It should be noted that this document was written in August 2005, prior to the rollout of PARNAS nation-wide. While it is true that the nation-wide rollout of PARNAS was effected in October 2005, many of the issues raised in this document have still not been effectively addressed by GOAM. Additional computers were made available to the SSIF branch offices and there have been modest media efforts to announce the rollout of PARNAS. (USAID/Armenia update, December 2005)

The following are ASTP comments on the GOAM Personification Decree No. 938 "On Measures to Implement Personal (Personified) Registration in State Pension Social Insurance System," Approved by RA President on July 13, 2005.

Application forms for opening personal accounts are to be submitted by October 1, 2005 or within 1 month following the conclusion of labor contract.
The October 1st date is unrealistic- there are 48,000 employers in Armenia with 455,000 employees. Other estimates say there are 1.1 million people employed if you include the shadow economy. It is, as yet, unclear, if all those who have voluntarily entered the PARNAS pilot in Yerevan will have to complete new forms and re-register. In order to implement the personification system effectively training will be needed for all SSIF staff. The total number of SSIF employees is 527 broken down as follows: Branch offices in Yerevan,109; Branches in the Marzes, 316; at Headquarters, 102. Intensive public education campaigns will be needed to inform the general public and employers and employees, and training and support will be needed for employers, accountants, wages clerks, etc. The 42 SSIF branch offices outside Yerevan will need at least one additional computer, and registration and personification forms will need to be printed and distributed.

Regular personified reports are to be submitted once a year by April 1st of the following year and annual personified reports for 2004 are to be submitted by December 1, 2005.
Mitch Weiner's report recommends that even for a pure solidarity system, data and contributions should be collected and verified more frequently than once a year. Experience has shown that when life-by-life data is collected on a monthly basis, it becomes much harder to evade or under-pay.

Provide the database with its software to the RoA Ministry of Labor and Social Issues and State Tax Service at the RoA Government within one month after this Decree enters into effect and submit the modifications made in the database and its software defined by subclause "b" of clause 5 and clause 6 of this Decree by the jointly approved procedure on a quarterly basis. This envisages that SSIF will be the body responsible for making modifications to the PARNAS system to align the software to the personification decree. It also envisages that the database will be transferred to MLSI and State Tax Service for data matching every quarter. This is likely to be a large task -- to ensure that the PARNAS software is compatible with the MLSI SSC software and the SLI software.

Make the expenses required for the administration of the database on account of the funds of mandatory social insurance budget of the Republic of Armenia starting from 2006. This is a positive development as it will ensure that the PARNAS database

software maintenance and administration will be covered from the SSIF funds. Transparency issues will arise here as SSIF will need to publish accounts demonstrating that the maintenance costs of the system are reasonable and justified.

After complete formation of the database [MLSI] submit recommendations to the RoA Government on timeframes and procedure of calculating the insured length of service earned by natural persons on the basis of personified reports during the allocation of pension. (Refers to responsibility of Ministry of Labor and Social Issues) This is significant as it seems to places responsibility with MLSI for pension policy. The word "complete" needs to be clarified as the database will continue to grow as people enter the system- new employees.

Within one-month period develop, jointly approve and register procedures for completing Application Forms for Opening Personal Account and personified reports in a procedure defined by the RoA legislation, as well as sample documents required for the formation and administration of the database (Refers to responsibility of SSIF). This is a short timeframe and both SSIF and MLSI will need to work together on. Additionally as SSIF has a one-month period to do this, it makes the implementation date of October 1st even more unrealistic.

By September 1, 2005 jointly approve procedures for data matching with the SSC database and checking conformity of person's SSC number, as well as for providing the database to the RoA Ministry of Labor and Social Issues. MLSI and SSIF will have to work together closely on this. Many technical issues could arise as the SSC database was developed by Nork and the PARNAS database was developed by the Mergelyan Institute.

Within one month following the receipt of application of the insured person, the local office opens personal account for the insured person through the Fund and completes his/her registration card or denies the registration of the person. This is a reasonable timeframe in ordinary circumstances; however, if the October 1st deadline is the date for all employees to open personified accounts then it will be impossible for SSIF to register all of these in one month.

The RoA Employment Service Agency of the Staff of RoA Ministry of Labor and Social Issues submits data on periods of receiving unemployment benefits by the unemployed persons to the SSIF by April 1 of each year to be entered onto the personal accounts of insured persons. This is an interesting new development that indicates that periods of registered unemployment will count towards pension eligibility.

During December 1, 2005 to December 1, 2006 in timeframes agreed with the local office and in a procedure defined by the SSIF, the contributor submits information on periods of labor or other activities counted in the insured (labor) length of service earned by the insured persons employed by him before they were registered in the Mandatory Pension Insurance System, with the exception of insured persons receiving retirement or disability pension. This will be a large undertaking. What is envisaged is

that all employers will report - on a form- the information on each employee's length of service, the start date of each employee, number of years working. SSIF will then have to process this information (potentially from 48,000 employers covering 455,000 employees). As this historical information will be important for pension eligibility purposes, it will need to be checked and crosschecked. There will undoubtedly be errors, and there will possibly be deliberate errors. This is a large task to accomplish in one year. In addition, there is no reference herein to employees who may have worked for a number of different employers.

Insured persons referred to under clause 14 of this Procedure as well as non-working insured persons including those not registered in the RoA Employment Service Agency of the Staff of RoA Ministry of Labor and Social Issues submit documents to the local offices in a procedure defined by Clause 32 of this Procedure proving their labor and other activities prior to being registered in the Mandatory Pension Insurance System. This section covers those people who are unemployed but not registered as unemployed who must bring their own historical data to SSIF local offices. Significant public education measures needed to inform the public about this.

Data on the death of insured person are entered into the database through matching them with the data of Social Security Cards database. This presupposes that the SSC database will be always completely up to date with regard to death notifications. This will be difficult as there are delays in updating the Central Registry of Deaths, Births and Marriages(ZAKS).

The procedure of technical support for the management of the database is approved by the SSIF. This firmly places responsibility for managing the administration of the database with SSIF. It is assumed that SIF will continue to use the Mergelyan Institute to provide technical support for the maintenance of the database.

Data available on personal accounts are considered to be secret (confidential) information and are used exceptionally in a procedure established by the RoA legislation. Legal work will be needed to ensure that this "procedure" is clear and that "exceptions" are outlined quite specifically.

Personal data of insured persons envisaged by this Procedure may be submitted electronically in the form of an electronic document protected by electronic digital signature in a procedure defined by the RoA Law on Electronic Document and Electronic Digital Signature. This is a positive development and will pave the way towards enabling more and more employers to use e-PARNAS

Starting from 2006 every year from October 1, [SSIF] sends to the insured person the information on personal account with proof of receipt of the mentioned data by the insured person; and at the request of the insured person provides an extract from his/her personal account personally to him/her once a year. This is a development that has enormous resource implications. Apart from the task of sending out a letter-certificate to potentially 455,000 employees, SSIF will have to sift through the responses from

employees claiming that there are errors in their records (plus it appears that employees will have to sign a receipt to show that they received the information). This also has significant public education implications as employees will need to be aware that they will receive this information each year.

Receive free of charge from the contributor (employer) copies of personal data and data on insured (labor) length of service earned before and after the registration in the Mandatory Pension Insurance System which were submitted to the local office by the contributor. This again has significant public education implications. Employers will need to be aware that they must do this and employees will need to be aware that they have a right to request this information.

Yerevan, August 2, 2005 *for discussion purposes only*