

Cabinet of Ministers

Resolution

October 15, 1999, No. 1902

Kyiv

On the Pension Reform Progress in Ukraine in Consideration for the Lviv Oblast Experiment for Assigning Pension by the Pension Fund Offices

For executing the Presidential Decree, dated April 13, 1998, ¹ 291 (291/98) "On Basic Policies of Restructuring Pension System", a Draft Law "On Overall Mandatory State pension Insurance" has developed and submitted to the Supreme Rada with a request to pass it first priority. By instruction of the CM (April 6, 1999, ¹ 272 (272-99)), interdepartmental work and expert groups were set up to coordinate and develop draft legal acts for implementing the pension reform. Members of these groups have reviewed proposals and amendments of the people's deputies to the Draft Law "On Overall Mandatory State Pension Insurance". The Draft Law "On Non-State Pension Funds" is still under correction in the Supreme Rada for second reading.

Measures are regularly taken to ensure timely pension payments. For 9 months of 1999 the total proceeds to the Pension Fund against the same period of the previous year have increased by 1377.3 million Hrn., or by 22.1%. This has made it possible to reduce pension debt from March 1, 1999, by 751.6 million Hrn. The number of raions and towns paying timely pensions increased from 206 (as of March 1) to 270 (as of October 1, 1999).

The pension Fund's costs for delivery pensions and benefits have been cutdown, thus, 100 million Hrn. have been additionally paid off as pensions.

Measure are also taken to restore pension differentiation, depending on labor conditions and labor commitment. From September 1, 1999 labor pensions assigned by the Law "On Pensions" (1788-12) increased by 10-30%. Age pensions have been increased almost two-fold. Starting from December 1988, indexation of pensions has being done.

CM Resolution (January 29, 1999, ¹ 111, 111-99-n) approved the schedule for separating funding sources for pensions assigned by different schemes (programs). This work is supposed to be finished during the 1999-2000 period. For the mentioned purposes, almost 61.3 million transacted from the budget to the Pension Fund for 9 months of this year. This is 65.9% of the planned target for the current year.

Starting from 1999 the funding of pensions assigned by the Law "On Employment" (803-12) is done at the expense of the State Employment promotion Fund. The Draft Law "On State Social Assistance" has been worked out and submitted to the Supreme Rada. By this Law, social pensions are transferred into the category of social benefits funded from the budget.

Pursuant to the Presidential Decree, a set of measures for by-stage (during 1998-2000) implementation of automated personified reporting of insurance contributions to the Pension Fund has been realized. By the end of 1999 such reporting will be introduced in 1/4 of all Pension Fund offices. The whole work is expected to be completed by December 1, 2000.

For the purpose of executing the Law "On the Lviv Oblast Experiment for Assigning Pension Fund Offices" (324-14) and pursuant to CM Resolution "On Providing for the Lviv Oblast Experiment for Assigning pensions by the Pension Fund Offices" (December 10, 1998, ¹ 1943, 1943-98-n), starting from January 1, 1999, pensions in the oblast have been assigned by the pension Fund offices.

The experiment has proved the effectiveness of combining the functions of assigning and paying pensions in one office provided the personified data reporting is introduced. Under personified data reporting, the database for differential assigning pensions (depending on labor record and earnings) is formed, the payer is personally interested in timely and full payment of contributions to the Pension Fund by employer.

In raions where personified data reporting was experimentally introduced the proceeds to the Pension Fund increased by 23.2% and the number of payers - by 16.2% for 9 months of the current year against the corresponding period of the previous year.

The results of the experiment have revealed the necessity for concurrent restructuring of social protection offices to fully realize their functions as to assigning different types of benefits to low-income people and other government allowances.

The Cabinet of Ministers, herein, passes the following *r e s o l u t i o n*:

1. Acknowledge that for further restructuring of the present pension system the Supreme Rada should pass the Laws "On Overall Mandatory State Pension Insurance" and "On Non-State Pension Funds".

Minister of Labor and Social Policy (I. Sakhan), Chairman of the Pension Fund Board (B. Zaichuk), Minister of Finance (I. Mityukov), Minister of Economy (B. Rogovoy), Minister of Justice (S. Stanik) shall provide for appropriate supporting documents for reviewing the mentioned draft Laws in the Supreme Rada committees to foster discussion and passing of these laws.

2. Approve the Draft Law "On Amendments to Article 65 of the Law "On Pensions" about changing the procedure of calculating the average monthly income for assigning pensions. The new procedure is to be based on personified reporting data in the overall mandatory state pension insurance.

3. The Pension Fund, Ministry of Labor and Social Policy, Ministry of Finance, Ministry of Economy and Ministry of Justice shall foster the submission of proposals on amendments to legal acts on differential pension contributions from physical entities depending on categories eligible for high pensions, and on reimbursements to the Pension Fund for privileged pensions.

4. Approve the List of raion and town pension fund offices eligible for first-priority introduction of personified data reporting in the overall mandatory state pension insurance during 1999.

5. The Ministry of Finance, Pension Fund, Ministry of Labor and Social Policy, when working on details of the 2000 State Budget and draft tax laws targeted to increase budget revenues, shall foresee the separation of pension financing in 2000 as stipulated in CM Resolution dated January 29, 1999, ¹ 111.

6. Acknowledge that the Lviv oblast experiment has proved the effectiveness of combining the functions of assigning and paying pensions in the pension fund office, introduction of personified data reporting in the overall mandatory state pension insurance.

The Ministry of Labor and Social, Pension Fund and Ministry of Finance shall submit (deadline - November 1, 1999) to the CM the proposals as to transferring pension assigning functions, except for social pensions, to pension fund offices in regions in which the personified data reporting is introduced.

7. The Pension Fund and Lviv oblast state administration shall:

- provide, together with the Ministry of Labor and Social Policy (deadline - June 1, 2000), for introduction of the uniform program for automated processing pension documents (DBMS KOMTEKH), having adjusted it to the database of personified data reporting in the overall mandatory state pension insurance;

- inform (deadline - December 15, 1999) physical entities - payers of mandatory pension contributions - about their data in personified card.

8. The Ministry of Labor and Social Policy, Pension Fund, Ministry of Finance, Ministry of Economy and Ministry of Justice shall submit their proposals for investing into the Pension Fund the functions of collecting, accounting and distribution of funds between the Pension Fund and the State Employment Promotion Fund, reporting and controlling full and timely collection contributions.

9. The Ministry of Labor and Social Policy, Ministry of Finance together with the Council of Ministers of the Autonomous Republic of Crimea, oblast, Kyiv and Sevastopol city administrations shall submit (deadline - November 15, 1999) their proposals to the CM the structure and number of employees in social protection offices, including in their number the staff of units for targeted social assistance to families with children, law-income people, subsidies, as well as employees engaged in regulating socio-labor relations and social inspectors.

10. The Council Ministers of the Autonomous Republic of Crimea, oblast, Kyiv and Sevastopol state administrations shall:

- appoint deputy managers who by job description are personally responsible in regions for complex implementation of the government policy in the area of labor, social protection and pension reform, including the introduction of personified data reporting in the overall mandatory pension insurance;

- inform, in a two-week period, the CM about restructuring local administrations pursuant to CM Resolution, June 22, 1999, ¹ 1101 (1101-99-n), in particular, about the formation of structural units for labor issues and social protection, and decide on the number of their staff to fully execute their functions as to regulating socio-labor problems, assigning and paying benefits to families with children, targeted assistance to low-income families;

- recommend local self-government to appoint deputy heads of executive Radas' committees who by job description are personally responsible in regions for complex implementation of the government policy in the area of labor, social protection and pension reform, including the introduction of personified data reporting in the overall mandatory state pension insurance.

Prime-Minister of Ukraine

V. Pustovoitenko

Approved
by CM Resolution,
October 15, 1999, ¹ 1902

List

of Raion and Town Pension Fund Offices Eligible for First-Priority Introduction of Personified Data Reporting in 1999 in the Overall Mandatory State Pension Insurance

Autonomous Republic of Crimea

Alushta town office
Krasnogvardiysky raion office
Central office, city of Simferopol

Vinnytsa oblast

Zamostyansky raion office, Vinnytsa
Leninsky raion office, Vinnytsa

Staromisky raion office, Vinnytsa

Volyn oblast

Kovelsky town office

Manevitsky raion office

Dnepropetrovsk oblast

Amur-Nyzhnyodneprovsky raion office, Dnepropetrovsk

Babushkinsky raion office, Dnepropetrovsk

Zhovtnevy raion office, Dnepropetrovsk

Zhovtovodsky town office

Industrialny raion office, Dnepropetrovsk

Krasnogvardijsky raion office, Dnepropetrovsk

Kirovsky raion, Dnepropetrovsk

Leninsky raion office, Dnepropetrovsk

Nikopolsky raion office

Samarsky raion office, Dnepropetrovsk

Donetsk oblast

Artemivsky town office

Enakievsky town office

Kalininsky raion office, Donetsk

Kostyantynivsky town office

Kirovsky raion office, Makiyivska

Kramatorsky town office

Krasnoarmijsky town office

Mukutivsky raion office, Gorlivka

Slovjansky raion office

Slovjansky town office

Proletarsky raion office, Donetsk

Central-town raion office, Gorlivka

Zhytomir Oblast

Bogun raion office, Zhytomir

Zhytomir raion office

Zakarpatska oblast

Uzgorodsky town office

Uzgorodsky raion office

Zaporija oblast

Berdyansky town office

Vilnyansky raion office

Gulyapilsky raion office

Kamjanko-Dniprovsky raion office

Melitopolsky raion office

Tokmatsky raion office

Tokmatsky town office

Shevchenko raion office, Zaporija
Yakymivsky raion office

Ivano-Frankivsk oblast

Bogorodchansky raion office
Tysmenytsky raion office

Kyiv oblast

Brovarsky town office
Volodarsky raion office
Kagarlytsky raion office

Kirovograd oblast

Oleksandrivsky town office
Svitlovodsky town office

Lugansk oblast

Artemivsky raion office, Lugansk
Zhovtnevy raion office, Lugansk
Kamyanobridsky raion office, Lugansk
Leninsky raion office, Lugansk

Lviv oblast

Boruslavsky town office
Brodivsky raion office
Busky raion office
Galytsky raion office, Lviv
Gorodotsky raion office
Drogobytsky raion office
Zhudachivsky raion office
Zhovkivsky raion office
Zaliznychny raion office, Lviv
Zolochivsky raion office
Sambirsky town office
Stryisky town office
Truskavetsky town office
Chervonogradsky town office
Shevchenkivsky raion office, Lviv
Kamjanka - Buzky raion office
Luchakivsky raion, Lviv
Mykolayivsky raion office
Mostutsky raion office
Peremyshlyansky raion office
Pustomytivsky raion office
Radehkiivsky raion office
Sambirsky raion office
Skolivsky raion office
Sokalsky raion office

Starosambriysky raion office
Stryisky raion office
Turkivsky raion office
Frankivsky raion office, Lviv
Yavorivsky raion office

Mykolaiv oblast

Leninsky raion office, Mykolaiv
Central raion office, Mykolaiv

Odesa oblast

Leninsky raion office, Odesa
Ovidiopolsky raion office
Frunzivsky raion office

Poltava oblast

Kyivsky raion office, Poltava
Lubensky town office

Rivno oblast

Zdolbunivsky raion office
Rivnensky raion office

Sumy oblast

Zarichny raion office, Sumy
Konotopsky town office
Troctyansky raion office

Terнопil oblast

Lanovetsky raion office
Pidvolochynsky raion office

Kharkiv oblast

Dzerdzinsky raion office, Kharkiv
Kyivsky raion office, Kharkiv
Kominternivsky raion office, Kharkiv
Krasnogradsky raion office
Kupjansky raion office
Leninsky raion office, Kharkiv
Moskovsky raion office, Kharkiv
Ordzonikidzevsky raion office, Kharkiv
Frunzevsky raion office, Kharkiv
Kharkivsky raion office, Kharkiv

Kherson oblast

Goloprystansky raion office
Kakhovsky town office
Novokakhovsky town office

Khmel'nitskyi oblast
Dunaevetskyi raion office
Khmel'nitskyi raion office

Cherkasy oblast
Talnivskyi raion office
Umanskyi town office

Chernivetska oblast
Leninskyi raion office, Chernivtsy
Pershotravnevyi raion office, Chernivtsy

Chernigivska oblast
Desnyanskyi raion office, Chernigiv
Novozavodskyi raion office, Chernigiv

City of Kyiv
Vatutinskyi raion office
Darnitskyi raion office
Dniprovskyi raion office
Zhovtnevyi raion office
Zaliznychny raion office
Leningradskyi raion office
Minskyi raion office
Moskovskyi raion office
Pecherskyi raion office
Podilskyi raion office
Radyanskyi raion office
Starokyivskyi raion office
Kharkivskyi raion office
Shevchenkovskyi raion office

City of Sevastopol
Nakhimovskyi raion office