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Cases of Non-State Pension Funds Transition to the Unified Method of Pension Contribution Unit Accounting

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Cases of NPFs Transition to the Unified Method of Pension Contribution Unit Accounting

- **Case 1:** for NPFs that calculated Net Value of Pension Contribution Unit, however, did not record the Number of Pension Contribution Units on the individual pension accounts of fund participants
 - **Case 2:** for NPFs that maintained their personified record-keeping in units (calculated unit value and recorded the number of units on the individual accounts)
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Gary Hendricks. Cases of Non-State Pension Funds Transition to the Unified Method of Pension Contribution Unit Accounting

Case 1

- Transition to the unified method of personified unit accounting of NPFs that **calculated Net Value of Pension Contribution Unit, however, did not record the Number of Pension Contribution Units** on the individual pension accounts of fund participants

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Option 1 Step 1

- **On the day preceding the legislatively determined day of the unified unit accounting method implementation:**
 - Calculate the Number of Pension Contribution Units of each fund participant dividing each individual account balance by the effective (calculated on that day) Net Value of Pension Contribution Unit of the fund

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Case 1

Step 2

- **On the legislatively determined day** of the unified unit accounting method implementation:
 - Asset management companies should mark pension assets **to market value**
 - After receiving the certificates (information) from the asset managers on **the market value** of pension assets the fund Administrator should calculate the pension fund's NAV (the pension fund assets value minus administrative expenses on the fund service providers)

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Case 1

Step 3

- **On the legislatively determined day of** the unified unit accounting method implementation:
 - **Calculate the Net Value of Pension Contribution Unit** dividing the pension fund's NAV by the Total Number of Pension Contribution Units in the fund (that is by the sum of units on the individual pension accounts of all fund participants) **before crediting contributions and transfers received on that day to the individual accounts**

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Case 1

Step 4

- In the morning of the day following the legislatively determined day of the unified unit accounting method implementation:
 - Calculate the Total Number of Pension Contribution Units taking into account the amounts of pension contributions and transfers received on behalf of each fund participant on the day before according to the formula below:
$$N\text{ PCUi} = N\text{ PCUi-1} + C_i / NV\text{ PCUi}$$
, where:
 - N PCUi-1 – Number of Pension Contribution Units as of the previous calculation day
 - C_i – the amount of contributions (transfers) received on the previous day on behalf of a fund participant
 - NV PCUi – current Net Value of Pension Contribution Unit
 - Record on the individual pension account of each fund participant the amount of contribution (transfer) on his/her behalf and the total number of pension contribution units owned by such participant

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Case 2

- Transition to the unified method of personified unit accounting of NPFs that maintained their personified record-keeping in units (calculated Net Value of Pension Contribution Units and recorded the number of units on the individual pension accounts)

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Case 2: Step 1

- **On the legislatively determined day** of the unified unit accounting method implementation the following should be done:
 - Asset managers should mark pension fund assets **to the market value and** provide this information to the fund administrator
 - Administrator should calculate **the pension fund's NAV** based on the certificates (information) of asset managers on the pension assets value and information on the amount of administrative expenses on the fund service providers

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Case 2: Step 2

- **On the legislatively determined day** of the unified unit accounting method implementation:
 - Administrator should calculate the **Net Value of Pension Contribution Unit** dividing the fund's NAV by the total number of pension contribution units recorded on the individual pension accounts of all fund participants **(before crediting contributions and transfers received on that day to the individual accounts)**.

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Case 2: Step 3

- **In the morning of the day following the legislatively determined day of** the unified unit accounting method implementation:
 - Administrator should **record pension contributions** received the day before on behalf of the fund participants **in pension contribution units**. This means that the Administrator should calculate **the number of pension contribution units of each fund participant** dividing the amount of contributions (or transfers) received on behalf of the fund participant by the current net value of unit.
 - The calculated number of pension contribution units is then recorded on the individual pension account of the fund participant on the cumulative basis (according to the formula $N PCU_i = N PCU_{i-1} + C_i / NV PCU_i$)

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THANK YOU!

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