



USAID
FROM THE AMERICAN PEOPLE

Capital Markets Project

USAID Capital Markets Experts Accompany Deputy Minister of Labor and Social Policy, Mrs. Olena Haryacha, on A Site Visit to the Mandatory Accumulation System Pilot Experiment in Lviv.

On Thursday, May 25, 2006, The Project's Pension Experts accompanied Mrs. Olena Haryacha, Deputy Minister of Labor and Social Policy, on a visit to the Zhidachiv and Sokalski raions, where the Pension Fund of Ukraine is implementing a pilot program on the implementation of the second pillar pension reform, the Mandatory Accumulation System mandated by the Cabinet of Ministers. Mrs. Haryacha was impressed by the work of the two raions and particularly pleased to hear support of the pension experts in the two raions for the eventual introduction of the unified social insurance contribution system since this system will significantly reduce the burden on employers. The visit included a meeting with a local employer in the Sokalski raion who strongly supported the introduction of unified social insurance filing system.

In both raions, the Pension Fund experiment has introduced a program to separate the contributions received from employers into personalized accounts for the employee. This is a necessary first step as the Ukrainian pension reform moves to investing a maximum of 7% of the contribution in the mandatory accumulation system, or Pillar II. This data is being uploaded, via the Internet, to a special database stored on the PFU computers in Kiev. Further progress has been made in that currently many of the local employers are filing required reports in electronic form with the local Pension office on a quarterly basis. The next phase of the experiment is the development of the electronic system to track individual employee contributions, held in personalized accounts, the investment return on these funds over the employees working life leading to payment upon retirement.

During the visit Deputy PFU Chairman Oleksei Zarudni and the Lviv Oblast Pension Fund Director, Oleksander Druhov, stressed the important work of the two raions in terms of the effective implementation of the Ukrainian pension reform program. The Lviv Oblast staff of the PFU has had a long history of being at the forefront of developing and testing the Ukrainian pension system having been the first oblast in Ukraine to become a pilot region and to start recording personified data in 1998.