



ANNEX 8

Twining 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

Possible solutions for development of multi-level pension system in the Republic of Azerbaijan

Core elements to keep in mind

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Main elements to keep in mind to:

- * design of pension savings scheme structure
- * to promote occupational pension savings
- * to ensure proper state supervision and risk management of non-state pension system
- * to provide public awareness on private pension savings

Design of pension savings scheme structure

- Activation of voluntary funded component of labor pensions by incentives from state – **contributions matching approach**
- Voluntary pension savings **incentives from state** – tax benefits and other conditions to involve all population segments – employees, self-employed, farmers, women with children
- Pension savings **product design** - DC, DB or hybrid schemes
- **Protection of participants** – regulation of commissions/max ceilings,
- **Pay-out phase of pension capital**: balance different financing needs, flexibility, adequate pension income, inflation protection → no single product that covers all purposes

Conversion of DC pension capital into pension benefits by combination of lump sum payments and annuities should be considered.

Promote occupational pension savings

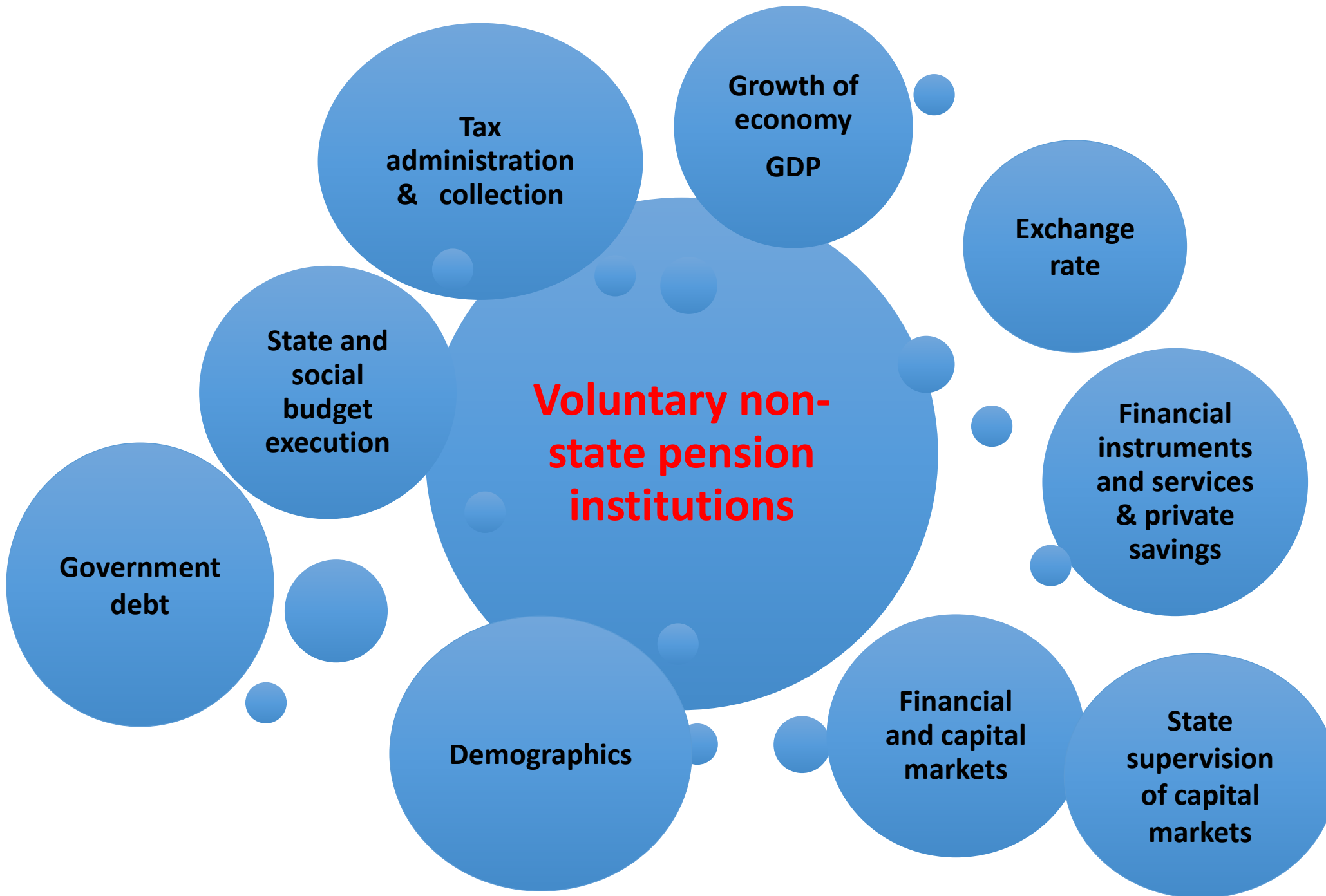
- Involvement of **state institutions in private pension savings** on behalf of employees should be allowed
- **Contribution matching principle** would be considered between employer and employee to add value for pension savings
- Combination of Labor Law and Consumer Protection Law principles should be considered / Insolvency issues of employer
- Issues regarding to **ownership rights** on pension capital between employer and employee should be considered (vesting period, waiting period)

Ensure proper state supervision and risk management of non-state pension system

- **Guaranties to participants** → transparency of information, clear commission structure, minimum provided information to participants before signing contract, ownership rights of contributions
- **Insolvency issues**
- **Asset allocation and diversification rules**
- **Risk management and capital requirements** for non-state pension funds
- Decision on **state supervisory infrastructure** for non-state pension institutions –establishment of separate state supervisory institution or collaboration between existing supervisory institutions

Provide public awareness on voluntary pension savings in non-state and state funded component

- **Detailed communication plan** with public regarding to voluntary pension savings is crucial
- **Pension planning tools**
- **On-line and e-services solutions**





THANK FOR YOUR ATTENTION!

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