Success factors of the pension reform

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Similarities of Estonian and Slovak pension reforms

- Three pillars
- Basic institutional set-up of different pillars
- Personal scope

Differences of Estonian and Slovak pension reforms

- Size of the second pillar
  - contribution rate: Slovak 9%, Estonia 6%=4+2%
- Qualification rules for benefits
- Prudential rules
  - Estonia: no limits on investing abroad
  - Slovak: higher allowed share of equities in growth funds
- Guarantees
  - Estonia: no absolute or relative rate of return guarantees
  - Slovakia: relative rate of return guarantee

II pillar - contributions

Social tax by employer
33 %

Health insurance
13 %

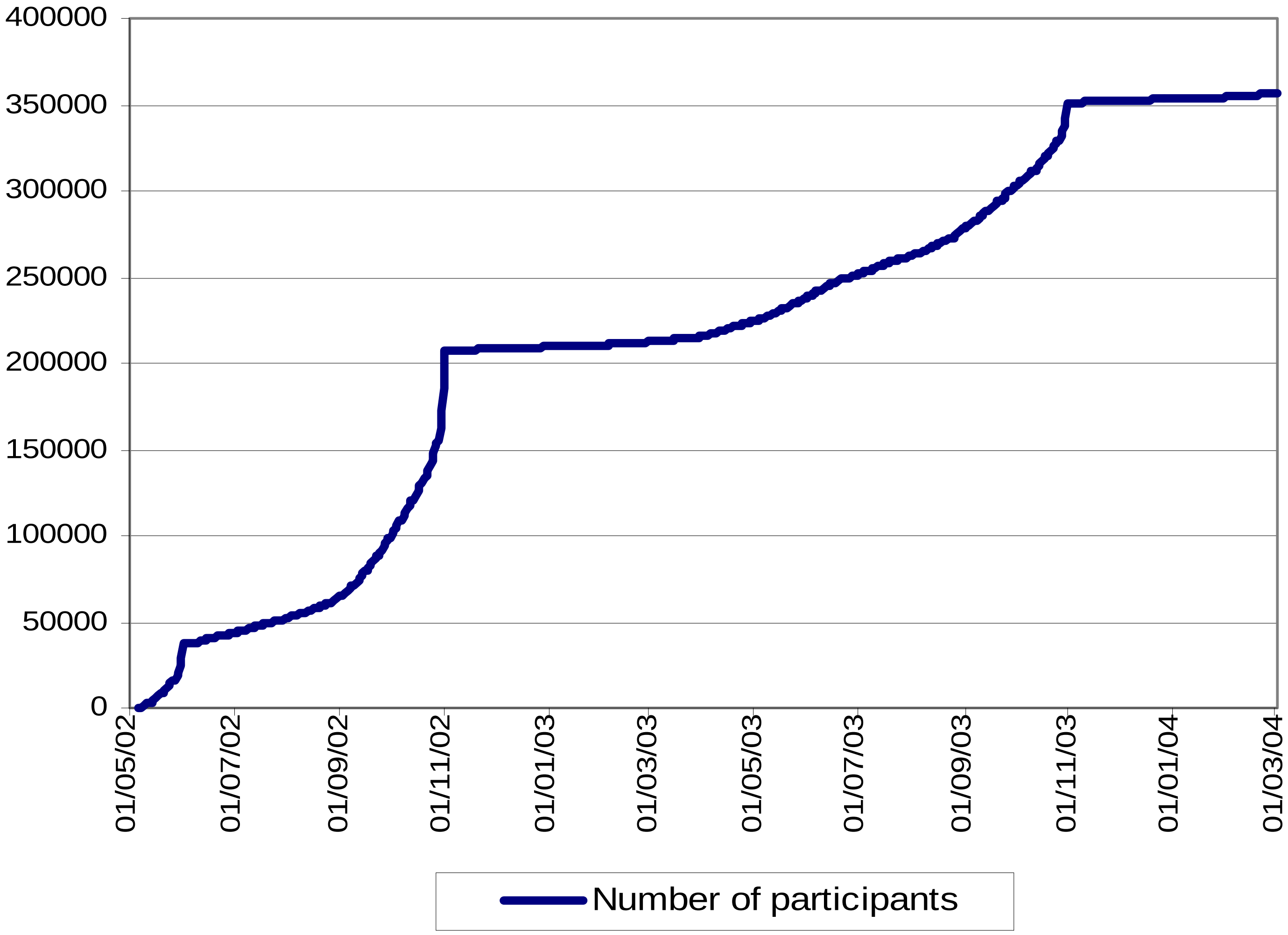
Pension insurance
20 %

I pillar
16 %

II pillar
4 %

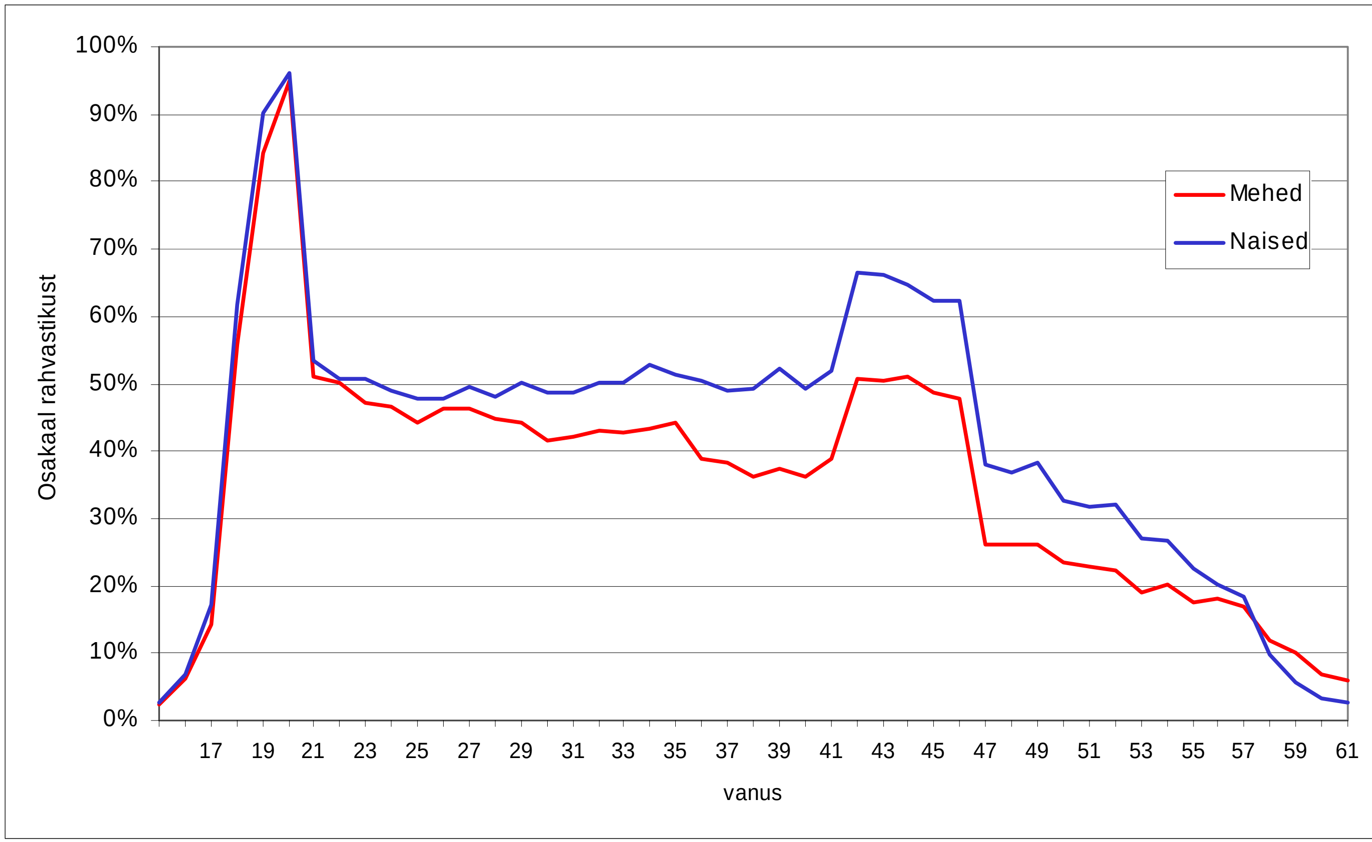
+ 2 %
individual
contribution

Joining the second pillar



Participation in the second pillar

Share of population



Age

Opinion poll in April 2002

- 6 % - intend to join in 2002
- 20 % - intend join later
- 33 % - do not know
- 41 % - probably or surely will not join

Background factors

- Broad political support
- Financial market infrastructure
- Confidence in financial institutions
- The role of the Minister of Social Affairs

Key factors for successful implementation

- **Attractiveness of the reform**
  - Emphasize the opportunities of the second pillar rather than failures of the state pension system
- **Selling of the reform**
  - Proper role division between the state and financial institutions
- **Transparency**
- **Efficient implementing bodies and infrastructure**

Internet

In Estonia, it is possible through Internet to:

- to join the second pillar
- to choose a pension fund
- to check the balance of the pension account
- to see the investment portfolios of pension funds
- to compare the performance of different funds

PensioniKESKUS
TULE PENSIONILE

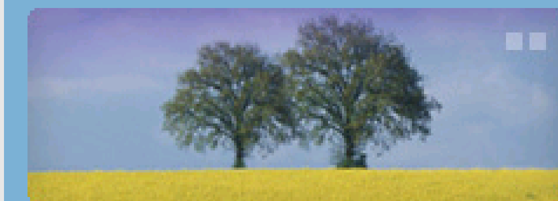
SEARCH

STATISTICS | FOR EMPLOYER | MY ACCOUNT

STATE PENSION

- Estonian pension system
- State pension
- News

FUNDED PENSION



- Mandatory funded pension
- Payments
- Central Register of Securities
- Funds
- News

SUPPLEMENTARY FUNDED PENSION

- Supplementary funded pension
- Joining
- Payments
- Funds
- Insurances
- News

NEWS

- **Investments of pension funds in CEE countries** (31.01.2004)
- **HEX Tallinn reports improved turnover, profit** (30.01.2004)
- **351,164 people have joined the funded pension system** (11.11.2003)
- **Estonian pension reform one of the most successful in Europe** (04.11.2003)

SUBSCRIPTION QUERY

Insert ID-code:

OK

- Mass query

STATISTICS

EPI **112.98** -0.212
Time *16.03.2004*

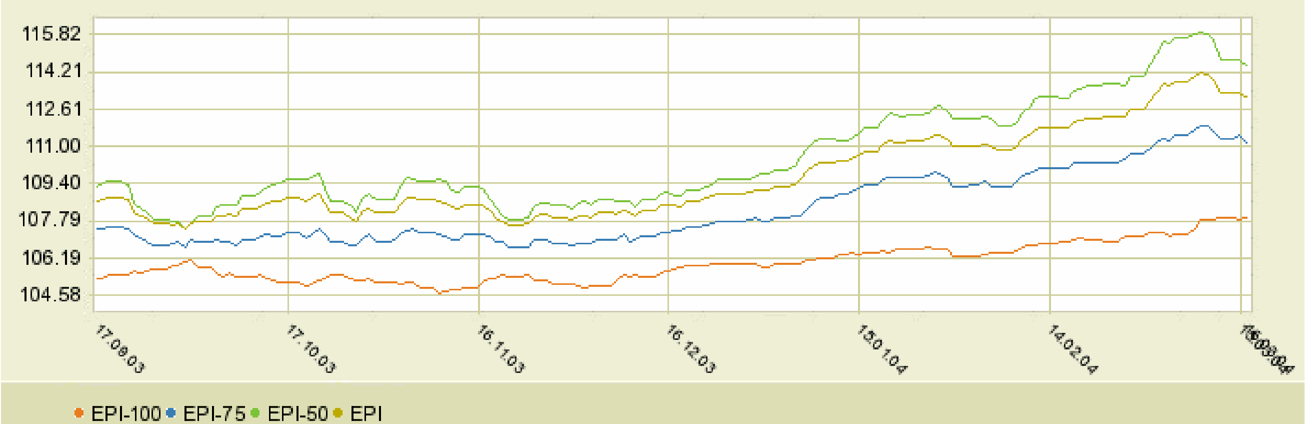
No. of subscribers
357909 persons

- Fund statistics
- EPI schedule

www.pensionikeskus.ee

Indexes of Funded Pension

Indexes of Funded Pension



	Period from (2003-09-17)	Period to (2004-03-16)	Change
EPI	108.47	112.99	4.52
EPI-100	105.14	107.77	2.63
EPI-50	109.12	114.37	5.25
EPI-75	107.30	111.06	3.76

Period from 17 September 2003

Period to 16 March 2004