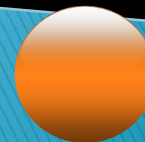




## ANNEX 55

# Labour Pensions in Republic of Azerbaijan





**Pension provision which is a part of social protection system, covers more sensitive groups of people, elderly people, disabled, those needing help from other people, children who lost their parents or children deprived of parental care**

**As a result of reforms conducted,  
payment of pensions to citizens  
has been carried out through  
plastic cards and this eliminated  
the need of the citizens to stand  
in queues at the payment  
institutions for days and the  
negative cases in payment**



## Types and components of labour

- ▶ Labour pensions have three types - old-age labour pension, disability labour pension, survivor's labour pension.
- ▶ Labour pensions are calculated as comprised of 3 parts – basic, insurance and funded part:

**Basic part** - is government provision for labour pensioners' social protection and is fixed by a certain number by the government.

**Insurance part** - calculated according to pension capital accounted notionally for in the individual account and which is not a real amount of money.

**Funded part** fixed according to pension capital accumulated in the individual account.

## Old-age labour pension

- ▶ Men attaining age 63, women age 57 (age limit shall be risen by 6 months by the 1st of January 2016 from January 1, 2010) with at least 12 years of social insurance record shall have right for old-age labour pension granting. According to aforesaid, age limit of women for 2014 has been fixed as 59 years and 6 months.



## Amount of old-age labour pension

- ▶ Old- age labour pensions are comprised of basic part, insurance part and funded part ( **$P=BH+SH+YH$** ):
- ▶ - The amount of basic part of old-age labour pension shall be specified by the appropriate executive authority.
- ▶ - amount of insurance part of old-age labour pension shall be fixed by the formula  **$SH=PSK/T$**  where,  
    **PSK**- pension capital recorded in the insurance part of the personal account of the insured on the date of granting old-age labour pension .  
    **T**- number of months of expected pension payment period
- ▶ - funded part is not active.

## Disability labour pension

- ▶ Disability labour pension is granted to the disabled or to those with poor health on the condition of having total insurance record not less than 5 years with 4 years of insurance record for each year of working – age period.



## Amount of disability labour pension

- Disability labour pensions are comprised of basic part, insurance part and funded part ( **$P=BH+SH+YH$** ).
- The amount of basic part of disability labour pension shall be specified in amount of 120 percent of the amount of basic part of old-age labour pension for the disabled of I group and for those with poor health under the age of 18 (200 percent for the visually disabled of I group and for those with poor health under the age of 18), 100 percent for the disabled of II group, and 55 percent for the disabled of III group.
- Amount of insurance part of disability labour pensions shall be fixed by the formula  **$SH=PSK/(T \times K)$**  where,  
**PSK**- pension capital recorded in the insurance part of the personal account of the insured on the date of granting old- age labour pension.  
**T**- number of months of expected pension payment period  
**K**- insurance continuity rate
- funded part is not active.



# Survivor's labour pension

- ▶ The survivor's labour pension shall be granted if the breadwinner had social insurance record required by Article 12.1. of this Law.
- ▶ The survivor's labour pension are comprised of basic part and insurance part.
- ▶ The amount of basic part of survivor's labour-pension shall be calculated in the amount of 100 per cent of the basic part of old-age labour pension for children who have lost both parents and for each child of a deceased unmarried mother, and in case there is one family member of the deceased breadwinner or in case there is left one family member entitled to pension according to Article 14.1. of this Law, then for that person, and in amount of 50 percent of the basic part of old-age labour pension for every other family member.



## Who are eligible to receive survivor pension?

- ❑ The following family members who are dependent on the deceased or died breadwinner (those who are fully supported by or who receive assistance from the deceased as permanent and primary source of fund) shall be entitled to survivor's labour pension :
  - ❖ children of the deceased or died persons under the age of 18, those studying as full time students in education institutions, but not later the age of 23;
  - ❖ children disabled over the age of 18 whose poor health has been established by the age of 18;
  - ❖ father, mother, husband, wife, if they have attained the pension age established (63 years for men, 59 years 6 month for women) or if they are disabled of I or II group;
  - ❖ one of parents or husband (wife) or grandfather, grandmother, brother, sister irrespective of their age and working capacity, if they support the died or deceased breadwinner's children under the age of 8, brothers, sisters, grandchildren and if they do not work.

## Financial sources for labour pension payment

- ▶ The basic part of labour pension and supplements to basic part shall be financed at the expense of mandatory state social insurance funds, transfers of state budget.
- ▶ The insurance part of labour pension shall be financed at the expense of mandatory state social insurance funds.
- ▶ In accordance with the Decree of the President of the Republic of Azerbaijan on enforcement of the Law of the Republic of Azerbaijan “On labour pensions”, of March 6, 2006 No.377, 50 percent of the mandatory state social insurance contributions paid for those subject to state social insurance, shall be recorded in their individual account.



# Persons entitled to pension under preferential conditions

- The insured employed in the areas of underground work, specific areas of art, and activities with specially harmful and hard working conditions (as per the list of industries, professions, positions and indicators approved by the appropriate executive authority) regardless of their last place of employment:



men – at age of 57 years, with minimum 25 years of total social insurance record including at least 12 years 6 months of employment in the abovementioned areas  
women – 52 years, with minimum 20 years of total social insurance record including at least 10 years in the abovementioned activities shall have right to labour pension under preferential conditions due to working conditions



- Persons suffering from dwarfism (Lilliputians) and dwarfs with disordered proportionality, men - 47 years, women - 42 years and having at least 5 years of social insurance record are entitled to old-age labour pension.
- Persons on the positions connected with civil aviation and test-flight staff, with the social insurance record in this area of 25 years for men and 20 years for women, in case of dismissal from the flight work for health reasons - men with at least 20 years, women with at least 15 years of social insurance record, are entitled to old-age labour pension.

# Supplements to the basic part

- ❑ - Family members of National Heroes of Azerbaijan shall receive a supplement to the basic part of their labour pensions in the amount of 100% of the basic part of old-age labour pensions; the family members of martyrs shall get a supplement to the basic part of their labour pensions in the amount of 85% of the basic part of old-age labour pensions.
- ❑ - For the Group I and II disabled or to the persons under the age 18 with poor health as well as to unemployed labour pensioners from among military servicemen having dependent incapable family members classified as persons to be granted with survivor's pension, in the amount of 5 per cent of basic part of old-age labour pensions for each incapable family member;
- ❑ - For looking after the Group I disabled or the persons with poor health under the age 18, in the amount of 10 per cent of basic part of old-age labour pensions;
- ❑ - For the persons who were subject to political repressions and gained justification later, in the amount of 10 per cent of basic part of old-age labour pensions;
- ❑ For the war participants in the fighting army (excluding Great Patriotic War participants), as well as for the military servicemen performing their duty in the country in which acts of war are conducted, in the amount of 10 per cent of basic part of old-age labour pensions;
- ❑ - For the old-age labour pensions of the disabled of war (excluding the disabled of Great Patriotic War), and disabled from among the participants of war:
  - ▶ I Group Disabled — in amount of 100 percent of basic part of old-age labour pension;
  - ▶ II Group Disabled — in amount of 70 percent of basic part of old-age labour pension;
  - ▶ III Group Disabled — in amount of 50 percent of basic part of old-age labour pension;

From 2007, a very important step was taken and restriction imposed on salary in calculation of pensions was eliminated

Citizens may apply for labour pension granting any time not earlier than 01,01,2006, i.e the effective date of Law On labor pensions of Republic of Azerbaijan without any restriction

III stage

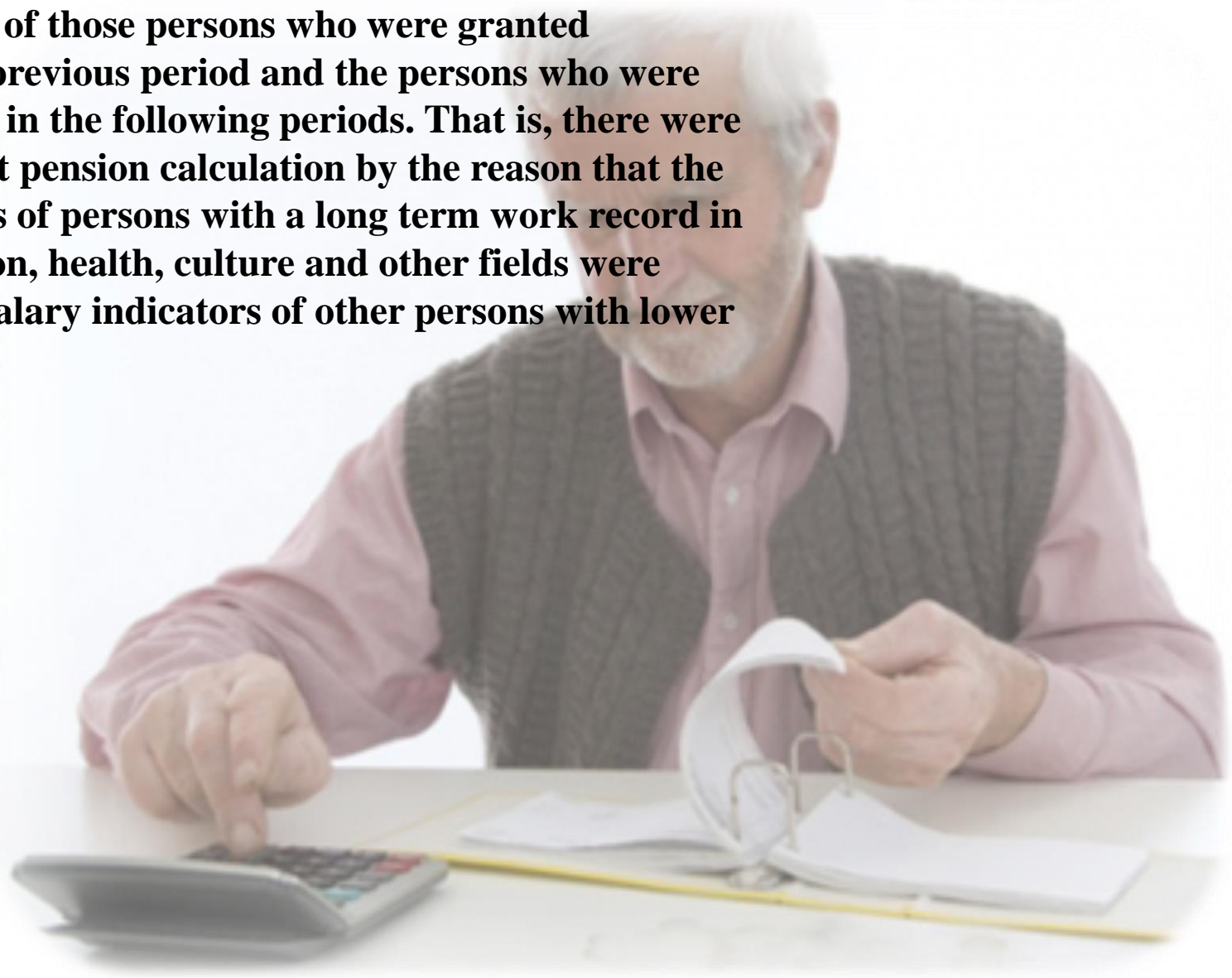
II stage

I stage

There was eliminated the negative practice of payment of old-age labour pensions to previously worked pension in amount of 50 percent and they started receiving their pensions in full amount



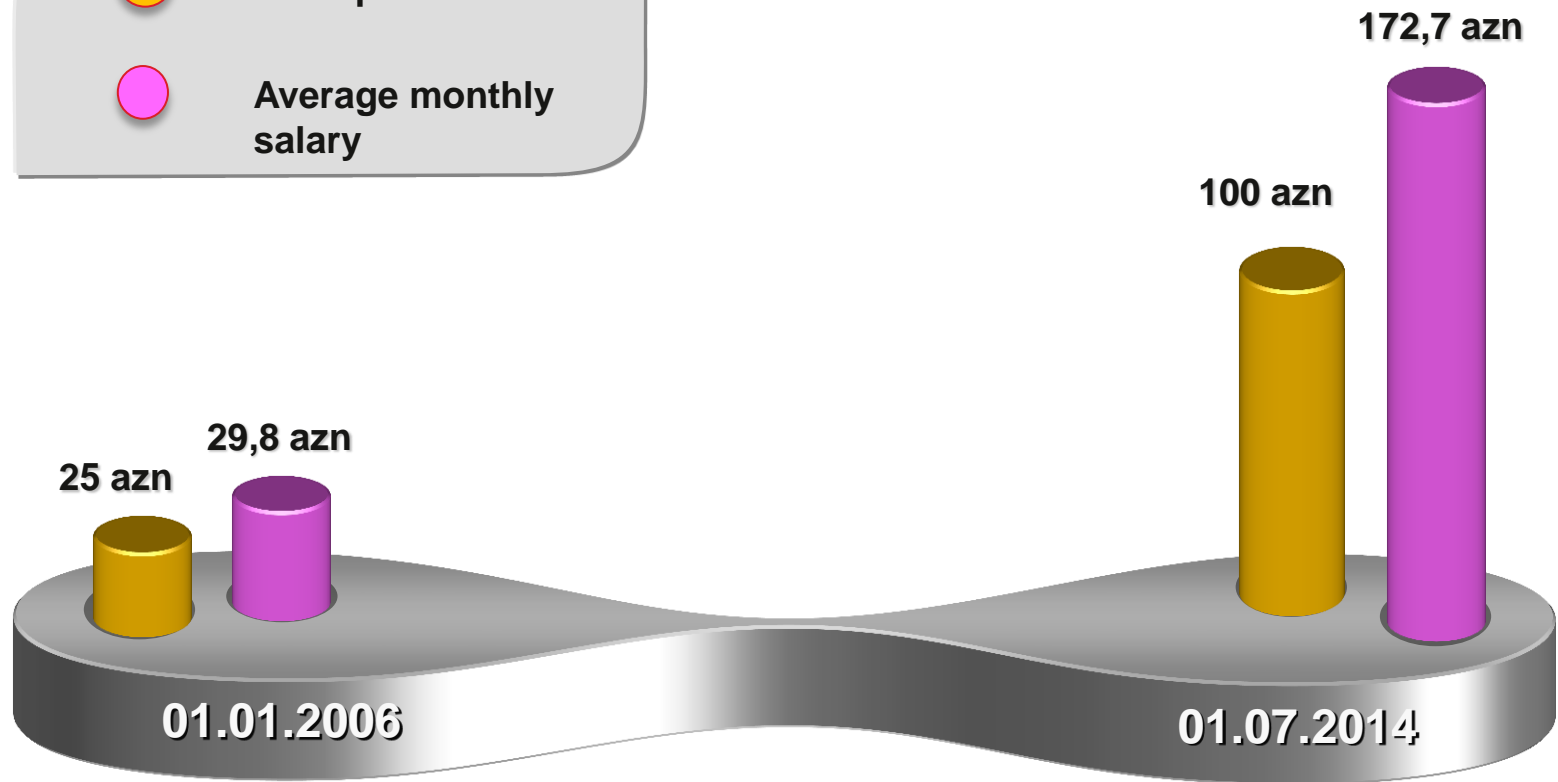
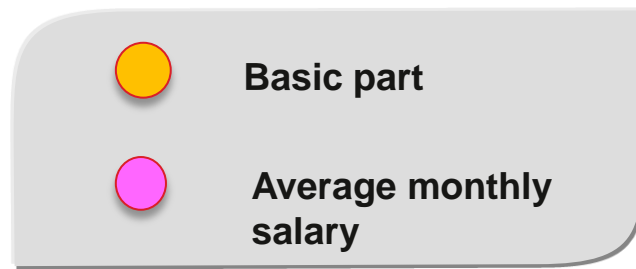
**Despite the measures taken, there were differences between pension amount of those persons who were granted pensions in the previous period and the persons who were granted pension in the following periods. That is, there were cases of different pension calculation by the reason that the salary indicators of persons with a long term work record in science, education, health, culture and other fields were lower than the salary indicators of other persons with lower work record.**





**It was provided to calculate pension capital in amount of 170 manats for newly granted persons from 20140 for the total work record related to the period until January 1, 2006,**





While average monthly amount of labour pensions was 29,8 manats on January 1, 2006, this indicator reached 172,7 manats on July 1, 2014. During the mentioned period, the basic part of labour pensions was increased to 100 manats from 25 manats. Currently, average monthly amount of old-age labour pensions is 190,9 manats.

## Labour pension increases and indexation

- When reconsidering the basic part of old-age labour pension, the annual level of consumer price index established by the appropriate executive authority is taken into account. According to Executive order other President of Republic of Azerbaijan of August 27, 2013 No.3096 “On increase of the basic part of old-age labour pension was established in amount of 100 manats from September 1, 2013,
- Basic part of old – age labour pension and pension capital accumulated in insurance part of individual account shall be indexed not less than once a year and in accordance with the annual level of consumer price index established by the appropriate executive authority. According to Executive order other President of Republic of Azerbaijan of February 3, 2014 No.240 “On indexation of insurance part of labour pensions, insurance part of labour pensions was increased by 2,4 percent from January 1, 2014.
- During the period of operation of new insurance- pension system from 01.01.2006 to present, the President of Republic of Azerbaijan enacted 8 executive orders on increase of basic part of old-age labour pensions and 8 executive orders on increase of insurance part thereof.

**Every person attaining the pension age, may call the “Call Center” without time loss and without collection of any document, and immediately exercise the right to pension in real time.**



There was launched Project

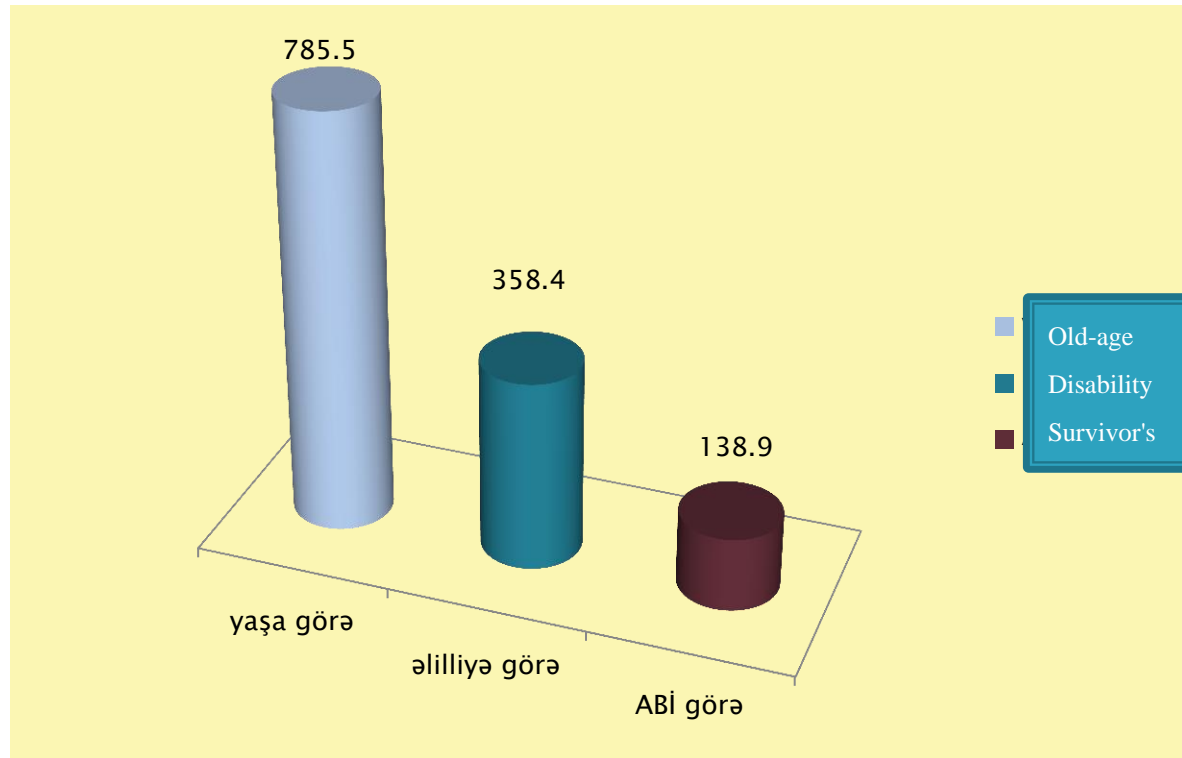
# pension+

Within the framework of the mentioned project, the International Bank of Azerbaijan provides an **interest-free credit** limit equal to one time the amount of the pension in addition to pension in the cards of pensioners served by IBA



# Numerical composition of labour pensioners on 01,07,2014

Number of labour pensions for the country is 1282,8 thousand on the date July 1, 2014 according to preliminary information.



A photograph of an elderly couple smiling and holding hands in a park with autumn foliage. The man is on the left, wearing a white turtleneck and a dark plaid shawl. The woman is on the right, wearing a white sweater and a dark plaid shawl. They are both looking at each other and smiling. The background is a blurred forest of trees with yellow and orange leaves.

*Thank You for your  
attention!*

**ISMF**