



ANNEX 46

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

Draft of Law on Private Pension Funds

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WORKSHOP ON DRAFTS OF LAWS

Wednesday, the 28th of October, 2015



Gesellschaft für
Versicherungswissenschaft
und -gestaltung e.V.



Role of Private Pension Funds (PPF) in the Republic of Azerbaijan

1. Provide **additional private pension savings** to the state pension and to the state pension funded component
2. **Asset management function** for the state pension funded component

Financing needs in economy

Deepening Financial Markets



General framework of PPF

Participants

- Private persons for themselves
- Private persons to other private person
- Company to employees

- Retirement age: 55 Y+
- Pay – out: Lump sum or regular installments, annuity
- Inheritance and beneficiary options
- Administration fees ceilings – 2,85% p.a. from assets
- Different Tax incentives

Shareholders

- Bank
- Life Insurance Company
- Investment Management Company
- Employer / company

- **Shareholders capital** requirements will needed from **100 000 AZN to 3 000 000 AZN** depending of products and their guaranties
- **Shareholders capital** shall be increase regarding to assets under management
- **PPF Company for profit** – option of profit sharing with participants

Tax incentives policy for PPF

Private persons

- Personal Income Tax
- Capital Gain Tax

Employers and employees

- Corporate Income Tax
- State social contributions for both
- Capital Gain Tax

Incentives for participation in PPF

Tax Incentives

- On Contributions
- On Capital gains
- On Benefits
- Harmonization with Life Insurance savings

Inheritance

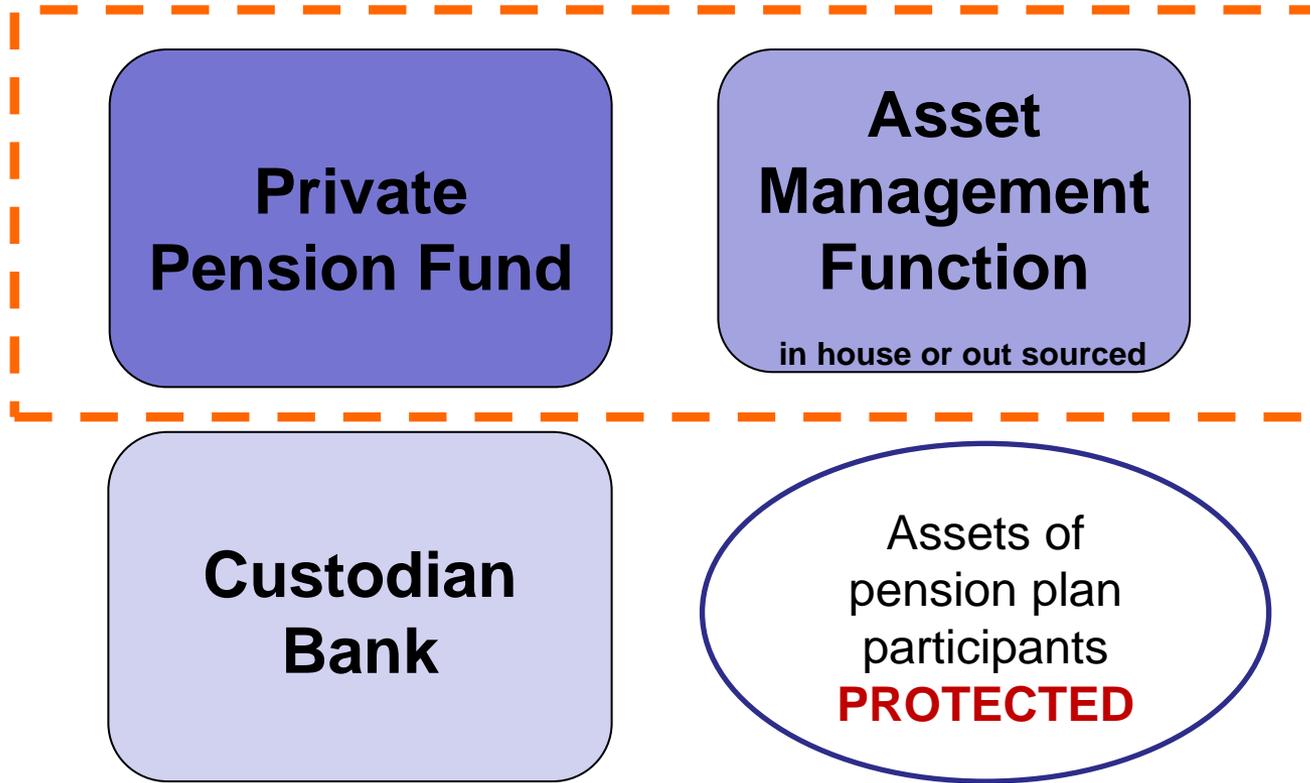
- During savings and Pay-out phase
- Beneficiary options

Retirement age and Pay-out

- 55 years +
- Lump sum, regular, or annuities

Commissions ceilings:
2,85% p.a. from pension plan capital of participants

Security of PPF and guaranties to participants

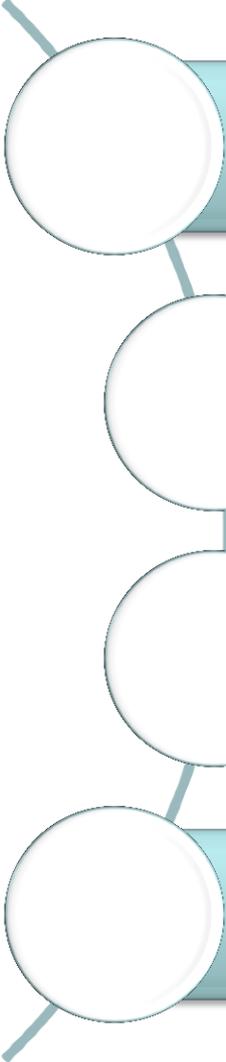


- Insolvency rules for pension fund and asset management company
- Insolvency rules for custodian
- Deposit guaranties rules for pension plan assets in the banks

State supervision on all these financial market institutions

/licencing, auditing, reporting, protection of participants, supporting of financial education/

State support for all components of state and private pension savings



Social effect

Economical effect

(state and private investment project financing via different financial instruments)

Long-term sustainability

(economy and financial markets)

Financial education of inhabitants



THANK FOR YOUR ATTENTION!

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