

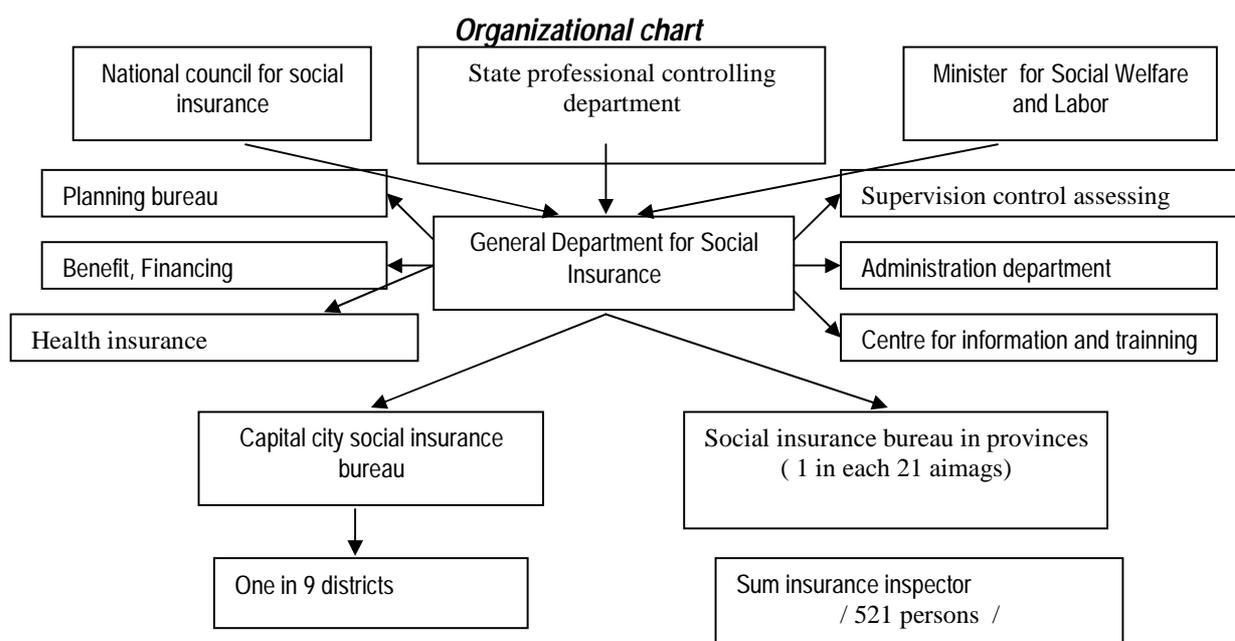
## Answers to the Questionnaire on the Supervisory Structures for Pension Funds

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A private pension system is not well established in Mongolia. Meantime, considering the importance of a private pension system the Government of Mongolia is planning reforms in the existing social welfare and pension system. A comprehensive Master Plan for social security sector is being developed where many significant actions for reforming the pension system are considered. This plan will be enacted in summer 2003 and will become the main policy document determining structures and functions of the pension system of Mongolia for the next 15 years.

The questionnaire of the Hyderabad Conference on Private Pensions in Asia mainly concerns countries with already existing private pension system, for this it is troublesome for us to answer it.

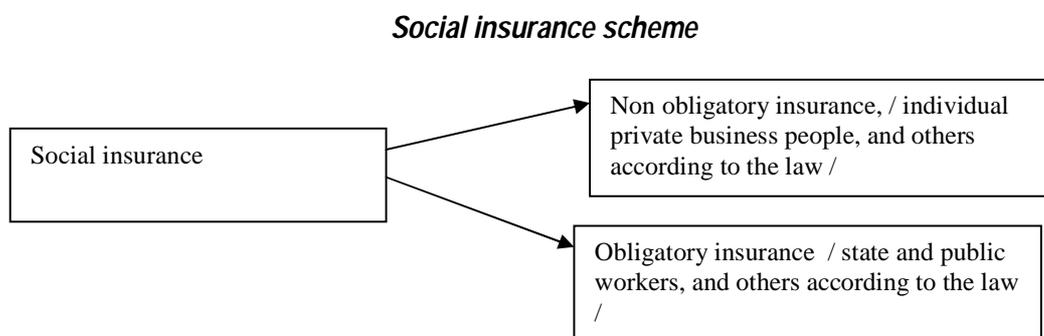
We attempt herein to introduce the present status and mechanism of the pension system in Mongolia



This system has been rooted since adoption of the Constitution of Mongolia of 1940. In 1942 the government policy regarding the pension system was officially launched.

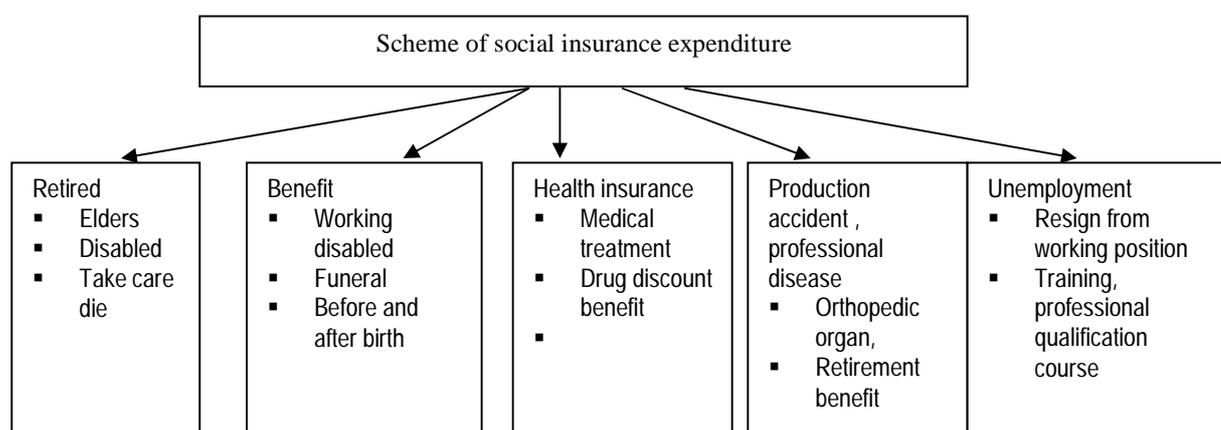
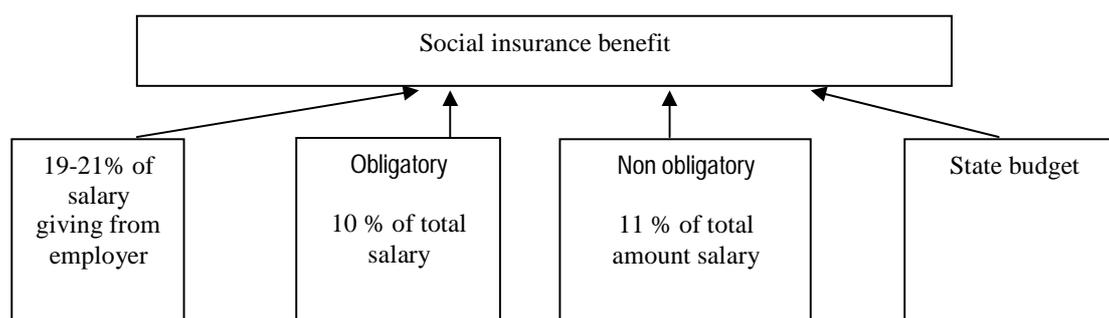
At present, the stability of the Mongolian social insurance is far from guaranteed, and this has implications not only to the social insurance benefit systems but also to social assistance, the other main component of social security. If the coverage of social insurance is low or the main social insurance benefits, first, old age pensions, are lower than the poverty line.

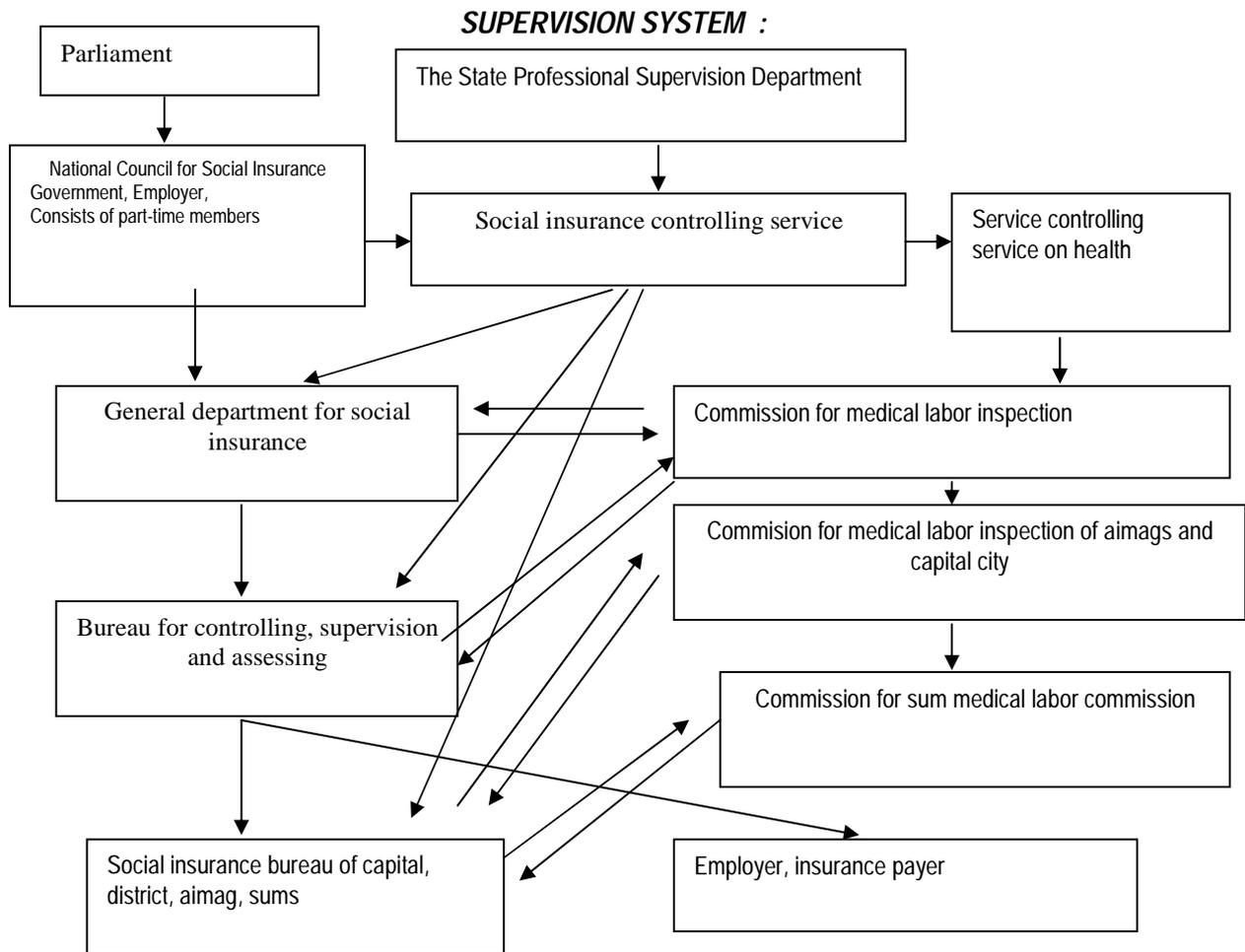
In Mongolia with total population of 2.5 mil, the social insurance scheme is still in a transition phase. Less than half of the population is insured, and there is much development work to do to extent the coverage. The trend in coverage is not positive: in 1998 there were 440,000 insured, and the amount had decreased to 364,000 in 2000. Only 22,500 people were voluntarily insured in 2001. A small figure compared that self-employed persons constitute about 40 % of population.



At present time, the number of insurance contribution payers - employers is about 14000, insurance 628400, it means 30% of total population are the social insurance benefit payers.

1	Year	Total number of insurance contribution payers	Insurance structure	
			Obligatory	Non obligatory
1	1995	409113	395398	13715
2	1996	582119	402316	179803
3	1997	629251	419408	209843
4	1998	619261	538213	81048
5	1999	622664	532481	90183
6	2000	628372	528086	100286





The main objective of the social insurance organization: modify social insurance system, broaden insurance coverage, collect taxes and duties to the social insurance fund.

Today, 50.3% of total social insurance benefit collecting from employer, 24.5% from insurance payee, 24.5% from state budget, 0.7 other sources,

In order to shift to a partially private insurance system, it is necessary to introduce a individual pension insurance account system. At present time individual insurance accounts are opened for persons born after 1960. The insurance account holder able to use

the amount after retirement. A sum of account arising according to interest rate and inflation, the rest part to be accumulated through government bonds, security market, foreign and domestic trading, and investment, purchase share, save in commercial banks, short term credits and loans, in order to protect insurance from deflation and crisis preventive measures to enrich insurance fund. In other word, the insurance payment rate has to be equal with sum of retirement.

At present, 10 commercial insurance companies operating in Mongolia and dealing mainly with property, fire, natural calamity insurance.

### **Increasing the powers of the social insurance inspectors and enhanced co-operation with tax inspection**

In the current situation tax officials and social insurance inspectors collect separately taxes and social insurance contributions. There is much space for increased co-operation between tax inspection and social insurance offices. Information on citizens' income, collected by tax inspection, is the basis for the estimation of the level of social insurance contributions in the case of many insured, especially of self-employed. Constant exchange of information between tax inspection and insurance offices is necessary. Tax office is normally the only source of knowledge to the social insurance officials concerning the informal sector of economy. Also other types of co-operation shall be developed. In the countryside it may be most efficient if tax and SI officials collect taxes and contributions jointly.

Powers of Social Insurance Inspectors are provided by article 26 of the Social Insurance Law and comparing them with the powers of Tax Inspectors one can find that Social Insurance Inspectors have quite a large powers already in the existing legislation. Social insurance inspectors have the right to examine and check accounts, balance sheets and other financial documents related to the contribution dues and payment. He/she has a right to obtain from the employer's bank and financial institutions, copies of certificates and documents required exclusively for social insurance auditing free of charge. He has even right to remit the appropriate sum of unpaid contributions from the employer's assets where employer fails to deduct contributions from wages or similar thereto earnings and pay into the Fund of Social Insurance.

The Social Insurance Inspector has a possibility to take the case further to the social insurance units, which have an partial authority to levy contributions on employer whose payroll and similar thereto earnings are impossible to be determined due to the absence of initial and accountancy record. They also may temporarily suspend expenditure transactions of the employer's bank account in the case of failure to pay contributions in due time and to enforce liability for employer avoiding payment of contributions, arrears, interest and penalties.

Currently it is proposed that the law on Social Insurance shall be amended so that Social Insurance Inspectors will have similar powers and responsibilities as tax and custom inspectors and state professional inspectors and that information exchange between tax and SSIGO shall be improved, so that both parties have an opportunity to have the knowledge they need cost-free from the other.