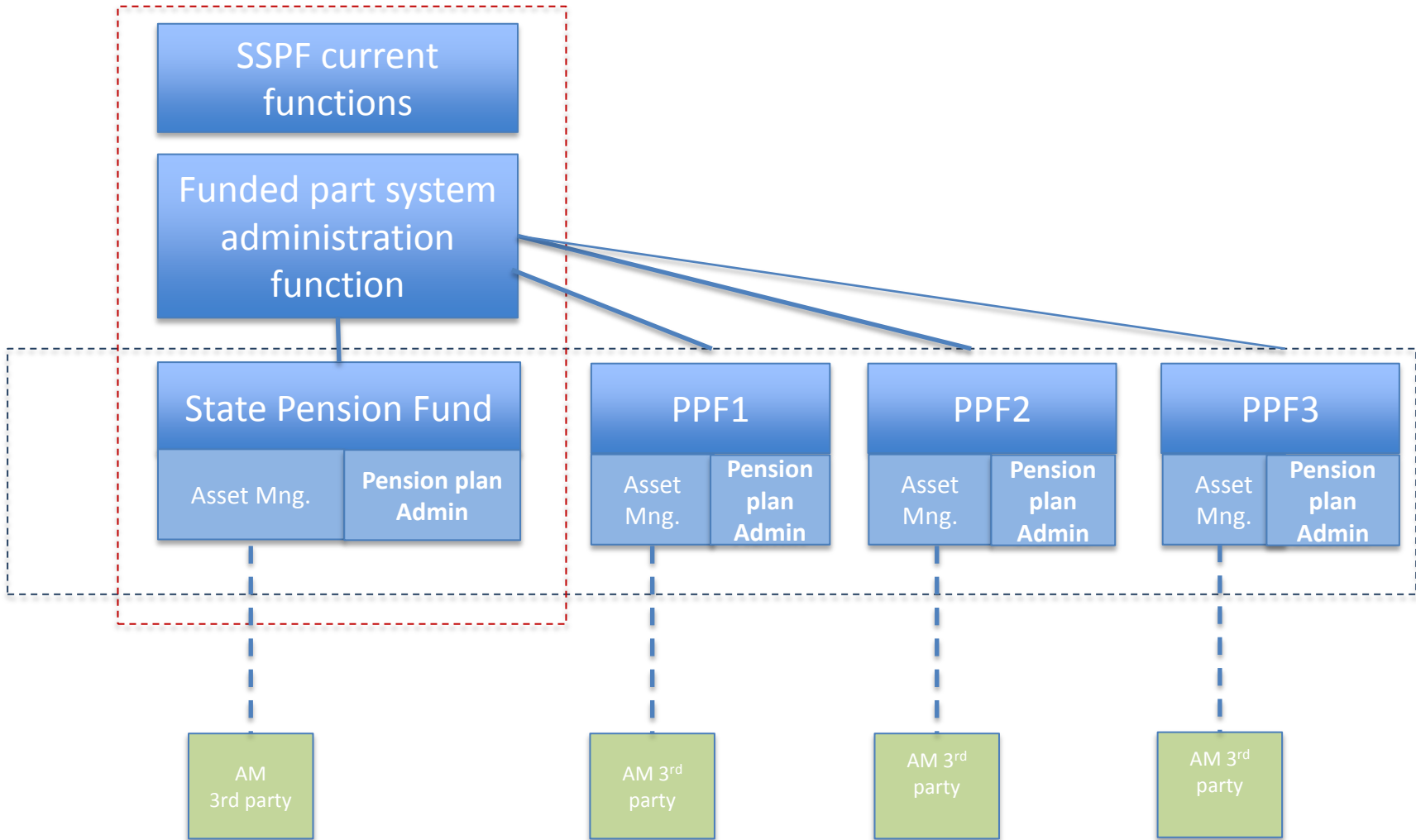
*on the proposed technical solutions to the management systems, including IT systems, in the SSPF*

**AGRITA GROZA**

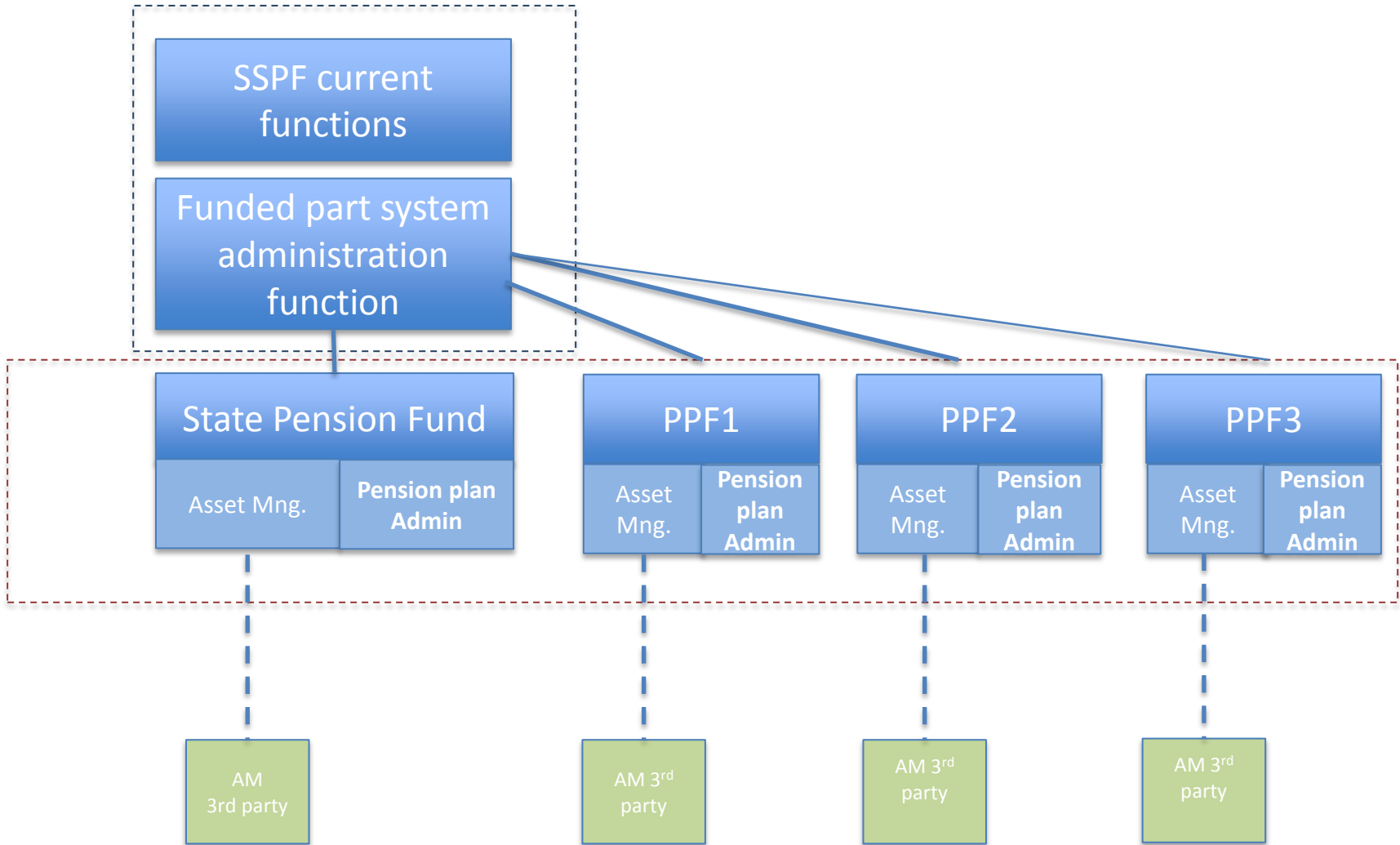
RESIDENT TWINNING ADVISER

Wednesday, 29 of July, 2015

# Separation of Functions (State Pension Fund - inside in SSPF) (A and B version)



# Separation of Functions (State Pension Fund - legal entity) (C and D version)



# SSPF with SPF functions in the one entity (A version)

## Advantages

- Responsibility on operation of SPF and expected results;
- Amount of administrative cost (before necessary to calculate, then evaluate);
- To obtain new competences (asset management);
- Attempted to establish clear division of functions (new approach of organization of work);
- More understandable entity to the public.

## Outstanding issues to consider

- Amount of administrative cost (before necessary to calculate, then evaluate)
- From SSPF point of view administrative cost will be higher, in comparison with B version.
- At the beginning of operation of funded part, state budget support will be necessary (depends from the number of participants and paid amount of contributions)
- To ensure establishment and functioning so far extrinsic functions related to SSPF (lack of competences)
- Lack of transparency;
- To prove elimination of conflicts of interest and fair competition with Private Pension funds

# **SSPF with SPF functions in the one entity, but outsourcing of asset management functions (B version)**

## **Advantages**

- Responsibility on operation of SPF and expected results;
- Amount of administrative cost (before necessary to calculate, then evaluate);
- Outsourced institution ensure required competences;
- Attempted to establish clear division of functions (new approach of organization of work);
- More understandable entity to the public.

## **Outstanding issues to consider**

- Amount of administrative cost (before necessary to calculate, then evaluate);
- From SSPF point of view administrative cost will be less in comparison with A version;
- At the beginning of operation of funded part, will be necessary state budget support (depends from the number of participants and paid amount of contributions);
- To ensure establishment and functioning so far extrinsic functions related to SSPF (lack of competences);
- Liability is not delegated but stays with SSPF;
- Lack of transparency;
- To prove elimination of conflicts of interest and fair competition with Private Pension funds.

# SSPF with SPF functions in the separate legal entity (C version)

## Advantages

- Decision making process in the each institutions according to the functions;
- Amount of administrative cost (before necessary to calculate, then evaluate)
- Clear division of functions;
- Transparent operational process;
- Elimination of potential conflict of interest;
- Ensured equal attitude from the SSPF side and fair competition.

## Outstanding issues to consider

- Amount of administrative cost (before necessary to calculate, then evaluate)
- Administrative cost will be higher, because entity will start from “zero”;
- Complicated to create new state entity with functions what mainly is offered by business of private sector;
- At the beginning will be necessary state budget support for establishment of new entity;
- The effectiveness of new entity depends from the number of participants and paid amount of contributions;
- From “state” point of view administrative cost will be higher, in comparison with A and B version.

# SSPF with SPF functions in the separate legal entity with competence (D version)

## Advantages

- Decision making process in the each institutions according to the functions;
- Amount of administrative cost (before necessary to calculate, then evaluate)
- Clear division of functions;
- Exist some competences for the business;
- Transparent operational process;
- Elimination of potential conflict of interest;
- Ensured equal attitude from the SSPF side and fair competition.

## Outstanding issues to consider

- Amount of administrative cost (before necessary to calculate, then evaluate)
- Administrative cost will be necessary;
- Complicated to create new state entity with functions what mainly is offered by business of private sector;
- At the beginning will be necessary state budget support for operation of new functions;
- Complicated separation of functions;
- The effectiveness of new entity with competence depends from the number of participants and paid amount of contributions;
- From “state” point of view administrative cost will be higher, in comparison with A and B version.