

**Data Collection Survey on
Pension Systems in Mongolia**

Final Report

January 2015

Japan International Cooperation Agency (JICA)

KRI International Corp.

International Development Center of Japan Inc.

Exchange Rate

USD1 = JPY120.48

MNT1 = JPY0.064

(JICA Rate in January 2015)

Abbreviations and Acronyms

Abbreviation/Acronym	Standard Nomenclature
ADB	Asian Development Bank
ALM	Asset Liability Management
BOM	Bank of Mongolia
DB	Defined Benefit
DF/R	Draft Final Report
FILP	Fiscal Investment and Loan Program
F/R	Final Report
FRC	Financial Regulatory Commission
GDP	Gross Domestic Product
GIZ	German Agency for International Cooperation
GOSWS	General Office of Social Welfare Services
HDI	Human Development Index
IC/R	Inception Report
ILO	International Labour Organization
IT	Information Technology
JICA	Japan International Cooperation Agency
M&E	Monitoring and Evaluation
MNT	Mongolian Tugrik
MOF	Ministry of Finance
MPDSP	Ministry of Population Development and Social Protection
NDC	Notional Defined Contribution
NGO	Non-governmental Organization
NPO	Non-profit Organization
OJT	On-the-Job Training
PAYG	Pay-As-You-Go
PR	Public Relations
SDC	Swiss Agency for Development and Cooperation
SIGO	Social Insurance General Office
SIO	Social Insurance Office
TA	Technical Assistance
TMPR	Training and Marketing and Public Relations
UB	Ulaanbaatar
UNDP	United Nations Development Programme
WB	World Bank

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Executive Summary

【Current Status of Pension Systems in Mongolia】

At present in Mongolia, once men and women reach a certain age (60 and older for men, 55 and older for women), those meeting the conditions for years of premium payment become eligible to receive a pension benefits. If they are not eligible for social insurance, they are considered to be eligible for social welfare. As such, Mongolia's social security systems are designed to provide benefits to all citizens.

After the pension reform of 1999, the Notional Defined Contribution (NDC) Pension Scheme was established for the people who were born after 1 January 1960 while the Defined Benefit (DB) Pension scheme was still applicable for those who were born before 31 December 1959. In other words, there are two different pension schemes applicable to Mongolian citizens based on their dates of birth. The finance system is Pay-As-You-Go (PAYG), and the total premium amount of DB and NDC pension schemes from the current working generation finances the current beneficiaries under DB pension scheme.

The Ministry of Population Development and Social Protection (MPDSP), the centralized organization, integrally supervises social security services in Mongolia. Under the MPDSP, the Social Insurance General Office (SIGO), as an implementation agency, manages social insurance systems (premium collection, benefit payment and fund management), including health insurance, and their application to citizens.

SIGO had a total number of 1,501 officials in 2013 and at least one inspector (official for social insurance) per administrative district was allocated to 21 *Aimags* (provinces) and 368 *Soums* (villages) nationwide.

SIGO administers and manages five social insurance schemes: (1) Old-age Pension Insurance, (2) Short-term Benefit Insurance, (3) Unemployment Insurance, (4) Health Insurance and (5) Employment Injury and Occupational Disease Insurance. Each type of social insurance system has a corresponding fund: (1) Old-Age Pension Fund, (2) Short-term Benefit Insurance Fund, (3) Health Insurance Fund, (4) Unemployment Insurance Fund and (5) Employment Injury and Occupational Disease Insurance Fund.

Accounts of social insurance funds in Mongolia have been chronically in deficit for the last five years. The accounts have been in surplus by financial support from the national budget. Most of deficits can be attributed to Old-age Pension Fund, while other four social insurance funds (Short-term Benefit, Health, Unemployment, and Employment Injury and Occupational Disease) are financially balanced with their own incomes and expenditures.

【Challenges of Pension Scheme in Mongolia】

By taking account of all findings through the survey, the challenges of Mongolian pension scheme are categorized into two aspects, as follows:

Systematic Challenges

- (1) Deficits of the social insurance funds have become constant especially to the Old-age Pension Fund. The account is fully covered by governmental financial support and has been moved into surplus. While deficits in recent years are considered to be one of the most critical factors for the sustainability of social insurance systems, there has been a persistent question regarding the adequacy of the assumed yield rate of individual pension reserve account for the insured population born on and after 1 January 1960.
- (2) Present pension systems are designed assuming a 75% income substitution rate at most. But if the insured person's income is maintained at a high standard for a certain period (at least five years), the amount of benefits to be paid to the insured easily exceed the assumption and substantially damage the financial sustainability of the systems. Especially taking advantage of preferential measures set for confusing period of 1990 to 2000, recently intentional subscribers, paying high standard of premium just before the age of becoming eligible to receive pension in order to withdraw large amount of benefit in the future, remain rife.
- (3) There is inadequate coordination between systems of social insurance and social welfare. If a Mongolian citizen never paid social insurance premium before, he/she can receive old-age welfare pension without any means-tests. The fact that he/she can receive a kind of pension with no contribution to the social insurance may discourage persons to pay for their social insurance premiums.
- (4) Even if a business enterprise posted a deficit during a certain accounting period, the business enterprise is obliged to pay premiums in accordance with the ones their employees pay. In case such enterprise cannot pay their premiums to social insurance office, the whole payment records will not be stored. Such situations are quite unfavorable for employees.
- (5) It is worth of being evaluated, in social insurance fund management, to have taken a kind of "conservatism" to limit investment outlets within national bonds and bank deposits, putting first priority on safety. However, the fact that there is political pressure, on the other hand, to urge pursuing high-return but risky investment methods, even though based upon intention to get financial situations of pension better, could be a dangerous factor for social insurance funds on which people's security for living after retirement or in need is dependent.

Operational Challenges

- (1) Cooperation and co-working systems have not been well-organized between MPDSP and SIGO, especially at the level of officials in charge of daily operations. It is not enough or adequate to make tasks perceived through on-site operations reflect upon pension policies and, vice versa, to let policy implication to be carefully and thoroughly informed to operational human resources.

- (2) Similarly, cooperation systems between SIGO headquarters and local social insurance offices (i.e., in *Aimags*, Ulaanbaatar Metropolitan Districts, etc.) have not been established nor functioning.
- (3) Contents of training courses held for officials working for MPDSP, SIGO and local social-insurance offices have not been appropriately designed in accordance with the roles and functions of each post of duty. The opportunity for real capacity building of personnel is just limited to within OJT. Since inspectors' roles/functions oblige them to know a whole perspective of social insurance/social security systems, they are especially needed to be provided with a series of well-organized training programs on a regular basis.
- (4) Since enough budget support has not been allocated to social insurance offices at the *Soum* level, a significant amount of insurance premium that could have been collected, if sufficient operational budget had been allocated, has been actually left uncollected.
- (5) SIGO's public relation medium is now just one kind of flier per each social security system. Since its contents are not focused in terms of marketing targets (e.g. prospective clients, objectives, etc.), the medium has not been effective for advertisement. It is highly significant to make its contents clarified to be reaching clients (the insured and candidates), containing articulate messages and explanation of various information on pension scheme, such as application, premium payment, procedures for claiming pension, etc.), in order to promote better national understandings.
- (6) In many *Soums*, since just one inspector is assigned to the workplace, procedures/operations of social insurance are sometimes halted while the inspector in charge is visiting remote places, such as Bag (ward).
- (7) Cabinet renewal may affect the personnel affairs of ministries. This may influence the consistency and uniformity of social insurance policies/pension policies.

【Recommendations on Future Cooperation by JICA】

Please refer to Chapter 7, which explains a tentative project proposal by the Study Team.

The World Bank is already providing technical cooperation addressing several institutional challenges, so it is not realistic for Japan to provide further cooperation in these areas. Moreover, there is no need at this point for Japan to take the lead in providing aid for actuarial reviews since it is normally resolved at the same time as the coordination of payments with other social insurance systems, such as social welfare.

The Mongolian government is asking for technical cooperation to improve pension fund management. However, the pension-fund account has been in deficit chronically, and reversed into surplus by receiving financial support from national budget. Moreover, there are constraints on the operational side as a result of macro-economic impediments that make situations difficult to address with technical cooperation, such as a chronically high inflation rate, weak MNT and the immaturity of Mongolia's financial and capital markets

(see “5.2.3 Overview of the Pension Fund Management,” Chapter 5, for details). The Mongolian government plans to establish the laws needed to deregulate investment activities, and although the government has asked Japan for support with proposals for policy and system improvements and the transfer of investment techniques, at this point the legal infrastructure and system policies are not yet in place. In addition, the government does not have a unified view/policy on the implementing institutions responsible for the actual fund investments, and thus is not in any position to be able to provide specific support measures on investments.

Given the aforementioned conditions, cooperation on the operational side would be the most convincing as Japan’s development aid emphasizes a hands-on approach. Moreover, it can be expected to have a marked effect in improving the pension systems in the future.

With the exception of budget measures for activities that Mongolia should address itself, many of the challenges would require ongoing aid for a certain period. Accordingly, a technical cooperation project would be the most suitable JICA program. As noted above, the challenges involved here are interrelated, and their resolution requires a multi-stage, organizational approach. Moreover, many of the eight challenges (with the exception of “7. Establishment of records on pension subscribers and pension recipients”) can be addressed by improving the capacity of officials, so a project with a goal of “improving capacity of officials” and setting indicators to resolve these challenges will be proposed.

This brings the pension systems to the fore as its overriding theme, but it can also be seen as a challenge arising due to the limited years of experience of many social insurance inspectors. The ability to absorb the contents of various programs and use them effectively on the frontlines would primarily benefit the social insurance inspectors with limited experience who will be responsible for social insurance administration in the future. Accordingly, the improved capacity of SIGO officials should be supported with (1) OJT and (2) the creation of a sustainable training mechanism.

The table below displays the priorities by issue, taking into account the budgets and human resources needed for cooperation. Also realistically possible Japanese human resource allocation is outlined below, in ascending order of difficulty to recruit and deploy those resources.

Operational Challenges	Japan's human resources	Priority
1. Improvement in cooperation/co-working between MPDSP and SIGO	Consultant	If possible
2. Establishment of systematic training programs tailored to actual practices	Consultant	Highest priority
5. Technical improvement in public relation methods targeting all the insured and pensioners	Consultant	If possible
6. Environmental arrangement to improve collection rate of pension insurance premium	Consultant and Japan Pension Service	Highest priority
7. Coordination to increase number of voluntary subscribers	Consultant and Japan Pension Service	Priority
8. Amendment of personal records and establishment of recording systems for the insured and recipients	Consultant (and company with experience in pension system development)	Priority

In addition, the following points are needed to be taking into consideration:

- ① Diversification of insurance premium payment methods: Mongolia's pension systems employ a procedure whereby the insured transfer pension premium payments to the designated bank account and brings the transfer statement to the social insurance office to be registered. This process is accompanied with considerable workload, putting a substantial burden on administrators. Japan's national pension system has employed a method whereby payments are made based on the payment notice, and payments can be made by automatic bank debit or credit card to make the procedure easier and less-stressful. These methods are extremely effective in ensuring that people do not forget to make their insurance premium payments (however, Mongolia does not have a system of automatic bank debit, and coordination with related outer institutions is necessary when it is adopted).
- ② Outsourcing of insurance premium collection—Use of industry groups: In Mongolia, which covers a large land area, visiting distant areas to collect insurance premiums is inefficient in terms of investment-return analysis. For this reason, a method to outsource insurance premium collection to occupational/industry groups will be developed. Introducing/transferring knowledge from Japan on contracts to outsource insurance premium collection and producing business guidelines for social insurance practices/procedures, expounding details of operational processes such as outsourcing, together with Japanese experts would be very beneficial for Mongolia.
- ③ Outsourcing of insurance premium collection—Use of former officials: Former SIGO officials will be employed as social insurance system promotion staff (provisional title) when needed on a temporary basis. And these staffs will be commissioned to collect insurance premiums in the area where they reside (a commission system based on the number of subscribers and amount collected would be introduced). This would not only eliminate the problem of a lack of staff, but would eliminate the need to train new hires and could reduce costs.

- ④ Use of information technology and equipments: Almost all herders and self-employed people have mobile phones, reflecting the way in which the population is dispersed throughout this large country. Sending SMS *en bloc* with notices and public information on insurance premium payments would raise the collection rate.
- ⑤ Use of advertising media (papers): A key point is the extent to which pamphlets and fliers can provide necessary information in a way that is easy to understand. Using techniques to prevent people from throwing it away (for example, including important information that would have a direct benefit so that it is conspicuous) could raise the likelihood that people would actually read the information. Japan has built up its expertise on such PR methods, which can be effectively utilized in Mongolia as well.
- ⑥ Preparation and utilization of teaching materials and manuals: As noted in “5.2.7 Current Situations of Local Cities,” budget constraints have made it impossible to adequately implement systematic training. And it is difficult to acquire knowledge and skills through OJT in regional areas where the lack of official is particularly serious. Given this, it would be extremely effective to provide implementation guidelines at the office to serve as a reference manual whenever needed in operations. Moreover, even when implementing training programs based on aid, as long as educational materials are available, copies could be distributed to those in need of the training and referred to as a manual in daily operations, while helping to improve one’s own knowledge. This would be possible even if tight government finances prevent training from continuing in the future. Japan’s pension administration has a rich depository of experience and knowledge on creating educational materials and implementation guidelines.
- ⑦ Coordination with public education: Classes on social insurance can be given during the period of compulsory education (in terms of impact, the timing just before the end of compulsory education would be ideal; for some people, it could be a part of orientation just prior to entering society and joining the workforce). This would enhance the knowledge of students and could familiarize students’ parents with the requirement to pay insurance premiums.

Chapter 1 Outline of the Survey

1.1 Background of the Survey

In Mongolia, the Social Security Department under the Central Council of Mongolian Trade Unions, which is now called the Social Insurance General Office (SIGO), was first established in 1942 and the first Pension Law was adopted in 1958. All the pension benefits were supposed to be paid from the national treasury until the execution of the law in 1994, which requests the insured to pay insurance premiums. Guided by “the State to the year 2021,” there was announced to gradually transform the system from the Notional Defined Contribution (NDC) scheme with the Pay-As-You-Go (PAYG) scheme in 1999, considering acceleration of the aging population.

After the pension system reform in 1999, although the people born after 1 January 1960 are due to receive their benefits starting in 2015 for women and 2020 for men, the governments’ fiscal resources have not been adequately secured. In addition to this urgent matter, the Mongolian pension systems have lots of challenges to be addressed, such as the establishment of universal pension insurance coverage, low collection rates of the informal sector, and pursuing independency of fund management.

To respond to this situation, the Government of Mongolia has requested the Government of Japan for its technical cooperation entitled “a project to strengthen the capacity building of the social insurance sector” on their request paper submitted in 2012 and 2013. Especially, the government’s focus is on the improvement of pension fund management and capacity development of human resources such as inspectors at SIGO.

In order to examine future assistance in the pension system areas in Mongolia, this survey aims to collect and analyze information about social security systems and all those related challenges such as pension systems, social welfare services, and its socio-economic contexts.

1.2 Objectives of the Survey

The main objectives of the survey are: 1) to analyze the current situations and challenges of Mongolia’s pension system, and 2) to make recommendations to the Japan International Cooperation Agency (hereinafter referred to as “JICA”) about possible assistance toward the improvement of identified challenges on the pension system in Mongolia.

1.3 Methodology

1.3.1 Workflow and Schedule

The workflow of the survey is described in Figure 1-1, and the schedule is described in Figure 1-2.

(1) Preparation in Japan

Available data and information regarding the socio-economic situations and challenges of pension systems in Mongolia, and the requests of the Government of Mongolia, were analyzed before starting the

first field survey. Using those analyzed data, the inception report (IC/R) was drafted by the study team. In October, this was finalized and submitted to JICA, reflecting its comments and feedback.

The study team also prepared a questionnaire for related organizations. The questionnaire includes questions such as social insurance policy, methods and organizations of premium collection and fund management, training programs, and related programs led by donor agencies.

(2) **First field survey**

The first field survey was conducted from 13 October to 9 November 2014. Before initiating interviews with personnel of related organizations, the outline of the survey (schedule, objectives, and contents of the questionnaire) was explained to each representative of the organizations. The schedule and main activities during the field survey are presented in Attachment 1. The interviewed personnel are listed in Attachment 2.

(3) **First domestic operations**

The collected data, documents, and information were analyzed and compiled in the draft final report (DF/R). The contents of the survey and the direction of technical assistance were discussed with JICA. Regarding the arrangement of a seminar held during the second field survey, the study team also cooperated with related organizations and JICA.

(4) **Second field survey**

The second field survey was conducted from 20 November to 6 December 2014. During the first week of the survey, the study team supported the arrangement of a seminar held by the Government of Mongolia, and also had a field trip to Darkhan-Uul (the north part of Mongolia) in order to have additional interviews with personnel at the social insurance offices in rural areas. During the last week of the survey, the study team double-checked all survey items and questionnaires and compiled them in the final report (F/R).

The seminar was held on 28 November 2014, aiming to: (1) give survey feedback on the pension systems to the Government of Mongolia, (2) confirm the leading policy on pension systems in Mongolia, and (3) boost a mutual understanding of possible technical assistance from the Japanese side. The contents and results of the seminar were compiled in a seminar report.

(5) **Second domestic operations**

The analyzed data and information were compiled in a drafted F/R. In January, the finalized F/R was submitted to JICA reflecting all its comments and feedback.

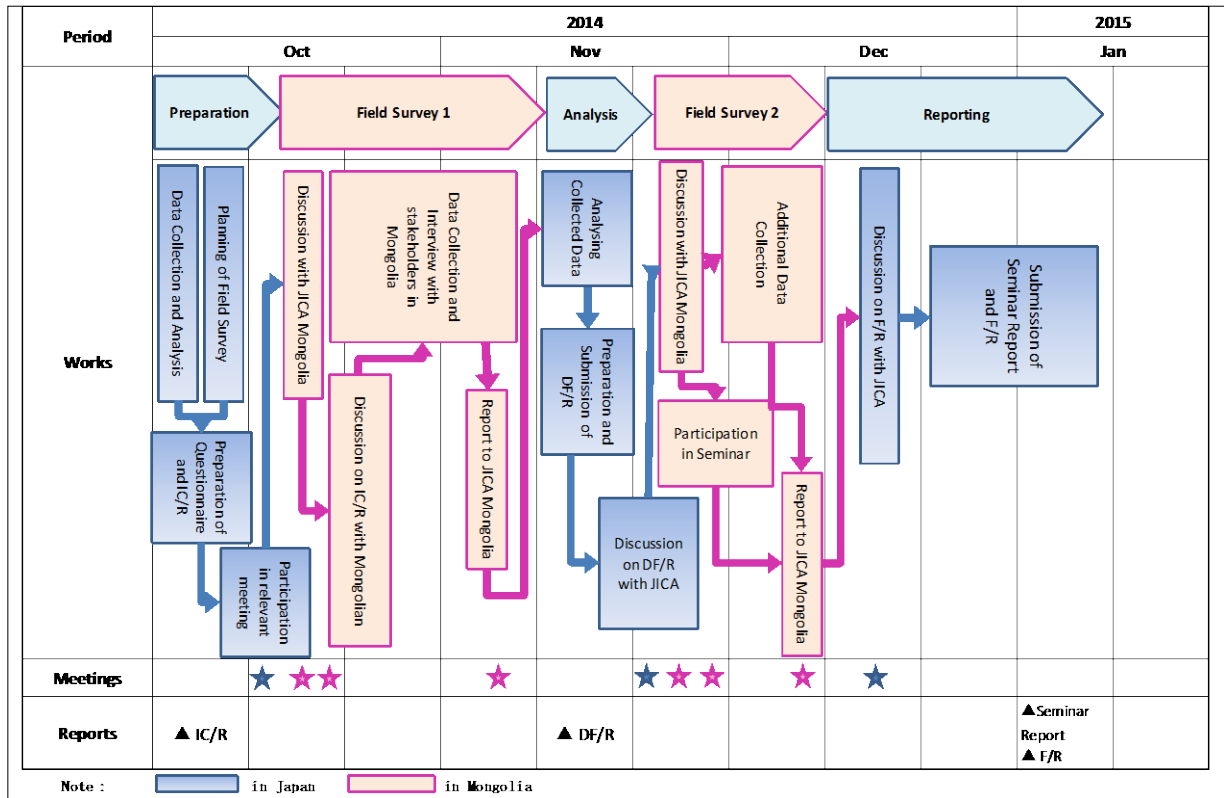


Figure 1-1 Workflow of the Survey

Works	Period	2014						2015			
		Oct		Nov		Dec		Jan		Feb	
(1) Preparation											
1) Collection and analysis of available information											
2) Planning of the field survey											
3) Preparation and submission of Inception Report (IC/R)											
4) Participation in relevant meeting											
(2) Field survey 1											
1) Discussion with JICA Mongolia office											
2) Discussion on IC/R with Mongolian stakeholders											
3) Collection of documents and information											
4) Report on the survey results to JICA Mongolia office											
(3) Domestic operation 1											
1) Analysis of collected information											
2) Preparation and Submission of Draft Final Report (DF/R)											
3) Discussion on DF/R with JICA HQ and JICA Mongolia office											
(4) Field survey 2											
1) Discussion with JICA Mongolia office											
2) Preparation and participation in a seminar											
3) Collection of information											
4) Report on the survey results to JICA Mongolia office											
(5) Domestic operation 2											
1) Discussion on Final Report (F/R) with JICA HQ and JICA Mongolia office											
2) Preparation and Submission of Seminar Report and F/R											
3) Submission of an accounting report											

Note : In Mongolia In Japan $\Delta-\Delta$ Discussion \blacktriangle Report submission ----- Others

Figure 1-2 Schedule of the Survey

1.3.2 Reports

The reports and documents submitted to JICA during the survey are listed in the table below.

Table 1-1 List of Reports

Title of reports	Date of Submission	No. of Copies	
Inception Report (IC/R)	October 2014	Japanese	7
		English	5
		CD-ROM	2
Draft Final Report (DF/R)	November 2014	Japanese	7
		English	5
		CD-ROM	2
Seminar Report	January 2015	Japanese	7
		English	5
		CD-ROM	3
Final Report (F/R)	January 2015	Japanese	10
		English	5
		CD-ROM	3
Collected Documents	January 2015		1
Monthly Report	Monthly		1
Record of Meetings	-		1

Chapter 2 Background and objectives of the Request by the Government of Mongolia

2.1 Rationale behind the Request

According to the application form for Japan's technical cooperation, which was submitted on 17 July 2014, the Ministry of Population Development and Social Protection (hereinafter referred to as "MPDSP") requested JICA for technical assistance to develop the capacity of human resources at the Social Insurance General Office (hereinafter referred to as "SIGO") and social insurance offices.

SIGO, which is an implementing agency under MPDSP, has a total staff of 1,501 as of 2013. Those staff members are assigned to the SIGO Headquarters, 21 *aimags* (provinces), or 9 districts of social insurance offices. The number of staff working at each station is shown in Table 2-1.

Table 2-1 Workforce in the Field of the Social Sector

Offices	Year 2011	Year 2013
SIGO	98	152
Social Insurance Offices in Ulaanbaatar City	46	21
Social Insurance Offices (District)	330	405
Social Insurance Offices (<i>Aimags</i>)	405	557
Social Insurance Officers (<i>Soums</i>)	351	366
Total	1,230	1,501

(Source: Information provided by SIGO)

MPDSP and SIGO regard it their fundamental policy to extend the coverage of social insurance widely by providing social security services with the insured, making the social insurance system more sustainable. Their responsibility is to extend the coverage of the five types of social insurance (pension, short-term benefit, health, unemployment, and employment injury and occupational decease insurance), ensuring its performance on premium collection and benefit payment.

However, the current situation is that social insurance premiums are paid by only 82% of eligible contributors, making up a shortfall from the national treasury (Table 2-2). Although the Mongolian government has some financial capacity to fill the budget gap under the rapid economic growth at the moment, they also recognize the possibility of facing the financial crisis due to economic fluctuation in the future.

Table 2-2 Percentage of Contributors in Workforce

	1995	2000	2005	2006	2010	2013
Economically Active Workforce (EAW) (thousand)	812.7	847.6	1,001.2	1,042.8	1,147.1	1,198.3
Total Contributors (thousand)	409.1	381.4	367.9	436.4	644.5	978.3
Percentage of Contributors in EAW	50.3%	45.0%	36.7%	41.8%	56.2%	81.6%

(Source: Information provided by SIGO)

To respond to these challenges, the Government of Mongolia is promoting increase of collection amount of insurance premium. In order to increase the percentage of premium collection, the government also discusses strengthening public-relation (PR) activities, inspection of non-payers, and capacity development of inspectors at the social insurance offices. The government especially takes it as a priority challenge that related organizations do not have any organized system on human resources development.

The reason why the government emphasizes the capacity development of human resources is because MPDSP wants to change the perception of the people on social insurance offices, which should be a facility to give adequate services to the insured, not simply someone who operates the premium collection. Aiming to develop “service-oriented” offices, MPDSP intends to establish a model service center. The details of a model service center are described in the following section.

The opinions and the requests collected through the interview are consistent with what is presented in the application for technical cooperation submitted to JICA. The government officials at MPDSP and SIGO, and inspectors at *aimags/soums* tell their challenges and difficulties in vulnerable fund management systems, premium collection from people of informal sectors, and securing a sufficient budget and adequate human resources to implement in-service training programs.

2.2 Expected Outcomes

The Government of Mongolia describes the purposes and expected outcomes through implementing the project of technical cooperation, requested to the Government of Japan, as follows:

(1) Project Purpose

- To establish human resources development systems for the staff of SIGO and Social Insurance Offices.
- To provide policy recommendations on the investment of social insurance funds tailored to the needs and circumstances of Mongolia.
- To set up a model service center that would serve as a model of the state social insurance services.

(2) Outcomes

- Recommendations for the improvement of human resource development systems in the social insurance sector.
- Modification and implementation of training programs at the training center under SIGO.
- Model textbooks which are both agreed by the Mongolian side and the Japanese side.
- Trained staff and instructors by the training center under SIGO.
- Procurement of training center equipments.
- Recommendation for fund management of social insurance funds (methodology of portfolio investment and others).
- Assessment and definition of functions and workflow of the social insurance model service center.

- Opening of a model service center.

The importance that people fully benefit from social insurance services and the necessity of improving fund management and human resources development were emphasized in the interviews with the MPDSP and SIGO personnel.

Regarding the model service center, the government considers the social insurance office in Khan-Uul District as one of the candidate venues. To become a model service center, the Khan-Uul District's Office is already ISO9001 certified, as of August 2014.

Additionally, the building of training center is currently under construction next to the Khan-Uul District's Office.

2.3 Policies of Mongolian Government for Pension Reform and Social Insurance Fund Management

Fundamental pension reform in Mongolia started in the early 1990s. That was during the departure from old socialistic systems, which were totally financed by the national budget, not by personal contribution, covering all nations with an aim of delivering equal amount of benefit.

Basic policies of the government at that time are as follows: (1) familiarization of pension to the people and raise the participation rate, (2) improvement of collection rate, (3) incrementing an aggregate amount of pension funds and stabilization, and (4) securing appropriate amount of benefit after retirement on which national existence and security is dependent. It was quite difficult, however, to discard socialistic economic systems and achieve a balance on the national budget simultaneously. Since then ad-hoc support from the national budget has been poured into pension systems as a whole. In other words, basic reform policies mentioned above are still effective.

In 1999, understanding the future trend of low fertility and crisis on financial sustainability of pension systems, the State Parliament adopted the "Governmental Guidelines for Pension Reform by 2021." The guidelines clearly distinguished between a person who is born on and before 31 December 1959 and after the date. Defined benefits in the pension plan are applied to the earlier and notional defined contribution plan is applied to the latter. Since the Mongolian pension systems actually employed a pay-as-you-go method, economically active generations financially support the retired population, in terms of the cycle from premium collection to benefit payment, concern still remains about coping with the aging society. Historical implications of the guidelines can be found in the introduction of personal pension accounts, putting future migration to funding and defined contribution method (according to the governmental policy, the change starts from 2005, gradually realizing and finally be attained by 2021) in perspective.

But as a result of (1) executing the reduction of premium collection rate, (2) raising benefit amount, and (3) freezing the starting point of pension reception that was originally discussed for postponement, mainly due to political contexts, sustainability of pension finance in Mongolia has become more critical, combined with retarding process of migration to the funding method.

Pension fund stated in “2.1 Rationale behind the Request,” is one of the five social insurance funds: (1) Old-age pension, (2) Short-term Benefit, (3) Health, (4) Unemployment, and (5) Employment Injury and Occupational Disease. Under the current Law of Mongolia on Social Insurance, state social fund revenues may be generated only by purchasing government bonds, bonds issued by the central bank and commercial bank deposits. Current amount of social insurance funds in total is MNT 900 billion (approximately JPY 50 billion, at the end of October 2014) and collectively operated and managed by the Finance and Accounting Department of SIGO.

There is no official fixed policy or plan defining the concrete provisions for “liberalization” of pension-fund investment such as coping with immature monetary/financial markets, recruiting skilled fund managers, clarifying job descriptions, and organizing investment-management team.

Combined with a social background of aging population and declining rate of birth, the problems of current pension systems stated above strongly invited the attention of the Mongolian government, especially of MPDSP, that is formulating policies and action plans in order to guide the situation into trouble-free settlement, as much as possible. Although the contents are unspecified yet, the outline was explained, even fragmentally, by senior officials of MPDSP to the Japanese study team via interviews and seminar held at the end of this survey project. The information attained through the investigation will be reconstructed, edited, and reported later in the columns of “current status” and “challenges” in Chapter 5.

Chapter 3 Socio-economic Contexts of Pension Systems

3.1 Socio-economic Conditions in Mongolia

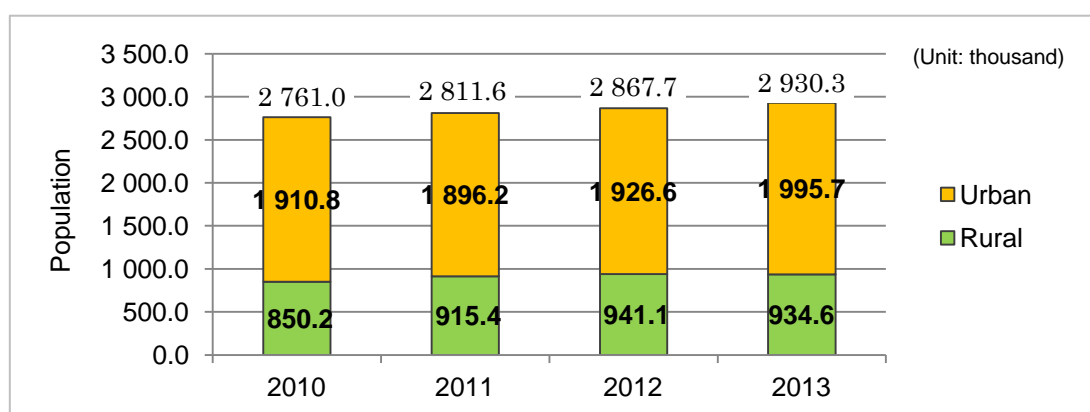
3.1.1 Demographic Structure

Mongolia is known as a country with the lowest population density at 1.9 per km². Mongolia has a population of approximately 2.9 million in a land area of 1.56 million km². According to the 2013 statistics provided by the National Statistical Office, the annual growth rate of the population¹ from 2010 to 2013 is notable, as shown in Figure 3-1. Another demographic feature is that two-thirds of the population lives in urban² areas, and 65% of the urban population, which means 45% of the total population of Mongolia, resides in Ulaanbaatar City (Figure 3-2).



(Source: Mongolian Statistical Yearbook 2013)

Figure 3-1 Number and Annual Growth Rate of Population in Mongolia



(Source: Mongolian Statistical Yearbook 2013)

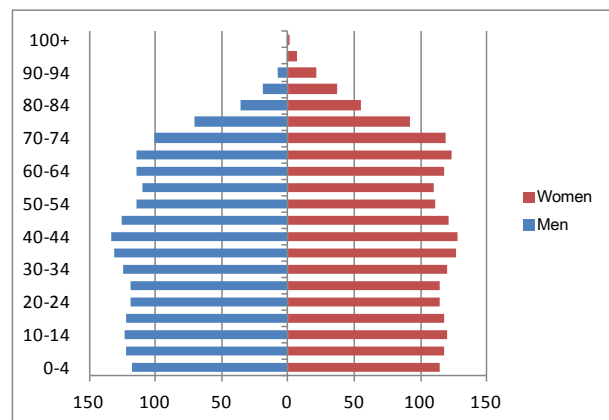
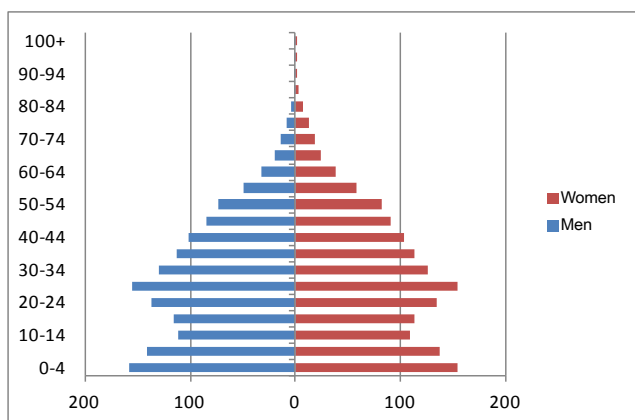
Figure 3-2 Population of Mongolia by Urban and Rural³ Area

¹ Population of Mongolia includes population residing for 6 months or 183 days and above in administrative units of Mongolia.

² The urban population includes population residing in Ulaanbaatar City, *aimag* centers and towns.

³ The rural population includes population residing in *soum* (village) centers and rural areas.

Figure 3-3 and Figure 3-4 are population pyramids of Mongolia for 2015 and 2085, respectively. According to the United Nations (UN) estimates for 2015, people in the 20s age group has the largest population among other age groups. After 70 years, however, it is estimated that the number of population aged over 50s, which means the population of pension recipients, may also increase as much as that of other age groups due to gaining in life expectancy. This prospect tells that it is necessary for Mongolia to prepare for an aging society, where the population over 65 years of age accounts for more than 7% of the total population.



(Source: United Nations, *World Population Prospects: The 2012 Revision* (Medium fertility))

Figure 3-3 Population Pyramid (2015) Figure 3-4 Population Pyramid (2085)

3.1.2 Labor Force

In Mongolia, a number of people formerly engaged in nomadic herding, travel from place to place around the country. An industrial change can be seen in recent years. As referred above, today around 45% of the total population lives in the capital, Ulaanbaatar, and people are engaged in a variety of industries.

In Mongolia, their advantage is on mineral resources such as coal and copper, mining output accounts for 15.5% of the gross domestic product (GDP), and those mineral resources account for more than 80% of the total exports (Figure 3-5).

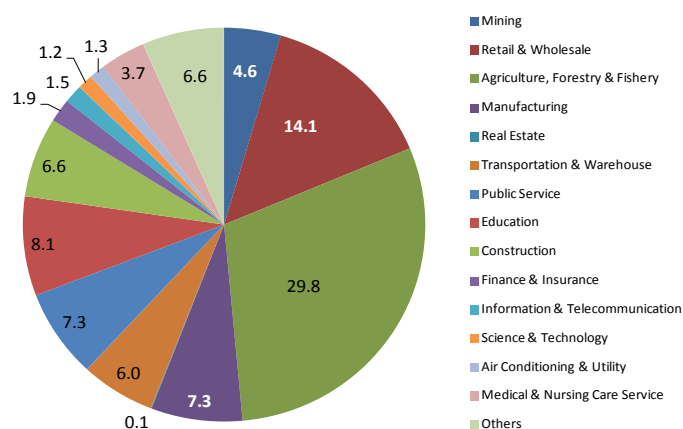
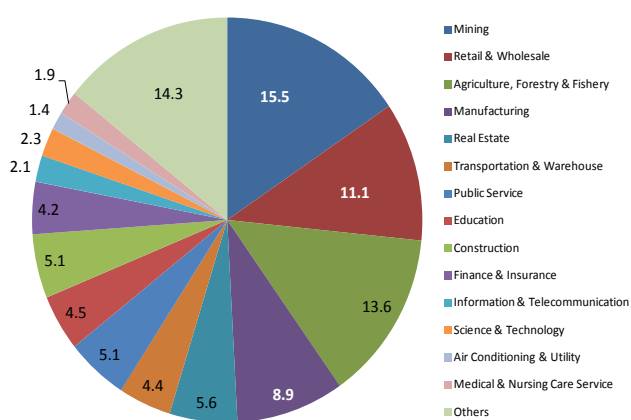


Figure 3-5 GDP by Industry (2013, Unit: %) Figure 3-6 Employment by Industry (2013, Unit: %)

(Source: National Statistical Office of Mongolia, *Statistical Database (EZStat)*)

With regard to the employment market in Mongolia, however, the employment in the mining industry remains at 4.6% of the total, which means the growth in the mining industry does not lead to an increase in employment and does not function as a direct factor to decrease the unemployment rate (Figure 3-6). As can be seen in Table 3-1 below, the unemployment rate has been much less improved despite the rapid economic growth during the recent three years, indicating the limitation of resource-based economy.

Less-developed status of the manufacturing industry is one of noticeable characteristics of the Mongolian economy. The industry occupies less than 10% in both production and employment, and it is mainly composed of small and medium-sized enterprises (SMEs)⁴.

Table 3-1 Annual Rate of Economic Growth, Inflation, Unemployment, and Poverty

	2008	2009	2010	2011	2012	2013
GDP growth	8.9	-1.3	6.4	17.5	13.3	10.4
Inflation	28.0	8.0	10.1	9.2	14.3	10.5
Unemployment	9.3	11.3	9.9	7.8	8.2	8.1
Poverty	35.2	28.7	38.7	33.7	27.4	n.a.

(Source: National Statistical Office of Mongolia, *Statistical Database (EZStat)*, World Bank, *World Development Indicators*)

In addition, the expanding gap between the rich and the poor is another challenge to be addressed. Although Table 3-1 tells that the poverty ratio in Mongolia has been certainly decreased, those who lost in a political conflict over resource concession and also those who could not attain their rights may hardly have an opportunity to make themselves wealthy. The fact that the United Nations Development Programme (UNDP) officially valued the Human Development Index in Mongolia, adding -13% of social aspects of inequality indicates an actual seriousness of inequalities in the Mongolian society⁵.

3.2 Investment Environment and Challenges in Mongolia

3.2.1 Macro-economic Conditions Surrounding Investment Management

Average deposit rates of commercial banks in Mongolia have been hovering around the 12% level, through the whole year of 2013 and January–October 2014 (Figure 3-7).

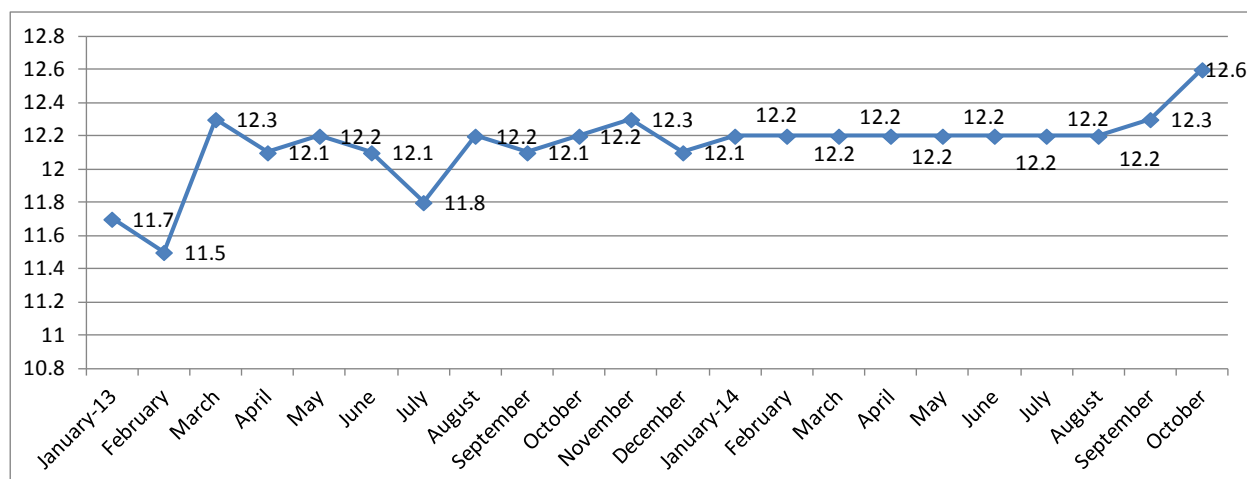
It seems to be a quite high standing of investment yield, especially compared with recent market trends in foreign countries such as Japan. If one is interested in purchasing financial products in Mongolia, however, one must take risks into account. The financial sector has been unstable in recent years. Savings Bank, the fifth major private bank in Mongolia, collapsed and all its credits and debts were transferred under the instruction of the Central Bank and MOF to the government-operated State Bank in 2013. The top three commercial banks, namely: Khan Bank, Trade and Development Bank, and Xac Bank, were downgraded to ‘negative’ by Moody's Investors Service Inc.

⁴ SMEs dominate 95% of officially registered manufacturing companies. (JICA, *Study on Special Assistance for Project Implementation for Two-Step-Loan (TSL) Project for SME Development and Environment Protection (2)*, Final Report, June 2014, p.3-3.) (originally written in Japanese)

⁵ The Government of Mongolia-UNDP, *Inclusive Sustainable Growth* (January 2012, Ulaanbaatar), p.9.

Annual yield rates of the government bond issued in 2012, the so-called Genghis Bond totaled to USD 1.5 billion, are 4.125% and 5.125% for 5-year of USD 0.5 billion and 10-year of USD 1.0 billion, respectively. Since the bond was quoted in USD, foreign investors could avoid the exchange risks. And since the US policy rate was almost zero at that time due to quantitative easing policy, Genghis Bond, one of the most attractive investment outlets was purchased by investors all over the world.

(%, Monthly Weighted Average)



(Source: Bank of Mongolia, *Monthly Statistical Bulletin* (October 2014))

Figure 3-7 Prevailing Rates on Commercial Bank Deposit (2013-14)

It indicates, on the other hand, the USD-quoted exchange risks should be taken by the Mongolian government. If MNT is depreciated at the time of redemption, compared with the time of issuance, the exchange loss will have to be added to the original rate of return to be paid to foreign customers. Moreover, since USD-based settlement is required for the redemption to the investors, appropriate amount of foreign reserve commensurate with the payment is needed. It is undeniable that the government’s fiscal position will be seriously worsened at the time of Genghis Bond’s redemption, considering that the country’s foreign reserve drastically decreased by 67% during 2012-13, as shown in Table 3-2 below.

Table 3-2 Amount of Mongolia’s Foreign Reserve (2010-13)

(MNT in billions)			
(2010)	(2011)	(2012)	(2013)
2.091	2.274	3.629	1.193

(Source: National Statistical Office of Mongolia, *Mongolian Statistical Yearbook 2013*)

Inflation rates in Mongolia, from January to October 2014, have been at 12.7% (Ulaanbaatar metropolitan areas) and 12.1% (nationwide). These figures are almost equal to the ones from bank deposit rates⁶. The national trend over the last four years also kept low at the 10% range, i.e., 13.0% (2010), 10.2% (2011), 14.0% (2012), and 12.5% (2013). While this trend continues, bank deposit will barely be able to maintain its original value as time advances.

⁶ BOM Homepage “Statistics > Consumer Price Index” (<http://www.mongolbank.mn/eng/dblistcpi.aspx>)

Table 3-3 Inflation Rate in Mongolia (2010-13)

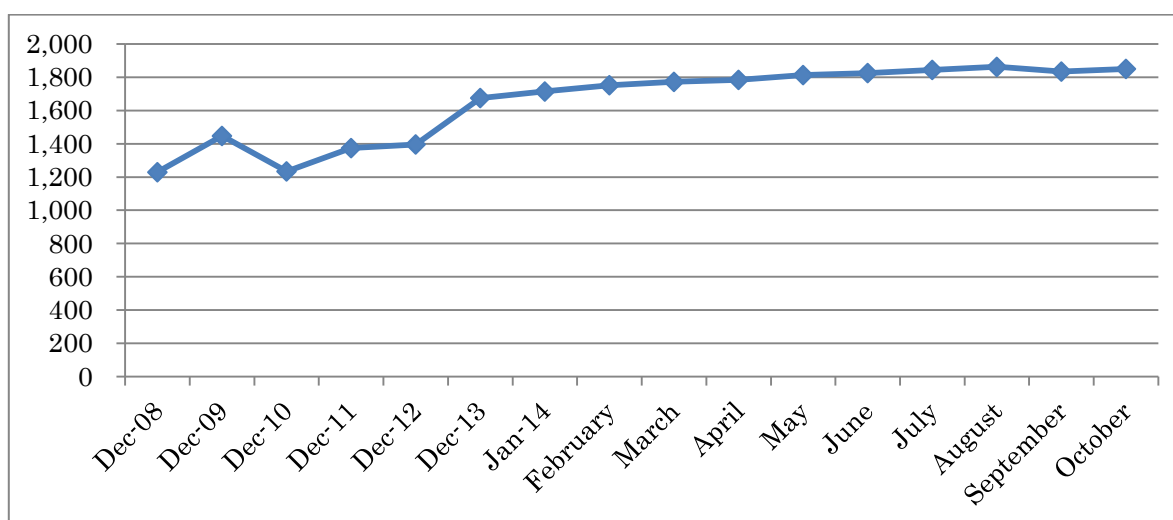
(%)			
(2010)	(2011)	(2012)	(2013)
13.0	10.2	14.0	12.5

(Source: National Statistical Office of Mongolia, *Mongolian Statistical Yearbook 2013*)

Table 3-4 Mongolia's Current Account Balance (2010-13)

(MNT million)			
(2010)	(2011)	(2012)	(2013)
▲ 886.7	▲ 2,758.6	▲ 3,362.3	▲ 3,211.4

(Source: National Statistical Office of Mongolia, *Mongolian Statistical Yearbook 2013*)



(Source: Bank of Mongolia, *Monthly Statistical Bulletin* (October 2014))

Figure 3-8 Transition of Exchange Rate: MNT/USD

Currency exchange rates also substantially affect investment behavior. Depreciation of Mongolian Tugrik (MNT) will lead to lowering the national living standards of Mongolia, while the country recorded more than 3.6 times increase of trade deficit within the recent four years (USD 890 million in 2010 → USD 3,210 million in 2013). It may look adversely attractive, in terms of price, for foreign investors to purchase MNT-quoted financial commodities or real estate properties available in Mongolia. Taking into account the transferring of profits made in Mongolia abroad, however, investors never invest if gaining could not fully absorb all the portion of depreciation caused by the weak MNT. Over-time record of MNT-USD exchange rates shows that MNT depreciation has been 50% since December 2008, the time of economic downturn precipitated by the Lehman Brothers bankruptcy until September 2014 (33% depreciation even since December 2012) and the depreciation trend unalterably continued during this period. It is generally insisted in economic theories that the national currency's exchange rate will be appreciated if domestic interest rates are kept at high levels. But under the circumstances that foreign direct investment in the field of manufacturing is essentially scarce, that an economic boom led by real estate speculation seems to finish, and that especially full-scale development of the Oyu Tolgoi mine, which has one of the largest gold and

copper reserves in the world, has been officially suspended⁷, it is fairly difficult to expect significant appreciation of MNT and a successful investment of Mongolian funds in foreign financial markets.

3.2.2 Financial Sector and Capital Market

While steady progress has been observed since the introduction of market-oriented economic reform in the 1990s, as discussed in the preceding column of investment-related macroeconomic environment, the economic downturn precipitated by the Lehman Brothers bankruptcy has seriously affected the Mongolian economy and its financial sector has been considered to be still on the way to recovery.

Regulatory and supervisory authorities of the financial sector in Mongolia are the Bank of Mongolia (BOM) and the Financial Regulatory Commission (FRC). BOM, as the central bank, regulates official discount rate and the amount of money in circulation, as well as supervises commercial banks. FRC wholly administers all financial institutions such as brokerage houses, insurance firms, savings associations, credit cooperative associations, except commercial banks. The Ministry of Finance (MOF) is not in charge of direct regulation/supervision in the sector.

There are 13 commercial banks in Mongolia. Virtually the market is, however, under the oligopoly circumstances controlled by the three major banks (Khan Bank, Trade and Development Bank, and Xac Bank, as previously noted). As even those major banks have been negatively evaluated from a safety standpoint, it takes fairly a long way to achieve a stable and sustainable management for the financial sector.

Table 3-5 Scale Comparison of Banking Markets in Japan and Mongolia

	GDP (2013)	No. of B/K (2014)	Lendings Outstanding (2013 End)
Japan	480.2trillion	89*	443trillion
Mongolia	1.05trillion	13	646.2billion
Comparison (Japan/Mongolia)	457times	6.9times	686times

(* 54 of them are foreign banks.)

(Source: Japanese Bankers Association, "Prompt Report on Deposits and Lending" (FY 2013) and National Statistical Office of Mongolia, *Mongolian Statistical Yearbook 2013*)

Banking industry in Mongolia has been in the midst of restructuring process based on the market principles. On the other hand, it is pointed out that the number of commercial banks: 13 at present seem to be too many for the size of the economy. Table 3-5 shows a brief comparison between the Japanese and Mongolian banking markets and economies. According to the Table 3-5, though the whole size of the national economy or banking market differs almost 400-700 times, the number of commercial banks does only seven times. The gaps between those indicators of the two countries imply that there must be some

⁷ At present, however, since there is a new Prime Minister and there is a probable chance to form a new coalition government, it is fairly possible to start developing the mine industry under national unity. However, the problem is the declining demand of mineral resources due to the cooling economy in and out of the country (especially in China). Taking into account those economically delicate factors, it is also possible to postpone the development. (Source: Interview with high officials at MPDSP, December 04, 2014.)

overloaded speculation/effort to pursue profits in the Mongolian market⁸. Actually, profit rates of banking organizations as a whole are low. The degrading evaluation of the major three Mongolian banks by a credit assessment company presumably reflects the fact.

There are a limited number of big borrowers with high level of security and growth potential. Therefore, commercial banks in Mongolia have employed more rigid collateral-oriented lending policy and, eventually, bankers' screening skills have not been developed. Also as a result of the recent expanding of range and kinds of operations, being dragged by a natural resource-led economic boom owing to export growth to China and Ulaanbaatar-focused real estate speculation, capacity building/training for all bankers in every field of operations has been neglected. It is considered to be one of the most critical factors that nurtured vulnerability of the financial sector in Mongolia⁹.

As far as the stock market is concerned, this has been formulated since the foundation of the Mongolian Stock Exchange in 1991, with the enactment of the Securities Exchange Act in 1994 and the Corporate Law in 1995. After the peak of the number of listed enterprises totaled to 336 (of them, 29 are state-owned) and the amount of aggregate value of shares outstanding amounted to MNT 3.49 trillion (USD 2.78 billion) in February 2010, however, both organizational and monetary sizes declined to a level of 245 (of them, 16 are state-owned) and MNT 1.59 trillion, respectively, in September 2014 (Table 3-6). It shows 55% of market degradation, in terms of value amount, and steady shrinking trend. The stock market of Mongolia still stays in a preliminary and immature stage.

Table 3-6 Transition of Mongolia's Stock Market Scale

Year/ Month	# of Registered Firms (of State-own)	Aggregate Value of Shares Outstanding (Unit: MNT billion)
2000.12	410 (69)	40.5
2005.12	392 (66)	55.7
2010.02	336 (29)	3,491.8
2010.12	336 (22)	1,374.0
2011.12	332 (29)	2,168.6
2012.12	329 (29)	1,799.9
2013.12	261 (18)	1,670.5
2014.10	244 (16)	1,557.4

(Source: Bank of Mongolia, *Monthly Statistical Bulletin*, October 2014)

3.3 Financial Situations of the Government Account

State finance in Mongolia has recorded a consecutive deficit since 2008, except in 2010, the year of slight surplus.

⁸ Logically, of course, it is also possible that some "unreasonable" distortion could be found in the Japanese market. In terms of maturity of the market and length of period after introducing competition principle into the market, however, it is more probable in the Mongolian market still remains structural problems against economic principles.

⁹ Matsushima, Mitsuo, "Problematic and Questionable Monetary Situations in Mongolia," *Asian Insight*, (originally written in Japanese), Daiwa Institute of Research, 22 May 2014.

Table 3-7 Governmental Revenue, Expenditure, and Deficit/Surplus Ratio vs. GDP

	2008	2009	2010	2011	2012	2013
Revenue	2,170,370	1,993,996	3,122,464	4,468,198	4,957,777	5,927,582
Expenditure	2,466,774	2,336,630	3,080,685	4,997,040	5,993,801	6,177,979
GDP	6,555,569	6,590,637	8,414,505	11,087,724	14,012,898	17,550,173
Deficit/Surplus vs. GDP	-4.5%	-5.2%	0.5%	-4.8%	-7.4%	-1.4%

(Source: National Statistical Office of Mongolia, *Statistical Yearbook 2013*)

Ratios of fiscal deficit vis-à-vis GDP have kept a single-digit figure: 4.5% (2008), 5.2% (2009), 4.8% (2011), 7.4% (2012), and 1.4% (2013). While the recovery process from the global economic downturn finally generated 28% annual growth and 57% revenue gain, the year of 2010 exceptionally recorded a relatively small surplus (0.5% to GDP) because government expenditure went no further than 32%.

State revenue mostly consists of tax and contributions of the mining sector, occupying 15.5% of GDP, as well as corporate taxes (14.5% of aggregate tax revenue), and import duties (22.9%, ditto) are significant too. Especially substantial amount of duties imposed on expensive capital goods needed for mine development are unique and analogous examples that could not be found in other industrial sectors. In this manner, the characteristic of a natural-resource dependent economy is reflected even upon state finance. All the more, under the present circumstances, the mining industry somehow has been hindered on its way such as the Oyu Tolgoi mine stated before, which has been one of the most critical factors for national finance.

In terms of expenditure, since (1) the kind of administrative culture under the notion of “generous benefit to the people,” was originally institutionalized during the age of socialism and even though it was thoroughly reviewed after the market-oriented economic reform, still solidly exists, (2) governments successively tend to make frequent use of policy-response-oriented public spending such as the synchronized nationwide pay raise as approved by the Cabinet in 2011 and the Law on Human Development Fund¹⁰ legislated in 2009, and (3) the growing operational expenditures of the Trade and Development Bank of Mongolia, whose financial resources are in Genghis Bond, which are originally debt loan in nature. It is recognized that the trend in loosening of public expenditure has been fixed. This kind of “budgetary handouts” is a habitude of the government, which is a product of “all-embracing-type” social security consciousness that was historically formed, as stated above, and of a populism policy as presented in a form of official pledge both by the administration and opposition parties on occasion of national election. While attempting to design an effective pension system in Mongolia, it is necessary not only to understand Mongolia’s state finance, which has this sort of structural factors causing chronic deficit, but also to bear in mind that firm political pressure including force to urge diversion of pension fund exists.

According to the Fiscal Stability Law enacted in 2013, it was prescribed that deficits of national finance should be controlled no more than 2% of GDP after the introduction of the Fiscal Stability Fund. Actually,

¹⁰ Enacted in November 2009, for official purpose of reallocation of income, gained from the natural resource development, supplying MNT 21,000/month equally to all nations regardless of gender/age. Since the national register is needed in the application to be a recipient, the fund has greatly contributed to the prevalence of the national register which had not been popular until then.

as long as the public spending trend mentioned above continues, it is presumed to be quite difficult to realize the intention of the law.

3.4 Assistance by Donor Agencies

3.4.1 Asian Development Bank (ADB)

The Asian Development Bank (hereinafter referred to as “ADB”) has been providing assistance in Mongolia in the field of social security since 1995. Table 3-8 presents the programs/projects in the social insurance sector conducted by ADB.

Table 3-8 Programs/Projects by ADB in the Field of Social Security

Period	Name of Program/Project	Outline of the Program/Project
2001-2005	Strengthening Policy for Social Security Reform ¹¹	Assisting the government to develop a comprehensive master plan comprising policies and strategies designed to establish an efficient social security sector appropriate to a market-oriented economy.
2002-2007	Social Security Sector Development Program ¹²	Assisting the government to improve quality and coverage of social welfare services and benefits, to strengthen participation in social insurance, and to develop a comprehensive social security master plan.
2002-2009	Social Security Sector Development Program (Investment Loan) ¹³	Assisting the government to develop and upgrade social welfare service facilities for the elderly and disabled people, to strengthen the capacity of the Social Welfare Agency for social welfare management, to strengthen the social insurance management of SIGO, and capacity development of social insurance inspectors at the <i>aimag</i> and <i>soum</i> levels.
2009-2013	Food and Nutrition Social Welfare Program and Project ¹⁴	Assisting the government to improve access to food for the vulnerable through the implementation of Food Stamp Program and strengthening the social welfare system.

(Source: Collected information via internet based upon interviews with ADB resident representative at Ulaanbaataar)

There are two projects under implementation: (1) Strengthening the Health Insurance System and (2) Additional Financing of the Food and Nutrition Social Welfare Project.

(1) Technical Assistance (TA): Strengthening the Health Insurance System

Being requested from the Government of Mongolia, ADB supports to strengthen Mongolia’s social health insurance system, especially focusing on capacity building of health insurance organizations and human resources. This project has started in December 2013, and will be completed in April 2017. The main activities are described below (Table 3-9).

¹¹ <http://adb.org/print/projects/33335-012/main>

¹² <http://adb.org/print/projects/33335-013/main>

¹³ <http://adb.org/print/projects/33335-023/main>

¹⁴ <http://adb.org/print/projects/42322-012/main>

Table 3-9 Framework of TA: Strengthening the Health Insurance System

Purpose	To improve the performance of the social health insurance system.
Outputs	Activities
Increased capacity for social health insurance financing	Provide capacity building to the Health Insurance Organization to determine the cost of service, strengthen provider payment systems, and control cost of care.
	Develop the tools and capacity within the Health Insurance Organization to monitor the sustainability of the social health insurance fund and advise the social health insurance council.
	Improve the level and targets of government financial supports.
Improved performance through management systems and capacity development of the Health Insurance Organization	Update the organizational and managerial assessment of the Health Insurance Organization.
	Update the medium-term strategy of the Health Insurance Organization and institutionalize the preparation of regular business plans.
	Perform a detailed analysis of internal management and human resources procedures and recommend improvements.
	Conduct training for staff on internal management procedures and develop a continuous education program for the Health Insurance Organization.
Strengthened governance of the social health insurance system	Organize and provide capacity development on information campaigns, public debates, and regular media relations activities to promote social health insurance.
	Conduct training and produce a manual for members of the National Health Insurance Council on social consensus and key social health insurance concepts and policies on social health insurance.

(Source: Collected information via internet based upon interviews with ADB resident representative at Ulaanbaatar)

(2) Social Welfare Project on Food and Nutrition (Additional financing provided)

The Social Welfare Project on Food and Nutrition was conducted by ADB from 2009 to 2013 in Mongolia, which aimed to improve access to food for the vulnerable. As requested by the Government of Mongolia, ADB has injected additional financing into this original project, scaling up by introducing advanced information technology (IT) tools in the social welfare and insurance sector. The details of the project are described in Table 3-10.

Table 3-10 Framework of Social Welfare Project on Food and Nutrition

Purpose	More efficient and transparent delivery of social welfare and insurance services through strengthened policy, systems, and IT.
Outputs	Activities
Design and implementation of a targeted food stamp program	Pilot test two targeting approaches (completed).
	Evaluate the pilot-test targeting mechanisms to refine the household assessment survey instruments (completed).
	Expand the coverage of beneficiaries using improved targeting tools and methodologies (completed).
Capacity development and communication strategy for the food stamp program	Undertake capacity development for food stamps program and other social welfare services (completed).
	Finalize and implement the communication strategy (completed).
Strengthening social welfare strategies and systems	Provide technical analysis of capacity development needs to promote effective food crisis response (completed).
	Establish an early warning and response system to respond to social shocks.
	Develop a package of reform of social welfare strategies.
Information technology process and systems upgraded (new)	Improve IT systems to support the international accounting standards for SIGO.
	Automate periodic reporting and reduce manual processing.
	Enhance the transparency of SIGO and GOSWS operations to ensure friendly and web-based access of social welfare and insurance data based on a secure and electronic access policy.
	Set up information security and disaster recovery infrastructure.
	Build the capacity of MPDSP, SIGO, and GOSWS' staffs at all levels.
	Upgrade IT equipment at the central, <i>aimag</i> , district, and <i>soum</i> levels.
Social welfare reformed and social protection strengthened (new)	Rationalize the social welfare system.
	Update the social protection strategy.
	Build the capacity of MPDSP, SIGO and GOSWS' staffs at all levels.
	Updates the database of poor households identified through proxy means testing and run the grievance and redress mechanism.
	Improve the investment opportunities of the social insurance funds.

(Source: Collected information via internet based upon interviews with ADB resident representative at Ulaanbaataar)

3.4.2 Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

The *Deutsche Gesellschaft für Internationale Zusammenarbeit* (hereinafter referred to as “GIZ”) is conducting a survey on human resource management of social insurance offices, which started in January 2014 and continues until March 2016. The objectives of the survey are: (1) to demonstrate strengths and weaknesses of human resource management situations at the social insurance offices, (2) to consider consequences, risks, and chances, (3) to discuss proposed recommendations for improvement actions, and (4) to decide which improvement actions should be realized.

In response to the results of the survey, GIZ made a recommendation of some training programs based on the needs of social insurance office personnel. However, as mentioned above, the objective of this survey is to determine a feasible strategy to improve human resources management, however, GIZ does not intend to conduct the proposed training programs.

3.4.3 World Bank

The World Bank (hereinafter referred to as “WB”) has been providing technical assistance in the field of pension systems in Mongolia since 2003, and has conducted surveys twice in 2008 and 2011, to make recommendations for pension system reform. In these surveys, WB investigated the social and economic status at that time and analyzed the pension insurance system and related financial issues. The results of the surveys gave some recommendations for systemic reform of the Mongolian pension scheme.

MPDSP utilizes USD300 thousand to hire pension experts from the fund of USD3.5 million provided by WB from 2003. For the past two years, three short-term experts were dispatched and they provided advices on pension reform and organized national-level seminars. The duties of these three experts are not the same and they respectively provide policy suggestions on necessary processes, introduction of long-term actuarial model, and structural reforms. MPDSP seeks for appropriate pension reform by using parametric structure reform recommended by WB.

3.4.4 Other Development Assistance

As referred to in Section 5.2.6 in Chapter 5, the International Labour Organization (hereinafter referred to as “ILO”) and the Swiss Agency for Development and Cooperation (hereinafter referred to as “SDC”) organized several training programs to develop the capacity of human resources at MPDSP and SIGO.

Chapter 4 Current Status of Social Security Systems in Mongolia

4.1 General Representation (Including Legal Bases)

Social security, in general, refers to the system providing public services and the legal structure as a whole that attempts to alleviate each citizen's life risks (e.g., incapacity due to aging, injury and illness, physical handicaps, occupational accidents, unemployment, various risks involved in pregnancy/childbirth, etc.) and functions as a social safety net that fully protects people's daily lives.

Social security consists of (1) Social Welfare (assistance for the socially vulnerable, such as the physically handicapped, single mothers and their children, etc.) and (2) Public Assistance (assistance for the poor and needy), which are mainly financed by taxes (it also serves as a means of redistributing income through tax systems), as well as (3) Social Insurance and (4) Medical Care and Public Health, which is a service supplying equipment enabling citizens to live a healthy life. The two latter are mainly financed by premiums collected from individual citizens.

This framework of social security is also applicable to Mongolia. Since 1990, when the country introduced democracy and moved to a market economy, Mongolia has repeatedly established and revised laws as it continues to arrange infrastructures to provide its citizens with social security services encompassing social welfare, public assistance and social insurance (Table 4-1).

At present in Mongolia, once men and women reach a certain age (60 and older for men, 55 and older for women), those meeting the conditions for social insurance benefits become eligible to receive a pension or insurance benefits. If they are not eligible for social insurance, all are considered to be eligible for social welfare. As such, Mongolia's social security systems are designed to provide benefits in some form to all citizens¹⁵.

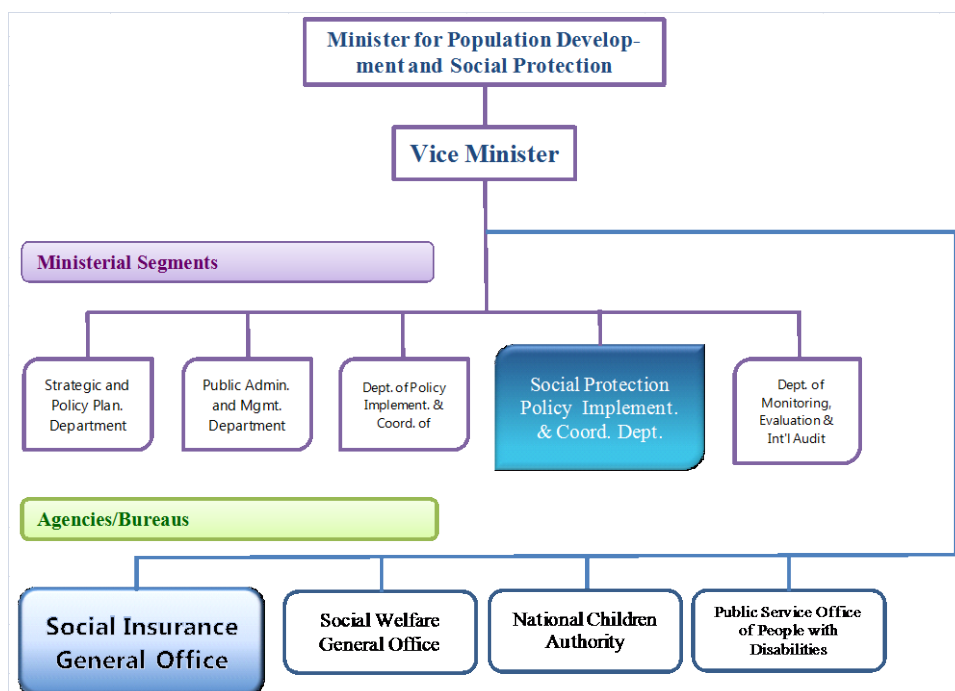
¹⁵ All citizens are eligible, but citizens without national registration are not included in benefit notices and benefit procedures. The establishment of the Human Development Fund, described in Chapter 3, has made a significant contribution in promoting national registration and covers almost the entire population.

Table 4-1 Legal Bases of Social Security Systems in Mongolia

(1) Social Welfare	
	Social Welfare Law, Disabled Persons Social Welfare Law, Elderly Persons Social Welfare Law, Government Resolution on Financing Health and Social Welfare Institutions.
(2) Public Assistance	
	Social Welfare Law, Government Resolution on Some Measures in Respect of the Implementation of Laws on Social Care, Law on Minimum Benefits and Allowances.
(3) Social Insurance	
	Law of Mongolia on Social Insurance, Law on Health Insurance, Law on Personal Account for Pensions Insurance Premium, Law on Pensions and Benefits Provided by the Social Insurance Fund, Law on Unemployment Benefits Paid by the Social Insurance Fund, Law on Benefits Provided by the Social Insurance Fund against Employment Injury and Occupational Diseases, Resolution of the Parliament Establishing the National Social Insurance Council.
(4) Health, Medical Care and Social Security Overall or To be Referred for Requisite Corresponding	
	Constitution of Mongolia, Labor Law of Mongolia, Civil Code of Mongolia, Family Law, Company Law of Mongolia, Criminal Code of Mongolia, Health Law, Law of Mongolia on Medicines and Medical Devices, National Human Rights Commission of Mongolia Act, Employment Promotion Law, Law on Education, Law on Vocational Training and Education, Cooperative Law of Mongolia, Minimum Wages Law, Law on Occupational Safety and Health, Government Resolution on Financing Health and Social Welfare Institutions, Law of Mongolia on Sending Workers Abroad and Receiving Workers and Specialists from Abroad, Public Service Act.

(Source: Study team product based on data/information collected during the survey project.)

4.2 Relevant Organizations



(Source: Ministry of Population Development and Social Protection, The Government of Mongolia.)

Figure 4-1 MPDSP and Its Agencies

Currently, there are four agencies/exterior bureaus under the Ministry of Population Development and Social Protection (MPDSP), the centralized organization which supervises social security services in Mongolia: (1) the Social Insurance General Office (SIGO), (2) General Office of Social Welfare Services, (3) National Children Authority and the (4) Public Service Office of People with Disabilities. The SIGO is responsible for administering social insurance systems (premium collection, benefit payment and fund management), including health insurance, and their application to citizens and implementation. The General Office of Social Welfare Services applies and implements social welfare and public assistance for the eligible and those unable to contribute to social insurance for the stipulated duration/amount (e.g. the poor, the handicapped, etc.). The National Children Authority protects and promotes the rights of children and functions to improve the growth environment for infants, defined by the Family Law and the Law on Protection of Infants' Rights (1996). The Public Service Office of People with Disabilities is in charge of arranging for specific life support for people with disabilities and providing rehabilitation services enabling the disabled to be integrated and participate in society.

SIGO had a total number of 1,501 employees in 2013 and at least one inspector (official for social insurance) per administrative district was assigned 368 villages (*Soums*) nationwide (Refer to Table 2-1, Chapter 2 for a detailed allocation of manpower), which is distributed to 21 prefectures (*Aimags*).

The General Office of Social Welfare Services was originally unified with SIGO until 1995. After the separation from MPDSP, approximately 1,500 social workers were assigned to each operational segment

nationwide: headquarters, districts in Ulaanbaatar metropolitan areas, 368 villages (*Soums*) of 21 provinces (*Aimags*) and eight recuperation centers/sanatoriums (comparable to special nursing homes and rehabilitation centers in Japan).

4.3 Overview of Social Insurance Systems

SIGO administers and manages five kinds of social insurance: (1) Old-age Pension Insurance, (2) Short-term Benefit Insurance, (3) Unemployment Insurance, (4) Health Insurance and (5) Employment Injury and Occupational Disease Insurance. Each type of social insurance system has a corresponding fund: (1) Old-Age Pension Fund, (2) Short-term Benefit Insurance Fund, (3) Health Insurance Fund, (4) Unemployment Insurance Fund and (5) Employment Injury and Occupational Disease Insurance Fund. Mongolia's social insurance has both mandatory coverage and voluntary subscription (refer to Chapter 5, "5.2 Current Conditions of Pension System").

Table 4-2 Premium Collection Rates for Social Insurance Schemes

Social Insurance Fund	Mandatory membership		Voluntary membership
	Employer	Employee	
Old-Age Pension	7%	7%	10%
Short-Term Benefits	0.8%	0.8%	1%
Unemployment	0.2%	0.2%	-
Health Insurance	2%	2%	MNT8,040*
Employment Injury and Occupational Disease	1% or 2% or 3% ¹⁶		1%
Total	11% or 12% or 13%	10%	12% + MNT8,040

(Source: Law on Social Insurance, Chapter 3, Article 15)

* Health insurance is compulsory for informal sector workers

4.3.1 Social Insurance Premium Collection Rate (relative to income)

As shown in Table 4-2, payment of social insurance premiums (collection) is set as a percentage of income. Voluntary subscribers set their income level based on self-reported information (minimum of MNT 192,000/month to the maximum of MNT 1,920,000/month), and can set their insurance premiums themselves in accordance with this income level (refer to Chapter 5, "5.2 Current Conditions of Pension System" for details on payment procedures for insurance premiums).

4.3.2 Benefits Covered by Social Insurance Fund

There are three types of pensions provided by the Old-Age Pension Fund: i) old-age pension, ii) disability pension and iii) survivor's pension (refer to Chapter 5, "5.2 Current Situations of Pension Systems" for details on the requirements for benefits of these three kinds of pensions).

There are two kinds of benefits provided by the Short-term Benefit Insurance Fund: iv) sickness benefit and v) maternity benefit.

¹⁶ Contribution of Employment Injury & Occupational Disease Insurance is set based on the safety level of workplace.

Sickness Benefit: Insured persons who have become sick by reasons unrelated to a workplace accident or injury and cannot continue working as a result and who have paid their insurance premiums for three months or more, prior to becoming ill, are eligible for this benefit. The employer or social insurance administrator calculates the per-diem payment based on the rates below and sets the payment amount.

Table 4-3 Benefit Rate for Sickness Benefit

Premium-paid Period	Sickness Benefit Rate (against income)
less than 5 years	50%
more than 5 years but less than 15 years	55%
more than 15 years	75%

(Source: Social Insurance General Office)

Maternity Benefit : Mothers who have insurance, whether mandatory or voluntary, and have paid insurance premiums for 12 months or more (of which six months must have been paid prior to taking leave from work or losing their job) are eligible for this benefit. Mandatory subscribers receive an amount equivalent to 100 per cent of their average income in the previous 12 months for four months, and voluntary subscribers receive an amount equivalent to 70% of their average income in the previous 12 months for four months.

Two kinds of benefits are paid out of the Unemployment Insurance Fund: v) unemployment benefit and vi) training cost (benefit in kind).

Unemployment payments: Subscribers who have paid insurance premiums for 24 months or more, of which nine months were paid consecutively prior to losing their job, are eligible to receive payments. Benefit is provided for 76 days, based on the rates below. The day on which payments begin differ depending on the reason for loss of employment, in accordance with labor laws.

Table 4-4 Benefit rate for Unemployment Benefits

Premium-paid Period	Unemployment Benefit Rate (against income)
less than 5 years	45%
more than 5 years but less than 10 years	50%
more than 10 years but less than 15 years	60%
more than 15 years	70%

(Source: Social Insurance General Office)

Training Cost (Benefit in Kind): This program provides job training; cash payments are not made.

People eligible for unemployment benefits are eligible to receive job training within six months of their loss of employment. If they remain unemployed, they can repeat the program within two years. The government determines the cost of the program.

The Health Insurance Fund covers the following related expenditures stipulated in the Law on Health Insurance.

- (1) Medical costs deemed eligible for coverage by medical insurance
- (2) Discounts on major pharmaceuticals
- (3) General management costs related to the administration of health insurance
- (4) Costs related to council attendance for National Health Insurance Council members
- (5) Health checkup costs for insured people who have not used their health insurance over the past three years
- (6) Reserves equivalent to 10% of the health insurance fund's balance
- (7) Cost of research contributing to improved quality of medical services and costs related to improved health insurance participation rates
- (8) Fund to set up public medical equipments

Four types of pensions are paid out of the Employment Injury and Occupational Disease Insurance Fund: vii) workplace disability pension, viii) work injury survivor's pension, ix) temporary disability payment and x) rehabilitation costs payment.

Disability Pension: Insured people who have lost the ability to work in full or in part due to work injuries and/or illnesses caused by them are eligible for this pension. The payment amount is calculated based on the individual's monthly income, but the province in which the person resides or the Medical Labour Accreditation Central Council for that region sets the benefit rate according to the extent of the loss of the ability to work.

Dependent Pension: The dependents of a person who died due to an occupational injury are eligible to receive the pension benefit, regardless of the duration over which insurance premiums were paid. The payment is calculated based on the average salary during the person's lifetime or corresponding income, but the benefit rate differs depending on the number of dependents.

Table 4-5 Benefit Rate for Dependent Pension

Number of dependent survivors	Dependent Pension Amount Rate (against income)
more than 3	100%
2 children	75%
1 child	50%

(Source: Social Insurance General Office)

Temporary Disability Benefit: Insured people who have suffered a temporary disability due to workplace injury are eligible to receive this benefit. One hundred (100) percent of income prior to the accident is paid. Payments are made until the injury is healed or the individual becomes eligible to receive a workplace disability pension, for a maximum of a consecutive 180 days in a 12 month period from the point at which the individual loses his ability to work or functions.

Rehabilitation Payments: Insured people who have lost 30 per cent or more of their ability to work or functions as a result of a workplace injury are eligible for this payment. Payments include (1) cost of orthopedic surgery and adaptive equipment for medical use, (2) pension premiums (exemption) and (3) cost of sanatorium use (details on costs paid are determined based on specific regulations).

4.4 Financial Situations of Social Insurance

As seen in Table 4-6, financing for the social insurance fund in Mongolia has been chronically in deficit during the last five years. The fund was just able to move into surplus after financial supports were allocated from the national budget. Without treasury supports, however, the fund would record a deficit, and the Old-Age Pension Fund alone has posted a large deficit every year (all other social insurance funds, including health insurance, have had positive balances).

This raises a doubt in the sustainability of the Old-Age Pension, and can be attributed to the fact that the countermeasures are necessary for scheme design – (1) hiking premium rates, (2) reduction in benefit rates, (3) raising the pensionable age for benefit – have all been shelved for political reasons.

Table 4-6 Income/Expenditure of Social Insurance Fund (2009-2013)

		Execution				
		2009	2010	2011	2012	2013
Income of Social Insurance Fund (mil. MNT)		471,414.9	574,724.0	755,790.7	1,071,546.6	1,282,958.7
Breakdown	Old-Age Pension	198,528.5	245,791.3	345,069.1	491,924.4	634,818.0
	Transfer from State Budget	145,930.3	170,667.0	190,721.9	272,729.6	264,576.2
	Short-Term Benefits	14,991.8	18,028.3	25,123.5	35,450.1	67,272.3
	Occupational Injury and Disease	23,874.0	31,327.3	46,276.4	67,942.9	86,619.8
	Unemployment	15,730.6	18,778.1	27,023.5	37,286.9	25,718.2
	Health	64,265.4	79,225.8	110,670.3	154,061.4	191,802.7
	State Responsible Contribution	8,094.3	10,906.1	10,906.1	12,151.5	12,151.5
Expenditure of Social Insurance Fund (mil. MNT)		443,348.8	499,780.3	600,232.4	918,688.2	1,058,574.5
Breakdown	Old-Age Pension	332,088.9	360,428.9	441,065.6	709,674.5	811,271.5
	Short-Term Benefits	21,241.1	24,184.7	31,358.6	42,613.4	58,660.2
	Occupational Injury and Disease	14,962.2	15,928.0	19,205.2	26,756.4	29,094.3
	Unemployment	6,160.8	9,306.3	7,108.2	6,907.6	14,928.4
	Health	56,942.6	78,121.2	87,211.2	114,396.4	120,860.3
	Administration/Operation Costs	9,277.3	9,649.0	11,918.1	16,486.9	18,376.8
	Investment Costs	2,675.9	2,162.1	2,365.5	1,853.2	5,383.0
Balance		28,066.1	74,943.7	155,558.3	152,858.4	224,384.2

(Source: Created by Study team based on data/information provided by SIGO.)

4.5 Outline of Social Welfare Systems

In Mongolia, as stated in 4-1, the current social security systems guarantees that all citizens who are not eligible for social insurance after a certain age will receive social welfare benefits. While social insurance benefits, with the exception of health insurance and Insurance against Employment Injury and Occupational Diseases, are not paid until a certain age has been reached, social welfare benefits are delivered, without age restriction, once a person's eligibility is approved. Conversely, in the case of males

under the age of 60 and females under 55, social welfare is their only means of support if their individual life risks materialize for reasons other than occupational injury. (Some examples of benefits include the distribution of meal coupons to households in need, temporary aid for people with illnesses, disabilities or other difficulties which are expected to become less severe or from which they are expected to recover as time advances, and welfare pensions for people who are deemed to require daily livelihood support.)

If men who have reached the age of 60 (55 for women) do not meet the conditions for the Old-age pension, they are eligible for welfare pensions. Management and operations of welfare pensions are exclusively administered by the Social Welfare General Office, unlike other social insurance pensions.

As noted above, social insurance functions to assuage the individual's anxiety over the future, and the majority of insured people are able to work and generate income sufficient to pay their insurance premiums. Their education levels are also relatively high. In contrast, those eligible for welfare benefits are the disabled or the poor in general, including people who have never worked. These differences in target beneficiaries are reflected in the expertise of officials and the level of techniques required, so that SIGO's social insurance professionals are classified as inspectors and the General Office of Social Welfare Services' ones are classified as social workers¹⁷. The legislations related to social welfare are wide-ranging, and there are about 70 types of welfare services. Social workers have to determine the applicant's eligibility extemporarily in accordance with the law, even if there is only one relevant official assigned to a town. This requires social workers to attain a high level of expertise and experience.

Beneficiaries are restricted to receive both social insurance and welfare, and SIGO and the General Office of Social Welfare Services pay close attention to this. One of the most distinguished characteristics of the social welfare systems in Mongolia is that there is no means test when applying for those benefits. For measures against the reality, however, relevant institutions, the General Office of Social Welfare Services in particular, seriously take into consideration to try examining the results of the 2013 census and enter information of each household's and individual's living standards into a data base. This will remain the case in the plan to integrate SIGO and the General Office of Social Welfare Services' data bases and software, planned for 2015–2016.

There are no income limits for old-age pension or old-age welfare for people who have reached the age at which they are eligible for benefits, but screening was carried out to determine that households applying for livelihood protection through Meal Coupons, a kind of social relief made to people who have not reached the age of pension eligibility yet. The aforementioned data base is expected to reduce this burden of inspection on social workers.

The value of Meal Coupons is MNT10,000/month for each adult and MNT5,000/month for a child. There are no concerns about moral hazard resulting from the fact that the minimum livelihood protection allowance exceeds that for pensions, but it has been pointed out that the absolute level of allowance is quite

¹⁷ However, since social-work specialized master courses were established at National University of Mongolia from the 2000s, the country has a shortage of "really professional" social workers trained in theory and backed by experience (information from interviews with officials during a visit to SIGO; the 30th of October 2014).

low. The same is applicable to the welfare pension, so that while the minimum old-age pension payment is MNT277,000/month, the welfare pension is only MNT115,000/month.

Such small amount of benefits are accompanied by greater flexibility in administering welfare benefits, so that for example a person who has lost less than 70% of his/her physical functions would be eligible for a welfare pension (a person with a loss of 70% or more would be eligible for the disability pension), but given the low amount, payments would continue for a grace period once that individual has employment opportunities and earns an income. In addition, the prosthetic hands and legs required due to physical disabilities are replaced once every three years at the government's expense. The cost of rehabilitation at a local health center is also discharged in full when certain conditions are met. When a person with severe disabilities requires nursing care, the caregiver is also paid half of the MNT115,000/month pension, separated from the welfare pension.

In reality, however, an environment where disabled people can work and earn income has not yet been established. As in developed countries, Mongolia has a law requiring that companies with 50 or more employees must hire at least one disabled person, but the penalty is simply the payment of an additional tax, and the majority of companies avoid this obligation by paying the penalty, rather than hiring a disabled person. Activities by NGO/NPO that support the employment of disabled people are not yet off the ground. It is extremely difficult to resolve problems in this area.

Child Benefit (MNT20,000/month) is paid regardless of the household or parent's income, until the child reaches the age of 18. This payment is made for 95% of the country's children (the 5% not receiving the benefit are likely those whose families did not submit the birth notice for some reason or children whose national registration has not been completed). The Human Development Fund established by the previous administration is intended to return the national revenue generated by mine-resource development to a broad swathe of Mongolian citizens, so that MNT21,000/month was paid to all citizens over two years. These payments and administration of the related procedures were all under the auspices of the General Office of Social Welfare Services.

The following table is a list of the detailed classifications for social welfare payments based on individual cases.

Table 4-7 List of Social Welfare Benefits

No.	Legal Basis Article/Clause	Conditions for Eligibility	Benefit per ea. payment (MNT)	Frequency /Period	No. of Eligible (2011)	Legal Resources Determined AMT/Period
1. Social Welfare Law (2012)						
Social Welfare Pension						
1	Social Welfare Law 12.1.1	Male aged 60 and over, Female aged 55 and over	103,600	Monthly	1,785	Government Resolution #81 (2012.3.16)
2	Social Welfare Law 12.1.2	Children under 16	103,600	Monthly	156	Government Resolution #81 (2012.3.16)
3	Social Welfare Law 12.1.3	Disabled persons at the age of and over 16 Losing 50%+ of Physical Functions	103,600	Monthly	47,724	Government Resolution #81 (2012.3.16)
4	Social Welfare Law 12.1.4	Children under 18 whose supporter(s) on duty deceased	103,600	Monthly	13,163	Government Resolution #81 (2012.3.16)
5	Social Welfare Law 12.1.5	Head of a household aged 45 and over (Mother) or 50 (Father), having more than 4 kids under 18	103,600	Monthly	97	Government Resolution #81 (2012.3.16)
Social Welfare Allowance						
Protection Allowance (Social Welfare Law, Item 1, Paragraph 1, Article 13)						
6	Social Welfare Law 13.2.1	Persons who have legally adopted, or legally protected, orphans	48,000	Monthly	1,880	Government Resolution #81 (2012.3.16)
7	Social Welfare Law 13.2.2	Mentors adopting/taking care of children who need physical/mental protection due to domestic violence (Family Law Para. 5, Art. 25 & Art.74)	48,000	Monthly	88	Government Resolution #81 (2012.3.16)
8	Social Welfare Law 13.2.3	Mentors taking care of, in house, single aged person with no supportive relatives	48,000	Monthly	136	Government Resolution #81 (2012.3.16)
9	Social Welfare Law 13.2.3	Mentors taking care of, in house, single disabled person with no supportive relatives	48,000	Monthly	182	Government Resolution #81 (2012.3.16)
10	Social Welfare Law 13.2.4	Caregivers to the disabled demanding constant nursing according to the prescription of periodic medical checkups	48,000	Monthly	15,009	Government Resolution #81 (2012.3.16)
11	Social Welfare Law 13.2.4	Caregivers to the aged demanding constant nursing according to the prescription of periodic medical checkups	48,000	Monthly	8,345	Government Resolution #81 (2012.3.16)
12	Social Welfare Law 13.2.4	Caregivers to disabled child(ren) demanding constant nursing according to the prescription of periodic medical checkups	48,000	Monthly	6,270	Government Resolution #81 (2012.3.16)
Cash Support for Social Relief/Persons in Need under Special Circumstances (Social Welfare Law, Item 3, Paragraph 1, Article13)						
13	Social Welfare Law 13.5.1	Household losing residence due to sudden accidents/unpredictable reasons, or becoming unable to dwell at the residence	1,200	Once	651	Government Resolution #136 (2012)
14	Social Welfare Law 13.5.2	Persons age 18 - 24, orphaned at under 18	1,200	Once	695	Government Resolution #136 (2012)
15	Social Welfare Law 13.5.3	Persons with no place to go after the release from prison	1,200	Once		Government Resolution #136 (2012)
16	Social Welfare Law 13.5.4	Homeless persons honorably awarded in the past	Primary Medal: 200,000 Secondary Medal: 100,000	Once		Government Resolution #136 (2012)
17	Social Welfare Law 13.5.5	Household having twins or more babies and nurturing them safely and healthily	1,000 per kid	Once	1,772	Government Resolution #136 (2012)
18	Social Welfare Law 13.5.5	Household having triplets or more babies and nurturing them safely and healthily	3,000 per kid	Once		Government Resolution #136 (2012)
19	Social Welfare Law 13.5.7	Persons at the age of and over 16, who need constant care	60,000	Quarterly	26,168	Government Resolution #136 (2012)
20	Social Welfare Law 13.5.6	Children under the age of 16, who need constant care	60,000	Monthly		Government Resolution #136 (2012)
21	Social Welfare Law 13.5.8	Head of household having more than 3 kids under the age of 14	120,000	Annually	1,267	Government Resolution #136 (2012)

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No.	Legal Basis Article/Clause	Conditions for Eligibility	Benefit per ea. payment (MNT)	Frequency /Period	No. of Eligible (2011)	Legal Resources Determined AMT/Period
22	Social Welfare Law 13.5.9	Mothers awarded with "Prolific Medal"	Primary Medal: 200,000 Secondary Medal: 100,000	Annually	204,314	Parliamentary Resolution #54 (2010.10.21)
Allowances for Pregnant Women/Mothers Having Newborn Babies or Nursing Infants (Social Welfare Law, Item 4, Paragraph 1, Article 13)						
23	Social Welfare Law 13.7	Allowances for pregnant women/mothers having newborn babies or nursing infants	40,000	Monthly	87,171	Parliamentary Resolution #19 (2012.2.16)
Social Welfare Services Based upon Public Participation (Social Welfare Law, Article 18)						
24	Social Welfare Law 18.1	Training courses to be held for following purposes: * giving self-confidence needed for independent living, * nurturing capacities needed for individual living, * fostering occupational abilities, * developing talents.	These services are basically comissioned to NGOs or social security service entities. Social Welfare General Office determines forms/contents and fares of services according to the Social Welfare Law, Paragraph 7, Article 18.		4,496	Director-General Ordinance #189, Social Welfare General Office (2012.8.24)
25		Giving advices			n/a	
26		Offering rehabilitation cares			32,270	
27		Offering temporary accommodation and nursing			1,975	
28		Offering day service			n/a	
29		Offering nursing care at home			1,031	
30		Other welfare services for homeless persons and their family members on ad hoc bases			n/a	
31		To homeless persons and their family members, * to give self-esteem to survive, * to foster social skills, * to urge possession of ID card after registration, * to offer temporary accommodation.			n/a	
32	For people in need of social security, according to the Law, Item 2, Paragraph 1, Article 3 and Paragraph 2, Article 18, * to foster social skills, * to help formulate/join in a certain social group, * establish business programs for income generation, * to teach survival skills.	698				
2. Elderly Persons Social Welfare Law (2005)						
Privileges for Elderly People						
33	Elderly Persons Social Welfare Law 5.1.1	Allowance for the purchase or domestic order of prosthetic hands/legs/teeth/braecs	Based upon standard price of prosthetic equipments	Once/5 yrs.	21,074	Parliamentary Resolution #153 (2012)
34	Elderly Persons Social Welfare Law 5.1.1	Allowance for visually/aurally disabled persons to purchase or domestically order supporting equipments for seeing/listening functions	Based upon standard price of supporting equipments	Once/5 yrs.	4,092	Parliamentary Resolution #153 (2012)
35	Elderly Persons Social Welfare Law 5.1.2	Discount support for usage of elderly camps/resort houses	50% of surcharge	Annually	12,699	Admin. Instructions for Elderly Persons Social Welfare Law
36	Elderly Persons Social Welfare Law 5.1.3	Lump-sum payment of utility support for the elderly with no financially-effective family members living in a habitat without central heating systems	140,000	Annually	11,348	Government Resolution #136 (2012)
37	Elderly Persons Social Welfare Law 5.1.3	Lump-sum payment of utility support for the elderly or frequent blood-donors living in a habitat without central heating systems	140,000	Annually	121	Government Resolution #136 (2012)
38	Elderly Persons Social Welfare Law 5.1.4	50% of medical expenditure or one-way tranportation fee will be reimbursed, if the elderly received cares at certified domestic sanatorium/rest houses under the admission of medical institution.	Medical expenditure: price for a standard room, defined by medical insurance, Transportation cost: based upon local standard price	Annually	13,586	Elderly Persons Social Welfare Law

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No.	Legal Basis Article/Clause	Conditions for Eligibility	Benefit per ea. payment (MNT)	Frequency /Period	No. of Eligible (2011)	Legal Resources Determined AMT/Period
39	Elderly Persons Social Welfare Law 5.1.4	50% of medical expenditure or one-way transportation fee will be reimbursed, if frequent blood-donors received cares at certified domestic sanatorium/rest houses under the admission of medical institution.	Medical expenditure: price for a standard room, defined by medical insurance, Transportation cost: based upon local standard price	Annually	86	Elderly Persons Social Welfare Law
40	Elderly Persons Social Welfare Law 5.1.5	If a single elderly, not eligible for funeral benefit provided by the Law on Social Insurance, deceased, social insurance funds pay for 75% of the funeral benefit amount for his/her funeral expenses.	Matching 75% of the funeral benefit defined by the Law of Mongolia on Social Insurance	Once	55	Social Welfare Law
41	Elderly Persons Social Welfare Law 5.1.6	The elderly are admitted using public transportation, except taxi, for free within metropolitan areas/local municipality	Based upon standard prices	Each Occasion	80,000	Elderly Persons Social Welfare Law
42	Elderly Persons Social Welfare Law 5.1.8	Support of transportation for the disabled living at a place more than 1,000km remote from the capital, in need of being doctored at the capital. One-way transportation fare will be reimbursed.	Based upon distance and local standard fares	Annually	1,876	Elderly Persons Social Welfare Law
43	Elderly Persons Social Welfare Law 5.1.9	Monthly financial support, other than veterans' pension, for veterans and family members of soldiers deceased on duty	200,000	Monthly	1	Government Resolution #136 (2012)
44	Elderly Persons Social Welfare Law 5.1.10	Special benefits for persons entitled as "Hero of Mongolia," "Hero of Socialist Labor," "Ardyn," "Gavyat," national medal awarded, veterans, distinguished-achievement medal winner, contributor to the revolution	150,000	Monthly	287	Government Resolution #136 (2012)
45	Elderly Persons Social Welfare Law 5.1.11a	Supporting costs of transportation between hometown - capital for persons entitled as "Hero of Mongolia," "Hero of Socialist Labor," "Ardyn," "Gavyat," national medal awarded, veterans, distinguished- achievement medal winner, contributor to the revolution	Based upon local standard prices	Once	198	Elderly Persons Social Welfare Law
46	Elderly Persons Social Welfare Law 5.1.11b	Supporting costs of transportation to domestic sanatorium/care house for persons entitled as "Hero of Mongolia," "Hero of Socialist Labor," "Ardyn," "Gavyat," national medal awarded, veterans, distinguished- achievement medal winner, contributor to the revolution	Based upon local standard fares	Annually	310	Elderly Persons Social Welfare Law
47	Elderly Persons Social Welfare Law 5.1.11b	Lump-sum payment of utility support for persons entitled as "Hero of Mongolia," "Hero of Socialist Labor," "Ardyn," "Gavyat," national medal awarded, veterans, distinguished- achievement medal winner, and contributor to the revolution, living in a habitat without central heating systems	140,000	Annually	1,884	Government Resolution #136 (2012)
48		Financial support for the elderly, once workd as a national VIP, to purchase coal and fuels	140,000	Annually	3	Government Resolution #136 (2012)
49	Elderly Persons Social Welfare Law 6.3	Salute for the elderly	Representatives of local authority, social security office and/or agencies responsible for elderly care make courtesy visit after the passing of the elderly	Annually	2,750	Elderly Persons Social Welfare Law
Law on Additional Benefits for Elderly "Hero of Mongolia," "Hero of Socialist Labor," "Ardyn" and "Gavyat"						
50	(to be confirmed)	Special benefit for elderly persons entitled as "Hero of Mongolia," "Hero of Socialist Labor," "Ardyn" and "Gavyat"	200,000 / 150,000	Monthly	1,434	Government Resolution #33 (2008)

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No.	Legal Basis Article/Clause	Conditions for Eligibility	Benefit per ea. payment (MNT)	Frequency /Period	No. of Eligible (2011)	Legal Resources Determined AMT/Period
4. Disabled Persons Social Welfare Law (2005)						
Exemptions and Supports for the Disabled						
51	Disabled Persons Social Welfare Law 5.1.1	Lump-sum payment of utility support for visually disabled persons living in a habitat without central heating systems	140,000	Annually	1,876	Government Resolution #136 (2012)
52	Disabled Persons Social Welfare Law 5.1.1	Lump-sum payment of utility support for deaf-mutes living in a habitat without central heating systems	140,000	Annually	2,750	Government Resolution #136 (2012)
53	Disabled Persons Social Welfare Law 5.1.1	Lump-sum payment of rent/utility support for dwarfed persons living in a habitat without central heating systems	140,000	Annually	142	Government Resolution #136 (2012)
54	Disabled Persons Social Welfare Law 5.1.1	Lump-sum payment of utility support for disabled persons losing all labor abilities, in need of constant care, and living in a habitat without central heating systems	140,000	Annually	12,615	Government Resolution #136 (2012)
55	Disabled Persons Social Welfare Law 5.1.2	100% financial support for prostheses of lower limbs produced domestically for disabled children under 18	Based upon standard price of prosthesis/ transportation fee	Twice/3 yrs.	876	Government Resolution #153 (2012)
56	Disabled Persons Social Welfare Law 5.1.3	100% financial support for prostheses produced domestically for the disabled due to occupational injury but not eligible for social insurance benefits	Based upon standard price of prosthesis/ transportation fee	Once/3 yrs.	3,400	Government Resolution #153 (2012)
57	Disabled Persons Social Welfare Law 5.1.4	100% financial support for prostheses and wheel chairs produced domestically for disabled children under 18 and the disabled due to occupational injury but not eligible for social insurance benefits	Based upon standard price of prosthesis/ transportation fee	Once/3 yrs.	8,925	Government Resolution #153 (2012)
58	Disabled Persons Social Welfare Law 5.1.5	Support for commute of disabled kids and their guardians (exemption of transportation fees or giving free pass for bus)	200,000	Annually	316	Government Resolution #136 (2012)
59	Disabled Persons Social Welfare Law 5.1.6	50% of rehabilitation fee and one-way transportation cost for the therapy will be reimbursed to disabled kids or persons losing all labor ability due to occupational injury, but not eligible for social insurance benefit,	Standard prices for each district's public transportation/ rehabilitation will be applied.	Annually	1,773	Disabled Persons Social Welfare Law
60	Disabled Persons Social Welfare Law 5.1.7	Discount of meal expense at nursery for disabled children or a kid whose parent lost all labor ability	Up to each case	Monthly	44	Disabled Persons Social Welfare Law
61	Disabled Persons Social Welfare Law 5.1.8	Support of telecommunication costs for completely blind persons over 18	20,000	Monthly	2,241	Government Resolution #136 (2012)

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No.	Legal Basis Article/Clause	Conditions for Eligibility	Benefit per ea. payment (MNT)	Frequency /Period	No. of Eligible (2011)	Legal Resources Determined AMT/Period
62	Disabled Persons Social Welfare Law 5.1.9	To disabled persons living more than 1,000km remote from the capital, if they see doctor(s) in metropolitan areas, according to the local general hospital's instruction, a half of transportation fees will be reimbursed.	Standard prices for each district's public transportation will be applied.	Annually	1,069	Disabled Persons Social Welfare Law
63	Disabled Persons Social Welfare Law 5.1.10	Completely blind person's letters/cards/ printed matters written in Braille will be delivered for free within 10km and transportation of their prostheses and equipments will be transported for free nationwide.	Standard prices will be applied	Each Occasion	6	Disabled Persons Social Welfare Law
64	Disabled Persons Social Welfare Law	When completely blind persons visit remote places for therapy/recreation according to medical doctor's instruction, 75% of round-trip travel expense will be compensated.	75% of actual costs of transportation	Annually	4	Disabled Persons Social Welfare Law
65	Disabled Persons Social Welfare Law 5.1.12	50% discount of admission fee and accommodation charge for disabled kids staying at public infant camps	Based upon standard prices of each district	Annually	178	Disabled Persons Social Welfare Law
66	Disabled Persons Social Welfare Law 5.1.13	When a single disabled person/kid deceased, not eligible for funeral allowance provided by Law of Mongolia on Social Insurance, 75% of the amount of funeral allowance will be paid.	75% of funeral allowance amount provided by social security fund	Once	79	Disabled Persons Social Welfare Law
67	Disabled Persons Social Welfare Law 5.1.14	Disabled medalists at games of Paralympics or continental/global competition will be receiving lump-sum payment matching his/her annual amount of disability allowance.	Amount matching disability pension/allowance	Once		Disabled Persons Social Welfare Law
68	Disabled Persons Social Welfare Law 9.3.7	Allowance for Braille books and textbooks for visually disabled persons	Payment for actual costs after confirming vouchers	Annually		Disabled Persons Social Welfare Law
5. Benefit Payment from Human Development Fund						
	Law on Human Development Fund 17.1	All children age 0 - 18	20,000	Monthly	896,549	Government Resolution #70 (2012)
	Food Support Sub-program for Socially Vulnerable Groups		Adult 10,000 Child 5,000	Monthly	98,270	MPDSP-MOF Ministerial Ordinance A/95 (Aug. 8, 2012)

Chapter 5 Current Situations and Challenges of Pension Systems in Mongolia

5.1 Current Status of Pension Systems

The formation of social welfare in Mongolia is noted in historical sources. It was recorded that Chinggis Khaan, the founder of the Mongolian Empire, passed a decree in 1206 that set up a special fund to help orphans and the poor. In 1940, the first constitution of Mongolia declared the citizen's right to material security in retirement and disability, but the declaration was no guarantee of security in the form of cash benefits for persons of retirement age. On the other hand, social security was acknowledged as one of the functions of the government upon the establishment of the Social Security Department in the Central Council of Mongolian Trade Unions in 1942. Implementation of social security was guaranteed here as the responsibility of the country.

The pension system was first put in statutory form in the Pension Law 1958. The Agricultural Cooperative Law was formulated in 1984, that codified pension systems for the cooperative members, and then the pension system reform was introduced in 1990.

The pension system reform in 1990 was to soften the terms and conditions such as: 'extension of pension beneficiaries,' 'increase of pension benefit amount,' and 'revision of qualifying conditions for women.' Moreover, the Law on Short Benefit, the Law on Social Insurance Premium, and the Regulation on Pension Fund were defined in 1991, and according to the those laws, independent social security structure was formed in *aimags* and *soums*.

The Law on Health Insurance was defined in 1993. An administrative organization was established in 1994 and a series of social insurance laws were reviewed, amended and implemented in 1995. The Social Insurance Agency was created in 1996 as the implementing agency of social insurance schemes, which is supervised by the Ministry of Population Development and Social Protection.

Through the pension reforms in 1999, the Law on Individual Pension Account was introduced for those who were born after 1 January 1960. In addition, pension reform guideline was passed in order to stabilize the systems. In 2007, regulations on the budget of social insurance fund, which promotes the independency of the funds, were defined.

5.2 Current Situations of Pension Systems

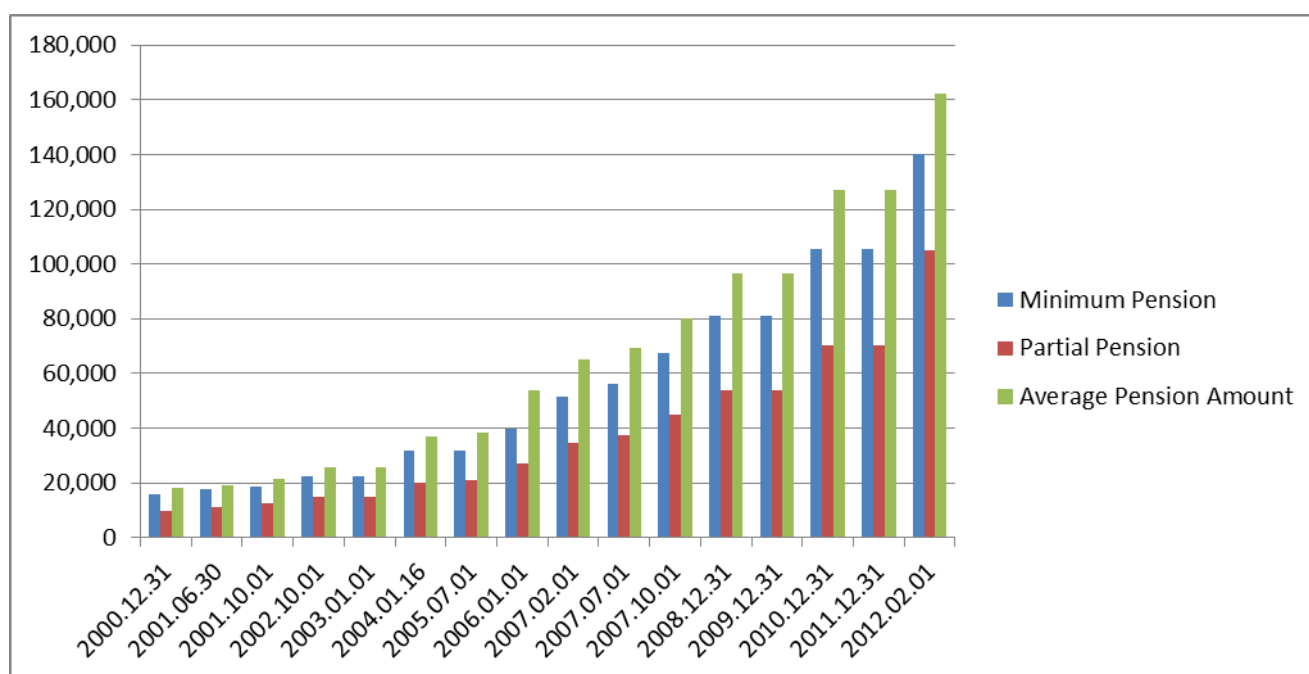
The position of Mongolian pension systems was changed during the period of democracy from communist regime. Under the communist regime, all the people were employed by the government, and all employers contributed equally to the pension scheme, and a unified benefit amount was provided. However, through the pension reforms of 1994 and 1999, two different pension schemes, the Defined-Benefit (DB) Pension Scheme¹⁸ and Notional Defined Contribution (NDC) Pension Scheme, were introduced for those who were

¹⁸ Since those who were born before 31 December 1959 will obtain pension right on 31 December 1919, the pension scheme will be unified to the NDC scheme after 2020. However, MPDSP is considering the extension of application of the DB system up to those who were born before 31 December 1979 (information obtained from

born before 31 December 1959 and 1 January 1960, respectively. The funding system is Pay-As-You-Go, and the total amount of NDC pension premiums from the current working generation finances the current DB beneficiaries.

As shown in Table 4-6 (at previous Chapter), Mongolian pension systems have been continuously in deficit for the last five years and the balance has been maintained only by financial supports from the national account. While the increase in the amount of premium collection continues, it does not cover the increase in pension benefit amount. In addition, the amounts of minimum pension and partial pension have increased almost every year, and such changes have negatively affected financial situations of the pension scheme. The average pension amount is now eight times more than the pension amount of 14 years ago.

Table 5-1 Transition of Minimum Pension, Partial Pension and Average Pension Amount



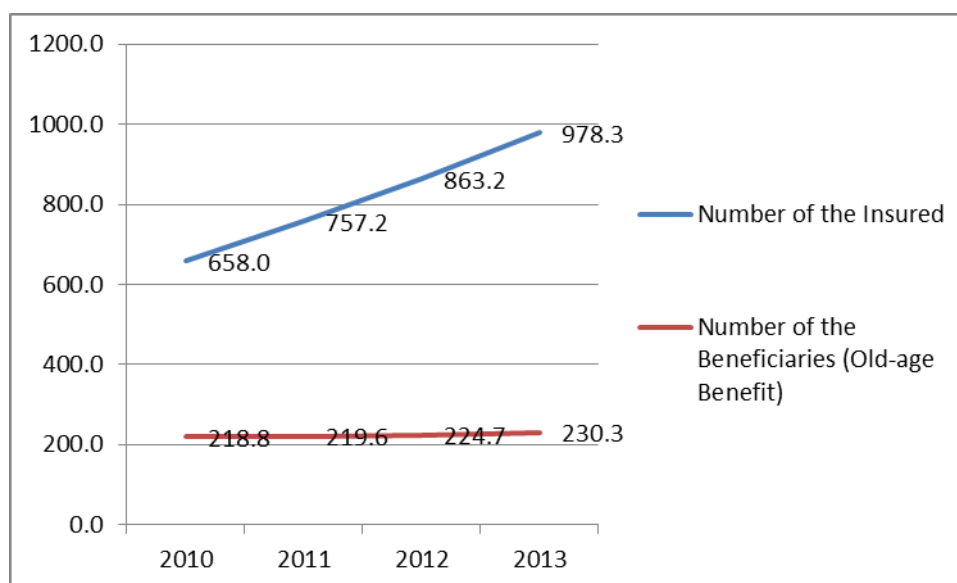
(Source: Social Insurance Statistics 2012, Social Insurance General Office)

The pension beneficiaries have gradually increased compared to the number of contributors, and the estimates of the Social Insurance Agency show that the number of beneficiaries will be 249,000 by 2021. On the other hand, since young people makes up a large percentage of the population, the number of insured persons is expected to continuously increase.

Despite the increase in the number of insured persons, there remains a deficit in the balance of pension scheme in every financial year. This means that the scheme has challenges with the pension calculation formula for those who were born before 31 December 1959, and MPDSP and SIGO acknowledge this challenge as a fundamental challenge for the Mongolian pension scheme.

【Finance Systems of Pension Scheme】

Although the pension scheme introduced a Pay-As-You-Go system, the result of the balance between income and expenditure in the pension systems was negative for the last five years. For this reason, this deficit has been covered by a national financial support to the pension scheme (approximately 25% of total pension benefit¹⁹). The main reason for this is that the pension benefit amount is relatively high and the income replacement rates are 45% for 20 years of premium and 75% for 40 years of premium. In addition, the pension calculation formula uses the five years of highest premium amount, and for this reason, such income replacement rate cannot be used as reference.



(Source : National Statistical Office of Mongolia, *Mongolian Statistical Yearbook 2013*)

Figure 5-1 Transition of Pension Beneficiaries and Insured Persons

Table 5-2 Number of Beneficiaries and Insured Persons

(Unit: Thousand)

	2010	2011	2012	2013
Number of the Insured	658.0	757.2	863.2	978.3
(Breakdown)				
Compulsorily Insured	594.3	675.6	761.9	830.2
Voluntary Insured	63.7	81.6	101.3	148.1
Number of Beneficiaries (Old-age Benefit)	218.8	219.6	224.7	230.3

(Source : National Statistical Office of Mongolia, *Mongolian Statistical Yearbook 2013*)

¹⁹ This 25% of the national financial support is based on the share of old pension scheme (for those who were born before 31 December 1959).

Under the current systems, all the social security funds including the old-age pension fund need to be financed by the respective social security offices, and SIGO requests all social insurance offices to manage their income and expenditure. In case the balance is expected to be in deficit, SIGO will provide supplementary fund to indemnify such deficit.

【The insured】

There are compulsory and voluntary coverage under the Mongolian social insurance, as follows:

Compulsory Coverage

(a) All Mongolians, foreigners, and stateless persons that meet the following conditions:

Workers under employment contracts,
Occupation based on Civil Law, Article 343, and
Wage Labor based on Civil Law, Article 359.

(b) Persons belong to the following occupations/organizations:

Foreign enterprises/groups,
Aid programs/projects financed by foreign agency,
Diplomatic missions, and
Employed by international organizations.

(c) Civil servants not designated by laws.

(d) Mongolian citizens working abroad based on the employment contracts.

Voluntary Coverage

Persons not under compulsory coverage such as:

Self-employed,
Herders,
Freelance artists,
Mongolians working in the informal sector in other countries, and
Individuals or stateless persons having no occupation.

【Payment of Premium】

In case a registered company is to hire an employee, the company is obliged to register personal information of employees to the social insurance office of *aimags* or districts, and based on such information, the employee becomes compulsory insured. On the other hand, informal sector workers are considered to be under voluntary coverage, and subscription is left to his or her intention. However, SIGO encourages informal sector workers to join the pension scheme in order to avoid having no pension in their retirement age.

Pension insurance premiums of those who work under compulsory coverage are deducted from their monthly salary together with other social insurance premiums, and the companies are obliged to pay the company's share of the premium to the social insurance scheme. Insurance premiums for the current month are supposed to be paid by the 5th of the following month to the designated bank account (if the 5th is a public holiday, the next business day). Credited insurance premiums are recorded as information in the individual pension account of the employees. It should be noted that even if the company was registered during a deficit, this will be treated the same as any other subscription.

Informal sector workers can determine the amount of insurance premiums on their own. Specifically, they can set their premium amount between MNT 192,000/month and MNT 1,920,000/month, and are obliged to pay 10% of the set amount as their pension premium. The premium amount set can be changed at any time upon the approval of the social insurance office. Also, informal sector workers can choose the sectors of social insurance to which they will be subscribed. For example, there are cases where informal sector workers will want to subscribe only to the pension scheme and not to the health insurance scheme. Informal sector workers are mostly represented by herders and the self-employed, and several kinds of frequencies (monthly, every two months, quarterly, every six months, and annually) of premium payments can be set upon the request of the person. Pension premium for the current month needs to be paid by the 5th of the following month to the designated bank account. In consideration of convenience to people, there are bank offices inside or adjacent to social insurance offices. Moreover, for people having difficulties in accessing banks, social insurance premiums can be entrusted to social insurance inspectors and/or pay their premium in banks.

Table 5-3 Premium Rate of Social Insurance Schemes

Social Insurance Fund	Compulsory Coverage		Voluntary Coverage
	Employer	Employee	
Old-Age Pension Fund	7%	7%	10%
Short-Term Benefit Fund	0.8%	0.8%	1%
Unemployment Insurance Fund	0.2%	0.2%	-
Health Insurance Fund	2%	2%	MNT 8,040*
Employment Injury Insurance Fund	1% or 2% or 3% ²⁰		1%
Total	11% or 12% or 13%	10%	12% + MNT 8,040

(Source : Law on Social Insurance, Chapter 3, Article 15)

* Health Insurance is compulsory for informal sector workers.

²⁰ Contribution of Employment Injury and Occupational Disease Insurance is set based on the safety level of workplace/working conditions.

In case where payment of insurance premiums is delayed for any reason, an interest of 0.3% is imposed per day as the interest amount, in addition to the premium, are required to be paid. This treatment is the same for compulsory and voluntary coverage.

Special Measures

The period of significant political change in the 1990s in Mongolia was also the tempestuous period for the social insurance systems. For this reason, there are many cases with inaccurate records of pension premiums paid between 1990 and 2000, and many cases where the amount of pension benefit has decreased. In order to respond to this status, the period of the 11 relevant years (1990-2000) can be recovered based on the law of 2012 "Special Measures Law relating to the Recovery of Pension Enrollment Period of 1990-2000" and Population and Development Social Security Ministry Ordinance No. 57. For any person who is entitled to the recovery treatment, a certificate is issued from the social insurance office, which is necessary to be submitted when making future pension claims.

- No obligation to pay premium between 1990 and 1994 (five years).
- Premium is calculated at 10% of the minimum wage for the period between 1995 and 2000 (six years), MNT 78,120 needs to be paid.

【Qualifying Condition 1: Old-age pension】

Law and Government Decision

- Pension Law (Article 4, Article 5, and Article 22)
- Cabinet Decision No. 153 of 2012, and No. 15 of 2014
- MPDSP Ordinance No. 77 of 2004

The qualifying conditions for the Old-age Pension for those who were born before 31 December 1959 are: (1) 20 years of pension premium payment, and (2) 60 years of age (55 years for women). Pension amount is calculated based on the highest income period (5 years). The Old-age Pension shall be 45% of the monthly average income of an insured person. The Old-age Pension shall be increased by 1.5% for each additional year to 20 years of pension insurance. Therefore, income replacement rate becomes 75% and in such case, minimum pension amount shall be MNT 207,300.

The above age requirement is mitigated based on the following working conditions:

- More than 20 years of pension insurance premiums, if more than 10 years of which were made while working underground, can receive pension from age 50 (men);
- More than 20 years of pension insurance premiums, if more than 10 years of which were made while working underground or in a high-temperature environment, can receive pension from age 50 (45 years of age for women, with period requirements of seven years and six months)
- In the case of women who brought up four or more children from age 3 to 6, such women will be entitled to the old-age pension from age 55.

In case that a person has a pension premium period between 10 and 20 years, partial pension shall be paid. The amount of partial pension shall be MNT 172,000 per month.

On the other hand, for those who were born after 1 January 1960, pension amount shall be determined based on the accumulated amount in the individual's pension account.

Pension amount (Monthly) = (Accumulated amount in individual pension account/Average life expectancy)/12

Case 1 (Born after 1 January 1960)

In case that a person accumulated his/her premium for 40 years together with employers' share in his/her account with interest (1% per year), and average life expectancy at retirement age is fixed at 10 years, the income replacement rate is expected to be 69.1%.

【Qualifying Condition 2: Invalidity Pension】

Law and Government Decision

- Pension Law (Article 5, Article 7, and Article 22)
- Cabinet Decision No. 304 of 2008, No. 153 of 2012, and No. 15 of 2014
- Ministry of Health Ordinance No. 274 of 2008, and Ministry of Social Welfare Ordinance No. 137 of 2008

The insured person who has lost less than 50% of his/her capacity to work permanently or for a long duration due to a non-occupational disease or accident shall be eligible for an invalid pension, provided that he/she has paid pension premiums for not less than 20 years, or for a period of three years out of five immediately preceding the date of commencement of invalidity.

The invalidity pension of an insured person who has lost his/her capacity to work and suffering from total invalidity shall be calculated at 45% of his/her wages. The pension shall be increased by 1.5% of disability pensionable wages for each additional year to 20 years of pension insurance. Pension amount shall be calculated based on the highest wage period, and MNT 207,300 will be guaranteed as minimum pension and MNT 172,000 shall be paid in case insurance period is between 10 and 20 years.

【Qualifying Condition 3: Survivor's Pension】

Law and Government Decision

- Pension Law (Article 4 and Article 22)
- Cabinet Decision No. 153 of 2012, and No. 15 of 2014

As an insured person, who has paid pension insurance premium for not less than 20 years, or for a preceding period of three years out of five, dies due to a non-occupational disease or accident, the dependent family member shall be eligible for the survivor's pension. Dependent family members must be below 16 years old

(below 19 years in case of student). The survivor's pension shall be claimed within 14 days after the death of the insured person. The persons eligible for survivor's pension are as follows:

- Dependent aged below 16 years (19 year in case of student),
- Grandchild or younger sister/brother in case they do not have any dependents,
- Child, grandchild, younger sister/brother with disability, and
- Mother/father, grandmother/grandfather, sisters/brothers with disability.

Pension amount shall be calculated based on the highest wage period, and MNT 207,300 will be guaranteed as minimum pension and MNT 172,000 shall be paid in case insurance premium period is between 10 and 20 years. Pension amount shall be determined based on the number of dependents, namely: 100% with three dependents or more, 75% with two persons, and 50% with one person.

【Payment Records and Recording Management】

All information of the social insurance premiums, including pension premiums, shall be recorded in the computers installed at *aimags* and district social insurance offices. There are approximately 40 software programs used for data input by social insurance inspectors, and some software programs keep information on local network servers and some keep information on the web. If the information is saved on a local server, such information will be reflected on the server of SIGO within a couple of days. All *aimags* and districts, and some *soums* are connected to the network. Some of those are connected directly using optical fibers, while some are connected via internet, and at such offices, all the information are saved on the local network server.

All information of the insured persons in the *aimags* and districts are recorded in the server of the respective social insurance offices, and all the reports including financial reports are generated from such information. The SIGO server administers all the records, including nationality, employment conditions, and dual receipt of benefit.

5.2.1 Laws and Regulations of Old Age Pension

The following laws are the laws that govern the pension scheme (Old-age Pension). (Please refer to Chapter 4 (Table 4-1) for laws and regulations of social security systems).

- *Law of Mongolia on Social Insurance* (31 May 1994) (Amended according to the laws of 22 January 1996, 16 January 1997, and 10 June 1999)
- *Law on Pensions and Benefits Provided by the Social Insurance Fund* (7 June 1994) (Amended according to the laws of 22 January 1996, 16 January 1997, and 21 January 1999)
- *Law on Personal Account for Pensions Insurance Premium* (10 June 1999)

5.2.2 Outline of Social Insurance Institutions

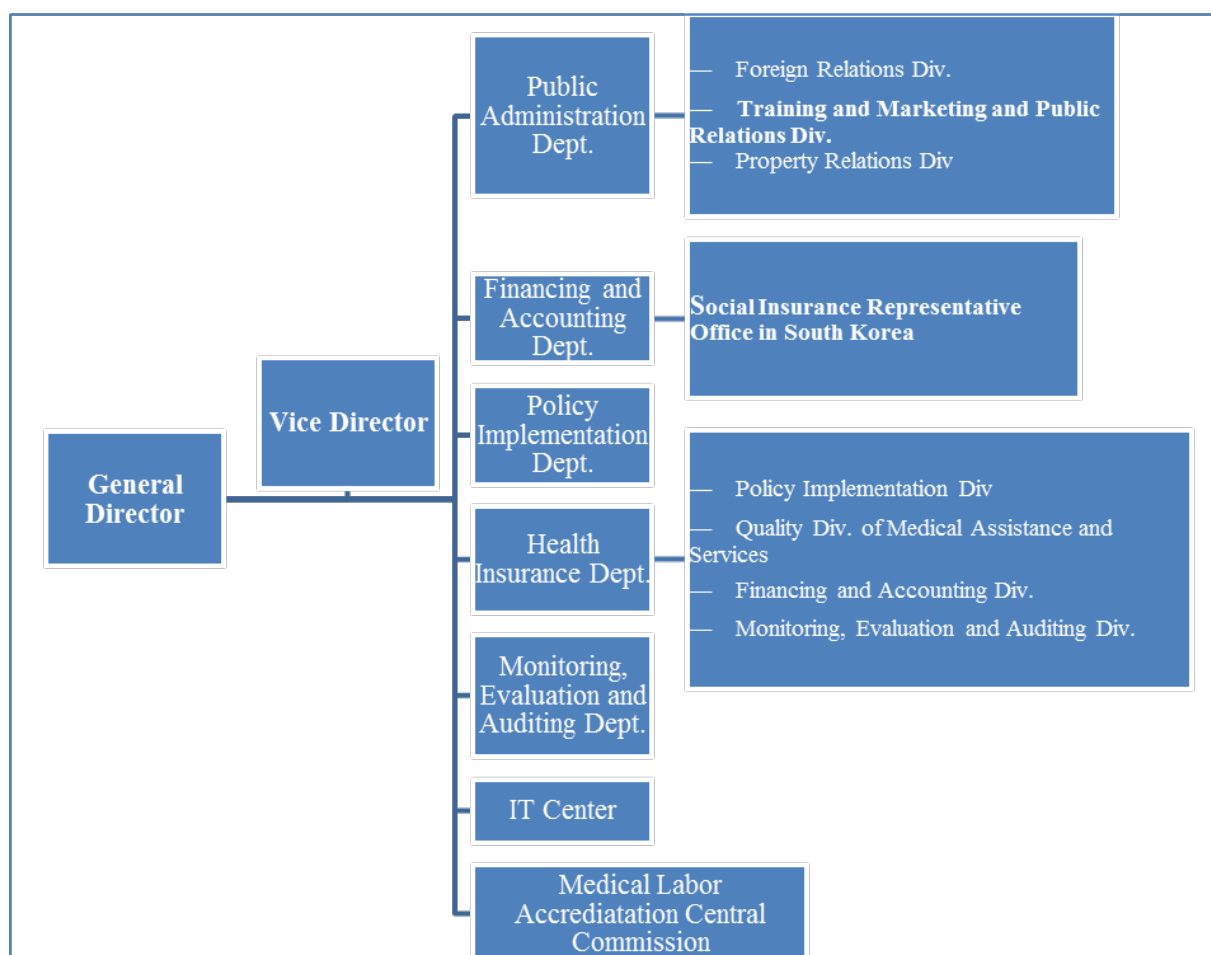
(Organizational relationship between MPDSP (Laws and Policy Planning) and SIGO (Implementation) are explained in Section 4.2 Outline of Social Security Institutions of Chapter 4).

SIGO and its subsidiary organizations, *aimag* and district social insurance offices are responsible for all pension-related affairs. SIGO headquarters is located in Ulaanbaatar, and administers 30 social insurance offices (21 *aimags* and 9 districts²¹). There are 1,501 officials working for SIGO, of which 152 are working at the headquarters and the remainder is working in the various social insurance offices.

Table 5-4 Distribution of SIGO Officials

	Number of Officials (Year 2013)
Social Insurance General Office	152
Capital Social Insurance Office	21
District Social Insurance Office	405
<i>Aimag</i> Social Insurance Office	557
<i>Soum</i> Social Insurance Inspector	366
Total	1501

(Source : Interviews with SIGO by Study Team)



(Source: SIGO Pamphlet)

Figure 5-2 Organizational Table of SIGO

²¹ There are 9 districts in Ulaanbaatar, but 3 of them are enclaves

SIGO operates five sectors of social insurance schemes (old-age pension, health insurance, employment injury, unemployment insurance, and short-term benefit) and is responsible for everything from premium collection to payment of benefits. SIGO consists of five departments (public administration, health insurance, policy implementation, account and finance, monitoring, evaluation and auditing), the IT center, and a medical labor accreditation central commission.

【Public Administration Department】

The public administration department consists of the foreign relationship division, training, marketing and public relations division, and property relations division. Foreign relationship division is responsible for all the external relations affairs, and the GIZ project is under this division. Training, marketing and public relations division is responsible for all personal affairs, training program development, information disclosure, and development of annual plan. Training programs are provided to external participants such as students, corporate accountants, informal sector workers, such as herders and the self-employed, and internal officials (see Table 5-10). Although the expense for training programs is financed by the national budget, the budget is limited and adequate opportunities are not provided. The training course for internal officials is focused on obtaining minimum knowledge regarding laws and systems.

The challenge for the department is lack of budget. Since the territory of Mongolia is vast, the cost of training program tends to become high. For this reason, trainings are provided mainly for the officials working around Ulaanbaatar. Also, such training courses are not targeted and consistent, and designed for inspectors working in rural Mongolia. Moreover, lack of teaching resources in the social insurance area is the very challenge to be addressed.

【Policy Implementation Department】

Policy implementation department is responsible for providing advice and guidance to all social insurance offices regarding social insurance policies. It also provides methodology of policy implementation and provides information disclosure. Currently, there are eight posts but only six are filled.

【Finance and Accounting Department】

The Finance and Accounting Department is responsible for: (1) information management of premium collection, (2) fund balance and investment, (3) providing information on benefits, (4) providing information on unpaid insurance premiums, (5) management of receivable premium amount, and (6) statutory calculation of insurance period and necessary procedures.

The most important challenge for the Finance and Accounting Department is that there are no officials who understand the difference between ‘accounting’ and ‘finance.’ The reason for this is that there is only one senior official, and veterans who know policy and implementation and junior officials who shoulder regular works are also not assigned. The director of the department explained that there are ten officials, but the capacity of officials is not enough to administer social security system in Mongolia.

【Health Insurance Department】

The Health Insurance Department is responsible for implementing the state policy and legislation of health insurance, monitoring the quality of medical assistance and services provided for the insured, effective spending of health insurance funds and reserves, developing an insured-centered integrated system to control the quality of medical assistance and services.

【Medical Labor Accreditation Central Commission】

The commission is responsible for the professional activities that identify causes of disability due to a loss of mental, sensory or physically normal functions and to determine its percentage and length. The commission consists of specialized physicians and representatives of organizations protecting the insured's interests, and employers. The commission functions under the *aimag* (district) social insurance department.

【Information Technology Center】

The IT center is responsible for supporting social insurance services by information technology, for delivering effective social insurance services to the employers and the insured, and for implementing a data collection, transmission, and maintenance plan.

5.2.3 Overview of the Pension Fund Management

Currently, legal regulations (Article 10 of the Law of Mongolia on Social Insurance) stipulate that the pension fund can only be invested in (1) government bonds, (2) central bank bonds and (3) bank deposits (the balance of central bank bonds held by the pension fund stands at zero; since government bonds will mature next year (2016), they did not purchase any in the current fiscal year (2014)). At this point, this is thought to be the best approach to investments, given that security is the highest priority since social insurance serves as the capital guaranteeing a secure life for citizens in old age and contingencies.

The management and administration of the pension fund is currently under the control of SIGO, and Department of Accounting and Finance is in charge of this (the official administrator is SIGO—the Department of Accounting and Finance merely carries out approved operations).

As noted above, the portfolio consists of government bonds and bank deposits, with security as the first priority. The Department of Accounting and Finance cannot independently make investments within this framework. Transactions are first discussed in the Social Insurance National Council and are only carried out after they have been approved.

Pension Fund's Management and Administration (as of October 2014)

The five social insurance funds—(1) Old-Age Pension Fund, (2) Short-term Benefit Insurance Fund, (3) Unemployment Insurance Fund, (4) Health Insurance Fund and (5) Employment Injury and Occupational Disease Insurance Fund—are currently deposited in 72 accounts in 14 banks.

- ✓ Reason I: The aim is to ensure smooth and inexpensive fund transfers, since the banks at which insured companies have accounts differ (since currently, deposits and account transfers at

Mongolian banks take two to three days, and incur remittance fees).

- ✓ Reason II: Another aim is to hedge risks, since banks in Mongolia could bankrupt. (Six banks at which pension funds had deposits previously collapsed, resulting in the loss of MNT5.5 billion. This issue is currently being contested, but as of this point no money has been recovered.)
- ✓ Reason III: This approach will encourage competition between banks and raise investment rates.
- ✓ Bank of Mongolia, the central bank, does not take deposits (it does not carry out commercial banking operations). However, deposits can be made in the national fund (in reality, banking functions are carried out, including the aforementioned 14 banks).
- ✓ Funds receive government financial supports even if they enjoy surplus. The aim is to save during the period they receive financial supports, to expand the fund, and to increase investment returns if possible.
- ✓ The fund currently has 33 bank contracts. Based on this, total deposits amount to MNT512 billion.
- ✓ The Short-term Benefit Insurance Fund does not make deposits.
- ✓ Insurance holders (including corporate subscribers) have accounts at a total of 6,000 banks (main and branch offices). Insurance premiums are transferred to the funds from these accounts every Friday.
- ✓ Old-age pension benefits are transferred to the beneficiary's own account. Banks are instructed to make the transfer once a month.
- ✓ Information on benefit payments is reported to the Department of Accounting and Finance on the 25th of the month after the districts and provinces have compiled the information.

The Social Insurance Funds totaled MNT900 billion (approximately JPY54 billion) as of October 2014, which does not cover the total annual payments of MNT1,058 billion (approximately JPY63.5 billion). It is difficult to even consider high-yield investments that involve risk exposure.

Nevertheless, the social-insurance system reform plan that the MPDSP is currently discussing proposes liberalizing the administration of the social insurance funds. Although MPDSP understands that safety in investment should be the top priority in managing public pensions, in Mongolia, where even bank deposits are not safe, why can't high-yielding investments be considered since the environment is unstable as it is? There are also political pressures, as indicated by one official's statement that "Uselessly holding on to the principal without either increasing or decreasing the face value is simply equivalent to wasting citizens' financial assets in a market characterized by ongoing inflation."²² "

5.2.4 Outline of Premium Collection

There are two methods of pension premium collection according to employment status of workers. Employees under working contracts are obliged to pay their premiums via their employers by the 5th day of the following month. Normally, employers pay their premium together with the employee's portion to the designated bank account in the relevant social insurance offices and the official in charge (accounting and financing) confirms the receipt of the payments. In case there are any premiums in arrears, the officer who

²² From information provided in an interview with one of high officials at the MPDSP (on the 28th of November 2014)

has a national qualification as an inspector will issue a ‘letter of reminder’ and the companies are given 90 days before ‘coercive collection.’ However, such premiums in arrears will be recovered as long as 0.3% of interest per day is paid together with the original amount of pension premium.

Table 5-5 Procedures of Encoding Information of Insured Persons

(Compulsory Coverage)

- (1) After registering (objectives and contents of business only) at the Registration Bureau, a company also registers the personal information and salary information of each employee to the social insurance office. The salary amount registered is between MNT 192,000 (minimum) and MNT 1,920,000 (maximum).
- (2) Social insurance office issues official document indicating social insurance premiums and the company is expected to pay the employee’s premium together with employer’s premium to the designated account by the 5th of the following month.
- (3) The service division of the social insurance office inputs all the necessary data based on the information provided by banks.
- (4) The recorded information is transferred to SIGO and administered as an original.

(Voluntary Coverage)

- (1) Any voluntary coverage can be processed at social insurance offices. They can choose the income amount from MNT 192,000 to MNT 1,920,000 based on their own decision. In case the capacity for payment of premium by the voluntary insured needs to be checked, social insurance inspector shall confirm it by contacting the tax agency.
- (2) The voluntary insured person can choose the frequency of payment such as monthly, quarterly, every six months, or annually. The premium amount can be paid at banks next to social insurance offices.
- (3) The service division of the social insurance office inputs all the necessary data based on the information provided by banks. Since data input cannot be done at *soum*, information is needed to be sent by mail for data input at the social insurance office.
- (4) The recorded information is transferred to SIGO and administered as an original.

(Source : Interview with officials of SIGO by the JICA Survey Team)

It should be noted that, if the premium has not been paid by a specified date in the case of compulsory coverage, an initial reminder is issued. If the premium is still not paid after a certain period of time, such a case can be brought to the court²³.

²³ In some cases, company’s bank accounts are frozen, and in case there are any funds transferred to the account, the amount of contribution in arrears shall be first indemnified.

Table 5-6 Social Insurance Fund Performance on Premiums, by region, aimags and the capital, at the end of the year/ mln/ MNT

	Aimags and district	2006	2007	2008	2009	2010	2011			2012			2013		
		Collected	Collected	Collected	Collected	Collected	Planned	Collected	Quota Performance	Planned	Collected	Quota Performance	Planned	Collected	Quota Performance
Sub-Total	West section	11,846.0	18,050.9	21,768.8	23,698.2	26,894.1	32,101.2	34,992.3	109.0%	45,247.7	48,690.2	107.6%	59,390.7	61,829.9	104.1%
	Bayan-Ulgii	2,528.1	3,864.5	4,618.7	4,965.5	5,608.1	6,787.0	7,200.0	106.1%	9,077.0	10,056.6	110.8%	12,005.8	12,772.0	106.4%
	Gobi-Altai	1,997.5	3,276.7	3,685.8	3,982.5	4,538.9	5,331.6	5,994.4	112.4%	7,272.6	8,583.5	118.0%	9,127.8	11,014.7	120.7%
	Zavkhan	2,522.8	3,733.9	4,439.4	4,826.8	5,375.3	6,388.4	6,715.7	105.1%	8,772.9	9,238.9	105.3%	11,944.5	11,939.7	100.0%
	Uvs	2,410.1	3,604.8	4,475.0	4,780.1	5,575.0	6,673.3	7,052.5	105.7%	9,576.1	9,598.9	100.2%	12,506.7	12,382.6	99.0%
	Khovd	2,387.5	3,571.0	4,549.9	5,143.3	5,796.8	6,920.9	8,029.7	116.0%	10,549.1	11,212.3	106.3%	13,805.9	13,720.9	99.4%
Sub-Total	Khangai section	24,878.4	36,044.1	42,736.3	47,325.4	55,073.2	64,914.5	69,215.2	106.6%	83,638.1	89,463.8	107.0%	113,889.7	114,171.3	100.2%
	Arkhangai	2,423.2	3,321.5	4,081.1	4,394.2	5,061.9	5,860.5	6,166.9	105.2%	8,514.8	8,455.5	99.3%	10,830.1	10,961.9	101.2%
	Bayankhongor	2,411.0	3,201.9	4,064.7	4,505.0	5,240.2	6,321.4	6,659.2	105.3%	8,635.6	9,134.2	105.8%	11,801.0	11,716.6	99.3%
	Bulgan	1,931.8	2,724.5	3,416.7	3,622.5	4,249.5	5,217.6	5,438.0	104.2%	6,933.4	7,297.1	105.2%	9,427.1	9,280.9	98.4%
	Orkhin	12,026.5	18,193.4	20,207.9	22,784.9	26,670.4	30,966.0	33,504.3	108.2%	37,038.2	40,595.3	109.6%	50,574.7	49,995.5	98.9%
	Uurkhangaig	3,150.9	4,328.8	5,428.1	5,842.7	6,685.6	7,746.7	8,354.0	107.8%	10,849.0	11,403.5	105.1%	15,262.6	15,487.0	101.5%
Khuvsgul	2,935.0	4,274.0	5,537.8	6,176.1	7,165.6	8,802.3	9,092.8	103.3%	11,667.1	12,578.2	107.8%	15,994.2	16,729.4	104.6%	
Sub-Total	Central section	24,836.1	35,270.7	41,146.6	44,890.3	55,295.6	65,151.0	72,768.9	111.7%	91,711.5	98,808.5	107.7%	120,742.1	124,043.1	102.7%
	Gobisumber	1,526.0	2,252.5	2,396.5	2,641.9	3,300.7	3,638.0	4,191.9	115.2%	4,787.9	5,134.6	107.2%	5,982.2	6,151.7	102.8%
	Darkhan-Uul	6,599.9	9,978.0	10,854.0	11,372.4	14,070.1	16,537.0	18,377.0	111.1%	22,815.8	23,782.4	104.2%	29,924.1	30,900.3	103.3%
	Dornogobi	5,080.7	6,164.2	7,232.2	7,837.0	9,696.7	11,357.1	12,655.3	111.4%	15,314.1	16,978.1	110.9%	19,465.8	19,832.4	101.9%
	Dundgobi	1,640.4	2,268.9	2,907.4	3,041.1	3,471.9	3,980.1	4,425.0	111.2%	5,709.4	5,921.7	103.7%	7,468.1	7,492.4	100.3%
	Umnugobi	1,987.0	3,114.2	3,960.3	5,058.1	6,693.4	8,620.0	10,248.5	118.9%	15,028.9	17,050.5	113.5%	22,494.5	23,603.1	104.9%
	Selenge	5,080.1	7,217.5	8,487.9	9,078.0	11,381.5	13,177.4	14,246.7	108.1%	17,234.9	18,395.5	106.7%	21,876.2	21,548.6	98.5%
Tuv	2,922.0	4,275.4	5,308.3	5,861.8	6,681.3	7,841.4	8,624.5	110.0%	10,820.5	11,545.7	106.7%	13,531.2	14,514.6	107.3%	
Sub-Total	East section	8,280.6	11,693.3	14,419.0	15,408.2	18,631.2	20,959.1	23,710.5	113.1%	29,122.2	31,152.7	107.0%	36,776.4	37,483.1	101.9%
	Dornod	3,158.8	4,497.9	5,529.8	5,981.6	6,884.4	7,744.8	8,838.1	114.1%	11,151.1	12,218.4	109.6%	14,429.6	14,888.9	103.2%
	Sukhbaatar	1,892.5	3,007.7	3,523.2	3,710.0	4,332.0	5,308.0	5,717.9	107.7%	7,150.4	7,846.7	109.7%	9,521.5	9,725.6	102.1%
	Khentii	3,229.3	4,187.7	5,366.0	5,716.6	7,414.8	7,906.3	9,154.5	115.8%	10,820.7	11,087.6	102.5%	12,825.3	12,868.6	100.3%
S-Total	Ulaanbaatre	92,344.6	122,880.9	158,681.6	184,570.7	237,855.9	307,261.8	352,593.9	114.8%	456,296.9	511,544.2	112.1%	625,157.8	633,507.6	101.3%
Grand Total		162,185.7	223,939.9	278,752.3	315,892.8	393,750.0	490,387.6	553,280.8	112.8%	706,016.4	779,659.4	110.4%	955,956.7	971,035.0	101.6%

Source: Mongolian Social Insurance Statistics, 2012

In order to avoid such a situation, social insurance office has a close exchange of information with the tax agency, in particular regarding "salary information that is submitted to the tax office", and "salary information that is submitted to the social insurance office."

Performance of premium collection is different in each social insurance office. The achievement rate based on the budget is shown in Table 5-6. It should be noted that the budget formulation process is initiated at the *soum* level, where information is submitted to the social insurance office for clarification based on the estimated collection amount based on the previous year's performance. Afterwards, SIGO, MPDSP and the Cabinet check and approve before submitting to the National Assembly. The final budget amounts are determined by taking into account such as the number of companies, the number of the insured persons, and inflation rate.

Table 5-6 shows the collected amount of premium by each *aimag* and district since 2006. Although the achievement rate is only provided since 2011, all *aimags* and districts attained more than 100% achievement rate in 2011, but after 2011, the rate decreased to 99.3% in Arkhangai Province in 2012. And in 2013, Uvs, Khovd, Bayankhongor, Bulgan, Orkhon and Selenge *aimags* became less than 100% and the lowest was 98.4%. Therefore, the past three years starting from 2011 shows a gradual trend of decreasing achievement rates. It should be noted that the reasons for the lowered achievement rate are considered as due to geographical factors since such *aimags* are distributed in the northern region from the mountainous and central districts.

5.2.5 Data Recording of the Insured and Information Management

Information of insured persons is stored as fully electronic data and recorded since 2001. The original data is stored at SIGO and a copy of the data is also stored in another secure place. On the other hand, since submitted documents are stored at social insurance offices storage space is becoming a challenge because of the increase in pension beneficiaries.

The information of beneficiaries and the insured are summarized in Table 5-8 and Table 5-9. In comparison with the Japanese case, the information is very simple. For this reason, any change of occupation or company information cannot be confirmed.

There are differences in payment of premium by companies between each *aimag* and *soum*. For this reason, the number of companies registered does not match the number of companies making payments. Due to the performance of companies, companies in arrears are observed in all *aimags* and *soums*. Therefore, in several *aimags*, after issuing reminders to delinquent companies and waiting for 30-60 days, the companies are summoned to courts for trial, or have their bank accounts frozen to urge the payment of premium. Trial requires spending money/effort/time for both the company and the social insurance office, and there are opinions that social insurance office should try to avoid such cases. Originally, since insurance premiums are to be paid equally by both employers and employees, social insurance office requests the delinquent companies to pay the portion of employee's premium. It should be noted that if there is unpaid insurance

premiums due to delinquent companies and is recorded as unpaid period, pension benefit will not be paid for such unpaid period under the current Mongolian pension system²⁴.

Table 5-7 Payment Situations of Aimag and Soums

<i>Aimag/Soum</i>	Registered Company (Social Security)	Company (in Payment)	Company (Delinquency)	Under Trial	Registered Company (Tax Agency)
Orkhon	1,400	1,360	60	25	-
Erdenet	1,700	1,630	30 (Account Frozen: 8)	-	
Bulghan	840	626	114	-	603
Saikhan Soum	117	100	17	-	216

(Source: Interview by JICA Survey Team)

Table 5-8 Beneficiary's Information

Aimag	***
Committee	16
Admin No.	XX56120703
Family Name	***
Name	***
Date of Birth	1956/12/7
Claim date	2012/1/5
Insured Period	29.45927
Military Period	0
Unemployment	0
Disability	0
Requirement	Correct
Average Salary	285,817
Pension Amount	180,300

(Source: SIGO)

Table 5-9 Income Information of Insured Persons

Year	Month	Salary	Bonus
1999	12	84,700	0
2000	1	88,000	0
2000	2	400	0
2000	3	64,900	0
2000	4	141,996	0
2000	5	50,000	0
2000	6	50,000	0
2000	7	50,000	0
2000	8	50,000	0
2000	9	50,000	0
2000	10	50,000	0
2000	11	50,000	0
2000	12	50,000	0

(Source: SIGO)

5.2.6 Capacity of Officials and Training Programs

In Mongolia, two years of working experience is required to become a civil servant, hence this guarantees the minimum capacity to fulfill the duty of government functions. However, recruitment of new officials requires financial allocation and there are still open positions that need to be filled. Therefore, employment opportunities are very limited. Because of this circumstance, there are no training programs given at the time of recruitment and on-the-job training (OJT) is the mainstream of training available to obtain the

²⁴ Under the Employees' Pension Insurance of Japan, if company bankrupt with contribution in arrears, after selling all the property of the company and finding out there is still some amount of contribution in arrears, the contribution amount is recoded as paid contribution in order to protect the insured.

necessary knowledge and experiences. In addition, there are only a few cases of departmental transfer of officials, and therefore, the opportunity of sharing information is also limited. SIGO has severe budget restriction for staff training and development of its training plan, and training programs are conducted as it is, but there are no training courses which consider/respond to specific needs of each area of duty. Due to limited budget, such courses can only focus on common subjects. Therefore, some social insurance offices design and conduct training courses by inviting voluntary lecturers. The past training programs implemented or organized by MPDSP and SIGO are shown in Table 5-10 and Table 5-11. Those training programs were conducted in collaboration with donors and there were only limited numbers of training programs with practical contents. Specialized subjects such as ‘Collection of Premium’ were not provided, and more focused training programs are required to be designed and realized.

Majority of training programs implemented between 2012 and 2014 were financed by donors and diplomatic missions; SIGO financed MNT 34 million in 2013, and MNT 4 million in 2014. There are also some training programs conducted by MPDSP which targeted only one official or two. Majority of training programs rely on donors and diplomatic missions. SIGO considers that workshops and meeting with specific groups of people and accountants of companies as training programs which SIGO implemented.

Table 5-10 Training Programs by MPDSP

No	Title	Contents	Participants	No. of Participants	Date
1	Trainin Course on 'ADePT'	Software called 'ADePT' which was used for multi-sector support project.	Officials of MPDSP	15	2014.09.17-19
2	Mutual Learning on Social Security Programs	Establishment of Social Security Program for Asia and the Pacific Countries	Official of MPDSP	1	2014.09.02-09.04
3	Social Security in Republic of Korea	Training of studing Korean SocialSecurity Program	Officials of MPDSP and officials (4) from Dalkhan-Uul	6	2014.10.12-21
4	Training Course on Nurturing Internal Auditors	Joint Training between JICA and MOF for nurturing internal auditors	Officials of MPDSP	2	2014.02.19-21
5	Learning Sessiion of Social Security Practice in South Korea	Standard of Social Seuciry in SouthKorea	Official of MPDSP	1	2014.07.20-08.03
6	ADB Selection Standard and Bidding Procedures	Introduction of selection standard for consultant by ADB	Officials of MPDSP	2	2014.09.18
7	Information Security on Governmental Institutions	Information Security	Official of MPDSP	1	2014.07.01-04
8	Utilization of advanced Information Technology	Information Security	Official of MPDSP	1	2014.10.23-24

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No	Title	Contents	Participants	No. of Participants	Date
9	Strengthening of Capacity of Planning on Poverty Alleviation	Strengthening capacity of Officials of Central and Local governments on stable economic development with special focus on people in poverty	Officials of MPDSP	3	2014.4.8-9 & 2014.10.09-11
10	'Green Economy T21' Development of Mongolian Model, Creation of Dynamic Model	'T21 Model' by Ministry of Economic development	Officials of MPDSP	3	2014.05.14-16, 20-22, 2014.10.02-03
11	Training by Social Welfare Practitioners	How to respond to the disaster by Social Welfare Practitioners	Officials of MPDSP and related institutions	25	2014.09.17
12	Method of Calculation 'Population, Health, Gender, Development Indicators'	Organized by UN Population Fund for officials of ministries at Population Research Center	Officials of MPDSP	3	2014.04.28-05.02
13	Modification of Reduction of Natural Disasters at Development Stages of Mongolia	Modification of Reduction of Natural Disasters at Development Stages of Mongolia	Ministry of Emergency Affairs, UN Asia Disaster Control Center, Officials of MPDSP	15	2014.09
14	Promotion of employment with disabilities and appropriate working environment (B) Program /J1300641/	Promotion of employment with disabilities and appropriate working environment (B) Program /J1300641/	Officials of MPDSP	10	2014.1.8-23
15	'International Practice for disabilities and development' by UN Convention on human rights of persons with disabilities	'International Practice for disabilities and development' by UN Convention on human rights of persons with disabilities	Officials of MPDSP	15-20	2013.11.12-13
16	Standards of social service by population groups in South Korea	Training Course in South Korea 'Standards of social service by population groups'	Officials of MPDSP (IT)	5-10	2014.07.20-08.02
17	Policy Implementation of Social Security Program	International Training on Policy Implementation of Social Security Program in Thailand	Officials of MPDSP	2	2014.07.20-08.02
18	Information security and National Security	National Intelligence Academy	Administrative Management Department	1	2014.05.30
19	Training on E-Government	E-Government	Official of Human Resource Management, Administrative Management Department	1	2014.09

20	Impact of Corruption on National Security	Corruption	Officials of Legal Affairs, Administrative Management Dept.	2	2014.11.06
21	Legal Basis of Decision Making by Managers	Management Academy	Officials of Legal Affairs, Administrative Management Dept.	1	2014.10.16-18
22	Planning of Law and Drafting Government Documents	Ministry of Legal Affairs	Officials of Legal Affairs, Administrative Management Dept.	2	2014.06.23
23	Training on Utilization of Social Media	Management Academy	Officials of Legal Compliance, Administrative Management Dept.	1	2014.10.30-31
24	Strengthening of Capacity of SIGO Officials	International Labour Organization	Officials of MPDSP	20	2014-10-13

(Source : Material provided by MPDSP)

Table 5-11 Training Programs by SIGO (2012-2014)

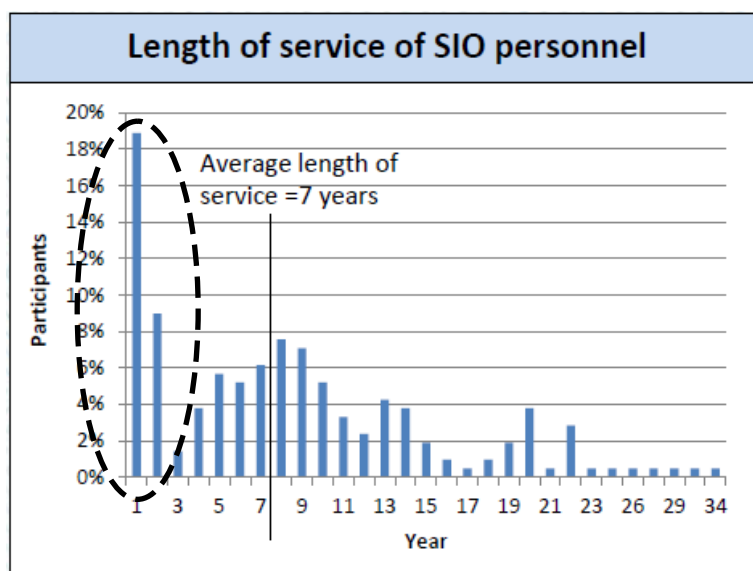
No	Title/Contents	Organizer/Co-Organizer	Participants and title	Fund/Amount (Million MNT)	Period
1	Training to obtain the knowledge of social insurance laws and health insurance laws and its implementation	SIGO Training and Marketing and Public Relations Div(TMPR). /Swiss Agency for Development and cooperation (SDC)	People doing mining in 12 soums of 5 aimags	SDC (Sustainable Small scale mining project/35.5	2 nd and 4 rd quarters of 2012
2	Internatioanl Trends on Social Welfare Development	TMPR/ILO	35 (MPDSP, SIGO, MOL and Trade Union)	3.5	October 2014 (8 hours)
3	Internatioanl Trends on Social Welfare Development	TMPR/ILO	95 inspectors from Social insurance offices of Bayankhongor, Uvurkhangai	LO/15.5	October 2014 (2 days)
4	Training on strengthing capacity for inspectors (penson)	TMPR, MPDSP, WB	65 inspectors (pension) of social insurance offices of UB and Aimags	WB/18.0	July 2014 (5 days)
5	Training on Mongolian Letters	TMPR, National University of Mongolia	SIGO officials	Natioanl Budget/4.0	1st quater, 2014 (48 hours)
6	Conflict of Interest	TMPR, Anti-Corruptio n Agency	SIGO officials	-/0	15 January 2014 (4 days)
7	Training Forum for Directors of Social	TMPR	45 (directors)	National Budget/13.0	4-5 March 2013

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No	Title/Contents	Organizer/Co-Organizer	Participants and title	Fund/Amount (Million MNT)	Period
	Insurance Program				(3 days)
8	Training for Inspectors in charge of voluntary coverage, and soum inspectors	TMPR, SDC	45 (Inspectors in charge of voluntary coverage)	SDC (Sustainable Small scale mining project/16.0	May 2014 (3 days)
9	Guidance on special treatment of the period between 1990 and 2000 (current situations, points of attention, efforts)	TMPR	398 Officials of Social Insurance Offices in Aimags (30: Dornod, 28: Sukhbaatar, 25: Khentii, 20: Bayanulgi, 33: Dundgovi, 35: Tuv, 26: Umnugovi, 28: Uvurkhangai, 29: Bayankhongor, 27: Govi-Altai, 31: Khuvsgul, 27: Bulgan, 28: Khovd, 31: Uvs, 26: UB (Nalaikh: 15, Baganuur: 11)	National Budget/7.0	3rd quarter 2013
10	Training for Certified Accountant	TMPR	25 Accountants (UB and Aimags)	National Budget/14.0	1-14 April 2013
11	Training on common challenges such as internal auditing, ethics of officials, capacity development, sense of responsibility.	TMPR	30 Officials of Monitoring (UB and Aimags)	National Budget/0	4-5 April 2013 (2 days)
12	Guidance for creating common awareness for the implementation of revised social insurance laws	TMPR, UNHDP, Financial Coordination Committee	208 Soum and Aimag Inspectors (Uvs, Khuvsgul, Dornod, Selenge, Dalkhan-Uun)	Fund provided by Luxembourg Govt. /10.0	4th quarter 2013 年 (3 days)
13	Significance of Social Insurance Laws and Health Insurance Law	TMPR, UNHDP, Financial Coordination Committee	45 Residents (Uvs, Khuvsgul, Dornod, Selenge)	Fund provided by Luxembourg Govt./14.0	4th quarter 2013
14	Training to obtain the knowledge of social insurance laws and health insurance laws and its implementation	TMPR, SDC	2,136 miners from 35 Soums of 10 Aimags	SDC (Sustainable Small scale mining project/35.0	2 nd and 3 rd quarters 2013
15	Training to obtain the knowledge of social insurance laws and health insurance laws and its implementation	TMPR, SDC	1,858 miners from 18 Soums of 6 Aimags	SDC (Sustainable Small scale mining project/45.0	2 nd and 3 rd quarters 2013
16	Social Insurance Related Laws	TMPR	Workers going to South Korea based on Employment Contracts	-/0	- (periodically)
17	Revision of Social Insurance Related Laws: Public Announcement to Employers and Employees	TMPR	82 Faculty members of Technical University, 58 staffs of Shunkhlai Company, 25	-/0	2013

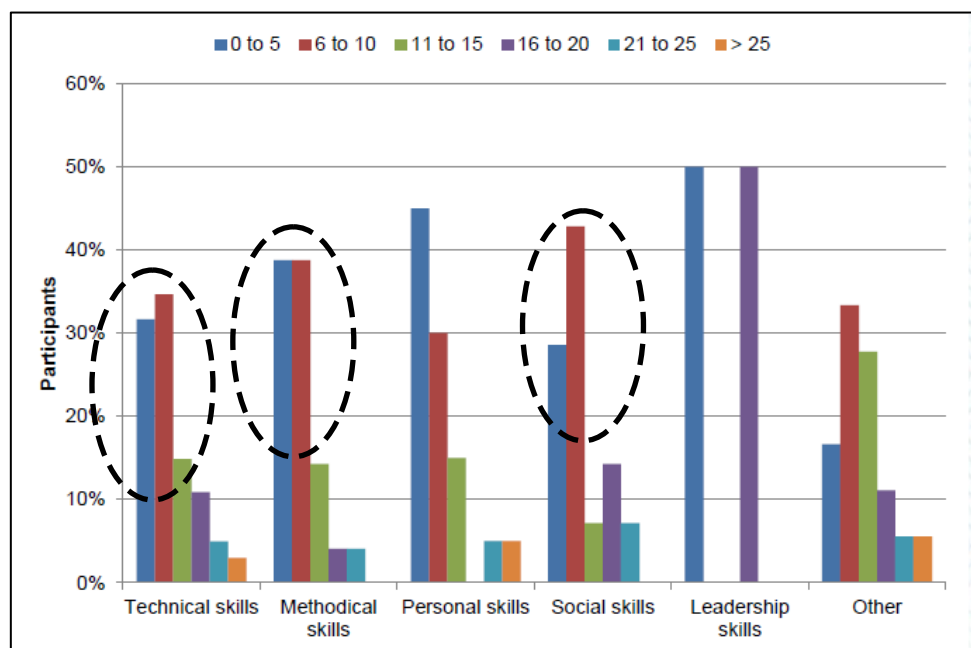
No	Title/Contents	Organizer/Co-Organizer	Participants and title	Fund/Amount (Million MNT)	Period
	(OJT)		<p>staffs of Anandiin zamcompany, 40 officials of general affairs department of the Parliament, 50 people from Narantuulmarket, 62 members of Mongul Trade Union, 18 people from Khuchit shonkhorMarket, 29 insured from UlaanbaatarCity Trade Union, Teachers and Staffs of the Fourth School, Tax 250 payers, 143 General Intelligence Agency, 127 Police Agency, 1002 participants from 12 different institutions</p> <p>Training on Social Insurance Law and Special Treatment for the period of 1990 to 2000.</p>		
18	Instructor-Micro Mining	TMPR, SDC	Miners from 35 Soums of 10 Aimags	SDC (Sustainable Small scale mining project /13.0	July 2014 (3 days)

(Source: Material provided by SIGO)



(Source: GIZ Research 2014)

Figure 5-3 Length of Service of SIGO Officials



(Source; GIZ Research 2014)

Figure 5-4 Requested Theme for Training Program by SIGO Officials

Although the training situations of pension-related organizations in Mongolia are as shown in Table 5-10 and Table 5-11, the training needs of officials could be referred from the research conducted by GIZ. The research shows the length of service of SIGO officials and the kind of training programs the SIGO officials are willing to follow. The research has found that majority of inspectors are working for SIGO for less than one or two years. Hence, a large percentage of those inspectors might be assigned to the relevant *soums* without the necessary knowledge and experiences. In addition to technical and methodological training programs, they desire to follow programs which improve their social skills like communication skills.

5.2.7 Current Situations of Local Cities (Information from Field Visit)

The JICA Survey Team visited four social insurance offices in *aimags* and three *soums* and conducted interview surveys and collected valuable information.

Date and Time	Place
22 October 09 : 00~ 15 : 00~	Tov Social Insurance Office Bayan <i>Soum</i>
24 November 13 : 30~ 17 : 30~	Darkhan Social Insurance Office Saikhan <i>Soum</i> (Selenge <i>Aimag</i>)
25 November 09 : 00~ 15 : 00~	Bulghan Social Insurance Office Bughat <i>Soum</i>
26 November 09 : 00~	Erdenet Social Insurance Office

【Structure of Respective Social Insurance Offices】

Respective social insurance offices of *aimags* consist of the service division, collection and monitoring division, accounting and finance division, health and insurance division. Duties and responsibilities are the same as what the social insurance offices are doing in Ulaanbaatar. The difference is that *soum* inspectors

are assigned to each *soum* and the data input of social insurance-related documents are done only at the social insurance office of *aimags*.

【Office Duties (Coverage, Collection of Premium, Promotion, etc)】

Social insurance offices in Darkhan-Uul *Aimag* and Burgan *Aimag* have revealed that due to the lack of inspectors, there are a number of companies that still need to register and pay social insurance premiums. Although social insurance offices encourage companies to register by visiting their workplaces, the situation still remains as one of their biggest challenges. Also, since such activities are time consuming, capacity development is not provided properly. In particular, the special treatment of the period between 1990 and 2000 resulted in increased regular works. This challenge was also confirmed at the social insurance office in Erdenet *Aimag*.

In Darkhan-Uul *Aimag*, *soum* inspectors visit rural communities and village and stop-off points of herders twice per year. Since there are five *soum* inspectors, they cannot reach the potential voluntary insured persons. Although there is a need to cover a wider geographical area compared with social insurance inspectors in Ulaanbaatar, the financial arrangement for *soum* inspectors is totally insufficient to enable them to handle such a wide area compared with inspectors in Ulaanbaatar. Therefore, since the budgeted amount of MNT 200,000 for transportation is very limited, *soum* inspectors request the tax agency or village chief to join their visit to rural communities. In other places, *soums* inspectors are doing the same request to the tax agency and village chief. Some rural communities are located around 1,000 km away from *soums*. By considering cost-effectiveness, necessary measures will need to be taken for collection of premiums from the voluntary insured.

On the other hand, the collection plan of premium (five funds) has achieved approximately over 95% (as of November 2014) and the plan will be achieved without a doubt. It has been confirmed that the collection plan of premium is calculated based on the previous year's performance, the number of insured persons and the total amount of collected premiums.

Even if the companies are in deficit, they are obliged to pay their premiums together with the employees' portion. Therefore, social insurance offices share the financial report of companies with the registration office and tax agency. For compulsory coverage, social insurance offices follow the necessary procedure for premium collection in arrears by doing: ① compulsory → ② monitoring → ③ trial → ④ foreclosure → ⑤ bankruptcy. In Orkhon and Erdenet *aimags*, for cases where a company is not paying their premiums, the social insurance office first issues a reminder; then, if they still do not pay, the office will freeze company's bank account after 30-60 days. From the entire fund to be transferred to the frozen account, the social insurance office first recovers the unpaid amount of premium. For voluntary insured persons who do not pay their premiums, the office contacts them to urge payment but after one year and they still do not pay, it has been confirmed that the office will terminate the contract with the insured.

Based on information regarding the company's financial-situation exchanges between social insurance office and tax agency²⁵, it has not been confirmed if any coercive measures were taken with regards to delinquent companies in visited *aimags* and *soums*.

While coverage and premium collection are continuous challenges to *aimags* and *soums*, additional promotion of enrollment to the self-employed and herders will also become an important challenge. For example, the health insurance scheme requires compulsory coverage but in reality, people are allowed to be outside the scheme since there are no punitive clauses. Also, there are cases where people only join the scheme after they become sick or injured.

In Saihkan Soum, there are some companies which operate seasonally, and in this case they pay full (100%) premium from April to October, and from November to March they set their employees' salary at the minimum wage, which is MNT 192,000, to be used for the premium calculation. All the companies are requested to submit their financial reports to *soum* social insurance inspectors, and inspectors can request/remind the companies if necessary. There are some companies which are registered in other *aimags/soums*. In such case, social insurance premium is also paid in their place of registration. As an example, while a branch of Khaan Bank did their social insurance registration in Saihkan Soum, they pay their social insurance premium to the social insurance office in Selenge Aimag since they have registered with the tax agency in Selenge Aimag,

In line with the promotion of enrollment of voluntary coverage, *soum* inspectors shall: ① visit each household, ② disseminate information by using City TV, ③ visit companies and request them to encourage their family members to enroll, ④ provide information during events at the Cultural Center, and ⑤ visit herders when they have cash income.

In addition, big cities, such as Erdenet City, encounter the same challenges of population influx from rural areas which is the same in Ulaanbaatar. The coverage to those people is also becoming a challenge for pension scheme/social insurance schemes.

【Training】

Training programs are not provided effectively to officials working at social insurance offices, as inspectors, in *aimags* and *soum*. For example, a social insurance inspector in Saikhan Soum attended only one training program in 2001 after 20 years of working experience. Therefore, most training is provided through OJT administered by senior officials. Although the budget for conducting two training programs is guaranteed, the amount is not sufficient to provide training to all officials and inspectors in the *aimags*.

Because there is no training program provided, social insurance inspectors are seeking necessary information by searching via internet or telephoning social insurance offices in *aimags*, which may interfere with the uniformity of the office handling due to misunderstandings. In this regard, developing activities such as 'Operation Manual (Example)' to promote uniformity of procedures is required.

²⁵ While a company report higher salary payment to tax agency, the company simultaneously report, however, lower salary payment to social insurance office in order to reduce tax and social insurance contribution.

Measures those are required for the migration from rural areas and local cities

While providing training programs is an effective method to obtain knowledge and knowhow, such training programs are not provided at *aimag* and *soum* level due to limited budget. *Soum* inspectors are mostly young with inadequate experience, and it is essential to provide such training for the smooth operation of social insurance schemes. However, such training programs needs to take sustainability into consideration. In particular, by assuming that SIGO may face difficulty in the future due to budget constraint, reference documents such as ‘Operation Manual’, which can be updated upon the revision of relevant laws, can be used by all inspectors as their textbook/handbook. Such measures promote the improvement of operation system cost-effectively.

Regarding the collection of premium, in consideration of cost-effectiveness, an innovative method of entrusting premium collection to groups, such as herders’ association or self-employed association, needs to be considered for areas having physical difficulty in terms of distance.

Regarding the population influx to cities and expansion of yurt areas, it is required to implement measures that will help the migrant population since majority of those people are vulnerable groups. It is essential that SIGO needs to collaborate with the Social Welfare Serve Agency, and identify the possibility of exempting vulnerable groups from payment of premium and clarify the standards for exemption.

5.3 Challenges of Pension Scheme

By considering everything aforementioned, the challenges of pension scheme in Mongolia are categorized into two aspects, as follows:

5.3.1 Systematic Challenges

- (1) Deficits of the social insurance funds have become constant especially to the Old-age Pension Fund. The account is fully covered by governmental financial support and has been moved into surplus. While deficits in recent years are considered to be one of the most critical factors for the sustainability of social insurance systems, there has been a persistent question regarding the adequacy of the assumed yield rate of individual pension reserve account for the insured population born on and after 1 January 1960.
- (2) Present pension systems are designed assuming a 75% income substitution rate at most. But if the insured person’s income is maintained at a high standard for a certain period (at least five years), the amount of benefits to be paid to the insured easily exceed the assumption and substantially damage the financial sustainability of the systems. Especially taking advantage of preferential measures set for confusing period of 1990 to 2000, recently intentional subscribers, paying high standard of premium just before the age of becoming eligible to receive pension in order to withdraw large amount of benefit in the future, remain rife.
- (3) There is inadequate coordination between systems of social insurance and social welfare. If a Mongolian citizen never paid social insurance premium before, he/she can receive old-age welfare

pension without any means-tests. The fact that he/she can receive a kind of pension with no contribution to the social insurance may discourage persons to pay for their social insurance premiums.

- (4) Even if a business enterprise posted a deficit during a certain accounting period, the business enterprise is obliged to pay premiums in accordance with the ones their employees pay. In case such enterprise cannot pay their premiums to social insurance office, the whole payment records will not be stored. Such situations are quite unfavorable for employees.
- (5) It is worth of being evaluated, in social insurance fund management, to have taken a kind of “conservatism” to limit investment outlets within national bonds and bank deposits, putting first priority on safety. However, the fact that there is political pressure, on the other hand, to urge pursuing high-return but risky investment methods, even though based upon intention to get financial situations of pension better, could be a dangerous factor for social insurance funds on which people’s security for living after retirement or in need is dependent.

5.3.2 Operational Challenges

- (1) Cooperation and co-working systems have not been well-organized between MPDSP and SIGO, especially at the level of officials in charge of daily operations. It is not enough or adequate to make tasks perceived through on-site operations reflect upon pension policies and, vice versa, to let policy implication to be carefully and thoroughly informed to operational human resources.
- (2) Similarly, cooperation systems between SIGO headquarters and local social insurance offices (i.e., in *Aimags*, Ulaanbaatar Metropolitan Districts, etc.) have not been established nor functioning.
- (3) Contents of training courses held for officials working for MPDSP, SIGO and local social-insurance offices have not been appropriately designed in accordance with the roles and functions of each post of duty. The opportunity for real capacity building of personnel is just limited to within OJT. Since inspectors’ roles/functions oblige them to know a whole perspective of social insurance/social security systems, they are especially needed to be provided with a series of well-organized training programs on a regular basis.
- (4) Since enough budget support has not been allocated to social insurance offices at the *Soum* level, a significant amount of insurance premium that could have been collected, if sufficient operational budget had been allocated, has been actually left uncollected.
- (5) SIGO’s public relation medium is now just one kind of flier per each social security system. Since its contents are not focused in terms of marketing targets (e.g. prospective clients, objectives, etc.), the medium has not been effective for advertisement. It is highly significant to make its contents clarified to be reaching clients (the insured and candidates), containing articulate messages and explanation of various information on pension scheme, such as application, premium payment, procedures for claiming pension, etc.), in order to promote better national understandings.

- (6) In many *Soums*, since just one inspector is assigned to the workplace, procedures/operations of social insurance are sometimes halted while the inspector in charge is visiting remote places, such as Bag (ward).
- (7) Cabinet renewal may affect the personnel affairs of ministries. This may influence the consistency and uniformity of social insurance policies/pension policies.

Chapter 6 Pension Systems in Japan - Relevant Experiences in Japan

6.1 Historical Development of the Japanese Pension System and Current Status

The Japanese pension systems were practically initiated by the retired pension for military officials in 1975. As the general term of initiation of the Japanese pension systems was the introduction of Workers' Pension Insurance Law in 1942 (announced in 1941). This Workers' Pension Insurance Law was renamed Employees' Pension Insurance in 1944 and the name has been used since then. Employees' Pension Insurance covers employees with employment contracts and it did not cover all nationals. After World War II, the Member of Parliament's Mutual Aid Pension was implemented in 1958, and the National Pension was announced in 1959 and implemented in 1961. By that time the majority of the population was covered under pension schemes. However, spouses of employees in the private sector could join the National Pension on voluntary basis²⁶. In other words, this voluntary coverage remained as an important challenge for the pension system. This challenge was tackled when the measure of 'Category-3 insured persons' and the universal coverage was achieved in 1986²⁷.

The current Japanese pension systems roughly consist of three tiers, namely, the National Pension, Employees' Pension Insurance, Mutual Aid Pension and Cooperate Pensions. First, all the people living in Japan aged between 20 and 60 are compulsorily covered by the National Pension. All the workers employed by the company are covered by Employees' Pension Insurance and civil servants are covered by Mutual Aid Pension, and in case any companies offer corporate pensions, employees are also covered with such corporate pensions on top of the Employees' Pension Insurance. As of March 2013, there are 67.36 million persons who are covered by any of the pension schemes. There are 39.42 million beneficiaries of pension.

The Japanese pension systems introduced the concept of 'inter-generational support' and a pay-as-you-go system as its financing mechanism, which is the same as the Mongolian pension system. The total amount of pension premium of the Japanese pension scheme is JPY 34,300 billion (FY2014 budget), while the total amount of pension benefit is JPY 53,900 billion (FY2014 budget). In short, the pension system itself is not balanced in terms of income and expenditure. It has been maintained by receiving national financial support amounting to JPY 11,800 billion and income from the pension reserve fund. The total amount of pension reserve fund is JPY 154,500 billion, as of March 2013.

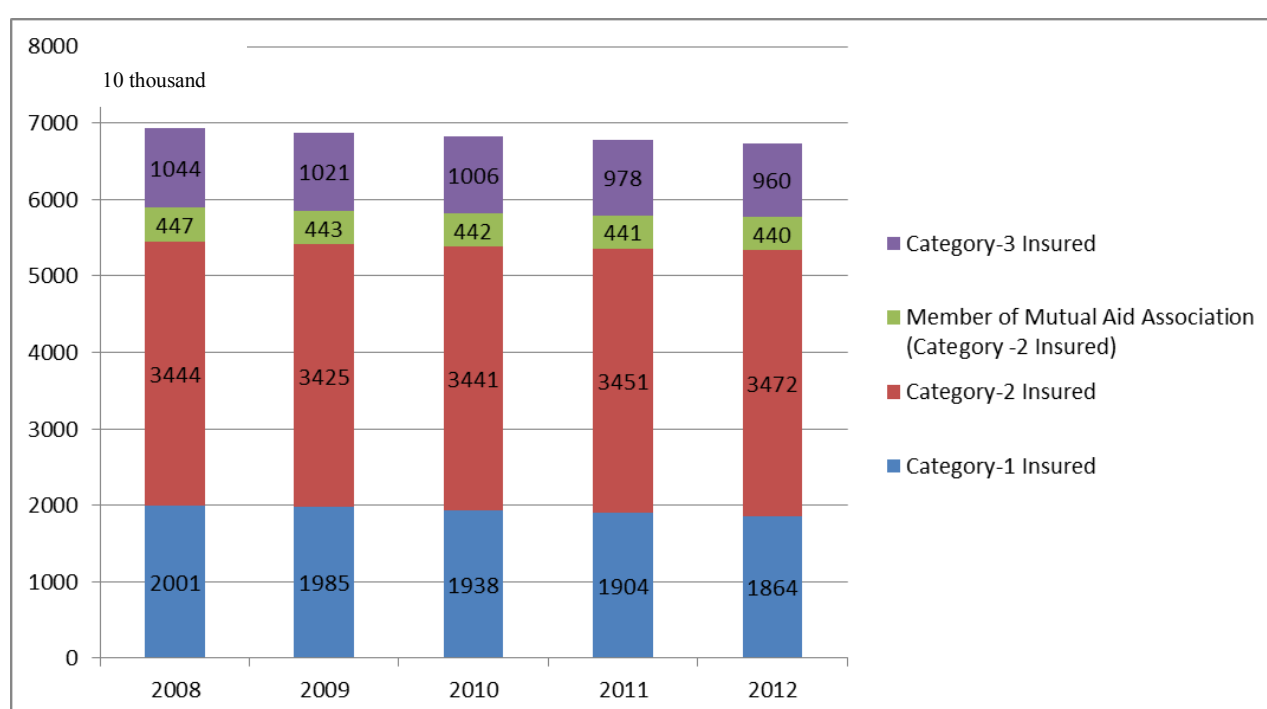
As aging in Japan progresses at an extremely high speed, there are a series of measures for the pension system in order to cope with the decreasing number of working population and increasing number of pension beneficiaries. To maintain the pension systems, the Ministry of Health, Labour and Welfare currently estimates to guarantee 50.1% of income replacement rate of working generation, which was estimated 62.3% in 2009.

²⁶ There was a possibility that spouses of employees in the private sector could not be pensioners due to divorce.

²⁷ Category-3 insured person will be explained later.

From the point of view of this mechanism so as to avoid the heavy burden to the working generation in the future, by fixing the premium level of the final premium rate and each year until the premium rate reaches the final premium rate, in response to the reduction of the active population (degrading capacity of premium payment by the working generation) and extension of the average life expectancy (total pension amount is to be increased), the system automatically balances the pension benefit that maintains 50% of the income replacement rate of the working generation. Investment of the pension reserve fund was started in 2004 and some return was generated (details to be explained in Section 6.1.4).

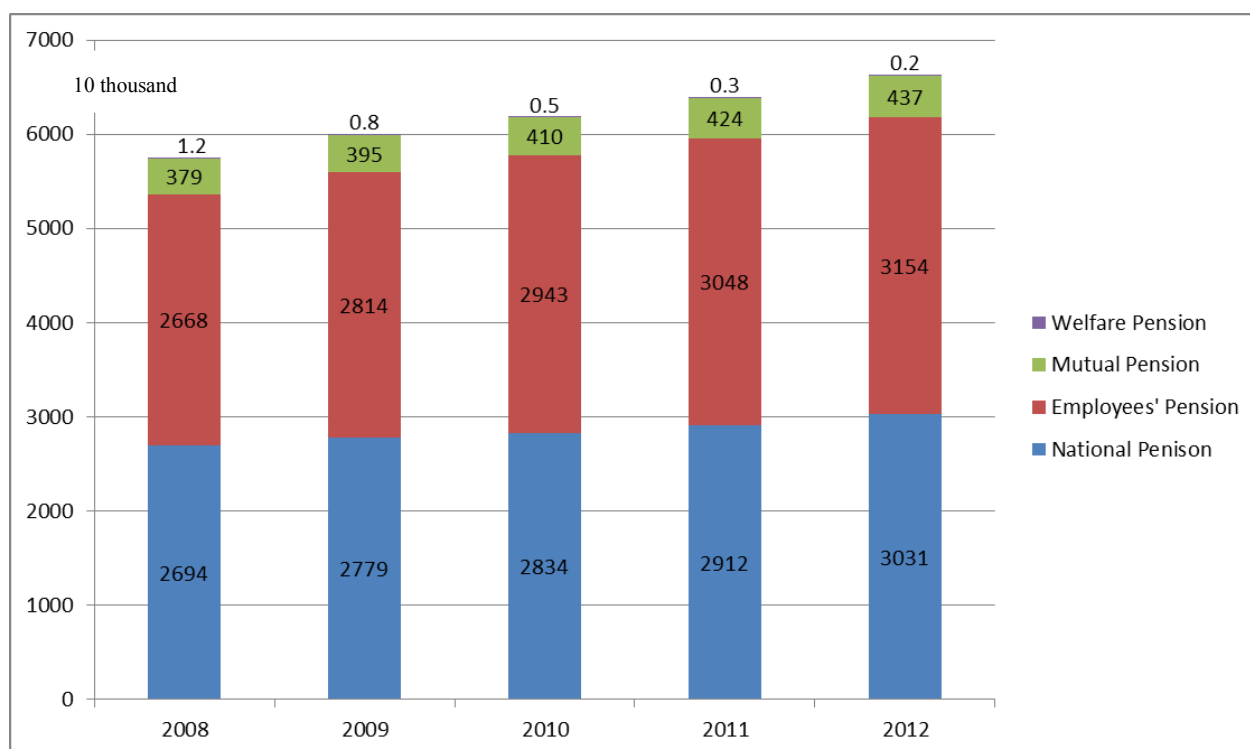
As the aged society progresses, the number of insured persons has decreased to 67 million in 2012, which was 70 million in 2008. This implies that ageing is progressing and the working generation is decreasing (see Figure 6-1).



(Source: Pension Bureau, Ministry of Health, Labour and Welfare ‘Overview of Employees’ Pension Insurance and National Pension 2012’)

Figure 6-1 Status of Number of Insured Persons

On the other hand, the number of pension beneficiaries increased from 37.44 million in 2008 to 39.42 million in 2012, which means that two million beneficiaries have increased within four years (see Figure 6-2). The amount of pension was increased to JPY 5,000 billion, and the financial burden due to aging is becoming a serious problem for the pension system.



(Source: Pension Bureau, Ministry of Health, Labour and Welfare 'Overview of Employees' Pension Insurance and National Pension 2012')

Figure 6-2 Status of Pension Beneficiaries

Table 6-1 Trends in the Total Amount of Pension Benefits

Unit : JPY 100 million

year	Total Amount	National Pension	Employees' Pension	Mutual aid Benefit	Welfare Pension
2008	488,658	173,646	249,461	65,504	47
2009	502,554	180,421	255,333	66,768	32
2010	511,332	185,352	258,761	67,199	21
2011	522,229	191,168	263,023	68,026	13
2012	532,397	199,912	263,902	68,575	8

(Source: Pension Bureau, Ministry of Health, Labour and Welfare 'Overview of Employees' Pension Insurance and National Pension 2012')

6.1.1 Categories of Insured Persons under the Pension System

Under the Japanese pension systems, there are three categories of insured persons, as follows:

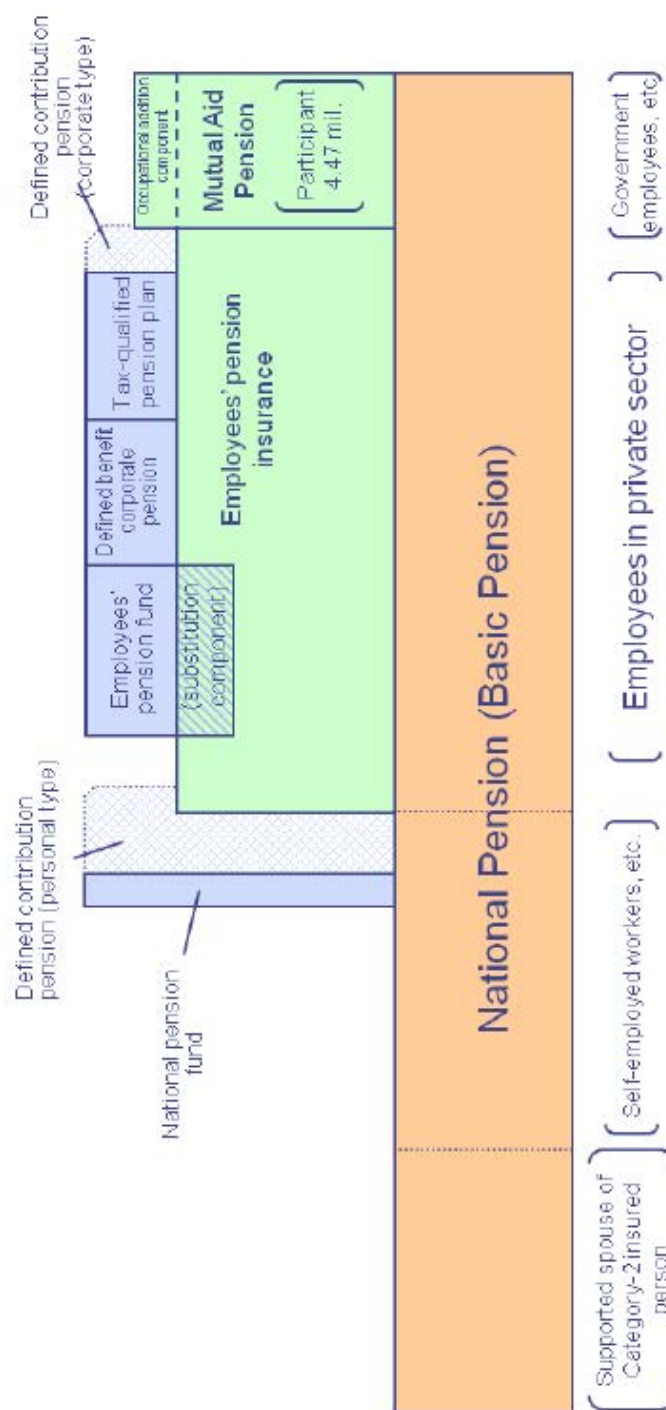
Category-1 Insured: Persons other than those in the foregoing categories, i.e., self-employed workers or those engaged in agriculture, forestry or fisheries, aged 20 to 60 years, are insured persons of the National Pension.

Category-2 Insured: Persons under 70 years old and employed by an establishment covered by employees' pension are insured under employees' pension. Also, public officials of the state and local municipal bodies

and participants of the Private School Teachers' and Employees' Mutual Aid Association are association members, etc., of the mutual aid association.

Category-3 Insured: Persons aged 20 to 60 years who are the spouse of a participant of employees' pension and whose living is mainly supported by the income of those insured under the employees' pension are considered insured persons of the National Pension.

There are 18 million insured persons under Category-1, 40 million insured persons under Category-2, and 9.5 million insured persons under Category-3, as of March 2013. Figure 6-3 shows that the pension schemes which these insured persons are obliged to join.



(Source : The Point of the Pension Plan, Ministry of Health, Labour and Welfare)

Figure 6-3 Image of the Japanese Pension System

6.1.2 Outline of the National Pension System

Premium of the National Pension

The National Pension System targets all nationals aged 20 or more, but those who are Category-1 insured are only obliged to pay their premium. At present, Category-1 insured persons are obliged to pay their premium at a monthly rate of JPY 15,250. This premium is planned to increase up to JPY 16,900 by 2017. Calculation of premium is determined by fixed premium rate and premium revision rate as stipulated by

law, and the premium revision rate and nominal wage change rate (= inflation rate and the real wage rate of change) is calculated by multiplying them. Recent development of the National Pension premium is shown in Table 6-2.

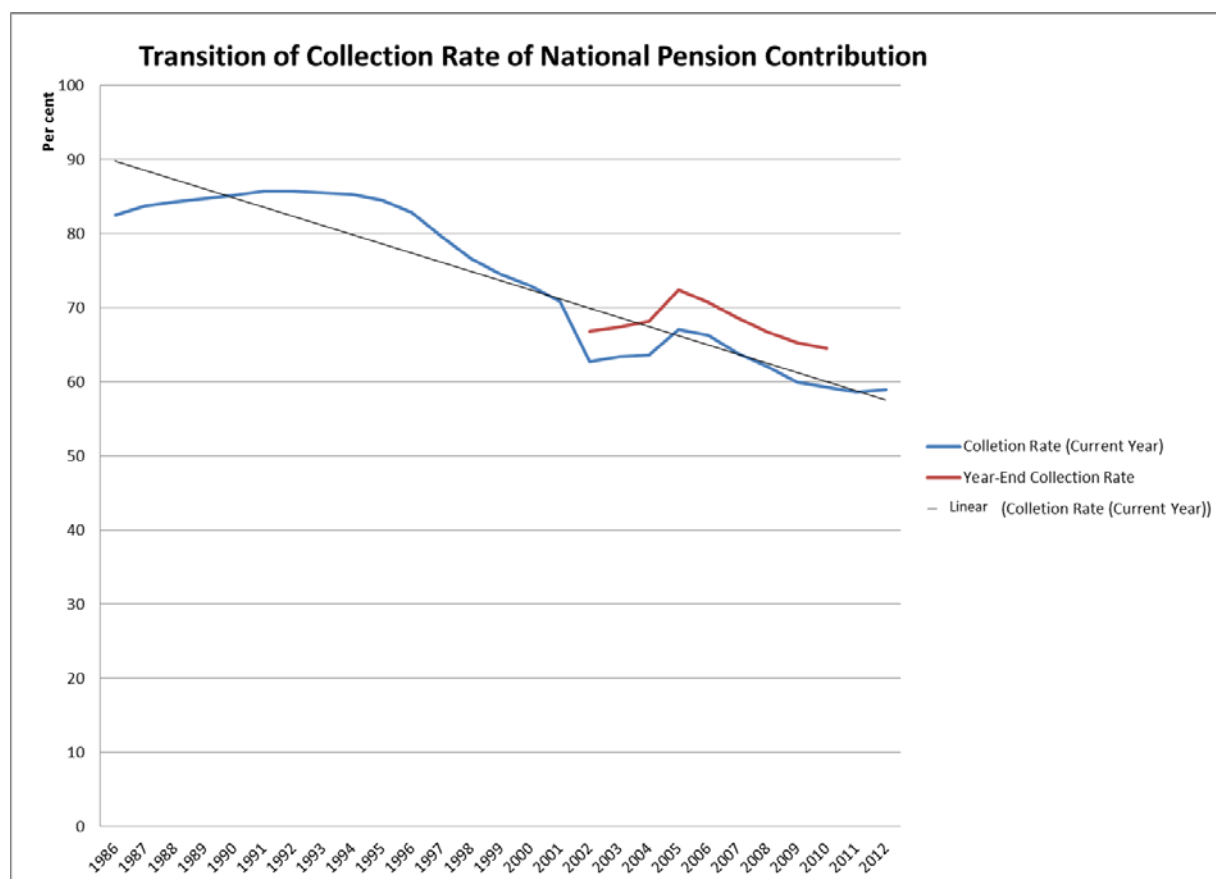
Table 6-2 Actual Premium Rate Calculated based on Consumer Price Change

Period	Revision Rate	Rate of Consumer Price Fluctuation		Rate of Actual Wage Fluctuation		Revision Rate of Contribution	Contribution Rate as of 2006	Actual Contribution Rate	
Contributin Rate since 2004	2004.04 - 2005.03	-	-	-	-	1	13,580	13,580	
	2005.04 - 2006.03	-	-	-	-	1	13,580	13,580	
	2006.04 - 2007.03	1	1	0.00%	-	1	13,860	13,860	
	2007.04 - 2008.03	1	0.997	-0.30%	-	0.997	14,140	14,100	
	2008.04 - 2009.03	0.997	1.003	0.30%	0.999	-0.10%	0.999	14,420	14,410
	2009.04 - 2010.03	0.999	1	0.00%	0.998	-0.20%	0.997	14,700	14,660
	2010.04 - 2011.03	0.997	1.014	1.40%	0.997	-0.30%	1.008	14,980	15,100
	2011.04 - 2012.03	1.008	0.986	-1.40%	0.99	-1.00%	0.984	15,260	15,020
	2012.04 - 2013.03	0.984	0.993	-0.70%	0.987	-1.30%	0.964	15,540	14,980
	2013.04 - 2014.03	0.964	0.997	-0.30%	0.989	-1.10%	0.951	15,820	15,040
2014.04 - 2015.03	0.951	1	0.00%	0.996	-0.40%	0.947	16,100	15,250	
Future Contribution Rate	2015.04 - 2016.03						16,380		
	2016.04 - 2017.03						16,660		
	2017.04 - 2018.03						16,900		

(Source: 'Method of Setting of National Pension Premium for the Future', Japan Pension Service)

Collection of the National Pension premium is done by the Japan Pension Service, and it is handled by 313 pension offices. Method of payment is chosen between credit card and cash payment. Cash payment can be done in majority of financial institution (approximately 60,000) branches such as banks and post offices.

Although the collection of the National Pension premium has been an administrative function imposed upon the local governments by the central governments, the enforcement of the decentralization law was enacted on 1 April 2002, and the function of premium collection was re-transferred to the central government. However, the local government did not provide important information to the national government such as city tax due to the security of individual information. Because of this the performance of collection of national pension premium has been worsening dramatically due to the limited function of the national government. In other words, the national government could not use the same information as the local governments.



(Source: Pension Bureau, Ministry of Health, Labour and Welfare, Japan Pension Agency, 'Present Situations of Collection of National Pension Contribution and Future Actions, 2012')

Figure 6-4 Transition of Rate of Collection of the National Pension Premium

In order to respond to the worsening situations of collection of the National Pension premium, pension offices take actions such as telephoning, visiting households, and issuing letters. In case that no reaction is confirmed, a final reminder will be issued to individual insured person. The final reminder clearly mentions that property will be seized in case such insured person does not pay his/her premium by the designated date. There were 6,000 cases of foreclosure in 2009.

The Japan Pension Service raises the following eight points for the improvement of premium collection:

- (1) Strengthening of forced collection system and promotion of reminders;
- (2) Discussion regarding the cost for the collection of premiums in arrears;
- (3) Revision of application principle for exemption;
- (4) Expansion of payment method of insurance premium;
- (5) Strengthening of reliable and efficient collection system;
- (6) Strengthening the corporative function with government institutions;
- (7) Corresponding to the changes in employment and socioeconomic conditions; and
- (8) Promotion in understanding of the public pension system.

Benefits under the National Pension System

Under the National Pension Systems the Old-age Basic Pension, the Disability Basic Pension, and the Survivors' Basic Pension, and those benefits are paid in case the insured person meets the conditions.

【Old-Age Basic Pension】

The insured person who has an eligible period of 25 years or more obtains eligibility for the Old-age Basic Pension when he/she reaches 65 years of age. As of 2014, the basic pension amount is JPY 772,800 a year if the premium-paid period is 480 months (40 years). The amount is reduced according to the exempted period. The reduction will be one-third before March 2009 and half after April 2009.

The amount of the Old-age Basic Pension is calculated by using the following formula:

Full Pension (480 month premium) : JPY 772,800

Less than 480 month premium : JPY 772,800 × premium-paid month / 480

In case, there are premium-exempted months, different rates are applied.

Those insured under the National Pension System may choose the starting age when to receive the benefits. If he/she chooses to receive them earlier than age 65, the amount of the pension is reduced, whole if after age 65, the amount is increased. Once such measures are chosen, the amount of pension is fixed and cannot be applied for any other change.

【Disability Basic Pension】

Those insured under the National Pension System and those aged 60 years and over but under 65 who were insured under the National Pension System, live in Japan, and suffer from a prescribed disability due to an injury or sickness are paid under the Disability Basic Pension. To be eligible for this pension, insured persons must meet the following conditions:

- As of the day prior to the day when the insured person first consults with a doctor or dentist (day of the first consultation) as to the injury or sickness causing the disability, the total premium-paid period and exempted periods are at least two-thirds of his/her insured period until two months before the month containing the days of the first consultation.
- Those who suffered from physical disability when they are under 20 years of age and had not joined the National Pension System yet are also paid the Disability Basic Pension when they reach age 20. In this case, the payment is suspended if their income during the prior years is above the prescribed level or if they live overseas.
- The evaluation of the disability should be made by qualifying doctors according to the Disability Grade Table prescribed, and benefits are paid to those who are evaluated with Grade 1 or 2.

The Disability Basic Pension is calculated by the following formula:

Grade 1 : JPY 772,800 × 1.25 + additional benefit for children)

Grade 2 : JPY 772,800 + additional benefit for children

Additional Benefit for Children : JPY 222,400 (first and second child), JPY 74,100 (third child and after)

Since the Disability Basic Pension is paid those aged 20 and below, income limitation of household is applied. In the case of two-person households, if their household income is more than JPY 3,984,000, half the amount will be suspended. If their household income is more than JPY 5,001,000, the total pension benefit will be suspended. This is because there is no obligation of premium payment before the age of 20, and benefit is financed by the national tax and the perspective of equality.

【Survivors' Basic Pension】

The Survivors' Basic Pension is paid to a widow or child/children²⁸ of the deceased chiefly in the following cases: (1) When the insured person dies; (2) When those aged between 60 and 65 who used to be insured persons and have an address in Japan die; and (3) When a beneficiary of the Old-age Basic Pension dies. The widow or child/children have to be dependents of the insured person when he dies. In addition, the Survivors' Basic Pension is paid until the end of the fiscal year when the children's 18 years of birthday falls under or until the unmarried disabled children become age 20; while that is provided to the widow who lives with her child/children and satisfy these requirements.

As in the case of the Disability Basic Pension, as of the day prior to the day when the insured person dies, the total premium-paid and exempted periods must be at least two-thirds of the insured period of the insured person until two months before the month containing the date of death.

The present benefit amount in the following:

JPY 772,800 + additional benefit for children

Additional Benefit for Children : JPY 222,400 (first and second child), JPY 74,100 (third child and after)

6.1.3 Outline of the Employees' Pension Insurance

Application of the Employees' Pension Insurance

All incorporated establishments and non-incorporated establishments which regularly hire five employees or more are compulsorily covered by the Employees' Pension Insurance (called covered workplace). All employees aged 70 years or below who are hired by covered workplaces on a regular basis are compulsorily insured under the Employees' Pension Insurance. Excluded are seasonal workers, temporarily-hired

²⁸ 'Child or Children' means those who are aged 18 or below by 31 March of the financial year, and those who are evaluated as with Grade 1 or 2 disability and aged 20 years or below.

workers for contract jobs, and employees hired for a short period. Part-timers are applicable in case they work three-fourths of the working days and hours of regular workers.

Table 6-3 Types of Premium

Type	Formula of Calculation
Monthly Premium	Standard Remuneration × Premium Rate
Premium Against Bonus	Standard Bonus × Premium Rate

(Source: Homepage of Japan Pension Service)

Table 6-4 Table of Standard Remuneration (September 2014-)

Average Monthly Remuneration		Monthly Remuneration			General (Other than the members of Employees' Pension Fund)	
Grade	Amount	More than	~	Less than	Total Amount 17.474%	Shared Amount 8.737%
1	98,000			101,000	17,124.52	8,562.26
2	104,000	101,000		107,000	18,172.96	9,086.48
3	110,000	107,000		114,000	19,221.40	9,610.70
4	118,000	114,000		122,000	20,619.32	10,309.66
5	126,000	122,000		130,000	22,017.24	11,008.62
6	134,000	130,000		138,000	23,415.16	11,707.58
7	142,000	138,000		146,000	24,813.08	12,406.54
8	150,000	146,000		155,000	26,211.00	13,105.50
9	160,000	155,000		165,000	27,958.40	13,979.20
10	170,000	165,000		175,000	29,705.80	14,852.90
11	180,000	175,000		185,000	31,453.20	15,726.60
12	190,000	185,000		195,000	33,200.60	16,600.30
13	200,000	195,000		210,000	34,948.00	17,474.00
14	220,000	210,000		230,000	38,442.80	19,221.40
15	240,000	230,000		250,000	41,937.60	20,968.80
16	260,000	250,000		270,000	45,432.40	22,716.20
17	280,000	270,000		290,000	48,927.20	24,463.60
18	300,000	290,000		310,000	52,422.00	26,211.00
19	320,000	310,000		330,000	55,916.80	27,958.40
20	340,000	330,000		350,000	59,411.60	29,705.80
21	360,000	350,000		370,000	62,906.40	31,453.20
22	380,000	370,000		395,000	66,401.20	33,200.60
23	410,000	395,000		425,000	71,643.40	35,821.70
24	440,000	425,000		455,000	76,885.60	38,442.80
25	470,000	455,000		485,000	82,127.80	41,063.90
26	500,000	485,000		515,000	87,370.00	43,685.00
27	530,000	515,000		545,000	92,612.20	46,306.10
28	560,000	545,000		575,000	97,854.40	48,927.20
29	590,000	575,000		605,000	103,096.60	51,548.30
30	620,000	605,000			108,338.80	54,169.40

(Source: Homepage of Japan Pension Service <http://www.nenkin.go.jp/n/www/service/detail.jsp?id=27438>)

Premium for the Employees' Pension Insurance

Just as in the case of the Employees' Health Insurance, the premium for the Employees' Pension Insurance is determined on the basis of 'Standard Remuneration'. The monthly remuneration of insured persons is divided into a number of income brackets, and the standard remuneration is determined for each income bracket. The premium is obtained by multiplying the standard remuneration by the prescribed ratio. The premium is borne equally by the employer and employee, and the employer should pay his/her premium and employees' premium for the previous month by the end of each month. At present, the premium rate is 17.120% and such premium must be paid together with the premium for the Employees' Health Insurance whose premium rate is 4.50%.

Benefit under the Employees' Pension Insurance

【Old-age Employees' Pension】

In order to qualify for the Old-age Employees' Pension, an insured person must satisfy the eligibility conditions for the Old-age Basic Pension under the National Pension Scheme. A person who has been insured by the Employee' Pension Insurance for one month or more is entitled to the both basic and Employees' Pension Insurance for one month or more, and is entitled to the basic and remuneration-proportional pension paid by the two systems respectively, provided that he/she has satisfied the minimum qualifying period of 25 years for the Old-age Basic Pension.

The Old-age Employees' Pension is payable exceptionally, from age 60, subject to the requirement of retirement. However, the official pensionable age is 65 under the National Pension. This discrepancy of pensionable age stems from the different provisions under the two systems, which existed prior to the new legislation. Both equivalent proportion to basic pension and remuneration-proportional pension (hereinafter called specially provided Old-age Employees' Pension) are to be paid from the Employees' Pension Insurance until the beneficiary reaches the age of 65.

Also, in case the insured person has more than 20 years (or 15 years after age 40) of premium-paid period under the Employees' Pension Insurance, additional pension is paid to family members who are subsistent by the insured person.

The Old-age Employees' Pension is calculated by the following formula:

Below 65 years old

Pension Amount = (1)Fix Part + (2) Remuneration Proportional Part + (3) Additional Pension

- (1) JPY 1,676 × Rate according to Date of Birth × Insured Period × 0.961
- (2) Average Monthly Remuneration × Rate according to Date of Birth × Insured period before March 2003
+ Average Monthly Remuneration × Rate according to Date of Birth × Insured period after April 2003
- (3) Additional Pension for Spouse (aged below 65) : JPY 222,400

Additional Pension for Children: JPY 222,400 (first and second child), JPY 74,100 (third child and after)

Over 65 years old

Pension Amount=(1) Remuneration Proportional Part+(2) Transitionally provided Additional Benefit+(3) Additional Pension

- (1) Average Monthly Remuneration × Rate according to Date of Birth × Insured period before March 2003 + Average Monthly Remuneration × Rate according to Date of Birth × Insured period after April 2003
- (2) Transitionally provided additional benefit can obtain the Old-age Basic Pension amount, deducted from the specially provided Old-age Employees' Pension, based on the insurance period after April 1961, between ages 20 and 60.
- (3) Additional Pension for Spouse (aged below 65) : JPY 222,400
Additional Pension for Children: JPY 222,400 (first and second child), JPY 74,100 (third child and after)

【Disability Employees' Pension】

The Disability Employees' Pension is payable when a person suffers from a prescribed degree of disability as a result of sickness or injury, and is insured on the day of the first medical consultation. In order to receive this benefit, the claimant must qualify in principle, for entitlement to a disability basic pension under the National Pension. Unlike the National Pension, three grades of disability are prescribed by the Employees' Pension Insurance. While two systems enumerate the same status of impairment for the first and second grades of disability, the Employees' Pension Insurance designates a lesser degree of disability as the third grade. In case of entitlement to the third grade, the Disability Employees' Pension and not the disability basic pension is guaranteed, whereas both the Disability Employees' Pension and disability basic pension are payable for the first and second grades of disability.

The Disability Employees' Pension is calculated by the following formula:

Grade 1 : Pension Amount based on Average Remuneration × 1.25 + Additional Pension for Spouse (JPY 222,400)

Grade 2 : Pension Amount based on Average Remuneration + Additional Pension for Spouse (JPY 222,400)

Grade 3 : Pension Amount based on Average Remuneration (Minimum amount: JPY 579,700)

Calculation Formula for Pension Amount based on Average Remuneration

Average Monthly Remuneration × (7.125/1,000) × Insured period before March 2003 + Average Monthly Remuneration × (5.481/1,000) × Insured period after April 2003

【Survivors' Employees' Pension】

In case of the death of a person who satisfied any of the following conditions, the Survivor' Employees' Pension is paid to his/her survivors: (1) at the time of death, he/she was insured under the Employees' Pension Insurance, (2) he/she died of sickness or injury, within the five years since the first medical consultation day when he/she was insured, (3) he/she was in receipt of or entitled to the first or second grade disability pension, or (4) he/she had satisfied the qualifying period for the Old-age Basic Pension. The range of survivors who are subject to the payment of the Survivors Employees' Pension is wider than for the National Pension. In addition to widowed mothers with children, childless widows, widowers, parents, grandchildren, and grandparent are provided for it, if they were financially dependent upon the deceased. The children and grandchildren must be under 18 years of age, (or 20 if disabled), whereas widowers, parents, and grandparents must be 55 years old or over. Payment is made in the following order of priority: widowed mother, children, childless widow, widower, parents, grandchildren, and grandparents. If there is any one of higher priority who is entitled to the pension, it is not paid to survivors of lower priority.

The Survivors Employees' Pension is calculated by the following formula:

Calculation formula for remuneration proportional pension

Average Monthly Remuneration \times (7.125/1,000) \times Insured period before March 2003 + Average Monthly Remuneration \times (5.481/1,000) \times Insured period after April 2003 \times 3/4

In addition to the above mentioned, in case one of the conditions shown below is met, additional benefit is provided with the rate of JPY 579,700.

- Widow who is aged between 40 and 65 and was financially dependent on the deceased.
- Widows with children who received the Survivors' Employees' Pension and the Survivors' Basic Pension (when she reached 40 she had children and received the Survivors' Basic Pension) cannot receive the Survivors' Basic Pension if her children is 18 years of age (or 20 if disabled)

6.1.4 Administration of Pension Reserve Funds

In Japan, in the past pension reserve funds were incorporated within the Fiscal Investment and Loan Program (FILP) as valuable large-scale public financial resources, together with postal savings. Pension reserves were invested in public investment and loan projects for which private-sector money was inadequate or unsuited for such investments, but were deemed to be secure and to offer public benefits.

Once the post-World War II recovery and high economic growth had paused, the historical mission played by the government's over-concentrated investment of public funds was over, and risk management such as Asset Liability Management (ALM)²⁹ became essential. Accordingly, in April 2006 the Government

²⁹ This refers to a financial engineering management method for assets and liabilities and to the system itself. Unlike the period when the majority of assets and liabilities did not generate/incur interest or only earned/paid a fixed rate, at present the purchase of interest rate-sensitive financial products is increasing, which means that interest

Pension Investment Fund (GPIF) was established as an institution to specialize in investing pension reserve funds.

Currently, the GPIF manages approximately JPY130 trillion in assets, the world's second largest fund after the US's Social Security Trust Fund, which totals USD2,764 billion (approx. JPY330 trillion).³⁰

Table 6-5 Investment Returns of GPIF

	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013
Profit (JPY-bil.-)	▲ 5,518	▲ 9,667	9,185	▲ 300	2,609	11,222	10,221
Rate of Return	-4.59%	-7.57%	7.91%	-0.25%	2.32%	10.23%	8.64%

(Source: "Updated Highlights of Investment Returns" and "Annual Investment Returns," GPIF Homepage)

The GPIF's investment performances were extremely good both in the fiscal year 2013 and the fiscal year 2012, with JPY10,220.7 billion (return of 8.64%) and JPY11,222.2 billion (return of 10.23%) in investment returns, respectively. These performances are outstanding when considering that Japan's policy rate has been near zero in recent years. However, GPIF posted a loss of approximately JPY10 trillion in the fiscal year 2008 and almost JPY5,600 billion in the fiscal year 2007, indicating that it is not easy to generate returns even if the money is managed by experts.

Table 6-6 Japan-Mongolia: Brief Comparison of Pension Fund Scale and Security

	Pension Fund Bal.	Pension Benefit Pay/Year	Fund/Pay	Fiscal Year
Japan	JPY127-tri.-	JPY51-tri.-	2.49	2010
Mongolia	JPY54-bil.-	JPY63.5-bil.-	0.85	2013

(Source: Ministry of Health, Labor and Welfare, *Brief Summary of Employees Pension and National Pension Insurances*, (FY 2011) and National Statistical Office of Mongolia, *Mongolian Statistical Yearbook 2013*.)

A comparison between Japan and Mongolia's pension funds shows that they differ significantly in terms of scale, but the scale itself does not directly determine the success or failure of asset management nor whether the system should be liberalized (accordingly, Japan's asset management techniques could not be transferred to Mongolia). Nevertheless, the point to note in the comparison of the two countries' systems shown in Table 6-6 is the extent of the reserves held by the fund relative to the annual pension benefits that must be paid out as an obligation to citizens—in other words, the security of the system. The GPIF's reserves are equivalent to approximately 2.5 times Japan's annual payments, while Mongolia's reserves are only equivalent to even less than one year of pension benefit payments. Given these conditions, the near-term issue for Mongolia is not to make more speculative investments with its public pensions, which are required from the first to be conservative, but rather to increase its reserves.

There are several theories as to why the GPIF's investment returns are strong, but one factor lies in the changes in its portfolio (allocation targets for its investments).

rate fluctuations have a major impact on the management of companies and public bodies. Calculating and projecting value fluctuations over time and taking preventative measures that would not disrupt the management of private companies and public bodies is indispensable for the management of modern-day businesses holding large assets and liabilities.

³⁰ SWFI, "Public Fund League Table," (<http://www.swfinstitute.org/public-fund-league-table/>) (as of June 2014).

Table 6-7 Chronological Change of GPIF's Portfolio

	Domestic Bonds	Domestic Securities	Foreign Bonds	Foreign Securities	Short-term Assets
April 2010~ June 2013	67%	11%	8%	9%	5%
June 2013~ Oct. 2014	60%	12%	11%	12%	5%
Oct. 2014~	35%	25%	15%	25%	—

(Source: "Framework of Basic Portfolio," GPIF Homepage)

Table 6-7 shows that the GPIF frequently revises its portfolio, and has shifted more to equity investments compared to the past few years. Indeed, the Nikkei stock average rose 57% in 2013, which has supported the GPIF's solid performance.

However, sustaining and improving the asset value for the long term is the most important principle in the investment of pension funds, while being entrusted by the citizens for their old age and contingencies. A policy that emphasizes stock investment, which results in price fluctuations in the short term, carries risks. The discussion about the GPIF in this section is only to provide information for consideration in Mongolia's own fund investment, and not to intend to question the pros and cons of the GPIF's investment methods and its reforms, which have been driven by recent administrations. It is essential to clearly determine, however, whether the recent strength of the stock market truly reflects the strength of the Japanese economy, or whether it reflects a hypothetical economy created by other factors, such as the massive influx of money into the market. If the former is the case, there is a greater chance that the value of the public fund can be sustained and improved over the long term, but if the latter, it should be recognized that this skyrocketing asset value cannot last long. Whether in Japan or Mongolia, assessing the true causes behind economic growth and a positive economic cycle as well as their sustainability is a key to safely investing public funds.

When considering investments of public funds in capital markets, operations must be transparent given the public nature of public funds. Strictly speaking, these public funds were originally the personal assets of individual citizens that have been entrusted to public organizations, and their public nature is the result of their management by public officials or experts with a public character as the proxy of the original owner of the financial assets. Study Team confirmed that all of the related organizations in Mongolia, namely, MPDSP, SIGO and MOF, recognize the importance of ensuring the transparency of asset management operations.

However, asset management does not readily lend itself to transparency. For example, disclosing the contents of the portfolio exposes the investment strategy to rivals, which would be extremely disadvantageous in a competitive market environment. The scale of assets is disclosed, so competitors know how much money will flow into financial and investment markets and at what time. The investment of public funds could be put at a disadvantage from the starting line in this period when credit transactions take place at the speed of super computers. (While we may question the GPIF's remarkable success over the past few years, it is proof that this concept exists on one side. In other words, there is a chance that large

investors like the GPIF could create a kind of bubble because they expand the scale of entry, and there are concerns that it cannot last over the long term.)

Hence, it is more realistic for investment managers in the real world to abandon any notion of fulfilling their obligation to disclose information in advance and instead focus on disclosure after the fact. However, this increase the suspicion among the citizens who entrust their money, particularly in the initial stage, and when investment results are disappointing, criticisms to the asset management institutions and managers may escalate. In order to avoid such a result, the most difficult questions for public fund management are (1) whether asset management institutions and managers should be more passive in their information disclosure and (2) whether they should make investments that are easy to explain later—in other words, choose in defensive investments—and thus create the risk that they will fall into a negative cycle by themselves eliminating opportunities to generate revenue.

Towards the future it is essential to continue to explore the optimal direction for Mongolia's pension fund investments from a long-term perspective, while examining conditions for public fund investments in other countries, such as the GPIF, taking into account the above points, Mongolia's investment environment and macro-economic conditions.³¹

6.1.5 Automatic Coordination Mechanism (Macro-Economic Slide)

As mentioned earlier, the Japanese Pension System introduces a pay-as-you-go system (inter-generational support); hence the total amount of premium from the working generation is used for the pension benefits of the retired generation. Therefore, while income increase from economic growth contributes to the salary of the working generation and corporate income, at the same time such income growth should support to maintain the purchasing power of the retired generation. From this point, the present pension system introduces a slide system for the pension benefit. Regarding pension reforms before 2004, pension benefit was re-evaluated every five years by both wage growth rate and consumer price increase. This measure was to be done to maintain the living standards and purchasing power of consumables of beneficiaries. These are indexations by wage and consumer prices. The Pension Reform in 2004 changed the schedule of pension reform and started adjusting the amount of benefits in the case where it is anticipated, in the actuarial verification that is held at least once every five years, that keeping the financial equilibrium of pension is difficult throughout the financial equilibrium period, even though keeping the necessary amount of pension reserve (approximately one year of the amount of benefit) so as not to be detrimental to the pension payment at the end of approximately 100 years of the financial equilibrium period. The amount of pension usually increases in accordance to wage and price increases. However, during the adjustment period of pension benefits, the revision of pension benefits will be reflected in the decrease of the force that bears the pension system and growth of average life expectancy so that the increase of the amount of pension shall be suppressed to be lower than the increase of wage and prices. (This system is called as the

³¹ References for the above section on public fund investments were Ambachtsheer, Keith, *Recommendations on Governance of Public Pension Investments* (Nomura Institute of Capital Markets Research: Tokyo, 2008) (edited and translated into Japanese by Nomura Institute of Capital Markets Research), and Obata, Seki, *GPIF: The World's Biggest Institutional Investor* (Toyo Keizai: Tokyo, 2014).

“Macro-Economic Slide Formula”.) In subsequent actuarial verification, at a time when the financial equilibrium of pension is anticipated to be sustainable, those adjustments to the amount of benefits shall be concluded.

(1) The premium rate will be revised to 18.30% for the Employees’ Pension Insurance and JPY 16,900 for the National Pension.

(2) National financial support to the basic pension is to be raised to half of the cost.

(3) Utilizing the pension reserve fund, the pension system will be balanced for the next 100 years. For this purpose, the pension reserve holds the fund which is equivalent to the total amount of the annual pension benefit.

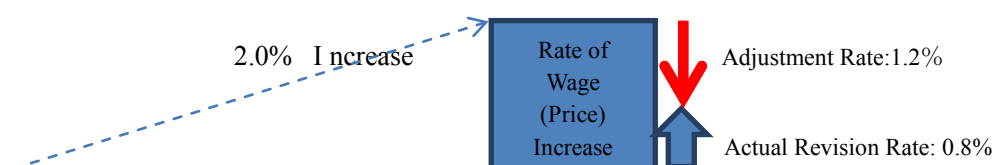
(4) An automatic coordination mechanism which balances the pension system within the available fund is introduced.

From the point of view of this mechanism to avoid heavy burden to the working generation in the future, by fixing the premium level of the final premium rate and each year until the premium rate reaches the final premium rate, in response to the reduction of the active population (degrading capacity of premium payment by the working generation) and extension of the average life expectancy (total pension amount is to be increased), the system automatically balances the pension benefit that maintains 50% of the income replacement rate of the working generation. However, while an adjustment corresponding to the demographic is not intended to be adjusted by using indicators of the macro economy. It is commonly known as "macro-economic slide" from characteristics of the mechanism that considers macro fluctuation.

The system of macro-economic slide is described below.

During the coordination period mentioned in (3) above, the slide coordination rate will be deducted from the indexation rate. The slide coordination rate is defined³² as “reduction rate of the number of insured in the pension system + fixed rate which considers the extension of average life expectancy (0.3%)”.

(Example) In case that the wage (price) increase rate is 2.0% and the slide coordination rate is 1.2%, the actual revision rate of pension benefit is 0.8%.



However, ① When the increase rates of wages and prices are small, and in case that the amount of nominal pension benefit is increased upon the application of the slide coordination rate, the nominal pension benefit

³² Slide coordination rate was shown that the average rate of 0.9% (reduction rate of the number of the insured was 0.6%) from the coordination period (20 years)

will be guaranteed. ② When wages and prices are negative, such indexation by wages and prices is applied but the slide coordination rate will not be applied.

Since the Japanese economy has continued to deflate since 2004, this macro-economic slide has not been introduced. However, taking into consideration the recent economic situations, it is expected that the macro-economic slide will be introduced in 2015.

6.1.6 Training Program for Staff

The Japan Pension Service is equivalent to the Social Insurance General Office of Mongolia, if the pension system is considered. Newly-recruited staff will be assigned mainly to pension offices in order to experience the actual pension business. They will experience application, collection of premium, payment of benefit and consultation at the pension offices, and they will also obtain knowledge on planning and administration at the headquarters and block offices (prefectures). Staff is reshuffled twice before becoming managers. The Japan Pension Service does not guarantee assigning them to their desired place and workplace, but they consider carefully the staff's capacity and characteristics. Also, the Japan Pension Service considers the period for raising a child and tries not to reshuffle them for their work-life balance.

(1) General Staff

【Training for Newly-Recruited Staff】

Newly-recruited staff is supposed to attend a wide range of training programs for the purpose of obtaining basic business manner, knowledge-related pension, and practical business of pension offices. Also a follow-up training program is provided to deepen the knowledge after the training. In addition, after recruitment, a tutor will be assigned to provide support to newly-recruited staff for obtaining necessary knowledge, skills, and attitude to work.

Moreover, e-learning has been provided as self-training, and the training program can be followed via the internet. Newly-recruited staff can follow a basic course.

The initial training was planned to be conducted for three months, but it was gradually shortened for cost-effectiveness.

【Training for Junior Staff】

Junior staff needs to follow in the internet the following training programs to improve accuracy and effectiveness:

- Training for effective application
- Training for benefit payment
- Training for pension consultation manager

In addition to the abovementioned training programs, in order to respond to the respective challenges, the following training will be provided:

- Training for seamen's insurance
- Training for cultivation of lectures of consultation
- Training for delinquency treatment

These training programs are provided to all junior staff, but in case there are staff who cannot follow these training programs, similar programs are provided to the senior staff.

Additionally, selected staff may follow a training program for tutor cultivation. Those trained will be tutors for newly-recruited staff.

Moreover, e-learning has been provided as self-training, and the training program can be followed via the internet. Junior staff can follow an advanced course.

【Training for Senior Staff】

Senior staff needs to follow in the internet the following training programs for further improvement in accuracy and effectiveness:

- Training for effective application
- Training for benefit payment
- Training for pension consultation manager

In addition to the abovementioned training programs, in order to respond the respective challenges, the following training will be provided:

- Training for seamen's insurance
- Training for cultivation of lectures of consultation
- Training for delinquency treatment

Additionally, selected staff may follow a training program for tutor cultivation. Those trained will be tutors for newly-recruited staff.

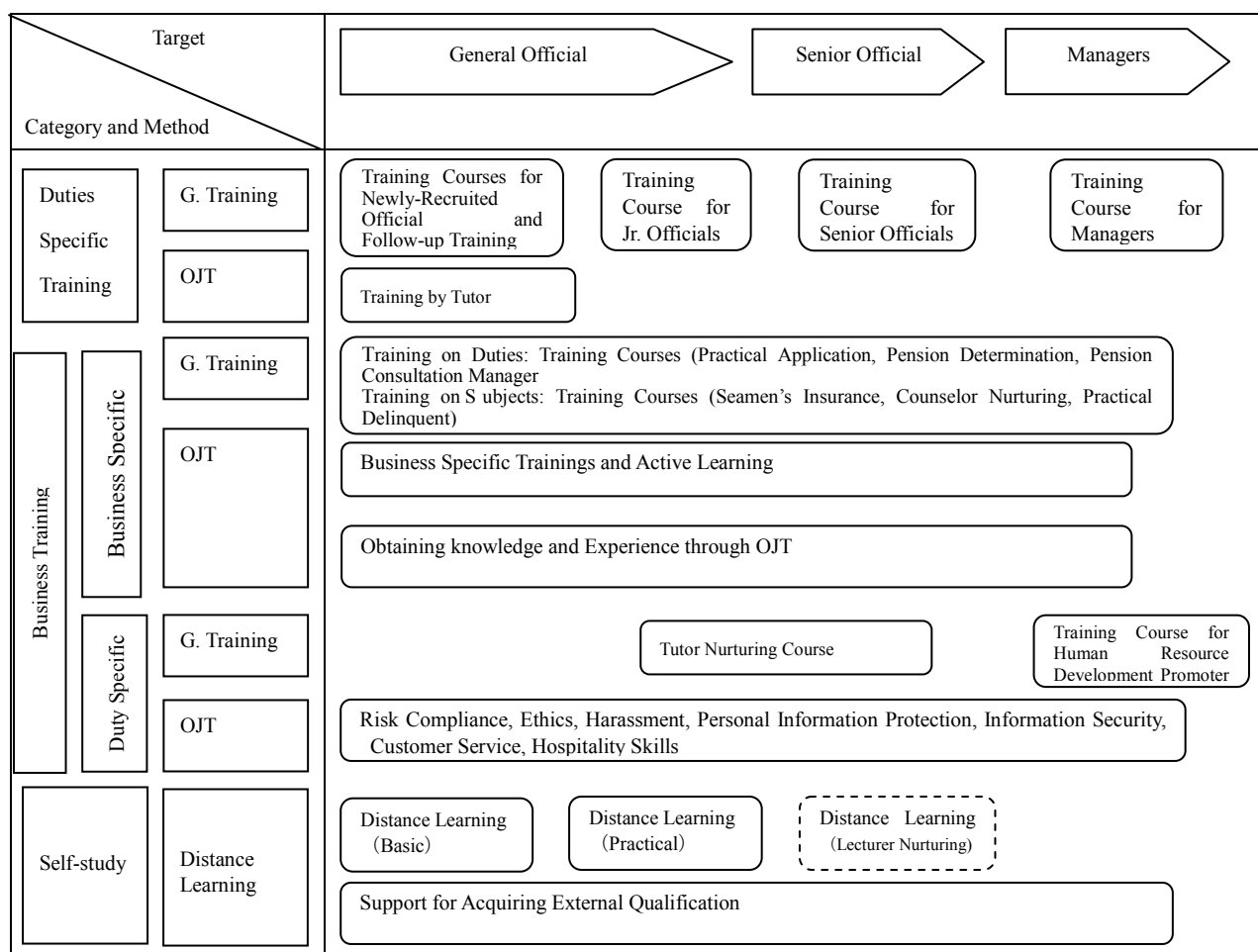
Moreover, same as the junior staff, e-learning has been provided as self-training, and the training program can be followed via the internet. Senior staff can follow a trainer cultivation course.

【Training for Managers】

Managers need to follow in the internet the training for managers in order to obtain knowledge about the function of managers, and their behavior that is expected to contribute to smooth operation of the social insurance system. Moreover, some are expected to follow the training for human resources development promoter.

In addition to the abovementioned training, there are on-the-job training (OJT) programs, such as on risk compliance, ethics, harassment, protection of personal information, information security, and customer service.

These training programs are supervised and designed by the Pension Bureau of the Ministry of Health, Labour and Welfare, and their contents are also checked. The Training Center (former Social Insurance College) of the Japan Pension Service has developed plans for implementation. These programs are shown in Figure 6-5 by staff level and in chronological order. Those trainings tend to shorten the balance with operations. Also, the implementation status of the training programs is shown in Table 6-8.



(Source: Homepage of Japan Pension Service, Material (1-1) for Social Security Council, MHLW dated on 28 November 2014)

Figure 6-5 Training System of the Japan Pension Service

Table 6-8 Implementation Status in 2014

Title of Training course		Target	Frequency	Plan (2014)	Actual (2014) First Half	Plan (2013)	Actual (2013) First Half
Group Training	Duties Specific Training	Newly Recruited Officials	1	270	263	280	272
		Regular Official Appointment	1	100	0	250	274
		Pension Counselor Appointment	-	-	-	75	74
		Officials other than the above	27	1178	365	1280	589
	Business Specific Training	Officials	32	1252	544	1509	576
	Common Training	Officials	11	501	309	400	371
Total			72	3301	1481	3794	2156

(Source: Homepage of Japan Pension Service, Material (1-1) for Social Security Council, MHLW dated on 28 November 2014)

6.2 Points of Japanese Experience which are Useful for Mongolian Pension Reform and Operation

The Japanese experience during high economic growth period when the pension system needed to cope with wage increase and inflation will provide some indications to Mongolia, which presently faces socioeconomic changes, and contribute to adjust the pension benefit level to match actual living standards.

The Japanese society is progressively aging, which is not observed in any other county, and the rate of aging will be 40% by 2050³³³⁴. There were many measures taken and several financial re-calculations for the pension system and the idea of macro-economic slide will provide policy options to be utilized. Especially, the concept of balancing ‘reduction rate of working generation’ and ‘extension of average life expectancy’ may become an indicator to stabilize the Mongolian pension system.

The pension reform in 1985 was implemented in order to prepare the forthcoming aged society. There were six major points for sustainability of the pension system, as follows:

- ① Establishment of basic pension as universal pension.
- ② Adjustment of pension benefit level (gradually reduce the unit price and payment rate to cope with extension of insured period (up to 40 years)).
- ③ Compulsory coverage of spouses of employees in the private sector (Introduction of Category-3 insured person).
- ④ Revision of the disability pension (guarantee the disability pension to those who are under a disability condition before 20 years old).

³³ United Nations, *World Population Prospects: 2008 Revision*.

³⁴ Second highest aging ratio is expected in Italy at 33% in 2050 (UN, *Ibid.*).

- ⑤ Extension of coverage to workplaces with less than five workers.
- ⑥ Raising the pensionable age for women under the Old-age Employees' Pension (55 to 60 years old by 2000).

Because the Basic Pension was established for all nationals, housewives who were covered on voluntary basis also became compulsorily covered and future pension rights were supposed to be guaranteed. This measure was intended to avoid old-age poverty. Also, the pensionable age for women was 55 but due to women's social advancement, their pensionable age was raised by five years to 60 years of age under the Employees' Pension Insurance. Also, the coverage of the Employees' Pension Insurance was extended to workplaces with less than five workers in order to guarantee higher pensions.

Since Mongolia is facing the challenge of extension of coverage to informal sector workers such as herders and the self-employed, the Japanese experiences such as introduction of compulsory coverage to spouse of employees (e.g., housewives) as a Category-3 insured person, measures taken by the former Social Insurance Agency, the change of procedure of premium collection due to the abolishment of administrative functions imposed upon local governments by the central government. Such experience could give ideas for promotional measures for informal sector workers who are to be introduced. Especially, measures such as pamphlets, flyers, and TV commercial programs are considered as effective tools. It is also possible to use short message service to remind voluntary insured persons on necessary procedures, etc.

Moreover, the method of collection of premium for compulsory insured persons is based on the financial report submitted by the company. This procedure needs to continue to check employees' salary every month, and because the human resources of social insurance offices are limited, operation is expected to reach the limit since the number of employees has also increased. Therefore, the method of premium collection is needed once again, and necessary measures for effectiveness should be taken. Since the Mongolian pension system introduces a standard salary concept ranging from MNT 192,000 to MNT 1,920,000, a measure called 'average monthly remuneration' which has been introduced under the Employees' Pension Insurance is worth considering. Such average monthly remuneration is determined by three methods, namely, 'determination upon qualification', 'annual determination', and 'occasional revision', could be the measure that would be supportive for operation of the Mongolian pension system.

Determination upon qualification: Employees need to submit the monthly salary of newly employees to pension offices based on rule of employment and employment contract, and based on their average monthly remuneration is determined.

Annual determination: The report of salaries of employees for three months prior to July is submitted by employees, and the total amount of salary is divided by three to determine the average monthly remuneration.

Occasional revision: In case there is a huge change in the amount of salary due to promotion or demotion, based on the report of employees, the average monthly remuneration can be revised.

Under the Employees' Pension Insurance there are several categories of workers who are not applicable. Table 6-9 shows those workers. Such treatment could be referred when SIGO tries to cover informal sector workers.

Table 6-9 Workers Who Are Not Applicable under Employees' Pension scheme

Workers not applicable under Employees' Pension Insurance	Applicable Conditions
Daily wage workers	If the employment exceeds 1 month, from the day of contract, he/she becomes the insured.
Workers with less than 2 months contract	If the employment exceeds more than contract period, from the day the contract renewed.
Workers employed by workplace without fixed address	-
Seasonal workers (less than 4 months)	If the seasonal employment exceeds 4 months from the beginning, he/she becomes the insured from the 1 st working day.
Workers of workplace on temporary basis (within 6 months)	If the temporary employment exceeds 6 months from the beginning, he/she becomes the insured from the 1 st working day.

(Source: Homepage of Japan Pension Service <http://www.nenkin.go.jp/n/www/service/detail.jsp?id=1962>)

Record keeping is the same. The correction of existing record is the challenge since the Japanese online system was introduced in 1986³⁵. While all the data was kept on paper, such data was converted to electronic data in 1986. Moreover, recent measures in response to information correction are the points that could be referred to for the purpose of record recovery from 1990 to 2000 under the Mongolian pension system. In particular, '*Nenkin Teikibin*' has the potential for confirming actual working records and salary information, promotion of application, and payment of premium by social insurance inspectors³⁶.

Since the activity of public relation is very limited with flyers, necessary information could not be reached to the target people. The Japanese experience of public relations could be referred for the improvement of announcement of changes. Several Japanese measures such as targeting, selection and concentration on information, and techniques of illustration are useful for Mongolian operations.

6.3 Information on Japanese Human Resources Specialized in Pension

Fields of specialty and/or organizational backgrounds of Japanese pension specialists to be consulted or asked to be lecturers when, in the near future, Japan's technical cooperation programs will be discussed,

³⁵ Japanese online system is different from the online system used in Mongolia. The Japanese online system uses a dedicated line designed for the pension system, while the Mongolian online system uses the internet.

³⁶ '*Nenkin Teikibin*' has been issued annually to confirm the actual records of insured persons since April 2004 by the Japan Pension Service. '*Nenkin Teikibin*' contains information, such as (1) Insured Period, (2) Payment record, (3) Expected amount of pension benefit, (4) Total amount of contribution paid, (5) Contribution to the National Pension, (6) Contribution to the Employees' Pension Insurance and average monthly remuneration.

designed and/or implemented for Mongolia are listed in Table 6-9 below. This presentation is definitely dependent upon the Study Team's private opinions and categorized into a general argument and analysis. Therefore, if an aid program is actually implemented, the pension specialized human resources to be consulted or recruited may change according to specific modules of pension systems that structure themes/contents of technical cooperation programs³⁷.

Table 6-10 Candidate Japanese Human Resources for Technical Cooperation Programs in Mongolia—Organizational Backgrounds/Social Status

Fields of Technical Cooperation Assumed for Development of Pension Systems in Mongolia	Japanese Human Resources (Employers/Social Status)
Pension Policies in General	* Pension Bureau, Ministry of Health, Labor and Welfare (MHLW), * Japan Pension Service (JPS), * National Institute of Population and Social Security Research, * Institute of Strategic Solutions for Pension Management, * Academic Experts (University Professors, etc.).
Social Insurance Systems	* JPS, * Institute of Strategic Solutions for Pension Management, * Pension Consultants, * Labor and Social Security Attorneys, * ILO Officials.
Basic Knowledge, Information, Theoretical Framework for Social Insurance Inspectors	* JPS, * Institute of Strategic Solutions for Pension Management, * Pension Consultants.
Practical Operations (Application/Collection/Distribution/Customer Service/Overdue Payment Control, etc.)	* JPS, * Institute of Strategic Solutions for Pension Management, * Pension Consultants, * Labor and Social Security Attorneys.
Online Systems Architecture	* NTT Data Corporation, * Hitachi, Ltd.
Institutional Design, Actuary, etc.	* MHLW (Pension Division, Actuarial Affairs Division), * Institute of Strategic Solutions for Pension Management, * Pension Consultants, * Designers of Corporate Pension Systems in Private Sector.
Fund Management	* GPIF (Management of Investors), * Security Traders/Investment Bankers (incumbent & OB), * Financial Consultants, * Managers of Corporate Pension Funds in Private Sector.

³⁷ Also due to various situations of his/her employers and of himself/herself, the degree of difficulty for participating in a development assistance project varies delicately and individually. So eligible human resources, in terms of experience and ability, working for organizations or as a freelance listed on Table 6-10, cannot be guaranteed, at this stage, to be actually utilized for the programs.

Chapter 7 Recommendations for Japan's Future Cooperation

7.1 Priority Challenges in Mongolia's Pension Systems and Current Status of Donor Support

An analysis of Mongolia's pension systems revealed institutional and operational challenges, as described in 5.3.

The World Bank and other donors have already provided the Mongolian government with technical cooperation supporting institutional improvements, including the establishment of pension policies overall and their improvement (the introduction of a funding method for the insured born on and after 1 January 1960 to the Mongolian pension systems is one of the aid's outcomes). However, the range of the World Bank's aid and the extent of the improvements it effected were limited by budgetary constraints. We have identified five development challenges in the overall pension systems that should be addressed going forward or pursued further.

These are (1) conducting an actuarial review of the pension systems, (2) setting appropriate benefit payment levels (reviewing income substitution rates), (3) adjusting benefit levels between pension systems and other social security systems (e.g. social welfare), (4) carrying out institutional reforms on social-insurance coverage for protection of the insured and (5) examining the approach to pension fund management to stabilize pension financing and improving investment methods. The chronic tight pension finances is the theme running through all of these challenges (of these, (1) and (2) have been covered by aid programs conducted by the World Bank on an ad hoc basis).

While there are many challenges in optimizing pension system operations, only a few aid programs have addressed the operational side, including a project by GIZ to identify the training needs of Mongolia for professional capacity building and technical cooperation by SDC on an ad hoc basis.

The study team identified eight challenges: (1) the lack of systematic training courses tailored to the practical knowledge/experience levels of trainees, (2) inadequate budget allocation for staff training, (3) inadequate operating budget for inspectors' daily activities in villages (Soum), (4) the uniformity of public relation methods on pensions, and the need for an approach focusing attention on the target and timing, (5) establishment of an environment to improve pension premium collection, (6) coordination to increase the number of voluntary subscribers, (7) establishment of records on pension subscribers and pension recipients and (8) lack/shortage of opportunities for cooperation/co-working between MPDSP and SIGO, especially at the level of operational human resources. (Currently it is not enough or adequate to make tasks perceived through on-site operations reflect upon pension policies and, vice versa, to let policy implication to be carefully and thoroughly informed to operational human resources.)

These challenges are so interrelated that it is quite difficult to resolve each challenge separately; rather, a multi-stage and comprehensive approach is required for designing resolutions.

The first priority should be to improve the overall pension systems, including ways of addressing the chronic fiscal crunch. The institutional changes needed to address these challenges should be considered first. However, Mongolia's social security systems, including the pension systems, tend to be influenced by

politics in each national election. The World Bank has already carried out cooperation on actuarial reviews and the resetting of income substitution rates, one of the most essential foundations of pension systems, and a positive environment has not been established in cooperation with other organizations. Of the problems described above, most of the operational challenges involve establishing a working environment that makes it easier to address challenges on the ground and control the situation. Many of these are areas in which JICA excels at evolving projects for technical cooperation.

7.2 Review of Possible Cooperation Projects for Japan

The institutional and operational challenges outlined in 7.1 can be summarized as follows in terms of possibilities for Japan's cooperation.

Institutional challenges	Current donors	Possibility for Japan's cooperation
1. Actuarial review of pension systems	World Bank	-
2. Optimization of benefit payment levels (income substitution rate, etc.)	World Bank	-
3. Coordination of benefits made through other welfare systems, etc.	-	Low
4. System reforms to protect the insured in regards to eligibility for social insurance	-	Low
5. Improvement of pension fund management and institutionalization	-	Difficult

Operational challenges	Current donors	Possibility for Japan's cooperation
1. Improvement in cooperation/co-working between MPDSP and SIGO	-	Yes
2. Extracting of systematic training programs	GIZ ³⁸	Yes
3. Extremely limited budget allocations for training	Other donor	-
4. Limitations on operating budget for social insurance inspectors assigned to villages	-	-
5. Technical improvement in public relation methods targeting nations	-	Yes
6. Environmental arrangement to improve collection rate of pension insurance premium	-	Yes
7. Coordination to increase number of voluntary subscribers	-	Yes
8. Amendment of personal records and establishment of recording systems for the insured and recipients	-	Yes

The World Bank is already providing technical cooperation addressing several institutional challenges, so it is unrealistic for Japan to provide further cooperation in these areas.

³⁸ GIZ's cooperation was simply a study focused on identifying needs, and was not premised on actually carrying out training programs.

Moreover, there is no need at present for Japan to take the lead in providing aid for actuarial reviews since it is ordinarily, in terms of pension administration practices, resolved simultaneously in coordination of benefit-payment rules and mechanism proceeds with other social security systems, such as social welfare.

The Mongolian government is asking JICA for technical cooperation to improve pension fund management. However, pension finances are chronically recording deficit, and barely made surplus once the national government provided financial supports. Moreover, there are constraints on the operational side as a result of macro-economic impediments that are difficult to address with technical cooperation, such as a constantly high inflation rate, weak MNT and the immaturity of Mongolia's financial and capital markets (see Chapter 5 "5.2.3 Overview of the Pension Fund Management" for details). The Mongolian government plans to establish the laws needed to liberalize public-fund investment, and although the government has asked Japan for assistance to support/improve capacity building and fund management, the legal infrastructure and rigid pension policies are not yet realized in Mongolia. In addition, the government does not have a unified view/plan for the establishment of institution(s) responsible for the actual fund investments, and thus is not by any position to be able to provide specific technical assistance on the challenge.

Given the aforementioned conditions, cooperation on the operational side would be the most persuasive as Japan's development aid emphasizes a hands-on approach. Moreover, it can be expected to have practical and remarkable effects in improving the pension systems in the future.

With the exception of budgetary treatments by the Government of Mongolia, many of the challenges would require ongoing aid for a certain period. Accordingly, a technical cooperation project would be the most suitable form, if JICA discusses, designs and implements assistance programs. As noted above, the challenges involved here are interrelated, and their resolution requires a multi-stage and organic approach. Moreover, many of the eight challenges above (with the exception of "7. Establishment of records on pension subscribers and pension recipients") can be addressed by improving the capacity of employees, so a project with a goal of "improving employee capacity" and setting indicators to resolve these challenges will be proposed.

This brings the pension systems to the fore as its overriding theme, but it can also be recognized as a challenge arising due to insufficient experience of many social insurance inspectors. The ability to absorb the content of various programs and use it effectively on the frontlines would primarily benefit the inspectors with limited experience who will be responsible for social insurance administration in the future. Accordingly, the improved capacity of SIGO employees should be supported with (1) OJT and (2) the creation of a sustainable training mechanism.

The table below displays the priorities by challenge, taking into account the budgets and human resources needed for cooperation. The realistic Japanese human resource allocation is outlined below, in ascending order of difficulty to recruit and deploy those resources.

Operational Challenges	Japan's human resources	Priority
1. Improvement in cooperation/co-working between MPDSP and SIGO	Consultant	If possible
2. Establishment of systematic training programs tailored to actual practices	Consultant	Highest priority
5. Technical improvement in public relation methods targeting nations	Consultant	If possible
6. Environmental arrangement to improve collection rate of pension insurance premium	Consultant and Japan Pension Service	Highest priority
7. Coordination to increase number of voluntary subscribers	Consultant and Japan Pension Service	Priority
8. Amendment of personal records and establishment of recording systems for the insured and recipients	Consultant (and company with experience in pension system development)	Priority

7.3 Specific Recommendations for Technical Cooperation Project by Study Team

【Project Background and Needs (Proposal)】

① Current Status and Challenges of Pension Administration in Mongolia

Mongolia shifted from a socialist system to a market economy in 1990, and established the revised the Pension System Law in the same year. In 1994, the government established a series of social insurance laws, which went into effect in 1995. The Social Insurance General Office was established in 1996 to manage and administer the social insurance systems, and took charge of the collection of social insurance premiums and payment of benefits. The NDC pension system was introduced in 1999, in which individuals save insurance premiums in their own pension accounts, and while the current system adopts the Pay-As-You-Go approach to financing, the old (defined benefit pension) and new (defined contribution pension) systems are mixed together.

Mongolia's pension systems have been recording deficits continuously for the past five years, and only stay in the black as a result of premiums from the national treasury. An increase of the working population has led to an increase in pension premium revenue, and benefit payments are increasing at a similar pace. In addition, amount of the minimum benefit and partial pension benefit, when the insured become eligible as recipients, are annually increasing. The fact is one of the main causes of the tight pension financing. The average amount of benefit has increased eight-fold since 14 years ago, which testifies to the stringent fiscal conditions for pensions at present. Effective human resource development through trainings is indispensable for the sustainability of the pension systems, as well as the following factors to be considered as major challenges for improvement of operational management in pension systems: improving basic knowledge and skills of social insurance inspectors stationed in villages (*Soum*) where young officials are concentrated, establishing a practical foundation for securing efficiency of premium

collection, and raising coverage rate by increasing the number of insured corporations and voluntary subscribers.

② Japan and JICA's assistance policy and Achievements

The Country Assistance Policies for Mongolia, which the Japanese government revised in May 2012, puts the priority on “the sustainable development of mineral resources and strengthening governance.” The policy goes on to state that “an increase in annual revenue related to mineral resources leads to long-term economic development, and as a result we provide aid aimed at establishing and stabilizing governance systems, for example, (a) by strengthening fiscal management and financial performance through improved administrative capacity and transparency, (b) by developing human resources with advanced knowledge and techniques, (c) by establishing relevant legal systems, and (d) by improving operational capacity.”

The Ministry of Population Development and Social Protection (MPDSP) has asked that JICA provide technical cooperation for its Social Insurance General Office (SIGO) over the past three years, but as of this point a technical cooperation project has not been approved due to the appropriateness of the cooperation contents and the need for it. As a result, if this project is selected, it will be the first technical cooperation project in the social insurance field in Mongolia.

【Overview of Project Recommended by Study Team (Draft Proposal)】

① Project Objective

This Project aims to improve the capacity of SIGO officials through the acquisition of knowledge and skills in the pension field, the establishment of a practical foundation and improvements to insurance premium collection. The project shall be carried out primarily at the SIGO head office, located in Ulaanbaatar in Mongolia. Accordingly, this would contribute to appropriate and equitable social insurance administration in Mongolia.

② Project site/Name of target region

This Project targets Ulaanbaatar (SIGO) and 21 prefectures as well as districts in Ulaanbaatar (social insurance offices) in Mongolia.

③ Project beneficiaries

Training plan and implementation

About two employees from the Public Administration Department, SIGO, one employee from the Department of Social Insurance Policy Implementation and about 10 instructors from the training center that SIGO plans to set up.

Insurance premium collection

Inspectors assigned throughout the country

④ Implementing organization in partner country

Mongolia's Social Insurance General Office (SIGO)

【Cooperation Framework】

Overview of Cooperation

- 1) Overall Objective: To administer pensions in Mongolia appropriately and equitably
Indicator: To be set in discussion with Mongolia when a detailed plan is established
- 2) Project Purpose: To strengthen SIGO's capacity to implement the pension system and collect insurance premiums
Indicator: To be set in discussion with Mongolia when a detailed plan is established
- 3) Output and activities
Output 1: Basic knowledge and skills related to pension administration are acquired.
Indicator: To be set in discussion with Mongolia when a detailed plan is established
Activity: To be set in discussion with Mongolia when a detailed plan is established

Output 2: The business foundation for the collection of pension insurance and collection procedures are improved.
Indicator: To be set in discussion with Mongolia when a detailed plan is established
Activity: To be set in discussion with Mongolia when a detailed plan is established

Output 3: Pension records are established.
Indicator: To be set in discussion with Mongolia when a detailed plan is established
Activity: To be set in discussion with Mongolia when a detailed plan is established
- 4) Points to note when implementing Project
 - (i) Process for achieving project purpose and overall objective
As noted in the cooperation overview, this Project consists of three outputs. Output 1 is "Basic knowledge and skills related to pension administration are acquired," Output 2 is "The business foundation for the collection of pension insurance and collection procedures are improved" and Output 3 is "Pension records are established." Outputs 1, 2 and 3 are all interrelated, with Output 1 intended to strengthen the basic knowledge and skills of inspectors, and Output 2 aiming to raise the collection rate by improving collection contracts with various groups and collection procedures. Using the example of Japan's pension letter "*Nenkin Teikibin*", in Output 3 Mongolia will set up and utilize its own pension letters (provisional name). This will serve as the basic data needed to improve inspectors' collection, while at the same time being used to optimize the subscription period from 1990 to 2000. By referring to the subscribers and companies, pension subscriber records will be set up.

(ii) Method for human resource development in the pension field

Human resource development will be divided into training for target officials at the headquarters and inspectors so that training on knowledge and practical skills can be tailored to their positions. General inspectors will be trained at the training center to be established. The goal is to train employees able to respond to questions from companies and voluntary subscribers regarding normal eligibility and collection operations in the future.

(iii) Purpose of output review and its importance

Output will be reviewed in March 2018 as an opportunity to perform a final assessment of the extent to which trainees have acquired knowledge and applied skills. After the training is complete, the inspectors will return to their original workplace and engage in their professional duties. Subsequently, the trainees will work with an awareness of cases, questions and challenges related to collection that they experienced in their work. These experiences can be consolidated as case studies and the results used when output are reviewed. The participants will share these experiences at their workplaces with other trainees.

【Prior conditions and external conditions】

- ① Prior conditions for project implementation
 - Counterparts well-versed in social insurance are assigned appropriately
 - Materials, equipments and funding needed for Project implementation are provided
- ② External conditions to achieve outputs
 - Guarantees that budget allocated to SIGO for Project implementation will be continuing
 - No major changes in organization and personnel
 - The insured/companies are motivated to pay delinquent premiums
 - Mongolian economy grows steadily
- ③ External conditions needed to achieve project purpose
 - No major changes in efforts to establish related legislation and regulation
 - Insured follow current social insurance measures
- ④ No major change in policies on social insurance system

7.4 Other aspects to be incorporated in technical cooperation

The following challenges are ones that could not easily be the main themes in an individual technical cooperation project, but that are important qualitative aspects in improving the pension system in Mongolia as examined by the study team through this study. It is expected that these challenges (1) will be transferred as ideas during the detailed design of the training program and other from the design manager to MPDSP/SIGO as challenges to be improved in Mongolia's pension system and (2) purposely

set as an element or basic condition when pursuing projects addressing individual themes through the detailed design and implementation process.

- ① Diversification of insurance premium payment methods: Mongolia's pension system employs a procedure whereby the insured transfers pension premium payments to the designated bank account and brings the transfer statement to the social insurance office to be registered. This process works considerable work, making it a substantial burden for administrators. Japan's national pension system uses a method whereby payments are made based on the payment notice, and payments can be made by automatic bank debit and credit card to make payment more convenient. These methods are extremely effective in ensuring that people do not forget to make their insurance premium payments (however, Mongolia does not have a system of automatic bank debit, and coordination with related institutions is necessary when it is adopted).
- ② Outsourcing of insurance premium collection—Use of industry groups: In Mongolia, which covers a large land area, visiting distant areas to collect insurance premiums is inefficient in terms of cost vs. benefit. For this reason, a method to outsource insurance premium collection to occupational/industry groups will be developed. Introducing/transferring knowledge on contracts to outsource insurance premium collection and putting together work guidelines would be very beneficial for Mongolia.
- ③ Outsourcing of insurance premium collection—Use of former officials: Former SIGO officials will be employed as social insurance system promotion staff (provisional title) when needed on a temporary basis, and these staffs will be commissioned to collect insurance premiums in the area in which they live (a commission system based on the number of subscribers and amount collected would be introduced). This would not only eliminate the problem of a lack of staff, but would eliminate the need to train new hires and could reduce costs.
- ④ Use of information technology and equipments: Almost all herders and self-employed people have mobile phones, reflecting the way in which the population is dispersed throughout this large country. Sending SMS *en bloc* with notices and public information on insurance premium payments would raise the payment rate.
- ⑤ Use of advertising medium (paper): A key point is the extent to which pamphlets and fliers can provide necessary information in a way that is easy to understand. Using techniques to prevent people from throwing it away (for example, including important information that would have a direct benefit so that it is conspicuous) could raise the likelihood that people would actually read the information. Japan has built up its expertise on such PR methods, which can be effectively utilized in Mongolia as well.
- ⑥ Preparation and utilization of teaching materials and manuals: As noted in “5.2.7 Current Situations of Local Cities,” budget constraints have made it impossible to adequately implement systematic training, and it is difficult to acquire knowledge and skills through OJT in regional areas where the lack of staff is particularly acute. Given this, it would be extremely effective to provide

implementation guidelines at the office to serve as a reference manual whenever needed in operations. Moreover, even when implementing training programs based on aid, as long as educational materials are available, copies could be distributed to those needing the training and referred to as a manual in daily operations, while helping to improve one's own knowledge. This would be possible even if tight government finances prevent training from continuing in the future. Japan's pension administration has a rich depository of experience and knowledge on creating educational material and implementation guidelines.

- ⑦ Coordination with public education: Classes on social insurance can be given during the mandatory education period (in terms of timing, the period just before mandatory education ends would be ideal; for some people, it could be part of an orientation just prior to entering society and joining the workforce). This would enhance the knowledge of students and could familiarize students' parents with the requirement to pay insurance premiums.

7.5 Assumed training content (reference)

Target (by rank)	Training content	Duration	Resource (instructor)
Newly recruited official / junior officials (Inspectors)	General education (required for inspectors, including legal compliance, ethics, protection of personal information, customer service, etc.)	Two days	* SIGO officials * Short-term experts (consultants)
	Social insurance theory (basic) (Mongolia's social protection system and its relationship to various systems and social insurance)	Three days	* SIGO officials * MPDSP officials * Short-term experts (consultants, Japan Pension Service, social insurance and labor consultants, ILO employees)
	Social insurance system (Pensions, medical insurance, short-term emergency benefit insurance, unemployment insurance, their roles and current challenges)	Five days	* SIGO officials * Short-term experts (consultants, Japan Pension Service, social insurance and labor consultants, ILO employees)
	Training on application practices (Related laws, application practices, mandatory application, access to informal sector, case studies)	Five days	* SIGO officials * Short-term experts (consultants, Japan Pension Service, social insurance and labor consultants)
	Training on collection practices (Related laws, collection practices, collection of insurance premiums from companies, collection of insurance premiums from voluntary subscribers, case studies)	10 days	* SIGO officials * Mongolia's General Department of Taxation officials * Short-term experts (consultants, Japan Pension Service, social insurance and labor consultants)
	Training on pension payment practices (Related laws, collection practices, collection of insurance premiums from companies, collection of insurance premiums from voluntary subscribers, case studies)	Three days	* SIGO officials * Short-term experts (consultants)
	Training on pension assistance (Assistance practices refer to communication skills, addressing complaints, case studies)	Three days	* Mongolia's General Department of Taxation officials (help center) * SIGO officials

			* Short-term experts (consultants)
	Training on dealing with delinquency (Dealing with delinquency includes issuing collection letters and access to companies, flexible response, case studies)	Five days	* Mongolia's General Department of Taxation (help center) * SIGO officials * Short-term experts (consultants, Japan Pension Service)
	Training on earning certification for issuance of collection letters (Content would include requirements, etc.)	10 days	* SIGO officials (certificate holders)
Mid-ranking employee training	General education (as preparation to become a manager) (Legal compliance, ethics, protection of personal information, customer service, etc.)	Three days	* SIGO officials * Short-term experts (consultants)
	Pension training (practice use) (Application, collection, payment, consultation) Debates on ways to respond using specific cases as examples	Four days	* SIGO officials * Short-term experts (consultants, Japan Pension Service)
	Course for instructor training	10 days	* Short-term experts (consultants, social insurance and labor consultants, ILO officials)

Note: The training content reflects what is deemed possible at this point, and may be added to or deleted based on the detailed design of the content in the future. Moreover, in addition to the above, record management and a Mongolian version of the pension update letter (provisional name) would be effective cooperation content, but is not included as a training item but instead would be addressed as part of technical cooperation. Nevertheless, in the event that a Mongolian version of the pension update letter (provisional name) is introduced, methods for its use would have to be incorporated in one of these courses.

Attachment 1: Schedule of Field Survey

Attachment 1: Schedule of Field Survey

<<First Field Survey>>

Date			Activities
Oct.	13	Mon	Narita - Seoul - Ulaanbaatar
	14	Tue	Meeting with Interpreter Courtesy call on MPDSP Interview with Ms. Munkhzul (MPDSP) Courtesy call on SIGO Courtesy call on JICA Mongolia Office
	15	Wed	Interview at Public Administration Department (SIGO) Site visit at social insurance office in Khan-Uul district Internal meeting
	16	Thu	Interview at Financing and Accounting Department (SIGO) Interview at Social Insurance Policy Implementation Department (SIGO) Interview at Information Technology Center (SIGO)
	17	Fri	Meeting with Ms. Munkhzul (MPDSP) Interview with Mr. Dorfman (World Bank) Internal meeting
	18	Sat	Data analysis
	19	Sun	Internal meeting
	20	Mon	Site visit at social insurance office in Songinokhairkhan district Data analysis
	21	Tue	Internal meeting for DF/R Preparing for site visit
	22	Wed	Site visit at social insurance office in Tuv Aimag Site visit at social insurance office in Bayan soum
	23	Thu	Interview with Mr. Batjargal (SIGO) Writing DF/R
	24	Fri	Interview with the insured (3) Interview with Mr. Bodart (ADB)
	25	Sat	Data analysis
	26	Sun	Internal meeting
	27	Mon	Site visit at social insurance office in Khan-Uul district Interview at the National University of Mongolia
	28	Tue	Internal meeting Meeting with JICA Mongolia Office
	29	Wed	Meeting with Ms. Munkhzul (MPDSP) Meeting with interpreter/translator
	30	Thu	Interview with Mr. Nyamaa (MOF) Interview at General Office for Social Welfare Services
	31	Fri	Interview with Mr. Khuyagtsogt (MOF) Writing DF/R
Nov.	1	Sat	Data analysis
	2	Sun	Internal meeting
	3	Mon	Meeting with interpreter/translator Writing DF/R
	4	Tue	Interview with Mr. Gebhardt (GIZ) Interview with Mr. Batjargal (SIGO) Writing DF/R

Date			Activities
	5	Wed	Writing DF/R Internal meeting (Ms. Nishimagi) Ulaanbaatar - Seoul - Narita
	6	Thu	Reporting at MPDSP
	7	Fri	Reporting at JICA Mongolia Office Reporting at SIGO Writing DF/R
	8	Sat	Internal meeting (Mr. Yonezawa & Mr. Onishi) Ulaanbaatar - Seoul
	9	Sun	(Mr. Yonezawa & Mr. Onishi) Seoul - Narita

<<Second Field Survey>>

Date			Activities
Nov.	20	Thu	(Ms. Nishimagi) Narita - Seoul - Ulaanbaatar
	21	Fri	Meeting with Mr. Dashdondog (MPDSP) TV conference on DF/R at JICA Mongolia Office
	22	Sat	Data analysis Writing DF/R
	23	Sun	(Mr. Onishi) Narita - Seoul - Ulaanbaatar Internal meeting on field trip and seminar Preparing for seminar
	24	Mon	(Mr. Onishi) Field trip to the North (Mr. Yonezawa) Narita - Ulaanbaatar Preparing for seminar Internal meeting
	25	Tue	(Mr. Onishi) Field trip to the North Preparing for seminar
	26	Wed	(Mr. Onishi) Field trip to the North Preparing for seminar
	27	Thu	Meeting with Ms. Munkhzul (MPDSP) Meeting with interpreters
	28	Fri	Seminar Attending at the meeting between MPDSP and JICA
	29	Sat	Internal meeting
Dec.	30	Sun	Data analysis
	1	Mon	Data analysis
	2	Tue	Meeting with Mr. Gebhardt (GIZ)
	3	Wed	Internal meeting Writing F/R
	4	Thu	Reporting at MPDSP & SIGO Reporting at JICA Mongolia Office
	5	Fri	(Mr. Yonezawa) Ulaanbaatar - Narita (Mr. Onishi & Ms. Nishimagi) Ulaanbaatar -Seoul
6	Sat	(Mr. Onishi & Ms. Nishimagi) Seoul - Narita	

Attachment 2: List of Interviewees

Attachment 2: List of Interviewees

Name	Position	
Ministry of Population Development and Social Protection		
B. Otgonjargal	State Secretary	
L. Munkhzul	Director	Social Protection Policy Implementation and Coordination Department
T. Ganzorig	Senior Officer	Social Protection Policy Implementation and Coordination Department
Mr. Dashdondog		
T. Bolormaa	Director,	International Cooperation Division
B. Enkhchimeg	Specialist	Foreign Cooperation Division
Social Insurance General Office		
T. Urtnasan	Director-General	
B. Batbaatar	Director	Department of Social Insurance Policy Implementation
R. Narantsetseg	Director	Public Administration Department
D. Erdenebat	Head of Division	Training and Marketing and Public Relations Division
Ch. Chuluunchimeg	Director	Department of accounting and finance
B. Batjargal	Senior Officer	
G. Naranbaatar	Officer of Foreign relations	
G. Khurelbaatar	Director	Information Technology Centre
Social Insurance Office		
B. Batsuuri	Director	Social Insurance Office of Khan-Uul district
Z. Sergelen	Head of Service	Social Insurance Office of Khan-Uul district
N. Enkhtur	Chairman	Social Insurance Office of Songinokhairkhan district
Ms. Bolormaa		Social Insurance Office in Tuv Aimag
Ms. Uranzaya	Social Insurance Officer	Social Insurance Office in Bayan Soum
Ms. L.Erdenebileg		Social Insurance Office in Darkhan-Uul Aimag
Mr. Uranzaya		Social Insurance Office in Saikhan Soum
Ms. Amarjargal		Social Insurance Office in Bughat Soum
Ms. Ts.Bayarmaa		Social Insurance Office in Bulghan Aimag

Ms. D.Chimgee		Social Insurance Office in Erdenet Aimag
General Office of Social Welfare Services		
Ts. Altanchimeg	Primary Vice Chairman	
Ms. Buyanjargal		Department of Social Welfare Services
Ministry of Finance		
B. Nyamaa	Director General	Financial Policy and Debt Management Department
O. Khuyagsogt	Head of Expenditure Division	Budget Policy and Planning Department
National University of Mongolia		
N. Batnasan	Acting Dean, Professor	Business School
B. Javkhantsogt	Lecturer	Business School, Finance Department
Donor Agencies		
M. Dorfman		World Bank
Ch. Tungalag	Operations Officer	World Bank, Mongolia Office
C. Bodart	Principal Health Specialist	Urban and Social Sectors Division, East Asia Department, ADB
T. Gebhardt	Advisor	Human Resource Management and Social Marketing, GIZ

Attachment 3: List of Collected Documents

Attachment 3: List of Collected Documents

Area	China/Central Asia	Project	Data Collection Survey on National Pension Systems	Type	Sector Survey		Prepared by Project Team
Country	Mongolia			Period	October 2014 - February 2015		

No.	Name of documents	Type	Size	Year	Original/ copy	Q'ty	Source/ Publisher	Purchased/ Donated	File
1	Mongolia: Policy Options For Pension Reform	PDF	A4	2011	E-copy	1	World Bank	Downloaded	
2	Pension Systems in East Asia	PDF	PPT	2006	E-copy	1	Nikko Financial Intelligence Inc.		
3	Country Report Presentation: Mongolia	PDF	A4	2011	E-copy	1	ILO, Ministry of Employment and Labor, Korea Workers' Compensation and Welfare Service		
4	Research Paper: Mongolia's Current Fiscal Situation Review	PDF	A4	2004	E-copy	1	Policy Research Institute		
5	Economic Overview in Mongolia	PDF	A4	2012	E-copy	1	JETRO		
6	Mongolia: Poverty Profile	PDF	A4	2012	E-copy	1	JICA		
7	Report on Data Collection Survey on Social Security in Asia (Summary)	PDF	A4	2012	E-copy	1	JICA		
8	Transition to a market economy and social security in Mongolia	PDF	A4	2005	E-copy	1	Dr. Terukazu Suruga		
9	Law on Social Insurance (English ver. 2001)	PDF	A4	2001	E-copy	1	Ministry of Justice	Donated	
10	Law on Pensions And Benefit Provided by The Fund of Social Insurance (English ver. 2001)	PDF	A4	2001	E-copy	1	Ministry of Justice	Donated	
11	Law on Unemployment Benefit Provided by The Fund of Social Insurance (English ver. 2001)	PDF	A4	2001	E-copy	1	Ministry of Justice	Donated	
12	Law on Benefits Provided by The Fund of Social Insurance against Employment Injury And Occupational Diseases (English ver. 2001)	PDF	A4	2001	E-copy	1	Ministry of Justice	Donated	
13	Law on Individual Pension Insurance Contribution Accounts (English ver. 2001)	PDF	A4	2001	E-copy	1	Ministry of Justice	Donated	
14	Analysis of the Mongolian Pension Insurance Fund: Report on the Baseline PROST Projections from 2013 to 2085	PDF	A4	2014	E-copy	1	Nasir A Whaind, AVIS	Donated	

Attachment 3: List of Collected Documents

Area	China/Central Asia	Project	Data Collection Survey on National Pension Systems	Type	Sector Survey		Prepared by Project Team
Country	Mongolia			Period	October 2014 - February 2015		

No.	Name of documents	Type	Size	Year	Original/copy	Q'ty	Source/ Publisher	Purchased/ Donated	File
15	Final Evaluation Report: Program of Policy and Institutional Reform Options to Establish a Supplementary Private Pension System in Mongolia	Word	A4	2014	E-copy	1	Richard P. Hinz	Donated	
16	(DRAFT) The State Policy on Pension Reform (2015-2030)	Word	A4	2014	E-copy	1	Ministry of Population Development and Social Protection	Donated	
17	Questionnaire for Social Insurance Services	Word	A4	2011	E-copy	1	Social Insurance General Office	Donated	
18	Report on Social Insurance Survey	Word	A4	2011	E-copy	1	Social Insurance General Office	Donated	
19	Pamphlet for Social Insurance Services	Booklet	B5		Original	3	Ulaanbaatar City	Donated	
20	Mongolia Statistics 2013	Booklet/CD	A4	2014	Original	1	Bureau of Statistics	Donated	
21	Social Insurance General Office Guide-Book	Booklet	B5		Original	3	SIGO	Donated	
22	Annual Work Plan for 2014, Public Administration Department, SIGO	Word	A4	2012	E-copy	1	SIGO	Donated	
23	Training Schedule on Social Insurance Services	Word	A4		E-copy	1	SIGO	Donated	
24	Report on the training on pension reforms	Word	A4	2014	E-copy	1	SIGO	Donated	
25	Job Description of Chief Office at Training and Marketing and Public Relations Division, Public Administration Department, SIGO	Word	A4		E-copy	1	SIGO	Donated	
26	Statistics on Social Insurance in Bayan Soum, Tuv	Paper	A4	2014	Copy	1	Bayan Soum, Tuv Aimag	Donated	
27	Instruction for registration for Social Insurance	Paper	-	-	Copy	1	Social Insurance Office in Khan-Uul	Donated	
28	Pamphlet of General Office for Social Welfare Services	Booklet	A4	2014	Original	1	General Office for Social Welfare	Donated	
29	Leaflet of Social Welfare Services (6)	Leaflet	-	2014	Original	1	General Office for Social Welfare	Donated	
30	Curriculum for Business School of National University of Mongolia	Word	A4	2014	E-copy	1	National University of Mongolia	Donated	

Attachment 4: Sample of Pension Letter (*Nenkin Teikibin*)

Attachment 4: Sample of Pension Letter (Nenkin Teikibin)

平成26年度「ねんきん定期便」(50歳未満) 平成26年4月分～

料金後納郵便
親展

○
○
○
○
○

大切なお知らせ

ねんきん定期便

差出人
日本年金機構
Japan Pension Service
〒168-8505 東京都杉並区高井戸西3丁目5番24号

「ご案内は内側にあります。」
矢印の方向へゆっくりはがしてご覧ください。
(水に濡れている場合は、よく乾かしてからおはがしください)

Reference Number

ねんきん定期便

照会番号

1. これまでの年金加入期間 (共済組合の加入期間は含みません。)

国民年金					厚生年金保険	船員保険	年金加入期間 合計 (未納月数を除く)
第1号被保険者 (未納月数を除く)	第3号被保険者	国民年金 合計 (未納月数を除く)					
月	月	月	月	月	月	月	月

Insured Period of Category-1

Insured Period of Category-3

2. これまでの加入実績に応じた

Total Period under Employees' Pension Insurance

(1) これまでの加入実績に応じた老齢基礎年金額	(年額)	円
(2) これまでの加入実績に応じた老齢厚生年金額	(年額)	円
これまでの加入実績に応じた老齢年金額【(1)+(2)】	(年額)	円

Expected amount of pension benefit based on the contribution-paid period

- Amount of Old-age Basic Pension
- Amount of Old-age Employees' Pension

3. これまでの保険料納付額

(1) 国民年金 (第1号被保険者期間の保険料納付額)	(累計額)	円
(2) 厚生年金保険 (厚生年金保険被保険者期間の保険料納付額)	(累計額)	円
これまでの保険料納付額【(1)+(2)】	(累計額)	円

Amount of contribution paid

- Amount of total contribution under National Pension
- Amount of total contribution under Employees' Pension Insurance
- Total Amount

さらに詳しくご自身の年金加入記録をご確認いただく場合は、「ねんきんネット」(裏面参照)をご利用ください。

Recent Payment of contributions

「最近の月別状況です」の見方

国民年金(第1号・第3号)納付状況欄について

納付済	保険料を納めた期間 (保険料が免除や猶予された後に追納した場合も含む)
未納	保険料を納めていない期間
3号	第3号被保険者の期間
全額免除	保険料が全額免除の期間
半額免除	保険料が半額免除され、残りの半額を納めた期間
半額未納	保険料が半額免除されたが、残りの半額を納めていない期間
3/4免除	保険料が3/4免除され、残りの1/4を納めた期間
3/4未納	保険料が3/4免除されたが、残りの1/4を納めていない期間
1/4免除	保険料が1/4免除され、残りの3/4を納めた期間
1/4未納	保険料が1/4免除されたが、残りの3/4を納めていない期間
学生特別等 付加	学生納付特別または若年者納付猶予が認められた期間 付加保険料を納めた期間
未加入	20歳以上40歳未満の期間のうち、どの前号にも加入していなかった期間、または共済組合等に参加していた期間

日本年金機構ホームページのご案内

「ねんきん定期便」の見方、「ねんきんネット」のご利用方法など、日本年金機構のホームページ(<http://www.nenkin.go.jp/>)をご利用ください。

「ねんきんネット」のご利用は、[ねんきんネット](#) [検索](#)

お問い合わせ先

「ねんきん定期便・ねんきんネット専用ダイヤル」

お問い合わせの際は、後面の添付番号もしくは
基礎年金番号をお知らせください。

0570-058-555

※050または070から始まる電話でおかけになる場合は
03-6700-1144

【受付時間】 月～金曜日:午前9時～午後8時まで
土・日曜日:午前9時～午後8時まで
* 祝日、12月29日～1月3日はご利用いただけません。

最近の月別状況です

四半、半年、1年、2年、3年、5年、10年、20年、30年、40年、50年、60年、70年、80年、90年、100年までの期間を
検索してください。

年月 (平成)	国民年金 (第1号・第3号) 納付状況	厚生年金保険	
		標準月額給 (千円)	標準賞与額 (千円)

※納付期限内に保険料を納めた場合であっても(口座振替も同様)、
情報が反映されるまで最大3週間程度かかることがあるため、
「未納」と表示されることがあります。ご注意ください。

気になる年金記録、もう一度ご確認を。

年金記録問題の解決に向けて、これまで「ねんきん特別便」などを
お届けしてまいりました。
2,200万件の持ち主が確認できていない記録が
残っています。
ご自身の年金記録に「もれ」や「誤り」があるのではとご心配の
ある方は、ご確認いただき、お近くの年金事務所等にご相談ください。

不明な記録を
検索できます

すべての期間について加入状況を確認できます。
氏名や生年月日等を入力して検索してください。

アクセスキーで、「ねんきんネット」の登録が
できます

- ご利用登録は、ご自宅などのパソコンで行うことができます。
- ご利用登録には、ご自身の「基礎年金番号」が必要です。

※「基礎年金番号」は、年金手帳や基礎年金番号通知書などに
記載されています。

※「基礎年金番号」が分からない場合は、
- 会社員の方などは、お勤め先の総務関係の部署にお尋ねください。
- 「ねんきん定期便・ねんきんネット専用ダイヤル」にお電話ください。
(後日、基礎年金番号が記載された書類を郵送いたします)

お客様のアクセスキー

「アクセスキー」の有効期間は、本状到着後、3か月です。
(期間後もご利用登録は可能:ユーザID発行に5日程度必要)

Date

National Pension
(Category 1 and 3)

Employees' Pension Insurance

Average

Monthly

Average bonus

Amount of contribution