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Nineteenth Quarterly Report
Ukraine Pension Reform Implementation
Project
July 1 – September 30, 2005

Submitted to
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by PADCO, Inc.
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LIST OF ACRONYMS

COM	Cabinet of Ministers of Ukraine
GOU	Government of Ukraine
MoLSP	Ministry of Labour and Social Policy
NPF	Non-State Pension Fund
PFU	Pension Fund of Ukraine
PRI	Pension Reform Implementation Program
SCRFSM	State Commission for the Regulation of the Financial Services Markets
SRO	Self Regulatory Organizations
SSMSC	Securities and Stock Market State Commission
USAID	United States Agency for International Development
VR	Verkhovna Rada (Parliament of Ukraine)

GENERAL INFORMATION

PROJECT IDENTIFICATION

Title: Ukraine Pension Reform Implementation Project (PRI)
Contractor: PADCO, Inc.
Subcontractor: Barents/KPMG
Contract No.: 121-C-00-00-00834-00
Delivery Order No.: Not applicable

PROJECT PERFORMANCE DATES

Period of Performance: July 1 to September 30, 2005
Project Start Date: January 1, 2001
Report Date and Number: October 2005, Quarterly Report 19
Anticipated Completion Date: December 31, 2005

PROJECT MANAGEMENT

Project Management

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J. Benn Senior Contracts Officer
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Key Technical Advisors

Greg McTaggart Senior Pension Advisor
Roger Vaughan Senior Economic Policy Expert
Willem Schuddeboom Actuary
Mitchell Wiener Actuary

PROJECT DESCRIPTION

The Pension Reform Implementation (PRI) project has as its major activities assistance to the Government of Ukraine (GOU) in finalizing the development of a new pension policy involving both a compulsory public pension system and voluntary private system and supporting the passage of the necessary legislation.

Once this legislation has been passed, the PRI project will have as its major tasks working with the Government to educate the population about the new pension systems, training the staff in the administrative bodies on the new system, enhancing the administrative capacity of the Pension Fund of Ukraine (PFU) and developing the supervisory body needed to oversee the new systems as well as antecedent activities.

PROJECT QUARTERLY REPORT

1. PUBLIC PENSION SYSTEM.

(i) Support for Strengthening the Legislative Framework for Pensions

PRI is preparing three analytic reports detailing recommendations for the future directions of public pension reform in Ukraine. These are summarized briefly in the subsections below:

1. Pillar 1 Reform

Because of the fiscal crisis caused by the enactment of high and fiscally unsustainable minimum pensions in December 2004 (and the failure of the 2003 law to raise pension ages), PRI is preparing a detailed study of the steps necessary to create a fiscally sustainable Pillar 1). These steps include:

- 1) In 2005, issue a Presidential Decree (that could be followed by frame law) establishing the principles of social insurance and social assistance. This decree/frame law will also include provisions clarifying Article 46 of the Constitution of Ukraine, establishing the responsibility for state social assistance is to ensure that all household income is kept above the minimum subsistence level fixed in the law only after consideration of all family sources of income and state benefits. The Decree will also create a working group of experts that will prepare the reforms in social assistance and social insurance systems in Ukraine.
- 2) In 2006, amend the Law on the Minimum Subsistence Level to define subsistence levels for households taking into consideration size and demographic characteristics, using a weighting coefficient to be established by statistical analysis, effective January 1, 2007.
- 3) In 2007, introduce reforms in the state solidarity system to provide a simple labor pension based on length of service with a increase in the accrual rate.
- 4) In 2007, to deal with poverty among the elderly and all other households, introduce a comprehensive, state budget financed, social assistance program to replace all current social assistance benefits, that would provide means tested benefit to any household with total income from all sources that is below the subsistence level defined for that household size and structure (item 2). This new program would ensures that the combination of regular pension benefits and social assistance (and all other sources of income) is phased in to honor Article 6 of the Law on Mandatory State Pension Insurance (as amended) and Article 46 of the Constitution of Ukraine for all Ukrainian households through supplements to PAYG pension benefits as the means tested social assistance. This new program would become effective on January 1, 2008.

To address the long term problems of the falling ratio of contributors to pensioners, PRI recommends the following two steps:

- 1) In 2007, amend the Law on Mandatory State Pension Insurance to raise the pension age for women by 6 months every year, beginning in 2008 until their pension age is equal to 65 in 2027 and to raise the pension age of men starting in 2018 by six months every year until it also reaches 65 in 2027.
- 2) In 2007, enact a law setting up the State Mandatory Accumulation Fund (Pillar 2) to begin receiving contributions in 2008 or 2009 – provided that actuarial projections show a surplus in the PFU budget in that year and compliance to all other provisions included in the base law as pre-requisites for introduction of the Accumulation Fund.

2. Reform of Privileged and Special Pensions

Ukraine's pension system offers extensive privileged pensions – early retirement for workers in hazardous occupations – that are paid from the PFU budget. The draft law proposes to transfer the responsibility for paying for these early retirement pensions from the PFU to mandatory private occupational and professional pension funds financed by contributions by the employer.

PRI proposes that the draft law also address the issue of special pensions (given to some government employees, judges, prosecutors, members of Parliament and other categories eligible for these pensions granted under special laws). These groups receive pension benefits paid after regular retirement age that exceed regular old age pensions and that are paid for from the state budget or the budgets of enterprises – also be included in the draft law.

Therefore, the paper will make the following recommendations – supported by actuarial analyses:

- 1) In 2006, enact a new Law on Privileged Pensions transferring responsibility of funding early retirement benefits (people working in hazardous conditions) from the PFU to mandatory occupational or professional pension funds from the pension contributions paid by employers to the benefit of categories of workers employed in hazardous conditions.
- 2) In 2006, either enact a separate law, or amend the law on privileged pensions, to transfer responsibility of funding higher retirement benefits at regular retirement age from the budgets of employers to mandatory occupational or professional pension funds – beginning in 2008. The contributions to these funds would cover the benefits in excess of regular Pillar 1 benefits.

In addition to what is planned to be covered in the analytic report on privileged pension during the reported period the Project experts prepared the following materials:

- the comparison table on proposals to article 1 on reducing the definition of certain notions included in the other laws and clarification of the notion “individual pension account of participants of occupational schemes”;
- table on the age and the required occupational length of service for all categories of persons granted privileges;
- table on the number of pensioners granted special pensions;
- proposals on the draft “Methods of actuarial calculation of contributions to professional or occupational pension funds made to the benefit of participants of professional pension schemes developed by the Research Institute of Labor and Employment.

3. Pillar 2 implementation plan

See subsection (vii) of this report.

In August 2005, Svetlana Vegera was appointed to head the department of Social Protection in the Office of the President. She served as the First Deputy Minister in the Ministry of Labor and Social Policy during the 1990s. She requested that PRI team members participate in an expert group (that also includes Volodymyr Yatsenko, Katerina Petrina from the Word Bank, and Ella Libanova of the Institute of Demography of the Academy of Sciences of Ukraine).

PRI prepared a summary paper of the problems of the Pillar 1 PAYG system in Ukraine and listed the steps necessary to solve both the short-term fiscal problems caused by the rising costs of financing the minimum pension and the long term problems caused by adverse demographic shifts (see subsections 1 & 2 above). The Office of the President endorsed the overall direction of the changes and has requested PRI assistance to convert the paper into a decree of the President – establishing the principles for reform of social assistance and social insurance and establishing a working group to prepare draft amendments to laws and other normative acts to implement the reforms. The target date for issuing the decree will be by the end of 2005.

During the 3rd quarter the PRP also prepared the following for the MoLSP:

- comments to the draft of Law “On Amending Certain Laws of Ukraine” (on pension provision of the parents-educators in foster orphanages) in view of the Decree of the President of Ukraine “On Priority Actions on Children Protection”;
- comments to amendments to article 28 and 42 of the Law on Ukraine “On Mandatory State Pension Insurance” in view of increase of the average wage for workers employed in the national economy;
- comments to amendments to the Law of Ukraine “On Mandatory State Pension Insurance” (item 13 “Final provisions” on covering the expenses on the increased pensions for test-flight crews and civil aircraft flight crews from the state budget.

(ii) Continued development of computer systems for PFU

Cooperation with PFU continued. We moved forward with the establishment of web-portal to include 4 web-sites: for the PFU, its newly created Training and Development Centre, for ‘Pension Courier’ newspaper, and the magazine. Based on the results of the tender 2 companies – Softline and Finport are actively involved in this activity. By the end of the 3rd quarter the PFU official web site has been already passed to the PFU for testing.

(iii) Introducing of Unified Social Contribution

During the reported period PRP provided the MoLSP with comments to the draft Law “On Unified Social Contribution”

We also provided funding for the Working Group activity to finalize the draft, as well as expert assistance. The Working Group included representatives of governmental agencies in charge of drafting the Law, as well as representatives of all social funds and trade unions.

Amendments to the Law of Ukraine “On Mandatory State Pension Insurance” were worked through and proposals on amendments to the Law of Ukraine “On Contributions to Mandatory State Pension Insurance” were made in connection with drafting the law “On Unified Social Contribution”. Practical assistance was also given to specialists of the CoM involved in the process.

The draft Law prepared by the Working group was submitted by the CoM to Verhovna Rada on 6 September 2005. As provided in the draft Law, the function of collecting the unified social contribution, record keeping (registration of insurers, accounting the unified social contribution, reception of reports, keeping the registers), control over the unified contribution payment will be with the Pension Fund of Ukraine. The National Social Insurance Register will be established being composed of the Register of Insurers and Register of the Insured. Each fund will be provided an access to the unified data base under the defined rights to

access thereto. The base of the unified social contribution accrued will be unified and as planned it shall applied to the income capped by the ten-fold subsistence level set by the law for persons able to work. The State Treasury automatically will distribute the money by types of social insurance and transfer the money to accounts of the funds. The proportion of the social insurance occupational injury contribution will depend on the type of occupational risks. As there 67 classes of occupational risks certain difficulties will arise in defining and distributing the unified social contribution given the existing classes of occupational risks. The unified social contribution rates and the formula for distributing it between the social insurance funds will be decided by the Verkhovna Rada under a separate law.

The PRP provided the MoLSP with recommendations to submit the said draft Law together with the draft Law on the unified social contribution rates as well as to take contributions to the Occupational injury insurance fund out of the single payment order and to effect payments of the unified social contribution under two payment orders (the first payment order will include contribution for three funds, the second payment order - occupational injury insurance fund), however the said proposals were not taken into account.

(iv) Actuarial Modeling

Progress continues with the actuarial model under development with Willem Schudderboom. During a visit in early September, the pension calculation module was completed and the design of input and output datasheets was further refined. Actuary Mitchell Wiener completed a brief review of the Schudderboom model as well as the model being developed by the group headed by Ella Libanova. The Libanova group has already incorporated some of the portions of the Schudderboom model into their model – which still remains incomplete as the team is developing the Pillar 2 component. Until the Pillar 2 part of their model is complete, the Libanova group’s model is unable to make forecasts beyond the year 2015.

The challenge for the final quarter of the project will be to transfer the Schudderboom model to a user’s group that will include the Pension Fund of Ukraine and the Libanova group. It is hoped to submit a “beta” version early in the next quarter (that is, a “work in progress” in which users are asked to submit their modifications and extensions to the model to other users). Since there will be no capacity to support the Schudderboom model beyond the end of PRI, the Schudderboom model is likely to be used for its component parts – with portions included in other models under development. It will be used to prepare actuarial forecasts for the ongoing PRI analytic papers dealing with Pillar 1 and Pillar 2 reform.

(v) Implementation of the Law

PRI provided expert advice to the MoLSP and the PFU on issues related to the implementation of the Law of Ukraine “On Mandatory State Pension Insurance” including:

- 1) the conclusion on the Summary of the MoLSP and PFU on to the period over which wages are taken for recalculation of disability pensions and earnings taken for accounting the adjusted wage;
- 2) the conclusion on the application of Mr. Chirkov from Lviv on including in the earnings for pension calculation the income in foreign exchange received during missions outside Ukraine;
- 3) the conclusion on the circular of Petro Tzybenko, peoples’ deputy, Head of the Committee on Affairs of Pensioners, Veterans and Invalids concerning the letter of Mr. Loginov from the city of Nikopol on reducing the earnings and pension benefit in converting the wage received in rubles into the income in hryvna;

- 4) assistance in settling the issue on including a length of service in the Far North in the insurance period of the person that personally applied to O. Gariacha, Deputy Minister;
- 5) consulting the specialists of the MoLSP and PFU as to application of certain provisions included in the Law of Ukraine “On Mandatory State Pension Insurance” (concerning inclusion of the period of taking care about a not able-bodied person in the insurance length of service; accounting the length of service in the Far North, payment of pensions to persons in emigration, procedures on pension increase effective from 1 March 2005);
- 6) the conclusion on the draft Law on including in the insured length of service the period of disability due to occupational injuries;
- 7) proposals to address the League of Insurer Organizations’ proposals on participation in the non-state pension provision and exemption of the contributions made to those from the mandatory contributions to the PFU;
- 8) comments of the Ukraine Federation of Trade Unions on the “National Program on Economic and Social Development in Ukraine in 2006”;
- 9) proposals to the draft of the joint circular of the MoLSP and PFU as to the application of the norms included in article 41 of the Law of Ukraine “On Mandatory State Pension Insurance” (as to the date from which pensions could be recalculated for persons who fulfilled works with the implementation period above one calendar month; also it was proposed in cases when pension files contain the supporting documents on the said situations pension recalculation should be made based on the documents filed without a mandatory pensioner application on the pension recalculation).

(vi) Increases in the minimum pension

On December 23, 2004, the Mandatory State Pension Insurance Law (Art.28) was amended by Parliament, increasing the minimum pension up to the subsistence level established for not-able-to-work individuals. The new number for the minimum subsistence level for not-able-to-work individuals (and therefore the new minimum pension) was set at– 332 UAH for 2005.

Large subsidies from the state budget are required to pay for the large increases in the minimum pension to 332 UAH. In 2005, state budget subsidies are estimated to total UAH 18.6 billion. Recently there were high level official’s statements that 2 more billion UAH are required in 2005.

For 2006, the GoU is budgeting UAH 18.5 billion to finance pension obligations.

(vii) Introducing the mandatory accumulation system (2nd pillar)

During the reported quarter PRP experts:

- participated in the Working group meetings set to discuss the actions on implementation of the mandatory accumulation system and drafting the agenda for the meeting of the Pension Reform Coordination Center.
- assisted the MoLSP with drafting the circular to the COM on issues pertaining to introduction of the accumulation pension system;

- at the MoLSP request prepared the conclusion on the draft of the law “On State Budget of Ukraine for 2006 and Amendments to some Legislative Acts of Ukraine” (concerning introduction of the mandatory accumulation system);
- at MoLSP prepared proposals for secure use of the Accumulation pension fund money;
- prepared the list of necessary amendments to the Law of Ukraine “On Mandatory State Pension Insurance” in connection to the introduction of the 2nd pillar.

The Mandatory State Accumulation system (Pillar 2) is a complex task – involving the development of IT systems, the creation of a legislative foundation, and significant changes in collateral aspects of the pension system. At the request of the MoLSP, PRI prepared recommendations for the steps necessary to implement Pillar 2. These include equalizing pension ages (to narrow the gap between annuity pensions of men and women under the accumulation system), restructuring of the PFU to ensure accountability and transparency), and amending the regulations of the National Bank of Ukraine to ensure easier acquisition of foreign assets.

During the final project quarter, PRI will be preparing a detailed work plan for Pillar 2 implementation of the personified reporting system that is a key component for Pillar 2 (to allow the maintenance of accurate and timely data of the amount accumulated in individual accounts for all contributors participating in the system. PRI IT consultant Jon Tomar will be visiting Kyiv to manage the process. Early in October, PRI is planning to provide counterparts with training in the use of Microsoft Project that will be used as the “platform” for the workplan.

PRI will also be preparing actuarial estimates of how much can be diverted from Pillar 1 to support the introduction of Pillar 2.

2. PRIVATE PENSION SYSTEM

(i) General Information about the Non State Pension System

Private pension system continues to develop.

As of July 1st there were 38 non-state pension funds registered according to the Law on the Non-state Pension Provision -- 31 open, 5 corporate and 2 occupational. Only 19 of these funds were ready to conclude pension contracts and to receive pension contributions on the basis on concluding contracts for fund administration, asset management and custodian services.

As of July 1st, contributions collected by these new pension funds totalled 9.32 million UAH, including 8.73 million UAH received from employers, with a total of 34.8 thousand pension fund members.

So far, 90 % of pension assets are placed in bank deposits.

There are 22 licensed administrators and 59 pension assets management companies.

(ii) Drafting NPF Legislation

During the 3rd quarter of 2005, the Project has been involved in activities in 2 areas:

1. Drafting amendments to the NPF Law

A task force that included representatives of PRI under the leadership of the SCRFSM has been convened to develop amendments to the Law On Non-state Pension Provision. The task force met several times. The draft amendments are scheduled to be submitted to the COM in early October.

2. Drafting regulations to enforce the NPF Law

The Project finalized and delivered to the SCRFSM comments and suggestions to the draft Regulation on the procedure of NPF termination.

(iii) Establishing the Regulator of Non-State Pension Funds (SCRFSM)

During the quarter, collaboration with the SCRFSM continued on many issues, not limited to pension fund regulation. PRI continued to support the Commission with IT development, including web-site development and maintenance.

In response to the Commission's request for help on its web site, PRI through its subcontractor FinPort Company, completed the work on creation of information reflection system from the State Register of Financial Institutions of Ukraine on the Commission web-site. A manual for users of this system has been prepared and the Commission staff has been trained in its use. It has been transferred to the Commission for testing.

PRI continued helping the Commission implement the notification system for financial services market participants, advised on the work with MS SQL Server, and also trained IT staff.

PRI started to help the Commission to develop the analytical part of "Refus Report" and "Finzvit" (Financial reporting) programs. These have been designed to analyze information collected about different types of financial institutions, but today it deals only with insurance companies' data. We conducted the analysis of the Financial Institutions Register data base, developed for the SCRFSM by "Sudovoi Informatzionnyi Tsentr". The analysis revealed very slow data access and presence of inaccurate and incomplete data the result of improper input data control under registration of insurance companies and filing quarterly reports. The results of our analysis were forwarded to the Regulator to take account of while forming the data base for other financial institutions.

PRI completed the analyses of what is needed to support electronic digital signature implementation in Ukraine as well as international practice in this area. The analysis was submitted to both regulators – DFP and Securities Commission. We continue to involve the staff of the Commission in public education activities through which they explain the role of the Commission and interact with the services providers regulated by the Commission. This has included training events in L'viv and Dnipropetrovsk. Following our agreement with the Commission, we also invited representatives from its regional offices to attend our training and educational events in these regions.

(iv) Assistance to the Securities and Stock Market State Commission

Work with the Securities Commission has been limited in response to USAID's instruction not to provide TA until internal conflicts of interests at the Commission were resolved. So, SSMSC staff was involved only in activities the Project provided to other counterparts. Thus, SSMSC staff was involved in Foros International Pension Conference.

At SSMSC's request the Project completed the analysis of what is needed to support electronic digital signature implementation in Ukraine as well as international practice in this area. As it was reported earlier the analysis was submitted to both regulators – SCRFSM and Securities Commission.

(v) Self-Regulatory Organisations (SROs)

The NPF Law provides for self-regulatory organizations (SROs) only in one area –fund administrators. There are two associations of NPF administrators – the Association of Non-State Pension Funds and Pension Fund Administrators (headed by Pyrig) and the Association of Pension Fund Administrators (headed by Sidorenko). Neither meets the requirements for being licensed as an SRO and, until SCRFSM decides which structure to license, we will

continue to work with both organizations. Sidorenko's Association has not been very active. Pyrig's Association has been a little bit more active. We invited both heads for the conference in Foros.

During the 1st quarter, several steps were taken by several NPF administrators (SigmaBleyzer and All-Ukrainian Administrator) to create a new association, but according to public information there has been no visible progress since.

Currently, NPF administrators are not required to join an SRO and neither existing associations are strong or well recognized, giving administrators little incentive to join.

Asset management companies are mandated to be members of an SRO. The SRO for asset managers in Ukraine is the UAIB (Ukrainian Association of Investment Business) and PRI is working with it. Despite the majority of asset management companies are at the same time NPF administrators, UAIB has not expressed the wish to be also an SRO for NPF administrators. UAIB new General Director Yevhen Grigorenko took part in Foros Conference.

(vi) Work with Trade Unions and Federation of Employers

During this quarter, PRI continued cooperation with the Trade Unions Federation and the Federation of Employers. Regional workshops on implementing voluntary accumulation pensions (3rd pillar) in cooperation with trade unions and Federation of Employers were held in L'viv and Dnipropetrovsk. Representatives of both regulators as well as an experienced asset manager and PRI staff delivered speeches and participated in the discussions. Representatives of both Federations also took an active part in Foros pension Conference.

(vii) The Role of Insurance Companies in Private Pensions

Recently there have been discussions and publications on the roles of insurance companies in non-state pensions. The Law on Non-state Pension Provision allows insurance companies a role in payment of benefits through the sale of annuities, but does not specify how or whether they could participate in the accumulation stage. Insurance companies consider this discriminative and are lobbying for amendments to both NPF and Insurance Laws in order to participate in the lucrative accumulation stage. Because these issues are not covered by current legislation, insurance companies offer employers a wide range of pension-related products that are in the interests of employers rather than employees. The competition between NPF and Insurance companies is becoming unfair.

So policy decisions are needed to clarify the situation. Several amendments to Insurance and NPF Laws have been drafted by the insurance industry and have been discussed by the SCRFSM. The initial intention of the Commission was to involve in the discussion all Commissioners and representatives of both the insurance and NPF sectors. But this idea was ultimately rejected by SCRFSM. To help them in this difficult decision making process, the PRI prepared the analysis of the types of pension products (services) and peculiarities of their providing. The analysis has been passed to the SCRFSM, other agencies and market participants. The PRP also prepared comments to the draft amendments to the Law "On Insurance".

This topic was subject to the discussion and presentation of international expert at Foros Pension Conference.

After extensive meetings with representatives of the insurance industry and regulatory Agencies and a discussion at the Foros Conference, PRI will provide a paper that clearly defines the appropriate roles of insurance companies according to best international practice and the implications for the insurance industry, non-state pension funds, and for the activities of regulatory agencies.

3. TRAINING AND PUBLIC EDUCATION

PRI activity during this quarter focused on training and public education in collaboration with Government counterparts, the Center for Social Reform, the Federation of Employers of Ukraine, and the Federation of Trade Unions of Ukraine. PRI organized joint events and supported these counterparts with expert advice, methodological literature, booklets, brochures, informational compact discs etc.

Detail information about training and public education events, as well as brochures, booklets and other printed informational materials, prepared and distributed in the 19th quarter is in the Attachment 1.

During the summer of 2005, the 3rd public opinion survey sponsored by the Project was conducted by GfK. The survey monitors changes in public opinion with respect to pension reform issues. The results are in a process of being finalized. The press-release announcing the Survey results is provided in Attachment 3.

At the MoLSP the PRP prepared detail Overview of the Swiss Pension System and Lessons for Ukraine (Attachment 4).

(i) Training

During this quarter the focus of training was on the voluntary pension system, involving staff from regulators and market participants. Project experts also trained specialists from the MoLSP at a refresher course. The Pension calculation demonstration model was also presented there.

PRI staff also conducted special training courses for SCRFSM staff on the use of various computer programs. PRI supported new courses for employers being conducted in conjunction with the Pension Fund's training division.

In the 3rd quarter, 1,054 people participated in activities sponsored by PRI, bringing the total number of participants in project-sponsored training for more than three years of the Project to over 24,800.

(ii) Public Education

All training activities included elements of public education -- listed in Attachment 1 to this report. In addition, specific public education activities included:

- Presenting an International Pension Conference in Foros.
- Continuing to produce the television program on pension reform.
- Participating in regional Press Club briefings for journalists in Dnipropetrovsk.
- Updating the pension reform web site.
- Commissioning journalists to write articles on pension reform and to publish interviews with key players in leading local newspapers.
- Conducting seminars in L'viv and Dnipropetrovsk -- for employers and trade unions.
- Preparing and printing the Annual newsletter "Universal Obligatory State Social Insurance and Pensions in 2004" -- 5,000 copies in Ukrainian and 150 in English.

People continue to use the telephone hotline extensively, with an average of 1,000 calls per week. This quarter the total number of calls was over 12,400. The MoLSP has asked for PRI to continue its support for the hotline in 2005.

The Pension Website was also extensively used. In the 3rd quarter, 87,000 people visited the site (compared to 108,000 in previous quarter). Traditionally users have a particular interest in PRI both public and private pension legislation overviews, as well as special reports on issues such as pension reform in Kazakhstan and Switzerland. Over 624,000 people have visited the site since its inception. Activity on the Forum section was the strongest. PRI provided more than 200 answers to questions raised in the Forum.

The Project continued to sponsor Journalists' club activity hosted by the Ukrainian Stock Market Development Institute. On July 21 the Institute hosted a seminar followed by a round table on NPF investment strategy in Ukraine and international practice. Among speakers there were Commissioners from SCFSMR and SSMSC, representatives of NPF industry and Project experts.

At MoLSP's request, the Project started preparing the analytical materials for an annual newsletter "Universal Obligatory State Social Insurance and Pensions in 2004". 5,000 copies of the statistical newsletter will be printed during the summer

PROJECT ACHIEVEMENTS IN QUARTER 19

The Annual International Conference "Pension Reform in Ukraine: Achievements, Problems and Opportunities" in Foros in close cooperation with all our counterparts was the main achievement of the Project in the reported period.

Issues of importance from previous report(s) that remain unresolved

The Project continues to finalize its actuarial model.

Changes/revisions of forecasts from previous report and reason/cause

None

ACTIVITIES FOR THE NEXT QUARTER

PRI activities during the next quarter will continue in the areas in which it has concentrated during the last quarter with the impact of closing the Project.

PRI is producing four major reports at the request of counterparts that will be completed during the fourth quarter. These are:

1. Steps to Restore Fiscal Stability to Ukraine's Pillar 1 Pension System
2. A Road Map for the Implementation of Pillar 2 in Ukraine
3. Recommendations for reform of Privileged and Special Pensions in Ukraine
4. International Experience of the Role of Insurance Companies in Non State Pensions

In addition, the organization of the ST to USA to study 1st pillar operations is at the agenda.

FORECAST OF PROGRESS AGAINST TANGIBLE RESULTS

The tangible results for the project with comments on their development are:

1. *The 1st pillar's contributions' collection compliance and enforcement activities are increased from 85% in 2000 to 90% in 2003.*

When USAID's senior pension advisor was in Kyiv in June 2003, it was suggested to her that this benchmark be altered because there is no way it can be measured. When employers pay wages they must make pension contributions, but data have not been supplied either by the PFU or the State Tax Administration.

2. The GOU has developed and improved legislation that establishes and regulates mandatory and voluntary private pension funds and their investment activities.

SCRFSM has adopted all the major legislation needed to establish the system for regulating NPF activities. SSMSC amended its regulation to give asset management companies 18 months to bring NPF portfolios into compliance with investment limitations, established by Law. The Law keeps silence about any time period for such compliance, which was not logical.

The GOU formed a working group to draft amendments to the NPF Law in order to clarify some issues.

3. Amendments are drafted in other relevant laws and then submitted to Parliament, which create the conditions, and provide the incentives for individual retirement savings.

As stated above, some amendments are in the process of being drafted. PRI considered possible problems for successful NPF development and prepared amendments to the new Civil Code (enacted January 2004) in order to eliminate obstacles for inheritance of pensions, accumulated at NPF.

The Project provided comments to amendments to the Insurance Law to address the role of insurance companies in private pensions. The draft amendments were prepared by the SCRFSM.

4. Information technology systems for all GOU pension systems will be in place to ensure the effective and efficient recording, monitoring and regulation of all pensions within Ukraine.

Work continues to help SCRFSM to develop their IT systems to enable analysis of financial institutions reports.

5. A regulatory framework that provides for an independent and autonomous regulator, and the rules on reporting, disclosure, conflict of interest, investment standards and limitations, custody and initial and ongoing capital reserve requirements will be functioning.

Both SCRFSM and SSMSC have enacted normative acts to cover the operation of NPFs. The SCRFSM has already started to amend their Regulations to address practical issues. The draft amendments to the NPF Law was prepared by the Working Group to clarify several provisions, including NPF creation procedures, capital reserves and investment standards.

6. A private pension industry that is efficient, responsive to members' interests and transparent will exist.

38 new funds have been registered for operation. Half have begun collecting contributions. As most of these funds are open pension funds established by financial organizations PRI will monitor how responsively and transparently they will operate.

Currently 90% pension assets are placed in bank deposits. The lack of reliable and safe instruments in which to invest NPF assets is already obvious. In order to overcome this problem there are proposals to amend current legislation to create new investment instruments. Some proposals would be too risky and in the event of default may discredit the idea of NPF. So it is crucial to monitor these processes and give them fair evaluation.

7. Staff of the public pension agency (1st pillar) and the agency or department that shall be responsible for regulating private pension funds (2nd and 3rd pillars) will be trained on PPF's regulation and management, and pension

management issues i.e. licensing, enforcement, diversification, asset allocation, performance measurement and attribution.

Intensive training for staff involved in the 1st pillar on the operation of the new solidarity pension system has been completed. Instead the MoLSP has its refresh one-week course every quarter, and PFU training Center conducts several 1-day trainings on practical issues. The Project provides assistance and support to both trainings.

We also continue to assist both Commissions on central and regional levels to broaden their experience of the operation of accumulation systems and to help them open up dialogue with the market. We are planning to cover 1st pillar operations as well as private pensions during the US ST in December.

A lot of issues were addresses at Foros International Pension Conference.

During the last quarter we are planning to organize training for the regulators on asset management.

8. Public understanding of pension reform, private pension funds and voluntary pension contributions will increase from little or no knowledge about pensions to significant knowledge about pension reform as revealed from two public opinion polls, one at the commencement of the program and one in 30 months.

Three public opinion surveys have been carried out by the Project (the 3rd one – in summer). The press release for the latest is attached (Attachment 3).

We continue to conduct regional seminars for employers on NPF operation. In 2005 we conducted seminars in Kharkiv, L'viv, Dnipropetrovsk and scheduled other for Cherkassy and Zaporizhzhya..

The increasing use of the Pension Hotline indicates that public awareness of pension reform has significantly increased.

PROGRESS AGAINST BENCHMARKS

1. Within six months of the passage and enactment of Non-State Pensions Law and other required legislation, in coordination with relevant USAID/Kyiv projects create and implement a training program for pension fund companies and pension investment managers on how to manage and operate PPF's in an efficient and cost-effective manner that meets the needs of the fund participants;

PRI is working closely with the market participants and SCRFSM to inform and train them on key issues. We already responded to the industry needs regarding training on accounting, reporting and taxation for NPF administrators. Based on the industry requests we are in a process of finalizing arrangements for training on marketing NPF services.

2. By the end of the contract ensure that the Non-Banking Financial Regulator has the capacity to regulate non-state pension funds including, but not limited to development of: a) standards and capabilities; b) administration functions and personnel structure; c) standard methods to impose fees; and d) minimum standards;

Active contact is being maintained with SCRFSM and the Project in this area. We received Commission's proposals for cooperation in 2005. The first part of the proposed plan covers technical issues such as preparation of regulatory documents, training and education of staff. The second part of the plan covers IT issues.

We are working on its implementation. Besides specific NPF topics, Commission staff would like to be trained on project management, IT and other general issues.

A lot of regulatory issues have been addressed at Foros Pension Conference.

3. Within twelve months of the enactment of the Non-State Pensions Law: a) devise regulations for portfolio management; b) develop appropriate standards for asset allocation; c) develop regulations which protect pension assets; and d) advance regulations related to capital adequacy and reserve requirements for private pension fund companies;

The SSMSC passed needed regulations. Many of the regulatory issues regarding this benchmark were addressed at Foros Pension Conference. We are planning to have pension asset management training for the regulator in the 4th quarter.

4. By the conclusion of the contract, the Contractor will have trained the staff of the private pension regulatory agency (department) on how to conduct private pension scheme financial and management audits. This training should include, but not be limited to, training on pension investment diversification, fiduciary responsibility, investment performance measurement and reporting, avoiding conflicts of interest, compliance and enforcement of pension legislation;

A lot of regulatory issues regarding this benchmark have been addressed at Foros Pension Conference.

5. By the conclusion of the contract, the GOU shall have improved administrative efficiency of its pension related IT systems; and developed a national pensioner database (mandatory pension system); and

PRI believes that the administrative efficiency of the GOU's pension related IT systems have significantly improved. PRI's role in this is widely acknowledged in correspondence between the GOU and USAID. The Study Tour to the USA to visit SSA will be valuable in achieving this benchmark.

At PFU request we moved forward with the development of 4 web sites for the PFU.

6. By the conclusion of the contract, the Contractor will have conducted at least three pension reform conferences (one conference per year) for Ukrainian policy-makers, trade unions, employers and media, which will include sessions focusing on pay-as-you-go system reform; introduction of a mandatory accumulation pillar; and private pension funds regulation, supervision and management

The 5th international pension conference was held from September 29 to October 2, 2005 in Foros (see separate report in attachment 2).

ANTICIPATED PROBLEMS

PRI's actuarial modeling continues to encounter problems in securing reliable and timely data from the PFU. It will be resolved during the 4th quarter by inputting "reasonable" demographic and economic data and pension fund statistics based on the PFU's annual report. PRI – through USAID and in coordination with the World Bank – will continue to press for reliable input data. It is clear that the PFU has no actuarial model of its own and as soon as the PRI model is producing reliable results it will be transferred to the PFU and other potential users.

The results from the PRI actuarial model will be compared with projections from the model that is still under development by the Institute for Demography.

OPEN OR DEVELOPING ISSUES

Actuarial model to be completed and run.

ANTICIPATED COORDINATION NEEDS WITH OTHER PROJECTS OR COUNTERPARTS

During the 3rd quarter, the Project staff had several meetings with the World Bank on pension related policy and coordination issues. We do not see problems in coordination and are planning to combine our efforts in several directions – actuary model development, cooperation with NPF industry etc. The close cooperation with Presidential Secretariat that started in the 3rd quarter is crucial and will be continued.

FISCAL INFORMATION

Total Invoiced through June 30, 2005	\$6,854,299.13
Invoiced July 1 2005 – September 30, 2005	\$ 441,216.18
Total Invoiced through September 30, 2005	\$7,295,515.31
Total Contract Amount	\$8,004,736
Contract Balance as of September 30, 2005	\$709,220.69

**ATTACHMENT 1. SUMMARY OF EDUCATIONAL AND TRAINING
ACTIVITIES FOR 3RD QUARTER OF 2005**

SUMMARY OF PRI TRAINING ACTIVITIES: JANUARY 1, 2001 – TO DATE	
NUMBER OF PARTICIPANTS TO JUNE 30, 2005	23,781
TOTAL THIS QUARTER	1,054
TOTAL FROM PRI INCEPTION TO SEPTEMBER 30, 2005	24,835

№	Date	Event	Performers	Number of Participants/Number of Copies
Educational Activities				
1.	July 4-8	Practical seminars for specialists of regional offices of the Ministry of Labor and Social Policy of Ukraine	MoLSP, PADCO	8
2.	July 7	Pension Reform and NPF Activity Seminar for representatives of trade unions and employers in Dnipropetrovsk	Financial Services Regulator, SSMSC, PADCO	53
3.	July 7	Seating of Dnipropetrovsk journalists' press-club "Pension Reform and NPF Activity in Ukraine"	Financial Services Regulator, SSMSC, PADCO	27
4.	July 21	Seating of Journalists' Club on the issue "Investment Strategy of Non-State Pension Funds in Ukraine"	USMDI, PADCO,	32
5.	August 1-19	Workshops in the Ministry of Labor and Social Policy for the employees of oblast and rayon offices of Labor and Social Protection	MoLSP, PADCO	8
6.	August 19	"Pension Reform and NPF Activity" seminar for the representatives of trade unions and employers in L'viv	Financial Services Regulator, SSMSC, PADCO	56
7.	September 29- October 2	International Conference "Pension Reform in Ukraine: Achievements, Problems and Opportunities"	MoLSP, PFU, Financial Services Regulator, SSMSC, PADCO	152
Training Activities				
8.	During the quarter	A series of training workshops for the representatives of HR and Accounting	Scientific and Methodical Center of PFU	689

		Departments of enterprises, institutions and organizations	PADCO	
9.	July 18-20	Specifics of presentations preparation	Financial Services Regulator, PADCO	3
10.	During the quarter	Training course on Free BSD 5.4 system administration	Financial Services Regulator, PADCO	4
11.	During the quarter	Training course on Project Management	UPMA, Financial Services Regulator, PADCO	3
12.	During the quarter	Training for the Financial Services Regulator staff on using the official web-site: www.dfp.gov.ua	Financial Services Regulator, PADCO	9
13.	During the quarter	Completing the work on creation of the web-site for information reflection system from the State Register of Financial Institutions of Ukraine in the Internet. Preparing the manual for the users of this system	Financial Services Regulator, PADCO	4
14.	During the quarter	Training on the methods of building and managing Internet portals	Financial Services Regulator, PADCO	4
15.	During the quarter	Reconstruction of PFU official web-site and training on the system use	PFU PADCO, Softline	2
Brochures and Booklets Preparation				
16.		Preparation of children's book "Everyone Has Its Own Wisdom" for printing	PFU PADCO	
17.		Preparation and printing of the brochure "New Pension System" as of July 1	PADCO	1,000 copies
18.		Preparation and printing of the brochure "Mandatory State Pension Insurance and Pensions in Figures and Facts"	MoLSP, PFU, PADCO	5,000 copies in Ukrainian, 150 copies in English
19.		Preparation and printing of the brochure "Informational Resources on Pension Issues"	PADCO	750
20.		Preparation and printing of the brochure "Normative and Legal Acts on the Issues of Pension Provision of Individuals from Among Test-Flying and Flying Personnel of the Civil Aviation Aircrafts"	PADCO MoLSP	150 copies
21.		Preparation and distribution of the informational CDs for the Federation of Trade Unions of Ukraine and participants of courses of the PFU Scientific and Methodical Center	PADCO	850

<u>SUMMARY OF PUBLIC EDUCATION ACTIVITIES DURING THE 3RD QUARTER</u>	
Number of Brochures Disseminated	7,050
Number of CD-ROMs Distributed	850
Number of Consultations Provided though Hot Line	12,460
Number of Consultations Provided through Web Site Forum	210
Number of Visitors to pension Web Site	87,000

OTHER PUBLIC EDUCATION ACTIVITIES:

- Opening of the hot-line in the press-center of “Pension Courier” Newspaper, 8-044-280-13-89;
- Organization of work of the Task Force on completion of the draft law On Unified Social Contribution;
- Participation in preparing the meeting of Coordination Center on Pension Reform Issues at the Cabinet of Ministers of Ukraine on the non-state pensions issues (preparation of materials, etc.);
- Refining the actuarial model for a household in the mandatory accumulation system;
- Monitoring of the press and passing monitoring results to the Project partners;
- Preparation of international pension news, passing it to the Project partners and placing on www.pension.kiev.ua ;
- Preparation of materials on international experience with pensions per partner organizations’ request.

ATTACHMENT 2. THE REPORT ON THE INTERNATIONAL CONFERENCE “PENSION REFORM IN UKRAINE: ACHIEVEMENTS, PROBLEMS, OPPORTUNITIES”

Foros

September 29 – October 2, 2005

The international conference “Pension Reform in Ukraine: Achievements, Problems, Opportunities” was held in Foros, the Autonomous Republic of Crimea on September 29 – October 2, 2005 under the USAID Project for Pension Reform in Ukraine.

The conference was organized by the Ministry of Labor and Social Policy of Ukraine, the Pension Fund of Ukraine, the State Commission for Regulation of Financial Services Markets of Ukraine and the Securities and Stock Market State Commission.

Over 152 people participated in the conference – including People’s Deputies of Ukraine, foreign experts from the USA, Belgium, Bulgaria, Kazakhstan, the Netherlands, governmental officials from the Secretariat of the President of Ukraine, the Ministry of Labor and Social Policy of Ukraine, the Pension Fund of Ukraine, the Financial Services Regulator, the SSMSC, representatives of higher educational and scientific institutions, those involved in the emerging private pension system, as well as central and regional mass media representatives.

The following issues that were discussed:

- The politics of pension reform
- Creating a fair and financially sustainable pension system
- The impact of Ukraine’s changing demography on the pension system
- International experience with pension reform, in particular the experiences of Russia, Bulgaria and Kazakhstan
- New trends in pension provision in Europe
- World Bank’s activity and support of pension reform
- Tasks and problems in implementing mandatory accumulation pension systems
- Implementation of Ukraine’s proposed unified social contribution
- Working experience of non-state pension funds in Ukraine
- Ability of the capital markets of Ukraine to provide reliable financial instruments for investments by non-state pension funds
- The role of insurance companies in non-state pensions

For two days the specialists discussed achievements and current problems that have appeared in the course of implementation two basic pension laws of Ukraine: “On Mandatory State Pension Insurance” and “On the Non-State Pensions”.

Most of the first working day was devoted to discussion of the issue surrounding the creation of the financially sustainable pension system in Ukraine.

The most painful issues are those associated with the immense state budget deficit caused by setting minimum pensions equal to the minimum subsistence level, which in its turn has

reduced the link between pension benefits received and years of work experience and pensionable wages, coupled with the lack of actuarial projections when making decisions about benefit levels and other issues.

The importance of the future influence on pension benefits of the mandatory accumulation pension system as well as mandatory occupational system were also discussed. The hope of implementing the mandatory accumulation system starting in 2007 is clearly not realistic for political as well as economic reasons. Today, according to actuarial calculations made by the Institute of Demography, the implementation of the mandatory accumulation system will be possible only from 2009. But much remains to be resolved concerning the term and the conditions for implementing the mandatory accumulation pension system. The discussion of this issue by conference participants was interesting and useful for the governmental officials as well as for the representatives of non-state pension institutions, since they will also have professional interest in this system.

The speech by the conference participant from Kazakhstan - Aidar Alibaev, the Head of the Board of Kazakhstan Pension Funds Association, aroused great interest. He described the situation with the accumulation pension system development in Kazakhstan, emphasizing problems with finding suitable and sufficient assets in which to invest the growing accumulation fund.. Similar problems will be encountered in Ukraine.

Such issues as how the development of the stock market in Ukraine is influencing investment of private pension fund assets and those of the proposed Accumulation Fund in the future as well as international experience with implementing the accumulation occupational schemes also aroused great interest among conference participants.

Issues were energetically discussed by participants not only during presentations but also during coffee-breaks. In general experts continued to exchange their opinions at any opportunity, including on their way back to Kyiv.

The strategy for investing pension assets and the development of investment mechanisms attracted the attention of many specialists. Rick Gurley, the USAID Chief of Private Enterprise Division, and that of Anatoliy Fedorenko, Vice-President of KINTO Asset Management Company both provided informed and provocative presentations. Conference participants had an opportunity to compare international experiences with those of Ukraine in resolving this problem. Especially vigorous discussion centered on the issue of investing private pension assets in shares and bonds of Ukrainian issuers and how the current political situation in Ukraine influenced this issue.

Business representatives argued that there are many issues that needed to be resolved immediately through joint efforts with government counterparts. Practitioners laid special emphasis on the fact that the Draft Law of Ukraine "On Joint-Stock Companies", which would strengthen corporate governance and provide stronger protection of minority shareholders' rights has still not been adopted after more than seven years of discussion. Ukrainian as well as foreign experience shows that investing pension assets in shares and corporate bonds allows non-state pension funds to earn a higher investment return – above the inflation rate.

17 journalists representing central and regional mass media participated in the conference. A press-conference was held on the 1st day.

The Ministry of Labor and Social Policy
The Pension Fund of Ukraine
The State Commission for Regulation of Financial Services Markets in Ukraine
The Securities and Stock Market State Commission

PROGRAM

PENSION REFORM IN UKRAINE: ACHIEVEMENTS, PROBLEMS, OPPORTUNITIES



September 29 - October 2 2005
Foros, Ukraine



USAID
FROM THE AMERICAN PEOPLE

The Ukraine Pension Reform Implementation Project

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September 30

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1

9.30 AM – 10.00 AM: REGISTRATION

The Politics of Pension Reform

Moderator: Volodymyr Yatsenko

10.00 am – 10.30 am: Welcome to Participants

Valeriy Alyoshyn, People's Deputy of Ukraine, First Deputy Chairman of the Verkhovna Rada Committee for Affairs of Pensioners, Veterans and Invalids

Earl Gast, USAID Mission Director

Mykola Burmaka, Commissioner, Securities and Stock Market State Commission

10.30 am – 11.45 am: Petro Tsybenko, People's Deputy of Ukraine, Chairman of the Verkhovna Rada Committee for Affairs of Pensioners, Veterans and Invalids – *Legislative Aspects of Pension Reform*

Olena Garyacha, Deputy Minister of Labour and Social Policy of Ukraine – *Politics of Pension Reform in Ukraine*

Oleksiy Zarudniy, Deputy Head of the Board, Pension Fund of Ukraine – *Organizational and Legal Basics as well as Urgent Problems in Implementing Pension Reform in Ukraine*

Valentyna Levchenko, Deputy Head of the State Commission for Regulation of the Financial Services Markets of Ukraine – *The Role of the State Commission for Regulation of the Financial Services Markets of Ukraine in Reform of the Pension System*

11.45 am – 12.00 pm: Coffee Break

12.00 pm – 01.30 pm: Chris Verhaegen, Secretary-General, the European Federation for Retirement Provision, Belgium - *Latest Developments in Pensions in the European Union*

Volodymyr Yatsenko, Pension Reform Program Manager, USAID – *Whither Ukraine's Pension Reform? In Search of Justice, Solidarity, Responsibility and Efficiency in the Pension System*

Mitchell Wiener, PADCO Expert – *Options for Pillar 1 Reform in Ukraine*
Panel Discussion

01.30 pm – 03.00 pm: Press Conference, Lunch

Creating a Fair and Fiscally Sustainable Pension System

Moderator: Ella Libanova

03.00 pm – 05.00 pm: Ella Libanova, Deputy Director, Institute of Demography and Social Studies – *Influence of the Demographic Trends in Ukraine on the Solidarity Pension System and the Implementation of the Mandatory Accumulation System*

Vasyl Nadraha, People's Deputy of Ukraine, Head of the Pensions Provision Subcommittee of the Verkhovna Rada Committee for Affairs of Pensioners,

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Veterans and Invalids – *Fairness as the Main Organizational Principle of a Sustainable Pension System*

Yulia Smolyar, Pension Reform Implementation Project Consultant, World Bank – *Key Issues in Pension Reform in Ukraine: World Bank’s Activity and Support*

Greg McTaggart, PADCO Expert – *Pension Reform in Russia: What’s Left to Be Done?*

Danka Shopova, Director of Supplementary Mandatory Social Insurance Department, National Social Security Institute, Bulgaria – *Supplementary Pension Insurance and Experience in Reform of Privileged Pensions in Bulgaria*

Tatiana Bedareva, Deputy Head of the Mandatory State Social Insurance Department, Ministry of Labour and Social Policy of Ukraine – *Basic Provisions of the Draft Law “On Unified Social Contribution”*

Panel Discussion

08.30 pm: Reception

October 1

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Implementing Pillar 2 Pension System. Non-State Pensions

Moderator: Olena Vasylichenko

10.00 am – 11.45 am: **Valeriy Alyoshyn**, People’s Deputy of Ukraine, First Deputy Chairman of the Verkhovna Rada Committee for Affairs of Pensioners, Veterans and Invalids – *Problems in Implementing the Pillar 2 Pension System in Ukraine*

Daniel Wartonick, PADCO Expert – *International Experience in Implementing Pillar 2 Pension Systems*

Oleksandr Maletskyi, Director of Personification and Information Systems Department, Pension Fund of Ukraine – *IT Development as the Main Precondition for Implementing the Mandatory Accumulation Pension System*

Panel Discussion

Andriy Rybalchenko, Director of the Non-State Pension Funds Supervision Department, State Commission for Regulation Financial Services Markets of Ukraine – *Non-State Pension Funds: Progress in Ukraine so Far*

Maryan Sambirskiy, Vice-President, National Association of NPFs and NPF’s Administrators – *Building Non-State Pension System in Ukraine: Problems and Opportunities*

11.45 am -- 12.00 pm: Coffee Break

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12.00 pm – 14.00 pm: **Aidar Alibaev**, Head of the Board, Pension Funds Association, Kazakhstan – *The Accumulation Pension System of Kazakhstan*

Rick Gurley, Chief of Private Enterprise Division, Office of Economic Growth, USAID – *The Role of Capital Markets in the Successful Implementation of the Accumulation Pension System (Pillar 2 and 3)*

Anatoliy Fedorenko, Vice-President, KINTO Asset Management Company - *Stock Market Opportunities: Practical Investment Aspects*

Victor Novikov, Deputy Head of the Legal Department, National Bank of Ukraine – *Specifics of Investing Pension Assets in Foreign Securities*

Oleksiy Tarasenko, Head of the Methodology for Securities Market Regulation Department, Securities and Stock Market State Commission – *Ability of Capital Markets of Ukraine to Supply Reliable Financial Instruments to Non-State Pension Funds: the Regulator’s Point of View*

Dmytro Leonov, Rector, Ukrainian Stock Market Development Institute – *Financial Aspects of Non-State Pension Funds Management*

Panel Discussion

02.00 pm – 03.00 pm: Lunch

Non-State Pensions

Moderator: Andriy Rybalchenko

03.00 pm – 05.00 pm: **Yevhen Ivanov**, Chief of the Collective Investment Division, Securities and Stock Market State Commission – *Specifics of Asset Management Companies’ Operations with Pension Money*

Olexander Mertens, Academic Vice-President, International Institute of Business – *Allocating Pension Assets: Regulations and Risks*

Ramon Tol, Fund Manager, Blue Sky Group, the Netherlands – *Blue Sky Group’s Approach to Investments for Pension Funds*

Panel Discussion

Greg McTaggart, PADCO Expert – *Pensions for Ukrainians: Whose Money Is It?*

Mitchell Wiener, PADCO Expert - *The Role of Insurance Companies in Providing Non-State Pensions*

Victor Kolbun, Director of the Corporative Clients Department, Aska-Zhyttya Insurance Company – *The Role of Life Insurance Companies in the Non-State Pensions System*

Panel Discussion

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LIST OF PARTICIPANTS

№	Name, Surname	Position	Institution
1.	Petro Tsybenko	People's Deputy of Ukraine, Chairman of the Committee for Affairs of Pensioners, Veterans and Invalids	Verkhovna Rada of Ukraine
2.	Valeriy Alyoshyn	People's Deputy of Ukraine, First Deputy Chairman of the Committee for Affairs of Pensioners, Veterans and Invalids	Verkhovna Rada of Ukraine
3.	Vasyl Nadraha	People's Deputy of Ukraine, Chairman of the Subcommittee for Pension Provision, Committee for Affairs of Pensioners, Veterans and Invalids	Verkhovna Rada of Ukraine
4.	Mykhaylo Dovgan	Consultant of the Secretariat of the Committee for Affairs of Pensioners, Veterans and Invalids	Verkhovna Rada of Ukraine
5.	Yulia Marchenko	Deputy Head of the Secretariat of the Committee for Social Policy and Labor	Verkhovna Rada of Ukraine
6.	Hanna Dudnyk	Consultant of the Secretariat of the Committee on Finances and Banking Activity	Verkhovna Rada of Ukraine
7.	Natalia Bychkova	Assistant to People's Deputy of Ukraine	Verkhovna Rada of Ukraine
8.	Svitlana Vehera	Advisor to the President of Ukraine, Head of the Main Social Policy Department	Secretariat of the President of Ukraine
9.	Viktor Ivankevych	Deputy Head of the Main Social Policy Department	Secretariat of the President of Ukraine
10.	Oleksandr Maksymchuk	First Deputy Head of the Department of the Strategy of Social Relations Reforming, Secretariat of the Cabinet of Ministers of Ukraine	Cabinet of Ministers of Ukraine
11.	Maryna Lazebna	Chief Specialist of the Department of the Strategy of Social Relations Reforming, Secretariat of the Cabinet of Ministers of Ukraine	Cabinet of Ministers of Ukraine
12.	Valentyna Yaschuk	Head of the Financial Policy Department, Secretariat of the Cabinet of Ministers of Ukraine	Cabinet of Ministers of Ukraine
13.	Olena Garyacha	Deputy Minister	Ministry of Labor and Social Policy of Ukraine
14.	Natalia Shambir	Head of the Pension Provision Department	Ministry of Labor and Social Policy of Ukraine
15.	Valentyna Kudin	Deputy Head of the Pension	Ministry of Labor and Social

		Reforming Department – Head of the Non-State Pension Provision Unit	Policy of Ukraine
16.	Tetyana Bedareva	Deputy Head of the Mandatory State Social Insurance Department	Ministry of Labor and Social Policy of Ukraine
17.	Yulia Plyuschova	Chief Specialist of the Pension Reforming Department	Ministry of Labor and Social Policy of Ukraine
18.	Iryna Kruchek	Deputy Minister	Ministry of Labor and Social Protection of the AR of Crimea
19.	Lyubov Bykovska	Head of Department	Department of Labor and Social Protection, Sevastopol Oblast State Administration
20.	Valentyna Slyvna	Deputy Head	Main Department of Labor and Social Protection, Dnipropetrovsk Oblast State Administration
21.	Olena Nosovets	Head of Social Guarantees Policy Division	Main Department of Labor and Social Protection, Donetsk Oblast State Administration
22.	Galyna Kozlova	Deputy Chief of the Pension Provision Unit	Main Department of Labor and Social Protection, Zaporizhzhya Oblast State Administration
23.	Oleksiy Zarudniy	Deputy Head of the Board	Pension Fund of Ukraine
24.	Vladyslav Mashkin	Deputy Director of the Pension Provision Department	Pension Fund of Ukraine
25.	Oleksandr Maletskiy	Director of Personification and Information Systems Department	Pension Fund of Ukraine
26.	Mykola Tkachenko	Head of the Main Department in the AR of Crimea	Pension Fund of Ukraine
27.	Zinaida Pikalova	Head of the Main Department in Dnipropetrovsk Oblast	Pension Fund of Ukraine
28.	Anatolij Kozachuk	Head of the Main Department in Zaporizhzhya Oblast	Pension Fund of Ukraine
29.	Tetyana Kravtsova	Head of the Main Department in Sevastopol	Pension Fund of Ukraine
30.	Natalia Yefremova	Head of the Main Department in Mykolayiv Oblast	Pension Fund of Ukraine
31.	Volodymyr Matviychuk	Deputy Minister	Ministry of Finance of Ukraine
32.	Olena Toporova	Director of the Social, Labor and Humanitarian Law Department	Ministry of Justice of Ukraine
33.	Larysa Ostrivna	Deputy Head of the Pension Reform Economic Issues Unit of the Social and Economic Development Department	Ministry of Economy of Ukraine
34.	Iryna Shostak	Chief Specialist of the Pension Reform Economic Issues Unit of the Social and Economic Development Department	Ministry of Economy of Ukraine
35.	Viktor Novikov	Deputy Head of the Legal Department	National Bank of Ukraine
36.	Mykola Burmaka	Commissioner	Securities and Stock Market State Commission

37.	Oleksiy Tarasenko	Head of the Methodology for Securities Market Regulation Department	Securities and Stock Market State Commission
38.	Yevhen Ivanov	Head of the Collective Investment Division	Securities and Stock Market State Commission
39.	Natalia Malyar	Deputy Head of the Collective Investment Division	Securities and Stock Market State Commission
40.	Natalia Zakharova	Head of the Non-State Pension Funds and Securities Traders Activity Issues Section	Securities and Stock Market State Commission
41.	Diana Savytska	Head of the Regional Office in Lviv Oblast	Securities and Stock Market State Commission
42.	Yuriy Potyomkin	Deputy Head of the Regional Office in Kharkiv Oblast	Securities and Stock Market State Commission
43.	Valentyna Levchenko	Deputy Head, Commissioner	State Commission for Regulation of Financial Services Markets of Ukraine
44.	Andriy Rybalchenko	Director of the Non-State Pension Funds Supervision Department, Commissioner	State Commission for Regulation of Financial Services Markets of Ukraine
45.	Tetyana Zakharash	Deputy Director of the Non-State Pension Funds Supervision Department	State Commission for Regulation of Financial Services Markets of Ukraine
46.	Tetyana Korotka	Deputy Head of the Division, Head of the European Integration Unit	State Commission for Regulation of Financial Services Markets of Ukraine
47.	Serhiy Romanenko	Head of the Insurance and Pensions Methodology Division of the State Regulation and Financial Services Markets Development Department	State Commission for Regulation of Financial Services Markets of Ukraine
48.	Karyna Gremyatska	Head of the Inspection Unit of the Non-State Pension Funds Supervision Department	State Commission for Regulation of Financial Services Markets of Ukraine
49.	Oksana Movchan	Chief Specialist of the Licensing Unit of the Non-State Pension Funds Supervision Department	State Commission for Regulation of Financial Services Markets of Ukraine
50.	Volodymyr Maksymchuk	Deputy Head of the Social Protection Department	Trade Unions Federation of Ukraine
51.	Anatoliy Mykhaylenko	President of the Ukrainian Trade Union Organizations Federation – Trade Union of the Collective Enterprises	Trade Unions Federation of Ukraine
52.	Natalia Chorniychuk	Chief Specialist of the Social Protection Department	Trade Unions Federation of Ukraine
53.	Iosyp Rakhovskiy	Deputy Head of the Republican Employers Organization of the Crimea	Employers Federation of Ukraine
54.	Natalia Kostrytsya	Director of the Mandatory State Social Insurance Funds Department	Employers Federation of Ukraine
55.	Maryan Sambirskiy	Vice-President	Association of Non-State Pension Funds and NPF Administrators
56.	Yevhen Grygorenko	Director General	Ukrainian Association of

			Investment Business
57.	Natalia Kovalyova	Director for Methodology and Development	Ukrainian Association of Investment Business
58.	Serhiy Sydorenko	President	Association of Non-State Pension Fund Administrators
59.	Dmytro Leonov	Rector	Ukrainian Stock Market Development Institute
60.	Olexander Mertens	Academic Vice-President	International Institute of Business
61.	Volodymyr Zhernakov	Head of the Labor Law Department	Yaroslav Mudryi National Law Academy of Ukraine
62.	Mykola Shapoval	Deputy Director for Scientific Work	Labor and Employment Research Institute
63.	Ella Libanova	Deputy Director	Institute of Demography and Social Studies, National Academy of Sciences of Ukraine
64.	Olena Makarova	Head of the Social Policy Unit	Institute of Demography and Social Studies, National Academy of Sciences of Ukraine
65.	Anatoliy Grynenko	Lecturer of the Human Resources Management Department	Kyiv National Economic University
66.	Lyudmyla Stozhok	Lecturer of the Human Resources Management Department	Kyiv National Economic University
67.	Tetyana Rudnenko	Head of the Securities Management Department	Association of Ukrainian Banks
68.	Volodymyr Kozachenko	Director General	Asset Management Company, Pension Fund Administrator Stock Assets Management, Ltd.
69.	Pylyp Kovalevskiy	Chief Asset Management Specialist	Venture Investment Projects, Ltd.
70.	Olga Luchna	Deputy Director	First Pension Fund Administrator, Ltd.
71.	Yuriy Gryschenko	Head of the Board	Open Non-State Pension Fund DNISTER
72.	Igor Rogovets	Head of the Board	Open Non-State Pension Fund PROFIT
73.	Viktor Melnyk	Director	Asset Management Company Portfolio Investments, Ltd.
74.	Svitlana Parphenyuk	Chief Administration Specialist	Asset Management Company Portfolio Investments, Ltd.
75.	Yuriy Burkov	Deputy Director	Pension Fund Administrator Personification Center, Ltd.
76.	Tamila Ischuk	Executive Director	Asset Management Company IQ Technology, Ltd.
77.	Valeriy Pogoriliy	Head of the Central Board	Independent Power Engineers Trade Union of Ukraine
78.	Anatoliy Fedorenko	Vice-President	OJSC Asset Management Company KINTO
79.	Kateryna Kokhana	Head of the Investment Consulting Unit	Asset Management Company Rosan Capital, Ltd
80.	Dmytro Nikolaev	Acting Director General	Asset Management Company Capital

81.	Vladyslav Baranov	Head of the Board	Finport Technologies Inc.
82.	Yuriy Petrenko	Director	Finport Technologies Inc.
83.	Yulia Chernova	Back Office Specialist	Asset Management Company Investment Alliance, Ltd.
84.	Dmytro Karahodin	Director	Asset Management Company Dnipro, Ltd.
85.	Oleksiy Gusyatynskiy	Director General	Asset Management Company Spivdruzhnist Asset Management, Ltd.
86.	Gennadiy Lohvynovskiy	Deputy Director General	Asset Management Company Spivdruzhnist Asset Management, Ltd.
87.	Valentyna Seleha	Head of the Board	Non-Entrepreneurial Company AVAL Corporate Pension Fund and Aval Open Pension Fund
88.	Serhiy Savchuk	Director General	UkrSots-Kapital, Ltd.
89.	Oleksandr Antonenko	Head of the Section	Joint-Stock Commercial Bank Arkada
90.	Viktor Kolbun	Director of the Corporative Clients Department	CJSC Insurance Company ASKA- Zhyttya
91.	Mykhaylo Kosarev	Head of the Board	Non-Entrepreneurial Company Open Pension Fund OPORA
92.	Maria Arystova	Director General	Asset Management Company GAZKO GROUP INVESTMENTS, Ltd.
93.	Viktor Zhuchenko	Deputy Director General	Autoalliance XXI Century, Ltd.
94.	Svitlana Konstantynova	Director of the Administrator	Autoalliance XXI Century, Ltd.
95.	Zhanna Pavlyshyna	Head of the Board	NPF JSC VABank
96.	Serhiy Myhal	Deputy Human Resources Director	CJSC Integrated Iron-and-Steel Works Azovstal
97.	Serhiy Korshunov	Director of the Personnel Motivation Management Office	CJSC Integrated Iron-and-Steel Works Azovstal
98.	Vitaliy Guz	Head of the Board	Non-State Pension Fund Nove Vidrodzhennya
99.	Vira Yerofeeva	Director General	All-Ukrainian Management Company. Ltd.
100.	Oleksandr Biliy	Head of the Board	Open Non-State Pension Fund Prychetnist
101.	Olesya Godlevska	Deputy Financial Director	Program Systems of Development, Ltd.
102.	Oleh Lykhovyd	Head of the Supervision Board	Asset Management Company, Pension Fund Administrator National Reserve
103.	Dmytro Pyrih	Deputy Head of the Board	OJSC Ukrtransnafta
104.	Olha Matuskevych	Deputy Head of the Board	CJSC Altera Asset Management Company
105.	Lidia Myronova	Director	Pension Fund Administrator Ukraine-Service, Ltd.
106.	Oleksandr Zhukov	Secretary	Corporate Pension Fund Styrol
107.	Yuriy Biletskyi	Director General	Asset Management Company

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108.	Alla Gubarenko	Deputy Head of the Investment Projects Financing Unit	Commercial Bank Ukrainian Financial Group
109.	Vasyl Sakhatskiy	Deputy Head of the Board	CJSC Insurance Company Blakytnyi Polis
110.	Roman Marchenko	Analyst	Asset Management Company Investa, Ltd.
111.	Oleksiy Onyschenko	Director	Asset Management Company Investa, Ltd.
112.	Iryna Okhremenko	Director for Investment Policy and Fund Assets Management	CJSC Financial Industrial Corporation Bis Holding
113.	Dmytro Koshkin	Director	Asset Management Company Forward, Ltd.
114.	Olena Grushevskya	Deputy Head of the Non-State Pension Provision Department	Asset Management Company Forward, Ltd.
115.	Yuriy Bolotniy	Director	Asset Management Company Trust Center, Ltd.
116.	Valentyn Rehida	Director General	IFD Capital Pension Fund Administrator, Ltd.
117.	Natalia Andrusenko	Journalist	Newspaper Robitnycha Hazeta
118.	Roman Gorbenko	Deputy Chief Editor	Weekly Finansy dlya Vsekh
119.	Natalia Zakharevych	Chief Editor	Magazine Finansovyye Uslygi
120.	Valentyna Kokina	Journalist	Newspaper Uryadovyi Kuryer
121.	Ruslana Pisotska	Journalist	Newspaper Business
122.	Serhiy Melnykov	Journalist	Newspaper InvestHazeta
123.	Yevhenia Prodaeva	Journalist	Newspaper Ekonomicheskie Izvestia
124.	Lyudmyla Shalaeva	Chief Editor	Magazine Visnyk Pensiynogo Fondu
125.	Aidar Alibaev	Head of the Board	Pension Funds Association, Republic of Kazakhstan
126.	DANKA SHOPOVA	Director of Supplementary Mandatory Social Insurance Department	National Social Security Institute, Bulgaria
127.	CHRIS VERHAEGEN	Secretary General	European Federation for Retirement Provision, Belgium
128.	RAMON TOL	Fund Manager	Blue Sky Group, the Netherlands
129.	Earl Gast	Mission Director	USAID
130.	Rick Gurley	Chief of Private Enterprise Division, Office of Economic Growth	USAID
131.	Volodymyr Yatsenko	Pension Reform Program Manager	USAID
132.	Roman Woronowycz	Senior Public Information Officer	USAID
133.	Serhiy Loga	Translator	USAID
134.	Yulia Smolyar	Pension Reform Implementation Project Consultant	World Bank
135.	Olena Vasylchenko	Director	USAID/PADCO Ukraine Pension Reform Implementation Project
136.	Greg McTaggart	Expert	USAID/PADCO Ukraine Pension Reform Implementation Project

137.	Roger J. Vaughan	Economic Advisor	USAID/PADCO Ukraine Pension Reform Implementation Project
138.	Mitchell Wiener	Expert	USAID/PADCO Ukraine Pension Reform Implementation Project
139.	Daniel Wartonick	Expert	USAID/PADCO Ukraine Pension Reform Implementation Project
140.	Olga Alyoshyna	Public Education and Training Coordinator	USAID/PADCO Ukraine Pension Reform Implementation Project
141.	Natalia Goryuk	Expert	USAID/PADCO Ukraine Pension Reform Implementation Project
142.	Oksana Gritsay	Conference Coordinator	USAID/PADCO Ukraine Pension Reform Implementation Project
143.	Natalia Doroshenko	Deputy Director for Financial Issues	USAID/PADCO Ukraine Pension Reform Implementation Project
144.	Tetyana Kicha	Public Education Coordinator	USAID/PADCO Ukraine Pension Reform Implementation Project
145.	Anna Nechai	Legal Advisor	USAID/PADCO Ukraine Pension Reform Implementation Project
146.	Yana Orlova	Public Education and Training Technical Coordinator	USAID/PADCO Ukraine Pension Reform Implementation Project
147.	Olena Rudenko	Training Programs Coordinator	USAID/PADCO Ukraine Pension Reform Implementation Project
148.	Yaroslav Khvaleba	Information Technology Expert	USAID/PADCO Ukraine Pension Reform Implementation Project
149.	Mykola Goncharenko	Translator	
150.	Oksana Zavalna	Translator	
151.	Iryna Inozemtseva	Translator	